

**AVISTA UTILITIES**  
DCF GROWTH RATE PARAMETERS

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)	SHARE GROWTH
<b>CV</b>						
2000	0.2281	06.9%	1.57%	16.57	11.51	
2001	0.0538	05.8%	0.31%	15.81	11.61	
2002	0.4286	09.3%	3.99%	16.83	11.74	
2003	0.3759	08.1%	3.04%	17.89	11.81	
2004	0.2640	06.8%	<u>1.80%</u>	<u>18.49</u>	<u>12.19</u>	
AVERAGE GROWTH			2.14%	2.00%		1.45%
2005	19.4000	-	nmf		12.50	2.54%
2006	0.2640	07.5%	1.98%		12.75	-0.50%
2008-2010	0.3455	09.5%	3.28%	-0.50%	13.50	2.06%

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)	SHARE GROWTH
<b>EAS</b>						
2000	0.5749	13.8%	7.93%	14.59	117.66	
2001	0.5400	13.1%	7.07%	15.26	116.72	
2002	0.3600	08.0%	2.88%	16.97	144.97	
2003	0.3007	08.1%	2.44%	17.59	146.26	
2004	0.3457	09.0%	<u>3.11%</u>	<u>17.89</u>	<u>147.12</u>	
AVERAGE GROWTH			4.69%	5.50%		5.75%
2005	0.3722	09.5%	3.54%		148.00	0.60%
2006	0.3278	09.5%	3.11%		149.00	0.64%
2008-2010	0.2750	09.5%	2.61%	3.00%	152.00	0.65%

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)	SHARE GROWTH
<b>FE</b>						
2000	0.4424	12.9%	5.71%	20.72	224.53	
2001	0.4718	08.9%	4.20%	24.86	297.64	
2002	0.4094	10.5%	4.30%	23.92	297.64	
2003	-0.0204	05.4%	-0.11%	25.13	329.84	
2004	0.3105	10.6%	<u>3.29%</u>	<u>26.04</u>	<u>329.84</u>	
AVERAGE GROWTH			3.48%	6.00%		10.09%
2005	0.5649	10.5%	5.93%		329.84	0.00%
2006	0.5014	11.5%	5.77%		329.84	0.00%
2008-2010	0.5000	11.5%	5.75%	5.50%	329.84	0.00%

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COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
	GMP	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)
2000	10.1667	nmf	nmf	16.53	5.57	
2001	0.7074	10.7%	7.57%	17.81	5.69	
2002	0.6939	12.3%	8.53%	18.51	4.95	
2003	0.6219	10.3%	6.41%	19.85	5.03	
2004	0.5810	10.1%	<u>5.87%</u>	<u>21.32</u>	<u>5.14</u>	
AVERAGE GROWTH			7.09%	-0.50%		
2005	0.5349	10.0%	5.35%		5.25	-1.99%
2006	0.5200	10.0%	5.20%		5.30	2.14%
2008-2010	0.4612	10.0%	4.61%	3.00%	5.45	1.54%

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
	NU	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)
2000	3.0000	nmf	nmf	15.43	143.82	
2001	0.6715	08.5%	5.71%	16.27	130.13	
2002	0.5093	06.3%	3.21%	17.33	127.56	
2003	0.5323	06.9%	3.67%	17.73	127.70	
2004	0.3077	05.1%	<u>1.57%</u>	<u>17.80</u>	<u>129.03</u>	
AVERAGE GROWTH			3.54%	2.00%		
2005	0.4087	07.0%	2.86%		130.00	-2.68%
2006	0.4667	07.5%	3.50%		134.00	0.75%
2008-2010	0.5150	10.0%	5.15%	2.50%	135.00	1.91%

