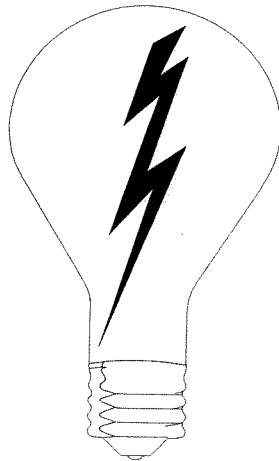


YEAR 2002

ANNUAL REPORT  
OF  
**Avista Corporation**

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PUBLIC SERVICE  
COMMISSION

ELECTRIC UTILITY



TO THE  
PUBLIC SERVICE COMMISSION  
STATE OF MONTANA  
1701 PROSPECT AVENUE  
P.O. BOX 202601  
HELENA, MT 59620-2601

**IDENTIFICATION**

Year: 2002

1.	Legal Name of Respondent:	Avista Corporation
2.	Name Under Which Respondent Does Business:	Avista Corp.
3.	Date Utility Service First Offered in Montana	July, 1960
4.	Address to send Correspondence Concerning Report:	1411 East Mission Ave. P.O. Box 3727 Spokane, WA 99220
5.	Person Responsible for This Report:	Christy Burmeister-Smith Vice President and Controller
5a.	Telephone Number:	509-495-4256
Control Over Respondent		
1.	If direct control over the respondent was held by another entity at the end of year provide the following:	
	1a. Name and address of the controlling organization or person:	
	1b. Means by which control was held:	
	1c. Percent Ownership:	

**SCHEDULE 2**

Board of Directors		
Line No.	Name of Director and Address (City, State)	Remuneration
	(a)	(b)
1	Erik J. Anderson 2420 Carillon Point, Kirkland, WA 98033	\$61,600
2	Kristianne Blake P. O. Box 28338, Spokane, WA 99228	\$68,333
3	David A. Clack 325 E. Sprague Avenue, Spokane, WA 99202	\$54,400
4	Roy Lewis Eiguren PO Box 2720, Boise, ID 83701	\$36,800
5	Sarah M. R. Jewell 6750 S. 228th St., Kent, WA 98032	\$50,867
6	John F. Kelly 19300 Pacific Highway S., Seattle, WA 98188	\$48,400
7	Jessie J. Knight, Jr. 402 W. Broadway, Suite 1000, San Diego, CA 92101	\$50,333
8	Eugene W. Meyer (1) 3 Plumbridge Lane, Hilton Head Island, SC 29928	\$19,700
9	Dr. Lura J. Powell 1009 Country Court, Richland, WA 99352	(3)
10	Bobby Schmidt (1) 5 Trails End, Hilton Head Island, SC 29926	\$37,667
11	R. John Taylor 111 Main St., Lewiston, ID 83501	\$49,879
12	Daniel J. Zaloudek (1) 8405 S. Canton, Tulsa, OK 74137	\$16,100
13	Gary G. Ely (2) 1411 E. Mission Ave, Spokane, WA 99220	(2)
14		
15	(1) Mr. Meyer, Mr. Schmidt and Mr. Zaloudek completed their service in May, 2002	
16	(2) Mr. Ely is Chairman of the Board as well as President and Chief Executive Officer of Avista Corporation.	
17		
18	(3) Dr. Powell was appointed to the Board of Directors in January 2003	
19		
20		

