

AVISTA CORP  
Form 10-Q  
November 05, 2008  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-3701

**AVISTA CORPORATION**

(Exact name of registrant as specified in its charter)

**Washington**  
(State or other jurisdiction of  
incorporation or organization)

**91-0462470**  
(I.R.S. Employer  
Identification No.)

**1411 East Mission Avenue, Spokane, Washington**  
(Address of principal executive offices)

**99202-2600**  
(Zip Code)

**Registrant's telephone number, including area code: 509-489-0500**

**Web site: <http://www.avistacorp.com>**

**None**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject

Edgar Filing: AVISTA CORP - Form 10-Q

to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller

Smaller reporting company

reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes  No

As of October 31, 2008, 54,430,678 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

**Table of Contents****AVISTA CORPORATION****Index**

	<b>Page No.</b>
Part I. Financial Information:	
Item 1. Consolidated Financial Statements	
<u>Consolidated Statements of Income (Loss) - Three Months Ended September 30, 2008 and 2007</u>	3
<u>Consolidated Statements of Income Nine Months Ended September 30, 2008 and 2007</u>	4
<u>Consolidated Statements of Comprehensive Income (Loss) - Three and Nine Months Ended September 30, 2008 and 2007</u>	5
<u>Consolidated Balance Sheets - September 30, 2008 and December 31, 2007</u>	6
<u>Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2008 and 2007</u>	8
<u>Notes to Consolidated Financial Statements</u>	9
<u>Report of Independent Registered Public Accounting Firm</u>	29
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	54
Item 4. <u>Controls and Procedures</u>	54
Part II. Other Information:	
Item 1. <u>Legal Proceedings</u>	55
Item 1A. <u>Risk Factors</u>	55
Item 6. <u>Exhibits</u>	55
<u>Signature</u>	56

**FORWARD-LOOKING STATEMENTS**

Our Quarterly Report on Form 10-Q contains forward-looking statements, which should be read with the cautionary statements and important factors included at Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements on pages 30-31. Forward-looking statements are all statements except those of historical fact, including, without limitation, those that are identified by the use of words that include will, may, could, should, intends, plans, seeks, anticipates, estimates, expects, predicts, and similar expressions. All forward-looking statements are subject to a variety of risks and uncertainties and other factors. Many of these factors are beyond our control and could have a significant effect on our operations, results of operations, financial condition or cash flows and could cause actual results to differ materially from those anticipated in our statements.

**Table of Contents**

## CONSOLIDATED STATEMENTS OF INCOME (LOSS)

*Avista Corporation*

For the Three Months Ended September 30

Dollars in thousands, except per share amounts

	2008	2007
<b>Operating Revenues:</b>		
Utility revenues	\$ 353,824	\$ 243,798
Non-utility energy marketing and trading revenues	6,824	6,314
Other non-utility revenues	22,037	17,550
<b>Total operating revenues</b>	<b>382,685</b>	<b>267,662</b>
<b>Operating Expenses:</b>		
<b>Utility operating expenses:</b>		
Resource costs	245,127	144,059
Other operating expenses	49,114	50,126
Depreciation and amortization	22,023	21,551
Taxes other than income taxes	15,323	15,012
<b>Non-utility operating expenses:</b>		
Resource costs	6,206	6,259
Other operating expenses	18,081	13,865
Depreciation and amortization	1,479	1,054
<b>Total operating expenses</b>	<b>357,353</b>	<b>251,926</b>
<b>Income from operations</b>	<b>25,332</b>	<b>15,736</b>
<b>Other Income (Expense):</b>		
Interest expense	(17,452)	(19,547)
Interest expense to affiliated trusts	(1,445)	(1,836)
Capitalized interest	970	1,326
Regulatory disallowance of unamortized debt repurchase costs		(3,850)
Other income - net	7,104	2,156
<b>Total other expense-net</b>	<b>(10,823)</b>	<b>(21,751)</b>
<b>Income (loss) before income taxes</b>	<b>14,509</b>	<b>(6,015)</b>
Income taxes	7,150	(2,140)
<b>Net income (loss)</b>	<b>\$ 7,359</b>	<b>\$ (3,875)</b>
Weighted-average common shares outstanding (thousands), basic	53,773	52,834
Weighted-average common shares outstanding (thousands), diluted	54,205	52,834
Total earnings (loss) per common share, basic	\$ 0.14	\$ (0.07)
Total earnings (loss) per common share, diluted	\$ 0.13	\$ (0.07)
Dividends paid per common share	\$ 0.18	\$ 0.15



