

Exhibit No. ___ (KLE-6)
Dockets UE- 140188/UG-140189
Witness: Kenneth L. Elgin

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION, dba
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-140188 and
UG-140189 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

Kenneth L. Elgin

**STAFF OF WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Calculation of Cost of Capital for Full Decoupling

July 22, 2014

Cost of Capital

Component	Percent	Cost	Weighted Cost
Total debt	54.00	5.32%	2.87%
Common Equity	46.00	8.75%	<u>4.03%</u>
Overall Cost of Capital			6.90%

Pre-tax coverage¹

$$3.16 = [2.87 + (4.03/0.65)]/2.87$$

Cost of Capital Full Decoupling

Component	Percent	Cost	Weighted Cost
Total debt	58.00	5.32%	3.09%
Common Equity	42.00	8.75%	<u>3.68%</u>
Overall Cost of Capital			6.77%

Pre-tax coverage²

$$2.83 = [3.09 + (3.68/0.65)]/3.09$$

¹ Assumes 35% Federal income tax rate

² Assumes 35% Federal income tax rate