

Exhibit No. \_\_\_ (KLE-5)  
Dockets UE- 140188/UG-140189  
Witness: Kenneth L. Elgin

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

v.

**AVISTA CORPORATION, dba  
AVISTA UTILITIES,**

**Respondent.**

**DOCKETS UE-140188 and  
UG-140189 (*Consolidated*)**

**EXHIBIT TO  
TESTIMONY OF**

**Kenneth L. Elgin**

**STAFF OF WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Value Line, Avista Corporation, November 1, 2013*

**July 22, 2014**

AVISTA CORP. NYSE-AVA		RECENT PRICE	27.69	P/E RATIO	15.5 (Trailing: 18.5 Median: 16.0)	RELATIVE P/E RATIO	0.83	DIV'D YLD	4.6%	VALUE LINE	
<b>TIMELINESS</b> 3 Lowered 9/20/13	High: 16.6 18.7 19.4 20.2 27.5 23.6 22.4 22.8 26.5 26.0 29.3	Low: 8.8 9.8 15.4 16.3 17.6 15.5 12.7 18.5 21.1 22.8 24.1									Target Price Range 2016 2017 2018
<b>SAFETY</b> 2 Raised 9/7/10	<b>LEGENDS</b> — 1.00 x Dividends p sh divided by Interest Rate ..... Relative Price Strength Options: Yes Shaded areas indicate recessions										64
<b>TECHNICAL</b> 2 Raised 9/27/13											48
<b>BETA</b> .70 (1.00 = Market)	<b>2016-18 PROJECTIONS</b> Price Gain Ann'l Total High 35 (+25%) 10% Low 25 (-10%) 2%										40
<b>Insider Decisions</b> D J F M A M J J A to Buy 0 0 0 0 0 0 0 0 0 Options 0 0 1 0 0 0 0 0 0 to Sell 2 0 3 1 0 4 1 0 1											32
<b>Institutional Decisions</b> 4Q2012 1Q2013 2Q2013 to Buy 100 86 91 to Sell 75 79 78 Hld's (#000) 40512 40452 40070 Percent shares traded 18 12 6											24
<b>1997-2013 Financial Data</b> 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014											20
<b>2014-2018 Financial Data</b> 2014 2015 2016 2017 2018											16
<b>Key Metrics</b> Revenues per sh 31.25 "Cash Flow" per sh 5.00 Earnings per sh A 2.00 Div'd Decl'd per sh B+C 1.40 Cap'l Spending per sh 4.25 Book Value per sh C 24.00 Common Shs Outst'g D 64.00 Avg Ann'l P/E Ratio 14.5 Relative P/E Ratio .85 Avg Ann'l Div'd Yield 4.8%											12
<b>CAPITAL STRUCTURE as of 6/30/13</b> Total Debt \$1456.8 mill. Due in 5 Yrs \$178.7 mill. LT Debt \$1248.5 mill. LT Interest \$63.4 mill. Incl. \$51.5 mill. debt to affiliated trusts; \$9.8 mill. nonrecourse debt; \$52.0 mill. LT borrowings under line of credit. (LT interest earned: 3.0%) Leases, Uncapitalized Annual rentals \$6.8 mill. Pension Assets-12/12 \$406.1 mill. Oblig. \$584.6 mill.											8
<b>Pfd Stock None</b> Common Stock 59,965,467 shs. as of 7/31/13 MARKET CAP: \$1.7 billion (Mid Cap)											6
<b>ELECTRIC OPERATING STATISTICS</b> 2010 2011 2012 % Change Retail Sales (KWH) -1.1 +2.0 -1.8 Avg. Indust. Use (MWH) 1825 1556 1505 Avg. Indust. Revs. per MWH (\$) 5.47 6.71 5.09 Capacity at Peak (MW) 2905 2923 3080 Peak Load Winter (MW) F 2507 2381 2485 Annual Load Factor (%) 60.0 61.0 58.0 % Change Customers (Y-end) +7 +4 +6											4
<b>BUSINESS:</b> Avista Corporation (formerly The Washington Water Power Company) supplies electricity & gas in eastern Washington & northern Idaho. Supplies gas to part of Oregon. Customers: 362,000 electric, 323,000 gas. Has 79%-owned nonutility subsidiary (Ecova) involved in energy-management services. Electric revenue breakdown: residential, 32%; commercial, 30%; industrial, 12%; wholesale, 11%; other, 15%. Generating sources: hydro, 45%; coal, 16%; gas, 13%; wood waste, 2%; purchased, 24%. Fuel costs: 45% of revenues. *12 reported deprec. rate (utility) 3.3%. Has 2,800 employees. Chairman, President & CEO: Scott L. Morris. Inc.: Washington. Address: 1411 E. Mission Ave., Spokane, WA 99202-2600. Tel.: 509-489-0500. Internet: www.avistacorp.com.											2
<b>Avista's earnings will probably recover in 2013.</b> Last year's tally was depressed, and should be easy to top. The utility's volume was lower than expected, due to mild weather and economic factors. The Ecova energy services operation experienced disappointing revenues. And Avista took an \$0.08-a-share charge in the fourth quarter for a voluntary severance program. So far this year, the weather conditions have been more favorable for the utility, and Ecova has rebounded as customers have taken to its new service offerings. However...											1
<b>Rate relief has been an important factor in Avista's bottom-line growth this year, and should help again in 2014.</b> At the start of the year, electric and gas rates in Washington and Idaho were raised by a total of \$22 million. In October, additional tariff hikes totaling \$9.1 million went into effect in Idaho. At the start of 2014, Avista will receive rate relief totaling \$15.4 million in Washington. Our 2013 earnings estimate is within management's targeted range of \$1.70-\$1.90 a share, and we forecast 6% profit growth for 2014.											1
<b>Avista's gas utility in Oregon has filed a rate application.</b> The company is seeking a boost of \$9.5 million (9.8%) based on a return of 10.1% on a common-equity ratio of 50%. A ruling is expected in mid-June.											1
<b>More regulatory filings are coming.</b> Avista will probably put forth requests in Washington and Idaho next year so that it can obtain rate relief at the start of 2015. The utility needs frequent tariff increases in order to recover rising expenses and place capital spending in the rate base, especially since Washington and Idaho use historical (instead of forward-looking) test years in their ratemaking. Despite frequent rate relief, Avista is still earning mediocre returns on equity.											1
<b>This stock offers a dividend yield that is a cut above the utility average.</b> The board of directors has been raising the dividend rapidly in the past several years, and next year the quarterly payout will likely return to (or exceed) its level before the board cut it in 1998. Total return potential to 2016-2018 is modest, but compares favorably with the norm for the utility industry.											1
<b>Paul E. Debbas, CFA November 1, 2013</b>											1
<b>Company's Financial Strength</b> Stock's Price Stability A Price Growth Persistence 95 Earnings Predictability 70 85											1
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