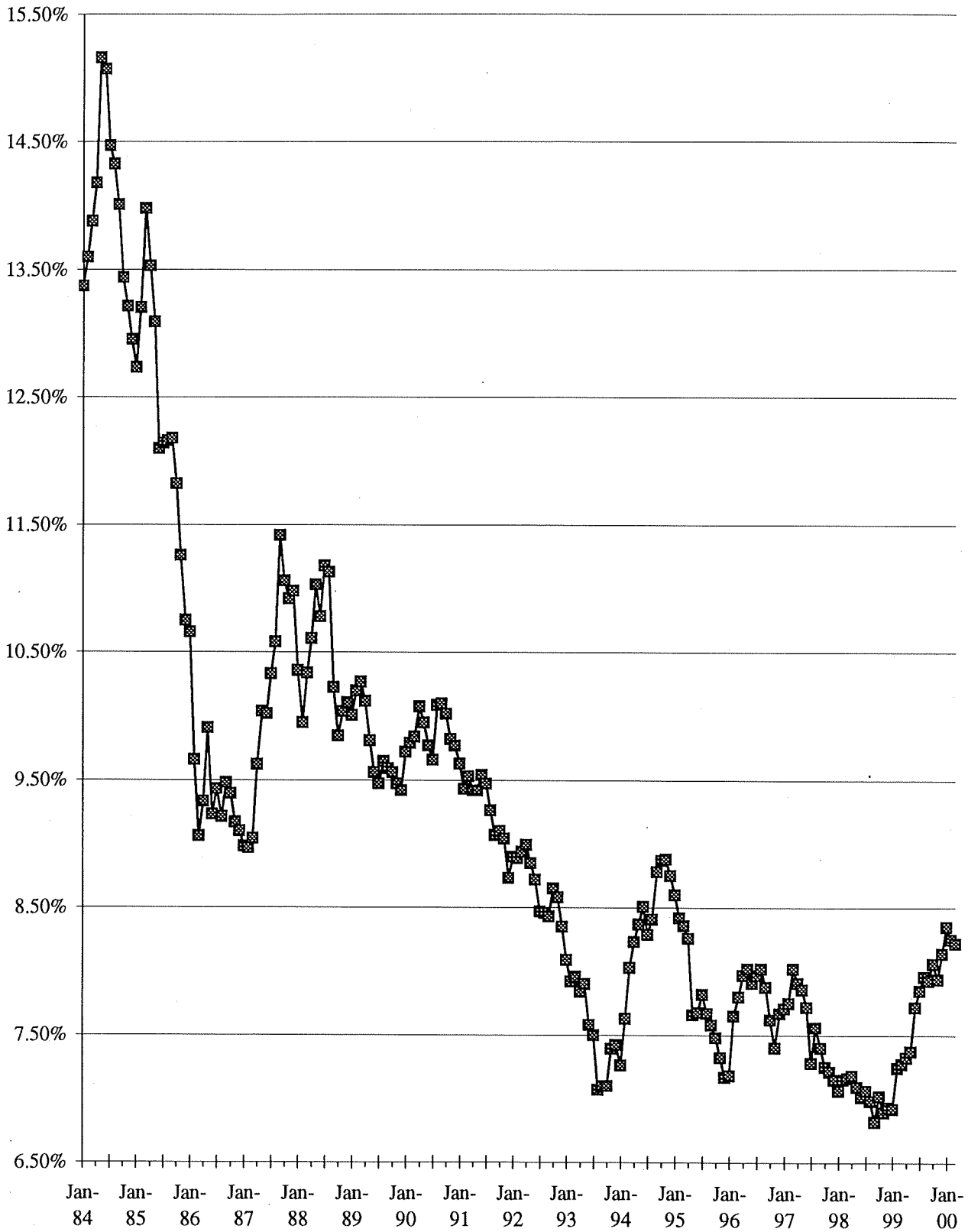


**AVISTA RATE CASE
UE-991606 AND UG-991607
SCHEDULES TO DIRECT TESTIMONY OF STEPHEN G. HILL
EXH ____ (SGH-1)**

WUTC		
DOCKET NO. <u>UE-991606</u>		
EXHIBIT # <u>623</u>		
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

