

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
Complainant,) Docket No. UE-110876
v.) Docket No. UG-110877
AVISTA CORPORATION d/b/a) Docket No. UE-120436
AVISTA UTILITIES,) Docket No. UG-120437
Respondent.) (*consolidated*)
_____)

EXHIBIT NO. __ (MPG-13)

EQUITY RISK PREMIUM – TREASURY BOND

September 19, 2012

Avista Corporation

Equity Risk Premium - Treasury Bond

| <u>Line</u> | <u>Year</u> | <u>Authorized Electric Returns¹</u> (1) | <u>Treasury Bond Yield²</u> (2) | <u>Indicated Risk Premium</u> (3) |
|-------------|-------------------|---|---|--|
| 1 | 1986 | 13.93% | 7.80% | 6.13% |
| 2 | 1987 | 12.99% | 8.58% | 4.41% |
| 3 | 1988 | 12.79% | 8.96% | 3.83% |
| 4 | 1989 | 12.97% | 8.45% | 4.52% |
| 5 | 1990 | 12.70% | 8.61% | 4.09% |
| 6 | 1991 | 12.55% | 8.14% | 4.41% |
| 7 | 1992 | 12.09% | 7.67% | 4.42% |
| 8 | 1993 | 11.41% | 6.60% | 4.81% |
| 9 | 1994 | 11.34% | 7.37% | 3.97% |
| 10 | 1995 | 11.55% | 6.88% | 4.67% |
| 11 | 1996 | 11.39% | 6.70% | 4.69% |
| 12 | 1997 | 11.40% | 6.61% | 4.79% |
| 13 | 1998 | 11.66% | 5.58% | 6.08% |
| 14 | 1999 | 10.77% | 5.87% | 4.90% |
| 15 | 2000 | 11.43% | 5.94% | 5.49% |
| 16 | 2001 | 11.09% | 5.49% | 5.60% |
| 17 | 2002 | 11.16% | 5.43% | 5.73% |
| 18 | 2003 | 10.97% | 4.96% | 6.01% |
| 19 | 2004 | 10.75% | 5.05% | 5.70% |
| 20 | 2005 | 10.54% | 4.65% | 5.89% |
| 21 | 2006 | 10.36% | 4.99% | 5.37% |
| 22 | 2007 | 10.36% | 4.83% | 5.53% |
| 23 | 2008 | 10.46% | 4.28% | 6.18% |
| 24 | 2009 | 10.48% | 4.07% | 6.41% |
| 25 | 2010 | 10.34% | 4.25% | 6.09% |
| 26 | 2011 | 10.22% | 3.91% | 6.31% |
| 27 | 2012 ³ | 10.36% | 3.04% | 7.32% |
| 28 | Average | 11.41% | 6.10% | 5.31% |

Sources:

¹ Regulatory Research Associates, Inc., *Regulatory Focus*, Jan. 85 - Dec. 06, and July 6, 2012.

² St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>. The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

³ 2012 data is through June 30, 2012.