Exhibit No. ___ (WEA-2)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09_____

DOCKET NO. UG-09_____

EXHIBIT NO._____(WEA-2)

WILLIAM E. AVERA

REPRESENTING AVISTA CORPORATION

EXHIBIT NO.___(WEA-2)

QUALIFICATIONS OF WILLIAM E. AVERA

Q. What is the purpose of this exhibit?

A. This exhibit describes my background and experience and contains the details of my qualifications.

Q. What are your qualifications?

A. I received a B.A. degree with a major in economics from Emory University. After serving in the U.S. Navy, I entered the doctoral program in economics at the University of North Carolina at Chapel Hill. Upon receiving my Ph.D., I joined the faculty at the University of North Carolina and taught finance in the Graduate School of Business. I subsequently accepted a position at the University of Texas at Austin where I taught courses in financial management and investment analysis. I then went to work for International Paper Company in New York City as Manager of Financial Education, a position in which I had responsibility for all corporate education programs in finance, accounting, and economics.

In 1977, I joined the staff of the Public Utility Commission of Texas (PUCT) as Director of the Economic Research Division. During my tenure at the PUCT, I managed a division responsible for financial analysis, cost allocation and rate design, economic and financial research, and data processing systems, and I testified in cases on a variety of financial and economic issues. Since leaving the PUCT, I have been engaged as a consultant. I have participated in a wide range of assignments involving utility-related matters on behalf of utilities, industrial customers, municipalities, and regulatory commissions. I have previously testified before the Federal Energy Regulatory Commission ("FERC"), as well as the Federal

Communications Commission ("FCC"), the Surface Transportation Board (and its predecessor, the Interstate Commerce Commission), the Canadian Radio-Television and Telecommunications Commission, and regulatory agencies, courts, and legislative committees in 39 states.

In 1995, I was appointed by the PUCT to the Synchronous Interconnection Committee to advise the Texas legislature on the costs and benefits of connecting Texas to the national electric transmission grid. In addition, I served as an outside director of Georgia System Operations Corporation, the system operator for electric cooperatives in Georgia.

I have served as Lecturer in the Finance Department at the University of Texas at Austin and taught in the evening graduate program at St. Edward's University for twenty years. In addition, I have lectured on economic and regulatory topics in programs sponsored by universities and industry groups. I have taught in hundreds of educational programs for financial analysts in programs sponsored by the Association for Investment Management and Research, the Financial Analysts Review, and local financial analysts societies. These programs have been presented in Asia, Europe, and North America, including the Financial Analysts Seminar at Northwestern University. I hold the Chartered Financial Analyst (CFA®) designation and have served as Vice President for Membership of the Financial Management Association. I have also served on the Board of Directors of the North Carolina Society of Financial Analysts. I was elected Vice Chairman of the National Association of Regulatory Commissioners ("NARUC") Subcommittee on Economics and appointed to NARUC's Technical Subcommittee on the National Energy Act. I have also served as an officer of various other professional organizations and societies. A resume containing the details of my experience and qualifications is attached.

WILLIAM E. AVERA

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Summary of Qualifications

Ph.D. in economics and finance; Chartered Financial Analyst (CFA ®) designation; extensive expert witness testimony before courts, alternative dispute resolution panels, regulatory agencies and legislative committees; lectured in executive education programs around the world on ethics, investment analysis, and regulation; undergraduate and graduate teaching in business and economics; appointed to leadership positions in government, industry, academia, and the military.

Employment

Principal, FINCAP, Inc. (Sep. 1979 to present)	Financial, economic and policy consulting to business and government. Perform business and public policy research, cost/benefit analyses and financial modeling, valuation of businesses (over 150 entities valued), estimation of damages, statistical and industry studies. Provide strategy advice and educational services in public and private sectors, and serve as expert witness before regulatory agencies, legislative committees, arbitration panels, and courts.
Director, Economic Research Division, Public Utility Commission of Texas (Dec. 1977 to Aug. 1979)	Responsible for research and testimony preparation on rate of return, rate structure, and econometric analysis dealing with energy, telecommunications, water and sewer utilities. Testified in major rate cases and appeared before legislative committees and served as Chief Economist for agency. Administered state and federal grant funds. Communicated frequently with political leaders and representatives from consumer groups, media, and investment community.
Manager, Financial Education, International Paper Company New York City (Feb. 1977 to Nov. 1977)	Directed corporate education programs in accounting, finance, and economics. Developed course materials, recruited and trained instructors, liaison within the company and with academic institutions. Prepared operating budget and designed financial controls for corporate professional development program.
Lecturer in Finance,	

The University of Texas at Austin (Sep. 1979 to May 1981) Assistant Professor of Finance, (Sep. 1975 to May 1977)	Taught graduate and undergraduate courses in financial management and investment theory. Conducted research in business and public policy. Named Outstanding Graduate Business Professor and received various administrative appointments.
Assistant Professor of Business, University of North Carolina at Chapel Hill (Sep. 1972 to Jul. 1975)	Taught in BBA, MBA, and Ph.D. programs. Created project course in finance, Financial Management for Women, and participated in developing Small Business Management sequence. Organized the North Carolina Institute for Investment Research, a group of financial institutions that supported academic research. Faculty advisor to the Media Board, which funds student publications and broadcast stations.

Education

Ph.D., Economics and Finance, University of North Carolina at Chapel Hill (Jan. 1969 to Aug. 1972)	Elective courses included financial management, public finance, monetary theory, and econometrics. Awarded the Stonier Fellowship by the American Bankers' Association and University Teaching Fellowship. Taught statistics, macroeconomics, and microeconomics. Dissertation: *The Geometric Mean Strategy as a Theory of Multiperiod Portfolio Choice*
B.A., Economics, Emory University, Atlanta, Georgia (Sep. 1961 to Jun. 1965)	Active in extracurricular activities, President of the Barkley Forum (debate team), Emory Religious Association, and Delta Tau Delta chapter. Individual awards and team championships at national collegiate debate tournaments.

Professional Associations

Received Chartered Financial Analyst (CFA) designation in 1977; Vice President for Membership, Financial Management Association; President, Austin Chapter of Planning Executives Institute; Board of Directors, North Carolina Society of Financial Analysts; Candidate Curriculum Committee, Association for Investment Management and Research; Executive Committee of Southern Finance Association; Vice Chair, Staff Subcommittee on Economics and National Association of Regulatory Utility Commissioners (NARUC); Appointed to NARUC Technical Subcommittee on the National Energy Act.

Teaching in Executive Education Programs

University-Sponsored Programs: Central Michigan University, Duke University, Louisiana State University, National Defense University, National University of Singapore, Texas A&M University, University of Kansas, University of North Carolina, University of Texas.

Business and Government-Sponsored Programs: Advanced Seminar on Earnings Regulation, American Public Welfare Association, Association for Investment Management and Research, Congressional Fellows

Program, Cost of Capital Workshop, Electricity Consumers Resource Council, Financial Analysts Association of Indonesia, Financial Analysts Review, Financial Analysts Seminar at Northwestern University, Governor's Executive Development Program of Texas, Louisiana Association of Business and Industry, National Association of Purchasing Management, National Association of Tire Dealers, Planning Executives Institute, School of Banking of the South, State of Wisconsin Investment Board, Stock Exchange of Thailand, Texas Association of State Sponsored Computer Centers, Texas Bankers' Association, Texas Bar Association, Texas Savings and Loan League, Texas Society of CPAs, Tokyo Association of Foreign Banks, Union Bank of Switzerland, U.S. Department of State, U.S. Navy, U.S. Veterans Administration, in addition to Texas state agencies and major corporations.

Presented papers for Mills B. Lane Lecture Series at the University of Georgia and Heubner Lectures at the University of Pennsylvania. Taught graduate courses in finance and economics in evening program at St. Edward's University in Austin from January 1979 through 1998.

Expert Witness Testimony

Testified in over 250 cases before regulatory agencies addressing cost of capital, regulatory policy, rate design, and other economic and financial issues.

Federal Agencies: Federal Communications Commission, Federal Energy Regulatory Commission, Surface Transportation Board, Interstate Commerce Commission, and the Canadian Radio-Television and Telecommunications Commission.
State Regulatory Agencies: Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Missouri, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Testified in 41 cases before federal and state courts, arbitration panels, and alternative dispute tribunals (86 depositions given) regarding damages, valuation, antitrust liability, fiduciary duties, and other economic and financial issues.

Board Positions and Other Professional Activities

Audit Committee and Outside Director, Georgia System Operations Corporation (electric system operator for member-owned electric cooperatives in Georgia); Chairman, Board of Print Depot, Inc. and FINCAP, Inc.; Co-chair, Synchronous Interconnection Committee, appointed by Public Utility Commission of Texas and approved by governor; Appointed by Hays County Commission to Citizens Advisory Committee of Habitat Conservation Plan, Operator of AAA Ranch, a certified organic producer of agricultural products; Appointed to Organic Livestock Advisory Committee by Texas Agricultural Commissioner Susan Combs; Appointed by Texas Railroad Commissioners to study group for *The UP/SP Merger: An Assessment of the Impacts on the State of Texas; A*ppointed by Hawaii Public Utilities Commission to team reviewing affiliate relationships of Hawaiian Electric Industries; Chairman, Energy Task Force, Greater Austin-San Antonio Corridor Council; Consultant to Public Utility Commission of Texas on cogeneration policy and other matters; Consultant to Public Service Commission of New Mexico on cogeneration policy; Evaluator of Energy Research Grant Proposals for Texas Higher Education Coordinating Board.

Community Activities

Board Member, Sustainable Food Center; Chair, Board of Deacons, Finance Committee, and Elder, Central Presbyterian Church of Austin; Founding Member, Orange-Chatham County (N.C.) Legal Aid Screening Committee.

Military

Captain, U.S. Naval Reserve (retired after 28 years service); Commanding Officer, Naval Special Warfare Engineering Support Unit; Officer-in-charge of SWIFT patrol boat in Vietnam; Enlisted service as weather analyst (advanced to second class petty officer).

Bibliography

Monographs

Ethics and the Investment Professional (video, workbook, and instructor's guide) and *Ethics Challenge Today* (video), Association for Investment Management and Research (1995)

"Definition of Industry Ethics and Development of a Code" and "Applying Ethics in the Real World," in *Good Ethics: The Essential Element of a Firm's Success*, Association for Investment Management and Research (1994)

"On the Use of Security Analysts' Growth Projections in the DCF Model," with Bruce H. Fairchild in *Earnings Regulation Under Inflation*, J. R. Foster and S. R. Holmberg, eds. Institute for Study of Regulation (1982)

An Examination of the Concept of Using Relative Customer Class Risk to Set Target Rates of Return in Electric Cost-of-Service Studies, with Bruce H. Fairchild, Electricity Consumers Resource Council (ELCON) (1981); portions reprinted in *Public Utilities Fortnightly* (Nov. 11, 1982)

"Usefulness of Current Values to Investors and Creditors," *Research Study on Current-Value Accounting Measurements and Utility*, George M. Scott, ed., Touche Ross Foundation (1978)

"The Geometric Mean Strategy and Common Stock Investment Management," with Henry A. Latané in *Life Insurance Investment Policies*, David Cummins, ed. (1977)

Investment Companies: Analysis of Current Operations and Future Prospects, with J. Finley Lee and Glenn L. Wood, American College of Life Underwriters (1975)

Articles

"Should Analysts Own the Stocks they Cover?" *The Financial Journalist*, (March 2002)

"Liquidity, Exchange Listing, and Common Stock Performance," with John C. Groth and Kerry Cooper, *Journal of Economics and Business* (Spring 1985); reprinted by National Association of Security Dealers

"The Energy Crisis and the Homeowner: The Grief Process," *Texas Business Review* (Jan.–Feb. 1980); reprinted in *The Energy Picture: Problems and Prospects*, J. E. Pluta, ed., Bureau of Business Research (1980)

"Use of IFPS at the Public Utility Commission of Texas," *Proceedings of the IFPS Users Group Annual Meeting* (1979)

"Production Capacity Allocation: Conversion, CWIP, and One-Armed Economics," *Proceedings of the NARUC Biennial Regulatory Information Conference* (1978)

"Some Thoughts on the Rate of Return to Public Utility Companies," with Bruce H. Fairchild in *Proceedings of the NARUC Biennial Regulatory Information Conference* (1978)

"A New Capital Budgeting Measure: The Integration of Time, Liquidity, and Uncertainty," with David Cordell in *Proceedings of the Southwestern Finance Association* (1977)

"Usefulness of Current Values to Investors and Creditors," in *Inflation Accounting/Indexing and Stock Behavior* (1977)

"Consumer Expectations and the Economy," *Texas Business Review* (Nov. 1976)

"Portfolio Performance Evaluation and Long-run Capital Growth," with Henry A. Latané in *Proceedings of the Eastern Finance Association* (1973)

Book reviews in *Journal of Finance* and *Financial Review*. Abstracts for *CFA Digest*. Articles in *Carolina Financial Times*.