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
	CIN	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)
2000	0.2800	14.5%	4.06%	17.36	158.97	
2001	0.3455	15.0%	5.18%	18.45	159.40	
2002	0.1892	10.9%	2.06%	19.53	168.66	
2003	0.2428	11.7%	2.84%	20.74	178.44	
2004	0.1376	09.7%	<u>1.33%</u>	<u>21.95</u>	<u>187.53</u>	
AVERAGE GROWTH			3.10%	5.00%		
2005	0.2889	11.0%	3.18%		200.00	4.22%
2006	0.3574	12.0%	4.29%		202.70	6.65%
2008-2010	0.3397	11.0%	3.74%	5.50%	209.80	3.97%

**AVISTA UTILITIES**  
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COMPANY	INTERNAL GROWTH				EXTERNAL GROWTH	
	CNL	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)
2000	0.4178	14.9%	6.23%	10.04	44.99	
2001	0.4238	14.6%	6.19%	10.69	44.96	
2002	0.4079	13.1%	5.34%	11.77	47.04	
2003	0.2857	12.5%	3.57%	10.09	47.18	
2004	0.3182	11.9%	<u>3.79%</u>	<u>10.83</u>	<u>49.62</u>	
AVERAGE GROWTH			5.02%	4.00%		2.48%
2005	0.3077	11.5%	3.54%		50.00	0.77%
2006	0.3571	12.0%	4.29%		50.25	0.63%
2008-2010	0.4000	11.0%	4.40%	3.50%	51.00	0.55%

COMPANY	INTERNAL GROWTH				EXTERNAL GROWTH	
	EDE	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)
2000	0.0519	09.8%	0.51%	13.65	17.60	
2001	-1.1695	03.9%	nmf	13.58	19.76	
2002	-0.0756	07.8%	-0.59%	14.59	22.57	
2003	0.0078	07.8%	0.06%	15.17	24.98	
2004	-0.4884	05.8%	<u>-2.83%</u>	<u>14.76</u>	<u>25.70</u>	
AVERAGE GROWTH			-0.71%	2.00%		9.93%
2005	-0.0240	08.5%	-0.20%		26.00	1.17%
2006	0.1467	10.0%	1.47%		26.30	1.16%
2008-2010	0.2686	10.5%	2.82%	2.00%	27.20	1.14%

COMPANY	INTERNAL GROWTH				EXTERNAL GROWTH	
	ETR	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)
2000	0.5892	09.7%	5.72%	31.89	219.60	
2001	0.5844	09.3%	5.44%	33.78	220.73	
2002	0.6359	10.9%	6.93%	35.24	222.42	
2003	0.5664	09.8%	5.55%	38.02	228.90	
2004	0.5191	11.0%	<u>5.71%</u>	<u>38.26</u>	<u>216.83</u>	
AVERAGE GROWTH			5.87%	5.50%		-0.32%
2005	0.5196	11.5%	5.98%		212.00	-2.23%
2006	0.5082	12.0%	6.10%		207.00	-2.29%
2008-2010	0.4527	11.0%	4.98%	5.00%	207.00	-0.92%

**AVISTA UTILITIES**  
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COMPANY	INTERNAL GROWTH				EXTERNAL GROWTH	
	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)	SHARE GROWTH
<b>AVA</b>						
2000	0.7273	11.1%	8.07%	15.34	47.21	
2001	0.6000	07.9%	4.74%	15.12	47.63	
2002	0.2836	04.5%	1.28%	14.84	48.04	
2003	0.5196	06.6%	3.43%	15.54	48.34	
2004	0.2877	04.7%	<u>1.35%</u>	<u>15.54</u>	<u>48.47</u>	
AVERAGE GROWTH			3.77%	5.00%		
2005	0.4500	06.0%	2.70%		48.75	0.66%
2006	0.5778	08.0%	4.62%		49.00	0.55%
2008-2010	0.5333	08.0%	4.27%	4.00%	49.75	0.52%

