

AVISTA CORP  
Form 10-Q  
November 01, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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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, 2016 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

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AVISTA CORPORATION

(Exact name of Registrant as specified in its charter)

Washington 91-0462470  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1411 East Mission Avenue, Spokane, Washington 99202-2600  
(Address of principal executive offices) (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 28, 2016, 64,184,399 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

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## AVISTA CORPORATION

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Forward-Looking Statements

From time to time, we make forward-looking statements such as statements regarding projected or future:

financial performance;

cash flows;

capital expenditures;

dividends;

capital structure;

other financial items;

strategic goals and objectives;

business environment; and

plans for operations.

These statements are based upon underlying assumptions (many of which are based, in turn, upon further assumptions). Such statements are made both in our reports filed under the Securities Exchange Act of 1934, as amended (including this Quarterly Report on Form 10-Q), and elsewhere. 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,” “p” and similar expressions.

Forward-looking statements (including those made in this Quarterly Report on Form 10-Q) are subject to a variety of risks, uncertainties and other factors. Most of these factors are beyond our control and may have a significant effect on our operations, results of operations, financial condition or cash flows, which could cause actual results to differ materially from those anticipated in our statements. Such risks, uncertainties and other factors include, among others:

Financial Risk

weather conditions (temperatures, precipitation levels and wind patterns), which affect both energy demand and electric generating capability, including the effect of precipitation and temperature on hydroelectric resources, the effect of wind patterns on wind-generated power, weather-sensitive customer demand, and similar effects on supply and demand in the wholesale energy markets;

our ability to obtain financing through the issuance of debt and/or equity securities, which can be affected by various factors including our credit ratings, interest rates and other capital market conditions and the global economy;

changes in interest rates that affect borrowing costs, our ability to effectively hedge interest rates for anticipated debt issuances, variable interest rate borrowing and the extent to which we recover interest costs through retail rates collected from customers;

changes in actuarial assumptions, interest rates and the actual return on plan assets for our pension and other postretirement benefit plans, which can affect future funding obligations, pension and other postretirement benefit expense and the related liabilities;

external pressure to meet financial goals that can lead to short-term or expedient decisions that reduce the likelihood of long-term objectives being met;

deterioration in the creditworthiness of our customers;

the outcome of legal proceedings and other contingencies;

economic conditions in our service areas, including the economy's effects on customer demand for utility services;

declining energy demand related to customer energy efficiency and/or conservation measures;

changes in the long-term global and our utilities' service area climates, which can affect, among other things, customer demand patterns and the volume and timing of streamflows to our hydroelectric resources;

Utility Regulatory Risk

state and federal regulatory decisions or related judicial decisions that affect our ability to recover costs and earn a reasonable return including, but not limited to, disallowance or delay in the recovery of capital investments, operating

costs and commodity costs and discretion over allowed return on investment;

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possibility that our integrated resource plans for electric and natural gas will not be acknowledged by the state commissions;

Energy Commodity Risk

volatility and illiquidity in wholesale energy markets, including the availability of willing buyers and sellers, changes in wholesale energy prices that can affect operating income, cash requirements to purchase electricity and natural gas, value received for wholesale sales, collateral required of us by counterparties in wholesale energy transactions and credit risk to us from such transactions, and the market value of derivative assets and liabilities;

default or nonperformance on the part of any parties from whom we purchase and/or sell capacity or energy;

potential environmental requirements affecting our ability to utilize or resulting in the obsolescence of our power supply resources;