Selected Papers and Presentations

"The Who, What, When, How, and Why of Ethics", San Antonio Financial Analysts Society (Jan. 16, 2002). Similar presentation given to the Austin Society of Financial Analysts (Jan. 17, 2002)

"Ethics for Financial Analysts," Sponsored by Canadian Council of Financial Analysts: delivered in Calgary, Edmonton, Regina, and Winnipeg, June 1997. Similar presentations given to Austin Society of Financial Analysts (Mar. 1994), San Antonio Society of Financial Analysts (Nov. 1985), and St. Louis Society of Financial Analysts (Feb. 1986)

"Cost of Capital for Multi-Divisional Corporations," Financial Management Association, New Orleans, Louisiana (Oct. 1996)

"Ethics and the Treasury Function," Government Treasurers Organization of Texas, Corpus Christi, Texas (Jun. 1996)

"A Cooperative Future," Iowa Association of Electric Cooperatives, Des Moines (December 1995). Similar presentations given to National G & T Conference, Irving, Texas (June 1995), Kentucky Association of Electric Cooperatives Annual Meeting, Louisville (Nov. 1994), Virginia, Maryland, and Delaware Association of Electric Cooperatives Annual Meeting, Richmond (July 1994), and Carolina Electric Cooperatives Annual Meeting, Raleigh (Mar. 1994)

"Information Superhighway Warnings: Speed Bumps on Wall Street and Detours from the Economy," Texas Society of Certified Public Accountants Natural Gas, Telecommunications and Electric Industries Conference, Austin (Apr. 1995)

"Economic/Wall Street Outlook," Carolinas Council of the Institute of Management Accountants, Myrtle Beach, South Carolina (May 1994). Similar presentation given to Bell Operating Company Accounting Witness Conference, Santa Fe, New Mexico (Apr. 1993)

"Regulatory Developments in Telecommunications," Regional Holding Company Financial and Accounting Conference, San Antonio (Sep. 1993)

"Estimating the Cost of Capital During the 1990s: Issues and Directions," The National Society of Rate of Return Analysts, Washington, D.C. (May 1992)

"Making Utility Regulation Work at the Public Utility Commission of Texas," Center for Legal and Regulatory Studies, University of Texas, Austin (June 1991)

"Can Regulation Compete for the Hearts and Minds of Industrial Customers," Emerging Issues of Competition in the Electric Utility Industry Conference, Austin (May 1988)

"The Role of Utilities in Fostering New Energy Technologies," Emerging Energy Technologies in Texas Conference, Austin (Mar. 1988)

"The Regulators' Perspective," Bellcore Economic Analysis Conference, San Antonio (Nov. 1987)

"Public Utility Commissions and the Nuclear Plant Contractor," Construction Litigation Superconference, Laguna Beach, California (Dec. 1986)

"Development of Cogeneration Policies in Texas," University of Georgia Fifth Annual Public Utilities Conference, Atlanta (Sep. 1985)

"Wheeling for Power Sales," Energy Bureau Cogeneration Conference, Houston (Nov. 1985).

"Asymmetric Discounting of Information and Relative Liquidity: Some Empirical Evidence for Common Stocks" (with John Groth and Kerry Cooper), Southern Finance Association, New Orleans (Nov. 1982)

"Used and Useful Planning Models," Planning Executive Institute, 27th Corporate Planning Conference, Los Angeles (Nov. 1979)

"Staff Input to Commission Rate of Return Decisions," The National Society of Rate of Return Analysts, New York (Oct. 1979)

"Electric Rate Design in Texas," Southwestern Economics Association, Fort Worth (Mar. 1979)

"Discounted Cash Life: A New Measure of the Time Dimension in Capital Budgeting," with David Cordell, Southern Finance Association, New Orleans (Nov. 1978)

"The Relative Value of Statistics of Ex Post Common Stock Distributions to Explain Variance," with Charles G. Martin, Southern Finance Association, Atlanta (Nov. 1977)

"An ANOVA Representation of Common Stock Returns as a Framework for the Allocation of Portfolio Management Effort," with Charles G. Martin, Financial Management Association, Montreal (Oct. 1976)

"A Growth-Optimal Portfolio Selection Model with Finite Horizon," with Henry A. Latané, American Finance Association, San Francisco (Dec. 1974)

"An Optimal Approach to the Finance Decision," with Henry A. Latané, Southern Finance Association, Atlanta (Nov. 1974)

"A Pragmatic Approach to the Capital Structure Decision Based on Long-Run Growth," with Henry A. Latané, Financial Management Association, San Diego (Oct. 1974)

"Multi-period Wealth Distributions and Portfolio Theory," Southern Finance Association, Houston (Nov. 1973)

"Growth Rates, Expected Returns, and Variance in Portfolio Selection and Performance Evaluation," with Henry A. Latané, Econometric Society, Oslo, Norway (Aug. 1973)

Exhibit No. ___ (WEA-3)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09_____

DOCKET NO. UG-09_____

EXHIBIT NO._____(WEA-3)

WILLIAM E. AVERA

REPRESENTING AVISTA CORPORATION

EXHIBIT NO.___(WEA-3)

DESCRIPTIONS OF QUANTITATIVE ANALYSES

Q. What is the purpose of this schedule?

A. Exhibit No.___(WEA-2) presents capital market estimates of the cost of equity. First, I examine the concept of the cost of equity, along with the risk-return tradeoff principle fundamental to capital markets. Next, I describe DCF, CAPM, and comparable earnings analyses conducted to estimate the cost of equity for reference groups of comparable risk firms.

A. Overview

Q. What role does the rate of return on common equity play in a utility's rates?

A. The return on common equity is the cost of inducing and retaining investment in the utility's physical plant and assets. This investment is necessary to finance the asset base needed to provide utility service. Investors will commit money to a particular investment only if they expect it to produce a return commensurate with those from other investments with comparable risks. Moreover, the return on common equity is integral in achieving the sound regulatory objectives of rates that are sufficient to: 1) fairly compensate capital investment in the utility, 2) enable the utility to offer a return adequate to attract new capital on reasonable terms, and 3) maintain the utility's financial integrity. Meeting these objectives allows the utility to fulfill its obligation to provide reliable service while meeting the needs of customers through necessary system expansion.

Q. What fundamental economic principle underlies any evaluation of investors' required return on equity?

A. The fundamental economic principle underlying the cost of equity concept is the notion that investors are risk averse. The required rate of return for a particular asset at any point in time is a function of: 1) the yield on risk-free assets, and 2) its relative risk, with investors demanding correspondingly larger risk premiums for assets bearing greater risk. Given this risk-return tradeoff, the required rate of return (k) from an asset (i) can be generally expressed as:

$$k_i = R_f + RP_i$$

where: R_f = Risk-free rate of return; and
RP_i = Risk premium required to hold risky asset i.

Thus, the required rate of return for a particular asset at any point in time is a function of: 1) the yield on risk-free assets, and 2) its relative risk, with investors demanding correspondingly larger risk premiums for assets bearing greater risk.

Because common shareholders have the lowest priority claim on a firm's cash flows, they receive only the residual that remains after all other claimants (employees, suppliers, governments, lenders) have been paid. As a result, the rate of return that investors require from a utility's common stock, the most junior and riskiest of its securities, is considerably higher than the yield on the utility's long-term debt.

Q. Is the cost of equity observable in the capital markets?

A. No. Unlike debt capital, there is no contractually guaranteed return on common equity capital since shareholders are the residual owners of the utility. Because it is unobservable, the cost of equity for a particular utility must be estimated by analyzing

information about capital market conditions generally, assessing the relative risks of the company specifically, and employing various quantitative methods that focus on investors' current required rates of return. These various quantitative methods typically attempt to infer investors' required rates of return from stock prices, interest rates, or other capital market data.

B. Comparable Risk Proxy Groups

Q. How did you implement these quantitative methods to estimate the cost of common equity for Avista?

A. Application of the DCF model and other quantitative methods to estimate the cost of equity requires observable capital market data, such as stock prices. Moreover, even for a firm with publicly traded stock, the cost of equity can only be estimated. As a result, applying quantitative models using observable market data only produces an estimate that inherently includes some degree of observation error. Thus, the accepted approach to increase confidence in the results is to apply the DCF model and other quantitative methods to a proxy group of publicly traded companies that investors regard as risk comparable. The results of the analysis on the sample of companies are relied upon to establish a range of reasonableness for the cost of equity for the specific company at issue.

Q. What specific proxy group did you rely on for your analysis?

A. In order to reflect the risks and prospects associated with Avista's jurisdictional utility operations, my DCF analyses focused on a reference group of other utilities composed of those companies included by The Value Line Investment Survey ("Value Line") in its Electric Utilities Industry groups with: (1) S&P corporate credit ratings of "BBB-" or "BBB," (2) a Value Line Safety Rank of "2" or "3", and (3) a Value Line Financial Strength Rating of

"B+" to "B++". I excluded three firms that otherwise would have been in the proxy group, but are not appropriate for inclusion because they either do not pay common dividends or were in the process of being acquired. These criteria resulted in a proxy group composed of 17 companies. I refer to this group as the "Utility Proxy Group."

Q. Do these criteria provide objective evidence that investors would view the firms in your Utility Proxy Group as risk-comparable to Avista?

A. Yes. Credit ratings are assigned by independent rating agencies for the purpose of providing investors with a broad assessment of the creditworthiness of a firm. Because the rating agencies' evaluation includes virtually all of the factors normally considered important in assessing a firm's relative credit standing, corporate credit ratings provide a broad, objective measure of overall investment risk that is readily available to investors. Widely cited in the investment community and referenced by investors, credit ratings are also frequently used as a primary risk indicator in establishing proxy groups to estimate the cost of equity.

While credit ratings provide the most widely referenced benchmark for investment risks, other quality rankings published by investment advisory services also provide relative assessments of risk that are considered by investors in forming their expectations. Value Line's primary risk indicator is its Safety Rank, which ranges from "1" (Safest) to "5" (Riskiest). This overall risk measure is intended to capture the total risk of a stock, and incorporates elements of stock price stability and financial strength. Given that Value Line is perhaps the most widely available source of investment advisory information, its Safety Rank provides a useful guide to the likely risk perceptions of investors.

The Financial Strength Rating is designed as a guide to overall financial strength and creditworthiness, with the key inputs including financial leverage, business volatility measures, and company size. Value Line's Financial Strength Ratings range from "A++" (strongest) down to "C" (weakest) in nine steps.

As discussed in my direct testimony, Avista is rated "BBB-" by S&P, with the average rating for the firms in the Utility Proxy Group being slightly higher at "BBB". Meanwhile, Value Line has assigned Avista a Safety Rank of "3" and a Financial Strength Rating of "B+". For the Utility Proxy Group, the average Safety Rank is identical to that of Avista, while the Financial Strength Rating is one notch higher than Avista at "B++". Based on these criteria, which reflect objective, published indicators that incorporate consideration of a broad spectrum of risks, including financial and business position, relative size, and exposure to company specific factors, investors are likely to regard the risks and prospects of the Utility Proxy Group as being comparable to, albeit somewhat lower than, those of Avista.[1]

Q. What other proxy group did you consider in evaluating a fair ROE for Avista?

A. Under the regulatory standards established by *Hope* and *Bluefield*, the salient criteria in establishing a meaningful benchmark to evaluate a fair rate of return is relative risk, not the particular business activity or degree of regulation. Utilities must compete for capital, not just against firms in their own industry, but with other investment opportunities of comparable risk. With regulation taking the place of competitive market forces, required returns for utilities should be in line with those of non-utility firms of comparable risk

[1] While I did not reference beta as a selection criteria in identifying the Utility Proxy Group, Avista's beta of 0.85 is also slightly higher than the average of 0.82 for the Utility Proxy Group.

operating under the constraints of free competition. Consistent with this accepted regulatory standard, I also applied the DCF model to a reference group of comparable risk companies in the non-utility sectors of the economy. I refer to this group as the "Non-Utility Proxy Group".

Q. What criteria did you apply to develop the Non-Utility Proxy Group?

A. To reflect investors' risk perceptions in developing the Non-Utility Proxy Group, my assessment of comparable risk relied on the same two objective benchmarks for the risks associated with common stocks discussed earlier – Value Line's Safety Rank and Financial Strength Rating. Given that Value Line is perhaps the most widely available source of investment advisory information, its Safety Rank and Financial Strength Rating provide useful guidance regarding the risk perceptions of investors. These objective, published indicators incorporate consideration of a broad spectrum of risks, including financial and business position, relative size, and exposure to company-specific factors.

My comparable risk proxy group was composed of those U.S. companies followed by Value Line that: 1) pay common dividends; 2) have a Safety Rank of "1"; 3) have a Financial Strength Rating of "A" or above, and 4) have investment grade credit ratings from S&P. In addition, I also included only those firms with at least two published growth estimates from Value Line, IBES, First Call, or Zacks.

Q. How do the overall risks of your proxy groups compare with Avista?

A. As shown below, Table 1 compares the Non-Utility Proxy Group with the Utility Proxy Group and Avista across four key indicators of investment risk:

TABLE 1
COMPARISON OF RISK INDICATORS

	S&P Credit Rating	Value Line Safety Rank	Value Line Financial Strength	Beta
Non-Utility Group	A+	1	A+	0.84
Utility Proxy Group	BBB	3	B++	0.82
Avista Corp.	BBB-	3	B+	0.85

Considered together, a comparison of these objective measures indicates that the risks investors associate with Avista generally exceed those of the proxy groups. As a result, the cost of equity estimates indicated by my analyses provide a conservative estimate of investors' required rate of return for Avista.

C. Discounted Cash Flow Analyses

Q. How are DCF models used to estimate the cost of equity?

A. DCF models attempt to replicate the market valuation process that sets the price investors are willing to pay for a share of a company's stock. The model rests on the assumption that investors evaluate the risks and expected rates of return from all securities in the capital markets. Given these expectations, the price of each stock is adjusted by the market until investors are adequately compensated for the risks they bear. Therefore, we can look to the market to determine what investors believe a share of common stock is worth. By estimating the cash flows investors expect to receive from the stock in the way of future dividends and capital gains, we can calculate their required rate of return. In other words, the cash flows that investors expect from a stock are estimated, and given its current market price, we can "back-into" the discount rate, or cost of equity, that investors implicitly used in bidding the stock to that price.

Q. What market valuation process underlies DCF models?

A. DCF models assume that the price of a share of common stock is equal to the present value of the expected cash flows (i.e., future dividends and stock price) that will be received while holding the stock, discounted at investors' required rate of return. That is, the cost of equity is the discount rate that equates the current price of a share of stock with the present value of all expected cash flows from the stock.

Q. What form of the DCF model is customarily used to estimate the cost of equity in rate cases?

A. Rather than developing annual estimates of cash flows into perpetuity, the DCF model can be simplified to a "constant growth" form: [2]

$$P_0 = \frac{D_1}{k_e - g}$$

where: P_0 = Current price per share;
D_1 = Expected dividend per share in the coming year;
k_e = Cost of equity;
g = Investors' long-term growth expectations.

The cost of equity (K_e) can be isolated by rearranging terms:

$$k_e = \frac{D_1}{P_0} + g$$

This constant growth form of the DCF model recognizes that the rate of return to stockholders consists of two parts: 1) dividend yield (D_1/P_0), and 2) growth (g). In other words, investors

[2] The constant growth DCF model is dependent on a number of strict assumptions, which in practice are never strictly met. These include a constant growth rate for both dividends and earnings; a stable dividend payout ratio; the discount rate exceeds the growth rate; a constant growth rate for book value and price; a constant earned rate of return on book value; no sales of stock at a price above or below book value; a constant price-earnings ratio; a constant discount rate (*i.e.*, no changes in risk or interest rate levels and a flat yield curve); and all of the above extend to infinity.

expect to receive a portion of their total return in the form of current dividends and the remainder through price appreciation.

