

**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-6**

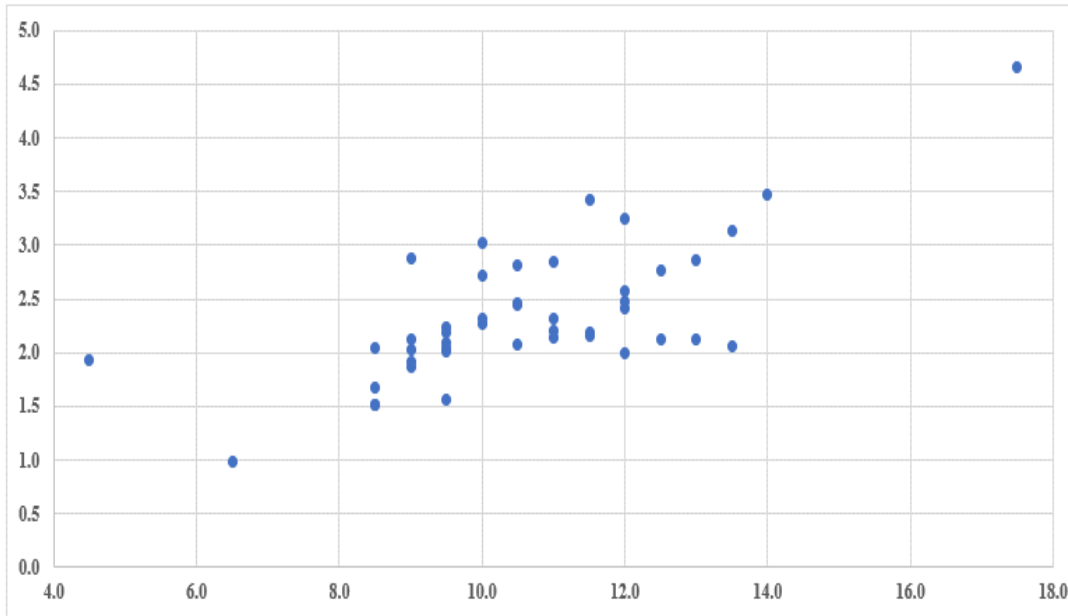
Public Utility Capital Cost Indicators

**April 21, 2021**

**The Relationship Between Expected ROE and Market-to-Book Ratios**

**Electric Utilities and Gas Distribution Companies**

**Market-to-Book**



**Expected Return on Equity**

**R-Square = .50, N=43**

**Industry Average Betas**  
*Value Line Investment Survey Betas\*\**  
 28-Jan-21

| Rank | Industry               | Beta | Rank | Industry               | Beta | Rank | Industry                 | Beta |
|------|------------------------|------|------|------------------------|------|------|--------------------------|------|
| 1    | Oilfield Svcs/Equip.   | 1.49 | 34   | Bank (Midwest)         | 1.20 | 67   | Investment Co.           | 1.01 |
| 2    | Homebuilding           | 1.47 | 35   | Restaurant             | 1.19 | 68   | Med Supp Non-Invasive    | 1.00 |
| 3    | Insurance (Life)       | 1.47 | 36   | Machinery              | 1.19 | 69   | Environmental            | 1.00 |
| 4    | Petroleum (Integrated) | 1.42 | 37   | Electrical Equipment   | 1.18 | 70   | Telecom. Equipment       | 1.00 |
| 5    | Hotel/Gaming           | 1.42 | 38   | Bank                   | 1.18 | 71   | Investment Co.(Foreign)  | 1.00 |
| 6    | Petroleum (Producing)  | 1.41 | 39   | Medical Services       | 1.17 | 72   | E-Commerce               | 0.99 |
| 7    | Apparel                | 1.39 | 40   | Electronics            | 1.17 | 73   | Retail Store             | 0.98 |
| 8    | Air Transport          | 1.37 | 41   | Maritime               | 1.17 | 74   | Cable TV                 | 0.96 |
| 9    | Shoe                   | 1.37 | 42   | Heavy Truck & Equip    | 1.15 | 75   | Drug                     | 0.96 |
| 10   | Retail (Hardlines)     | 1.36 | 43   | Toiletries/Cosmetics   | 1.15 | 76   | Telecom. Services        | 0.95 |
| 11   | Building Materials     | 1.33 | 44   | R.E.I.T.               | 1.15 | 77   | Healthcare Information   | 0.94 |
| 12   | Office Equip/Supplies  | 1.33 | 45   | Automotive             | 1.15 | 78   | Computer Software        | 0.94 |
| 13   | Aerospace/Defense      | 1.31 | 46   | Reinsurance            | 1.14 | 79   | Tobacco                  | 0.94 |
| 14   | Metals & Mining (Div.) | 1.30 | 47   | Publishing             | 1.11 | 80   | Trucking                 | 0.94 |
| 15   | Metal Fabricating      | 1.30 | 48   | Computers/Peripherals  | 1.10 | 81   | Telecom. Utility         | 0.93 |
| 16   | Pipeline MLPs          | 1.30 | 49   | Semiconductor Equip    | 1.10 | 82   | Electric Utility (West)  | 0.90 |