Operational Risk

severe weather or natural disasters, including, but not limited to, avalanches, wind storms, wildfires, snow and ice storms, that can disrupt energy generation, transmission and distribution, as well as the availability and costs of materials, equipment, supplies and support services;

explosions, fires, accidents, mechanical breakdowns or other incidents that may impair assets and may disrupt operations of any of our generation facilities, transmission, and electric and natural gas distribution systems or other operations and may require us to purchase replacement power;

wildfires caused by our transmission or distribution system that may result in public injuries or property damages;

public injuries or damage arising from or allegedly arising from our operations;

blackouts or disruptions of interconnected transmission systems (the regional power grid);

terrorist attacks, cyber attacks or other malicious acts that may disrupt or cause damage to our utility assets or to the national economy in general, including any effects of terrorism, cyber attacks or vandalism that damage or disrupt information technology systems;

work force issues, including changes in collective bargaining unit agreements, strikes, work stoppages, the loss of key executives, availability of workers in a variety of skill areas, and our ability to recruit and retain employees;

increasing costs of insurance, more restrictive coverage terms and our ability to obtain insurance;

delays or changes in construction costs, and/or our ability to obtain required permits and materials for present or prospective facilities;

increasing health care costs and health insurance provided to our employees and retirees;

third party construction of buildings, billboard signs or towers within our rights of way, or placement of fuel receptacles within close proximity to our transformers or other equipment, including overbuild atop natural gas distribution lines;

the loss of key suppliers for materials or services or disruptions to the supply chain;

adverse impacts to our Alaska operations that could result from an extended outage of its hydroelectric generating resources or their inability to deliver energy, due to their lack of interconnectivity to any other electrical grids and the extensive cost of replacement power (diesel);

Compliance Risk

compliance with extensive federal, state and local legislation and regulation, including numerous environmental, health, safety, infrastructure protection, reliability and other laws and regulations that affect our operations and costs;

the ability to comply with the terms of the licenses and permits for our hydroelectric or thermal generating facilities at cost-effective levels;

Technology Risk

cyber attacks on us or our vendors or other potential lapses that result in unauthorized disclosure of private

information, which could result in liabilities against us, costs to investigate, remediate and defend, and damage to our reputation;





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• disruption to or breakdowns of information systems, automated controls and other technologies that we rely on for our operations, communications and customer service;

• changes in the costs to operate and maintain current production technology or to implement new information technology systems that impede our ability to complete such projects timely and effectively;

• changes in technologies, possibly making some of the current technology we utilize obsolete or the introduction of new technology that may create new cyber security related risk;

• insufficient technology skills, which could lead to the inability to develop, modify or maintain our information systems;

Strategic Risk

• growth or decline of our customer base and the extent to which new uses for our services may materialize or existing uses may decline, including, but not limited to, the effect of the trend toward distributed generation at customer sites;

• potential difficulties in integrating acquired operations and in realizing expected opportunities, diversions of management resources, loss of key employees, challenges with respect to operating new businesses and other unanticipated risks and liabilities;

• the potential effects of negative publicity regarding business practices, whether true or not, which could result in litigation or a decline in our common stock price;

• changes in our strategic business plans, which may be affected by any or all of the foregoing, including the entry into new businesses and/or the exit from existing businesses and the extent of our business development efforts where potential future business is uncertain;

• non-regulated activities may increase earnings volatility;

External Mandates Risk

• changes in environmental laws, regulations, decisions and policies, including present and potential environmental remediation costs and our compliance with these matters;

• the potential effects of legislation or administrative rulemaking at the federal, state or local levels, including possible effects on our generating resources of restrictions on greenhouse gas emissions to mitigate concerns over global climate changes;

• political pressures or regulatory practices that could constrain or place additional cost burdens on our distribution systems through accelerated adoption of distributed generation or electric-powered transportation or on our energy supply sources, such as campaigns to halt coal-fired power generation and opposition to other thermal generation, wind turbines or hydroelectric facilities;

• wholesale and retail competition including alternative energy sources, growth in customer-owned power resource technologies that displace utility-supplied energy or that may be sold back to the utility, and alternative energy suppliers and delivery arrangements;

• failure to identify changes in legislation, taxation and regulatory issues which are detrimental or beneficial to our overall business; and

• the risk of municipalization in any of our service territories.

