

Qualifications of Michael P. Gorman

1 **Q: Please state your name and business address.**

2 A: Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q: Please state your occupation.**

5 A: I am a consultant in the field of public utility regulation and a managing principal with
6 Brubaker & Associates, Inc., energy, economic and regulatory consultants.

7 **Q: Please summarize your educational background and work experience.**

8 A: In 1983 I received a Bachelors of Science Degree in Electrical Engineering from
9 Southern Illinois University, and in 1986, I received a Masters Degree in Business
10 Administration with a concentration in Finance from the University of Illinois at
11 Springfield. I have also completed several graduate level economics courses.

12 In August of 1983, I accepted an analyst position with the Illinois Commerce
13 Commission (ICC). In this position, I performed a variety of analyses for both formal
14 and informal investigations before the ICC, including: marginal cost of energy, central
15 dispatch, avoided cost of energy, annual system production costs, and working capital. In
16 October of 1986, I was promoted to the position of Senior Analyst. In this position, I
17 assumed the additional responsibilities of technical leader on projects, and my areas of
18 responsibility were expanded to include utility financial modeling and financial analyses.

19 In 1987, I was promoted to Director of the Financial Analysis Department. In this
20 position, I was responsible for all financial analyses conducted by the staff. Among other
21 things, I conducted analyses and sponsored testimony before the ICC on rate of return,
22 financial integrity, financial modeling and related issues. I also supervised the

1 development of all Staff analyses and testimony on these same issues. In addition, I
2 supervised the Staff's review and recommendations to the Commission concerning utility
3 plans to issue debt and equity securities.

4 In August of 1989, I accepted a position with Merrill-Lynch as a financial
5 consultant. After receiving all required securities licenses, I worked with individual
6 investors and small businesses in evaluating and selecting investments suitable to their
7 requirements.

8 In September of 1990, I accepted a position with Drazen-Brubaker & Associates,
9 Inc. In April 1995 the firm of Brubaker & Associates, Inc. (BAI) was formed. It
10 includes most of the former DBA principals and Staff. Since 1990, I have performed
11 various analyses and sponsored testimony on cost of capital, cost/benefits of utility
12 mergers and acquisitions, utility reorganizations, level of operating expenses and rate
13 base, cost of service studies, and analyses relating industrial jobs and economic develop-
14 ment. I also participated in a study used to revise the financial policy for the municipal
15 utility in Kansas City, Kansas.

16 At BAI, I also have extensive experience working with large energy users to
17 distribute and critically evaluate responses to requests for proposals (RFPs) for electric,
18 steam, and gas energy supply from competitive energy suppliers. These analyses include
19 the evaluation of gas supply and delivery charges, cogeneration and/or combined cycle
20 unit feasibility studies, and the evaluation of third-party asset/supply management
21 agreements. I have also analyzed commodity pricing indices and forward pricing
22 methods for third party supply agreements, and have also conducted regional electric
23 market price forecasts.

1 In addition to our main office in St. Louis, the firm also has branch offices in
2 Phoenix, Arizona and Corpus Christi, Texas.

3 **Q: Have you ever testified before a regulatory body?**

4 A: Yes. I have sponsored testimony on cost of capital, revenue requirements, cost of service
5 and other issues before the Federal Energy Regulatory Commission and numerous state
6 regulatory commissions including: Arkansas, Arizona, California, Colorado, Delaware,
7 Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Michigan, Missouri,
8 Montana, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon,
9 South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia,
10 Wisconsin, Wyoming, and before the provincial regulatory Commissions in Alberta and
11 Nova Scotia, Canada. I have also sponsored testimony before the Commission of Public
12 Utilities in Kansas City, Kansas; presented rate setting position reports to the regulatory
13 Commission of the municipal utility in Austin, Texas, and Salt River Project, Arizona, on
14 behalf of industrial customers; and negotiated rate disputes for industrial customers of the
15 Municipal Electric Authority of Georgia in the LaGrange, Georgia district.

16 **Q: Please describe any professional registrations or organizations to which you belong.**

17 A: I earned the designation of Chartered Financial Analyst (CFA) from the CFA Institute.
18 The CFA charter was awarded after successfully completing three examinations which
19 covered the subject areas of financial accounting, economics, fixed income and equity
20 valuation and professional and ethical conduct. I am a member of the CFA Institute's
21 Financial Analyst Society.

Avista Utilities

Rate of Return Without Decoupling (December 31, 2008)

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted Cost</u> (4)
1	Total Debt	\$ 1,190,915,751	54.4%	6.57%	3.58%
2	Common Equity	<u>\$ 996,883,374</u>	<u>45.6%</u>	10.10%	<u>4.60%</u>
3	Total	\$ 2,187,799,125	100.0%		8.18%

Source:

FERC Form-1, p. 112.

Avista Utilities

Rate of Return With Decoupling (December 31, 2008)

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted</u> <u>Cost</u> (4)
1	Total Debt	\$ 1,190,915,751	54.4%	6.57%	3.58%
2	Common Equity	\$ 996,883,374	45.6%	9.85%	4.49%
3	Total	\$ 2,187,799,125	100.0%		8.06%

Source:

FERC Form-1, p. 112.

Avista Utilities

Capital Structure

<u>Line</u>	<u>Description</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1	Total Debt	\$ 1,114,548	\$ 1,060,450	\$ 1,190,916
2	Common Equity	<u>\$ 916,846</u>	<u>\$ 913,966</u>	<u>\$ 996,883</u>
3	Total Capital	\$ 2,031,394	\$ 1,974,416	\$ 2,187,799
4	Total Debt	54.9%	53.7%	54.4%
5	Common Equity	<u>45.1%</u>	<u>46.3%</u>	<u>45.6%</u>
6	Total Capital	100.0%	100.0%	100.0%

Source:

FERC Form-1, p.112.

Avista Utilities

Capital Structure

December 31, 2008¹

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted Cost</u> (4)
1	Long-Term Debt	\$ 1,190,915,751	54.4%	6.57%	3.58%
2	Common Equity	\$ 996,883,374	<u>45.6%</u>	10.10%	<u>4.60%</u>
3	Total	\$ 2,187,799,125	100.0%		8.18%

Projected as of December 31, 2009, Excluding \$94.2 Mill Equity Issuance²

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)
4	Long-Term Debt	\$ 1,266,901,042	54.6%
5	Common Equity*	\$ <u>1,052,550,909</u>	<u>45.4%</u>
6	Total	\$ 2,319,451,951	100.0%

Sources:

¹ FERC Form-1, p. 112.

² Exhibit No. ____ (MTT-2), p. 2 of 5.

* \$1,146,750,909 less \$94,200,000.

Avista Utilities

Proxy Group

<u>Line</u>	<u>Company</u>	<u>Bond Ratings</u> ¹		<u>Common Equity Ratios</u>		<u>S&P Business Profile Score</u> ³
		<u>S&P</u> (1)	<u>Moody's</u> (2)	<u>AUS</u> ¹ (3)	<u>Value Line</u> ² (4)	
1	Allegheny Energy	BBB+	Baa2	41.0%	40.9%	Strong
2	Amer. Elec. Power	BBB	Baa1	37.0%	40.7%	Excellent
3	Avista Corp.	BBB+	Baa2	49.0%	51.9%	Strong
4	Black Hills	BBB	Baa1	68.0%	67.7%	Strong
5	Cleco Corp.	BBB	Baa1	46.0%	48.9%	Strong
6	DPL Inc.	A	A2	42.0%	41.1%	Excellent
7	DTE Energy	A-	A3	45.0%	43.6%	Excellent
8	Edison Int'l	A	A2	44.0%	44.5%	Strong
9	Empire Dist. Elec.	BBB+	Baa1	43.0%	46.4%	Strong
10	Hawaiian Elec.	BBB	Baa2	53.0%	52.7%	Strong
11	IDACORP, Inc.	A-	A3	49.0%	52.4%	Strong
12	Northeast Utilities	BBB+	Baa1	41.0%	38.1%	Excellent
13	Public Serv. Enterprise	A-	A3	48.0%	49.0%	Excellent
14	UIL Holdings	N/R	Baa2	38.0%	46.4%	N/A
15	Westar Energy	BBB-	Baa2	49.0%	49.7%	Excellent
16	Average	BBB+	Baa1	46.2%	47.6%	Strong
17	Avista Utilities	BBB+ ⁴	Baa2 ⁴	45.6% ⁵		Strong

Sources:

¹ *AUS Utility Reports*, July 2009.

² *The Value Line Investment Survey*, May 8, May 29, and June 26, 2009.

³ *S&P Ratings Direct*: "U.S. Regulated Electric Utilities, Strongest to Weakest," September 9, 2008.

⁴ Exhibit No. ____ (MTT-2), p. 1 of 5.

⁵ Exhibit No. ____ (MPG-3), p. 1.

