AVISTA CORP. NYSE-AVA

RECENT PRICE 44.74
PIE RATIO 22.3 11.4

AVISTA CORP.

AVISTA CORP. (formerly The Washington Water Power Company) supplies electricity and gas in eastern Washington and Oregon. Customers: 423,000 electric, 372,000 gas. Acq'd Alaska Power Company (now Avista Power Company) supplies electricity & gas in eastern Washington & northern Idaho. Supplies electricity to part of Alaska & gas to part of Oregon. Customers: 82,000 electric, 3,700,000 gas. Avista is a major rate case pending in Washington. This is the utility's first filing under the state's new law that requires multyear application evaluations. The utility is seeking electric increases of $52.9 million (9.8%) in the first year and $71.1 million (2.8%) in the second. For gas, Avista requested hikes of $10.9 million (9.5%) in the first year and $2.2 million (1.7%) in the second. The utility's filing is based on a return on equity of 10.25% and a common-equity ratio of 5.35%. For August 2021, the company has underearned its allowed ROE due to the effects of regulatory lag. A reasonable order in the pending case would help address this problem. AVISTA's earnings are likely to decline in 2022. As we had expected, the increase was $0.07 a share (4.1%) annually. The payout ratio is above AVISTA's target of 65%-75%, but should be within this range next year as earnings benefit from rate relief.

This untimely stock has a dividend yield that is above the utility average. However, total return potential is negative for the next 18 months and below average for the 3- to 6-year period.

April 22, 2022