Officers

Year: 2002

Line No.	Title of Officer (a)	Department Supervised (b)	Name (c)
1	Chairman of the Board		
2	President & Chief Executive Officer		Gary G. Ely
3			
4	Senior Vice President & Chief Financial Officer	Finance	Malyn K. Malquist
5			
6			
7	Senior Vice President		Jon E. Eliassen (1)
8			
9	Senior Vice President & General Counsel		David J. Meyer
10			
11			
12	Chief Communications Officer		
13	Vice President - Corporate Relations & Strategic Planning	Investor Relations	David A. Brukardt (2)
14			
15			
16	Vice President & Controller	Finance/Accounting	Christy Burmeister-Smith
17			
18	Senior Vice President	Utility Operations	Scott L. Morris
19			
20	Vice President of Rates & Regulation	Regulatory	Kelly O. Norwood
21			
22			
23	Vice President & Treasurer	Finance	Ronald R. Peterson (3)
24			
25	Vice President & Corporate Secretary	Corporate Secretary	Terry L. Syms (4)
26			
27	Vice President	Utility Operations	Roger D. Woodworth
28			
29	Vice President of Human Resources & Corporate Services	Human Resources	Karen S. Feltes (5)
30			
31			
32	Vice President of Power Supply	Resource Management	Lloyd Meyers
33			
34	(1) Chief Financial Officer through November 2002; retiring in 2003.		
35			
36	(2) Vice President and Treasurer in March 2003.		
37			
38	(3) Vice President of Energy Resources and Optimization in March 2003.		
39			
40	(4) Vice President and Assistant to the Chairman in March 2003.		
41			
42	(5) Vice President of Human Resources and Corporate Secretary in March 2003.		
43			
44			
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**CORPORATE STRUCTURE**

Year: 2002

	Subsidiary/Company Name	Line of Business	Earnings	Percent of Total
1				
2	Avista Capital	Parent company to all of the	(\$4,212,474)	100.00%
3		Company's non-regulated		
4		subsidiaries		
5				
6				
7	Avista Advantage	Various energy services, such as		
8		internet based billing and information		
9		services.		
10				
11	Avista Communications	Local telecommunications		
12		Avista Corp. has sold substantially all assets.		
13				
14	Avista Development	Non-operating investments in real estate		
15		and othe investments		
16				
17	Avista Energy	Wholesale electric and natural gas		
18		marketing and trading		
19				
20	Avista Labs	Fuel cell technology and fuel cell		
21		components		
22				
23				
24	Avista Power	Purchase and develop generating		
25		facilities		
26				
27				
28	Avista Services	Products and services to utility		
29		customers; currently inactive		
30				
31				
32	Avista Turbine Power	Develops electric generation assets		
33				
34	Avista Rathdrum	Develops electric generation assets		
35				
36	Avista Ventures	Invests in emerging business opportunities		
37				
38				
39	Pentzer Corporation	Within Avista Capital; parent company to		
40		Advanced Manufacturing & Design.		
41				
42	Advanced Manufaturin	Manufacturer of electronic and mechanical		
43	and Devlopment	equipment for the computer and		
44		instrumentation industries.		
45				
46	Avista Receivables Co	Acquires and sells accounts receivable		
47		of Avista Corp.		
48				
49				
50	<b>TOTAL</b>		(4,212,474)	

**CORPORATE ALLOCATIONS**

Year: 2002

	Items Allocated	Classification	Allocation Method	\$ to MT Utility	MT %	\$ to Other
1	Not applicable					
2						
3						
4						
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33						
34	<b>TOTAL</b>					

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY Year: 2002

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1						
2	Avista Energy	Natural Gas	Market price	114,838,448	4.83%	None
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32	<b>TOTAL</b>			114,838,448		

**AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY** Year: 2002

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility	
1	Not applicable						
2							
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31							
32	<b>TOTAL</b>						