Avista Utilities

Growth Rates

<u>Line</u>	<u>Company</u>	<u>Zacks</u>		<u>SNL Financial</u>		<u>Thomson Financial</u>		<u>Average of Growth Rates</u>
		<u>Estimated Growth %¹</u>	<u>Number of Estimates</u>	<u>Estimated Growth %²</u>	<u>Number of Estimates</u>	<u>Estimated Growth %³</u>	<u>Number of Estimates</u>	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Allegheny Energy	14.00%	4	11.00%	3	16.33%	3	13.78%
2	Amer. Elec. Power	4.25%	4	3.00%	5	3.03%	5	3.43%
3	Avista Corp.	8.67%	3	5.00%	2	5.00%	2	6.22%
4	Black Hills	6.00%	2	6.00%	1	6.00%	1	6.00%
5	Cleco Corp.	14.50%	2	11.70%	2	11.72%	2	12.64%
6	DPL Inc.	6.33%	3	9.20%	4	9.33%	4	8.29%
7	DTE Energy	5.00%	2	3.50%	2	3.50%	2	4.00%
8	Edison Int'l	6.33%	3	1.90%	3	1.33%	3	3.19%
9	Empire Dist. Elec.	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	Hawaiian Elec.	4.87%	3	3.00%	3	4.87%	3	4.25%
11	IDACORP, Inc.	5.00%	2	5.00%	2	5.00%	2	5.00%
12	Northeast Utilities	8.00%	4	8.50%	6	8.33%	6	8.28%
13	Public Serv. Enterprise	5.75%	4	5.00%	3	5.67%	3	5.47%
14	UIL Holdings	4.13%	3	4.40%	3	4.47%	3	4.33%
15	Westar Energy	5.67%	3	3.10%	4	3.32%	4	4.03%
16	Average	7.04%	3	5.74%	3	6.28%	3	6.35%

Sources:

¹ Zacks Elite, <http://www.zackselite.com/>, downloaded on July 24, 2009.

² SNL Interactive, <http://www.snl.com/>, downloaded on July 24, 2009.

³ Thomson, http://tabsefin.swlearning.com/student/tabsefin_frame.html, downloaded on July 24, 2009.

Avista Utilities

Constant Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price¹</u> (1)	<u>Analysts' Growth²</u> (2)	<u>Annual Dividend³</u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	Allegheny Energy	\$25.67	13.78%	\$0.60	2.66%	16.44%
2	Amer. Elec. Power	\$27.17	3.43%	\$1.64	6.24%	9.67%
3	Avista Corp.	\$16.24	6.22%	\$0.72	4.71%	10.93%
4	Black Hills	\$21.54	6.00%	\$1.42	6.99%	12.99%
5	Cleco Corp.	\$21.48	12.64%	\$0.90	4.72%	17.36%
6	DPL Inc.	\$22.49	8.29%	\$1.14	5.49%	13.78%
7	DTE Energy	\$30.67	4.00%	\$2.12	7.19%	11.19%
8	Edison Int'l	\$29.92	3.19%	\$1.24	4.28%	7.46%
9	Empire Dist. Elec.	\$15.91	N/A	\$1.28	N/A	N/A
10	Hawaiian Elec.	\$17.38	4.25%	\$1.24	7.44%	11.68%
11	IDACORP, Inc.	\$24.29	5.00%	\$1.20	5.19%	10.19%
12	Northeast Utilities	\$21.39	8.28%	\$0.95	4.82%	13.10%
13	Public Serv. Enterprise	\$31.56	5.47%	\$1.33	4.45%	9.93%
14	UIL Holdings	\$22.37	4.33%	\$1.73	8.06%	12.39%
15	Westar Energy	\$18.01	4.03%	\$1.20	6.93%	10.96%
16	Average	\$23.07	6.35%	\$1.25	5.65%	12.00%
17	Median					11.44%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on July 24, 2009.

² Exhibit No. ____ (MPG-6), Column 7.

³ *The Value Line Investment Survey*, May 8, May 29, and June 26, 2009.

Avista Utilities

Dividend Yields

Line	Company	Actual							'04 - '08 Average Dividend Yield (7)
		2004 (1)	2005 (2)	2006 (3)	2007 (4)	2008 (5)	2009 ¹ (6)		
1	Allegheny Energy	N/A	N/A	N/A	0.30%	1.30%	2.34%	0.80%	
2	Amer. Elec. Power	4.30%	3.90%	4.10%	3.40%	4.20%	6.04%	3.98%	
3	Avista Corp.	2.90%	3.00%	2.50%	2.70%	3.40%	4.43%	2.90%	
4	Black Hills	4.20%	3.50%	3.80%	3.40%	4.20%	6.59%	3.82%	
5	Cleco Corp.	5.00%	4.20%	3.80%	3.50%	3.80%	4.19%	4.06%	
6	DPL Inc.	4.70%	3.70%	3.70%	3.60%	4.30%	5.07%	4.00%	
7	DTE Energy	5.00%	4.60%	4.90%	4.40%	5.20%	6.91%	4.82%	
8	Edison Int'l	3.10%	2.60%	2.60%	2.20%	2.70%	4.14%	2.64%	
9	Empire Dist. Elec.	6.00%	5.70%	5.70%	5.40%	6.30%	8.04%	5.82%	
10	Hawaiian Elec.	4.80%	4.60%	4.60%	5.20%	5.00%	7.13%	4.84%	
11	IDACORP, Inc.	4.10%	4.10%	3.40%	3.50%	4.00%	4.94%	3.82%	
12	Northeast Utilities	3.30%	3.50%	3.30%	2.60%	3.20%	4.45%	3.18%	
13	Public Serv. Enterprise	5.10%	3.80%	3.50%	2.70%	3.30%	4.22%	3.68%	
14	UIL Holdings	6.00%	5.70%	5.00%	5.00%	5.50%	7.72%	5.44%	
15	Westar Energy	3.90%	4.00%	4.30%	4.20%	5.20%	6.66%	4.32%	
16	Average	4.46%	4.06%	3.94%	3.47%	4.11%	5.53%	3.87%	

Source:

¹ Exhibit No. ____ (MPG-7), Column 3 / Exhibit No. ____ (MPG-7), Column 1.

Avista Utilities

Historical Growth Rates

Line	Company	Dividend Growth			Inflation (CPI)			Nominal GDP			
		Historical		3-5 Years	Historical		3-5 Years	Historical		Projected*	
		10 Years	5 Years	Projection	5 Years	10 Years	Projection	5 Years	10 Years	10 Years	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Allegheny Energy	-17.5%	-24.5%	30.0%							
2	Amer. Elec. Power	-4.0%	-6.0%	3.0%							
3	Avista Corp.	-6.0%	5.0%	12.5%							
4	Black Hills	3.5%	3.5%	2.5%							
5	Cleco Corp.	1.5%	0.5%	10.0%							
6	DPL Inc.	1.5%	2.0%	3.5%							
7	DTE Energy	N/A	0.5%	3.0%							
8	Edison Int'l	1.5%	N/A	4.5%							
9	Empire Dist. Elec.	N/A	N/A	1.5%							
10	Hawaiian Elec.	N/A	N/A	N/A							
11	IDACORP, Inc.	-4.5%	-8.0%	N/A							
12	Northeast Utilities	3.5%	8.5%	6.5%							
13	Public Serv. Enterprise	1.0%	2.0%	6.0%							
14	UIL Holdings	N/A	N/A	N/A							
15	Westar Energy	-6.5%	-0.5%	4.5%							
16	Average	-0.9%	0.8%	5.2%	3.2%	2.8%	2.8%	5.4%	5.0%	5.2%	4.9%

