

**BEFORE THE WASHINGTON  
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA UTILITIES,

Respondent.

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DOCKET NOS. UE-200900 and UG-200901 (*Consolidated*)

**J. RANDALL WOOLRIDGE**

**ON BEHALF OF THE  
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL  
PUBLIC COUNSEL UNIT**

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**EXHIBIT JRW-10**

Avista Natural Gas Corp. Recommended Cost of Capital and ROE Results

**April 21, 2021**

**Avista's Recommended Cost of Capital**

<b>Capital Source</b>	<b>Capitalization Ratios</b>	<b>Cost Rate</b>	<b>Weighted Cost Rate</b>
<b>Long-Term Debt</b>	<b>50.00%</b>	<b>4.97%</b>	<b>2.49%</b>
<b>Common Equity</b>	<b><u>50.00%</u></b>	<b>9.90%</b>	<b><u>4.95%</u></b>
<b>Total Capital</b>	<b>100.00%</b>		<b>7.44%</b>

**Avista Common Equity Cost Rate**

<b>Method</b>	<b>Average</b>	<b>Midpoint</b>
<b><u>DCF</u></b>		
Value Line	9.3%	10.4%
IBES	9.4%	9.8%
Zacks	9.3%	10.1%
Internal br + sv	8.8%	8.8%
<b><u>CAPM</u></b>	11.2%	11.6%
<b><u>Empirical CAPM</u></b>	11.4%	11.8%
<b><u>Utility Risk Premium</u></b>		
Current Bond Yield		9.3%
Projected Bond Yields		10.1%
<b><u>Expected Earnings</u></b>	10.3%	10.9%

**ROE Recommendation**

Cost of Equity Range	9.3%	--	10.7%
Flotation Cost Adjustment			
Dividend Yield		4.0%	
Flotation Cost Percentage		2.9%	
Adjustment		0.1%	
<b>Recommended ROE Range</b>	<b>9.4%</b>	<b>--</b>	<b>10.8%</b>
<b>Midpoint</b>		<b>10.1%</b>	

## The Impact of DCF ROE Eliminations

Company	Earnings Growth			br+sv	
	V Line	IBES	Zacks	Growth	
Algonquin Pwr & Util	n/a	10.1%	12.3%	n/a	
ALLETE	9.3%	11.8%	n/a	8.0%	
Ameren Corp.	8.7%	8.7%	9.5%	8.6%	
Avangrid, Inc.	7.6%	8.2%	8.9%	4.9%	
Avista Corp.	5.6%	10.4%	9.8%	7.7%	
Black Hills Corp.	7.6%	8.8%	9.8%	7.9%	
CenterPoint Energy	7.2%	-3.4%	8.2%	10.7%	
CMS Energy Corp.	10.3%	9.9%	9.8%	10.1%	
DTE Energy Co.	9.7%	9.7%	9.4%	9.0%	
Edison International	n/a	6.5%	7.9%	10.7%	
Emera Inc.	10.5%	10.3%	n/a	8.3%	
Entergy Corp.	6.9%	9.3%	9.3%	8.8%	
Exelon Corp.	9.3%	0.9%	8.3%	8.5%	
FirstEnergy Corp.	14.0%	3.1%	n/a	14.5%	
Hawaiian Elec.	3.7%	5.5%	3.9%	5.1%	
IDACORP, Inc.	6.8%	5.9%	6.0%	6.8%	
NorthWestern Corp.	6.3%	8.6%	8.2%	7.6%	
OGE Energy Corp.	8.4%	7.8%	9.1%	8.0%	
Otter Tail Corp.	9.1%	13.1%	n/a	9.4%	
PNM Resources	9.0%	8.0%	7.9%	9.1%	
Sempra Energy	13.6%	9.9%	11.0%	10.9%	
<b>Reported DCF Equity Cost Rates</b>					<b>Mean</b>
<b>Mean</b>	<b>9.3%</b>	<b>9.4%</b>	<b>9.3%</b>	<b>8.8%</b>	<b>9.2%</b>
<b>Actual DCF Equity Cost Rates</b>					
<b>Mean</b>	<b>8.6%</b>	<b>7.8%</b>	<b>8.8%</b>	<b>8.7%</b>	<b>8.5%</b>