Our expectations, beliefs and projections are expressed in good faith. We believe they are reasonable based on, without limitation, an examination of historical operating trends, our records and other information available from third parties. There can be no assurance that our expectations, beliefs or projections will be achieved or accomplished. Furthermore, any forward-looking statement speaks only as of the date on which such statement is made. We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to reflect the occurrence of unanticipated events. New risks, uncertainties and other factors emerge from time to time, and it is not possible for us to predict all such factors, nor can we assess the effect of each such factor on our business or the extent that any such factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement.



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AVISTA CORPORATION

Available Information

Our website address is [www.avistacorp.com](http://www.avistacorp.com). We make annual, quarterly and current reports available at our website as soon as practicable after electronically filing these reports with the Securities and Exchange Commission. Information contained on our website is not part of this report.

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## PART I. Financial Information

## Item 1. Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Avista Corporation

Dollars in thousands, except per share amounts

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Operating Revenues:				
Utility revenues	\$296,989	\$307,405	\$1,022,670	\$1,074,642
Non-utility revenues	6,360	6,244	17,690	22,829
Total operating revenues	303,349	313,649	1,040,360	1,097,471
Operating Expenses:				
Utility operating expenses:				
Resource costs	118,737	138,210	390,271	488,886
Other operating expenses	75,160	74,315	229,605	220,599
Depreciation and amortization	40,240	36,303	119,110	106,279
Taxes other than income taxes	22,669	22,269	74,669	75,424
Non-utility operating expenses:				
Other operating expenses	6,756	6,462	18,862	22,924
Depreciation and amortization	193	178	573	512
Total operating expenses	263,755	277,737	833,090	914,624
Income from operations	39,594	35,912	207,270	182,847
Interest expense	21,632	19,951	64,223	59,719
Interest expense to affiliated trusts	164	120	456	347
Capitalized interest	(507 )	(905 )	(2,258 )	(2,701 )
Other income-net	(1,562 )	(2,123 )	(7,025 )	(6,190 )
Income from continuing operations before income taxes	19,867	18,869	151,874	131,672
Income tax expense	7,606	6,115	54,661	47,378
Net income from continuing operations	12,261	12,754	97,213	84,294
Net income from discontinued operations (Note 3)	—	289	—	485
Net income	12,261	13,043	97,213	84,779
Net income attributable to noncontrolling interests	(27 )	(32 )	(76 )	(73 )
Net income attributable to Avista Corp. shareholders	\$12,234	\$13,011	\$97,137	\$84,706

The Accompanying Notes are an Integral Part of These Statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF INCOME (continued)

Avista Corporation

Dollars in thousands, except per share amounts

(Unaudited)

	Three months ended September 30, 2016		Nine months ended September 30, 2015	
Amounts attributable to Avista Corp. shareholders:				
Net income from continuing operations attributable to Avista Corp. shareholders	\$12,234	\$12,722	\$97,137	\$84,221
Net income from discontinued operations attributable to Avista Corp. shareholders	—	289	—	485
Net income attributable to Avista Corp. shareholders	\$12,234	\$13,011	\$97,137	\$84,706
Weighted-average common shares outstanding (thousands), basic	63,857	62,299	63,282	62,299
Weighted-average common shares outstanding (thousands), diluted	64,325	62,688	63,687	62,691
Earnings per common share attributable to Avista Corp. shareholders, basic:				
Earnings per common share from continuing operations	\$0.19	\$0.21	\$1.53	\$1.35
Earnings per common share from discontinued operations	—	—	—	0.01
Total earnings per common share attributable to Avista Corp. shareholders, basic	\$0.19	\$0.21	\$1.53	\$1.36
Earnings per common share attributable to Avista Corp. shareholders, diluted:				
Earnings per common share from continuing operations	\$0.19	\$0.21	\$1.53	\$1.34
Earnings per common share from discontinued operations	—	—	—	0.01
Total earnings per common share attributable to Avista Corp. shareholders, diluted	\$0.19	\$0.21	\$1.53	\$1.35
Dividends declared per common share	\$0.3425	\$0.3300	\$1.0275	\$0.9900