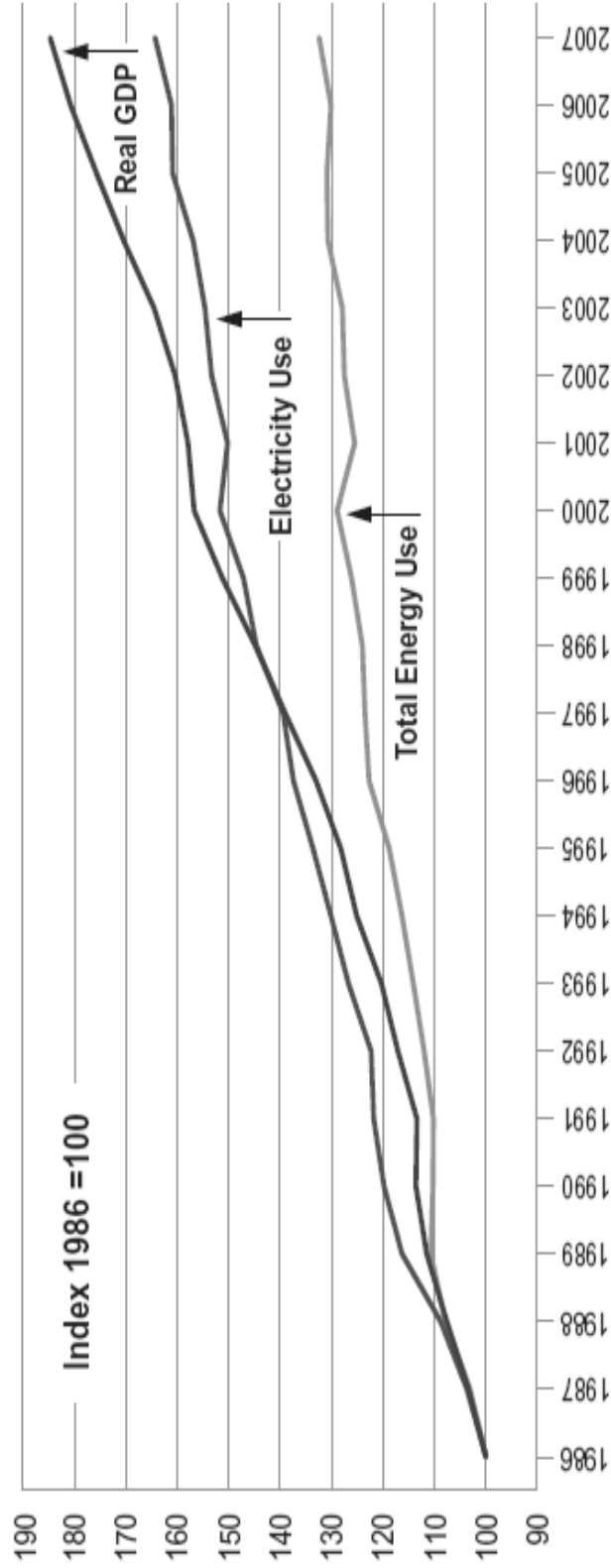
Sources:

The Value Line Investment Survey, May 8, May 29, and June 26, 2009.

The average excludes Allegheny Energy because it is an obvious outlier.

* Blue Chip Economic Indicators, March 10, 2009, p. 15.

Avista Utilities Electricity Sales Are Linked to U.S. Economic Growth



1986 represents the base year. Graph depicts increases or decreases from the base year.

Source: U.S. Department of Energy, Energy Information Administration (EIA).

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Avista Utilities

Current and Projected Payout Ratios

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2008</u> (1)	<u>3-5 Years</u> (2)	<u>2008</u> (3)	<u>3-5 Years</u> (4)	<u>2008</u> (5)	<u>3-5 Years</u> (6)
1	Allegheny Energy	\$0.60	\$1.20	\$2.33	\$3.65	25.75%	32.88%
2	Amer. Elec. Power	\$1.64	\$1.90	\$2.99	\$3.50	54.85%	54.29%
3	Avista Corp.	\$0.69	\$1.25	\$1.36	\$1.75	50.74%	71.43%
4	Black Hills*	\$1.40	\$1.56	\$0.18	\$2.50	777.78%	62.40%
5	Cleco Corp.	\$0.90	\$1.60	\$1.70	\$2.50	52.94%	64.00%
6	DPL Inc.	\$1.10	\$1.30	\$2.12	\$2.65	51.89%	49.06%
7	DTE Energy	\$2.12	\$2.50	\$2.73	\$4.00	77.66%	62.50%
8	Edison Int'l	\$1.23	\$1.50	\$3.68	\$4.25	33.42%	35.29%
9	Empire Dist. Elec.	\$1.28	\$1.40	\$1.17	\$2.00	109.40%	70.00%
10	Hawaiian Elec.	\$1.24	\$1.24	\$1.07	\$1.75	115.89%	70.86%
11	IDACORP, Inc.	\$1.20	\$1.20	\$2.18	\$2.75	55.05%	43.64%
12	Northeast Utilities	\$0.83	\$1.15	\$1.86	\$2.25	44.62%	51.11%
13	Public Serv. Enterprise	\$1.29	\$1.70	\$2.90	\$3.75	44.48%	45.33%
14	UIL Holdings	\$1.73	\$1.73	\$1.89	\$2.20	91.53%	78.64%
15	Westar Energy	\$1.16	\$1.40	\$1.31	\$2.15	88.55%	65.12%
16	Average	\$1.23	\$1.51	\$1.96	\$2.78	111.64%	57.10%

Source:

The Value Line Investment Survey, May 8, May 29, and June 26, 2009.

* Black Hills reported a substantial loss in the last quarter of 2008, which influenced its end of the year earnings.

Avista Utilities

Sustainable Growth Rate

Line	Company	3 to 5 Year Projections						
		Dividends Per Share (1)	Earnings Per Share (2)	Book Value Per Share (3)	ROE (4)	Payout Ratio (5)	Retention Rate (6)	Internal Growth Rate (7)
1	Allegheny Energy	\$1.20	\$3.65	\$27.85	13.11%	32.88%	67.12%	8.80%
2	Amer. Elec. Power	\$1.90	\$3.50	\$33.25	10.53%	54.29%	45.71%	4.81%
3	Avista Corp.	\$1.25	\$1.75	\$21.50	8.14%	71.43%	28.57%	2.33%
4	Black Hills*	\$1.56	\$2.50	\$30.50	8.20%	62.40%	37.60%	3.08%
5	Cleco Corp.	\$1.60	\$2.50	\$22.75	10.99%	64.00%	36.00%	3.96%
6	DPL Inc.	\$1.30	\$2.65	\$13.90	19.06%	49.06%	50.94%	9.71%
7	DTE Energy	\$2.50	\$4.00	\$41.00	9.76%	62.50%	37.50%	3.66%
8	Edison Int'l	\$1.50	\$4.25	\$39.00	10.90%	35.29%	64.71%	7.05%
9	Empire Dist. Elec.	\$1.40	\$2.00	\$17.50	11.43%	70.00%	30.00%	3.43%
10	Hawaiian Elec.	\$1.24	\$1.75	\$17.00	10.29%	70.86%	29.14%	3.00%
11	IDACORP, Inc.	\$1.20	\$2.75	\$35.60	7.72%	43.64%	56.36%	4.35%
12	Northeast Utilities	\$1.15	\$2.25	\$25.25	8.91%	51.11%	48.89%	4.36%
13	Public Serv. Enterprise	\$1.70	\$3.75	\$24.50	15.31%	45.33%	54.67%	8.37%
14	UIL Holdings	\$1.73	\$2.20	\$19.40	11.34%	78.64%	21.36%	2.42%
15	Westar Energy	\$1.40	\$2.15	\$27.20	7.90%	65.12%	34.88%	2.76%
16	Average	\$1.51	\$2.78	\$26.41	10.91%	57.10%	42.90%	4.81%

Source:

The Value Line Investment Survey, May 8, May 29, and June 26, 2009.

Avista Utilities

Sustainable Constant Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price¹</u> (1)	<u>Sustainable Growth²</u> (2)	<u>Annual Dividend³</u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	Allegheny Energy	\$25.67	8.80%	\$0.60	2.54%	11.34%
2	Amer. Elec. Power	\$27.17	4.81%	\$1.64	6.33%	11.14%
3	Avista Corp.	\$16.24	2.33%	\$0.72	4.54%	6.86%
4	Black Hills	\$21.54	3.08%	\$1.42	6.80%	9.88%
5	Cleco Corp.	\$21.48	3.96%	\$0.90	4.36%	8.31%
6	DPL Inc.	\$22.49	9.71%	\$1.14	5.56%	15.27%
7	DTE Energy	\$30.67	3.66%	\$2.12	7.17%	10.82%
8	Edison Int'l	\$29.92	7.05%	\$1.24	4.44%	11.49%
9	Empire Dist. Elec.	\$15.91	3.43%	\$1.28	8.32%	11.75%
10	Hawaiian Elec.	\$17.38	3.00%	\$1.24	7.35%	10.35%
11	IDACORP, Inc.	\$24.29	4.35%	\$1.20	5.15%	9.51%
12	Northeast Utilities	\$21.39	4.36%	\$0.95	4.65%	9.00%
13	Public Serv. Enterprise	\$31.56	8.37%	\$1.33	4.57%	12.94%
14	UIL Holdings	\$22.37	2.42%	\$1.73	7.91%	10.33%
15	Westar Energy	\$18.01	2.76%	\$1.20	6.85%	9.60%
16	Average	\$23.07	4.81%	\$1.25	5.77%	10.57%
17	Median					10.35%

Sources:

¹ <http://moneycentral.msn.com>, downloaded on July 24, 2009.

² Exhibit No. ____ (MPG-12), Column 7.

³ *The Value Line Investment Survey*, May 8, May 29, and June 26, 2009.

