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Avista Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator instructions) Your first question comes from the line of Brian Russo with Ladenburg Thalmann. Please proceed.

Brian Russo – Ladenburg Thalmann

Hi, good morning.

Scott Morris

Good morning, Brian.

Brian Russo – Ladenburg Thalmann

It seems that the settlement in Washington would lead to a significant step up in utility earnings in 2009, but yet still only assuming it looks like a \$0.10 pick up in the bottom and top of the range. I know you mentioned that you've included incremental pension expense. Can you quantify that some more, please?

Scott Morris

Mark, why don't you go ahead and take that?

Mark

Okay. We have included this. The pension item is really looking at where we are as of September 30th. So we've included amounts up to that level. We haven't disclosed specific amounts in the pension. It also results from just overall increase in operating costs which we continue to try to manage and diligently manage, but costs have continued to increase and we have some lag as we mentioned we expect to file some additional rate cases. So there is a combination of things. We did just settle or we do assume a settlement, but we have additional costs and our capital as Malyn mentioned, we expect to have 5% to 7% increases in our rate base that will have experienced some lag as well.

Brian Russo – Ladenburg Thalmann

What's your assumed allowed ROE in the '09 guidance?

Kelly Norwood

The allowed return is 10.2% ROE.

Scott Morris

That was Kelly Norwood our VP of Regulatory Affairs.

Brian Russo – Ladenburg Thalmann

Okay. And then what's the fully diluted shares outstanding we should assume for '09?

Malyn Malquist

We are getting that, Brian. Brian, this is Malyn. I guess the other comment I would make as Mark alluded to at the end of his comments, the regulatory lag really – it probably means that we are looking at as much as a couple hundred basis points difference between what is allowed in rates and what we are going to earn in 2009 and that's one of the reasons that Kelly and his team are preparing to file additional rate cases in 2009.

Brian Russo – Ladenburg Thalmann

Right. That regulatory lag, are there any initiatives in place to kind of narrow that lag? Or is it just a function of continuously filing rate cases?

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