## MONTANA UTILITY INCOME STATEMENT

Year: 2002

	Account Number & Title	Last Year	This Year	% Change
1	400 Operating Revenues	113,318,333	2,651,422	-97.66%
2				
3	Operating Expenses			
4	401 Operation Expenses	30,232,161	21,390,988	-29.24%
5	402 Maintenance Expense	5,097,801	4,255,386	-16.53%
6	403 Depreciation Expense	9,556,558	10,289,893	7.67%
7	404-405 Amortization of Electric Plant	none/n.a.	none/n.a.	#VALUE!
8	406 Amort. of Plant Acquisition Adjustments	none/n.a.	none/n.a.	#VALUE!
9	407 Amort. of Property Losses, Unrecovered Plant & Regulatory Study Costs	none/n.a.	none/n.a.	#VALUE!
10				
11	408.1 Taxes Other Than Income Taxes	6,590,065	7,108,880	7.87%
12	409.1 Income Taxes - Federal	none/n.a.	none/n.a.	#VALUE!
13	- Other	(1,186,912)	595,199	150.15%
14	410.1 Provision for Deferred Income Taxes	none/n.a.	none/n.a.	#VALUE!
15	411.1 (Less) Provision for Def. Inc. Taxes - Cr.	none/n.a.	none/n.a.	#VALUE!
16	411.4 Investment Tax Credit Adjustments	none/n.a.	none/n.a.	#VALUE!
17	411.6 (Less) Gains from Disposition of Utility Plant	none/n.a.	none/n.a.	#VALUE!
18	411.7 Losses from Disposition of Utility Plant	none/n.a.	none/n.a.	#VALUE!
19				
20	<b>TOTAL Utility Operating Expenses</b>	50,289,673	43,640,346	-13.22%
21	<b>NET UTILITY OPERATING INCOME</b>	63,028,660	(40,988,924)	-165.03%

## MONTANA REVENUES

SCHEDULE 9

	Account Number & Title	Last Year	This Year	% Change
1	Sales of Electricity			
2	440 Residential	7,047	6,572	-6.74%
3	442 Commercial & Industrial - Small	1,608	2,038	26.74%
4	Commercial & Industrial - Large			
5	444 Public Street & Highway Lighting			
6	445 Other Sales to Public Authorities			
7	446 Sales to Railroads & Railways			
8	448 Interdepartmental Sales	5,627	6,470	14.98%
9				
10	<b>TOTAL Sales to Ultimate Consumers</b>	14,282	15,080	5.59%
11	447 Sales for Resale	108,362,082	1,303,825	-98.80%
12				
13	<b>TOTAL Sales of Electricity</b>	108,376,364	1,318,905	-98.78%
14	449.1 (Less) Provision for Rate Refunds			
15				
16	<b>TOTAL Revenue Net of Provision for Refunds</b>	108,376,364	1,318,905	-98.78%
17	Other Operating Revenues			
18	450 Forfeited Discounts & Late Payment Revenues			
19	451 Miscellaneous Service Revenues			
20	453 Sales of Water & Water Power			
21	454 Rent From Electric Property	100,902	69,501	-31.12%
22	455 Interdepartmental Rents			
23	456 Other Electric Revenues	4,841,067	1,263,016	-73.91%
24				
25	<b>TOTAL Other Operating Revenues</b>	4,941,969	1,332,517	-73.04%
26	<b>Total Electric Operating Revenues</b>	113,318,333	2,651,422	-97.66%



**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2002

Account Number & Title		Last Year	This Year	% Change
1	Power Production Expenses			
2				
3	Steam Power Generation			
4	Operation			
5	500 Operation Supervision & Engineering	124,055	113,175	-8.77%
6	501 Fuel	10,554,703	9,276,929	-12.11%
7	502 Steam Expenses	164,231	410,316	149.84%
8	503 Steam from Other Sources	(6,446)	2,878	144.65%
9	504 (Less) Steam Transferred - Cr.			
10	505 Electric Expenses	(109,951)	43,146	139.24%
11	506 Miscellaneous Steam Power Expenses	1,689,204	2,581,593	52.83%
12	507 Rents	104,574	51,624	-50.63%
13				
14	TOTAL Operation - Steam	12,520,370	12,479,661	-0.33%
15				
16	Maintenance			
17	510 Maintenance Supervision & Engineering	343,719	170,192	-50.49%
18	511 Maintenance of Structures	241,036	304,675	26.40%
19	512 Maintenance of Boiler Plant	3,073,177	2,127,583	-30.77%
20	513 Maintenance of Electric Plant	459,999	585,659	27.32%
21	514 Maintenance of Miscellaneous Steam Plant	296,440	275,240	-7.15%
22				
23	TOTAL Maintenance - Steam	4,414,371	3,463,349	-21.54%
24				
25	<b>TOTAL Steam Power Production Expenses</b>	16,934,741	15,943,010	-5.86%
26				
27	Nuclear Power Generation			
28	Operation			
29	517 Operation Supervision & Engineering			
30	518 Nuclear Fuel Expense			
31	519 Coolants & Water			
32	520 Steam Expenses			
33	521 Steam from Other Sources			
34	522 (Less) Steam Transferred - Cr.			
35	523 Electric Expenses			
36	524 Miscellaneous Nuclear Power Expenses			
37	525 Rents			
38				
39	TOTAL Operation - Nuclear			
40				
41	Maintenance			
42	528 Maintenance Supervision & Engineering			
43	529 Maintenance of Structures			
44	530 Maintenance of Reactor Plant Equipment			
45	531 Maintenance of Electric Plant			
46	532 Maintenance of Miscellaneous Nuclear Plant			
47				
48	TOTAL Maintenance - Nuclear			
49				
50	<b>TOTAL Nuclear Power Production Expenses</b>			