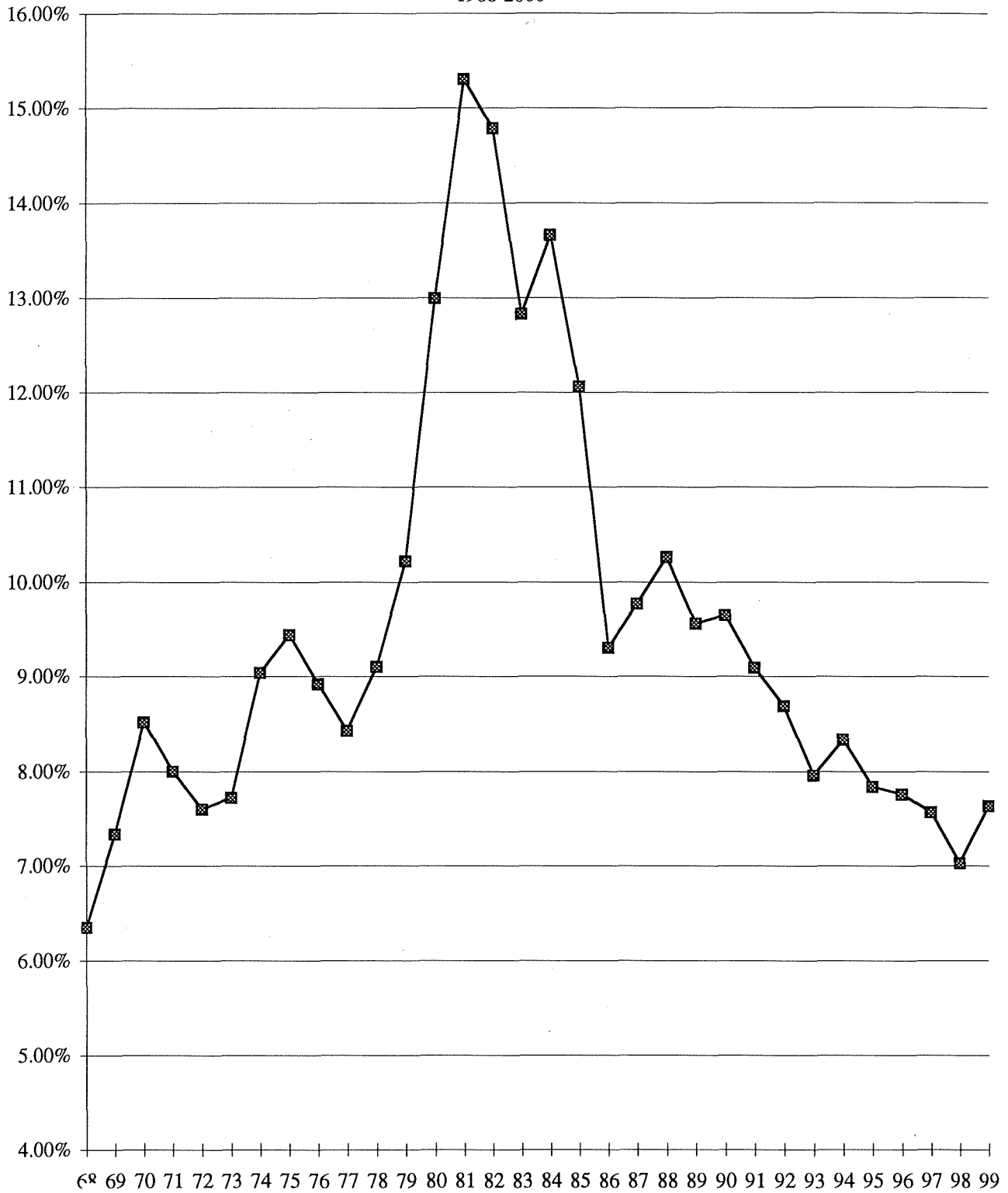
AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 1

AVISTA CORPORATION
Moody's A-Rated Utility Bond Yields



All data from CompuServe and Moody's Investor Service Website, Economic Commentary.

AVISTA CORPORATION
Moody's A-rated Utility Bond Yields
1968-2000



All data from CompuServe and Moody's Public Utility Reports.

AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 2

AVISTA CORPORATION
AVERA SAMPLE GROUP CAPITAL STRUCTURE

COMPANY	The Value Line Investment Survey†					C.A. Turner*
	Excluding Short-term Debt	Including Short-term Debt				Including Short-term Debt
	Common Equity	Common Equity	Preferred Stock	Long-term Debt	Short-term Debt	Common Equity
Alliant Energy	50.50%	46.96%	3.10%	42.78%	7.01%	50.00%
CH Energy	55.50%	47.63%	5.33%	33.04%	14.18%	50.00%
Cinergy Inc.	46.30%	42.04%	1.47%	47.31%	9.20%	42.00%
Conectiv	31.80%	25.35%	6.59%	49.89%	18.22%	28.00%
Consolidated Edison	55.00%	52.94%	3.92%	40.91%	3.74%	53.00%
LG&E Energy	39.50%	33.61%	3.99%	47.23%	14.90%	36.00%
PECO Energy	24.00%	18.37%	3.70%	69.78%	3.09%	22.00%
PS Enerprise Group	39.00%	31.32%	10.09%	39.35%	19.69%	33.00%
Puget Sound Energy	42.00%	36.50%	6.71%	44.33%	13.09%	36.00%
RGS Energy Group	46.50%	45.19%	4.22%	47.81%	2.82%	45.00%
Sempra Energy	49.00%	46.63%	3.14%	45.20%	4.84%	46.00%
Sierra Pacific Res.	39.50%	31.80%	7.86%	42.27%	19.49%	36.00%
AVERAGE	43.22%	38.20%	5.01%	45.82%	10.86%	39.75%
MEDIAN	44.15%	39.27%	4.11%	44.76%	11.14%	39.00%

† Data from February 18, March 10, and April 7, 2000 publications.

* Data from April 2000 publication.