COMPANY	INTERNAL GROWTH				EXTERNAL GROWTH	
	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)	SHARE GROWTH
<b>HE</b>						
2000	0.0236	09.8%	0.23%	12.72	65.98	
2001	0.2250	11.8%	2.66%	13.06	71.20	
2002	0.2346	11.3%	2.65%	14.21	73.62	
2003	0.2152	10.8%	2.32%	14.36	75.84	
2004	0.0882	08.9%	<u>0.79%</u>	<u>15.01</u>	<u>80.69</u>	
AVERAGE GROWTH			1.73%	2.50%		5.16%
2005	0.2000	10.0%	2.00%		80.75	0.07%
2006	0.2485	10.5%	2.61%		80.80	0.07%
2008-2010	0.2914	10.5%	3.06%	3.00%	81.00	0.08%

COMPANY	INTERNAL GROWTH				EXTERNAL GROWTH	
	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)	SHARE GROWTH
<b>PNM</b>						
2000	0.6581	10.0%	6.58%	14.74	58.68	
2001	0.7969	15.4%	12.27%	17.25	58.68	
2002	0.4673	06.5%	3.04%	16.60	58.68	
2003	0.4696	06.3%	2.96%	17.84	60.39	
2004	0.5594	08.0%	4.48%	<u>18.19</u>	<u>60.46</u>	
AVERAGE GROWTH			5.86%	5.00%		0.75%
2005	0.5067	08.0%	4.05%		64.40	6.52%
2006	0.4968	08.5%	4.22%		64.40	3.21%
2008-2010	0.4375	07.5%	3.28%	4.00%	72.40	3.67%

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COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)	SHARE GROWTH
<b>PNW</b>						
2000	0.5731	11.9%	6.82%	28.09	84.83	
2001	0.5842	12.5%	7.30%	29.46	84.83	
2002	0.3557	08.0%	2.85%	29.44	91.26	
2003	0.3135	08.1%	2.54%	31.00	91.29	
2004	0.2907	08.0%	2.33%	32.14	91.79	
AVERAGE GROWTH			4.37%	4.00%		1.99%
2005	0.3567	08.5%	3.03%		97.80	6.55%
2006	0.3344	08.5%	2.84%		97.80	3.22%
2008-2010	0.2603	08.5%	2.21%	3.50%	97.80	1.28%

Data from Value Line Ratings & Reports June 4, July 2 and August 13, 2004.

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)	SHARE GROWTH
<b>PSD</b>						
2000	0.1481	13.0%	1.93%	16.61	85.90	
2001	-0.5082	07.7%	-3.91%	15.66	87.02	
2002	0.0242	07.2%	0.17%	16.27	93.64	
2003	0.1803	07.0%	1.26%	16.71	99.07	
2004	0.2424	08.1%	1.96%	16.24	99.87	
AVERAGE GROWTH			0.28%	0.50%		3.84%
2005	0.2857	08.5%	2.43%		100.50	0.63%
2006	0.3548	08.5%	3.02%		105.00	2.54%
2008-2010	0.3600	09.5%	3.42%	2.50%	106.50	1.29%

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST. (MILLIONS)	SHARE GROWTH
<b>UNS</b>						
2000	0.7480	07.1%	5.31%	11.20	33.22	
2001	0.7765	14.3%	11.10%	12.68	33.50	
2002	0.4845	07.6%	3.68%	13.05	33.58	
2003	0.5385	08.4%	4.52%	15.97	33.79	
2004	0.5115	07.9%	4.04%	16.95	34.26	
AVERAGE GROWTH			5.73%	13.50%		0.77%
2005	0.5250	09.0%	4.73%		34.70	1.28%
2006	0.5176	09.0%	4.66%		35.10	1.22%
2008-2010	0.4737	08.5%	4.03%	6.00%	36.30	1.16%

Data from Value Line Ratings and Reports, May 13, June 3, and July 1, 2005.

