BEFORE THE WASHINGTON UTILITIES
AND
TRANSPORTATION COMMISSION

DOCKET NO. UE-010395
AVISTA CORPORATION

DIRECT TESTIMONY
OF
JOHN S. THORNTON, JR.

ON BEHALF
OF
INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES
AND
OFFICE OF THE ATTORNEY GENERAL OF WASHINGTON,
PUBLIC COUNSEL SECTION

AUGUST 24, 2001

Prepared Direct Testimony of John S. Thornton, Jr.
August 24, 2001

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Exhibits

Witness Identification

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is John S. Thornton, Jr. and my business address is 7752 E. Pepper Tree Lane, Scottsdale AZ 85250-7948.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I appear as an independent consultant to the Industrial Customers of Northwest Utilities (ICNU) and the Public Counsel Section of the Attorney General of Washington.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I hold a Master of Science degree from the University of London, having completed the Master’s program (economics with specialty in corporate finance) at The London School of Economics and Political Science (The LSE). I also hold a Graduate Diploma from The LSE with a specialty in international economics. I participated as a cost-of-capital expert in numerous electric utility, local gas distribution, and telephone cases in the state of Oregon, and in gas pipeline cases before the Federal Energy Regulatory Commission. I was a Senior Economist for the Public Utility Commission of Oregon (OPUC) and its chief rate-of-return witness, having been employed at the OPUC for thirteen years. I now serve as the Chief of Accounting and Rates for the Arizona Corporation Commission. My witness qualifications statement is found in Exhibit JST-2.

Q. HAVE YOU PREPARED ANY EXHIBITS?

A. Yes. I prepared exhibits JST-2 through JST-4.

Scope of Testimony

Q. WHAT WAS YOUR ASSIGNMENT IN THIS CASE?

A. My assignment was to evaluate the testimony of Avista Corporation d/b/a Avista Utilities ("Avista" or the "Company") in Docket UE-010395. Specifically, I reviewed the testimonies of Messrs. Gary Ely, Jon E. Eliassen, and Ronald R. Peterson. Avista is the parent corporation of a number of companies including Avista Utilities, Avista Labs, Avista Energy, Avista Power and Avista Communications. Until January 1, 1999, Avista conducted business under the name Washington Water Power ("WWP"). Avista is sometimes referred to by that name in this testimony.

Summary Findings

Q. PLEASE SUMMARIZE YOUR FINDINGS AFTER REVIEWING THE TESTIMONY.

A. I found that for the past six years Avista's non-utility ventures have dragged down Avista's debt ratings, raised its financing costs, and reduced Avista's financial flexibility, and they continue to do so. I recommend that the Commission consider how Avista got its senior secured debt rating down to the "BBB" range from the "A" range in the first place before considering rate relief to prevent any further downgrade. I present several alternatives and options for the Commission to consider in lieu of, or in conjunction with rate relief.

Q. THE COMPANY CLAIMS THAT IT WILL BE UNABLE TO COMPLETE FINANCINGS NECESSARY TO FUND ONGOING OPERATIONS OF THE COMPANY UNLESS PROMPT RATE RELIEF IS GRANTED. (*SEE* DIRECT TESTIMONY OF MR. GARY G. ELY, PAGE 2 AT 5-7.) IS AVISTA IN FINANCIAL DISTRESS?

A. I do not necessarily agree with the notion that the firm is in financial distress. I find it difficult to reconcile implicit claims of financial distress with the fact that Avista recently declared a full quarterly dividend without reduction. I do not view Avista's recent dividend declaration consistent with its implicit claims of financial distress. Exhibit JST-3 presents a news release on the recent dividend, declared on August 10, 2001. Financial distress is more associated with the notion of being unable to pay existing obligations, rather than the state of having difficulty taking on new obligations such as debt to finance Coyote Springs 2. I would not characterize Avista's situation as a state of emergency or inequity that warrants a surcharge.