AVISTA CORPORATION
RECENT ACTUAL CAPITAL STRUCTURE
CONSOLIDATED AND UTILITY-ONLY

CONSOLIDATED

TYPE OF CAPITAL	AMOUNT (000)						
	Sep-98	Dec-98	Mar-99	Jun-99	Sep-99	Dec-99	AVERAGE
Common Equity†	\$747,396	\$757,261	\$767,242	\$738,384	\$696,669	\$656,758	\$727,285
Preferred Stock	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Preferred Trust Securities	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000
Long-term Debt	\$698,491	\$730,022	\$671,545	\$622,504	\$683,294	\$599,703	\$667,593
Short-term Debt	\$54,200	\$0	\$44,400	\$58,400	\$103,500	\$118,500	\$63,167
TOTAL CAPITAL	\$1,645,087	\$1,632,283	\$1,628,187	\$1,564,288	\$1,628,463	\$1,519,961	\$1,603,045
TYPE OF CAPITAL	PERCENTAGE						
	Sep-98	Dec-98	Mar-99	Jun-99	Sep-99	Dec-99	AVERAGE
Common Equity†	45.43%	46.39%	47.12%	47.20%	42.78%	43.21%	45.36%
Preferred Stock	2.13%	2.14%	2.15%	2.24%	2.15%	2.30%	2.19%
Preferred Trust Securities	6.69%	6.74%	6.76%	7.03%	6.75%	7.24%	6.87%
Long-term Debt	42.46%	44.72%	41.24%	39.79%	41.96%	39.46%	41.61%
Short-term Debt	3.29%	0.00%	2.73%	3.73%	6.36%	7.80%	3.98%
TOTAL CAPITAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

† Includes Common Equity and Convertible Preferred

UTILITY-ONLY

TYPE OF CAPITAL	AMOUNT (000)						
	Sep-98	Dec-98	Mar-99	Jun-99	Sep-99	Dec-99	AVERAGE
Common Equity††	\$535,442	\$550,488	\$561,332	\$535,576	\$542,614	\$519,545	\$540,833
Preferred Stock	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Preferred Trust Securities	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000
Long-term Debt	\$657,800	\$686,800	\$636,700	\$590,700	\$674,400	\$587,200	\$638,933
Short-term Debt	\$54,200	\$0	\$44,400	\$58,400	\$103,500	\$118,500	\$63,167
TOTAL CAPITAL	\$1,392,442	\$1,382,288	\$1,387,432	\$1,329,676	\$1,465,514	\$1,370,245	\$1,387,933
TYPE OF CAPITAL	PERCENTAGE						
	Sep-98	Dec-98	Mar-99	Jun-99	Sep-99	Dec-99	AVERAGE
Common Equity††	38.45%	39.82%	40.46%	40.28%	37.03%	37.92%	38.97%
Preferred Stock	2.51%	2.53%	2.52%	2.63%	2.39%	2.55%	2.52%
Preferred Trust Securities	7.90%	7.96%	7.93%	8.27%	7.51%	8.03%	7.93%
Long-term Debt*	47.24%	49.69%	45.89%	44.42%	46.02%	42.85%	46.03%
Short-term Debt	3.89%	0.00%	3.20%	4.39%	7.06%	8.65%	4.55%
TOTAL CAPITAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

†† Includes Common Equity and Convertible Preferred, less "Non-utility Property and Investments - Net"

* Long-term debt less Unregulated Debt

Data from Company response to PC 24, and balance sheets available on Avista website.

AVISTA CORPORATION
SHORT-TERM DEBT

<u>DATE</u>	<u>AMOUNT</u> [000]	<u>COST RATE</u>
Jan-97	\$20,000	5.62%
Feb-97	\$12,000	5.59%
Mar-97	\$25,000	6.05%
Apr-97	\$8,000	5.80%
May-97	-	-
Jun-97	-	-
Jul-97	-	-
Aug-97	\$39,000	5.72%
Sep-97	\$74,000	5.91%
Oct-97	\$42,000	5.81%
Nov-97	\$50,000	5.87%
Dec-97	\$108,500	6.21%
Jan-98	\$99,500	5.80%
Feb-98	\$82,000	5.79%
Mar-98	\$80,500	5.84%
Apr-98	\$75,000	5.77%
May-98	\$68,000	5.77%
Jun-98	\$80,000	5.87%
Jul-98	\$71,500	5.80%
Aug-98	\$73,900	5.81%
Sep-98	\$54,200	5.87%
Oct-98	\$52,600	5.73%
Nov-98	\$58,700	5.67%
Dec-98	-	-
Jan-99	\$8,400	5.07%
Feb-99	\$14,900	5.12%
Mar-99	\$44,400	5.19%
Apr-99	-	-
May-99	\$21,200	5.14%
Jun-99	\$58,400	5.40%
Jul-99	\$106,000	5.41%
Aug-99	\$127,400	5.49%
Sep-99	\$103,500	5.64%
Oct-99	\$86,800	5.63%
Nov-99	\$97,200	5.91%
Dec-99	\$118,500	6.67%
3-Year Average	\$63,261	
2-Year Average	\$71,936	
1-Year Average	\$71,518	

Note: Data from Company response to PC No. 29.

