

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADIA WATER, LLC.

Respondent.

DOCKET UW-240151

**DAVID J. GARRETT
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT DJG-16

Hamada Model Results

November 20, 2024

Hamada Model Results

Unlevering Beta

Proxy Debt Ratio	46%	[1]
Proxy Equity Ratio	54%	[2]
Proxy Debt / Equity Ratio	0.9	[3]
Tax Rate	21%	[4]
Equity Risk Premium	5.0%	[5]
Risk-free Rate	4.4%	[6]
Proxy Group Beta	0.84	[7]
Unlevered Beta	0.50	[8]

[9] [10] [11] [12]

Relevered Betas and Cost of Equity Estimates

Debt Ratio	D/E Ratio	Levered Beta	Cost of Equity
0%	0.0	0.50	6.9%
20%	0.3	0.60	7.4%
25%	0.3	0.63	7.5%
30%	0.4	0.67	7.7%
34%	0.5	0.70	7.9%
46%	0.9	0.84	8.6%
60%	1.5	1.09	9.9%

- [1] Proxy group average debt ratio
- [2] Proxy group average equity ratio
- [3] = [1] / [2]
- [4] Company assumed tax rate
- [5] Equity risk premium from Exhibit DJG-11
- [6] Risk-free rate from Exhibit DJG-11
- [7] Average proxy beta from Exhibit DJG-11
- [8] = [7] / (1 + (1 - [4]) * [3])
- [9] Various debt ratios (Garrett proposed highlighted)
- [10] = [9] / (1 - [9])
- [11] = [8] * (1 + (1 - [4]) * [10])
- [12] = [6] + [11] * [5]