Q. What steps are required to apply the DCF model?

A. The first step in implementing the constant growth DCF model is to determine the expected dividend yield (D_1/P_0) for the firm in question. This is usually calculated based on an estimate of dividends to be paid in the coming year divided by the current price of the stock. The second, and more controversial, step is to estimate investors' long-term growth expectations (g) for the firm. The final step is to sum the firm's dividend yield and estimated growth rate to arrive at an estimate of its cost of equity.

Q. How was the dividend yield for the Utility Proxy Group determined?

A. Estimates of dividends to be paid by each of these utilities over the next twelve months, obtained from Value Line, served as D_1. This annual dividend was then divided by the corresponding stock price for each utility to arrive at the expected dividend yield. The expected dividends, stock prices, and resulting dividend yields for the firms in the Utility Proxy Group are presented on Exhibit WEA-4.

Q. What is the next step in applying the constant growth DCF model?

A. The next step is to evaluate long-term growth expectations, or "g", for the firm in question. In constant growth DCF theory, earnings, dividends, book value, and market price are all assumed to grow in lockstep, and the growth horizon of the DCF model is infinite. But implementation of the DCF model is more than just a theoretical exercise; it is an attempt to replicate the mechanism investors used to arrive at observable stock prices. A

wide variety of techniques can be used to derive growth rates, but the only "*g*" that matters in applying the DCF model is the value that investors expect.

Q. Are historical growth rates likely to be representative of investors' expectations for utilities?

A. No. If past trends in earnings, dividends, and book value are to be representative of investors' expectations for the future, then the historical conditions giving rise to these growth rates should be expected to continue. That is clearly not the case for utilities, where structural and industry changes have led to declining dividends, earnings pressure, and, in many cases, significant write-offs. While these conditions serve to depress historical growth measures, they are not representative of long-term expectations for the utility industry. Moreover, to the extent historical trends for utilities are meaningful, they are also captured in projected growth rates, since securities analysts also routinely examine and assess the impact and continued relevance (if any) of historical trends.

Q. What are investors most likely to consider in developing their long-term growth expectations?

A. While the DCF model is technically concerned with growth in dividend cash flows, implementation of this DCF model is solely concerned with replicating the forward-looking evaluation of real-world investors. In the case of electric utilities, dividend growth rates are not likely to provide a meaningful guide to investors' current growth expectations. This is because utilities have significantly altered their dividend policies in response to more accentuated business risks in the industry.[3] As a result of this trend towards a more

[3] For example, the payout ratio for electric utilities fell from approximately 80% historically to on the order of 60%. The Value Line Investment Survey (Sep. 15, 1995 at 161, Dec. 28, 2007 at 695).

conservative payout ratio, dividend growth in the utility industry has remained largely stagnant as utilities conserve financial resources to provide a hedge against heightened uncertainties.

As payout ratios for firms in the utility industry trended downward, investors' focus has increasingly shifted from dividends to earnings as a measure of long-term growth. Future trends in earnings, which provide the source for future dividends and ultimately support share prices, play a pivotal role in determining investors' long-term growth expectations. The importance of earnings in evaluating investors' expectations and requirements is well accepted in the investment community. As noted in *Finding Reality in Reported Earnings* published by the Association for Investment Management and Research:

> [E]arnings, presumably, are the basis for the investment benefits that we all seek. "Healthy earnings equal healthy investment benefits" seems a logical equation, but earnings are also a scorecard by which we compare companies, a filter through which we assess management, and a crystal ball in which we try to foretell future performance.[4]

Value Line's near-term projections and its Timeliness Rank, which is the principal investment rating assigned to each individual stock, are also based primarily on various quantitative analyses of earnings. As Value Line explained:

> The future earnings rank accounts for 65% in the determination of relative price change in the future; the other two variables (current earnings rank and current price rank) explain 35%.[5]

The fact that investment advisory services, such as Value Line, Thompson, and Reuters, focus on growth in earnings indicates that the investment community regards this as a superior indicator of future long-term growth. Indeed, "A Study of Financial Analysts: Practice and

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[4] Association for Investment Management and Research, "Finding Reality in Reported Earnings: An Overview", p. 1 (Dec. 4, 1996).
[5] The Value Line Investment Survey, *Subscriber's Guide*, p. 53.

Theory," published in the *Financial Analysts Journal*, reported the results of a survey conducted to determine what analytical techniques investment analysts actually use.[6] Respondents were asked to rank the relative importance of earnings, dividends, cash flow, and book value in analyzing securities. Of the 297 analysts that responded, only 3 ranked dividends first while 276 ranked it last. The article concluded:

> Earnings and cash flow are considered far more important than book value and dividends.[7]

More recently, the *Financial Analysts Journal* reported the results of a study of the relationship between valuations based on alternative multiples and actual market prices, which concluded, "In all cases studied, earnings dominated operating cash flows and dividends."[8]

Q. What are security analysts currently projecting in the way of growth for the firms in the Utility Proxy Group?

A. The Value Line earnings growth projections for each of the firms in the Utility Proxy Group are displayed on Exhibit WEA-4. Also presented are the earnings per share ("EPS") growth projections reported by Thomson I/B/E/S ("IBES"), Thomson First Call Estimates ("First Call"), and Zacks Investment Research ("Zacks").[9]

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[6] Block, Stanley B., "A Study of Financial Analysts: Practice and Theory", *Financial Analysts Journal* (July/August 1999).
[7] *Id.* at 88.
[8] Liu, Jing, Nissim, Doron, & Thomas, Jacob, "Is Cash Flow King in Valuations?," *Financial Analysts Journal*, Vol. 63, No. 2 (March/April 2007) at 56.
[9] Thomson Financial, an arm of Thomson Reuters, separately compiles and publishes consensus securities analyst growth rates under the IBES and First Call brands.

Q. How else are investors' expectations of future long-term growth prospects often estimated for use in the constant growth DCF model?

A. Based on the assumptions underlying constant growth theory, conventional applications of the constant growth DCF model often examine the relationship between retained earnings and earned rates of return as an indication of the sustainable growth investors might expect from the reinvestment of earnings within a firm. The sustainable growth rate is calculated by the formula, $g = br+sv$, where "b" is the expected retention ratio, "r" is the expected earned return on equity, "s" is the percent of common equity expected to be issued annually as new common stock, and "v" is the equity accretion rate.

Q. What is the purpose of the "sv" term?

A. Under DCF theory, the "sv" factor is a component of the growth rate designed to capture the impact of issuing new common stock at a price above, or below, book value. When a company's stock price is greater than its book value per share, the per-share contribution in excess of book value associated with new stock issues will accrue to the current shareholders. This increase to the book value of existing shareholders leads to higher expected earnings and dividends, with the "sv" factor incorporating this additional growth component.

Q. How did you apply the earnings retention method for the proxy group of utilities?

A. The sustainable, "br+sv" growth rates for each firm in the Utility Proxy Group are summarized on Exhibit WEA-4, with the underlying details being presented on Exhibit WEA-5. For each firm, the expected retention ratio (b) was calculated based on Value Line's projected dividends and earnings per share. Likewise, each firm's expected earned rate

of return (r) was computed by dividing projected earnings per share by projected net book value. Because Value Line reports end-of-year book values, an adjustment was incorporated to compute an average rate of return over the year, consistent with the theory underlying this approach to estimating investors' growth expectations. Meanwhile, the percent of common equity expected to be issued annually as new common stock (s) was equal to the product of the projected market-to-book ratio and growth in common shares outstanding, while the equity accretion rate (v) was computed as 1 minus the inverse of the projected market-to-book ratio.

Q. What cost of equity estimates were implied for the Utility Proxy Group using the DCF model?

A. After combining the dividend yields and respective growth projections for each utility, the resulting cost of equity estimates are shown on Exhibit WEA-4.

Q. In evaluating the results of the constant growth DCF model, is it appropriate to eliminate cost of equity estimates that fail to meet threshold tests of economic logic?

A. Yes. It is a basic economic principle that investors can be induced to hold more risky assets only if they expect to earn a return to compensate them for their risk bearing. As a result, the rate of return that investors require from a utility's common stock, the most junior and riskiest of its securities, must be considerably higher than the yield offered by senior, long-term debt. Consistent with this principle, the DCF range for the Utility Proxy Group must be adjusted to eliminate cost of equity estimates that fail fundamental tests of economic logic.

Q. Have similar tests been applied by regulators?

A. Yes. The FERC has noted that adjustments are justified where applications of the DCF approach produce illogical results. FERC evaluates DCF results against observable yields on long-term public utility debt and has recognized that it is appropriate to eliminate cost of equity estimates that do not sufficiently exceed this threshold. In a 2002 opinion establishing its current precedent for determining ROEs for electric utilities, for example, FERC concluded:

> An adjustment to this data is appropriate in the case of PG&E's low-end return of 8.42 percent, which is comparable to the average Moody's "A" grade public utility bond yield of 8.06 percent, for October 1999. Because investors cannot be expected to purchase stock if debt, which has less risk than stock, yields essentially the same return, this low-end return cannot be considered reliable in this case.[10]

More recently, in its October 2006 decision in *Kern River Gas Transmission Company*, FERC noted that:

> [T]he 7.31 and 7.32 percent costs of equity for El Paso and Williams found by the ALJ are only 110 and 122 basis points above that average yield for public utility debt. [11]

FERC upheld the opinion of Staff and the Administrative Law Judge that cost of equity estimates for these two proxy group companies "were too low to be credible."[12]

Q. What does this test of logic imply with respect to the DCF results for the Utility Proxy Group?

A. The average bond rating associated with the firms in the Utility Proxy Group is triple-B, with Moody's monthly yields on triple-B bonds averaging approximately 8.1 percent

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[10] *Southern California Edison Company*, 92 FERC ¶ 61,070 (2000) at p. 22.
[11] *Kern River Gas Transmission Company*, Opinion No. 486, 117 FERC ¶ 61,077 at P 140 & n. 227 (2006).
[12] *Id.*

in December 2008.[13] As highlighted on Exhibit WEA-4, eleven of the individual equity estimates for the firms in the Utility Proxy Group exceeded this threshold by 90 basis points or less.[14] In light of the risk-return tradeoff principle and the test applied in *Kern River Gas Transmission Company*, it is inconceivable that investors are not requiring a substantially higher rate of return for holding common stock, which is the riskiest of a utility's securities. As a result, these values provide little guidance as to the returns investors require from the common stock of an electric utility.

Q. Do you also recommend excluding cost of equity estimates at the high end of the range of DCF results?

A. Yes. As highlighted on Exhibit WEA-4, I also eliminated cost of equity estimates at the upper end of the range of DCF results. Compared with the balance of the remaining estimates, these values are extreme outliers and should also be excluded in evaluating the results of the DCF model for the Utility Proxy Group. This is also consistent with the approach and threshold adopted by FERC, which established that a 17.7 percent DCF estimate for an electric utility was "an extreme outlier" and should be disregarded.[15]

Q. What cost of equity is implied by your DCF results for the Utility Proxy Group?

A. As shown on Exhibit WEA-4 and summarized in Table 2, below, after eliminating illogical low- and high-end values, application of the constant growth DCF model resulted in the following cost of equity estimates:

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[13] Moody's Investors Service, *Credit Perspectives* (Jan. _, 2009).
[14] As highlighted on Exhibit WEA-4, these DCF estimates ranged from 6.1 percent to 8.8 percent.
[15] *ISO New England, Inc.*, 109 FERC ¶ 61,147 at P 205 (2004).

TABLE 2
DCF RESULTS – UTILITY PROXY GROUP

Growth Rate	Average Cost of Equity
Value Line	13.4%
IBES	12.3%
First Call	11.5%
Zacks	11.8%
br+sv	11.9%

As shown above, the constant growth DCF results for the Utility Proxy Group implied a cost of equity range of 11.5 percent to 13.4 percent.

Q. What were the results of your DCF analysis for the Non-Utility Proxy Group?

A. As shown on Exhibit WEA-6, I applied the DCF model to the Non-Utility Proxy Group in exactly the same manner described earlier for the Utility Proxy Group.[16] As summarized in Table 3, below, after eliminating illogical low- and high-end values, application of the constant growth DCF model resulted in the following cost of equity estimates:

TABLE 3
DCF RESULTS – NON-UTILITY PROXY GROUP

Growth Rate	Average Cost of Equity
Value Line	13.1%
IBES	13.4%
First Call	13.2%
Zacks	13.5%
br+sv	13.3%

[16] Exhibit WEA-7 contains the details underlying the calculation of the br+sv growth rates for the Non-Utility Proxy Group.

As discussed earlier, reference to the Non-Utility Proxy Group is consistent with established regulatory principles and required returns for utilities should be in line with those of non-utility firms of comparable risk operating under the constraints of free competition.

D. Capital Asset Pricing Model

Q Please describe the CAPM.

A. The CAPM is generally considered to be the most widely referenced method for estimating the cost of equity both among academicians and professional practitioners, with the pioneering researchers of this method receiving the Nobel Prize in 1990. The CAPM is a theory of market equilibrium that measures risk using the beta coefficient. Because investors are assumed to be fully diversified, the relevant risk of an individual asset (*e.g.*, common stock) is its volatility relative to the market as a whole, with beta reflecting the tendency of a stock's price to follow changes in the market. The CAPM is mathematically expressed as:

$$R_j = R_f + \beta_j(R_m - R_f)$$

where:
R_j = required rate of return for stock j;
R_f = risk-free rate;
R_m = expected return on the market portfolio; and,
β_j = beta, or systematic risk, for stock j.

Like the DCF model, the CAPM is an *ex-ante,* or forward-looking model based on expectations of the future. As a result, in order to produce a meaningful estimate of investors' required rate of return, the CAPM must be applied using estimates that reflect the expectations of actual investors in the market, not with backward-looking, historical data.

Q. How did you apply the CAPM to estimate the cost of equity?

A. Application of the CAPM to the Utility Proxy Group based on a forward-looking estimate for investors' required rate of return from common stocks is presented on

Exhibit WEA-8. In order to capture the expectations of today's investors in current capital markets, the expected market rate of return was estimated by conducting a DCF analysis on the dividend paying firms in the S&P 500.

