

DAVID J. MEYER  
SENIOR VICE PRESIDENT AND GENERAL COUNSEL  
AVISTA CORPORATION  
P.O. BOX 3727  
1411 EAST MISSION AVENUE  
SPOKANE, WASHINGTON 99220-3727  
TELEPHONE: (509) 495-4316  
FACSIMILE: (509) 495-4361

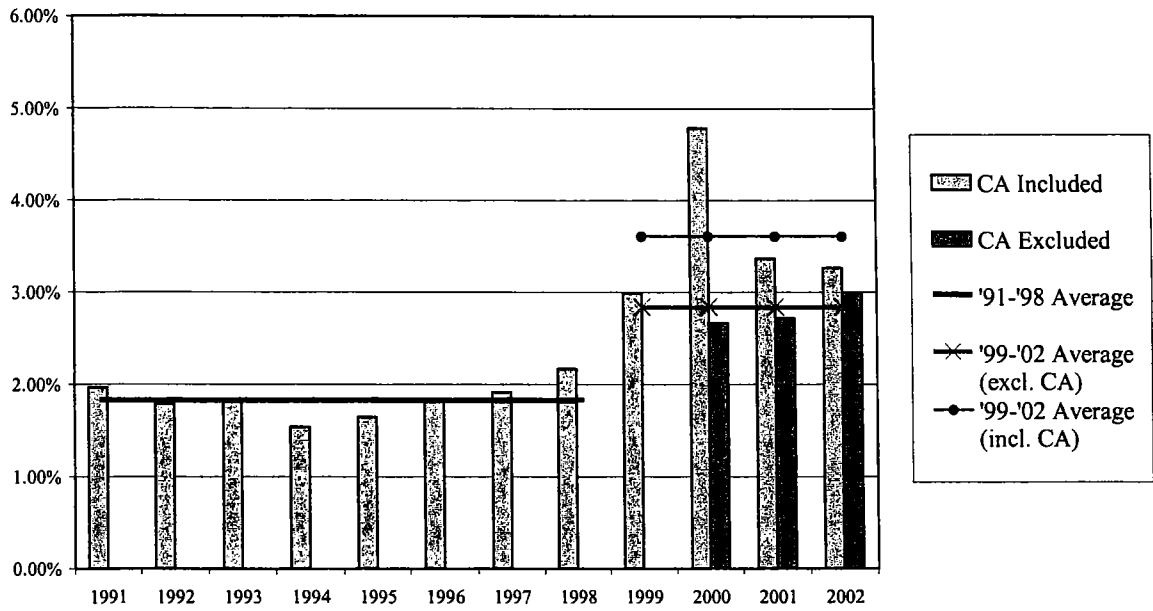
**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION	)	CASE NO. AVU-E-04-01
OF AVISTA CORPORATION FOR THE	)	CASE NO. AVU-G-04-01
AUTHORITY TO INCREASE ITS RATES	)	
AND CHARGES FOR ELECTRIC AND	)	EXHIBIT NO. 4
NATURAL GAS SERVICE TO ELECTRIC AND	)	
NATURAL GAS CUSTOMERS IN THE STATE	)	DR. WILLIAM T. WILSON
OF IDAHO	)	SENIOR ECONOMIST
_____	)	ERNST & YOUNG, LLP

FOR AVISTA CORPORTATION

(ELECTRIC AND NATURAL GAS)