Avista's Debt Rating History

Q. WHAT HAS BEEN AVISTA'S DEBT RATING HISTORY SINCE 1995?

A. Avista's (then WWP) Standard & Poor's ("S & P") debt rating was "A" for senior secured credit from 1995 through August 18, 1998, when S&P revised its outlook from stable to negative. I reviewed the response to Washington Utilities and Transportation Commission ("WUTC" or the "Commission") staff data request number 154 that asked for a detailed description of Avista's bond rating history since 1995 including any actions or commentaries published by any rating agency. I have attached the statements from Avista's response to WUTC staff data request 154 referred to in my testimony as Exhibit JST-4. A synopsis of rating actions since 1995 based on the Avista response follows.

On August 18, 1998, S & P's said:

> The revised outlook reflects management's strategy to aggressively grow its assets and customer base through acquisitions and strategic alliances. This strategy is likely to accelerate the evolution toward a riskier business profile and to pressure key financial measures, which are already somewhat weak for the current ratings. WWP has already placed increasing emphasis on inherently riskier nonregulated business activities, mainly those of Avista Energy, the energy trading unit.
>
> The Company reduced its common dividend by 61% in preparation for its aggressive growth plans. This cut will provide the company with at least $30 million of annualized cash flow over the next three years to help fund management's expansion strategy.

In short, S&P's outlook was revised from stable to negative because of expansion and non-regulated business activities. Apparently, WWP's management was willing to cut the dividend to improve cash flow to finance expansion strategies. The Commission should consider requiring Avista to reduce the current dividend to support cash flow at the regulated utility.

The next rating action was from Moody's Investors Service ("Moody's") on July 15, 1999, who revised Avista's rating outlook from stable to negative. Moody's said:

> New York, July 15, 1999–Moody's Investors Service changed the outlook for the ratings of securities issued by Avista Corp. to negative from stable to reflect the aggressive and more risky business strategy being pursued by the company. Although management has implemented strict financial and credit risk management plans for the company's energy marketing and trading operations, which are conducted through Avista Energy, the risks have come to the fore during the first half of

> 1999, with losses at Avista Energy pressuring financial performance. Furthermore, management is demonstrating somewhat less conservative financial strategies from a fixed income investor's perspective, including a common stock repurchase plan. Because we anticipate that the company will become increasingly dependent on the potentially more volatile earnings stream from Avista Energy to help minimize external funding of growth initiatives, success in adequately mitigating risks relating to energy marketing and trading activity will be integral to maintaining the current ratings.

Avista Energy was already having a negative effect on Avista, and its major subsidiary, Avista Utilities.

On August 13, 1999, Duff & Phelps Credit Rating Co. ("Duff & Phelps") lowered Avista's senior secured debt rating from "A" to "A-." The press release said:

> The downgrade is based on increasing business risk through investments in unregulated subsidiaries, lacking improved financial coverage ratios to support higher potential cash flow volatility. As a percentage of consolidated EBITDA, the utility contribution is decreasing. AVA is devoting capital to electricity and natural gas trading, with infant investments in Greenfield merchant generation, fuel cell development, and Internet energy billing service and a competitive local exchange carrier.
>
> The regulated utility owns desirable, low-cost hydro assets, operating in a territory that is closed to competition. It has, however, little growth in its retail jurisdiction, and its higher-margin wholesale contracts continue to roll off.
>
> . . .
>
> While the energy and trading subsidiary has achieved strides in structuring the organization to desired parameters, its business scope remains characterized by risk. Its trades are primarily of physical electricity on a national basis, while owning little underlying generation. Pricing of these positions, some of which have 10 years' duration, can be illiquid [sic] and highly volatile.

> The trading subsidiary lost more than $19 million for the six months ended June 30, 1999, of which $11 million was lost in the second quarter.
>
> . . .
>
> Bondholders should note two events that are weakening their position. First, AVA is repurchasing equity. The company has a 5.6 million share repurchase program, which should be completed within two years. At a $17 average share price, capital outflow is estimated to be $95 million. As of June 30, 1999, 1.6 million shares had been repurchased under the program. Second, some proceeds from new bond issuances at the parent are downstreamed to the subsidiaries to fund growth. Subsidiary assets are pledged to lenders independent of the parent, and the subsidiaries do not pay a regular dividend.