AVISTA CORPORATION
CAPITAL STRUCTURE REQUESTS
Washington (2000) AND Idaho (1999)

WASHINGTON

Avera Schedule WEA-5
Based on average capitalization of sample group
Recommended Overall Return

<u>Capital Component</u>	<u>Percent of Total</u>	<u>Component Cost</u>	<u>Weighted Cost</u>
Debt	47.00%	7.83%	3.68%
Preferred Stock	4.00%	8.15%	0.33%
Preferred Securities	2.00%	8.11%	0.16%
Common Equity	<u>47.00%</u>	12.25%	<u>5.76%</u>
Total	100.00%		<u><u>9.93%</u></u>

IDAHO (IPUC Case No. WWP-E-988-11)

Avera Schedule WEA-6 (See AG Data Request No. 45)
Based on Avista utility-only capital structure
Recommended Overall Return

<u>Capital Component</u>	<u>Percent of Total</u>	<u>Component Cost</u>	<u>Weighted Cost</u>
Debt (Long- and Short-term)	51.988%	7.879%	4.096%
Preferred Stock	2.556%	8.151%	0.208%
Preferred Securities	8.032%	8.113%	0.652%
Common Equity	<u>37.424%</u>	12.000%	<u>4.491%</u>
Total	100.000%		<u><u>9.447%</u></u>

**AVISTA CORPORATION
CAPITAL STRUCTURE IMPACT ON PRE-TAX OVERALL RETURN**

WASHINGTON REQUEST

Capital Component	Percent of Total	Component Cost	Weighted Cost	Pre-Tax Weighted Cost
Debt	47.00%	7.83%	3.68%	3.68%
Preferred Stock	4.00%	8.15%	0.33%	0.50%
Preferred Securities	2.00%	8.11%	0.16%	0.16%
Common Equity	<u>47.00%</u>	12.25%	<u>5.76%</u>	<u>8.86%</u>
Total	100.00%		9.93%	13.20%

IDAHO CAPITAL STRUCTURE WITH WASHINGTON COST RATES

Capital Component	Idaho Percent of Total	Wash. Component Cost	Weighted Cost	Pre-Tax Weighted Cost
Debt	51.99%	7.83%	4.07%	4.07%
Preferred Stock	2.56%	8.15%	0.21%	0.32%
Preferred Securities	8.03%	8.11%	0.65%	0.65%
Common Equity	<u>37.42%</u>	12.25%	<u>4.58%</u>	<u>7.05%</u>
Total	100.00%		9.515%	<u>12.10%</u>

(1) DIFFERENCE 1.10%

Avista Requested Rate Base (Electric)* \$662,843,000
Avista Requested Rate Base (Gas)† \$120,496,000
(2) TOTAL RATE BASE REQUEST \$783,339,000

(1)x(2) = ANNUAL CAPITAL STRUCTURE IMPACT \$8,616,729

* From Avista Cost of Service Study, Part 3, Page 1, line 28.

† From Avista Cost of Service Study, Part 4, Page 1, line 28.

**AVISTA CORPORATION'
RATEMAKING CAPITAL STRUCTURE**

<u>TYPE OF CAPITAL</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>	<u>COST RATE†</u>	<u>WT. AVERAGE COST RATE</u>
Common Equity	\$540,833	38.97%	-	-
Preferred Stock	\$35,000	2.52%	8.15%	0.21%
Preferred Securities	\$110,000	7.93%	8.11%	0.64%
Long-term Debt	\$638,933	46.03%	7.45%	3.43%
Short-term Debt	<u>\$63,167</u>	<u>4.55%</u>	6.67%	<u>0.30%</u>
TOTAL	\$1,387,933	100.00%		

† Cembedded cost rate data at Sep. 30, 1999 (most recent available) provided by Company in response to PC Data Request No. 25. Short-term debt at Dec. 31, 1999 provided in updated response to PC Data Request No. 29.

AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 3

AVISTA CORPORATION
SIMILAR-RISK SAMPLE GROUP SELECTION

Company Name	Revenues	Pending	Recent	Continuous	Bond Rating		Select
	% Electric	Merger?	Div. Cut?	Book Value?	S&P	Moody's	
<u>SCREEN</u>	≥50	no	no	yes	AA to BBB		
Allegheny Energy	80	no	no	no	A+	A2	
Alliant Energy	70	no	no	yes	A+	A1	√
Ameren Corporation	94	no	no	yes	AA-	AA2	√
Avista Corporation	15	no	yes	no	A	A3	
Carolina Power & Light	94	yes	no	yes	A+	A2	
CH Energy Group	82	no	no	yes	A	A2	√
Cinergy	73	no	no	yes	A-	A3	√
CMS Energy Corporation	46	no	no	yes	BBB-	Baa3	
Connectiv	65	no	yes	no	A	A2	
Consolidated Edison	80	yes	no	yes	A+	A2	
Constellation Energy Group	60	no	no	yes	AA-	A2	√
Dominion Resources	77	yes	no	no	A	A2	
DPL, Inc.	79	no	no	no	AA-	Aa3	
Duke Energy Corporation	36	yes	no	yes	A	A3	
Energy East Corporation	94	yes	no	no	A	A3	
Entergy Corporation	72	no	yes	yes	BBB-	Baa2	
LG&E Energy	63	no	no	no	AA-	Aa2	
MDU Resouces	17	no	no	yes	A+	A2	
Montana Power	33	no	no	yes	A-	Baa1	
New Century Energies	74	yes	no	yes	A	A1	
Niagra Mohawk Holdings	83	no	yes	no	BBB+	Baa2	
NiSource Inc.	45	yes	no	yes	BBB	A2	
Northern States Power	82	yes	no	yes	AA-	Aa3	
Northwestern Corporation	5	no	no	no	A+	A1	
NSTAR	96	no	no	no	A-	A3	
PECO Energy	91	yes	no	no	A-	Baa1	
PG&E Corp.	35	no	no	yes	A	A2	
PPL Corporation	60	no	yes	no	A-	A3	
Public Service of N.M.	79	no	yes	no	BBB-	Baa3	
Public Service Ent. Gp.	70	no	no	no	A-	A3	
Puget Sound Energy	75	no	no	yes	A-	Baa1	√
Reliant Energy	29	no	no	no	BBB+	A3	
RGS Energy Group	58	no	no	yes	A-	A3	√
St. Joseph P&L	80	yes	no	yes	A	A1	
SCANA Corp.	74	no	yes	yes	A+	A1	
SEMPRA Energy	47	no	yes	no	AA-	A1	
Sierra Pacific Resources	83	yes	yes	no	A-	A3	
SIGCORP, Inc.	51	yes	no	no	AA	Aa2	
TECO Energy	61	no	no	yes	AA	Aa2	√
TXU Corp.	36	no	no	yes	BBB+	Baa1	
UtiliCorp United	5	yes	no	yes	BBB	Baa3	
Wisconsin Energy Corp.	83	yes	no	yes	AA+	Aa2	
WPS Resources	56	no	no	yes	AA+	Aa1	

