

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	Docket No. UE-050482
Complainant,)	
)	Docket No. UG-050483
vs.)	
)	<i>(consolidated)</i>
AVISTA CORPORATION,)	
)	
Respondent.)	
_____)	

EXHIBIT NO. ___(MPG-3)

IMPLIED STIPULATION RETURN ON EQUITY

August 26, 2005

AVISTA UTILITIES

Implied Stipulation Return on Equity

<u>Line</u>	<u>Description</u>	<u>Weight</u> (1)	<u>Cost</u> (2)	<u>Weighted</u> <u>Cost</u> (3)	<u>Pre-Tax</u> <u>Weighted</u> <u>Cost</u> (4)
1	Total Debt	53.40%	8.441%	4.51%	4.51%
2	Trust Preferred	5.18%	6.603%	0.34%	0.34%
3	Preferred Stock	1.42%	7.391%	0.10%	0.17%
4	Common Equity	<u>40.00%</u>	10.400%	<u>4.16%</u>	<u>6.69%</u>
5	Total	100.00%		9.11%	11.71%

6 Conversion factor 0.621611

<u>Line</u>	<u>Description</u>	<u>Weight</u> (1)	<u>Cost</u> (2)	<u>Weighted</u> <u>Cost</u> (3)	<u>Pre-Tax</u> <u>Weighted</u> <u>Cost</u> (4)
6	Total Debt	58.40%	8.441%	4.93%	4.93%
7	Trust Preferred	5.18%	6.603%	0.34%	0.34%
8	Preferred Stock	1.42%	7.391%	0.10%	0.17%
9	Common Equity	<u>35.00%</u>	<u>11.14%</u>	<u>3.90%</u>	<u>6.27%</u>
10	Total	100.00%		9.27%	11.71%

11 Conversion factor 0.621611