The dividend yield for each firm was obtained from Value Line, with the growth rate being equal to the average of the earnings growth projections for each firm compiled by IBES and Value Line, with each firm's dividend yield and growth rate being weighted by its proportionate share of total market value. Based on the weighted average of the projections for the 346 individual firms, current estimates imply an average growth rate over the next five years of 9.6 percent. Combining this average growth rate with a dividend yield of 3.6 percent results in a current cost of equity estimate for the market as a whole of approximately 13.2 percent. Subtracting a 3.2 percent risk-free rate based on the average yield on 20-year Treasury bonds for December 2008 produced a market equity risk premium of 10.0 percent. Multiplying this risk premium by the Value Line beta values for the firms in the Utility Proxy Group, and then adding the resulting risk premiums to the average long-term Treasury bond yield, indicated an ROE in the 9.7 percent to 14.2 percent range, with the average being 11.2 percent.

Q. What cost of equity was indicated for the Non-Utility Proxy Group based on this forward-looking application of the CAPM?

A. As shown on Exhibit WEA-9, applying the forward-looking CAPM approach to the firms in the Non-Utility Proxy Group implied cost of equity estimates ranging from 8.7 percent to 15.7 percent, with an average of 11.5 percent.

E. Comparable Earnings Method

Q. What other analyses did you conduct to estimate the cost of equity?

A. As I noted earlier, I also evaluated the ROE using the comparable earnings method. Reference to rates of return available from alternative investments of comparable risk can provide an important benchmark in assessing the return necessary to assure confidence in the financial integrity of a firm and its ability to attract capital. This comparable earnings approach is consistent with the economic underpinnings for a fair rate of return established by the Supreme Court in *Hope* and *Bluefield.* Moreover, it avoids the complexities and limitations of capital market methods and instead focuses on expected earned returns on book equity, which are more readily available to investors.

Q. What rates of return are indicated for utilities based on this approach?

A. With respect to expectations for electric utilities generally, Value Line reports that its analysts anticipate an average rate of return on common equity for the electric utility industry of 11.5 percent in 2009 and over its 2011-2013 forecast horizon.[17] Meanwhile, Value Line expects that natural gas distribution utilities will earn an average rate of return on common equity of 11.5 percent in 2009 and 12.0 percent over its three-to-five year forecast horizon.[18]

For the firms in the Utility Proxy Group specifically, the returns on common equity projected by Value Line over its three-to-five year forecast horizon are shown on Exhibit WEA-10. Consistent with the rationale underlying the development of the br+sv growth rates, these year-end values were converted to average returns using the same adjustment

[17] The Value Line Investment Survey at 687 (Dec. 26, 2008).
[18] The Value Line Investment Survey 446 (Dec. 12, 2008).

factor discussed earlier. As shown on Exhibit WEA-10, after eliminating potential outliers, Value Line's projections suggested an average ROE of 11.3 percent for the Utility Proxy Group.

Q. What return on equity is indicated by the results of the comparable earnings approach?

A. Based on the results discussed above, I concluded that the comparable earnings approach implies a fair rate of return on equity of at least 11.3 percent.

F. Summary of Quantitative Results

Q. Please summarize the results of your quantitative analyses.

A. The cost of equity estimates implied by my quantitative analyses are summarized in Table 3 below:

TABLE 3
SUMMARY OF QUANTITATIVE RESULTS

	Cost of Equity Estimates	
Method	**Utility Proxy Group**	**Non-Utility Proxy Group**
DCF	11.5% - 13.4%	13.1% - 13.5%
CAPM	11.2%	11.5%
Comparable Earnings	11.3%	--

Exhibit No. ___ (WEA-4)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09_____

DOCKET NO. UG-09_____

EXHIBIT NO._____(WEA-4)

WILLIAM E. AVERA

REPRESENTING AVISTA CORPORATION

UTILITY PROXY GROUP

		At Fiscal Year-End 2007 (a)			Value Line Projected (b)		
	Company	**Debt**	**Preferred**	**Common Equity**	**Debt**	**Other**	**Common Equity**
1	Allegheny Energy	61.4%	0.0%	38.6%	46.6%	0.0%	53.4%
2	American Elec Pwr	60.7%	0.2%	39.1%	58.6%	0.5%	41.0%
3	Avista Corp.	48.0%	5.7%	46.2%	47.5%	0.0%	52.5%
4	Black Hills Corp.	43.3%	0.0%	56.7%	36.4%	0.0%	63.6%
5	Cleco Corp.	46.2%	0.1%	53.7%	46.0%	0.0%	54.0%
6	DPL, Inc.	64.7%	0.9%	34.4%	50.0%	1.0%	49.0%
7	DTE Energy Co.	57.0%	2.0%	41.0%	58.6%	0.0%	41.4%
8	Edison International	49.7%	4.8%	45.5%	49.8%	3.4%	46.8%
9	Empire District Elec	51.6%	0.0%	48.4%	44.6%	0.0%	55.4%
10	Hawaiian Elec.	48.5%	1.3%	48.2%	51.4%	0.9%	47.8%
11	IDACORP, Inc.	50.5%	0.0%	47.1%	52.2%	0.0%	47.8%
12	Northeast Utilities	52.9%	1.7%	43.2%	56.7%	0.9%	42.4%
13	P S Enterprise Group	56.9%	0.5%	46.5%	47.7%	0.5%	51.8%
14	UIL Holdings	55.1%	0.0%	43.7%	49.6%	0.0%	50.4%
15	Westar Energy	53.0%	0.5%	46.6%	45.7%	0.5%	53.8%
	Average	**53.3%**	**1.2%**	**45.3%**	**49.4%**	**0.5%**	**50.1%**

(a) Company Form 10-K and Annual Reports.

(b) The Value Line Investment Survey (Nov. 7, Nov. 28, & Dec. 26, 2008). Adjusted to include short-term debt equal to proportion at year-end 2007.

Exhibit No. ___ (WEA-5)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09_____

DOCKET NO. UG-09_____

EXHIBIT NO._____(WEA-5)

WILLIAM E. AVERA

REPRESENTING AVISTA CORPORATION

CONSTANT GROWTH DCF MODEL

UTILITY PROXY GROUP

		(a) Price	(a) Dividends	Yield	(b) V Line	(c) IBES	(d) First Call	(e) Zacks	(f) br+sv	(g) V Line	(g) IBES	(g) First Call	(g) Zacks	(g) br+sv
	Company				Growth Rates					Cost of Equity Estimates				
1	Allegheny Energy	$ 32.56	$ 0.60	1.8%	15.0%	17.3%	20.0%	16.5%	11.8%	16.8%	19.2%	21.8%	18.3%	13.6%
2	American Elec Pwr	$ 30.26	$ 1.66	5.5%	5.0%	5.4%	6.0%	4.8%	5.8%	10.5%	10.9%	11.5%	10.3%	11.2%
3	Avista Corp.	$ 18.43	$ 0.75	4.1%	9.0%	4.5%	NA	5.0%	3.2%	13.1%	8.6%	NA	9.1%	7.3%
4	Black Hills Corp.	$ 26.30	$ 1.44	5.5%	3.0%	7.0%	7.0%	6.0%	3.2%	8.5%	12.5%	12.5%	11.5%	8.7%
5	Cleco Corp.	$ 21.85	$ 0.95	4.3%	10.5%	13.0%	13.0%	13.0%	5.3%	14.8%	17.3%	17.3%	17.3%	9.7%
6	DPL, Inc.	$ 21.49	$ 1.10	5.1%	11.0%	10.3%	10.0%	10.3%	11.4%	16.1%	15.4%	15.1%	15.4%	16.5%
7	DTE Energy Co.	$ 35.29	$ 2.18	6.2%	5.0%	6.5%	6.5%	6.5%	2.9%	11.2%	12.7%	12.7%	12.7%	9.1%
8	Edison International	$ 32.46	$ 1.29	4.0%	5.0%	7.6%	7.1%	7.0%	7.6%	9.0%	11.5%	11.1%	11.0%	11.5%
9	Empire District Elec	$ 17.00	$ 1.28	7.5%	10.0%	6.0%	NA	NA	4.3%	17.5%	13.5%	NA	NA	11.8%
10	Hawaiian Elec.	$ 22.78	$ 1.24	5.4%	5.0%	4.5%	3.0%	4.5%	3.2%	10.4%	9.9%	8.4%	9.9%	8.6%
11	IDACORP, Inc.	$ 29.58	$ 1.20	4.1%	2.0%	5.0%	5.0%	6.0%	3.8%	6.1%	9.1%	9.1%	10.1%	7.9%
12	Northeast Utilities	$ 23.16	$ 0.88	3.8%	12.0%	6.8%	6.5%	10.0%	6.0%	15.8%	10.6%	10.3%	13.8%	9.8%
13	P S Enterprise Group	$ 30.03	$ 1.41	4.7%	10.5%	3.0%	3.0%	9.0%	8.7%	15.2%	7.7%	7.7%	13.7%	13.4%
14	UIL Holdings	$ 30.16	$ 1.73	5.7%	4.0%	8.0%	NA	6.0%	2.7%	9.7%	13.7%	NA	11.7%	8.4%
15	Westar Energy	$ 19.65	$ 1.22	6.2%	2.0%	4.4%	4.0%	6.0%	2.2%	8.2%	10.6%	10.2%	12.2%	8.4%
	Average (h)									**13.4%**	**12.3%**	**11.5%**	**11.8%**	**11.9%**

(a) Recent price and estimated dividend for next 12 mos. from The Value Line Investment Survey, *Summary and Index* (Dec. 26, 2008).
(b) The Value Line Investment Survey (Nov. 7, Nov. 28, & Dec. 26, 2008).
(c) www.finance.yahoo.com (retrieved Dec. 10, 2008).
(d) *First Call Earnings Valuation Report* (Dec. 10, 2008).
(e) http://www.zacks.com/research (retrieved Dec. 10, 2008)
(f) See Exhibit No.___(WEA-6).
(g) Sum of dividend yield and respective growth rat
(h) Excludes highlighted figures

Exhibit No. ___ (WEA-6)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09_____

DOCKET NO. UG-09_____

EXHIBIT NO._____(WEA-6)

WILLIAM E. AVERA

REPRESENTING AVISTA CORPORATION

SUSTAINABLE GROWTH RATE

Exhibit No.___(WEA-6)

UTILITY PROXY GROUP

		(a)	(a)	(b)	(a)	(a)	(a)	(c)	(d)
		2011-13 Market Price			2011-13 Projections				
	Company	High	Low	Avg.	EPS	DPS	BVPS	b	r
1	Allegheny Energy	$80.00	$55.00	$67.50	$4.00	$1.40	$ 26.50	65.0%	15.1%
2	American Elec Pwr	$50.00	$35.00	$42.50	$3.75	$1.90	$ 34.25	49.3%	10.9%
3	Avista Corp.	$30.00	$20.00	$25.00	$1.75	$1.15	$ 21.00	34.3%	8.3%
4	Black Hills Corp.	$45.00	$30.00	$37.50	$2.75	$1.60	$ 37.00	41.8%	7.4%
5	Cleco Corp.	$40.00	$25.00	$32.50	$2.50	$1.55	$ 21.75	38.0%	11.5%
6	DPL, Inc.	$35.00	$25.00	$30.00	$2.35	$1.34	$ 12.10	43.0%	19.4%
7	DTE Energy Co.	$60.00	$40.00	$50.00	$3.75	$2.55	$ 41.75	32.0%	9.0%
8	Edison International	$55.00	$35.00	$45.00	$4.50	$1.64	$ 39.45	63.6%	11.4%
9	Empire District Elec	$30.00	$20.00	$25.00	$2.00	$1.40	$ 18.50	30.0%	10.8%
10	Hawaiian Elec.	$25.00	$20.00	$22.50	$1.75	$1.30	$ 16.75	25.7%	10.4%
11	IDACORP, Inc.	$35.00	$25.00	$30.00	$2.25	$1.20	$ 28.90	46.7%	7.8%
12	Northeast Utilities	$40.00	$25.00	$32.50	$2.25	$1.10	$ 25.75	51.1%	8.7%
13	P S Enterprise Group	$55.00	$35.00	$45.00	$3.75	$1.65	$ 22.50	56.0%	16.7%
14	UIL Holdings	$35.00	$25.00	$30.00	$2.10	$1.73	$ 18.80	17.6%	11.2%
15	Westar Energy	$30.00	$20.00	$25.00	$2.00	$1.36	$ 27.50	32.0%	7.3%

UTILITY PROXY GROUP

		(a)	(a)	(e)	(a)	(a)	(e)	(f)	(g)	(h)
		2007			2011-13			Adjusted "r"		
	Company	BVPS	No. Shares	Common Equity	BVPS	No. Shares	Common Equity	Chg in Equity	Adj. Factor	Adj. r
1	Allegheny Energy	$15.15	167.30	$2,535	$26.50	175.00	$4,638	12.8%	1.0603	16.0%
2	American Elec Pwr	$25.17	400.43	$10,079	$34.25	415.00	$14,214	7.1%	1.0344	11.3%
3	Avista Corp.	$17.27	52.91	$914	$21.00	56.50	$1,187	5.4%	1.0261	8.6%
4	Black Hills Corp.	$25.66	37.80	$970	$37.00	39.50	$1,462	8.5%	1.0410	7.7%
5	Cleco Corp.	$16.85	59.94	$1,010	$21.75	65.00	$1,414	7.0%	1.0336	11.9%
6	DPL, Inc.	$7.69	113.60	$874	$12.10	124.00	$1,500	11.4%	1.0540	20.5%
7	DTE Energy Co.	$35.86	163.23	$5,853	$41.75	163.00	$6,805	3.1%	1.0151	9.1%
8	Edison International	$25.92	325.81	$8,445	$39.45	326.00	$12,861	8.8%	1.0420	11.9%
9	Empire District Elec	$16.04	33.61	$539	$18.50	38.50	$712	5.7%	1.0278	11.1%
10	Hawaiian Elec.	$15.29	83.43	$1,276	$16.75	89.00	$1,491	3.2%	1.0156	10.6%
11	IDACORP, Inc.	$26.79	45.06	$1,207	$28.90	51.60	$1,491	4.3%	1.0211	7.9%
12	Northeast Utilities	$18.65	156.22	$2,914	$25.75	200.00	$5,150	12.1%	1.0569	9.2%
13	P S Enterprise Group	$14.35	508.52	$7,297	$22.50	484.00	$10,890	8.3%	1.0400	17.3%
14	UIL Holdings	$18.55	25.03	$464	$18.80	26.50	$498	1.4%	1.0070	11.2%
15	Westar Energy	$19.14	95.46	$1,827	$27.50	112.00	$3,080	11.0%	1.0522	7.7%