**Table of Contents**

## CONSOLIDATED STATEMENTS OF INCOME

Avista Corporation

For the Nine Months Ended September 30

Dollars in thousands, except per share amounts

	2008	2007
<b>Operating Revenues:</b>		
Utility revenues	\$ 1,152,741	\$ 926,061
Non-utility energy marketing and trading revenues	19,068	55,121
Other non-utility revenues	57,493	49,672
<b>Total operating revenues</b>	<b>1,229,302</b>	<b>1,030,854</b>
<b>Operating Expenses:</b>		
<b>Utility operating expenses:</b>		
Resource costs	746,428	549,565
Other operating expenses	153,353	149,358
Depreciation and amortization	65,379	63,939
Taxes other than income taxes	55,631	54,057
<b>Non-utility operating expenses:</b>		
Resource costs	17,661	62,372
Other operating expenses	46,426	53,173
Depreciation and amortization	3,541	3,499
<b>Total operating expenses</b>	<b>1,088,419</b>	<b>935,963</b>
<b>Income from operations</b>	<b>140,883</b>	<b>94,891</b>
<b>Other Income (Expense):</b>		
Interest expense	(57,131)	(60,154)
Interest expense to affiliated trusts	(4,661)	(5,463)
Capitalized interest	2,720	3,700
Regulatory disallowance of unamortized debt repurchase costs		(3,850)
Other income net	9,868	9,414
<b>Total other expense-net</b>	<b>(49,204)</b>	<b>(56,353)</b>
<b>Income before income taxes</b>	<b>91,679</b>	<b>38,538</b>
Income taxes	35,544	14,136
<b>Net income</b>	<b>\$ 56,135</b>	<b>\$ 24,402</b>
Weighted-average common shares outstanding (thousands), basic	53,366	52,769
Weighted-average common shares outstanding (thousands), diluted	53,765	53,267
Total earnings per common share, basic	\$ 1.05	\$ 0.46
<b>Total earnings per common share, diluted</b>	<b>\$ 1.04</b>	<b>\$ 0.45</b>
Dividends paid per common share	\$ 0.510	\$ 0.445



**Table of Contents**

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

*Avista Corporation*

For the Three Months Ended September 30

Dollars in thousands

	<b>2008</b>	<b>2007</b>
Net income (loss)	\$ 7,359	\$ (3,875)
Other Comprehensive Income (Loss):		
Unrealized losses on interest rate swap agreements - net of taxes of \$(1,557)		(2,892)
Change in unfunded benefit obligation for pension plan - net of taxes of \$64 and \$109, respectively	119	202
Total other comprehensive income (loss)	119	(2,690)
Comprehensive income (loss)	\$ 7,478	\$ (6,565)

For the Nine Months Ended September 30

Dollars in thousands

	<b>2008</b>	<b>2007</b>
Net income	\$ 56,135	\$ 24,402
Other Comprehensive Income (Loss):		
Foreign currency translation adjustment		1,010
Reclassification adjustment for foreign currency translation adjustment included in loss on sale of contracts		(2,379)
Unrealized gains (losses) on interest rate swap agreements - net of taxes of \$(2,063) and \$77, respectively	(3,831)	143
Reclassification adjustment for realized losses on interest rate swap agreements deferred as a regulatory asset (included in long-term debt) - net of taxes of \$5,738	10,657	
Change in unfunded benefit obligation for pension plan - net of taxes of \$365 and \$264, respectively	678	491
Unrealized losses on derivative commodity instruments - net of taxes of \$(324)		(602)
Reclassification adjustment for realized gains on derivative commodity instruments included in net income - net of taxes of \$(136)		(253)
Reclassification adjustment for realized losses on derivative commodity instruments included in loss on sale of contracts, net of taxes of \$464		862
Total other comprehensive income (loss)	7,504	(728)
Comprehensive income	\$ 63,639	\$ 23,674

*The Accompanying Notes are an Integral Part of These Statements.*



**Table of Contents**

## CONSOLIDATED BALANCE SHEETS

*Avista Corporation*

Dollars in thousands

	September 30, 2008	December 31, 2007
<b>Assets:</b>		
Current Assets:		
Cash and cash equivalents	\$ 15,030	\$ 11,839
Restricted cash		4,068
Accounts and notes receivable-less allowances of \$44,557 and \$42,582	93,332	105,440
Utility energy commodity derivative assets	13,455	12,078
Regulatory asset for utility derivatives	51,151	7,171
Funds held for customers	92,429	89,885
Materials and supplies, fuel stock and natural gas stored	70,542	34,985
Deferred income taxes	16,910	20,251
Income taxes receivable	29,974	30,025
Other current assets	9,346	16,443
<b>Total current assets</b>	<b>392,169</b>	<b>332,185</b>
Net Utility Property:		
Utility plant in service	3,241,562	3,131,916
Construction work in progress	128,491	100,106
<b>Total</b>	<b>3,370,053</b>	<b>3,232,022</b>
Less: Accumulated depreciation and amortization	931,136	880,680
<b>Total net utility property</b>	<b>2,438,917</b>	<b>2,351,342</b>
Other Property and Investments:		
Investment in exchange power-net	26,746	28,583
Investment in affiliated trusts	13,403	13,403
Other property and investments-net	105,870	74,171
<b>Total other property and investments</b>	<b>146,019</b>	<b>116,157</b>
Deferred Charges:		
Regulatory assets for deferred income tax	112,087	117,461
Regulatory assets for pensions and other postretirement benefits	48,151	51,006
Other regulatory assets	41,215	43,004
Non-current utility energy commodity derivative assets	100,927	55,313
Power and natural gas deferrals	66,858	85,885
Unamortized debt expense	31,491	32,542
Other deferred charges	7,250	4,902
<b>Total deferred charges</b>	<b>407,979</b>	<b>390,113</b>
<b>Total assets</b>	<b>\$ 3,385,084</b>	<b>\$ 3,189,797</b>