Data from Value Line Ratings & Reports, February 18, March 10, April 7 2000; and CA Turner, April 2000.

AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 4

AVISTA CORPORATION
DCF GROWTH RATE PARAMETERS

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
LNT	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST (MILLIONS)	SHARE GROWTH
1995	0.1674	12.0%	2.01%	19.42	30.77	
1996	0.1322	10.9%	1.44%	19.74	30.77	
1997	-0.0526	10.1%	-0.53%	19.73	30.79	
1998	-0.5873	06.0%	-3.52%	20.69	77.63	
1999	0.0868	10.5%	<u>0.91%</u>	<u>21.00</u>	<u>78.80</u>	
AVERAGE GROWTH			0.06%	2.00%		26.50%
2000	0.1304	10.5%	1.37%		79.20	0.51%
2001	0.1667	11.0%	1.83%		79.60	0.51%
2003-2005	0.1843	11.0%	2.03%	-	80.80	0.50%

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
AEE	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST (MILLIONS)	SHARE GROWTH
1995	0.1661	13.0%	2.16%	22.71	102.12	
1996	0.1224	12.4%	1.52%	23.06	102.12	
1997	-0.0410	11.1%	-0.45%	22.00	137.22	
1998	0.0993	12.6%	1.25%	22.27	137.22	
1999	0.0961	12.5%	<u>1.20%</u>	<u>22.55</u>	<u>137.20</u>	
AVERAGE GROWTH			1.13%	1.00%		7.66%
2000	0.1937	13.5%	2.61%		137.20	0.00%
2001	0.2303	14.0%	3.22%		137.20	0.00%
2003-2005	0.2400	13.5%	3.24%	-	137.20	0.00%

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
CHG	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST (MILLIONS)	SHARE GROWTH
1995	0.2336	10.5%	2.45%	25.96	17.50	
1996	0.2910	11.2%	3.26%	26.87	17.56	
1997	0.2795	10.9%	3.05%	27.61	17.28	
1998	0.2552	10.4%	2.65%	28.00	16.86	
1999	0.2500	10.0%	<u>2.50%</u>	<u>28.75</u>	<u>16.86</u>	
AVERAGE GROWTH			2.78%	3.00%		-0.93%
2000	0.2727	10.0%	2.73%		16.86	0.00%
2001	0.2918	10.0%	2.92%		16.86	0.00%
2003-2005	0.3231	09.5%	3.07%	3.00%	16.86	0.00%

AVISTA CORPORATION
DCF GROWTH RATE PARAMETERS

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
CIN	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST (MILLIONS)	SHARE GROWTH
1995	0.2252	13.6%	3.06%	16.17	157.67	
1996	0.2055	13.4%	2.75%	16.39	157.88	
1997	0.2174	18.1%	3.93%	16.1	157.74	
1998	0.0863	12.3%	1.06%	16.02	158.66	
1999	0.1429	12.6%	<u>1.80%</u>	<u>16.7</u>	<u>158.92</u>	
AVERAGE GROWTH			2.52%	-1.00%		0.20%
2000	0.2941	14.5%	4.26%		159.20	0.18%
2001	0.2923	14.0%	4.09%		159.40	0.15%
2003-2005	0.2873	13.5%	3.88%	4.00%	160.00	0.14%

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
CEG	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST (MILLIONS)	SHARE GROWTH
1995	0.2327	10.6%	2.47%	19.07	147.53	
1996	0.1405	09.6%	1.35%	19.35	147.67	
1997	0.1726	10.1%	1.74%	19.44	147.67	
1998	0.1893	10.3%	1.95%	19.98	149.25	
1999	0.2707	11.4%	<u>3.09%</u>	<u>20.01</u>	<u>149.60</u>	
AVERAGE GROWTH			2.12%	2.50%		0.35%
2000	0.3538	12.5%	4.42%		150.00	0.27%
2001	0.3891	12.5%	4.86%		150.50	0.30%
2003-2005	0.5590	14.5%	8.11%	5.50%	152.00	0.32%