UTILITY PROXY GROUP

		(a)	(a)	(f)	(i)	(j)	(k)	(l)	(m)
		Common Shares Outstanding			M/B	"sv" Factor			
	Company	2007	2011-13	Change	Ratio	s	v	sv	br + sv
1	Allegheny Energy	167.30	175.00	0.90%	2.55	0.0230	0.6074	1.40%	11.8%
2	American Elec Pwr	400.43	415.00	0.72%	1.24	0.0089	0.1941	0.17%	5.8%
3	Avista Corp.	52.91	56.50	1.32%	1.19	0.0157	0.1600	0.25%	3.2%
4	Black Hills Corp.	37.80	39.50	0.88%	1.01	0.0090	0.0133	0.01%	3.2%
5	Cleco Corp.	59.94	65.00	1.63%	1.49	0.0244	0.3308	0.81%	5.3%
6	DPL, Inc.	113.60	124.00	1.77%	2.48	0.0438	0.5967	2.61%	11.4%
7	DTE Energy Co.	163.23	163.00	-0.03%	1.20	(0.0003)	0.1650	-0.01%	2.9%
8	Edison International	325.81	326.00	0.01%	1.14	0.0001	0.1233	0.00%	7.6%
9	Empire District Elec	33.61	38.50	2.75%	1.35	0.0372	0.2600	0.97%	4.3%
10	Hawaiian Elec.	83.43	89.00	1.30%	1.34	0.0175	0.2556	0.45%	3.2%
11	IDACORP, Inc.	45.06	51.60	2.75%	1.04	0.0285	0.0367	0.10%	3.8%
12	Northeast Utilities	156.22	200.00	5.07%	1.26	0.0639	0.2077	1.33%	6.0%
13	P S Enterprise Group	508.52	484.00	-0.98%	2.00	(0.0197)	0.5000	-0.98%	8.7%
14	UIL Holdings	25.03	26.50	1.15%	1.60	0.0183	0.3733	0.68%	2.7%
15	Westar Energy	95.46	112.00	3.25%	0.91	0.0295	(0.1000)	-0.30%	2.2%

(a) The Value Line Investment Survey (Nov. 7, Nov. 28, & Dec. 26, 2008).
(b) Average of High and Low expected market prices.
(c) Computed at (EPS - DPS) / EPS.
(d) Computed as EPS / BVPS.
(e) Product of BVPS and No. Shares Outstanding.
(f) Five-year rate of change.
(g) Computed using the formula 2*(1+5-Yr. Change in Equity)/(2+5 Yr. Change in Equity).
(h) Product of year-end "r" for 2011-13 and Adjustment Factor.
(i) Average of High and Low expected market prices divided by 2011-13 BVPS.
(j) Product of change in common shares outstanding and M/B Ratio.
(k) Computed as 1 - B/M Ratio.
(l) Product of "s" and "v".
(m) Product of average "b" and adjusted "r", plus "sv".

Exhibit No. ___ (WEA-7)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09_____

DOCKET NO. UG-09_____

EXHIBIT NO._____(WEA-7)

WILLIAM E. AVERA

REPRESENTING AVISTA CORPORATION

CONSTANT GROWTH DCF MODEL

Exhibit No.___(WEA-7)

NON-UTILITY PROXY GROUP

	Company	(a) Dividend Yield	(a) Growth Rates V Line	(b) IBES	(c) First Call	(d) Zacks	(e) br+sv	(f) Cost of Equity Estimates V Line	IBES	First Call	Zacks	br+sv
1	3M Company	3.38%	4.0%	11.3%	11.0%	10.3%	16.0%	7.4% #	14.7% #	14.4% #	13.7% #	19.4%
2	Abbott Labs.	2.77%	11.5%	11.9%	13.0%	11.8%	13.3%	14.3% #	14.7% #	15.8% #	14.6% #	16.1%
3	Aflac Inc.	2.30%	14.5%	15.0%	15.0%	15.2%	10.7%	16.8% #	17.3% #	17.3% #	17.5% #	13.0%
4	Allergan, Inc.	0.55%	15.5%	14.4%	15.0%	14.9%	15.4%	16.1% #	15.0% #	15.6% #	15.5% #	15.9%
5	Allstate Corp.	6.80%	7.5%	7.0%	8.0%	8.6%	10.0%	14.3% #	13.8% #	14.8% #	15.4% #	16.8%
6	AT&T Inc.	5.68%	12.0%	6.5%	6.5%	17.9%	4.1%	17.7% #	12.2% #	12.2% #	23.6% #	9.8%
7	Bard (C.R.)	0.78%	13.5%	14.3%	14.0%	14.0%	13.1%	14.3% #	15.0% #	14.8% #	14.8% #	13.9%
8	Baxter Int'l Inc.	1.67%	16.5%	12.4%	12.9%	13.6%	14.1%	18.2% #	14.1% #	14.6% #	15.3% #	15.7%
9	Becton, Dickinson	1.82%	11.5%	12.5%	12.0%	12.3%	14.0%	13.3% #	14.3% #	13.8% #	14.1% #	15.8%
10	Bemis Co.	3.49%	5.0%	9.3%	9.0%	10.5%	6.0%	8.5% #	12.8% #	12.5% #	14.0% #	9.4%
11	Boeing	4.08%	15.5%	11.4%	10.0%	9.4%	16.6%	19.6% #	15.5% #	14.1% #	13.5% #	20.7%
12	Brown-Forman 'B'	2.48%	7.5%	8.4%	7.3%	10.5%	11.9%	10.0% #	10.9% #	9.8% #	13.0% #	14.4%
13	Chevron Corp.	3.62%	8.5%	3.0%	7.3%	10.3%	13.2%	12.1% #	6.7% #	10.9% #	13.9% #	16.8%
14	Chubb Corp.	2.76%	2.0%	10.0%	10.0%	9.3%	5.8%	4.8% #	12.8% #	12.8% #	12.1% #	8.5%
15	Coca-Cola	3.40%	8.5%	8.6%	8.5%	8.7%	11.0%	11.9% #	12.0% #	11.9% #	12.1% #	14.4%
16	Colgate-Palmolive	2.59%	12.0%	10.4%	11.0%	10.0%	18.9%	14.6% #	13.0% #	13.6% #	12.6% #	21.5%
17	Commerce Bancshs.	2.51%	4.5%	6.2%	5.7%	6.5%	8.7%	7.0% #	8.7% #	8.2% #	9.0% #	11.2%
18	ConocoPhillips	4.06%	6.5%	-0.6%	5.7%	9.2%	15.8%	10.6% #	3.5% #	9.8% #	13.3% #	19.9%
19	Du Pont	6.92%	6.5%	3.1%	5.3%	9.5%	9.3%	13.4% #	10.1% #	12.2% #	16.4% #	16.3%
20	Eaton Corp.	4.81%	11.5%	9.4%	11.0%	11.5%	15.8%	16.3% #	14.2% #	15.8% #	16.3% #	20.6%
21	Ecolab Inc.	1.47%	13.0%	12.8%	13.0%	13.5%	15.4%	14.5% #	14.3% #	14.5% #	15.0% #	16.9%
22	Emerson Electric	4.18%	11.0%	12.3%	12.0%	11.8%	7.2%	15.2% #	16.5% #	16.2% #	16.0% #	11.4%
23	Everest Re Group Ltd.	2.59%	14.5%	10.0%	10.0%	15.0%	10.6%	17.1% #	12.6% #	12.6% #	17.6% #	13.2%
24	Exxon Mobil Corp.	2.10%	8.5%	2.3%	6.6%	8.6%	12.9%	10.6% #	4.4% #	8.7% #	10.7% #	15.0%
25	Fortune Brands	4.67%	5.5%	10.0%	10.0%	9.4%	8.6%	10.2% #	14.7% #	14.7% #	14.1% #	13.2%
26	Gallagher (Arthur J.)	5.35%	5.5%	6.0%	6.0%	9.5%	9.3%	10.9% #	11.4% #	11.4% #	14.9% #	14.6%
27	Gen'l Dynamics	2.80%	12.0%	9.0%	10.0%	9.1%	10.7%	14.8% #	11.8% #	12.8% #	11.9% #	13.5%
28	Gen'l Mills	2.79%	10.0%	10.0%	10.0%	9.0%	8.4%	12.8% #	12.8% #	12.8% #	11.8% #	11.2%
29	Genuine Parts	4.22%	9.0%	8.3%	8.0%	9.0%	6.5%	13.2% #	12.5% #	12.2% #	13.2% #	10.7%
30	Grainger (W.W.)	2.38%	12.5%	11.7%	12.0%	11.3%	8.7%	14.9% #	14.1% #	14.4% #	13.7% #	11.0%
31	Heinz (H.J.)	4.52%	10.0%	7.0%	7.0%	NA	13.6%	14.5% #	11.5% #	11.5% #	NA #	18.2%
32	Hewlett-Packard	0.96%	17.5%	12.7%	12.0%	12.5%	10.3%	18.5% #	13.6% #	13.0% #	13.5% #	11.3%
33	Home Depot	3.88%	-0.5%	9.8%	11.0%	9.3%	8.2%	3.4% #	13.6% #	14.9% #	13.2% #	12.1%
34	Honeywell Int'l	4.32%	13.0%	10.0%	11.0%	11.8%	14.0%	17.3% #	14.3% #	15.3% #	16.1% #	18.4%
35	Hormel Foods	2.81%	11.0%	8.8%	8.5%	8.4%	11.3%	13.8% #	11.6% #	11.3% #	11.2% #	14.1%
36	Illinois Tool Works	3.90%	10.5%	10.1%	10.0%	9.4%	10.8%	14.4% #	14.0% #	13.9% #	13.3% #	14.7%
37	Ingersoll-Rand	4.93%	18.5%	12.0%	12.0%	12.3%	18.0%	23.4% #	16.9% #	16.9% #	17.2% #	22.9%
38	Int'l Business Mach.	2.58%	14.5%	11.0%	10.0%	10.5%	7.4%	17.1% #	13.6% #	12.6% #	13.1% #	10.0%

NON-UTILITY PROXY GROUP

		(a)	(a)	(b)	(c)	(d)	(e)	(f)	(f)	(f)	(f)	(f)
		Dividend	Growth Rates					Cost of Equity Estimates				
	Company	Yield	V Line	IBES	First Call	Zacks	br+sv	V Line	IBES	First Call	Zacks	br+sv
39	ITT Corp.	1.71%	14.0%	13.0%	13.0%	12.1%	13.1%	15.7% #	14.7% #	14.7% #	13.8% #	14.8%
40	Johnson & Johnson	3.28%	8.0%	7.8%	7.5%	7.8%	10.1%	11.3% #	11.1% #	10.8% #	11.1% #	13.4%
41	Kimberly-Clark	4.24%	7.0%	7.7%	7.0%	7.3%	12.9%	11.2% #	11.9% #	11.2% #	11.5% #	17.1%
42	Kraft Foods	4.44%	6.5%	9.3%	7.3%	8.0%	4.8%	10.9% #	13.8% #	11.7% #	12.4% #	9.2%
43	Lilly (Eli)	5.55%	4.5%	5.9%	5.0%	6.4%	8.6%	10.1% #	11.5% #	10.6% #	12.0% #	14.2%
44	Lincoln Nat'l Corp.	13.60%	9.5%	10.5%	11.2%	11.0%	8.4%	23.1% #	24.1% #	24.8% #	24.6% #	22.0%
45	Lockheed Martin	2.96%	15.5%	11.5%	10.0%	8.6%	13.2%	18.5% #	14.5% #	13.0% #	11.6% #	16.2%
46	Manulife Fin'l	6.78%	10.5%	12.8%	13.7%	11.0%	11.0%	17.3% #	19.6% #	20.5% #	17.8% #	17.8%
47	McDonald's Corp.	3.29%	12.0%	10.5%	9.0%	12.0%	2.3%	15.3% #	13.8% #	12.3% #	15.3% #	5.5%
48	Medtronic, Inc.	2.46%	11.0%	12.2%	12.0%	13.4%	9.2%	13.5% #	14.7% #	14.5% #	15.9% #	11.7%
49	Microsoft Corp.	2.72%	15.5%	10.9%	11.0%	11.0%	-1.2%	18.2% #	13.6% #	13.7% #	13.7% #	1.5%
50	NIKE, Inc. 'B'	1.77%	11.5%	13.0%	14.0%	12.3%	9.5%	13.3% #	14.8% #	15.8% #	14.1% #	11.3%
51	Northrop Grumman	4.08%	11.5%	12.8%	10.0%	9.6%	8.2%	15.6% #	16.9% #	14.1% #	13.7% #	12.2%
52	PepsiCo, Inc.	3.25%	11.0%	9.4%	9.8%	10.3%	10.3%	14.3% #	12.7% #	13.1% #	13.6% #	13.5%
53	Pfizer, Inc.	7.87%	0.5%	1.0%	3.0%	3.9%	6.9%	8.4% #	8.9% #	10.9% #	11.8% #	14.7%
54	Procter & Gamble	2.61%	9.0%	10.0%	10.0%	10.2%	6.5%	11.6% #	12.6% #	12.6% #	12.8% #	9.1%
55	Raytheon Co.	2.32%	14.0%	12.4%	10.0%	10.6%	8.6%	16.3% #	14.7% #	12.3% #	12.9% #	10.9%
56	Reinsurance Group	1.00%	11.5%	10.1%	10.5%	11.5%	11.3%	12.5% #	11.1% #	11.5% #	12.5% #	12.3%
57	Sigma-Aldrich	1.39%	9.5%	9.0%	9.1%	9.0%	13.4%	10.9% #	10.4% #	10.5% #	10.4% #	14.8%
58	Sysco Corp.	4.00%	12.0%	12.0%	12.0%	12.5%	8.8%	16.0% #	16.0% #	16.0% #	16.5% #	12.8%
59	Torchmark Corp.	1.62%	8.0%	8.3%	8.0%	NA	10.6%	9.6% #	9.9% #	9.6% #	NA #	12.2%
60	United Parcel Serv.	3.17%	7.0%	11.7%	11.5%	11.8%	14.0%	10.2% #	14.8% #	14.7% #	15.0% #	17.2%
61	United Technologies	3.27%	12.5%	10.0%	10.0%	9.6%	11.8%	15.8% #	13.3% #	13.3% #	12.9% #	15.0%
62	Verizon Communic.	5.72%	6.0%	6.6%	7.0%	7.4%	8.6%	11.7% #	12.3% #	12.7% #	13.1% #	14.3%
63	Wal-Mart Stores	1.72%	9.5%	11.5%	11.0%	10.2%	10.0%	11.2% #	13.2% #	12.7% #	11.9% #	11.7%
64	Walgreen Co.	1.84%	11.0%	12.6%	14.0%	13.6%	11.8%	12.8% #	14.4% #	15.8% #	15.4% #	13.6%
65	Wells Fargo	4.94%	5.5%	8.5%	8.5%	8.2%	11.7%	10.4% #	13.4% #	13.4% #	13.1% #	16.6%
66	Wyeth	3.57%	6.0%	2.1%	2.0%	4.7%	14.2%	9.6% #	5.7% #	5.6% #	8.3% #	17.8%
	Average (g)							**13.1%**	**13.4%**	**13.2%**	**13.5%**	**13.3%**

(a) www.valueline.com (retrieved Dec. 11, 2008).
(b) www.finance.yahoo.com (retrieved Dec. 16, 2008).
(c) *First Call Earnings Valuation Report* (retrieved Dec. 17, 2008).
(d) http://www.zacks.com/research (retrieved Dec. 16, 2008).
(e) See Exhibit No.___(WEA-8).
(f) Sum of dividend yield and respective growth rate.
(g) Excludes highlighted figures.