AVISTA UTILITIES

SAMPLE GROUP: DCF GROWTH RATES

COMPANY	br	+	sv= $g*((M/B+1)/2-1)$	=	g
CV	3.50%	+	1.75% ((1.11 - 1)/2-1)	=	3.60%
EAS	4.50%	+	1.00% ((1.53 - 1)/2-1)	=	4.76%
FE	5.00%	+	2.00% ((1.77 - 1)/2-1)	=	5.77%
GMP	6.00%	+	0.00% ((1.37 - 1)/2-1)	=	6.00%
NU	5.50%	+	0.00% ((1.25 - 1)/2-1)	=	5.50%
CIN	4.00%	+	3.00% ((1.88 - 1)/2-1)	=	5.31%
CNL	4.25%	+	1.00% ((1.97 - 1)/2-1)	=	4.73%
EDE	4.00%	+	3.00% ((1.63 - 1)/2-1)	=	4.94%
ETR	6.25%	+	-0.50% ((1.91 - 1)/2-1)	=	6.02%
AVA	5.50%	+	0.50% ((1.14 - 1)/2-1)	=	5.54%
HE	3.25%	+	1.75% ((1.72 - 1)/2-1)	=	3.88%
PNM	5.50%	+	2.50% ((1.57 - 1)/2-1)	=	6.21%
PNW	4.50%	+	1.50% ((1.30 - 1)/2-1)	=	4.72%
PSD	4.00%	+	2.00% ((1.36 - 1)/2-1)	=	4.36%
UNS	6.50%	+	1.00% ((1.66 - 1)/2-1)	=	6.83%

Average Market-to-Book Ratio = 1.57

CV	=	Central Vermont P. S.
EAS	=	Energy East Corp.
FE	=	FirstEnergy Corp.
GMP	=	Green Mountain Power
NU	=	Northeast Utilities
CIN	=	Cinergy Corp.
CNL	=	Cleco Corporation
EDE	=	Empire District Electric
ETR	=	Entergy Corp.
AVA	=	Avista Corp.
HE	=	Hawaiian Electric
PNM	=	PNM Resources

g\*= expected growth in number of shares outstanding

## AVISTA UTILITIES

## GROWTH RATE COMPARISON

COMPANY	DCF Growth	Value Line Projected			First Call EPS	Value Line Historic			First Call & VL AVGS.	5-yr Compound Hist.		
		EPS	DPS	BVPS		EPS	DPS	BVPS		EPS	DPS	BVPS
CV	3.60%	3.00%	0.50%	-0.50%	n/a	8.50%	0.50%	2.00%	2.33%	nmf	0.89%	0.40%
EAS	4.76%	4.50%	6.50%	3.00%	4.00%	-0.50%	5.50%	5.50%	4.07%	-2.76%	5.13%	4.98%
FE	5.77%	10.00%	3.50%	5.50%	4.00%	1.00%	2.00%	6.00%	4.57%	1.16%	-3.74%	5.94%
GMP	6.00%	3.50%	10.00%	3.00%	n/a	37.50%	-6.50%	-0.50%	7.83%	nmf	12.70%	5.50%
NU	5.50%	11.00%	9.00%	2.50%	5.00%	0.00%	37.50%	2.00%	9.57%	nmf	11.20%	1.84%
CIN	5.31%	5.50%	2.00%	5.50%	5.00%	1.50%	0.50%	5.00%	3.57%	1.55%	1.30%	6.56%
CNL	4.73%	1.50%	0.00%	3.50%	4.00%	4.00%	2.00%	4.00%	2.71%	-2.29%	1.15%	2.21%
EDE	4.94%	8.00%	0.00%	2.00%	2.00%	-3.50%	0.00%	2.00%	1.50%	-1.53%	0.00%	1.63%
ETR	6.02%	6.50%	11.00%	5.00%	7.00%	11.00%	1.50%	5.50%	6.79%	9.14%	12.62%	4.58%
AVA	5.54%	11.00%	6.00%	4.00%	4.50%	-6.50%	-11.50%	5.00%	1.79%	-10.69%	2.76%	1.22%
HE	3.88%	2.50%	0.00%	3.00%	3.00%	1.00%	0.00%	2.50%	1.71%	4.07%	0.00%	3.76%
PNM	6.21%	4.50%	7.00%	4.00%	6.00%	-2.00%	4.50%	5.00%	4.14%	-0.65%	6.90%	3.90%
PNW	4.72%	3.50%	5.00%	3.50%	4.50%	-3.00%	7.00%	4.00%	3.50%	-2.18%	6.18%	3.80%
PSD	4.36%	5.50%	1.00%	2.50%	4.00%	-5.50%	-10.50%	0.50%	-0.36%	-8.31%	-11.48%	0.11%
UNS	6.83%	8.00%	9.50%	6.00%	12.50%	-4.00%	0.00%	13.50%	6.50%	4.73%	18.89%	9.89%
		5.90%	4.73%	3.50%		2.63%	2.17%	4.13%		-0.65%	4.30%	3.75%
AVERAGES	5.10%		4.71%		4.28%		2.98%		4.22%		2.47%	

