

**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. ___(KEI-3)

SUMMARY OF AVISTA COST STUDY RESULTS

September 22, 2005

AVISTA UTILITIES

Summary of Avista Cost Study Results
 (\$'000 Dollars)

<u>Line</u>	<u>Class</u>	<u>Schedule</u>	<u>Allocated Rate Base</u> (1)	<u>Operating Income at Present Rates</u> (2)	<u>Rate of Return¹ (ROR)</u> (3)	<u>Return Ratio²</u> (4)
1	Residential	Sch 1	\$ 380,033	\$ 16,058	4.23%	0.61
2	General Service	Sch 11-12	64,596	8,485	13.14%	1.91
3	Large General Service	Sch 21-22	222,827	23,470	10.53%	1.53
4	Extra Large General Service	Sch 25	100,698	4,594	4.56%	0.66
5	Pumping Service	Sch 31-32	16,454	1,193	7.25%	1.06
6	Street & Area Lights	Sch 41-49	<u>11,237</u>	<u>883</u>	7.86%	1.14
7	Total Retail		\$ 795,845	\$ 54,684	6.87%	1.00

¹ The rate of return is the ratio of operating income (column 2) and allocated rate base (column 1). The operating income is the difference between operating revenues at current rates and allocated operating expenses. If a class is presently providing revenues sufficient to recover its cost of service (at the current system rate of return), it will have a rate of return equal to or greater than the total Avista retail return of 6.87%.

² The Return Ratio is the ratio of each class's rate of return to the total Avista system rate of return. A return ratio above 1.00 means that a class is providing a rate of return higher than the system average, while a return ratio below 1.00 indicates that a class is providing a below-system average rate of return.