

AVISTA CORP
Form 10-Q
October 30, 2009
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, 2009

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)

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Washington
(State or other jurisdiction)

of incorporation or organization)
1411 East Mission Avenue, Spokane, Washington
(Address of principal executive offices)
91-0462470
(I.R.S. Employer
Identification No.)
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 to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 reporting company) Smaller 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 23, 2009, 54,779,281 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

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

	Page No.
Part I. Financial Information:	
Item 1. Condensed Consolidated Financial Statements	
<u>Condensed Consolidated Statements of Income -</u> <u>Three Months Ended September 30, 2009 and 2008</u>	3
<u>Condensed Consolidated Statements of Income -</u> <u>Nine Months Ended September 30, 2009 and 2008</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income -</u> <u>Three and Nine Months Ended September 30, 2009 and 2008</u>	5
<u>Condensed Consolidated Balance Sheets -</u> <u>September 30, 2009 and December 31, 2008</u>	6
<u>Condensed Consolidated Statements of Cash Flows -</u> <u>Nine Months Ended September 30, 2009 and 2008</u>	8
<u>Condensed Consolidated Statements Stockholders' Equity -</u> <u>Nine Months Ended September 30, 2009 and 2008</u>	9
<u>Notes to Condensed Consolidated Financial Statements</u>	10
<u>Report of Independent Registered Public Accounting Firm</u>	32
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	61
Item 4. <u>Controls and Procedures</u>	61
Part II. Other Information:	
Item 1. <u>Legal Proceedings</u>	62
Item 1A. <u>Risk Factors</u>	62
Item 6. <u>Exhibits</u>	62
<u>Signature</u>	63

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 33-34. 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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Avista Corporation

For the Three Months Ended September 30

Dollars in thousands, except per share amounts

(Unaudited)

	2009	2008
Operating Revenues:		
Utility revenues	\$ 284,249	\$ 353,824
Non-utility energy marketing and trading revenues	6,491	6,824
Other non-utility revenues	23,952	22,037
Total operating revenues	314,692	382,685
Operating Expenses:		
Utility operating expenses:		
Resource costs	167,462	245,127
Other operating expenses	55,332	49,114
Depreciation and amortization	23,630	22,023
Taxes other than income taxes	16,284	15,323
Non-utility operating expenses:		
Resource costs	6,239	6,206
Other operating expenses	20,465	18,081
Depreciation and amortization	1,526	1,479
Total operating expenses	290,938	357,353
Income from operations	23,754	25,332
Other Income (Expense):		
Interest expense	(15,435)	(17,452)
Interest expense to affiliated trusts	(189)	(1,445)
Capitalized interest	298	970
Other income - net	153	7,573
Total other income (expense) - net	(15,173)	(10,354)
Income before income taxes	8,581	14,978
Income tax expense (benefit)	(53)	7,150
Net income	8,634	7,828
Less: Net income attributable to noncontrolling interests	(495)	(469)
Net income attributable to Avista Corporation	\$ 8,139	\$ 7,359

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Weighted-average common shares outstanding (thousands), basic	54,706	53,773
Weighted-average common shares outstanding (thousands), diluted	55,094	54,205
Earnings per common share attributable to Avista Corporation:		
Basic	\$ 0.15	\$ 0.14
Diluted	\$ 0.15	\$ 0.13
Dividends paid per common share	\$ 0.21	\$ 0.18

The Accompanying Notes are an Integral Part of These Statements.

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Avista Corporation

For the Nine Months Ended September 30

Dollars in thousands, except per share amounts

(Unaudited)

	2009	2008
Operating Revenues:		
Utility revenues	\$ 1,024,978	\$ 1,152,741
Non-utility energy marketing and trading revenues	18,081	19,068
Other non-utility revenues	66,214	57,493
Total operating revenues	1,109,273	1,229,302
Operating Expenses:		
Utility operating expenses:		
Resource costs	582,805	746,428
Other operating expenses	170,554	153,353
Depreciation and amortization	69,733	65,379
Taxes other than income taxes	60,661	55,631
Non-utility operating expenses:		
Resource costs	17,307	17,661
Other operating expenses	56,273	46,426
Depreciation and amortization	4,259	3,541
Total operating expenses	961,592	1,088,419
Income from operations	147,681	140,883
Other Income (Expense):		
Interest expense	(47,183)	(57,131)
Interest expense to affiliated trusts	(1,800)	(4,661)
Capitalized interest	1,296	2,720
Other income (expense) - net	(617)	10,477
Total other income (expense) - net	(48,304)	(48,595)
Income before income taxes	99,377	92,288
Income tax expense	33,034	35,544
Net income	66,343	56,744
Less: Net income attributable to noncontrolling interests	(1,325)	(609)
Net income attributable to Avista Corporation	\$ 65,018	\$ 56,135

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Weighted-average common shares outstanding (thousands), basic	54,659	53,366
Weighted-average common shares outstanding (thousands), diluted	54,881	53,765
Earnings per common share attributable to Avista Corporation:		
Basic	\$ 1.19	\$ 1.05
Diluted	\$ 1.18	\$ 1.04
Dividends paid per common share	\$ 0.60	\$ 0.51

The Accompanying Notes are an Integral Part of These Statements.