Zack's growth rates: CV-n/a, EAS-3.7%, FE-4.3%, GMP-n/a, NU-4.5%, CIN-4.5%, CNL-4.0%, EDE-5%, ETR-6.8%, AVA-5.0%, HE-3.5%, PNM-5.8%, PNW-5.2%, PSD=4.8%, and UNS=n/a.

Zack's average earnings growth = 4.75%.

**AVISTA UTILITIES**

**STOCK PRICE, DIVIDENDS, YIELDS**

<u>COMPANY</u>	<u>AVG. STOCK PRICE</u> <u>6/22/05-8/3/05</u> <u>(PER SHARE)</u>	<u>ANNUALIZED</u> <u>DIVIDEND</u> <u>(PER SHARE)</u>	<u>DIVIDEND</u> <u>YIELD</u>
CV	\$18.77	\$0.92	4.90%
EAS	\$28.43	\$1.10	3.87%
FE	\$48.95	\$1.65	3.38%
GMP	\$29.54	\$1.00	3.39%
NU	\$21.19	\$0.70	3.30%
CIN	\$44.74	\$1.92	4.29%
CNL	\$22.01	\$0.90	4.09%
EDE	\$24.06	\$1.28	5.32%
ETR	\$76.36	\$2.29	3.00%
AVA	\$18.60	\$0.54	2.90%
HE	\$27.15	\$1.24	4.57%
PNM	\$29.16	\$0.74	2.54%
PNW	\$45.13	\$1.90	4.21%
PSD	\$23.64	\$1.00	4.23%
UNS	\$31.45	\$0.76	<u>2.42%</u>
		<b>AVERAGE</b>	<b>3.76%</b>



**AVISTA UTILITIES**

## DCF COST OF EQUITY CAPITAL

<u>COMPANY</u>	<u>DIVIDEND YIELD</u> Exhibit No. ____ (SGH-11)	<u>GROWTH RATE</u> Exhibit No. ____ (SGH-10)	<u>DCF COST OF</u> <u>EQUITY CAPITAL</u>
CV	4.90%	3.60%	8.50%
EAS	3.87%	4.76%	8.63%
FE	3.38%	5.77%	9.15%
GMP	3.39%	6.00%	9.39%
NU	3.30%	5.50%	8.80%
CIN	4.29%	5.31%	9.61%
CNL	4.09%	4.73%	8.82%
EDE	5.32%	4.94%	10.26%
ETR	3.00%	6.02%	9.02%
AVA	2.90%	5.54%	8.44%
HE	4.57%	3.88%	8.45%
PNM	2.54%	6.21%	8.75%
PNW	4.21%	4.72%	8.93%
PSD	4.23%	4.36%	8.59%
UNS	2.42%	6.83%	9.25%
		<b>AVERAGE</b>	<b>9.01%</b>
		<b>STANDARD DEVIATION</b>	<b>0.57%</b>

