

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA UTILITIES

Respondent.

DOCKETS UE-240006 & UG-240007 (Consolidated)

**DAVID J. GARRETT
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT DJG-10

CAPM – Implied ERP Estimate

July 3, 2024

CAPM - Implied Equity Risk Premium Estimate

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Year	Market Value	Operating Earnings	Dividends	Buybacks	Earnings Yield	Dividend Yield	Buyback Yield	Gross Cash Yield
2013	16,495	956	312	476	5.80%	1.89%	2.88%	4.77%
2014	18,245	1,004	350	553	5.50%	1.92%	3.03%	4.95%
2015	17,900	885	382	572	4.95%	2.14%	3.20%	5.33%
2016	19,268	920	397	536	4.77%	2.06%	2.78%	4.85%
2017	22,821	1,066	420	519	4.67%	1.84%	2.28%	4.12%
2018	21,027	1,282	456	806	6.10%	2.17%	3.84%	6.01%
2019	26,760	1,305	485	729	4.88%	1.81%	2.72%	4.54%
2020	31,659	1,019	480	520	3.22%	1.52%	1.64%	3.16%
2021	40,356	1,739	511	882	4.31%	1.27%	2.18%	3.45%
2022	32,133	1,656	565	923	5.15%	1.76%	2.87%	4.63%
2023	36,870	1,790	588	795	4.85%	1.60%	2.16%	3.75%

Cash Yield	4.50%	[9]
Growth Rate	6.47%	[10]
Risk-free Rate	4.65%	[11]
Current Index Value	5,197	[12]

	[13]	[14]	[15]	[16]	[17]
Year	1	2	3	4	5
Expected Dividends	249	265	283	301	320
Expected Terminal Value					6573
Present Value	227	220	214	207	4328
Intrinsic Index Value	5197	[18]			
Required Return on Market	9.8%	[19]			
Implied Equity Risk Premium	5.1%	[20]			

[1-4] S&P Quarterly Press Releases, data found at <https://us.spindices.com/indices/equity/sp-500> (additional info tab) (all dollar figures are in \$ billions)

[1] Market value of S&P 500

[5] = [2] / [1]

[6] = [3] / [1]

[7] = [4] / [1]

[8] = [6] + [7]

[9] = Average of [8]

[10] = Compound annual growth rate of [2] = (end value / beginning value)^{1/10} - 1

[11] Risk-free rate from DJG risk-free rate exhibit

[12] 30-day average of closing index prices from DJG stock price exhibit

[13-16] Expected dividends = [9] * [12] * (1 + [10])ⁿ; Present value = expected dividend / (1 + [11] + [19])ⁿ

[17] Expected terminal value = expected dividend * (1 + [11]) / [19]; Present value = (expected dividend + expected terminal value) / (1 + [11] + [19])ⁿ

[18] = Sum([13-17]) present values.

[19] = [20] + [11]

[20] Internal rate of return calculation setting [18] equal to [12] and solving for the discount rate