

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-160228

DOCKET NO. UG-160229

EXHIBIT NO. ____ (AMM-17)

ADRIEN M. MCKENZIE, CFA

REPRESENTING AVISTA CORPORATION

TREASURY BOND YIELD

	(a) Treasury Bond Yield	(a) Authorized Electric Returns	(a) Indicated Risk Premium
1986	7.80%	13.93%	6.13%
1987	8.58%	12.99%	4.41%
1988	8.96%	12.79%	3.83%
1989	8.45%	12.97%	4.52%
1990	8.61%	12.70%	4.09%
1991	8.14%	12.55%	4.41%
1992	7.67%	12.09%	4.42%
1993	6.60%	11.41%	4.81%
1994	7.37%	11.34%	3.97%
1995	6.88%	11.55%	4.67%
1996	6.70%	11.39%	4.69%
1997	6.61%	11.40%	4.79%
1998	5.58%	11.66%	6.08%
1999	5.87%	10.77%	4.90%
2000	5.94%	11.43%	5.49%
2001	5.49%	11.09%	5.60%
2002	5.43%	11.16%	5.73%
2003	4.96%	10.97%	6.01%
2004	5.05%	10.75%	5.70%
2005	4.65%	10.54%	5.89%
2006	4.99%	10.34%	5.35%
2007	4.83%	10.31%	5.48%
2008	4.28%	10.37%	6.09%
2009	4.07%	10.52%	6.45%
2010	4.25%	10.29%	6.04%
2011	3.91%	10.19%	6.28%
2012	2.92%	10.01%	7.09%
2013	3.45%	9.81%	6.36%
2014	3.34%	9.75%	6.41%
2015	2.84%	9.60%	6.76%
2016(thru 2Q)	2.64%	9.52%	6.88%
AVERAGE	5.70%	11.17%	5.46%

IMPLIED COST OF EQUITY

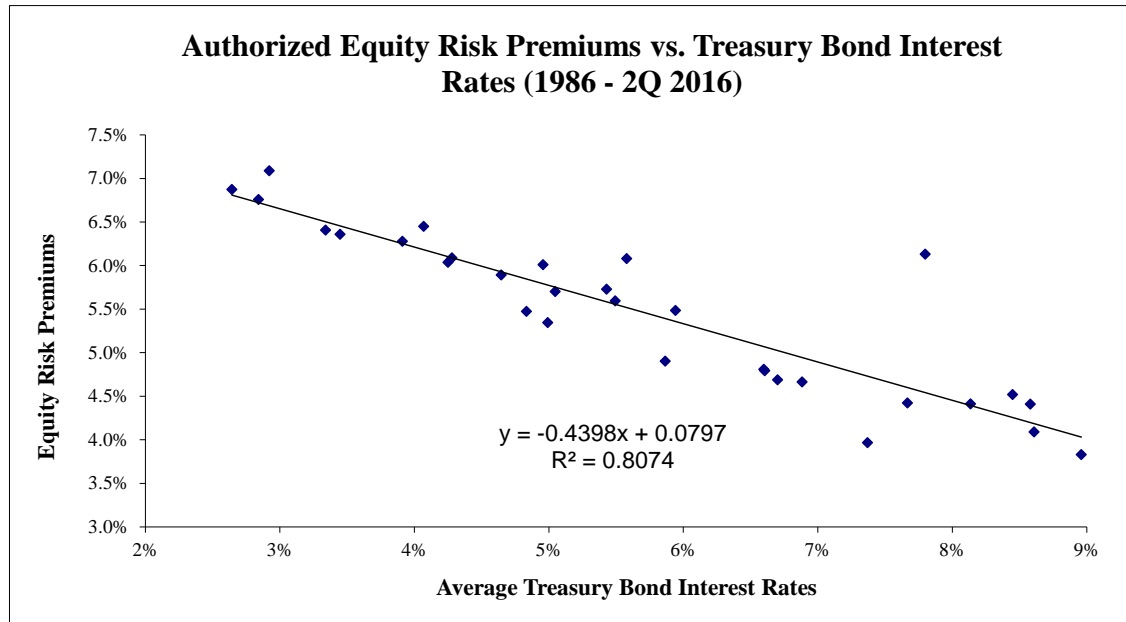
Projected Treasury Bond Yield (b)	3.40%
Average Treasury Bond Yield Over Study Period	5.70%
Change in Bond Yield	-2.30%
Risk Premium/Interest Rate Coefficient (c)	-43.98%
Adjustment to Study Period Risk Premium	1.01%
Average Risk Premium Over Study Period	5.46%
Interest Rate Adjustment	1.01%
Adjusted Equity Risk Premium	6.48%
Projected Treasury Bond Yield (b)	3.40%
Implied Cost of Equity	9.88%

(a) Exhibit NWIGU-CUB/113.

(b) See Gorman page 36, lines 16-19 for Projected Treasury Bond Yield .

(c) See regression data on page 2 of this Exhibit.