COMPANY	INTERNAL GROWTH			EXTERNAL GROWTH		
PSD	RETENTION RATIO	EQUITY RETURN	"g"	BOOK VALUE (\$/SHARE)	SHARES OUTST (MILLIONS)	SHARE GROWTH
1994	-0.1220	08.9%	-1.09%	18.43	63.64	
1995	0.0265	10.2%	0.27%	18.48	63.64	
1996	0.0265	10.2%	0.27%	18.53	63.64	
1997	-0.4375	07.9%	-3.46%	16.06	84.56	
1998	0.0054	11.6%	<u>0.06%</u>	<u>16</u>	<u>84.56</u>	
AVERAGE GROWTH			-0.79%	-1.00%		7.36%
1999	0.0366	11.5%	0.42%		85.00	0.52%
2000	0.0800	12.0%	0.96%		86.50	1.14%
2002-2004	0.1822	13.0%	2.37%	1.00%	91.00	1.48%

AVISTA CORPORATION
DCF GROWTH RATE PARAMETERS

<u>COMPANY</u>	<u>INTERNAL GROWTH</u>			<u>EXTERNAL GROWTH</u>		
<u>RGS</u>	<u>RETENTION RATIO</u>	<u>EQUITY RETURN</u>	<u>"g"</u>	<u>BOOK VALUE (\$/SHARE)</u>	<u>SHARES OUTST (MILLIONS)</u>	<u>SHARE GROWTH</u>
1995	-0.0651	08.5%	-0.55%	19.71	38.45	
1996	0.2241	11.4%	2.56%	20.25	38.85	
1997	0.2174	11.1%	2.41%	20.8	38.86	
1998	0.2208	11.4%	2.52%	20.94	37.38	
1999	0.2623	11.6%	<u>3.04%</u>	<u>21.43</u>	<u>35.94</u>	
AVERAGE GROWTH			1.99%	1.50%		-1.67%
2000	0.2653	11.5%	3.05%		34.45	-4.15%
2001	0.2800	11.0%	3.08%		34.45	-2.09%
2003-2005	0.3455	10.5%	3.63%	3.00%	33.00	-1.69%

<u>COMPANY</u>	<u>INTERNAL GROWTH</u>			<u>EXTERNAL GROWTH</u>		
<u>TE</u>	<u>RETENTION RATIO</u>	<u>EQUITY RETURN</u>	<u>"g"</u>	<u>BOOK VALUE (\$/SHARE)</u>	<u>SHARES OUTST (MILLIONS)</u>	<u>SHARE GROWTH</u>
1995	0.3438	16.0%	5.50%	9.98	116.96	
1996	0.3509	15.9%	5.58%	10.73	117.60	
1997	0.2733	14.6%	3.99%	11.04	130.90	
1998	0.1908	13.3%	2.54%	11.42	132.00	
1999	0.1569	12.5%	<u>1.96%</u>	<u>12.3</u>	<u>131.20</u>	
AVERAGE GROWTH			3.91%	6.00%		2.91%
2000	0.1563	12.5%	1.95%		130.00	-0.91%
2001	0.1706	13.0%	2.22%		130.00	-0.46%
2003-2005	0.2558	15.5%	3.97%	5.50%	130.00	-0.18%

Data from Value Line Ratings & Reports, February 18, March 10, April 7 2000.

AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 5

AVISTA CORPORATION

DCF GROWTH RATES

<u>COMPANY</u>	<u>br</u>	+	<u>sv=g*((M/B+1)/2-1)</u>	=	<u>g</u>
LNT	2.25%	+	1.00% ((1.34 + 1)/2-1)	=	2.42%
AEE	3.00%	+	0.00% ((1.27 + 1)/2-1)	=	3.00%
CHG	3.00%	+	0.00% ((0.97 + 1)/2-1)	=	3.00%
CIN	3.50%	+	0.15% ((1.22 + 1)/2-1)	=	3.52%
CEG	4.50%	+	0.25% ((1.45 + 1)/2-1)	=	4.56%
PSD	2.50%	+	1.00% ((1.28 + 1)/2-1)	=	2.64%
RGS	2.75%	+	-1.00% ((0.90 + 1)/2-1)	=	2.80%
TE	4.00%	+	0.00% ((1.39 + 1)/2-1)	=	4.00%

Average Market-to-Book Ratio = 1.23

LNT = Alliant Energy
AEE = Ameren Corporation
CHG = CH Energy
CIN = Cinergy Inc.
CEG = Constellation Energy Group
PSD = Puget Sound Energy
RGS = RGS Energy Group
TE = TECO Energy