Avista Utilities

Multi-Stage Growth DCF Model

Line	Company	13-Week AVG Stock Price ¹ (1)	Annual Dividend ² (2)	Second Stage Growth						Third Stage Growth ³ (9)	Multi-Stage Growth DCF (10)
				First Stage Growth (3)	Year 6 (4)	Year 7 (5)	Year 8 (6)	Year 9 (7)	Year 10 (8)		
1	Allegheny Energy	\$25.67	\$0.60	13.78%	12.30%	10.82%	9.34%	7.86%	4.90%	9.13%	
2	Amer. Elec. Power	\$27.17	\$1.64	3.43%	3.67%	3.92%	4.16%	4.41%	4.90%	10.70%	
3	Avista Corp.	\$16.24	\$0.72	6.22%	6.00%	5.78%	5.56%	5.34%	4.90%	9.94%	
4	Black Hills	\$21.54	\$1.42	6.00%	5.82%	5.63%	5.45%	5.27%	4.90%	12.27%	
5	Cleco Corp.	\$21.48	\$0.90	12.64%	11.35%	10.06%	8.77%	7.48%	4.90%	11.77%	
6	DPL Inc.	\$22.49	\$1.14	8.29%	7.72%	7.16%	6.59%	6.03%	4.90%	11.38%	
7	DTE Energy	\$30.67	\$2.12	4.00%	4.15%	4.30%	4.45%	4.60%	4.90%	11.78%	
8	Edison Int'l	\$29.92	\$1.24	3.19%	3.47%	3.76%	4.04%	4.33%	4.90%	8.80%	
9	Empire Dist. Elec.	\$15.91	\$1.28	N/A	N/A	N/A	N/A	N/A	4.90%	N/A	
10	Hawaiian Elec.	\$17.38	\$1.24	4.25%	4.36%	4.46%	4.57%	4.68%	4.90%	12.11%	
11	IDACORP, Inc.	\$24.29	\$1.20	5.00%	4.98%	4.97%	4.95%	4.93%	4.90%	10.11%	
12	Northeast Utilities	\$21.39	\$0.95	8.28%	7.71%	7.15%	6.59%	6.03%	4.90%	10.61%	
13	Public Serv. Enterprise	\$31.56	\$1.33	5.47%	5.38%	5.28%	5.19%	5.09%	4.90%	9.49%	
14	UIL Holdings	\$22.37	\$1.73	4.33%	4.43%	4.52%	4.62%	4.71%	4.90%	12.75%	
15	Westar Energy	\$18.01	\$1.20	4.03%	4.18%	4.32%	4.47%	4.61%	4.90%	11.54%	
16	Average	\$23.07	\$1.25	6.35%	6.11%	5.87%	5.63%	5.38%	4.90%	10.88%	
17	Median									11.04%	

Sources:

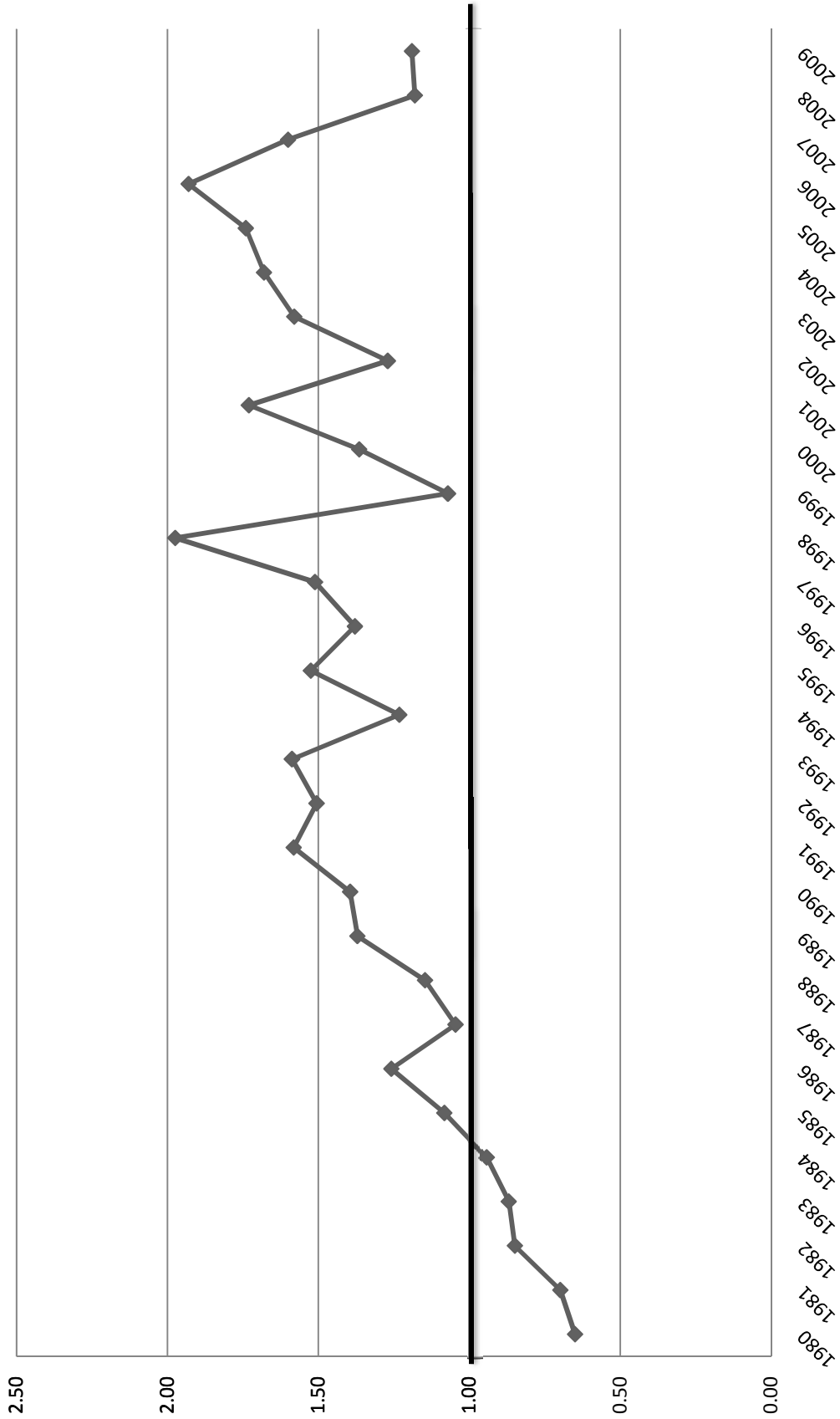
¹ <http://moneycentral.msn.com>, downloaded on July 24, 2009.

² *The Value Line Investment Survey*, May 8, May 29, and June 26, 2009.

³ *Blue Chip Economic Indicators*, March 10, 2009.

Avista Utilities

Electric Common Stock Market/Book Ratio



Sources:
2001 - March 2009: AUS Utility Reports.
1980 - 2000: Mergent Public Utility Manual; pp. a15 and a17.

Avista Utilities

Equity Risk Premium - Treasury Bond

<u>Line</u>	<u>Date</u>	<u>Authorized Electric Returns¹</u> (1)	<u>Treasury Bond Yield²</u> (2)	<u>Indicated Risk Premium</u> (3)
1	1986	13.93%	7.78%	6.15%
2	1987	12.99%	8.59%	4.40%
3	1988	12.79%	8.96%	3.83%
4	1989	12.97%	8.45%	4.52%
5	1990	12.70%	8.61%	4.09%
6	1991	12.55%	8.14%	4.41%
7	1992	12.09%	7.67%	4.42%
8	1993	11.41%	6.59%	4.82%
9	1994	11.34%	7.37%	3.97%
10	1995	11.55%	6.88%	4.67%
11	1996	11.39%	6.71%	4.68%
12	1997	11.40%	6.61%	4.79%
13	1998	11.66%	5.58%	6.08%
14	1999	10.77%	5.87%	4.90%
15	2000	11.43%	5.94%	5.49%
16	2001	11.09%	5.49%	5.60%
17	2002	11.16%	5.43%	5.73%
18	2003	10.97%	4.96%	6.01%
19	2004	10.75%	5.05%	5.70%
20	2005	10.54%	4.65%	5.89%
21	2006	10.36%	4.91%	5.45%
22	2007	10.36%	4.84%	5.52%
23	2008	10.46%	4.28%	6.18%
24	Q1 2009 ³	10.31%	3.45%	6.86%
25	Average	11.54%	6.37%	5.17%

Sources:

¹ Regulatory Research Associates, Inc., *Regulatory Focus*, Jan. 85 - Dec. 06, and January 12, 2009.

² Economic Report of the President 2008: Table 73. The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

³ EEI, Rate Case Summary 1Q 2009 Financial Update.

