

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

<u>COMPANY</u>	$k = R.O.E.(1-b)/(M/B) + g$ [2014]					<u>MARKET-TO-BOOK COST OF EQUITY</u>
TE	k= 09.0%	(1-	0.1200)/	1.63 +	3.60%	= 8.45%
ALE	k= 07.5%	(1-	0.3200)/	1.47 +	5.21%	= 8.68%
AEP	k= 09.5%	(1-	0.3765)/	1.52 +	4.42%	= 8.31%
CNL	k= 10.0%	(1-	0.4567)/	1.86 +	6.00%	= 8.93%
ETR	k= 08.5%	(1-	0.3360)/	1.30 +	4.00%	= 8.35%
OGE	k= 12.5%	(1-	0.5095)/	2.23 +	6.28%	= 9.02%
WR	k= 09.5%	(1-	0.4353)/	1.04 +	4.83%	= 9.99%
AVA	k= 08.0%	(1-	0.3231)/	1.40 +	4.75%	= 8.61%
HE	k= 09.0%	(1-	0.2485)/	1.38 +	4.05%	= 8.95%
IDA	k= 09.0%	(1-	0.4783)/	1.43 +	4.55%	= 7.84%
NWE	k= 09.5%	(1-	0.3891)/	1.70 +	4.91%	= 8.32%
PCG	k= 06.5%	(1-	0.2720)/	1.38 +	4.57%	= 8.01%
PNW	k= 09.5%	(1-	0.3740)/	1.41 +	4.26%	= 8.48%
POR	k= 08.0%	(1-	0.4651)/	1.32 +	4.86%	= 8.11%
XEL	k= 09.5%	(1-	0.3854)/	1.53 +	5.02%	= <u>8.83%</u>
						AVERAGE 8.59%
						STANDARD DEVIATION 0.52%

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

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<u>COMPANY</u>	$k = R.O.E.(1-b)/(M/B) + g$ [2017-2019]	=	<u>MARKET-TO-BOOK COST OF EQUITY</u>
TE	k= 11.5% (1- 0.2963)/ 1.63 + 3.60%	=	8.55%
ALE	k= 09.0% (1- 0.3867)/ 1.47 + 5.21%	=	8.96%
AEP	k= 10.0% (1- 0.3750)/ 1.52 + 4.42%	=	8.52%
CNL	k= 10.5% (1- 0.4286)/ 1.86 + 6.00%	=	9.23%
ETR	k= 09.0% (1- 0.4087)/ 1.30 + 4.00%	=	8.10%
OGE	k= 12.0% (1- 0.4600)/ 2.23 + 6.28%	=	9.18%
WR	k= 10.0% (1- 0.4327)/ 1.04 + 4.83%	=	10.28%
AVA	k= 09.0% (1- 0.3333)/ 1.40 + 4.75%	=	9.03%
HE	k= 09.5% (1- 0.3500)/ 1.38 + 4.05%	=	8.53%
IDA	k= 08.0% (1- 0.4521)/ 1.43 + 4.55%	=	7.62%
NWE	k= 09.5% (1- 0.3667)/ 1.70 + 4.91%	=	8.45%
PCG	k= 08.5% (1- 0.3000)/ 1.38 + 4.57%	=	8.89%
PNW	k= 09.5% (1- 0.3529)/ 1.41 + 4.26%	=	8.63%
POR	k= 09.0% (1- 0.4800)/ 1.32 + 4.86%	=	8.42%
XEL	k= 10.0% (1- 0.4200)/ 1.53 + 5.02%	=	<u>8.80%</u>
		AVERAGE	8.75%
		STANDARD DEVIATION	0.60%

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