Clearly, Duff & Phelps lowered its rating because of Avista's non-regulated ventures. The rating agency also expressed concern over management's equity repurchase program that was expected to result in a capital outflow of $95 million.

On August 23, 1999, S&P lowered its ratings of Avista's senior secured debt from "A" to "BBB+." S&P said:

> The lower ratings reflect Avista's aggressive growth strategy that emphasizes the inherently riskier nonregulated business, especially <u>Avista Energy</u> Inc., the company's energy trading unit, and notably weaker financial measures. Avista Energy acquired Vitol Gas and electric Trading LLC in February 1999 and has incurred losses of $19.2 million due to weak national energy prices and the lack of volatility within virtually all commodities through the first six months of 1999.
>
> . . .
>
> OUTLOOK: STABLE.
> The stable outlook reflects the company's strong utility operations and adequate consolidated financial measures for the current ratings. Continued aggressive growth of its nonregulated businesses and the ability to improve financial performance at the energy trading unit will be essential for ratings stability . . . .

Clearly, Avista Energy caused Avista's rating downgrade.

On May 9, 2000, S&P revised its outlook from stable to negative. S&P said:

> The outlook revision reflects a weakening of Avista's financial position primarily as a result of the poor performance of the company's nonregulated trading operations. The financial position may be further weakened at the regulated level if the Washington Utilities and Transportation Commission (WUTC) adopts a rate order comparable with the rate reduction recommended by its staff in the amount of $16.5 million. Avista had requested electric and gas rate increases totaling $31 million. Standard & Poor's recognizes that the staff's proposal is a recommendation only.
>
> The ratings of Avista are based on the company's consolidated average business profile, which reflects the utility's low-risk hydroelectric operations, competitive electric rates, and moderate rate needs. These strengths are tempered by the company's participation in the inherently risky and nonregulated energy trading business through Avista Energy, Inc., as well as other nonregulated ventures, including telecommunications, Internet-based services, energy technologies, and power project development. Avista's hydroelectric power generation provides about 50% of the company's power supply needs for retail sales, which contributes to a cost structure that is among the lowest in the nation. Although power purchases are substantial, these are offset by firm sales.

S&P's outlook revision from stable to negative was primarily related to the poor performance of the unregulated trading operations.

On June 22, 2000, Moody's reviewed Avista Corp's debt ratings for possible downgrade from "A3." Moody's said:

> Moody's Investors Service placed the credit ratings of Avista Corp. on review for possible downgrade. The rating review is prompted by a confluence of events, including concerns about an adverse staff recommendation in the company's pending rate case, as well as trading losses tied to a wholesale short position exceeding management guidelines, and unprecedented spikes in power supply prices in the Northwest and California.

> . . .
>
> In reviewing Avista's credit ratings, Moody's will also explore with the company in more detail its plans for administrative and utility capital expense reductions, more conservative strategies with respect to wholesale energy sales in the utility sector, plans to add generation, and strategies to strengthen the company's balance sheet.

Moody's review was prompted by resolution of the rate case and trading losses. Absent the trading losses, the review would have been less likely.

On June 23, 2000, Fitch lowered its Avista senior secured rating from "A-" to "BBB+." Fitch said:

> Due to losses related to energy purchases and sales over the past two years, significant reductions in consolidated financial performance have occurred. In 2000, Avista is forecasting breakeven results for the full year 2000, before preferred dividends. In 1999, Avista recorded a $98 million pretax loss from energy trading at its unregulated energy marketing subsidiary. EBITDA/Interest expense has steadily declined since 1997, as higher margin wholesale contracts have rolled off, and losses have occurred at trading-related businesses.
>
> . . .
>
> Avista Corp. (the regulated utility) has been infusing funds into its unregulated subsidiaries. While these monies are booked as loans, they are significant amounts that decrease Avista Corp.'s financial flexibility.