Exhibit No. ___ (WEA-8)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09_____

DOCKET NO. UG-09_____

EXHIBIT NO._____(WEA-8)

WILLIAM E. AVERA

REPRESENTING AVISTA CORPORATION

NON-UTILITY PROXY GROUP

		(a)	(a)	(b)	(a)	(a)	(a)	(c)	(d)
		2011-13 Market Price			2011-13 Projections				
	Company	High	Low	Avg.	EPS	DPS	BVPS	b	r
1	3M Company	$110.00	$90.00	$100.00	$6.25	$2.20	$21.85	64.8%	28.6%
2	Abbott Labs.	$100.00	$80.00	$90.00	$5.05	$2.10	$21.45	58.4%	23.5%
3	Aflac Inc.	$115.00	$95.00	$105.00	$6.45	$1.88	$30.70	70.9%	21.0%
4	Allergan, Inc.	$115.00	$95.00	$105.00	$4.05	$0.30	$29.50	92.6%	13.7%
5	Allstate Corp.	$90.00	$75.00	$82.50	$8.35	$2.25	$59.45	73.1%	14.0%
6	AT&T Inc.	$80.00	$65.00	$72.50	$4.50	$2.60	$25.80	42.2%	17.4%
7	Bard (C.R.)	$155.00	$130.00	$142.50	$7.15	$0.90	$31.78	87.4%	22.5%
8	Baxter Int'l Inc.	$105.00	$85.00	$95.00	$5.40	$1.55	$23.85	71.3%	22.6%
9	Becton, Dickinson	$115.00	$90.00	$102.50	$6.40	$1.75	$34.25	72.7%	18.7%
10	Bemis Co.	$45.00	$35.00	$40.00	$2.30	$1.04	$21.50	54.8%	10.7%
11	Boeing	$150.00	$120.00	$135.00	$9.00	$2.50	$37.35	72.2%	24.1%
12	Brown-Forman 'B	$75.00	$60.00	$67.50	$4.00	$1.32	$20.70	67.0%	19.3%
13	Chevron Corp.	$140.00	$110.00	$125.00	$12.50	$3.20	$57.55	74.4%	21.7%
14	Chubb Corp.	$85.00	$70.00	$77.50	$6.30	$2.80	$56.25	55.6%	11.2%
15	Coca-Cola	$90.00	$75.00	$82.50	$3.85	$1.88	$17.30	51.2%	22.3%
16	Colgate-Palmolive	$140.00	$115.00	$127.50	$5.80	$2.30	$13.55	60.3%	42.8%
17	Commerce Bancshs	$55.00	$45.00	$50.00	$3.70	$1.20	$33.35	67.6%	11.1%
18	ConocoPhillips	$145.00	$120.00	$132.50	$14.00	$2.00	$72.40	85.7%	19.3%
19	Du Pont	$80.00	$65.00	$72.50	$4.10	$1.92	$19.20	53.2%	21.4%
20	Eaton Corp.	$210.00	$170.00	$190.00	$11.90	$3.10	$55.90	73.9%	21.3%
21	Ecolab Inc.	$65.00	$55.00	$60.00	$3.00	$0.75	$15.10	75.0%	19.9%
22	Emerson Electric	$90.00	$75.00	$82.50	$4.15	$1.80	$15.80	56.6%	26.3%
23	Everest Re Group Ltd.	$165.00	$135.00	$150.00	$15.00	$2.35	$116.65	84.3%	12.9%
24	Exxon Mobil Corp.	$140.00	$115.00	$127.50	$10.50	$1.90	$38.55	81.9%	27.2%
25	Fortune Brands	$115.00	$95.00	$105.00	$7.00	$1.86	$55.15	73.4%	12.7%
26	Gallagher (Arthur J.)	$40.00	$35.00	$37.50	$2.20	$1.44	$10.35	34.5%	21.3%
27	Gen'l Dynamics	$140.00	$115.00	$127.50	$8.40	$2.25	$51.70	73.2%	16.2%
28	Gen'l Mills	$95.00	$80.00	$87.50	$5.10	$2.25	$23.50	55.9%	21.7%
29	Genuine Parts	$80.00	$65.00	$72.50	$4.65	$2.16	$24.65	53.5%	18.9%
30	Grainger (W.W.)	$160.00	$130.00	$145.00	$8.65	$2.35	$48.20	72.8%	17.9%
31	Heinz (H.J.)	$80.00	$65.00	$72.50	$4.30	$2.08	$12.25	51.6%	35.1%
32	Hewlett-Packard	$95.00	$80.00	$87.50	$5.50	$0.60	$23.75	89.1%	23.2%
33	Home Depot	$50.00	$40.00	$45.00	$2.50	$1.10	$17.25	56.0%	14.5%
34	Honeywell Int'l	$85.00	$70.00	$77.50	$5.35	$1.60	$25.95	70.1%	20.6%
35	Hormel Foods	$75.00	$60.00	$67.50	$3.75	$1.20	$23.35	68.0%	16.1%
36	Illinois Tool Works	$100.00	$80.00	$90.00	$5.50	$1.40	$24.30	74.5%	22.6%
37	Ingersoll-Rand	$70.00	$55.00	$62.50	$8.25	$1.00	$46.15	87.9%	17.9%
38	Int'l Business Mach.	$245.00	$200.00	$222.50	$14.00	$3.25	$27.35	76.8%	51.2%
39	ITT Corp.	$115.00	$95.00	$105.00	$6.60	$1.06	$42.50	83.9%	15.5%
40	Johnson & Johnson	$120.00	$95.00	$107.50	$6.00	$2.40	$26.25	60.0%	22.9%
41	Kimberly-Clark	$100.00	$80.00	$90.00	$6.00	$2.95	$19.00	50.8%	31.6%
42	Kraft Foods	$65.00	$50.00	$57.50	$2.75	$1.40	$26.20	49.1%	10.5%
43	Lilly (Eli)	$70.00	$55.00	$62.50	$4.15	$2.16	$21.45	48.0%	19.3%
44	Lincoln Nat'l Corp.	$120.00	$100.00	$110.00	$8.50	$1.98	$60.45	76.7%	14.1%
45	Lockheed Martin	$210.00	$170.00	$190.00	$12.70	$2.65	$46.75	79.1%	27.2%

NON-UTILITY PROXY GROUP

		(a)	(a)	(b)	(a)	(a)	(a)	(c)	(d)
		2011-13 Market Price			2011-13 Projections				
	Company	High	Low	Avg.	EPS	DPS	BVPS	b	r
46	Manulife Financial	$60.00	$50.00	$55.00	$4.00	$1.20	$23.15	70.0%	17.3%
47	McDonald's Corp.	$90.00	$70.00	$80.00	$4.70	$2.80	$16.50	40.4%	28.5%
48	Medtronic, Inc.	$95.00	$80.00	$87.50	$4.55	$1.08	$19.55	76.3%	23.3%
49	Microsoft Corp.	$60.00	$50.00	$55.00	$3.10	$0.80	$9.50	74.2%	32.6%
50	NIKE, Inc. 'B'	$110.00	$90.00	$100.00	$5.15	$1.50	$23.85	70.9%	21.6%
51	Northrop Grumman	$140.00	$115.00	$127.50	$8.35	$2.10	$71.00	74.9%	11.8%
52	PepsiCo, Inc.	$125.00	$100.00	$112.50	$5.60	$2.12	$15.95	62.1%	35.1%
53	Pfizer, Inc.	$25.00	$20.00	$22.50	$2.15	$1.40	$10.10	34.9%	21.3%
54	Procter & Gamble	$110.00	$90.00	$100.00	$4.75	$1.95	$32.30	58.9%	14.7%
55	Raytheon Co.	$95.00	$80.00	$87.50	$5.75	$1.75	$40.75	69.6%	14.1%
56	Reinsurance Group	$70.00	$55.00	$62.50	$8.85	$0.50	$75.35	94.4%	11.7%
57	Sigma-Aldrich	$70.00	$60.00	$65.00	$3.60	$0.70	$18.45	80.6%	19.5%
58	Sysco Corp.	$65.00	$55.00	$60.00	$2.80	$1.25	$7.70	55.4%	36.4%
59	Torchmark Corp.	$100.00	$85.00	$92.50	$8.00	$0.75	$56.00	90.6%	14.3%
60	United Parcel Serv.	$135.00	$110.00	$122.50	$5.65	$2.25	$16.90	60.2%	33.4%
61	United Technologies	$130.00	$105.00	$117.50	$7.40	$1.85	$42.50	75.0%	17.4%
62	Verizon Communic.	$65.00	$55.00	$60.00	$3.50	$1.84	$18.75	47.4%	18.7%
63	Wal-Mart Stores	$90.00	$75.00	$82.50	$5.05	$1.25	$24.55	75.2%	20.6%
64	Walgreen Co.	$75.00	$65.00	$70.00	$3.25	$0.70	$21.65	78.5%	15.0%
65	Wells Fargo	$50.00	$40.00	$45.00	$3.25	$1.60	$19.20	50.8%	16.9%
66	Wyeth	$75.00	$60.00	$67.50	$4.60	$1.35	$24.25	70.7%	19.0%

NON-UTILITY PROXY GROUP

		(a)	(a)	(e)	(a)	(a)	(e)	(f)	(g)	(h)
			2007			2011-13			Adjusted "r"	
	Company	BVPS	No. Shares	Common Equity	BVPS	No. Shares	Common Equity	Chg in Equity	Adj. Factor	Adj. r
1	3M Company	$16.56	709.16	$11,744	$21.85	680.00	$14,858	4.8%	1.0235	29.3%
2	Abbott Labs.	$11.47	1549.90	$17,777	$21.45	1520.00	$32,604	12.9%	1.0606	25.0%
3	Aflac Inc.	$18.08	486.53	$8,796	$30.70	440.00	$13,508	9.0%	1.0429	21.9%
4	Allergan, Inc.	$12.22	305.91	$3,738	$29.50	315.00	$9,293	20.0%	1.0908	15.0%
5	Allstate Corp.	$38.81	563.00	$21,850	$59.45	520.00	$30,914	7.2%	1.0347	14.5%
6	AT&T Inc.	$19.09	6043.50	$115,370	$25.80	5500.00	$141,900	4.2%	1.0207	17.8%
7	Bard (C.R.)	$18.44	100.19	$1,848	$31.78	90.00	$2,860	9.1%	1.0437	23.5%
8	Baxter Int'l Inc.	$10.91	633.64	$6,913	$23.85	600.00	$14,310	15.7%	1.0726	24.3%
9	Becton, Dickinson	$17.89	243.84	$4,362	$34.25	241.00	$8,254	13.6%	1.0637	19.9%
10	Bemis Co.	$15.54	100.52	$1,562	$21.50	100.00	$2,150	6.6%	1.0319	11.0%
11	Boeing	$12.22	736.68	$9,002	$37.35	700.00	$26,145	23.8%	1.1062	26.7%
12	Boeing	$11.44	150.74	$1,724	$20.70	145.00	$3,002	11.7%	1.0554	20.4%
13	Chevron Corp.	$36.88	2090.40	$77,094	$57.55	1800.00	$103,590	6.1%	1.0295	22.4%
14	Chubb Corp.	$38.56	374.65	$14,447	$56.25	345.00	$19,406	6.1%	1.0295	11.5%
15	Coca-Cola	$9.38	2318.00	$21,743	$17.30	2285.00	$39,531	12.7%	1.0597	23.6%
16	Colgate-Palmolive	$4.10	509.03	$2,087	$13.55	480.00	$6,504	25.5%	1.1132	47.6%
17	Commerce Bancshs	$21.25	71.89	$1,528	$33.35	78.00	$2,601	11.2%	1.0532	11.7%
18	Du Pont	$56.63	1571.40	$88,988	$72.40	1475.00	$106,790	3.7%	1.0182	19.7%
19	Du Pont	$12.38	899.30	$11,133	$19.20	860.00	$16,512	8.2%	1.0394	22.2%
20	Eaton Corp.	$35.42	146.00	$5,171	$55.90	144.00	$8,050	9.3%	1.0442	22.2%
21	Ecolab Inc.	$7.84	246.80	$1,935	$15.10	245.00	$3,700	13.8%	1.0647	21.2%
22	Emerson Electric	$11.14	787.23	$8,770	$15.80	715.00	$11,297	5.2%	1.0253	26.9%
23	Everest Re Group Ltd.	$86.92	65.40	$5,685	$116.65	60.00	$6,999	4.2%	1.0208	13.1%
24	Exxon Mobil Corp.	$22.62	5382.00	$121,741	$38.55	4300.00	$165,765	6.4%	1.0309	28.1%
25	Fortune Brands	$36.94	153.91	$5,685	$55.15	145.00	$7,997	7.1%	1.0341	13.1%
26	Gallagher (Arthur J.)	$7.78	92.00	$716	$10.35	95.00	$983	6.6%	1.0317	21.9%
27	Gen'l Dynamics	$29.13	403.98	$11,768	$51.70	380.00	$19,646	10.8%	1.0512	17.1%
28	Gen'l Mills	$15.64	340.00	$5,318	$23.50	315.00	$7,403	6.8%	1.0331	22.4%
29	Genuine Parts	$16.36	166.07	$2,717	$24.65	150.00	$3,698	6.4%	1.0308	19.4%
30	Grainger (W.W.)	$26.40	79.46	$2,098	$48.20	70.00	$3,374	10.0%	1.0475	18.8%
31	Heinz (H.J.)	$6.04	312.56	$1,888	$12.25	295.00	$3,614	13.9%	1.0648	37.4%
32	Hewlett-Packard	$14.93	2580.00	$38,519	$23.75	2100.00	$49,875	5.3%	1.0258	23.8%
33	Home Depot	$10.48	1690.00	$17,711	$17.25	1675.00	$28,894	10.3%	1.0489	15.2%
34	Honeywell Int'l	$12.35	746.55	$9,220	$25.95	720.00	$18,684	15.2%	1.0705	22.1%
35	Hormel Foods	$13.89	135.68	$1,885	$23.35	135.00	$3,152	10.8%	1.0514	16.9%
36	Illinois Tool Works	$17.64	530.10	$9,351	$24.30	470.00	$11,421	4.1%	1.0200	23.1%
37	Ingersoll-Rand	$29.01	272.61	$7,908	$46.15	325.00	$14,999	13.7%	1.0639	19.0%
38	Int'l Business Mach.	$20.55	1385.20	$28,466	$27.35	1100.00	$30,085	1.1%	1.0055	51.5%
39	ITT Corp.	$21.73	181.57	$3,946	$42.50	177.00	$7,523	13.8%	1.0644	16.5%
40	Johnson & Johnson	$15.25	2840.20	$43,313	$26.25	2650.00	$69,563	9.9%	1.0473	23.9%
41	Kimberly-Clark	$12.41	420.90	$5,223	$19.00	400.00	$7,600	7.8%	1.0375	32.8%
42	Kraft Foods	$17.80	1533.80	$27,302	$26.20	1500.00	$39,300	7.6%	1.0364	10.9%
43	Lilly (Eli)	$12.05	1134.30	$13,668	$21.45	1100.00	$23,595	11.5%	1.0545	20.4%
44	Lincoln Nat'l Corp.	$44.35	264.23	$11,719	$60.45	225.00	$13,601	3.0%	1.0149	14.3%
45	Lockheed Martin	$23.97	409.00	$9,804	$46.75	350.00	$16,363	10.8%	1.0512	28.6%

