

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA UTILITIES,

Respondent.

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**

EXHIBIT JRW-10

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

April 21, 2021

Avista's Recommended Cost of Capital

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

Avista Common Equity Cost Rate

Method	Average	Midpoint
<u>DCF</u>		
Value Line	9.3%	10.4%
IBES	9.4%	9.8%
Zacks	9.3%	10.1%
Internal br + sv	8.8%	8.8%
<u>CAPM</u>	11.2%	11.6%
<u>Empirical CAPM</u>	11.4%	11.8%
<u>Utility Risk Premium</u>		
Current Bond Yield		9.3%
Projected Bond Yields		10.1%
<u>Expected Earnings</u>	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%	
Recommended ROE Range	9.4%	--	10.8%
Midpoint		10.1%	

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%	
Reported DCF Equity Cost Rates					Mean
Mean	9.3%	9.4%	9.3%	8.8%	9.2%
Actual DCF Equity Cost Rates					
Mean	8.6%	7.8%	8.8%	8.7%	8.5%