### Standard Deviation of Returns

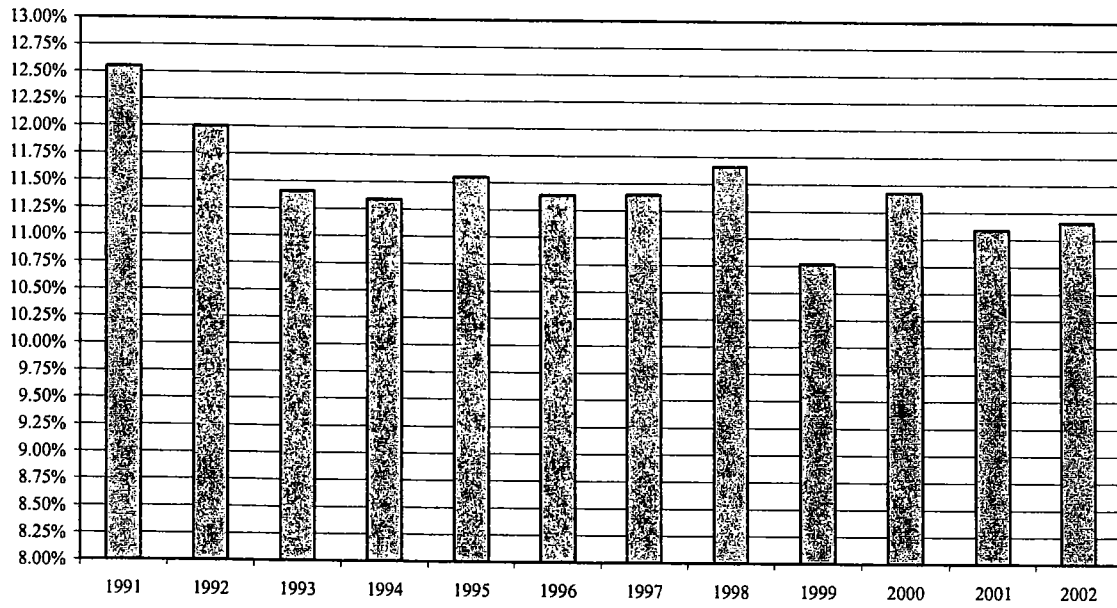


Sources: Platt's PowerDat database, FERC Form 1, SEC filings and Ernst & Young analysis

<u>Year</u>	Average of Returns <u>(CA included)</u>	Average of Returns <u>(CA excluded)</u>
1991	8.72%	
1992	8.36%	
1993	8.39%	
1994	8.29%	
1995	8.71%	
1996	8.38%	
1997	8.06%	
1998	8.32%	
1999	8.76%	
2000	8.06%	8.59%
2001	8.68%	8.48%
2002	8.66%	8.60%
 <u>Averages</u>		
1991 - 1998	8.40%	
1999 - 2002	8.61%	(excluding CA)
1999 - 2002	8.54%	(including CA)

Sources: Platt's PowerDat database, FERC Form 1, SEC filings and Ernst & Young analysis.

