

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

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

EXHIBIT NO. ____ (MPG-16)

SETTLEMENT REVENUE ABOVE AVISTA'S COSTS AT A 10.4% ROE

September 22, 2005

Settlement Revenue above Avista's Cost at a 10.4% ROE

Imputed Common Equity Ratio

| Line | Description | <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% | 8.440% | 4.51% | 4.51% |
| 2 | Trust Preferred | 5.18% | 6.600% | 0.34% | 0.34% |
| 3 | Preferred Stock | 1.42% | 7.390% | 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 | | | |

Actual Common Equity Ratio

| Line | Description | <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 | 66.40% | 8.440% | 5.60% | 5.60% |
| 7 | Trust Preferred | 5.18% | 6.600% | 0.34% | 0.34% |
| 8 | Preferred Stock | 1.42% | 7.390% | 0.10% | 0.17% |
| 9 | Common Equity | <u>27.00%</u> | 10.40% | <u>2.81%</u> | <u>4.52%</u> |
| 10 | Total | 100.00% | | 8.86% | 10.63% |
| 11 | Conversion Factor | 0.621611 | | | |
| 12 | Rate Base Electric | | (000) | | 795,845 |
| 13 | Additional Electric Revenues | | (000) | | \$ 8,578 |
| 14 | Rate Base Gas | | (000) | | \$ 130,718 |
| 15 | Additional Gas Revenues | | (000) | | \$ 1,409 |
| 16 | Total Additional Revenues | | (000) | | \$ 9,986 |

Sources: Exh. No__ (MKM-2), Ex.No.__(DMF-2), and Ex. No.__(DMF-3)