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Avista Corporation

For the Three Months Ended September 30

Dollars in thousands

(Unaudited)

	2009	2008
Net income	\$ 8,634	\$ 7,828
Other Comprehensive Income:		
Change in unfunded benefit obligation for pension plan - net of taxes of \$54 and \$64 respectively	101	119
Total other comprehensive income	101	119
Comprehensive income	8,735	7,947
Comprehensive income attributable to noncontrolling interests	(495)	(469)
Comprehensive income attributable to Avista Corporation	\$ 8,240	\$ 7,478

For the Nine Months Ended September 30

Dollars in thousands

(Unaudited)

	2009	2008
Net income	\$ 66,343	\$ 56,744
Other Comprehensive Income (Loss):		
Unrealized losses on interest rate swap agreements - net of taxes of \$(2,063)		(3,831)
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 \$162 and \$365 respectively	302	678
Total other comprehensive income	302	7,504
Comprehensive income	66,645	64,248
Comprehensive income attributable to noncontrolling interests	(1,325)	(609)
Comprehensive income attributable to Avista Corporation	\$ 65,320	\$ 63,639

The Accompanying Notes are an Integral Part of These Statements.

Table of Contents

CONDENSED CONSOLIDATED BALANCE SHEETS

Avista Corporation

Dollars in thousands

(Unaudited)

	September 30, 2009	December 31, 2008
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 35,025	\$ 24,313
Restricted cash	12,000	
Accounts and notes receivable - less allowances of \$42,002 and \$45,062	149,492	218,846
Utility energy commodity derivative assets	8,724	11,234
Regulatory asset for utility derivatives	28,441	60,229
Funds held for customers	51,881	59,095
Materials and supplies, fuel stock and natural gas stored.	42,019	53,526
Deferred income taxes	17,526	18,561
Income taxes receivable		22,769
Other current assets	13,313	13,654
Total current assets	358,421	482,227
Net Utility Property:		
Utility plant in service	3,487,589	3,343,535
Construction work in progress	60,577	77,487
Total	3,548,166	3,421,022
Less: Accumulated depreciation and amortization	985,484	928,831
Total net utility property	2,562,682	2,492,191
Other Property and Investments:		
Investment in exchange power - net	24,296	26,133
Investment in affiliated trusts	11,547	13,403
Goodwill	24,820	21,132
Other property and investments - net	81,030	78,208
Total other property and investments	141,693	138,876
Deferred Charges:		
Regulatory assets for deferred income taxes	98,060	115,005
Regulatory assets for pensions and other postretirement benefits	163,634	172,278
Other regulatory assets	82,163	85,112
Non-current utility energy commodity derivative assets	76,600	49,313
Power cost deferrals	37,531	57,607
Unamortized debt expense	30,827	33,004
Other deferred charges	6,369	5,134

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Total deferred charges	495,184	517,453
Total assets	\$ 3,557,980	\$ 3,630,747

The Accompanying Notes are an Integral Part of These Statements.

Table of Contents

CONDENSED CONSOLIDATED BALANCE SHEETS - continued

Avista Corporation

Dollars in thousands

(Unaudited)

	September 30, 2009	December 31, 2008
Liabilities and Stockholders Equity:		
Current Liabilities:		
Accounts payable	\$ 133,135	\$ 176,116
Customer fund obligations	51,881	59,095
Current portion of long-term debt	27,206	17,207
Short-term borrowings	33,400	252,200
Interest accrued	17,223	10,871
Utility energy commodity derivative liabilities	37,165	71,463
Other current liabilities.	147,269	101,592
Total current liabilities	447,279	688,544
Long-term debt	1,060,951	809,258
Long-term debt to affiliated trusts	51,547	113,403
Other Non-Current Liabilities and Deferred Credits:		
Regulatory liability for utility plant retirement costs	216,762	213,747
Non-current regulatory liability for utility derivatives	74,627	42,172
Pensions and other postretirement benefits	144,876	184,588
Deferred income taxes	443,440	488,940
Other non-current liabilities and deferred credits	71,293	82,006
Total other non-current liabilities and deferred credits	950,998	1,011,453
Total liabilities	2,510,775	2,622,658
Commitments and Contingencies (See Notes to Condensed Consolidated Financial Statements)		
Stockholders Equity:		
Avista Corporation Stockholders Equity:		
Common stock, no par value; 200,000,000 shares authorized; 54,740,806 and 54,487,574 shares outstanding	776,977	774,986
Accumulated other comprehensive loss	(5,790)	(6,092)
Retained earnings	264,975	227,989
Total Avista Corporation stockholders equity	1,036,162	996,883
Noncontrolling interests	11,043	11,206
Total stockholders equity	1,047,205	1,008,089

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Total liabilities and stockholders' equity	\$ 3,557,980	\$ 3,630,747
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The Accompanying Notes are an Integral Part of These Statements.