Avista's unregulated operations clearly harmed the overall financial health of the Company and aggravated the higher risk of the regulated utility.

On July 27, 2000, Moody's downgraded Avista's senior secured debt ratings from "A3" to "Baa1." Moody's said:

> The rating action reflects expectations that even a satisfactory resolution of the company's pending electric and gas base rate cases is likely to result in prospective debt protection measurements that would be considered more in line with the lower rating level.

> . . .
>
> Finally, Moody's will continue to assess the ability for Avista's more risky non-regulated businesses, including Avista Energy, Avista Advantage, Avista Labs, Avista Power, and Avista Communications, to be self funding as they aggressively pursue their growth objectives. Moody's remains concerned about the extent to which Avista expects to rely on earnings from its more risky non-regulated businesses going forward.

The ratings downgrade reflected Moody's concern about Avista Utilities' financial performance, but it recognized the financial drain the unregulated subsidiaries had on Avista and the need for the unregulated subsidiaries to be self-financing.

On July 31, 2000, S&P lowered its corporate credit ratings for Avista from "BBB+" to "BBB", but affirmed senior secured debt ratings at "BBB+." S&P mentioned that its outlook for Avista was negative. S&P said:

> The rating for the senior secured debt is one notch above the corporate credit rating because debt is collateralized by utility property whose value is projected to substantially exceed the maximum amount of mortgage bonds that could be outstanding under the terms of the indenture. . . .
>
> The rating actions reflect a weakened financial profile resulting from substantial power trading losses, accompanied by increased business risk by the company's regulated utility operations. In addition, continued funding needs related to Avista's nonregulated ventures and a change in the company's nonregulated nationwide trading strategy during 1999 have contributed to increased risk in the company's business profile.
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> . . .
>
> In order to reduce the strain of funding the nonregulated ventures, Avista is pursuing various alternative financing arrangements, the timing of which is uncertain. Avista is also relying on favorable regulatory action to help stabilize its financial profile by filing for an accounting order to recover,

> on a deferred basis, excess purchased power costs starting with July 2000. . . .
>
> OUTLOOK: NEGATIVE.
>
> The negative outlook reflects concerns that transcend substantial trading losses that might have been avoided with appropriate risk oversight of power marketing operations. Concerns are also tied to a forecast of continuing weak financial margins reflective of management's pursuit of investments in unregulated ventures in an effort to enhance shareholder value. To preserve Avista's rating, management needs to demonstrate the implementation of a long-term strategy for sound financial performance that is consistent with bondholders' interests . . . .

S&P first cited Avista's weakness caused by power trading losses, accompanied by increased risk at the regulated utility. S&P's negative outlook indicates the S&P's continued concern with Avista's unregulated ventures.

On March 27, 2001, Fitch lowered its ratings of Avista's senior secured debt from "BBB+" to "BBB". The rating action primarily reflected Avista's rising deferred fuel and purchased power balances. Fitch also said:

> Funding the deferrals is pressuring liquidity. Further liquidity stress comes from Avista Corp. providing support for unregulated subsidiaries in the telecommunications, internet-based energy management and alternative generation businesses. These businesses remain in start-up mode, and are not yet profitable.

On August 2, 2001, S&P lowered Avista's ratings and also put it on CreditWatch with negative implications. The senior secured debt rating was lowered to "BBB" from "BBB+." S&P said:

> The ratings downgrade reflects the increasing business risk at subsidiary Avista Utilities, stemming from the continuation of significantly deteriorated hydrogeneration conditions, increasing financial risk resulting from mounting power-cost deferrals, and uncertainty regarding the outcome of the