Avista Utilities

Equity Risk Premium - Utility Bond

<u>Line</u>	<u>Date</u>	<u>Authorized Electric Returns¹</u> (1)	<u>Average "A" Rating Utility Bond Yield²</u> (2)	<u>Indicated Risk Premium</u> (3)
1	1986	13.93%	9.58%	4.35%
2	1987	12.99%	10.10%	2.89%
3	1988	12.79%	10.49%	2.30%
4	1989	12.97%	9.77%	3.20%
5	1990	12.70%	9.86%	2.84%
6	1991	12.55%	9.36%	3.19%
7	1992	12.09%	8.69%	3.40%
8	1993	11.41%	7.59%	3.82%
9	1994	11.34%	8.31%	3.03%
10	1995	11.55%	7.89%	3.66%
11	1996	11.39%	7.75%	3.64%
12	1997	11.40%	7.60%	3.80%
13	1998	11.66%	7.04%	4.62%
14	1999	10.77%	7.62%	3.15%
15	2000	11.43%	8.24%	3.19%
16	2001	11.09%	7.76%	3.33%
17	2002	11.16%	7.37%	3.79%
18	2003	10.97%	6.58%	4.39%
19	2004	10.75%	6.16%	4.59%
20	2005	10.54%	5.65%	4.89%
21	2006	10.36%	6.07%	4.29%
22	2007	10.36%	6.07%	4.29%
23	2008	10.46%	6.53%	3.93%
24	Q1 2009 ³	10.31%	6.37%	3.94%
25	Average	11.54%	7.85%	3.69%

Sources:

¹ Regulatory Research Associates, Inc., *Regulatory Focus*, Jan. 85 - Dec. 06, and January 12, 2009.

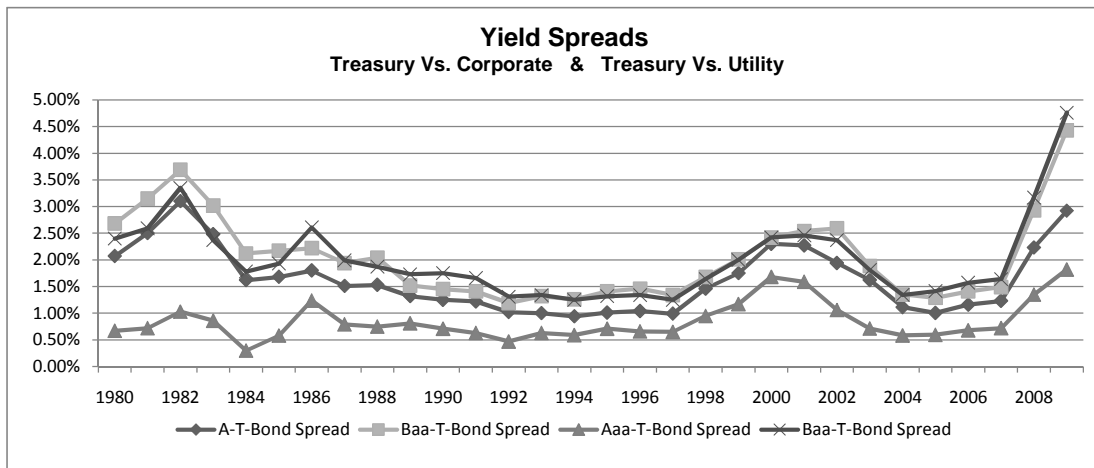
² Economic Report of the President 2008: Table 73. The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

³ EEI, Rate Case Summary 1Q 2009 Financial Update.

Avista Utilities

Bond Yield Spreads

Line	Year	Public Utility Bond Yields					Corporate Bond Yields				
		T-Bond Yield ¹ (1)	A ² (2)	Baa ² (3)	A-T-Bond Spread (4)	Baa-T-Bond Spread (5)	Aaa ¹ (6)	Baa ¹ (7)	Aaa-T-Bond Spread (8)	Baa-T-Bond Spread (9)	Baa Utility - Corporate (10)
1	1980	11.27%	13.34%	13.95%	2.07%	2.68%	11.94%	13.67%	0.67%	2.40%	0.28%
2	1981	13.45%	15.95%	16.60%	2.50%	3.15%	14.17%	16.04%	0.72%	2.59%	0.56%
3	1982	12.76%	15.86%	16.45%	3.10%	3.69%	13.79%	16.11%	1.03%	3.35%	0.34%
4	1983	11.18%	13.66%	14.20%	2.48%	3.02%	12.04%	13.55%	0.86%	2.37%	0.65%
5	1984	12.41%	14.03%	14.53%	1.62%	2.12%	12.71%	14.19%	0.30%	1.78%	0.34%
6	1985	10.79%	12.47%	12.96%	1.68%	2.17%	11.37%	12.72%	0.58%	1.93%	0.24%
7	1986	7.78%	9.58%	10.00%	1.80%	2.22%	9.02%	10.39%	1.24%	2.61%	-0.39%
8	1987	8.59%	10.10%	10.53%	1.51%	1.94%	9.38%	10.58%	0.79%	1.99%	-0.05%
9	1988	8.96%	10.49%	11.00%	1.53%	2.04%	9.71%	10.83%	0.75%	1.87%	0.17%
10	1989	8.45%	9.77%	9.97%	1.32%	1.52%	9.26%	10.18%	0.81%	1.73%	-0.21%
11	1990	8.61%	9.86%	10.06%	1.25%	1.45%	9.32%	10.36%	0.71%	1.75%	-0.30%
12	1991	8.14%	9.36%	9.55%	1.22%	1.41%	8.77%	9.80%	0.63%	1.66%	-0.25%
13	1992	7.67%	8.69%	8.86%	1.02%	1.19%	8.14%	8.98%	0.47%	1.31%	-0.12%
14	1993	6.59%	7.59%	7.91%	1.00%	1.32%	7.22%	7.93%	0.63%	1.34%	-0.02%
15	1994	7.37%	8.31%	8.63%	0.94%	1.26%	7.96%	8.62%	0.59%	1.25%	0.01%
16	1995	6.88%	7.89%	8.29%	1.01%	1.41%	7.59%	8.20%	0.71%	1.32%	0.09%
17	1996	6.71%	7.75%	8.17%	1.04%	1.46%	7.37%	8.05%	0.66%	1.34%	0.12%
18	1997	6.61%	7.60%	7.95%	0.99%	1.34%	7.26%	7.86%	0.65%	1.25%	0.09%
19	1998	5.58%	7.04%	7.26%	1.46%	1.68%	6.53%	7.22%	0.95%	1.64%	0.04%
20	1999	5.87%	7.62%	7.88%	1.75%	2.01%	7.04%	7.87%	1.17%	2.00%	0.01%
21	2000	5.94%	8.24%	8.36%	2.30%	2.42%	7.62%	8.36%	1.68%	2.42%	0.00%
22	2001	5.49%	7.76%	8.03%	2.27%	2.54%	7.08%	7.95%	1.59%	2.46%	0.08%
23	2002	5.43%	7.37%	8.02%	1.94%	2.59%	6.49%	7.80%	1.06%	2.37%	0.22%
24	2003	4.96%	6.58%	6.84%	1.62%	1.88%	5.67%	6.77%	0.71%	1.81%	0.07%
25	2004	5.05%	6.16%	6.40%	1.11%	1.35%	5.63%	6.39%	0.58%	1.34%	0.01%
26	2005	4.65%	5.65%	5.93%	1.00%	1.29%	5.24%	6.06%	0.59%	1.41%	-0.13%
27	2006	4.91%	6.07%	6.32%	1.16%	1.41%	5.59%	6.48%	0.68%	1.57%	-0.16%
28	2007	4.84%	6.07%	6.33%	1.23%	1.49%	5.56%	6.48%	0.72%	1.64%	-0.15%
29	2008	4.28%	6.51%	7.21%	2.23%	2.93%	5.63%	7.45%	1.35%	3.17%	-0.24%
30	Q1 2009	3.45%	6.37%	7.88%	2.92%	4.43%	5.27%	8.21%	1.82%	4.76%	-0.33%
31	Average	7.49%	9.12%	9.54%	1.64%	2.05%	8.35%	9.50%	0.86%	2.01%	0.03%



Sources:

¹ Economic Report of the President 2008: Table 73, p. 316. The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

² Mergent Public Utility Manual 2003. Moody's Daily News Reports.

