

AVISTA CORPORATION
CAPM COST OF EQUITY CAPITAL

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

$$\begin{aligned} [rf]^* &= 3.75\% \\ [rm - rf]^\dagger &= 6.00\% \\ \text{average beta}^{\dagger\dagger} &= 0.77 \end{aligned}$$

$$\begin{aligned} k &= 3.75\% + 0.77 (6.00\%) \\ k &= 3.75\% + 4.62\% \\ k &= \mathbf{8.37\%} \end{aligned}$$

*Current T-Bond yields, six-week average yield from Value Line Selector

†Arithmetic market risk premium from 2011 Ibbotson SBBI Valuation Year

††Value Line beta from Summary & Index, May 16, 2014.