> company's recent filing for a rate surcharge with the Washington Utilities and Transportation Commission (WUTC) and the Idaho Public Utilities Commission (IPUC). The CreditWatch listing addresses the potential for the assignment of speculative-grade ratings, unless the company receives adequate relief in the form of a rate surcharge within the next few months, completes a proposed equity offering, and closes financing for the Coyote Springs 2 plant. Without these events, Avista's liquidity may be compromised and ratings will be further lowered.
>
> . . .
>
> The ratings on Avista are based on the company's average business position, characterized by low-cost, hydroelectric generation, competitive rates, operating and regulatory diversity in the states of Washington and Idaho, and an above-average service area. However, these strengths are offset by current hydro-generation conditions, which are significantly worse than average; a challenging, albeit improving, regulatory environment in Washington; and continuing involvement in riskier, nonregulated ventures. Nonregulated activities remain a focus for Avista, although at a reduced level, eventually leading to lower business risk.

S&P's ratings reduction was primarily focused on the utility, but S&P included the risk of nonregulated ventures in its consideration of aggravating factors and the agency went on to comment on the funding requirements of the unregulated subsidiaries.

Q. WHAT CONCLUSION DO YOU DRAW FROM THIS HISTORY?

A. I draw several conclusions:

(1) Avista's unregulated ventures significantly eroded the company's financial position and increased its business risk. The erosion of credit quality and increase in risk was transmitted to Avista Utilities, the regulated utility. Avista Utilities is faced with the specter of below-investment grade ratings because Avista chose a corporate structure that didn't adequately insulate the utility from the unregulated ventures.

(2) Avista has used the utility to significantly fund its unregulated ventures.

(3) Avista is ready to reduce its dividend if it wishes to improve cash flow for unregulated ventures but it has not reduced its dividend in the face of worsening cash-flow conditions at the utility.

(4) Avista needs more equity to strengthen its balance sheet.

(5) Avista should develop self-funding for its unregulated subsidiaries and use internally generated funds to strengthen its balance sheet.

Alternatives and Options

Q. WHAT ALTERNATIVES AND OPTIONS MIGHT THE COMMISSION CONSIDER IN LIEU OF, OR IN CONJUNCTION WITH THE SPECIFIC RATE RELIEF THAT AVISTA SEEKS?

A. The Commission might consider several alternatives and options in lieu of, or in conjunction with the specific rate relief that Avista seeks. I discuss several options and alternatives below.

Do Nothing

The Commission should consider no action at this time. I am familiar with emergency and interim rate relief associated with a general rate case but I am not familiar with "emergency" or "interim" rates associated with a power cost deferral mechanism. The Commission could wait until Avista's expected November 1, 2001 general rate case filing before considering interim rates. A complete rate case filing would allow for a more comprehensive review and provides the proper context for considering interim relief. According to Avista witness Mr. Peterson, the Company would generally meet its covenant status with additional financings and without any surcharge. (See RRP-1, page 1.) In other words, the Company could finance its way back to meeting the covenants.

Accelerated Depreciation

The Commission could raise rates by accelerating the Company's depreciation to the extent the Commission determines that some amount of increased cash flow is reasonable and immediately necessary. Rates would increase by increased depreciation expense, providing the Company with the increased cash flow that it needs in the short term but eventually reducing rate base below what it would have been otherwise, favoring future ratepayers. I would recommend accelerated depreciation of distribution assets, rather than generation or transmission assets.

Grant the Interim Relief with Conditions

If, and only if Avista has met the standard for interim rate relief, the Commission could grant some form of "interim" relief but condition new rates on Avista performing several actions. Those actions might include some of the following:

(1) Cut Avista's dividend to improve internal cash flow.

(2) Successfully issue new equity to achieve the Company's 50/50 debt/equity goal. The Company estimated the amount of equity to be $220 million to achieve this goal. (*See* Exhibit RRP-1, page 2.)

(3) Enhance the financial wall between Avista Utilities and the unregulated subsidiaries of Avista such that the unregulated subsidiaries are self-funding and dividends paid by Avista Utilities to Avista are fully paid out to shareholders.

(4) Sell Coyote 2. The Commission might reasonably conclude that Coyote 2 is the expansion catalyst that is the focus of recent credit concerns. Selling Coyote 2 property and rights would generate funds and reduce the need for external debt finance.

