

Exhibit \_\_\_\_\_ (TES-3)  
Docket No. UE-010395  
Witness: Thomas E. Schooley

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Avista Corporation's )  
Petition for Recovery of Expenditures )  
Related to Electric Deferral Mechanism )  
\_\_\_\_\_ )

DOCKET NO. UE-010395

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STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

**EXHIBIT OF**

**THOMAS E. SCHOOLEY**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**RE: AVISTA PETITION FOR 37% EMERGENCY SURCHARGE**

August 24, 2001

WUTC DOCKET NO. UE-010395  
EXHIBIT NO. 403  
ADMIT  W/D  REJECT

**Avista Utilities Only**  
Fixed Charge Coverage Ratio

Without Financing or Surcharge

For the twelve months ended

(000's)

	December-01	add back financings	Adjusted December-01
1 Net Income	53,649		53,649
2			
3 Depreciation & Amortization	64,419		64,419
4			
5 Net FIT Expense	25,600		25,600
6			
7 Interest Expense	105,248		105,248
8			
9 Non-cash capitalized interest	-20,696		-20,696
10			
11 Other non-cash items	2,445		2,445
12			
13 Subsidiary Earnings			
14 Avista Energy	-57,463		-57,463
15 All Other	39,161		39,161
16			
17 Deferrals-After tax	-138,857		-138,857
18			
19 Draws under Revolving Credit Line	-263,699	178,214	-85,485
20			
21 Cash Available			
22			
23 Total	<u>-190,193</u>		<u>-11,979</u>
24			
25			
26 Interest Paid	99,406		99,406
27 Non-cash capitalized interest	-20,696		-20,696
28 Total Fixed Charges	<u>78,710</u>		<u>78,710</u>
29			
30			
31 <b>Fixed Charge Ratio</b>			
32 Projected	-2.42		-0.15
33			
34 Minimum	1.25		1.25
35			
36			
37 Net FIT-Operating	8,096		8,096
38 Deferred FIT-Nonoperating	-119		-119
39 FIT-Nonoperating	<u>17,623</u>		<u>17,623</u>
40 Net FIT Expense	<u>25,600</u>		<u>25,600</u>
41			
42			
43 Interest on LT Debt	94,083		94,083
44 Interest-Other	6,732		6,732
45 Net Amort Debt Disc/Exp	<u>4,433</u>		<u>4,433</u>
46 Total Interest Expense	<u>105,248</u>		<u>105,248</u>
47			
48 Deferrals-Pretax			
49 Electric	-214,782		-214,782
50 Gas	<u>-7,389</u>		<u>-7,389</u>
51 Total	<u>-222,171</u>		<u>-222,171</u>
52			
53 AFUDC	-9,830		-9,830
54 Interest on deferrals	<u>-10,866</u>		<u>-10,866</u>
55 Total Non-cash Capitalized Interest	<u>-20,696</u>		<u>-20,696</u>
56			
57 Gain/Loss on asset dispositions	0		0
58 Non-monetary power exchanges	<u>2,445</u>		<u>2,445</u>
59 Total other non-cash items	<u>2,445</u>		<u>2,445</u>

Incremental Cash Necessary to Meet  
Fixed Charge Coverage Requirements  
(in thousands)

	Annual	4th Qtr 2001
1 Fixed charges	78,710	
2 required ratio	1.25	
3 cash required	98,388	
4		
5 adjusted deficit	(11,979)	
6 annual increment needed	110,366	
7 4th quarter load %		25.2%
8		
9 Annual cash provision	110,366	27,812
10 Washington allocation @	66.99%	
11 Washington cash provided	73,934	18,631
12 revenue sensitive gross up	95.63%	
13 Surcharge indicated	77,315	19,483
14		
15 Utility Revenue-annual	236,966	
16 4th quarter revenues		59,715
17 Surcharge % indicated	32.6%	32.6%

Sources:

Avista workpapers for RRP-1  
Avista Response to Staff Data Request No. 166

Without Financing or Surcharge CRITICAL WATER IN 2001 ASSUMED (000's)	For the twelve months ended	
	December-01	Adjusted December-01
1 Net Income	53,649	53,649
2		
3 Depreciation & Amortization	64,419	64,419
4		
5 Net FIT Expense	25,600	25,600
6		
7 Interest Expense	105,248	105,248
8		
9 Non-cash capitalized interest	-20,696	-20,696
10		
11 Other non-cash items	2,445	2,445
12		
13 Subsidiary Earnings		
14 Avista Energy	-57,463	-57,463
15 All Other	39,161	39,161
16		
17 Deferrals-After tax	-132,148	-132,148
18		
19 Draws under Revolving Credit Line	-263,699	-85,485
20		
21 Cash Available		
22		
23 Total	<u>-183,484</u>	<u>-5,270</u>
24		
25		
26 Interest Paid	99,406	99,406
27 Non-cash capitalized interest	-20,696	-20,696
28 Total Fixed Charges	<u>78,710</u>	<u>78,710</u>
29		
30		
31 <b>Fixed Charge Ratio</b>		
32 Projected	-2.33	-0.07
33		
34 Minimum	1.25	1.25
35		
36 <b>Background for above</b>		
37 Net FIT-Operating	8,096	8,096
38 Deferred FIT-Nonoperating	-119	-119
39 FIT-Nonoperating	<u>17,623</u>	<u>17,623</u>
40 Net FIT Expense	25,600	25,600
41		
42		
43 Interest on LT Debt	94,083	94,083
44 Interest-Other	6,732	6,732
45 Net Amort Debt Disc/Exp	<u>4,433</u>	<u>4,433</u>
46 Total Interest Expense	105,248	105,248
47		
48 Deferrals-Pretax		
49 Electric	-204,047	-204,047
50 Gas	-7,389	-7,389
51 Total	<u>-211,436</u>	<u>-211,436</u>
52		
53 AFUDC	-9,830	-9,830
54 Interest on deferrals	-10,866	-10,866
55 Total Non-cash Capitalized Interest	<u>-20,696</u>	<u>-20,696</u>
56		
57 Gain/Loss on asset dispositions	0	0
58 Non-monetary power exchanges	<u>2,445</u>	<u>2,445</u>
59 Total other non-cash items	2,445	2,445