REGRESSION OUTPUT - TREASURY BOND YIELD



SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.89856276
R Square	0.807415033
Adjusted R Square	0.800774172
Standard Error	0.004094355
Observations	31

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.002038184	0.002038184	121.5828852	6.87369E-12
Residual	29	0.000486149	1.67637E-05		
Total	30	0.002524333			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.07971628	0.002391259	33.33652397	1.12225E-24	0.074825605	0.084606954	0.074825605	0.084606954
X Variable 1	-0.439799826	0.039885848	-11.02646295	6.87369E-12	-0.521375545	-0.35822411	-0.521375545	-0.358224108

UTILITY BOND YIELD

	(a) Moody's "A" Rated Public Utility Bond Yield	(a) Authorized Electric Returns	(a) Indicated Risk Premium
1986	9.58%	13.93%	4.35%
1987	10.10%	12.99%	2.89%
1988	10.49%	12.79%	2.30%
1989	9.77%	12.97%	3.20%
1990	9.86%	12.70%	2.84%
1991	9.36%	12.55%	3.19%
1992	8.69%	12.09%	3.40%
1993	7.59%	11.41%	3.82%
1994	8.31%	11.34%	3.03%
1995	7.89%	11.55%	3.66%
1996	7.75%	11.39%	3.64%
1997	7.60%	11.40%	3.80%
1998	7.04%	11.66%	4.62%
1999	7.62%	10.77%	3.15%
2000	8.24%	11.43%	3.19%
2001	7.76%	11.09%	3.33%
2002	7.37%	11.16%	3.79%
2003	6.58%	10.97%	4.39%
2004	6.16%	10.75%	4.59%
2005	5.65%	10.54%	4.89%
2006	6.07%	10.34%	4.27%
2007	6.07%	10.31%	4.24%
2008	6.53%	10.37%	3.84%
2009	6.04%	10.52%	4.48%
2010	5.46%	10.29%	4.83%
2011	5.04%	10.19%	5.15%
2012	4.13%	10.01%	5.88%
2013	4.48%	9.81%	5.33%
2014	4.28%	9.75%	5.47%
2015	4.12%	9.60%	5.48%
2016(thru 2Q)	4.04%	9.52%	5.48%
AVERAGE	7.09%	11.17%	4.08%

INDICATED COST OF EQUITY

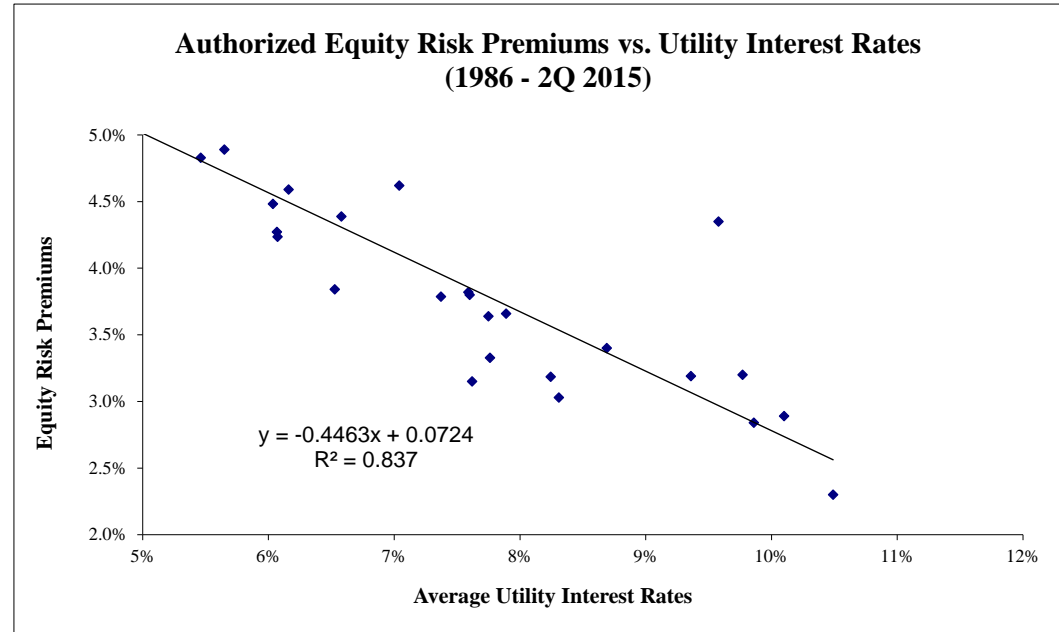
Current Baa Utility Bond Yield	4.43%
Average Treasury Bond Yield Over Study Period	7.09%
Change in Bond Yield	-2.66%
Risk Premium/Interest Rate Coefficient (c)	-44.63%
Adjustment to Study Period Risk Premium	1.19%
Average Risk Premium Over Study Period	4.08%
Interest Rate Adjustment	1.19%
Adjusted Equity Risk Premium	5.27%
Current Baa Utility Bond Yield	4.43%
Implied Cost of Equity	9.70%

(a) Exhibit NWIGU-CUB/114.

(b) NWIGU-CUB/100, Gorman/36, lines 21-23.

(c) See regression data on page 4 of this Exhibit.

REGRESSION OUTPUT - UTILITY BOND YIELD



SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.914889632
R Square	0.837023038
Adjusted R Square	0.831403143
Standard Error	0.003832352
Observations	31

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.002187459	0.002187459	148.9392604	6.00856E-13
Residual	29	0.000425921	1.46869E-05		
Total	30	0.00261338			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.0724385	0.002681157	27.01763141	4.13583E-22	0.066954919	0.07792208	0.066954919	0.07792208
X Variable 1	-0.446293382	0.036569233	-12.20406737	6.00856E-13	-0.521085862	-0.371500903	-0.521085862	-0.371500903