The Accompanying Notes are an Integral Part of These Statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Avista Corporation  
Dollars in thousands  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income	\$12,261	\$13,043	\$97,213	\$84,779
Other Comprehensive Income (Loss):				
Change in unfunded benefit obligation for pension and other postretirement benefit plans - net of taxes of \$75, \$132, \$(512) and \$396 respectively	140	246	(949)	) 737
Total other comprehensive income (loss)	140	246	(949)	) 737
Comprehensive income	12,401	13,289	96,264	85,516
Comprehensive income attributable to noncontrolling interests	(27)	) (32)	) (76)	) (73)
Comprehensive income attributable to Avista Corporation shareholders	\$12,374	\$13,257	\$96,188	\$85,443

The Accompanying Notes are an Integral Part of These Statements.

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## CONDENSED CONSOLIDATED BALANCE SHEETS

Avista Corporation  
Dollars in thousands  
(Unaudited)

	September 30, 2016	December 31, 2015
Assets:		
Current Assets:		
Cash and cash equivalents	\$7,084	\$10,484
Accounts and notes receivable-less allowances of \$4,266 and \$4,530, respectively	116,054	169,413
Regulatory asset for utility derivatives	17,936	17,260
Materials and supplies, fuel stock and stored natural gas	58,080	54,148
Income taxes receivable	49,342	24,121
Other current assets	35,879	30,620
Total current assets	284,375	306,046
Net Utility Property:		
Utility plant in service	5,386,982	5,129,192
Construction work in progress	165,559	202,683
Total	5,552,541	5,331,875
Less: Accumulated depreciation and amortization	1,496,446	1,433,286
Total net utility property	4,056,095	3,898,589
Other Non-current Assets:		
Investment in exchange power-net	7,146	8,983
Investment in affiliated trusts	11,547	11,547
Goodwill	57,672	57,672
Long-term energy contract receivable	3,790	14,694
Other property and investments-net and other non-current assets	55,799	50,750
Total other non-current assets	135,954	143,646
Deferred Charges:		
Regulatory assets for deferred income tax	100,907	101,240
Regulatory assets for pensions and other postretirement benefits	223,596	235,009
Other regulatory assets	132,131	99,798
Regulatory asset for interest rate swaps	246,981	83,973
Non-current regulatory asset for utility commodity derivatives	27,336	32,420
Other deferred charges	7,731	5,928
Total deferred charges	738,682	558,368
Total assets	\$5,215,106	\$4,906,649

The Accompanying Notes are an Integral Part of These Statements.

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## CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

Avista Corporation  
Dollars in thousands  
(Unaudited)

	September 30, 2016	December 31, 2015
Liabilities and Equity:		
Current Liabilities:		
Accounts payable	\$81,898	\$114,349
Current portion of long-term debt and capital leases	3,257	93,167
Short-term borrowings	84,000	105,000
Utility energy commodity derivative liabilities	8,608	14,268
Other current liabilities	164,119	147,896
Total current liabilities	341,882	474,680
Long-term debt and capital leases	1,678,257	1,480,111
Long-term debt to affiliated trusts	51,547	51,547
Regulatory liability for utility plant retirement costs	270,972	261,594
Pensions and other postretirement benefits	202,329	201,453
Deferred income taxes	816,334	747,477
Non-current interest rate swap derivative liabilities	89,683	30,679
Other non-current liabilities, regulatory liabilities and deferred credits	135,578	130,821
Total liabilities	3,586,582	3,378,362
Commitments and Contingencies (See Notes to Condensed Consolidated Financial Statements)		
Equity:		
Avista Corporation Shareholders' Equity:		
Common stock, no par value; 200,000,000 shares authorized; 64,182,487 and 62,312,651 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	1,073,481	1,004,336
Accumulated other comprehensive loss	(7,599)	(6,650)
Retained earnings	562,905	530,940
Total Avista Corporation shareholders' equity	1,628,787	1,528,626
Noncontrolling Interests	(263)	(339)
Total equity	1,628,524	1,528,287
Total liabilities and equity	\$5,215,106	\$4,906,649

The Accompanying Notes are an Integral Part of These Statements.