Sources:

Avista workpapers for RRP-1  
 Avista workpapers for DMF-1  
 Avista Response to Staff Data Request 170

Incremental Cash Necessary to Meet Fixed Charge Coverage Requirements (in thousands)	Critical water assumed	
	Annual	4th Qtr 2001
1 Fixed charges	78,710	
2 required ratio	1.25	
3 cash required	98,388	
4		
5 adjusted deficit	(5,270)	
6 annual increment needed	103,657	
7 4th quarter load %		25.2%
8		
9 Annual cash provision	103,657	26,122
10 Washington allocation @	66.99%	
11 Washington cash provided	69,440	17,499
12 revenue sensitive gross up	95.63%	
13 Annual Surcharge indicated	<u>72,615</u>	<u>18,299</u>
14		
15 Utility Revenue-annual	236,966	
16 4th quarter revenues		59,715
17 Surcharge % indicated	30.6%	30.6%

	For the twelve months ended		
	Without Financing or Surcharge NORMAL WATER IN 2001 ASSUMED (000's)	add back financings	Adjusted December-01
1 Net Income	53,649		53,649
2			
3 Depreciation & Amortization	64,419		64,419
4			
5 Net FIT Expense	25,600		25,600
6			
7 Interest Expense	105,248		105,248
8			
9 Non-cash capitalized interest	-20,696		-20,696
10			
11 Other non-cash items	2,445		2,445
12			
13 Subsidiary Earnings			
14 Avista Energy	-57,463		-57,463
15 All Other	39,161		39,161
16			
17 Deferrals-After tax	-124,421		-124,421
18			
19 Draws under Revolving Credit Line	-263,699	178,214	-85,485
20			
21 Cash Available			
22			
23 Total	<u>-175,757</u>		<u>2,457</u>
24			
25			
26 Interest Paid	99,406		99,406
27 Non-cash capitalized interest	-20,696		-20,696
28 Total Fixed Charges	<u>78,710</u>		<u>78,710</u>
29			
30			
31 <b>Fixed Charge Ratio</b>			
32 Projected	-2.23		0.03
33			
34 Minimum	1.25		1.25
35			
36			
37 Net FIT-Operating	8,096		8,096
38 Deferred FIT-Nonoperating	-119		-119
39 FIT-Nonoperating	17,623		17,623
40 Net FIT Expense	<u>25,600</u>		<u>25,600</u>
41			
42			
43 Interest on LT Debt	94,083		94,083
44 Interest-Other	6,732		6,732
45 Net Amort Debt Disc/Exp	4,433		4,433
46 Total Interest Expense	<u>105,248</u>		<u>105,248</u>
47			
48 Deferrals-Pretax			
49 Electric	-191,685		-191,685
50 Gas	-7,389		-7,389
51 Total	<u>-199,074</u>		<u>-199,074</u>
52			
53 AFUDC	-9,830		-9,830
54 Interest on deferrals	-10,866		-10,866
55 Total Non-cash Capitalized Interest	<u>-20,696</u>		<u>-20,696</u>
56			
57 Gain/Loss on asset dispositions	0		0
58 Non-monetary power exchanges	2,445		2,445
59 Total other non-cash items	<u>2,445</u>		<u>2,445</u>

Sources:

Avista workpapers for RRP-1  
Avista workpapers for DMF-1  
Avista Response to Staff Data Request 170

Incremental Cash Necessary to Meet Fixed Charge Coverage Requirements (in thousands)	Normal Water Assumed	
	Annual	4th Qtr 2001
1 Fixed charges	78,710	
2 required ratio	1.25	
3 cash required	98,388	
4		
5 adjusted deficit	2,457	
6 annual increment needed	95,931	
7 4th quarter load %		25.2%
8		
9 Annual cash provision	95,931	24,175
10 Washington allocation @	66.99%	
11 Washington cash provided	64,264	16,195
12 revenue sensitive gross up	95.63%	
13 Annual Surcharge indicated	<u>67,202</u>	<u>16,935</u>
14		
15 Utility Revenue-annual	236,966	
16 4th quarter revenues		59,715
17 Surcharge % indicated	28.4%	28.4%