**AVISTA UTILITIES**

**CAPM COST OF EQUITY CAPITAL**

$$k = rf + B (rm - rf)$$

**T-BILLS**

$$\begin{aligned} [rf]^* &= 3.10\% \\ [rm - rf]^\dagger &= 6.70\% \text{ (geometric mean)} \\ [rm - rf]^\dagger &= 8.60\% \text{ (arithmetic mean)} \\ \text{average beta} &= 0.78 \end{aligned}$$

$$\begin{aligned} k &= 3.10\% + 0.78 (6.7\%/8.60\%) \\ k &= 3.10\% + 5.20\%/6.68\% \\ k &= \mathbf{8.29\% / 9.77\%} \end{aligned}$$

**T-BONDS**

$$\begin{aligned} [rf]^* &= 4.31\% \\ [rm - rf]^\dagger &= 5.00\% \text{ (geometric mean)} \\ [rm - rf]^\dagger &= 6.60\% \text{ (arithmetic mean)} \\ \text{average beta} &= 0.78 \end{aligned}$$

$$\begin{aligned} k &= 4.31\% + 0.78 (5.00\%/6.60\%) \\ k &= 4.31\% + 3.88\%/5.13\% \\ k &= \mathbf{8.19\% / 9.43\%} \end{aligned}$$

\*Current T-Bill & T-Bond yields, most recent yield from Value Line Selection & Opinion (6/24/05-7/29/05).  
†Geometric and arithmetic market risk premiums from Ibbotson Associates 2004 SBBI Yearbook, p. 117.

**AVISTA UTILITIES**

**MODIFIED EARNINGS-PRICE RATIO ANALYSIS**

<u>COMPANY</u>	<u>First Call Projected 2006 Earnings (Per Share)</u>	<u>Market Price (Per share)</u>	<u>Earnings-Price Ratio</u>	<u>Current R.O.E. 2006</u>	<u>Projected R.O.E. 2008-2010</u>
CV	\$1.25	\$18.77	6.66%	7.50%	9.50%
EAS	\$1.91	\$28.43	6.72%	9.50%	9.50%
FE	\$3.32	\$48.95	6.78%	11.50%	11.50%
GMP	\$2.25	\$29.54	7.62%	10.00%	10.00%
NU	\$1.33	\$21.19	6.28%	7.50%	10.00%
CIN	\$3.10	\$44.74	6.93%	12.00%	11.00%
CNL	\$1.40	\$22.01	6.36%	12.00%	11.00%
EDE	\$1.51	\$24.06	6.27%	10.00%	10.50%
ETR	\$5.05	\$76.36	6.61%	12.00%	11.00%
AVA	\$1.45	\$18.60	7.80%	8.00%	8.00%
HE	\$1.80	\$27.15	6.63%	10.50%	10.50%
PNM	\$1.90	\$29.16	6.52%	8.50%	7.50%
PNW	\$3.09	\$45.13	6.85%	8.50%	8.50%
PSD	\$1.50	\$23.64	6.35%	8.50%	9.50%
UNS	\$1.90	\$31.45	6.04%	9.00%	8.50%
		<b>AVERAGE</b>	6.76%	9.92%	
		<b>CURRENT M.E.P.R.</b>		<b>8.34%</b>	
		<b>AVERAGE</b>	6.76%		10.00%
		<b>PROJECTED M.E.P.R.</b>		<b>8.38%</b>	