g*= expected growth in number of shares outstanding

AVISTA CORPORATION
GROWTH RATE COMPARISON

COMPANY	br + sv	Value Line Projected			IBES EPS	Value Line Historic			IBES & VL AVGS.	5-yr Compound Hist.		
		EPS	DPS	BVPS		EPS	DPS	BVPS		EPS	DPS	BVPS
LNT	2.42%	-	-	-	2.00%	-4.00%	1.50%	2.00%	0.38%	-0.26%	0.61%	1.91%
AEE	3.00%	-	-	-	3.00%	-0.50%	2.50%	1.00%	1.50%	1.32%	0.64%	0.38%
CHG	3.00%	1.50%	0.50%	3.00%	1.00%	3.00%	1.50%	3.00%	1.93%	1.63%	0.57%	2.62%
CIN	3.52%	4.50%	1.50%	4.00%	4.40%	3.00%	1.50%	-1.00%	2.56%	2.81%	0.91%	1.54%
CEG	4.56%	11.00%	0.50%	5.50%	6.75%	3.50%	2.50%	2.50%	4.61%	5.18%	1.62%	1.80%
PSD	2.64%	5.00%	0.00%	1.00%	6.75%	-4.50%	0.50%	-1.00%	1.11%	3.10%	0.00%	-2.50%
RGS	2.80%	2.50%	0.00%	3.00%	3.58%	4.50%	1.00%	1.50%	2.30%	7.71%	0.00%	2.36%
TE	<u>4.00%</u>	<u>4.00%</u>	<u>4.50%</u>	<u>5.50%</u>	<u>2.33%</u>	<u>4.50%</u>	<u>5.50%</u>	<u>6.00%</u>	<u>4.62%</u>	<u>0.00%</u>	<u>5.15%</u>	<u>5.83%</u>
		4.75%	1.17%	3.67%		1.19%	2.06%	1.75%		2.69%	1.19%	1.74%
AVERAGES	3.24%		3.19%		3.73%		1.67%		2.37%		1.87%	

**AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 6**

AVISTA CORPORATION
STOCK PRICE, DIVIDENDS, YIELDS

<u>COMPANY</u>	<u>AVG. STOCK PRICE</u> 6/15/99-7/26/99 (PER SHARE)		<u>ANNUALIZED</u> <u>DIVIDEND</u> (PER SHARE)	<u>DIVIDEND</u> <u>YIELD</u>
LNT	\$28.65		\$2.00	6.98%
ABE	\$29.47		\$2.54	8.62%
CHG	\$28.80		\$2.16	7.50%
CIN	\$21.22		\$1.80	8.48%
CEG	\$30.17	*	\$1.76	5.82%
PSD	\$20.74		\$1.84	8.87%
RGS	\$19.87		\$1.80	9.06%
TE	\$18.44	*	\$1.35	<u>7.33%</u>
			AVERAGE	7.83%

*Dividend increase expected in next quarter. Current dividend multiplied by (1+g), derived in Schedule 5.

**AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 7**

AVISTA CORPORATION
DCF COST OF EQUITY CAPITAL

<u>COMPANY</u>	<u>DIVIDEND YIELD</u> <u>Schedule 6</u>	<u>GROWTH RATE</u> <u>Schedule 5</u>	<u>DCF COST OF</u> <u>EQUITY CAPITAL</u>
LNT	6.98%	2.42%	9.40%
AEE	8.62%	3.00%	11.62%
CHG	7.50%	3.00%	10.50%
CIN	8.48%	3.52%	12.00%
CEG	5.82%	4.56%	10.38%
PSD	8.87%	2.64%	11.51%
RGS	9.06%	2.80%	11.86%
TE	7.33%	4.00%	<u>11.33%</u>
		AVERAGE	11.08%
		STANDARD DEVIATION	0.90%

**AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 8**

AVISTA CORPORATION
CAPM COST OF EQUITY CAPITAL

$$k = rf + B (rm - rf)$$

$$\begin{aligned} [rf]^* &= 5.87\% \\ [rm - rf]^\dagger &= 7.40\% \text{ (geometric mean)} \\ [rm - rf]^\dagger &= 9.40\% \text{ (arithmetic mean)} \\ \text{average beta} &= 0.51 \end{aligned}$$

$$\begin{aligned} k &= 5.87\% + 0.51 (7.40\%/9.40\%) \\ k &= 5.87\% + 3.80\%/4.83\% \\ k &= 9.68\% / 10.70\% \end{aligned}$$

$$\text{Midpoint} = 10.19\%$$

*Risk-free rate average of current T-Bill (5.84%) and T-Bill futures (5.90%) rates $[5.84\%+5.90\%/2=5.87\%]$.
T-Bill futures rate at June 2000, from Wall Street Journal, April 17, 2000 p. C18.
Current T-Bill yield, six-week average yield from Value Line Selection & Opinion (3/3/00-4/7/00)
†Geometric and arithmetic market risk premiums from Ibbotson Associates 1999 SBBI Yearbook, p. 33.

AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 9

AVISTA CORPORATION

PROOF

If book value exceeds market price,
the market-to-book ratio is less than 1.0,
and the earnings-price ratio exceeds the cost of capital.

MP = market price
BV = book value
i = cost of equity capital
r = earned return
E = earnings

1. At $MP = BV$, $i = r = \frac{E}{MP}$.

2. $E = rBV$.

3. Then, $\frac{E}{MP} = \frac{rBV}{MP}$.

4. When $BV > MP$, i.e., $\frac{BV}{MP} > 1$, then,

a. $\frac{E}{MP} > r$, since $\frac{E}{MP} = \frac{rBV}{MP} > r$, because $\frac{BV}{MP} > 1$;

b. $i > r$, since at $\frac{BV}{MP} = 1$, $i = \frac{E}{MP} = \frac{rBV}{MP}$, but if $\frac{BV}{MP} > 1$, then $i > r$; and

c. $\frac{E}{MP} > i$, since at $\frac{BV}{MP} = 1$, $i = \frac{E}{MP} = \frac{rBV}{MP}$, but if $\frac{BV}{MP} > 1$, then $\frac{E}{MP} > i$, because,

1) $\frac{BV}{MP} > 1$, through MP decreasing, and, if so, $\frac{E}{MP}$ increases, therefore, $\frac{E}{MP} > i$, or

2) $\frac{BV}{MP} > 1$, through BV increasing, and, if so, given $E = rBV$, $\frac{E}{MP}$ increases, therefore, $\frac{E}{MP} > i$.

