

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-15\_\_\_\_\_

DOCKET NO. UG-15\_\_\_\_\_

EXHIBIT NO. \_\_\_\_ (AMM-10)

ADRIEN M. MCKENZIE

REPRESENTING AVISTA CORPORATION

UTILITY GROUP

|    | Company                | (a) (b) (c)             |        |         | (d)  | (e)     | (f)  | Size        |             |            |              |
|----|------------------------|-------------------------|--------|---------|------|---------|------|-------------|-------------|------------|--------------|
|    |                        | Market Return ( $R_m$ ) |        |         |      |         |      |             | Risk-Free   | Risk       | Unadjusted   |
|    |                        | Div                     | Proj.  | Cost of | Rate | Premium | Beta | Unadjusted  | Market      | Size       | Adjusted     |
|    |                        | Yield                   | Growth | Equity  |      |         |      | $K_e$       | Cap         | Adjustment | $K_e$        |
| 1  | ALLETE                 | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.80 | 10.2%       | \$ 2,365.5  | 1.75%      | 12.0%        |
| 2  | Ameren Corp.           | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.75 | 9.8%        | \$ 11,191.1 | 0.80%      | 10.6%        |
| 3  | American Elec Pwr      | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.70 | 9.3%        | \$ 29,705.8 | -0.33%     | 9.0%         |
| 4  | Avista Corp.           | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.80 | 10.2%       | \$ 2,221.3  | 1.75%      | 12.0%        |
| 5  | Black Hills Corp.      | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.90 | 11.1%       | \$ 2,368.5  | 1.75%      | 12.9%        |
| 6  | CMS Energy Corp.       | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.70 | 9.3%        | \$ 9,559.7  | 0.80%      | 10.1%        |
| 7  | DTE Energy Co.         | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.75 | 9.8%        | \$ 15,286.7 | 0.80%      | 10.6%        |
| 8  | Duke Energy Corp.      | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.60 | 8.4%        | \$ 59,062.8 | -0.33%     | 8.1%         |
| 9  | Edison International   | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.75 | 9.8%        | \$ 21,334.1 | 0.80%      | 10.6%        |
| 10 | El Paso Electric       | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.70 | 9.3%        | \$ 1,616.7  | 1.75%      | 11.1%        |
| 11 | Empire District Elec   | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.70 | 9.3%        | \$ 1,291.2  | 1.75%      | 11.1%        |
| 12 | Great Plains Energy    | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.85 | 10.7%       | \$ 4,370.9  | 1.19%      | 11.9%        |
| 13 | IDACORP, Inc.          | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.80 | 10.2%       | \$ 3,327.2  | 1.72%      | 11.9%        |
| 14 | NorthWestern Corp.     | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.70 | 9.3%        | \$ 2,214.7  | 1.75%      | 11.1%        |
| 15 | Otter Tail Corp.       | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.90 | 11.1%       | \$ 1,139.2  | 1.75%      | 12.9%        |
| 16 | PG&E Corp.             | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.65 | 8.9%        | \$ 25,264.2 | -0.33%     | 8.6%         |
| 17 | Portland General Elec. | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.80 | 10.2%       | \$ 2,958.7  | 1.72%      | 11.9%        |
| 18 | Sempra Energy          | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.75 | 9.8%        | \$ 27,409.8 | -0.33%     | 9.4%         |
| 19 | TECO Energy            | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.85 | 10.7%       | \$ 4,807.0  | 1.19%      | 11.9%        |
| 20 | UIL Holdings           | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.80 | 10.2%       | \$ 2,475.5  | 1.72%      | 11.9%        |
| 21 | Westar Energy          | 2.3%                    | 9.7%   | 12.0%   | 3.1% | 8.9%    | 0.75 | 9.8%        | \$ 5,388.3  | 1.19%      | 11.0%        |
|    | <b>Average</b>         |                         |        |         |      |         |      | <b>9.9%</b> |             |            | <b>11.0%</b> |
|    | <b>Midpoint (g)</b>    |                         |        |         |      |         |      | <b>9.8%</b> |             |            | <b>10.5%</b> |

(a) Weighted average for dividend-paying stocks in the S&P 500 based on data from www.valueline.com (retrieved Jan. 1, 2015).