### Average Allowed Returns



Sources: Regulatory Research Associates data and Ernst & Young analysis

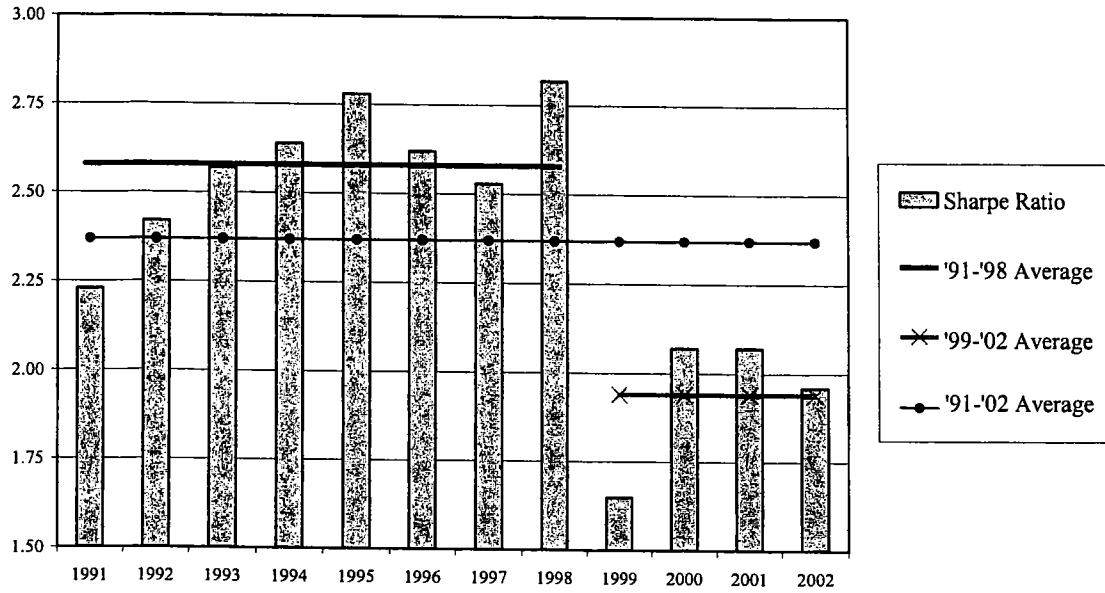
**Regulated Operating Companies**

AEP Texas Central Co.  
AEP Texas North Co.  
Alabama Power Co.  
AmerenCIPS  
AmerenUE  
Appalachian Power Co.  
Aquila Inc.  
Arizona Public Service Co.  
Atlantic City Electric Co.  
Avista Corp.  
Baltimore Gas & Electric Co.  
Black Hills Power Inc.  
Boston Edison Co.  
CenterPoint Energy HL&P  
Central Hudson Gas & Electric Corp.  
Central Illinois Light Co.  
Central Maine Power Co.  
Central Vermont Public Service Corp.  
Cincinnati Gas & Electric Co.  
Cleco Utility Group, Inc.  
Cleveland Electric Illuminating Co.  
Columbus Southern Power Co.  
Commonwealth Edison Co.  
Commonwealth Electric Co.  
Connecticut Light & Power Co.  
Consolidated Edison Company Of New York Inc  
Consumers Energy Co.  
Dayton Power & Light Co.  
Delmarva Power & Light Co.  
Detroit Edison Co.  
Dominion Virginia Power  
Duke Power Co.  
Duquesne Light Co.  
El Paso Electric Co.  
Empire District Electric Co.  
Entergy Gulf States, Inc.  
Entergy Louisiana, Inc.

Entergy Mississippi, Inc.  
Entergy New Orleans, Inc.  
Florida Power & Light Co.  
Georgia Power Co.  
Gulf Power Co.  
Hawaiian Electric Co., Inc.  
Idaho Power Co.  
Illinois Power Co.  
Indiana Michigan Power Co.  
Indianapolis Power & Light Co.  
Interstate Power & Light Co.  
Interstate Power Co.  
Jersey Central Power & Light Co.  
Kansas City Power & Light Co.  
Kentucky Power Co.  
Kentucky Utilities Co.  
KGE, A Western Resources Co.  
KPL, A Western Resources Co.  
Louisville Gas & Electric Co.  
Madison Gas & Electric Co.  
Massachusetts Electric Co.  
Maui Electric Co., Ltd.  
Metropolitan Edison Co.  
MidAmerican Energy Co.  
Minnesota Power  
Mississippi Power Co.  
Monongahela Power Co.  
Montana Dakota Utilities Co.  
Narragansett Electric Co.  
Nevada Power Co.  
New York State Electric & Gas Corp.  
Niagara Mohawk, a National Grid Co.  
Northern Indiana Public Service Co.  
Northern States Power Co. Wisconsin  
Northern States Power Co.  
NorthWestern Energy, Lic  
Ohio Edison Co.  
Ohio Power Co.  
Oklahoma Gas & Electric Company (OG&E)

Orange & Rockland Utilities, Inc.  
Otter Tail Power Corp.  
Pacific Gas and Electric Co.  
PacifiCorp.  
PECO Energy Co.  
Pennsylvania Electric Co.  
Pennsylvania Power Co.  
PNM  
Portland General Electric  
Potomac Edison Co.  
Potomac Electric Power Co.  
PPL Electric Utilities Corp.  
Progress Energy Carolinas Inc.  
Progress Energy Florida Inc.  
PSC of Colorado  
PSC of New Hampshire  
PSC of Oklahoma  
PSI Energy, Inc.  
Public Service Electric and Gas Co.  
Puget Sound Energy, Inc.  
Rochester Gas and Electric Co.  
San Diego Gas & Electric Co.  
Savannah Electric & Power Co.  
Sierra Pacific Power Co.  
South Carolina Electric & Gas Co.  
Southern California Edison Co.  
Southern Indiana Gas & Electric Co.  
Southwestern Electric Power Co.  
Southwestern Public Service Co.  
Tampa Electric Co.  
Toledo Edison Co.  
Tucson Electric Power Co  
TXU Electric Co.  
United Illuminating Co.  
West Penn Power Co.  
Western Massachusetts Electric Co.  
Wisconsin Electric Power Co  
Wisconsin Power & Light Co.  
Wisconsin Public Service Co.