Avista Utilities

Utility Bond Yields

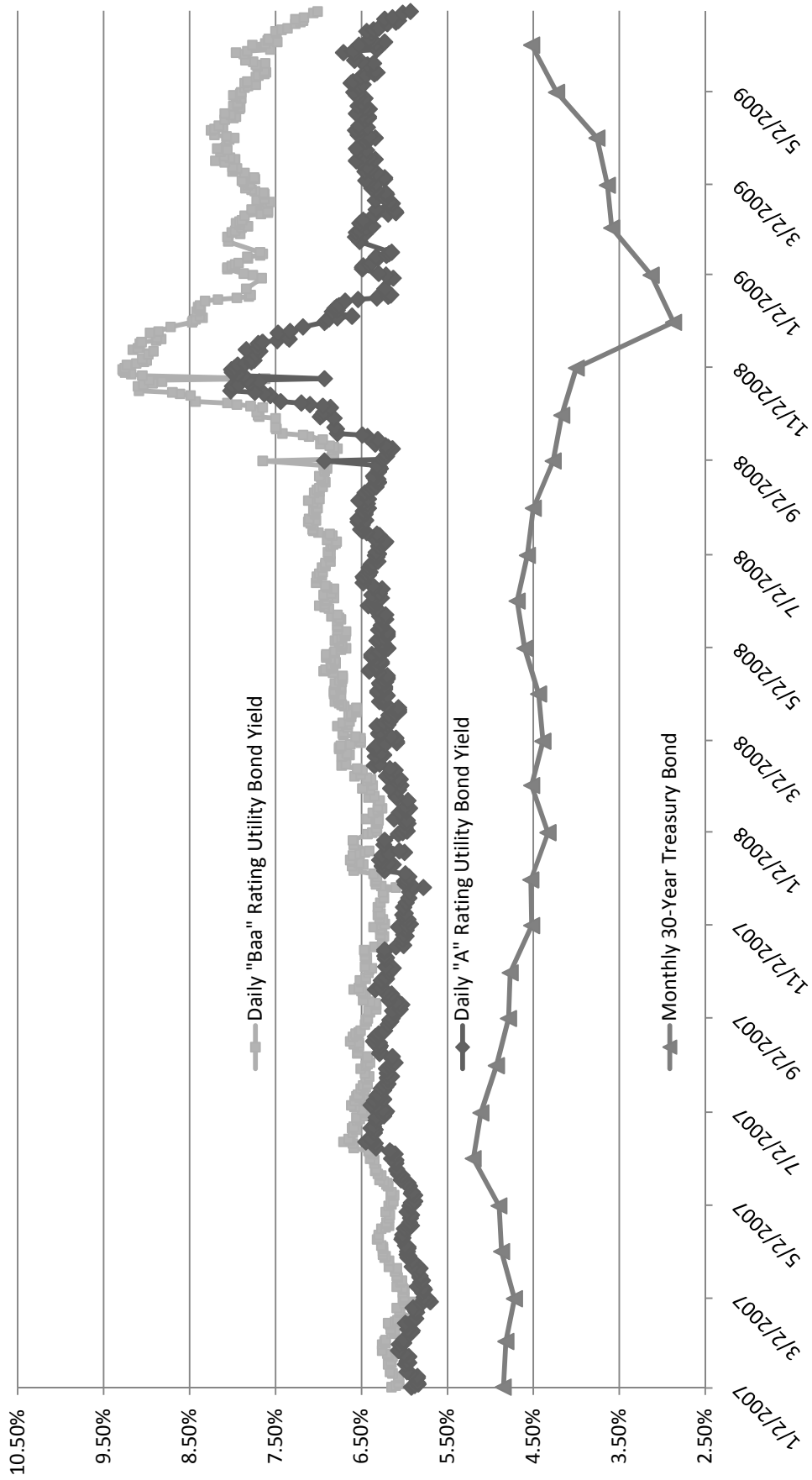
<u>Line</u>	<u>Date</u>	"A" Rating Utility <u>Bond Yield</u> (1)	"Baa" Rating Utility <u>Bond Yield</u> (2)
1	07/17/09	6.08%	7.00%
2	07/10/09	5.88%	6.80%
3	07/02/09	5.97%	6.91%
4	06/26/09	5.94%	6.98%
5	06/19/09	6.14%	7.17%
6	06/12/09	6.30%	7.36%
7	06/05/09	6.41%	7.58%
8	05/29/09	6.32%	7.56%
9	05/22/09	6.58%	7.85%
10	05/15/09	6.34%	7.63%
11	05/08/09	6.60%	7.83%
12	05/01/09	6.59%	7.90%
13	04/24/09	6.50%	7.94%
14	13-Wk Average	6.28%	7.42%
15	5-Wk Average	6.00%	6.97%

Source:

www.moody's.com, Bond Yields and Key Indicators.

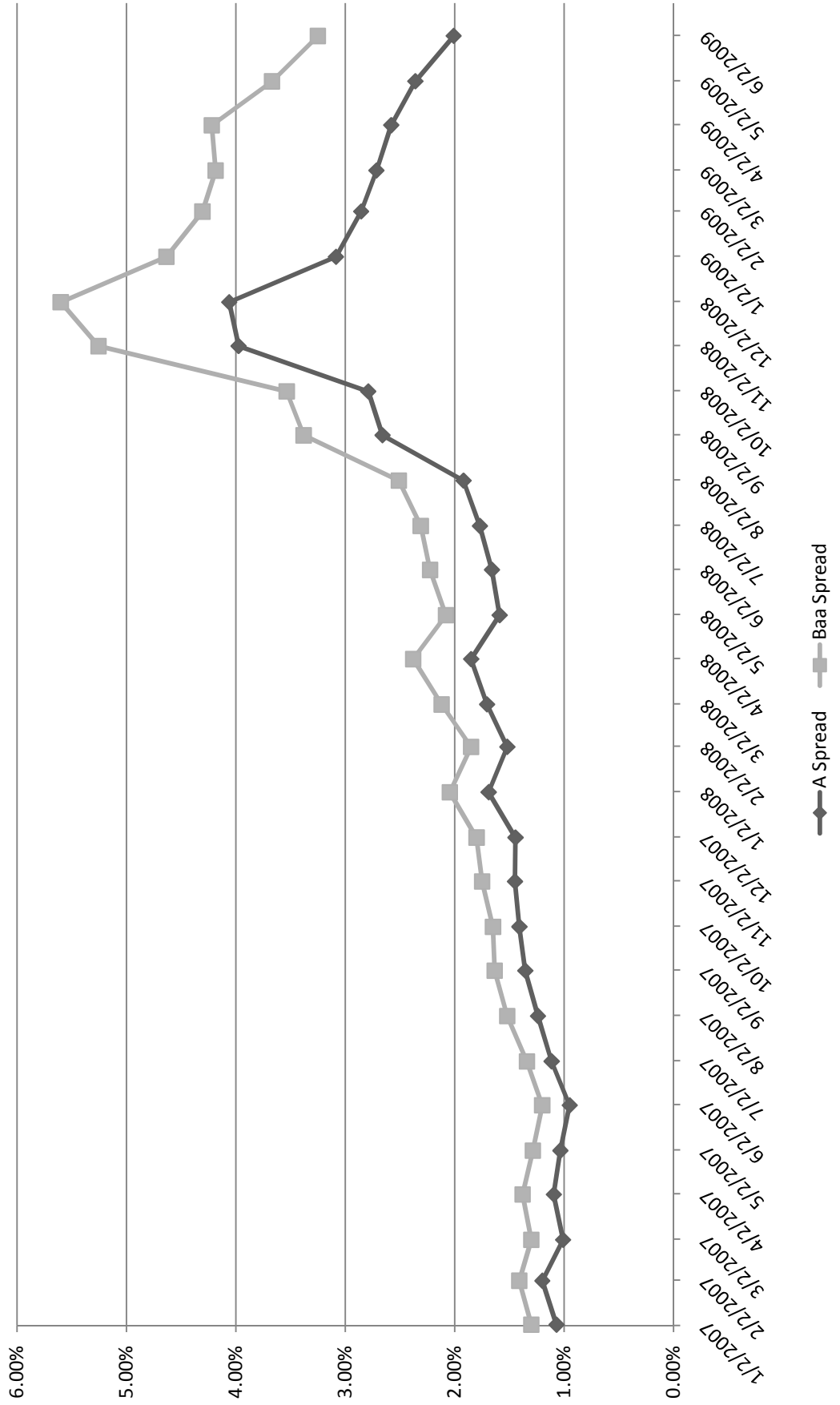
Avista Utilities

Trends in Utility Bond Yields



Avista Utilities

Spread Between "A" or "Baa" Rated Utility Yield and 30-Year Treasury Bond



Avista Utilities

Beta

<u>Line</u>	<u>Company</u>	<u>Beta</u>
1	Allegheny Energy	1.00
2	Amer. Elec. Power	0.75
3	Avista Corp.	0.70
4	Black Hills	0.80
5	Cleco Corp.	0.70
6	DPL Inc.	0.60
7	DTE Energy	0.75
8	Edison Int'l	0.80
9	Empire Dist. Elec.	0.75
10	Hawaiian Elec.	0.60
11	IDACORP, Inc.	0.70
12	Northeast Utilities	0.70
13	Public Serv. Enterprise	0.80
14	UIL Holdings	0.70
15	Westar Energy	0.75
16	Average	0.74

Source:

The Value Line Investment Survey,
May 8, May 29, and June 26, 2009.

Avista Utilities

CAPM

<u>Line</u>	<u>Description</u>	<u>Historical Premium</u>
1	Risk-Free Rate ¹	5.00%
2	Risk Premium ²	5.60%
3	Beta ³	0.74
4	CAPM	9.14%

<u>Line</u>	<u>Description</u>	<u>Prospective Premium</u>
5	Risk-Free Rate ¹	5.00%
6	Risk Premium ^{1/2}	5.67%
7	Beta ³	0.74
8	CAPM	9.20%
9	CAPM Average	9.17%

Sources:

¹ *Blue Chip Financial Forecasts*; July 1, 2009 p. 2.

² Morningstar, Inc. *Ibbotson SBBI 2009 Classic Yearbook*, p. 100.