(b) Average of weighted average earnings growth rates from IBES and Value Line Investment Survey for dividend-paying stocks in the S&P 500 based on data from <http://finance.yahoo.com> (retrieved Jan. 5, 2015) and www.valueline.com (retrieved Jan. 1, 2015).

(c) Average yield on 30-year Treasury bonds for the six-months ending Dec. 2014 based on data from the Federal Reserve at <http://www.federalreserve.gov/releases/h15/data.htm>. www.valueline.com (retrieved Jan. 1, 2015).

(d) The Value Line Investment Survey (Oct. 31, Nov. 21, & Dec. 19, 2014).

(e) www.valueline.com (retrieved Jan. 10, 2015).

(f) Morningstar, "2014 Ibbotson S&P Market Report," at Table 10 (2014).

(g) Average of low and high values.

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|    | Company                | (a) (b) (c)<br>Market Return ( $R_m$ ) |                 |                   | (d)<br>Risk-Free<br>Rate | (e)<br>Risk<br>Premium | (f)<br>Beta | (g)<br>Unadjusted<br>$K_e$ | (h)<br>Market<br>Cap | (i)<br>Size<br>Adjustment | (j)<br>Size<br>Adjusted<br>$K_e$ |
|----|------------------------|--|-----------------|-------------------|--------------------------|------------------------|-------------|----------------------------|----------------------|---------------------------|----------------------------------|
|    |                        | Div<br>Yield                           | Proj.<br>Growth | Cost of<br>Equity |                          |                        |             |                            |                      |                           |                                  |
| 1  | ALLETE                 | 2.3%                                   | 9.7%            | 12.0%             | 4.5%                     | 7.5%                   | 0.80        | 10.5%                      | \$ 2,365.5           | 1.75%                     | 12.3%                            |
| 2  | Ameren Corp.           | 2.3%                                   | 9.7%            | 12.0%             | 4.5%                     | 7.5%                   | 0.75        | 10.1%                      | \$ 11,191.1          | 0.80%                     | 10.9%                            |
| 3  | American Elec Pwr      | 2.3%                                   | 9.7%            | 12.0%             | 4.5%                     | 7.5%                   | 0.70        | 9.8%                       | \$ 29,705.8          | -0.33%                    | 9.4%                             |
| 4  | Avista Corp.           | 2.3%                                   | 9.7%            | 12.0%             | 4.5%                     | 7.5%                   | 0.80        | 10.5%                      | \$ 2,221.3           | 1.75%                     | 12.3%                            |
| 5  | Black Hills Corp.      | 2.3%                                   | 9.7%            | 12.0%             | 4.5%                     | 7.5%                   | 0.90        | 11.3%                      | \$ 2,368.5           | 1.75%                     | 13.0%                            |
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|    | <b>Average</b>         |  |                 |                   |                          |                        |             | <b>10.2%</b>               |                      |                           | <b>11.3%</b>                     |
|    | <b>Midpoint (g)</b>    |  |                 |                   |                          |                        |             | <b>10.1%</b>               |                      |                           | <b>10.9%</b>                     |

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(c) Average yield on 30-year Treasury bonds for 2015-2019 based on data from the Value Line Investment Survey, Forecast for the U.S. Economy (Nov. 21, 2014); IHS Global Insight, U.S. Economic Outlook at 79 (May 2014); & Blue Chip Financial Forecasts, Vol. 33, No. 12 (Dec. 1, 2014).

(d) The Value Line Investment Survey (Oct. 31, Nov. 21, & Dec. 19, 2014).

(e) www.valueline.com (retrieved Jan. 10, 2015).

(f) Morningstar, "2014 Ibbotson S&P Market Report," at Table 10 (2014).

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