NON-UTILITY PROXY GROUP

		(a)	(a) 2007	(e)	(a)	(a) 2011-13	(e)	(f)	(g) Adjusted "r"	(h)
	Company	BVPS	No. Shares	Common Equity	BVPS	No. Shares	Common Equity	Chg in Equity	Adj. Factor	Adj. r
46	M&T Bank Corp.	$16.37	1501.00	$24,571	$23.15	1425.00	$32,989	6.1%	1.0294	17.8%
47	McDonald's Corp.	$13.11	1165.30	$15,277	$16.50	1030.00	$16,995	2.2%	1.0107	28.8%
48	Medtronic, Inc.	$10.25	1124.90	$11,530	$19.55	980.00	$19,159	10.7%	1.0507	24.5%
49	Microsoft Corp.	$3.32	9380.00	$31,142	$9.50	7000.00	$66,500	16.4%	1.0757	35.1%
50	NIKE, Inc. 'B'	$13.94	503.80	$7,023	$23.85	455.00	$10,852	9.1%	1.0435	22.5%
51	Northrop Grumman	$52.35	337.83	$17,685	$71.00	320.00	$22,720	5.1%	1.0250	12.1%
52	PepsiCo, Inc.	$10.71	1605.00	$17,190	$15.95	1450.00	$23,128	6.1%	1.0297	36.2%
53	Pfizer, Inc.	$9.60	6761.00	$64,906	$10.10	6600.00	$66,660	0.5%	1.0027	21.3%
54	Procter & Gamble	$20.87	3131.90	$65,363	$32.30	2950.00	$95,285	7.8%	1.0377	15.3%
55	Raytheon Co.	$29.43	426.20	$12,543	$40.75	400.00	$16,300	5.4%	1.0262	14.5%
56	Raytheon Co.	$51.42	62.03	$3,190	$75.35	67.00	$5,048	9.6%	1.0459	12.3%
57	Sigma-Aldrich	$12.21	132.41	$1,617	$18.45	125.00	$2,306	7.4%	1.0355	20.2%
58	Sysco Corp.	$5.36	611.84	$3,279	$7.70	560.00	$4,312	5.6%	1.0274	37.4%
59	Sysco Corp.	$36.07	92.18	$3,325	$56.00	75.00	$4,200	4.8%	1.0234	14.6%
60	United Parcel Serv.	$11.78	1034.40	$12,185	$16.90	980.00	$16,562	6.3%	1.0307	34.5%
61	United Technologies	$21.76	981.52	$21,358	$42.50	925.00	$39,313	13.0%	1.0609	18.5%
62	Verizon Communic.	$17.62	2871.00	$50,587	$18.75	2850.00	$53,438	1.1%	1.0055	18.8%
63	Wal-Mart Stores	$16.26	3973.00	$64,601	$24.55	3500.00	$85,925	5.9%	1.0285	21.2%
64	Walgreen Co.	$11.20	991.14	$11,101	$21.65	975.00	$21,109	13.7%	1.0642	16.0%
65	Wells Fargo	$14.31	3297.10	$47,182	$19.20	3650.00	$70,080	8.2%	1.0395	17.6%
66	Wyeth	$13.61	1337.80	$18,207	$24.25	1340.00	$32,495	12.3%	1.0579	20.1%

NON-UTILITY PROXY GROUP

		(a)	(a)	(f)	(i)	(j)	(k)	(l)	(m)
		Common Shares Outstanding			M/B	"sv" Factor			
	Company	2007	2011-13	Change	Ratio	s	v	sv	br + sv
1	3M Company	709.16	680.00	-0.84%	4.58	(0.0383)	0.7815	-2.99%	16.0%
2	Abbott Labs.	1549.90	1520.00	-0.39%	4.20	(0.0163)	0.7617	-1.24%	13.3%
3	Aflac Inc.	486.53	440.00	-1.99%	3.42	(0.0681)	0.7076	-4.82%	10.7%
4	Allergan, Inc.	305.91	315.00	0.59%	3.56	0.0209	0.7190	1.50%	15.4%
5	Allstate Corp.	563.00	520.00	-1.58%	1.39	(0.0219)	0.2794	-0.61%	10.0%
6	AT&T Inc.	6043.50	5500.00	-1.87%	2.81	(0.0525)	0.6441	-3.38%	4.1%
7	Bard (C.R.)	100.19	90.00	-2.12%	4.48	(0.0952)	0.7770	-7.39%	13.1%
8	Baxter Int'l Inc.	633.64	600.00	-1.09%	3.98	(0.0432)	0.7489	-3.24%	14.1%
9	Becton, Dickinson	243.84	241.00	-0.23%	2.99	(0.0070)	0.6659	-0.47%	14.0%
10	Bemis Co.	100.52	100.00	-0.10%	1.86	(0.0019)	0.4625	-0.09%	6.0%
11	Boeing	736.68	700.00	-1.02%	3.61	(0.0367)	0.7233	-2.66%	16.6%
12	Boeing	150.74	145.00	-0.77%	3.26	(0.0252)	0.6933	-1.75%	11.9%
13	Chevron Corp.	2090.40	1800.00	-2.95%	2.17	(0.0640)	0.5396	-3.45%	13.2%
14	Chubb Corp.	374.65	345.00	-1.64%	1.38	(0.0225)	0.2742	-0.62%	5.8%
15	Coca-Cola	2318.00	2285.00	-0.29%	4.77	(0.0137)	0.7903	-1.08%	11.0%
16	Colgate-Palmolive	509.03	480.00	-1.17%	9.41	(0.1099)	0.8937	-9.82%	18.9%
17	Commerce Bancshs	71.89	78.00	1.64%	1.50	0.0247	0.3330	0.82%	8.7%
18	Du Pont	1571.40	1475.00	-1.26%	1.83	(0.0230)	0.4536	-1.04%	15.8%
19	Du Pont	899.30	860.00	-0.89%	3.78	(0.0336)	0.7352	-2.47%	9.3%
20	Eaton Corp.	146.00	144.00	-0.28%	3.40	(0.0094)	0.7058	-0.66%	15.8%
21	Ecolab Inc.	246.80	245.00	-0.15%	3.97	(0.0058)	0.7483	-0.44%	15.4%
22	Emerson Electric	787.23	715.00	-1.91%	5.22	(0.0995)	0.8085	-8.05%	7.2%
23	Everest Re Group Ltd.	65.40	60.00	-1.71%	1.29	(0.0220)	0.2223	-0.49%	10.6%
24	Exxon Mobil Corp.	5382.00	4300.00	-4.39%	3.31	(0.1452)	0.6976	-10.13%	12.9%
25	Fortune Brands	153.91	145.00	-1.19%	1.90	(0.0226)	0.4748	-1.07%	8.6%
26	Gallagher (Arthur J.)	92.00	95.00	0.64%	3.62	0.0233	0.7240	1.69%	9.3%
27	Gen'l Dynamics	403.98	380.00	-1.22%	2.47	(0.0300)	0.5945	-1.78%	10.7%
28	Gen'l Mills	340.00	315.00	-1.52%	3.72	(0.0564)	0.7314	-4.13%	8.4%
29	Genuine Parts	166.07	150.00	-2.01%	2.94	(0.0593)	0.6600	-3.91%	6.5%
30	Grainger (W.W.)	79.46	70.00	-2.50%	3.01	(0.0753)	0.6676	-5.03%	8.7%
31	Heinz (H.J.)	312.56	295.00	-1.15%	5.92	(0.0680)	0.8310	-5.65%	13.6%
32	Hewlett-Packard	2580.00	2100.00	-4.03%	3.68	(0.1486)	0.7286	-10.83%	10.3%
33	Home Depot	1690.00	1675.00	-0.18%	2.61	(0.0046)	0.6167	-0.29%	8.2%
34	Honeywell Int'l	746.55	720.00	-0.72%	2.99	(0.0216)	0.6652	-1.43%	14.0%
35	Hormel Foods	135.68	135.00	-0.10%	2.89	(0.0029)	0.6541	-0.19%	11.3%
36	Illinois Tool Works	530.10	470.00	-2.38%	3.70	(0.0881)	0.7300	-6.43%	10.8%
37	Ingersoll-Rand	272.61	325.00	3.58%	1.35	0.0485	0.2616	1.27%	18.0%
38	Int'l Business Mach.	1385.20	1100.00	-4.51%	8.14	(0.3666)	0.8771	-32.15%	7.4%
39	ITT Corp.	181.57	177.00	-0.51%	2.47	(0.0126)	0.5952	-0.75%	13.1%
40	Johnson & Johnson	2840.20	2650.00	-1.38%	4.10	(0.0564)	0.7558	-4.26%	10.1%
41	Kimberly-Clark	420.90	400.00	-1.01%	4.74	(0.0480)	0.7889	-3.79%	12.9%
42	Kraft Foods	1533.80	1500.00	-0.44%	2.19	(0.0098)	0.5443	-0.53%	4.8%
43	Lilly (Eli)	1134.30	1100.00	-0.61%	2.91	(0.0178)	0.6568	-1.17%	8.6%
44	Lincoln Nat'l Corp.	264.23	225.00	-3.16%	1.82	(0.0576)	0.4505	-2.59%	8.4%
45	Lockheed Martin	409.00	350.00	-3.07%	4.06	(0.1247)	0.7539	-9.40%	13.2%

NON-UTILITY PROXY GROUP

		(a)	(a)	(f)	(i)	(j)	(k)	(l)	(m)
		Common Shares Outstanding			M/B	"sv" Factor			
	Company	2007	2011-13	Change	Ratio	s	v	sv	br + sv
46	M&T Bank Corp.	1501.00	1425.00	-1.03%	2.38	(0.0246)	0.5791	-1.42%	11.0%
47	McDonald's Corp.	1165.30	1030.00	-2.44%	4.85	(0.1182)	0.7938	-9.38%	2.3%
48	Medtronic, Inc.	1124.90	980.00	-2.72%	4.48	(0.1218)	0.7766	-9.45%	9.2%
49	Microsoft Corp.	9380.00	7000.00	-5.69%	5.79	(0.3292)	0.8273	-27.23%	-1.2%
50	NIKE, Inc. 'B'	503.80	455.00	-2.02%	4.19	(0.0846)	0.7615	-6.44%	9.5%
51	Northrop Grumman	337.83	320.00	-1.08%	1.80	(0.0194)	0.4431	-0.86%	8.2%
52	PepsiCo, Inc.	1605.00	1450.00	-2.01%	7.05	(0.1418)	0.8582	-12.17%	10.3%
53	Pfizer, Inc.	6761.00	6600.00	-0.48%	2.23	(0.0107)	0.5511	-0.59%	6.9%
54	Procter & Gamble	3131.90	2950.00	-1.19%	3.10	(0.0368)	0.6770	-2.49%	6.5%
55	Raytheon Co.	426.20	400.00	-1.26%	2.15	(0.0271)	0.5343	-1.45%	8.6%
56	Raytheon Co.	62.03	67.00	1.55%	0.83	0.0129	(0.2056)	-0.26%	11.3%
57	Sigma-Aldrich	132.41	125.00	-1.15%	3.52	(0.0403)	0.7162	-2.89%	13.4%
58	Sysco Corp.	611.84	560.00	-1.76%	7.79	(0.1368)	0.8717	-11.92%	8.8%
59	Sysco Corp.	92.18	75.00	-4.04%	1.65	(0.0668)	0.3946	-2.63%	10.6%
60	United Parcel Serv.	1034.40	980.00	-1.07%	7.25	(0.0779)	0.8620	-6.72%	14.0%
61	United Technologies	981.52	925.00	-1.18%	2.76	(0.0326)	0.6383	-2.08%	11.8%
62	Verizon Communic.	2871.00	2850.00	-0.15%	3.20	(0.0047)	0.6875	-0.32%	8.6%
63	Wal-Mart Stores	3973.00	3500.00	-2.50%	3.36	(0.0841)	0.7024	-5.91%	10.0%
64	Walgreen Co.	991.14	975.00	-0.33%	3.23	(0.0106)	0.6907	-0.73%	11.8%
65	Wells Fargo	3297.10	3650.00	2.05%	2.34	0.0482	0.5733	2.76%	11.7%
66	Wyeth	1337.80	1340.00	0.03%	2.78	0.0009	0.6407	0.06%	14.2%