³ *The Value Line Investment Survey*, May 8, May 29, and June 26, 2009.

Avista Utilities

S&P Credit Metric Financial Ratios (Without Decoupling) ROE at 10.10%

Line	Description	Amount (1)	Old S&P Benchmark ¹		New S&P Benchmark ² (4)	Reference (5)
			"A" Rating (2)	"BBB" Rating (3)		
1	Rate Base	\$ 1,185,339				Exhibit No. ____ (EMA-2), p. 1 of 11 + Exhibit No. ____ (EMA-3), p. 1 of 11.
2	Weighted Common Return	4.60%				Exhibit No. ____ (MPG-3), Line 2, Col. 4.
3	Income to Common	\$ 54,551				Line 1 x Line 2.
4	Depreciation & Amortization	\$ 65,332				Exhibit No. ____ (EMA-2), p. 1 of 11 + Exhibit No. ____ (EMA-3), p. 1 of 11.
5	Imputed Amortization	\$ 6,322				p. 3, Line 21.
6	Deferred Income Taxes	\$ (8,281)				Exhibit No. ____ (EMA-2), p. 1 of 11 + Exhibit No. ____ (EMA-3), p. 1 of 11.
7	Funds from Operations (FFO)	\$ 117,924				Sum of Line 3 through Line 6.
8	Weighted Interest Rate	3.58%				Exhibit No. ____ (MPG-3), Line 1, Col. 4.
9	Interest Expense	\$ 42,392				Line 1 x Line 8.
10	Imputed Interest Expense	\$ 3,450				p. 3, Line 20.
11	FFO Plus Interest	\$ 163,766				Line 7 + Line 9 + Line 10.
12	FFO Interest Coverage	3.6x	3.8x - 4.5x	2.8x - 3.8x	2.0x - 3.5x	Line 11 / (Line 9 + Line 10).
13	Total Debt Ratio	55%	42% - 50%	50% - 60%	45% - 60%	p. 2, Line 3.
14	FFO to Total Debt	18%	22% - 30%	15% - 22%	10% - 30%	Line 7 / (Line 1 x Line 13).

Sources:

¹ Standard & Poor's, "New Business Profile Scores Assigned to U.S. Utility and Power Companies; Financial Guidelines Revised," June 2, 2004; and "U.S. Integrated Electric Utility Companies, Strongest to Weakest," November 1, 2007.

² Standard & Poor's, "U.S. Utilities Ratings Analysis Now Portrayed in The S&P Corporate Ratings Matrix," November 30, 2007; and "U.S. Integrated Electric Utility Companies, Strongest to Weakest," September 9, 2009.

Note:

Based on the old S&P metrics, Avista's Business Profile Score was '5.'

Based on the new S&P metrics Avista has an "Strong" business profile and an "Aggressive" financial profile.

Avista Utilities

S&P Credit Metric Financial Ratios (Without Decoupling) Financial Capital Structure

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)
1	Long-Term Debt	\$ 1,190,915,751	53.59%
2	Off-Balance Sheet Debt	\$ 34,577,313	1.56%
3	Total Long-Term Debt	\$ 1,225,493,064	55.14%
4	Common Equity	\$ 996,883,374	44.86%
5	Total	\$ 2,222,376,438	100.00%

Source:

Exhibit No. ____ (MPG-3).

Avista Utilities

S&P Credit Metric Financial Ratios (Without Decoupling) Off-Balance Sheet Debt Equivalents

<u>Line</u>	<u>Description</u>	<u>Amount (\$ 000) (1)</u>	<u>Reference (2)</u>
<u>Avista Jurisdictional Allocator</u>¹			
1	Washington Electric September 2008 Rate Base	\$1,053,828	
2	Washington Gas September 2008 Rate Base	<u>\$ 178,717</u>	
3	Jurisdictional Rate Base	\$1,232,545	Line 1 + Line 2.
4	Total Company Electric September 2008 Rate Base	\$1,658,985	
5	Total Company Gas September 2008 Rate Base	<u>\$ 269,253</u>	
6	Total Company Rate Base	\$1,928,238	Line 4 + Line 5.
7	Avista Washington Allocator	<u>63.92%</u>	Line 3 / Line 6.
<u>Total Company</u>²			
<u>Off-Balance Sheet Debt</u>			
8	Trade Accounts Receivable	\$ -	
9	Operating Leases	\$ 9,600	
10	Purchased Power Agreements	<u>\$ 44,494</u>	
11	Total Off-Balance Sheet Debt	<u>\$ 54,094</u>	
<u>Imputed Interest Expense</u>			
12	Trade Accounts Receivable	\$ 1,158	
13	Operating Leases	\$ 768	
14	Purchased Power Agreements	<u>\$ 3,471</u>	
15	Total Imputed Interest Expense	<u>\$ 5,397</u>	
<u>Imputed Amortization Expense</u>			
16	Operating Leases	\$ 3,432	
17	Purchased Power Agreements	<u>\$ 6,459</u>	
18	Total Imputed Amortization Expense	<u>\$ 9,891</u>	
<u>Washington Electric Allocation</u>			
19	Off-Balance Sheet Debt	\$ 34,577	Line 7 x Line 11.
20	Imputed Interest Expense	\$ 3,450	Line 7 x Line 15.
21	Imputed Amortization	\$ 6,322	Line 7 x Line 18.

Sources:

¹ Exhibit_EMA-2-WA ELEC.xls, Tab: ResultSumEI and
 Exhibit_EMA-2-WA GAS.xls, Tab: ResultSumGas.

² PC_DR_265 Attachment.xls.

Avista Utilities

S&P Credit Metric Financial Ratios (With Decoupling) ROE at 10.06%

Line	Description	Amount (1)	Old S&P Benchmark ¹		New S&P Benchmark ² (4)	Reference (5)
			"A" Rating (2)	"BBB" Rating (3)		
1	Rate Base	\$ 1,185,339				Exhibit No. ____ (EMA-2), p. 1 of 11 + Exhibit No. ____ (EMA-3), p. 1 of 11.
2	Weighted Common Return	4.58%				p. 2, Line 5, Col. 4.
3	Income to Common	\$ 54,348				Line 1 x Line 2.
4	Depreciation & Amortization	\$ 65,332				Exhibit No. ____ (EMA-2), p. 1 of 11 + Exhibit No. ____ (EMA-3), p. 1 of 11.
5	Imputed Amortization	\$ 6,322				p. 4, Line 21.
6	Deferred Income Taxes + ITC	\$ (8,281)				Exhibit No. ____ (EMA-2), p. 1 of 11 + Exhibit No. ____ (EMA-3), p. 1 of 11.
7	Funds from Operations (FFO)	\$ 117,721				Sum of Line 3 through Line 6.
8	Weighted Interest Rate	3.58%				p. 2, Line 4, Col. 4.
9	Interest Expense	\$ 42,392				Line 1 x Line 8.
10	Imputed Interest Expense	\$ 3,450				p. 4, Line 20.
11	FFO Plus Interest	\$ 163,563				Line 7 + Line 9 + Line 10.
12	FFO Interest Coverage	3.6x	3.8x - 4.5x	2.8x - 3.8x	2.0x - 3.5x	Line 11 / (Line 9 + Line 10).
13	Total Debt Ratio	55%	42% - 50%	50% - 60%	45% - 60%	p. 3, Line 3.
14	FFO to Total Debt	18%	22% - 30%	15% - 22%	10% - 30%	Line 7 / (Line 1 x Line 13).

Sources:

¹ Standard & Poor's, "New Business Profile Scores Assigned to U.S. Utility and Power Companies; Financial Guidelines Revised," June 2, 2004; and "U.S. Integrated Electric Utility Companies, Strongest to Weakest," November 1, 2007.

² Standard & Poor's, "U.S. Utilities Ratings Analysis Now Portrayed in The S&P Corporate Ratings Matrix," November 30, 2007; and "U.S. Integrated Electric Utility Companies, Strongest to Weakest," September 9, 2009.

Note:

Based on the old S&P metrics, Avista's Business Profile Score was '5.'

Based on the new S&P metrics Avista has an "Strong" business profile and an "Aggressive" financial profile.

Avista Utilities

S&P Credit Metric Financial Ratios (With Decoupling)

Develop Composite Return on Equity (ROE)

		<u>Amount (\$ 000)</u> ¹	<u>Weight</u>	<u>ROE</u>	<u>Weighted</u> <u>ROE</u>
		(1)	(2)	(3)	(4)
1	Electric Rate Base ¹	\$ 1,007,076	84.96%	10.10%	8.58%
2	Gas Rate Base ²	\$ 178,263	15.04%	9.85%	1.48%
3	Total Rate Base	\$ 1,185,339	100.00%		10.06%

Rate of Return at Composite ROE³

<u>Line</u>	<u>Description</u>	<u>Amount</u>	<u>Weight</u>	<u>Cost</u>	<u>Weighted</u> <u>Cost</u>
		(1)	(2)	(3)	(4)
4	Long-Term Debt	\$ 1,190,915,751	54.4%	6.57%	3.58%
5	Common Equity	\$ 996,883,374	45.6%	10.06%	4.58%
6	Total	\$ 2,187,799,125	100.0%		8.16%

Sources:

¹ Exhibit No. ____ (EMA-2), p. 1 of 11.

