

AVISTA CORP
Form 10-Q
May 02, 2008
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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 March 31, 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)

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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 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 April 18, 2008, 53,050,928 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

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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 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements on pages 28-29. 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, forecasts, 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.

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CONSOLIDATED STATEMENTS OF INCOME

Avista Corporation

For the Three Months Ended March 31

Dollars in thousands, except per share amounts

	2008	2007
Operating Revenues:		
Utility revenues	\$ 472,272	\$ 414,266
Non-utility energy marketing and trading revenues	6,416	29,409
Other non-utility revenues	17,619	15,512
Total operating revenues	496,307	459,187
Operating Expenses:		
Utility operating expenses:		
Resource costs	318,226	269,986
Other operating expenses	51,719	49,041
Depreciation and amortization	21,442	21,090
Taxes other than income taxes	25,085	23,995
Non-utility operating expenses:		
Resource costs	5,920	37,727
Other operating expenses	13,845	17,136
Depreciation and amortization	1,009	1,275
Total operating expenses	437,246	420,250
Income from operations	59,061	38,937
Other Income (Expense):		
Interest expense	(18,929)	(20,373)
Interest expense to affiliated trusts	(1,696)	(1,810)
Capitalized interest	841	1,116
Other income - net	1,043	3,711
Total other income (expense)-net	(18,741)	(17,356)
Income before income taxes	40,320	21,581
Income taxes	15,089	7,487
Net income	\$ 25,231	\$ 14,094
Weighted-average common shares outstanding (thousands), basic	53,020	52,684
Weighted-average common shares outstanding (thousands), diluted	53,382	53,322
Total earnings per common share, basic	\$ 0.48	\$ 0.27
Total earnings per common share, diluted	\$ 0.47	\$ 0.26
Dividends paid per common share	\$ 0.165	\$ 0.145

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Avista Corporation

For the Three Months Ended March 31

Dollars in thousands

	2008	2007
Net income	\$ 25,231	\$ 14,094
Other Comprehensive Income (Loss):		
Foreign currency translation adjustment		114
Unrealized gains (losses) on interest rate swap agreements - net of taxes of \$(2,063) and \$28, respectively	(3,831)	52
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 \$237 and \$127, respectively	440	236
Unrealized gains on derivative commodity instruments - net of taxes of \$673		1,249
Reclassification adjustment for realized gains on derivative commodity instruments included in net income - net of taxes of \$(39)		(73)
Total other comprehensive income	7,266	1,578
Comprehensive income	\$ 32,497	\$ 15,672

The Accompanying Notes are an Integral Part of These Statements.

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CONSOLIDATED BALANCE SHEETS

Avista Corporation

Dollars in thousands

	March 31, 2008	December 31, 2007
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 12,986	\$ 11,839
Restricted cash	120	4,068
Accounts and notes receivable-less allowances of \$43,283 and \$42,582	223,725	105,440
Utility energy commodity derivative assets	40,734	12,078
Regulatory asset for utility derivatives		7,171
Funds held for customers	90,190	89,885
Materials and supplies, fuel stock and natural gas stored	21,416	34,985
Deferred income taxes	21,401	20,251
Income taxes receivable	11,888	30,025
Other current assets	16,123	16,443
Total current assets	438,583	332,185
Net Utility Property:		
Utility plant in service	3,151,356	3,131,916
Construction work in progress	115,284	100,106
Total	3,266,640	3,232,022
Less: Accumulated depreciation and amortization	895,389	880,680
Total net utility property	2,371,251	2,351,342
Other Property and Investments:		
Investment in exchange power-net	27,971	28,583
Investment in affiliated trusts	13,403	13,403
Other property and investments-net	75,947	74,171
Total other property and investments	117,321	116,157
Deferred Charges:		
Regulatory assets for deferred income tax	115,984	117,461
Regulatory assets for pensions and other postretirement benefits	49,322	51,006
Other regulatory assets	43,371	43,004
Non-current utility energy commodity derivative assets	73,136	55,313
Power and natural gas deferrals	74,414	85,885
Unamortized debt expense	33,627	32,542
Other deferred charges	5,826	4,902
Total deferred charges	395,680	390,113
Total assets	\$ 3,322,835	\$ 3,189,797

The Accompanying Notes are an Integral Part of These Statements.

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CONSOLIDATED BALANCE SHEETS (continued)

Avista Corporation

Dollars in thousands

	March 31, 2008	December 31, 2007
Liabilities and Stockholders Equity:		
Current Liabilities:		
Accounts payable	\$ 139,468	\$ 117,546
Customer fund obligations	90,190	89,885
Deposits from counterparties	25,930	12,510
Current portion of long-term debt	179,700	427,344
Short-term borrowings	29,000	
Interest accrued	24,281	12,578
Utility energy commodity derivative liabilities	8,095	19,249
Regulatory liability for utility derivatives	32,639	
Other current liabilities	110,994	84,537
Total current liabilities	640,297	763,649
Long-term debt	752,536	521,489
Long-term debt to affiliated trusts	113,403	113,403
Other Non-Current Liabilities and Deferred Credits:		
Regulatory liability for utility plant retirement costs	210,807	209,357
Non-current regulatory liability for utility derivatives	72,097	53,414
Pensions and other postretirement benefits	83,709	90,555
Deferred income taxes	440,595	440,918
Other non-current liabilities and deferred credits	70,281	83,046
Total other non-current liabilities and deferred credits	877,489	877,290
Total liabilities	2,383,725	2,275,831
Commitments and Contingencies (See Notes to Consolidated Financial Statements)		
Stockholders Equity:		
Common stock, no par value; 200,000,000 shares authorized; 53,048,994 and 52,909,013 shares outstanding	727,707	726,933
Accumulated other comprehensive loss	(12,342)	(19,608)
Retained earnings	223,745	206,641
Total stockholders equity	939,110	913,966
Total liabilities and stockholders equity	\$ 3,322,835	\$ 3,189,797

The Accompanying Notes are an Integral Part of These Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Avista Corporation

For the Three Months Ended March 31

Dollars in thousands

	2008	2007
Operating Activities:		
Net income	\$ 25,231	\$ 14,094
Non-cash items included in net income:		
Depreciation and amortization	22,451	22,365
Benefit for deferred income taxes	(4,113)	(11,411)
Power and natural gas cost amortizations, net of deferrals	27,598	14,884
Amortization of debt expense	1,234	1,704
Unrealized loss on energy commodity derivatives		20,933
Equity-related Allowance for Funds Used During Construction (AFUDC)	(893)	(907)
Other	(1,998)	1,983
Changes in working capital components:		
Accounts and notes receivable	(118,986)	26,564
Materials and supplies, fuel stock and natural gas stored	13,569	15,062
Deposits with counterparties		(5,889)
Other current assets	18,152	13,824
Accounts payable	28,033	(36,877)