(a) www.valueline.com (retrieved Dec. 11, 2008).
(b) Average of High and Low expected market prices
(c) Computed at (EPS - DPS) / EPS
(d) Computed as EPS / BVPS
(e) Product of BVPS and No. Shares Outstanding
(f) Five-year rate of change.
(g) Computed using the formula 2*(1+5-Yr. Change in Equity)/(2+5 Yr. Change in Equity)
(h) Product of year-end "r" for 2011-13 and Adjustment Factor
(i) Average of High and Low expected market prices divided by 2011-13 BVPS
(j) Product of change in common shares outstanding and M/B Ratic
(k) Computed as 1 - B/M Ratio
(l) Product of "s" and "v".
(m) Product of average "b" and adjusted "r", plus "sv"

Exhibit No. ___ (WEA-9)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09_____

DOCKET NO. UG-09_____

EXHIBIT NO._____(WEA-9)

WILLIAM E. AVERA

REPRESENTING AVISTA CORPORATION

FORWARD-LOOKING CAPM

Exhibit No.___(WEA-9)

UTILITY PROXY GROUP

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
			S&P 500					
	Company	Div Yield	Proj. Growth	Cost of Equity	Risk-Free Rate	Risk Premium	Beta	Implied Cost of Equity
1	Allegheny Energy	3.6%	9.6%	13.2%	3.2%	10.0%	1.10	14.2%
2	American Elec Pwr	3.6%	9.6%	13.2%	3.2%	10.0%	0.75	10.7%
3	Avista Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	0.85	11.7%
4	Black Hills Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	0.85	11.7%
5	Cleco Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	0.80	11.2%
6	DPL, Inc.	3.6%	9.6%	13.2%	3.2%	10.0%	0.65	9.7%
7	DTE Energy Co.	3.6%	9.6%	13.2%	3.2%	10.0%	0.70	10.2%
8	Edison International	3.6%	9.6%	13.2%	3.2%	10.0%	0.85	11.7%
9	Empire District Elec	3.6%	9.6%	13.2%	3.2%	10.0%	0.75	10.7%
10	Hawaiian Elec.	3.6%	9.6%	13.2%	3.2%	10.0%	0.75	10.7%
11	IDACORP, Inc.	3.6%	9.6%	13.2%	3.2%	10.0%	0.85	11.7%
12	Northeast Utilities	3.6%	9.6%	13.2%	3.2%	10.0%	0.75	10.7%
13	P S Enterprise Group	3.6%	9.6%	13.2%	3.2%	10.0%	0.85	11.7%
14	UIL Holdings	3.6%	9.6%	13.2%	3.2%	10.0%	0.70	10.2%
15	Westar Energy	3.6%	9.6%	13.2%	3.2%	10.0%	0.80	11.2%
	Range							**9.7% -- 14.2%**
	Average							**11.2%**

(a) Weighted average dividend yield for the dividend paying firms in the S&P 500 from www.valueline.com (retrieved Dec. 18, 2008)

(b) Weighted average of Value Line, IBES, First Call, and Zacks earnings growth rates for the dividend paying firms in the S&P 500 based on data from www.valueline.com (retrieved Dec. 18, 2008), www.finance.yahoo.com (retrieved Dec. 19, 2008), First CallValuation Report (retrieved Dec. 19, 2008), and www.zacks.com (retrieved Dec. 19, 2008).

(c) (a) + (b).

(d) Average yield on 20-year Treasury bonds for December 2008 from the Federal Reserve Board at http://www.federalreserve.gov/releases/h15/data.htm.

(e) (c) - (d).

(f) The Value Line Investment Survey (Nov. 28, Nov. 28, & Dec. 26, 2008).

(g) (d) + (e) x (f).

Exhibit No. ___ (WEA-10)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09_____

DOCKET NO. UG-09_____

EXHIBIT NO._____(WEA-10)

WILLIAM E. AVERA

REPRESENTING AVISTA CORPORATION

NON-UTILITY PROXY GROUP

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		S&P 500						
	Company	Div Yield	Proj. Growth	Cost of Equity	Risk-Free Rate	Risk Premium	Beta	Implied Cost of Equity
1	3M Company	3.6%	9.6%	13.2%	3.2%	10.0%	0.80	11.2%
2	Abbott Labs.	3.6%	9.6%	13.2%	3.2%	10.0%	0.60	9.2%
3	Aflac Inc.	3.6%	9.6%	13.2%	3.2%	10.0%	0.95	12.7%
4	Allergan, Inc.	3.6%	9.6%	13.2%	3.2%	10.0%	1.00	13.2%
5	Allstate Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	1.05	13.7%
6	AT&T Inc.	3.6%	9.6%	13.2%	3.2%	10.0%	0.80	11.2%
7	Bard (C.R.)	3.6%	9.6%	13.2%	3.2%	10.0%	0.60	9.2%
8	Baxter Int'l Inc.	3.6%	9.6%	13.2%	3.2%	10.0%	0.70	10.2%
9	Becton, Dickinson	3.6%	9.6%	13.2%	3.2%	10.0%	0.70	10.2%
10	Bemis Co.	3.6%	9.6%	13.2%	3.2%	10.0%	0.90	12.2%
11	Boeing	3.6%	9.6%	13.2%	3.2%	10.0%	0.90	12.2%
12	Brown-Forman 'B'	3.6%	9.6%	13.2%	3.2%	10.0%	0.70	10.2%
13	Chevron Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	0.90	12.2%
14	Chubb Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	0.95	12.7%
15	Coca-Cola	3.6%	9.6%	13.2%	3.2%	10.0%	0.55	8.7%
16	Colgate-Palmolive	3.6%	9.6%	13.2%	3.2%	10.0%	0.60	9.2%
17	Commerce Bancshs.	3.6%	9.6%	13.2%	3.2%	10.0%	0.80	11.2%
18	ConocoPhillips	3.6%	9.6%	13.2%	3.2%	10.0%	1.10	14.2%
19	Du Pont	3.6%	9.6%	13.2%	3.2%	10.0%	1.00	13.2%
20	Eaton Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	1.10	14.2%
21	Ecolab Inc.	3.6%	9.6%	13.2%	3.2%	10.0%	0.90	12.2%
22	Emerson Electric	3.6%	9.6%	13.2%	3.2%	10.0%	1.00	13.2%
23	Everest Re Group Ltd.	3.6%	9.6%	13.2%	3.2%	10.0%	0.85	11.7%
24	Exxon Mobil Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	0.80	11.2%
25	Fortune Brands	3.6%	9.6%	13.2%	3.2%	10.0%	1.00	13.2%
26	Gallagher (Arthur J.)	3.6%	9.6%	13.2%	3.2%	10.0%	0.70	10.2%
27	Gen'l Dynamics	3.6%	9.6%	13.2%	3.2%	10.0%	0.85	11.7%
28	Gen'l Mills	3.6%	9.6%	13.2%	3.2%	10.0%	0.55	8.7%

NON-UTILITY PROXY GROUP

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
			S&P 500					
	Company	Div Yield	Proj. Growth	Cost of Equity	Risk-Free Rate	Risk Premium	Beta	Implied Cost of Equity
29	Genuine Parts	3.6%	9.6%	13.2%	3.2%	10.0%	0.85	11.7%
30	Grainger (W.W.)	3.6%	9.6%	13.2%	3.2%	10.0%	1.00	13.2%
31	Heinz (H.J.)	3.6%	9.6%	13.2%	3.2%	10.0%	0.65	9.7%
32	Hewlett-Packard	3.6%	9.6%	13.2%	3.2%	10.0%	1.00	13.2%
33	Home Depot	3.6%	9.6%	13.2%	3.2%	10.0%	0.95	12.7%
34	Honeywell Int'l	3.6%	9.6%	13.2%	3.2%	10.0%	1.10	14.2%
35	Hormel Foods	3.6%	9.6%	13.2%	3.2%	10.0%	0.70	10.2%
36	Illinois Tool Works	3.6%	9.6%	13.2%	3.2%	10.0%	1.05	13.7%
37	Ingersoll-Rand	3.6%	9.6%	13.2%	3.2%	10.0%	1.20	15.2%
38	Int'l Business Mach.	3.6%	9.6%	13.2%	3.2%	10.0%	0.90	12.2%
39	ITT Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	0.95	12.7%
40	Johnson & Johnson	3.6%	9.6%	13.2%	3.2%	10.0%	0.55	8.7%
41	Kimberly-Clark	3.6%	9.6%	13.2%	3.2%	10.0%	0.60	9.2%
42	Kraft Foods	3.6%	9.6%	13.2%	3.2%	10.0%	0.65	9.7%
43	Lilly (Eli)	3.6%	9.6%	13.2%	3.2%	10.0%	0.80	11.2%
44	Lincoln Nat'l Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	1.40	17.1%
45	Lockheed Martin	3.6%	9.6%	13.2%	3.2%	10.0%	0.80	11.2%
46	Manulife Fin'l	3.6%	9.6%	13.2%	3.2%	10.0%	1.25	15.7%
47	McDonald's Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	0.75	10.7%
48	Medtronic, Inc.	3.6%	9.6%	13.2%	3.2%	10.0%	0.65	9.7%
49	Microsoft Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	0.80	11.2%
50	NIKE, Inc. 'B'	3.6%	9.6%	13.2%	3.2%	10.0%	0.85	11.7%
51	Northrop Grumman	3.6%	9.6%	13.2%	3.2%	10.0%	0.75	10.7%
52	PepsiCo, Inc.	3.6%	9.6%	13.2%	3.2%	10.0%	0.60	9.2%
53	Pfizer, Inc.	3.6%	9.6%	13.2%	3.2%	10.0%	0.70	10.2%
54	Procter & Gamble	3.6%	9.6%	13.2%	3.2%	10.0%	0.55	8.7%
55	Raytheon Co.	3.6%	9.6%	13.2%	3.2%	10.0%	0.75	10.7%
56	Reinsurance Group	3.6%	9.6%	13.2%	3.2%	10.0%	0.85	11.7%

NON-UTILITY PROXY GROUP

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		S&P 500						
	Company	Div Yield	Proj. Growth	Cost of Equity	Risk-Free Rate	Risk Premium	Beta	Implied Cost of Equity
57	Sigma-Aldrich	3.6%	9.6%	13.2%	3.2%	10.0%	1.00	13.2%
58	Sysco Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	0.65	9.7%
59	Torchmark Corp.	3.6%	9.6%	13.2%	3.2%	10.0%	1.00	13.2%
60	United Parcel Serv.	3.6%	9.6%	13.2%	3.2%	10.0%	0.80	11.2%
61	United Technologies	3.6%	9.6%	13.2%	3.2%	10.0%	1.00	13.2%
62	Verizon Communic.	3.6%	9.6%	13.2%	3.2%	10.0%	0.75	10.7%
63	Wal-Mart Stores	3.6%	9.6%	13.2%	3.2%	10.0%	0.65	9.7%
64	Walgreen Co.	3.6%	9.6%	13.2%	3.2%	10.0%	0.70	10.2%
65	Wells Fargo	3.6%	9.6%	13.2%	3.2%	10.0%	1.05	13.7%
66	Wyeth	3.6%	9.6%	13.2%	3.2%	10.0%	0.70	10.2%
	Range							**8.7% -- 15.7%**
	Average							**11.5%**

(a) Weighted average dividend yield for the dividend paying firms in the S&P 500 from www.valueline.com (retrieved Dec. 18, 2008).

(b) Weighted average of Value Line, IBES, First Call, and Zacks earnings growth rates for the dividend paying firms in the S&P 500 based on data from www.valueline.com (retrieved Dec. 18, 2008), www.finance.yahoo.com (retrieved Dec. 19, 2008), First CallValuation Report (retrieved Dec. 19, 2008), and www.zacks.com (retrieved Dec. 19, 2008).

(c) (a) + (b).

(d) Average yield on 20-year Treasury bonds for December 2008 from the Federal Reserve Board at http://www.federalreserve.gov/releases/h15/data.htm.

(e) (c) - (d).

(f) www.valueline.com (retrieved Dec. 11, 2008).

(g) (d) + (e) x (f).

(h) Excludes highlighted figures.

Exhibit No. ___ (WEA-11)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09_____

DOCKET NO. UG-09_____

EXHIBIT NO._____(WEA-11)

WILLIAM E. AVERA

REPRESENTING AVISTA CORPORATION

COMPARABLE EARNINGS APPROACH

Exhibit No.___(WEA-11)
Page 1 of 1

UTILITY PROXY GROUP

	Company	(a) Expected Return on Common Equity	(b) Adjustment Factor	(c) Adjusted Return on Common Equity
1	Allegheny Energy	15.0%	1.0603	15.9%
2	American Elec Pwr	10.5%	1.0344	10.9%
3	Avista Corp.	8.5%	1.0261	8.7%
4	Black Hills Corp.	7.5%	1.0410	7.8%
5	Cleco Corp.	11.5%	1.0336	11.9%
6	DPL, Inc.	20.0%	1.0540	21.1%
7	DTE Energy Co.	9.0%	1.0151	9.1%
8	Edison International	11.5%	1.0420	12.0%
9	Empire District Elec	10.5%	1.0278	10.8%
10	Hawaiian Elec.	11.0%	1.0156	11.2%
11	IDACORP, Inc.	7.5%	1.0211	7.7%
12	Northeast Utilities	9.0%	1.0569	9.5%
13	P S Enterprise Group	17.0%	1.0400	17.7%
14	UIL Holdings	11.0%	1.0070	11.1%
15	Westar Energy	7.5%	1.0522	7.9%
	Average (d)			**11.4%**

(a) 3-5 year projections from The Value Line Investment Survey (Nov. 7, Nov. 28, & Dec. 26, 2008).

(b) Adjustment to convert year-end "r" to an average rate of return from Exhibit No.___(WEA-6).

(c) (a) x (b).

(d) Excludes highlighted figures.