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## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Avista Corporation

For the Nine Months Ended September 30

Dollars in thousands

(Unaudited)

	2016	2015
Operating Activities:		
Net income	\$97,213	\$84,779
Non-cash items included in net income:		
Depreciation and amortization	122,414	109,522
Deferred income tax provision and investment tax credits	87,246	12,381
Power and natural gas cost amortizations, net	11,422	10,004
Amortization of debt expense	2,595	2,651
Amortization of investment in exchange power	1,838	1,838
Stock-based compensation expense	6,261	5,263
Equity-related AFUDC	(6,306 )	(5,891 )
Pension and other postretirement benefit expense	29,076	28,179
Amortization of Spokane Energy contract	10,904	10,023
Gain on sale of Ecova	—	(710 )
Decoupling regulatory deferral	(24,693 )	(5,146 )
Other	(15,163 )	4,429
Contributions to defined benefit pension plan	(12,000 )	(12,000 )
Cash paid for settlement of interest rate swap agreements	(53,966 )	—
Changes in certain current assets and liabilities:		
Accounts and notes receivable	53,726	49,524
Materials and supplies, fuel stock and stored natural gas	(3,932 )	6,621
Increase in collateral posted for derivative instruments	(19,754 )	(9,917 )
Income taxes receivable	(25,222 )	43,266
Other current assets	(8,486 )	3,408
Accounts payable	(17,206 )	(32,378 )
Income taxes payable	713	158
Other current liabilities	17,438	5,240
Net cash provided by operating activities	254,118	311,244
Investing Activities:		
Utility property capital expenditures (excluding equity-related AFUDC)	(288,072)	(272,801)
Other capital expenditures	(270 )	(852 )
Cash paid in acquisition, net	—	(95 )
Other	(26,611 )	2,646
Net cash used in investing activities	(314,953)	(271,102)

The Accompanying Notes are an Integral Part of These Statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Avista Corporation

For the Nine Months Ended September 30

Dollars in thousands

(Unaudited)

	2016	2015
Financing Activities:		
Net increase in borrowings from committed line of credit	\$82,000	\$25,000
Proceeds from issuance of long-term debt	70,000	—
Redemption and maturity of long-term debt	(92,375 )	(2,174 )
Maturity of nonrecourse long-term debt of Spokane Energy	—	(1,431 )
Issuance of common stock, net of issuance costs	66,756	1,397
Repurchase of common stock	—	(2,920 )
Cash dividends paid	(65,172 )	(61,828 )
Other	(3,774 )	(11,015 )
Net cash provided by (used in) financing activities	57,435	(52,971 )
Net decrease in cash and cash equivalents	(3,400 )	(12,829 )
Cash and cash equivalents at beginning of period	10,484	22,143
Cash and cash equivalents at end of period	\$7,084	\$9,314

The Accompanying Notes are an Integral Part of These Statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

Avista Corporation

For the Nine Months Ended September 30

Dollars in thousands

(Unaudited)

