

**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-18)**

**CAPM RETURN**

**September 19, 2012**

# Avista Corporation

## CAPM Return

| <u>Line</u> | <u>Description</u>          | <u>Market Risk Premium</u> |
|-------------|-----------------------------|----------------------------|
| 1           | Risk-Free Rate <sup>1</sup> | 3.40%                      |
| 2           | Risk Premium <sup>2</sup>   | 6.70%                      |
| 3           | Beta <sup>3</sup>           | 0.74                       |
| 4           | <b>CAPM</b>                 | <b>8.36%</b>               |

---

Sources:

<sup>1</sup> Blue Chip Financial Forecasts; August 1, 2012, at 2.

<sup>2</sup> Morningstar, Inc. *Ibbotson S&P 500 2012 Classic Yearbook* at 86, and Morningstar, Inc. *Ibbotson S&P 500 2012 Valuation Yearbook* at 54 and 66.

<sup>3</sup> Exhibit No.\_\_\_\_(MPG-17).