5. Ergo, $\frac{E}{MP} > i > r$, the cost of capital exceeds the earned return.

**AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 10**

AVISTA CORPORATION

MODIFIED EARNINGS-PRICE RATIO ANALYSIS

<u>COMPANY</u>	Zack's PROJECTED 2000 EARNINGS (Per Share)	MARKET PRICE (Per share)	EARNINGS- PRICE RATIO	CURRENT R.O.E. 2000	PROJECTED R.O.E. 2003-2005
LNT	\$2.26	\$28.65	7.89%	10.50%	11.00%
AEE	\$3.15	\$29.47	10.69%	13.50%	13.50%
CHG	\$2.97	\$28.80	10.31%	10.00%	9.50%
CIN	\$2.48	\$21.22	11.69%	14.50%	13.50%
CEG	\$2.62	\$30.17	8.68%	12.50%	14.50%
PSD	\$2.00	\$20.74	9.64%	11.50%	13.00%
RGS	\$2.44	\$19.87	12.28%	11.50%	10.50%
TE	\$1.79	\$18.44	<u>9.71%</u>	<u>12.50%</u>	<u>15.50%</u>
		AVERAGE	10.11%	12.06%	
		CURRENT M.E.P.R.		11.09%	
		AVERAGE	10.11%		12.63%
		PROJECTED M.E.P.R.		11.37%	

**AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 11**

AVISTA CORPORATION
MARKET-TO-BOOK RATIO ANALYSIS

<u>COMPANY</u>	$k = R.O.E.(1-b)/(M/B) + g$ [2000]						<u>MARKET-TO-BOOK</u> <u>COST OF EQUITY</u>
LNT	k= 10.5%	(1-	0.1304)/	1.34	+	2.42%	= 9.22%
AEE	k= 13.5%	(1-	0.1937)/	1.27	+	3.00%	= 11.55%
CHG	k= 10.0%	(1-	0.2727)/	0.97	+	3.00%	= 10.46%
CIN	k= 14.5%	(1-	0.2941)/	1.22	+	3.52%	= 11.93%
CEG	k= 12.5%	(1-	0.3538)/	1.45	+	4.56%	= 10.14%
PSD	k= 11.5%	(1-	0.0366)/	1.28	+	2.64%	= 11.31%
RGS	k= 11.5%	(1-	0.2653)/	0.90	+	2.80%	= 12.22%
TE	k= 12.5%	(1-	0.1563)/	1.39	+	4.00%	= <u>11.58%</u>
							AVERAGE 11.05%
							STANDARD DEVIATION 1.02%

Note: Equity returns and retention ratios based on Value Line current year projections.

AVISTA CORPORATION

MARKET-TO-BOOK RATIO ANALYSIS

<u>COMPANY</u>	$k = R.O.E.(1-b)/(M/B) + g$ [2003-2005]	<u>MARKET-TO-BOOK</u> <u>COST OF EQUITY</u>
LNT	k= 11.0% (1- 0.1843)/ 1.34 + 2.42%	9.11%
AEE	k= 13.5% (1- 0.2400)/ 1.27 + 3.00%	11.06%
CHG	k= 09.5% (1- 0.3231)/ 0.97 + 3.00%	9.60%
CIN	k= 13.5% (1- 0.2873)/ 1.22 + 3.52%	11.43%
CEG	k= 14.5% (1- 0.5590)/ 1.45 + 4.56%	8.98%
PSD	k= 13.0% (1- 0.1822)/ 1.28 + 2.64%	10.96%
RGS	k= 10.5% (1- 0.3455)/ 0.90 + 2.80%	10.46%
TE	k= 15.5% (1- 0.2558)/ 1.39 + 4.00%	<u>12.29%</u>
	AVERAGE	10.49%
	STANDARD DEVIATION	1.18%

Note: Equity returns and retention ratios based on Value Line three- to five-year projections.

**AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 12**

**AVISTA CORPORATION
OVERALL COST OF CAPITAL**

<u>TYPE OF CAPITAL</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>	<u>COST RATE</u>	<u>WT. AVERAGE COST RATE</u>
Common Equity	\$540,833	38.97%	10.875%	4.24%
Preferred Stock	\$35,000	2.52%	8.151%	0.21%
Preferred Securities	\$110,000	7.93%	8.107%	0.64%
Long-term Debt	\$638,933	46.03%	7.453%	3.43%
Short-term Debt	<u>\$63,167</u>	<u>4.55%</u>	6.670%	<u>0.30%</u>
TOTAL	\$1,387,933	100.00%		8.82%

PRE-TAX INTEREST COVERAGE = 3.00x

*Assuming the Company experiences a 35% Federal income tax rate, prospectively, the pre-tax overall return would be 11.21% [8.82% - (0.64%+3.43%+0.30%) = 4.45%/(1-35%) = 6.85% + (0.64%+3.43%+0.30%)]. That pre-tax overall return (11.22%), divided by the weighted cost of debt (3.73%), indicates a pre-tax interest coverage level of 3.00 times.

AVISTA RATE CASE
UE-991606 UG-991607
SCHEDULE 13

AVISTA CORPORATION
UTILITY BOND YIELD DIFFERENTIALS

