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|--|---|-----------------------------|
| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION |) | |
| |) | |
| Complainant, |) | DOCKET NO. UE-070804 |
| |) | and |
| v. |) | DOCKET NO. UG-070805 |
| |) | (consolidated) |
| AVISTA CORPORATION d/b/a AVISTA UTILITIES |) | |
| |) | |
| Respondent. |) | |
| _____ |) | |
| In the Matter of the Petition of |) | |
| |) | |
| AVISTA CORPORATION d/b/a AVISTA UTILITIES, |) | DOCKET NO. UE-070311 |
| |) | |
| For an Accounting Order Regarding the Appropriate Treatment of the Net Costs Associated With the Repurchase of Debt |) | |
| _____ |) | |

EXHIBIT NO. ___(MPG-20)

CAPM RETURN ESTIMATE, BETA 0.90

October 17, 2007

Avista Corp.

CAPM Return Estimate

| <u>Line</u> | <u>Description</u> | <u>Historical Premium (1)</u> |
|-------------|-----------------------------|--|
| 1 | Risk Free Rate ¹ | 5.2% |
| 2 | Risk Premium ² | 6.5% |
| 3 | Beta ³ | 0.90 |
| 4 | CAPM | 11.1% |
| | | |
| <u>Line</u> | <u>Description</u> | <u>Prospective Premium (1)</u> |
| 5 | Risk Free Rate ¹ | 5.2% |
| 6 | Risk Premium ² | 6.4% |
| 7 | Beta ³ | 0.90 |
| 8 | CAPM | 11.0% |
| 9 | CAPM Average | 11.0% |

Sources:

¹ Blue Chip Financial Forecasts; October 1, 2007 at 2.

² SBBJ; 2007 at pp. 31 & 120.

³ The Value Line Investment Survey; August 10, August 31, September 28, 2007.