(5) Reduce or eliminate any discretionary stock buy-back program. The Company should be retaining equity in the Company and issuing new shares of stock rather than spending cash on repurchasing outstanding shares.

Grant Interim Rate Relief at a Lower Recovery Level to Meet Fixed Charge Ratios

The Commission could grant a lesser interim rate relief than the Company requested by targeting the same fixed charge ratio the Company used to demonstrate its financial distress. Company Exhibit RRP-1, page 1, shows that if the Commission grants Avista the rate relief the Company seeks (and the Company achieves its financings) then the Company will exceed its required ratios. For example, Mr. Peterson's Exhibit RRP-1, page 1, column "G" indicates that with the new financings and the surcharge the Company will achieve a 2.23 fixed charge coverage ratio in June 2001,which is significantly higher than the 1.25 required ratio. The Commission might consider a lesser surcharge that is expected to result in meeting the minimum required fixed charge coverage ratio. I have not calculated what amount of increased revenue requirement would result in meeting the minimum fixed coverage ratios shown on page 1 of RRP-1. The Commission could verify Mr. Peterson's financial model and calculate rates based on his model that resulted in coverage ratios complying with the covenants.

Conclusion

Q. WHAT DO YOU CONCLUDE FROM YOUR REVIEW OF AVISTA'S TESTIMONY AND OTHER INFORMATION?

A. I conclude that the Commission might consider a number of options and alternatives in evaluating the surcharge the Company requested. Avista is not necessarily in financial distress, but the Company apparently faces difficulty in obtaining new financing for Coyote Springs 2. Much of this difficulty is a result of Avista's unregulated ventures which have harmed the financial flexibility of the regulated utility. The Commission should seriously question the necessity of granting rate relief while Avista continues to pay out a dividend and use the utility to finance the unregulated ventures that have caused Avista Utilities some harm.

Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

A. Yes, it does.

**BEFORE THE WASHINGTON UTILITIES
AND
TRANSPORTATION COMMISSION**

**DOCKET NO. UE-010395
AVISTA CORPORATION**

EXHIBIT JST-2

WITNESS QUALIFICATIONS STATEMENT

JOHN S. THORNTON, JR.

AUGUST 24, 2001

Witness Qualifications Statement
for
John S. Thornton, Jr.

ADDRESS: 7752 East Pepper Tree Lane, Scottsdale, AZ 85250-7948

EDUCATION: Master of Science Degree from the University of London, having completed the graduate program in economics at The London School of Economics and Political Science (1986)

Graduate Diploma in Economics from The London School of Economics (1985)

Bachelor of Arts degree, major in economics, from Willamette University (1984)

Certified Rate of Return Analyst, member of the Society of Utility and Regulatory Financial Analysts

1998 - passed level I exam of the CFA
1995 PaineWebber Seminar on Corporate Finance for the Utility Industry
1990 MIT-Harvard Public Disputes Resolution Program seminar
1990 National Association of Regulatory Utility Commissioners (NARUC) Advanced Regulatory Studies Program
1988 NARUC Annual Regulatory Studies Program

EXPERIENCE: Chief of Accounting & Rates, Arizona Corporation Commission, Utilities Division, April 2001 to present
Public Utility Analyst 2 with the Public Utility Commission of Oregon, February 1991 to February 2001
Public Utility Analyst 1 with the Public Utility Commission of Oregon; February 1988 to February 1991
Testified or provided rate of return analyses in the following dockets:

- UE–102-PGE disaggregation/general rate case (chief rate of return witness).
- UE 94–PacifiCorp general rate case (chief rate of return witness).
- UE 93 (UM 592, UM 694)–Portland General Electric Co. excess power cost/Coyote/BPA filing.
- UE 92–Idaho Power general rate case.
- UE 88–Portland General Electric Co. general rate case (chief rate of return witness).
- UE 85/UM 529–Portland General Electric Co. Earnings test for Trojan Shutdown Cost Adjustment Account.