### Industry Sharpe Ratio



Sources: Regulatory Research Associates data, Platt's PowerDat database, FERC Form 1, SEC filings and Ernst & Young analysis

**Allowed Return** – Return on Ratebase allowed by the State commission as documented by Regulatory Research Associates.

**Test year utilized** – Binary variable indicating whether the utility’s state commission utilizes a forecast test year period or an historical test year period.

**Regulatory jurisdiction** – Binary variable indicating whether or not the electric utility operating company is under the jurisdiction of more than one state regulatory authority. Electric utility operating companies that are part of a holding company structure and have “sister” companies regulated in other jurisdictions are considered multi-state for the purpose of this analysis.

**Plant newness** – Calculated as Net Plant divided by Gross Plant.

**Load factor** – Calculated as Net Retail MWh Sold / [Peak Load \* 8760]

**Fuel concentration** – Calculated as MWh generated from the single largest fuel divided by Net Retail Sales, up to 100%.

**Bad debt** – Calculated as Allowance for Doubtful Accounts / Retail Sales Dollars

**Retail load growth** – Calculated as the year-over-year change in retail load.

**Retail rate** – Average retail rate as documented in Platt’s PowerDat industry database.

**Vertical integration** – Binary variable indicating whether or not the regulated electric operating company is engaged in energy production and delivery or just energy delivery.

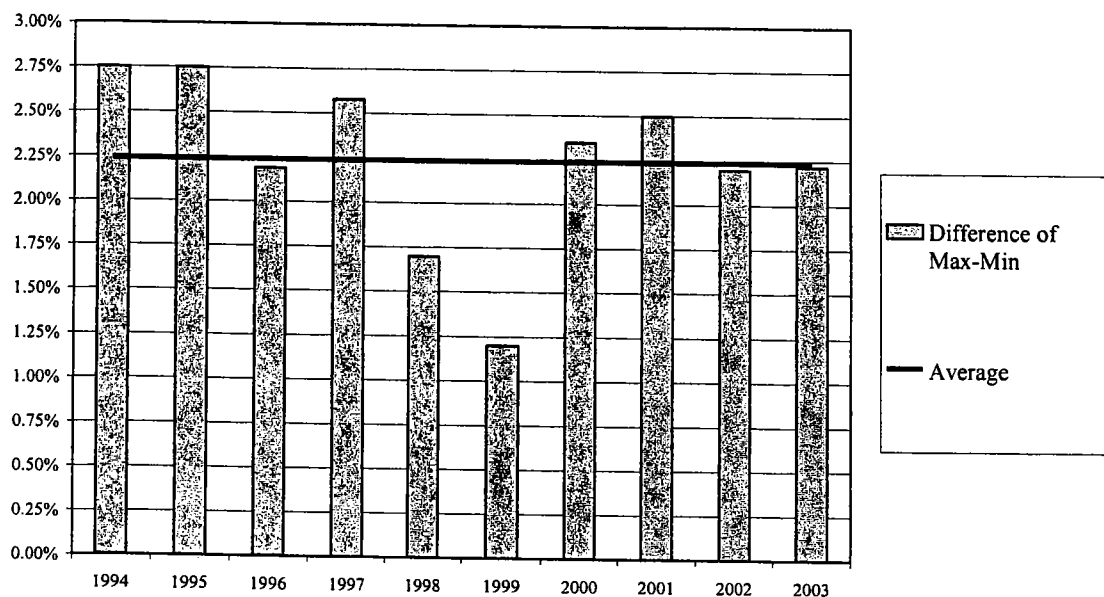
**Purchased Power** – Calculated as total purchased power divided by total revenue.

**Weather** – Measured as the total annual cooling degree days within the state of primary operations.

<b><u>Variable</u></b>	<b><u>P-value</u></b>
Intercept (constant)	0.019
Allowed Return	0.000
Test Year	0.148
Load Growth	0.092
Load Factor	0.201
Bad Debt	0.017
Fuel Cost as a % of Revenue	0.000
Fuel Concentration	0.001
Purchased Power as a % of Revenue	0.000
Regulatory Jurisdiction	0.057
Retail Rate	0.006
Vertical Integration	0.005
Weather	0.112



### Difference of Max-Min ROE Decisions



Sources: Regulatory Research Associates data and Ernst & Young analysis