	2016	2015
Common Stock, Shares:		
Shares outstanding at beginning of period	62,312,651	62,243,374
Shares issued	1,869,836	149,883
Shares repurchased	—	(89,400 )
Shares outstanding at end of period	64,182,487	62,303,857
Common Stock, Amount:		
Balance at beginning of period	\$1,004,336	\$999,960
Equity compensation expense	5,462	4,579
Issuance of common stock, net of issuance costs	66,756	1,397
Payment of minimum tax withholdings for share-based payment awards	(3,073 )	(1,832 )
Repurchase of common stock	—	(1,431 )
Excess tax benefits	—	43
Balance at end of period	1,073,481	1,002,716
Accumulated Other Comprehensive Loss:		
Balance at beginning of period	(6,650 )	(7,888 )
Other comprehensive income (loss)	(949 )	737
Balance at end of period	(7,599 )	(7,151 )
Retained Earnings:		
Balance at beginning of period	530,940	491,599
Net income attributable to Avista Corporation shareholders	97,137	84,706
Cash dividends paid (common stock)	(65,172 )	(61,828 )
Repurchase of common stock	—	(1,489 )
Balance at end of period	562,905	512,988
Total Avista Corporation shareholders' equity	1,628,787	1,508,553
Noncontrolling Interests:		
Balance at beginning of period	(339 )	(429 )
Net income attributable to noncontrolling interests	76	73
Balance at end of period	(263 )	(356 )
Total equity	\$1,628,524	\$1,508,197

The Accompanying Notes are an Integral Part of These Statements.

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## AVISTA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The accompanying condensed consolidated financial statements of Avista Corporation (Avista Corp. or the Company) for the interim periods ended September 30, 2016 and 2015 are unaudited; however, in the opinion of management, the statements reflect all adjustments necessary for a fair statement of the results for the interim periods. The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The Condensed Consolidated Statements of Income for the interim periods are not necessarily indicative of the results to be expected for the full year. These condensed consolidated financial statements do not contain the detail or footnote disclosure concerning accounting policies and other matters which would be included in full fiscal year consolidated financial statements; therefore, they should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Form 10-K). Please refer to the section "Acronyms and Terms" in the 2015 Form 10-K for definitions of terms. The acronyms and terms are an integral part of these condensed consolidated financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Nature of Business

Avista Corp. is primarily an electric and natural gas utility with certain other business ventures. Avista Utilities is an operating division of Avista Corp., comprising the regulated utility operations in the Pacific Northwest. Avista Utilities provides electric distribution and transmission, and natural gas distribution services in parts of eastern Washington and northern Idaho. Avista Utilities also provides natural gas distribution service in parts of northeastern and southwestern Oregon. Avista Utilities has electric generating facilities in Washington, Idaho, Oregon and Montana. Avista Utilities also supplies electricity to a small number of customers in Montana, most of whom are employees who operate Avista Utilities' Noxon Rapids generating facility.

Alaska Energy and Resources Company (AERC) is a wholly-owned subsidiary of Avista Corp. The primary subsidiary of AERC is Alaska Electric Light and Power Company (AEL&P), which comprises Avista Corp.'s regulated utility operations in Alaska. Avista Capital, Inc. (Avista Capital), a wholly owned non-regulated subsidiary of Avista Corp., is the parent company of all of the subsidiary companies in the non-utility businesses, with the exception of AJT Mining Properties, Inc. in Alaska.

## Basis of Reporting

The condensed consolidated financial statements include the assets, liabilities, revenues and expenses of the Company and its subsidiaries and other majority owned subsidiaries and variable interest entities for which the Company or its subsidiaries are the primary beneficiaries. Intercompany balances were eliminated in consolidation. The accompanying condensed consolidated financial statements include the Company's proportionate share of utility plant and related operations resulting from its interests in jointly owned plants.

## Taxes Other Than Income Taxes

Taxes other than income taxes include state excise taxes, city occupational and franchise taxes, real and personal property taxes and certain other taxes not based on income. These taxes are generally based on revenues or the value of property. Utility related taxes collected from customers (primarily state excise taxes and city utility taxes) are recorded as operating revenue and expense. Taxes other than income taxes consisted of the following items for the three and nine months ended September 30 (dollars in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Utility related taxes	\$ 12,095	\$ 12,316	\$ 43,033	\$ 44,755

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Property taxes	10,047	9,448	29,757	28,669
Other taxes	527	505	1,879	2,000
Total	\$			