² Exhibit No. ____ (EMA-3), p. 1 of 11.

³ FERC Form-1, p. 112.

Avista Utilities

S&P Credit Metric Financial Ratios (With Decoupling) Financial Capital Structure

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)
1	Long-Term Debt	\$ 1,190,915,751	54.35%
2	Off-Balance Sheet Debt	\$ 3,432,000	0.16%
3	Total Long-Term Debt	\$ 1,194,347,751	54.51%
4	Common Equity	\$ 996,883,374	45.49%
5	Total	\$ 2,191,231,125	100.00%

Source:

Exhibit No. ____ (MPG-3).

Avista Utilities

S&P Credit Metric Financial Ratios without Decoupling (With Decoupling) Off-Balance Sheet Debt Equivalents

<u>Line</u>	<u>Description</u>	<u>Amount</u> <u>(\$ 000)</u> <u>(1)</u>	<u>Reference</u> <u>(2)</u>
<u>Avista Jurisdictional Allocator</u>¹			
1	Washington Electric September 2008 Rate Base	\$1,053,828	
2	Washington Gas September 2008 Rate Base	<u>\$ 178,717</u>	
3	Jurisdictional Rate Base	\$1,232,545	Line 1 + Line 2.
4	Total Company Electric September 2008 Rate Base	\$1,658,985	
5	Total Company Gas September 2008 Rate Base	<u>\$ 269,253</u>	
6	Total Company Rate Base	\$1,928,238	Line 4 + Line 5.
7	Avista Washington Allocator	<u>63.92%</u>	Line 3 / Line 6.
 <u>Total Company</u>²			
<u>Off-Balance Sheet Debt</u>			
8	Trade Accounts Receivable	\$ -	
9	Operating Leases	\$ 9,600	
10	Purchased Power Agreements	<u>\$ 44,494</u>	
11	Total Off-Balance Sheet Debt	<u>\$ 54,094</u>	
 <u>Imputed Interest Expense</u>			
12	Trade Accounts Receivable	\$ 1,158	
13	Operating Leases	\$ 768	
14	Purchased Power Agreements	<u>\$ 3,471</u>	
15	Total Imputed Interest Expense	<u>\$ 5,397</u>	
 <u>Imputed Amortization Expense</u>			
16	Operating Leases	\$ 3,432	
17	Purchased Power Agreements	<u>\$ 6,459</u>	
18	Total Imputed Amortization Expense	<u>\$ 9,891</u>	
 <u>Washington Electric Allocation</u>			
19	Off-Balance Sheet Debt	\$ 34,577	Line 7 x Line 11.
20	Imputed Interest Expense	\$ 3,450	Line 7 x Line 15.
21	Imputed Amortization	\$ 6,322	Line 7 x Line 18.

Sources:

¹ Exhibit_EMA-2-WA ELEC.xls, Tab: ResultSumEI and
 Exhibit_EMA-2-WA GAS.xls, Tab: ResultSumGas.

² PC_DR_265 Attachment.xls.

Avista Utilities

Revision of Dr. Avera's DCF Model Multi-Stage Growth DCF Model

Line	Company	13-Week AVG Stock Price ¹ (1)	Annual Dividend ² (2)	First Stage			Second Stage Growth				Third Stage Growth ³ (9)	Multi-Stage Growth DCF (10)
				Growth (3)	Year 6 (4)	Year 7 (5)	Year 8 (6)	Year 9 (7)	Year 10 (8)			
1	Allegheny Energy	\$32.56	\$0.60	16.13%	14.26%	12.38%	10.51%	8.64%	6.77%	4.90%	8.77%	
2	American Elec Pwr	\$30.26	\$1.66	5.39%	5.30%	5.22%	5.14%	5.06%	4.98%	4.90%	10.82%	
3	Avista Corp.	\$18.43	\$0.75	5.42%	5.33%	5.25%	5.16%	5.07%	4.99%	4.90%	9.31%	
4	Black Hills Corp.	\$26.30	\$1.44	5.25%	5.19%	5.13%	5.07%	5.02%	4.96%	4.90%	10.76%	
5	Cleco Corp.	\$21.85	\$0.95	10.96%	9.95%	8.94%	7.93%	6.92%	5.91%	4.90%	11.40%	
6	DPL, Inc.	\$21.49	\$1.10	10.61%	9.66%	8.71%	7.75%	6.80%	5.85%	4.90%	12.34%	
7	DTE Energy Co.	\$35.29	\$2.18	5.48%	5.39%	5.29%	5.19%	5.09%	5.00%	4.90%	11.60%	
8	Edison International	\$32.46	\$1.29	6.85%	6.52%	6.20%	5.87%	5.55%	5.22%	4.90%	9.60%	
9	Empire District Elec	\$17.00	\$1.28	6.77%	6.46%	6.14%	5.83%	5.52%	5.21%	4.90%	13.66%	
10	Hawaiian Elec.	\$22.78	\$1.24	4.04%	4.18%	4.32%	4.47%	4.61%	4.76%	4.90%	10.32%	
11	IDACORP, Inc.	\$29.58	\$1.20	4.36%	4.45%	4.54%	4.63%	4.72%	4.81%	4.90%	9.01%	
12	Northeast Utilities	\$23.16	\$0.88	8.27%	7.70%	7.14%	6.58%	6.02%	5.46%	4.90%	9.80%	
13	P S Enterprise Group	\$30.03	\$1.41	6.84%	6.52%	6.20%	5.87%	5.55%	5.22%	4.90%	10.44%	
14	UIL Holdings	\$30.16	\$1.73	5.17%	5.12%	5.08%	5.03%	4.99%	4.94%	4.90%	11.01%	
15	Westar Energy	\$19.65	\$1.22	3.71%	3.91%	4.10%	4.30%	4.50%	4.70%	4.90%	10.97%	
16	Average	\$26.07	\$1.26	7.02%	6.66%	6.31%	5.96%	5.61%	5.25%	4.90%	10.65%	

Source: _____
Exhibit No. ____ (WEA-5).

Avista Utilities

Revision of Dr. Avera's CAPM

<u>Line</u>	<u>Company</u>	<u>Dividend Yield¹</u> (1)	<u>S&P 500 Growth Rate²</u> (2)	<u>Market Return³</u> (3)	<u>Risk-Free Rate⁴</u> (4)	<u>Market Risk Premium⁵</u> (5)	<u>Beta⁶</u> (6)	<u>Return On Equity</u> (7)
1	Allegheny Energy	2.2%	7.3%	9.7%	4.5%	5.2%	1.00	9.7%
2	American Elec Pwr	2.2%	7.3%	9.7%	4.5%	5.2%	0.75	8.4%
3	Avista Corp.	2.2%	7.3%	9.7%	4.5%	5.2%	0.70	8.1%
4	Black Hills Corp.	2.2%	7.3%	9.7%	4.5%	5.2%	0.80	8.6%
5	Cleco Corp.	2.2%	7.3%	9.7%	4.5%	5.2%	0.70	8.1%
6	DPL, Inc.	2.2%	7.3%	9.7%	4.5%	5.2%	0.60	7.6%
7	DTE Energy Co.	2.2%	7.3%	9.7%	4.5%	5.2%	0.75	8.4%
8	Edison International	2.2%	7.3%	9.7%	4.5%	5.2%	0.80	8.6%
9	Empire District Elec	2.2%	7.3%	9.7%	4.5%	5.2%	0.75	8.4%
10	Hawaiian Elec.	2.2%	7.3%	9.7%	4.5%	5.2%	0.60	7.6%
11	IDACORP, Inc.	2.2%	7.3%	9.7%	4.5%	5.2%	0.70	8.1%
12	Northeast Utilities	2.2%	7.3%	9.7%	4.5%	5.2%	0.70	8.1%
13	P S Enterprise Group	2.2%	7.3%	9.7%	4.5%	5.2%	0.80	8.6%
14	UIL Holdings	2.2%	7.3%	9.7%	4.5%	5.2%	0.70	8.1%
15	Westar Energy	2.2%	7.3%	9.7%	4.5%	5.2%	0.75	8.4%
16	Average				4.5%	5.2%	0.74	8.3%

Sources:

¹ http://online.barrons.com/public/page/9_0210-indexespeyields.html, downloaded on June 29, 2009.

² Morningstar 2009 Classic Yearbook p. 100.

³ Column 1 * (1 + Column 2) + Column 2.

⁴ Federal Reserve: 20-Year Treasury bonds for June 2009.

⁵ Column 3 minus Column 4.

⁶ *The Value Line Investment Survey*, May 8, May 29, and June 26, 2009.