UE 84–Idaho Power Co. deferred account earnings benchmark.
UE 82/UM 445–Trojan Outage Cost Adjustment Account earnings test benchmark.
UE79–Portland General Electric Co. general rate case (chief rate of return witness).
UG 104/UG 105/UG 106–LDC deferred account earnings test benchmarks.
UG88–Cascade Natural Gas Co. general rate case (chief rate of return witness).
UG81–Northwest Natural Gas Co. general rate case (chief rate of return witness).
UT 125–US WEST Communications, Inc general rate case (chief rate of return witness).
UT 113–GTE Northwest general rate case (chief rate of return witness).
UT101–United Telephone Co. of the Northwest general rate case (chief rate of return witness).
UT85–US WEST general rate case (capital structure and debt cost witness).
RP95-409–Northwest Pipeline general rate case (FERC).
RP93-5–Northwest Pipeline general rate case (FERC).

Responsibilities have also included the following:
Analyses and recommendations in over one hundred financing dockets.
UM 903: Cost of capital analysis for purchased gas adjustment mechanism, Northwest Natural.
UM 21: Cost of capital analysis for avoided cost calculations.
UM 351: Cost of capital analysis for long-run incremental-cost studies.
UM 773: Cost of capital analysis for long-run incremental-cost studies.
UM 573: Analysis of purchased power on the utility's cost of capital.

Speaker-US Agency for International Development's Conference on Private Sector Participation in the Colombian Power Sector, 1991.

Presented cost of equity and distribution risk discount testimony on behalf of the Mirage Resorts, Inc., Park Place Entertainment Corp., and the Mandalay Group before the Public Utility Commission of Nevada, Docket nos. 99-4001 and 99-4005.

Presented beta adjustment and distribution risk discount testimony on behalf of the Division of Ratepayer Advocates of the California Public Utility Commission, Application Nos. 98-05-019, 021, & 024.

BEFORE THE WASHINGTON UTILITIES
AND
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DOCKET NO. UE-010395
AVISTA CORPORATION

EXHIBIT JST-3

PRESS RELEASE ON AVISTA'S AUGUST 10, 2001, DIVIDEND DECLARATION

JOHN S. THORNTON, JR.

AUGUST 24, 2001

[Latest Headlines | Market Overview | News Alerts]

Friday August 10, 2:29 pm Eastern Time

Press Release

SOURCE: Avista Corp.

Avista Corp. Board Declares Common and Preferred Dividends

Related Quotes		
AVA	17.10	-0.25
delayed 20 mins - disclaimer		
Get Quotes		

SPOKANE, Wash., Aug. 10 /PRNewswire/ -- Avista Corp.'s (NYSE: AVA - news) board of directors today declared a quarterly dividend of $0.12 per share on the company's common stock. A quarterly dividend of $1.73750 per share was declared on all outstanding shares of preferred stock Series K. The common and preferred stock dividends are payable Sept. 14, 2001, to shareholders of record at the close of business on Aug. 21, 2001.

- (Photo: http://www.newscom.com/cgi-bin/prnh/19990629/AVALOGO)

Avista Corp. is an energy, information and technology company whose utility and subsidiary operations focus on delivering superior products and providing innovative solutions to business and residential customers throughout North America.

Avista Corp.'s affiliate companies include Avista Utilities, which operates the company's electric and natural gas generation, transmission and distribution business. Avista's non-regulated businesses include Avista Advantage, Avista Labs, Avista Communications, Avista Energy and Avista Power.

Avista Corp.'s stock is traded under the ticker symbol ``AVA.'' For more information about Avista Corp. and its affiliate businesses, visit the corporate website at http://www.avistacorp.com/

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SOURCE: Avista Corp.

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AVISTA CORPORATION

EXHIBIT JST-4

RESPONSE TO WUTC DATA REQUEST NO. 154

AVISTA'S BOND RATING HISTORY SINCE 1995

JOHN S. THORNTON, JR.

AUGUST 24, 2001