

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

| | | |
|--|---|---|
| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, |) | |
| |) | |
| Complainant, |) | |
| |) | |
| v. |) | DOCKETS UE-170485 and UG-170486 (Consolidated) |
| |) | |
| AVISTA CORPORATION, DBA AVISTA UTILITIES, |) | |
| |) | |
| Respondent. |) | |
| <hr/> |) | |

EXHIBIT MPG-17

EQUITY RISK PREMIUM – UTILITY BOND

OCTOBER 27, 2017

Avista Corporation

Equity Risk Premium - Utility Bond

| <u>Line</u> | <u>Year</u> | <u>Authorized Electric Returns¹</u> (1) | <u>Average "A" Rated Utility Bond Yield²</u> (2) | <u>Indicated Risk Premium</u> (3) | <u>Rolling 5 - Year Average</u> (4) | <u>Rolling 10 - Year Average</u> (5) |
|-------------|-------------------|---|--|--------------------------------------|--|---|
| 1 | 1986 | 13.93% | 9.58% | 4.35% | | |
| 2 | 1987 | 12.99% | 10.10% | 2.89% | | |
| 3 | 1988 | 12.79% | 10.49% | 2.30% | | |
| 4 | 1989 | 12.97% | 9.77% | 3.20% | | |
| 5 | 1990 | 12.70% | 9.86% | 2.84% | 3.12% | |
| 6 | 1991 | 12.55% | 9.36% | 3.19% | 2.88% | |
| 7 | 1992 | 12.09% | 8.69% | 3.40% | 2.99% | |
| 8 | 1993 | 11.41% | 7.59% | 3.82% | 3.29% | |
| 9 | 1994 | 11.34% | 8.31% | 3.03% | 3.26% | |
| 10 | 1995 | 11.55% | 7.89% | 3.66% | 3.42% | 3.27% |
| 11 | 1996 | 11.39% | 7.75% | 3.64% | 3.51% | 3.20% |
| 12 | 1997 | 11.40% | 7.60% | 3.80% | 3.59% | 3.29% |
| 13 | 1998 | 11.66% | 7.04% | 4.62% | 3.75% | 3.52% |
| 14 | 1999 | 10.77% | 7.62% | 3.15% | 3.77% | 3.52% |
| 15 | 2000 | 11.43% | 8.24% | 3.19% | 3.68% | 3.55% |
| 16 | 2001 | 11.09% | 7.76% | 3.33% | 3.62% | 3.56% |
| 17 | 2002 | 11.16% | 7.37% | 3.79% | 3.61% | 3.60% |
| 18 | 2003 | 10.97% | 6.58% | 4.39% | 3.57% | 3.66% |
| 19 | 2004 | 10.75% | 6.16% | 4.59% | 3.86% | 3.82% |
| 20 | 2005 | 10.54% | 5.65% | 4.89% | 4.20% | 3.94% |
| 21 | 2006 | 10.34% | 6.07% | 4.27% | 4.39% | 4.00% |
| 22 | 2007 | 10.31% | 6.07% | 4.24% | 4.48% | 4.04% |
| 23 | 2008 | 10.37% | 6.53% | 3.84% | 4.37% | 3.97% |
| 24 | 2009 | 10.52% | 6.04% | 4.48% | 4.34% | 4.10% |
| 25 | 2010 | 10.29% | 5.47% | 4.82% | 4.33% | 4.26% |
| 26 | 2011 | 10.19% | 5.04% | 5.15% | 4.51% | 4.45% |
| 27 | 2012 | 10.01% | 4.13% | 5.88% | 4.83% | 4.66% |
| 28 | 2013 | 9.81% | 4.48% | 5.33% | 5.13% | 4.75% |
| 29 | 2014 | 9.75% | 4.28% | 5.47% | 5.33% | 4.84% |
| 30 | 2015 | 9.60% | 4.12% | 5.48% | 5.46% | 4.90% |
| 31 | 2016 | 9.60% | 3.93% | 5.67% | 5.57% | 5.04% |
| 32 | 2017 ³ | 9.61% | 4.12% | 5.49% | 5.49% | 5.16% |
| 33 | Average | 11.12% | 6.99% | 4.13% | 4.08% | 4.05% |
| 34 | Minimum | | | | 2.88% | 3.20% |
| 35 | Maximum | | | | 5.57% | 5.16% |

Sources:

¹ *Regulatory Research Associates, Inc.*, Regulatory Focus, Major Rate Case Decisions, Jan. 1997 p. 5, and Jan. 2011 p. 3. *S&P Global Market Intelligence*, RRA Regulatory Focus, Major Rate Case Decisions, January-June 2017, July 26, 2017, p. 1. 2006 - 2017 Authorized Returns exclude limited issue rider cases.

² Mergent Public Utility Manual, Mergent Weekly News Reports, 2003.
The utility yields for the period 2001-2009 were obtained from the Mergent Bond Record.
The utility yields from 2010-2017 were obtained from <http://credittrends.moodys.com/>.

³ Data includes January - June 2017.