**AVISTA UTILITIES**

**MARKET-TO-BOOK RATIO ANALYSIS**

<u>COMPANY</u>	$k = R.O.E.(1-b)/(M/B) + g$ [2005]		<u>MARKET-TO-BOOK COST OF EQUITY</u>
CV	$k = \text{nmf} (1 - \text{nmf}) / 1.11 + 3.60\%$	=	nmf
EAS	$k = 09.5\% (1 - 0.3722) / 1.53 + 4.76\%$	=	8.67%
FE	$k = 10.5\% (1 - 0.5649) / 1.77 + 5.77\%$	=	8.35%
GMP	$k = 10.0\% (1 - 0.5349) / 1.37 + 6.00\%$	=	9.40%
NU	$k = 07.5\% (1 - 0.4087) / 1.25 + 5.50\%$	=	9.04%
CIN	$k = 12.0\% (1 - 0.2889) / 1.88 + 5.31\%$	=	9.86%
CNL	$k = 12.0\% (1 - 0.3077) / 1.97 + 4.73\%$	=	8.96%
EDE	$k = 10.0\% (1 - -0.0240) / 1.63 + 4.94\%$	=	11.24%
ETR	$k = 12.0\% (1 - 0.5196) / 1.91 + 6.02\%$	=	9.03%
AVA	$k = 08.0\% (1 - 0.4500) / 1.14 + 5.54\%$	=	9.39%
HE	$k = 10.5\% (1 - 0.2000) / 1.72 + 3.88\%$	=	8.76%
PNM	$k = 08.5\% (1 - 0.5067) / 1.57 + 6.21\%$	=	8.88%
PNW	$k = 08.5\% (1 - 0.3567) / 1.30 + 4.72\%$	=	8.94%
PSD	$k = 08.5\% (1 - 0.2857) / 1.36 + 4.36\%$	=	8.83%
UNS	$k = 09.0\% (1 - 0.5250) / 1.66 + 6.83\%$	=	<u>9.40%</u>
			<b>AVERAGE</b> <b>9.27%</b>
			<b>STANDARD DEVIATION</b> <b>0.81%</b>

Note: Equity returns and retention ratios based on Value Line current year projections.

**AVISTA UTILITIES****MARKET-TO-BOOK RATIO ANALYSIS**

<u>COMPANY</u>	$k = R.O.E.(1-b)/(M/B) + g$ [2008-2010]		<u>MARKET-TO-BOOK COST OF EQUITY</u>
CV	k= 09.5% (1-0.3455) / 1.11 + 3.60%	=	9.20%
EAS	k= 09.5% (1-0.2750) / 1.53 + 4.76%	=	9.27%
FE	k= 11.5% (1-0.5000) / 1.77 + 5.77%	=	9.02%
GMP	k= 10.0% (1-0.4612) / 1.37 + 6.00%	=	9.94%
NU	k= 10.0% (1-0.5150) / 1.25 + 5.50%	=	9.37%
CIN	k= 11.0% (1-0.3397) / 1.88 + 5.31%	=	9.19%
CNL	k= 11.0% (1-0.4000) / 1.97 + 4.73%	=	8.09%
EDE	k= 10.5% (1-0.2686) / 1.63 + 4.94%	=	9.66%
ETR	k= 11.0% (1-0.4527) / 1.91 + 6.02%	=	9.17%
AVA	k= 08.0% (1-0.5333) / 1.14 + 5.54%	=	8.81%
HE	k= 10.5% (1-0.2914) / 1.72 + 3.88%	=	8.20%
PNM	k= 07.5% (1-0.4375) / 1.57 + 6.21%	=	8.90%
PNW	k= 08.5% (1-0.2603) / 1.30 + 4.72%	=	9.58%
PSD	k= 09.5% (1-0.3600) / 1.36 + 4.36%	=	8.83%
UNS	k= 08.5% (1-0.4737) / 1.66 + 6.83%	=	<u>9.52%</u>
		<b>AVERAGE</b>	<b>9.08%</b>
		<b>STANDARD DEVIATION</b>	<b>0.55%</b>

Note: Equity returns and retention ratios based on Value Line three- to five-year projections.