| 17   | Auto Parts             | 1.29 | 50   | Industrial Services    | 1.09 | 83   | Foreign Electronics      | 0.90 |
| 18   | Steel                  | 1.28 | 51   | Precision Instrument   | 1.09 | 84   | Biotechnology            | 0.90 |
| 19   | Retail Automotive      | 1.27 | 52   | Packaging & Container  | 1.09 | 85   | Beverage                 | 0.89 |
| 20   | Oil/Gas Distribution   | 1.26 | 53   | Railroad               | 1.08 | 86   | Electric Utility (East)  | 0.89 |
| 21   | Paper/Forest Products  | 1.25 | 54   | Power                  | 1.07 | 87   | Natural Gas Utility      | 0.89 |
| 22   | Furn/Home Furnishings  | 1.25 | 55   | Wireless Networking    | 1.07 | 88   | Electric Util. (Central) | 0.89 |
| 23   | Public/Private Equity  | 1.24 | 56   | Med Supp Invasive      | 1.06 | 89   | Household Products       | 0.81 |
| 24   | Natural Gas (Div.)     | 1.24 | 57   | Retail Building Supply | 1.06 | 90   | Retail/Wholesale Food    | 0.81 |
| 25   | Advertising            | 1.23 | 58   | Educational Services   | 1.06 | 91   | Water Utility            | 0.79 |
| 26   | Financial Svcs. (Div.) | 1.22 | 59   | Semiconductor          | 1.06 | 92   | Entertainment Tech       | 0.79 |
| 27   | Recreation             | 1.21 | 60   | Internet               | 1.05 | 93   | Food Processing          | 0.77 |
| 28   | Engineering & Const    | 1.21 | 61   | Insurance (Prop/Cas.)  | 1.05 | 94   | Precious Metals          | 0.68 |
| 29   | Retail (Softlines)     | 1.21 | 62   | Human Resources        | 1.04 |      |                          |      |
| 30   | Chemical (Specialty)   | 1.21 | 63   | Information Services   | 1.03 |      |                          |      |
| 31   | Chemical (Diversified) | 1.21 | 64   | Entertainment          | 1.03 |      |                          |      |
| 32   | Diversified Co.        | 1.20 | 65   | Thrift                 | 1.02 |      |                          |      |
| 33   | Chemical (Basic)       | 1.20 | 66   | IT Services            | 1.01 |      | Mean                     | 1.12 |

\* Industry averages for 94 industries using *Value Line*'s database of 1,700 companies - Updated 1-28-21.

\*\* *Value Line* computes betas using monthly returns regressed against the New York Stock Exchange Index for five years.

These betas are then adjusted as follows:  $V_L \text{ Beta} = \{(2/3) * \text{Regressed Beta}\} + \{(1/3) * (1.0)\}$  to account to tendency

for Betas to regress toward average of 1.0. See M. Blume, "On the Assessment of Risk," *Journal of Finance*, March 1971.