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Avista Corporation

For the Nine Months Ended September 30

Dollars in thousands

(Unaudited)

	2009	2008
Operating Activities:		
Net income	\$ 66,343	\$ 56,744
Non-cash items included in net income:		
Depreciation and amortization	73,992	68,920
Provision (benefit) for deferred income taxes	(27,798)	5,748
Power and natural gas cost amortizations, net of deferrals	44,886	31,421
Amortization of debt expense	4,305	3,547
Equity-related AFUDC	(1,600)	(2,892)
Other	24,023	16,135
Contributions to defined benefit pension plan	(48,000)	(28,000)
Changes in working capital components:		
Accounts and notes receivable	76,689	9,336
Materials and supplies, fuel stock and natural gas stored	11,507	(35,557)
Other current assets	15,238	7,723
Accounts payable	(39,548)	(8,735)
Other current liabilities	34,073	7,521
Net cash provided by operating activities	234,110	131,911
Investing Activities:		
Utility property capital expenditures (excluding equity-related AFUDC)	(141,378)	(150,071)
Other capital expenditures	(2,653)	(2,627)
Decrease (increase) in restricted cash	(12,000)	4,068
Decrease (increase) in funds held for customers	8,354	(2,544)
Repayments received on notes receivable		3,010
Purchase of subsidiary minority interest	(4,775)	(8,574)
Cash paid by subsidiary for acquisition, net of cash received	(8,572)	(1,428)
Other	(1,151)	4,862
Net cash used in investing activities	(162,175)	(153,304)
Financing Activities:		
Increase (decrease) in short-term borrowings	(218,800)	86,500
Proceeds from issuance of long-term debt	249,425	249,165
Redemption and maturity of long-term debt	(194)	(295,023)
Redemption of long-term debt to affiliated trusts	(61,856)	
Long-term debt and short-term borrowing issuance costs	(2,240)	(2,346)
Cash received (paid) in interest rate swap agreement	10,776	(16,395)
Issuance of common stock	1,592	27,397

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Cash dividends paid	(32,836)	(27,258)
Increase (decrease) in customer fund obligations	(8,354)	2,544
Equity transactions of consolidated subsidiaries	1,264	
Net cash provided by (used in) financing activities	(61,223)	24,584
Net increase in cash and cash equivalents	10,712	3,191
Cash and cash equivalents at beginning of period	24,313	11,839
Cash and cash equivalents at end of period	\$ 35,025	\$ 15,030
Supplemental Cash Flow Information:		
Cash paid during the period:		
Interest	\$ 38,326	\$ 48,642
Income taxes	21,165	28,102
Non-cash financing and investing activities:		
Liability to subsidiary minority shareholders	(1,962)	26,243
Issuance of stock by subsidiary for acquisition		37,100

The Accompanying Notes are an Integral Part of These Statements.

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Avista Corporation

For the Nine Months Ended September 30, 2009 and 2008

Dollars in thousands

(Unaudited)

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total Avista Corporation Stockholders Equity	Non- Controlling Interests	Total Stockholders Equity
	Shares	Amount					
Balance as of January 1, 2009	54,487,574	\$ 774,986	\$ (6,092)	\$ 227,989	\$ 996,883	\$ 11,206	\$ 1,008,089
Net income				65,018	65,018	1,325	66,343
Equity compensation expense		1,721			1,721		1,721
Issuance of common stock	253,232	1,592			1,592		1,592
Other comprehensive income			302		302		302
Cash dividends paid				(32,836)	(32,836)		(32,836)
Equity transactions of consolidated subsidiaries		(1,322)			(1,322)	(1,141)	(2,463)
Liability to subsidiary minority shareholders				4,804	4,804		4,804
Other						(347)	(347)
Balance as of September 30, 2009	54,740,806	\$ 776,977	\$ (5,790)	\$ 264,975	\$ 1,036,162	\$ 11,043	\$ 1,047,205
Balance as of January 1, 2008	52,909,013	\$ 726,933	\$ (19,608)	\$ 206,641	\$ 913,966	\$ 862	\$ 914,828
Net income				56,135	56,135	609	56,744
Equity compensation expense							