

**AVISTA UTILITIES
 AVISTA CORP. CONSOLIDATED
 RECENT HISTORICAL CAPITAL STRUCTURE**

AMOUNT

| <u>Type of Capital</u> | <u>Mar-04</u> | <u>Jun-04</u> | <u>Sep-04</u> | <u>Dec-04</u> | <u>Mar-05</u> | <u>Average</u> |
|------------------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| Common Equity | \$757,277 | \$762,261 | \$745,453 | \$753,205 | \$756,366 | \$754,912 |
| Preferred Stock | \$31,500 | \$31,500 | \$29,750 | \$29,750 | \$29,750 | \$30,450 |
| Preferred Securities | \$113,403 | \$113,403 | \$113,403 | \$113,403 | \$113,403 | \$113,403 |
| Long-term Debt | \$960,822 | \$946,742 | \$897,545 | \$986,988 | \$960,622 | \$950,544 |
| Short-term Debt | <u>\$55,520</u> | <u>\$92,516</u> | <u>\$170,513</u> | <u>\$68,517</u> | <u>\$74,515</u> | <u>\$92,316</u> |
| TOTAL | \$1,918,522 | \$1,946,422 | \$1,956,664 | \$1,951,863 | \$1,934,656 | \$1,941,625 |

PERCENTAGE

| <u>Type of Capital</u> | <u>Mar-04</u> | <u>Jun-04</u> | <u>Sep-04</u> | <u>Dec-04</u> | <u>Mar-05</u> | <u>Average</u> |
|------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Common Equity | 39.47% | 39.16% | 38.10% | 38.59% | 39.10% | 38.88% |
| Preferred Stock | 1.64% | 1.62% | 1.52% | 1.52% | 1.54% | 1.57% |
| Preferred Securities | 5.91% | 5.83% | 5.80% | 5.81% | 5.86% | 5.84% |
| Long-term Debt | 50.08% | 48.64% | 45.87% | 50.57% | 49.65% | 48.96% |
| Short-term Debt | <u>2.89%</u> | <u>4.75%</u> | <u>8.71%</u> | <u>3.51%</u> | <u>3.85%</u> | <u>4.75%</u> |
| TOTAL | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Data from Company response to PC-700.

AVISTA UTILITIES
UTILITY-ONLY CAPITAL STRUCTURE
12/31/2004

CONSOLIDATED CAPITAL STRUCTURE AT YEAR-END 2004

| | <u>AMOUNT</u> | <u>PERCENT</u> |
|-----------------|--------------------|----------------|
| Common Equity | \$753,205 | 38.59% |
| Preferred Stock | \$29,750 | 1.52% |
| Trust Preferred | \$113,403 | 5.81% |
| Total Debt | <u>\$1,055,505</u> | <u>54.08%</u> |
| TOTALS | \$1,951,863 | 100.00% |

AVISTA 2004 S.E.C. FORM 10-K, p. 1:

"As of December 31, 2004 the Company had common equity investments of \$495.8 million and \$257.4 million in Avista Utilities and Avista Capital, respectively."

$\$495.8 \text{ (Av. Utility)} + \$257.4 \text{ (Av. Capital)} = \$753.2 \text{ (Total Company)}$

CAPITAL STRUCTURE, REMOVING UNREGULATED EQUITY INVESTMENT

| | <u>AMOUNT</u> | <u>PERCENT</u> |
|-----------------|--------------------|----------------|
| Common Equity | \$495,805 | 29.26% |
| Preferred Stock | \$29,750 | 1.76% |
| Trust Preferred | \$113,403 | 6.69% |
| Total Debt | <u>\$1,055,505</u> | <u>62.29%</u> |
| TOTALS | \$1,694,463 | 100.00% |

AVISTA UTILITIES
RATE IMPACT OF HYPOTHETICAL CAPITAL STRUCTURE

Company-requested Capitalization

| <u>Type of Capital</u> | <u>Percent</u> | <u>Cost Rate</u> | <u>Wt. Average Cost Rate</u> | <u>Pre-tax Cost Rate (t=35%)</u> |
|------------------------|----------------|------------------|----------------------------------|--|
| Common Equity | 44.00% | 11.50% | 5.06% | 7.78% |
| Preferred Stock | 1.42% | 7.39% | 0.10% | 0.10% |
| Trust Preferred Secu | 5.18% | 6.60% | 0.34% | 0.34% |
| Debt | <u>49.40%</u> | <u>8.44%</u> | <u>4.17%</u> | <u>4.17%</u> |
| Total | 100.00% | | | 12.40% |

Actual Avista Corporation Capital Structure

| <u>Type of Capital</u> | <u>Percent</u> | <u>Cost Rate</u> | <u>Wt. Average Cost Rate</u> | <u>Pre-tax Cost Rate (t=35%)</u> |
|------------------------|----------------|------------------|----------------------------------|--|
| Common Equity | 38.88% | 11.50% | 4.47% | 6.88% |
| Preferred Securities | 1.57% | 7.39% | 0.12% | 0.12% |
| Trust Preferred Secu | 5.84% | 6.60% | 0.39% | 0.39% |
| Debt | <u>53.71%</u> | <u>8.44%</u> | <u>4.53%</u> | <u>4.53%</u> |
| Total | 100.00% | | | 11.91% |

Overall Cost of Capital Differential = **0.49%**
Original Cost Rate Base (Gas & Electric) = **\$0.926 Billion**
Annual Rate Impact of Hypothetical Capital Structure = **\$4,515,978**

Utility Only Capital Structure

| <u>Type of Capital</u> | <u>Percent</u> | <u>Cost Rate</u> | <u>Wt. Average Cost Rate</u> | <u>Pre-tax Cost Rate (t=35%)</u> |
|------------------------|----------------|------------------|----------------------------------|--|
| Common Equity | 29.26% | 11.50% | 3.36% | 5.18% |
| Preferred Securities | 1.76% | 7.39% | 0.13% | 0.13% |
| Trust Preferred Secu | 6.69% | 6.60% | 0.44% | 0.44% |
| Debt | <u>62.29%</u> | <u>8.44%</u> | <u>5.26%</u> | <u>5.26%</u> |
| Total | 100.00% | | | 11.01% |

Overall Cost of Capital Differential = **1.40%**
Original Cost Rate Base (Gas & Electric) = **\$0.926 Billion**
Annual Rate Impact of Hypothetical Capital Structure = **\$12,926,651**