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2002

Account Number & Title		Last Year	This Year	% Change
1	Power Production Expenses -continued			
2	Hydraulic Power Generation			
3	Operation			
4	535 Operation Supervision & Engineering	77,478	82,509	6.49%
5	536 Water for Power	716,321	676,861	-5.51%
6	537 Hydraulic Expenses	549,279	344,833	-37.22%
7	538 Electric Expenses	596,652	699,041	17.16%
8	539 Miscellaneous Hydraulic Power Gen. Expenses	97,256	51,458	-47.09%
9	540 Rents			
10				
11	TOTAL Operation - Hydraulic	2,036,986	1,854,702	-8.95%
12				
13	Maintenance			
14	541 Maintenance Supervision & Engineering	12,845	13,524	5.29%
15	542 Maintenance of Structures	28,280	51,141	80.84%
16	543 Maint. of Reservoirs, Dams & Waterways	64,966	13,244	-79.61%
17	544 Maintenance of Electric Plant	363,969	540,767	48.58%
18	545 Maintenance of Miscellaneous Hydro Plant	10,851	9,232	-14.92%
19				
20	TOTAL Maintenance - Hydraulic	480,911	627,908	30.57%
21				
22	<b>TOTAL Hydraulic Power Production Expenses</b>	<b>2,517,897</b>	<b>2,482,610</b>	<b>-1.40%</b>
23				
24	Other Power Generation			
25	Operation			
26	546 Operation Supervision & Engineering			
27	547 Fuel			
28	548 Generation Expenses			
29	549 Miscellaneous Other Power Gen. Expenses			
30	550 Rents	155	155	
31				
32	TOTAL Operation - Other	155	155	
33				
34	Maintenance			
35	551 Maintenance Supervision & Engineering			
36	552 Maintenance of Structures			
37	553 Maintenance of Generating & Electric Plant			
38	554 Maintenance of Misc. Other Power Gen. Plant		186	#DIV/0!
39				
40	TOTAL Maintenance - Other		186	#DIV/0!
41				
42	<b>TOTAL Other Power Production Expenses</b>	<b>155</b>	<b>341</b>	<b>120.00%</b>
43				
44	Other Power Supply Expenses			
45	555 Purchased Power	14,342,309	5,436,777	-62.09%
46	556 System Control & Load Dispatching			
47	557 Other Expenses			
48				
49	TOTAL Other Power Supply Expenses	14,342,309	5,436,777	-62.09%
50				
51	<b>TOTAL Power Production Expenses</b>	<b>33,795,102</b>	<b>23,862,738</b>	<b>-29.39%</b>

## MONTANA OPERATION &amp; MAINTENANCE EXPENSES

Year: 2002

Account Number & Title		Last Year	This Year	% Change
1	Transmission Expenses			
2	Operation			
3	560 Operation Supervision & Engineering	10,199	31,762	211.42%
4	561 Load Dispatching	21,927	34,101	55.52%
5	562 Station Expenses	9,604	14,495	50.93%
6	563 Overhead Line Expenses	24,052	27,251	13.30%
7	564 Underground Line Expenses			
8	565 Transmission of Electricity by Others	365,316	192,064	-47.43%
9	566 Miscellaneous Transmission Expenses			
10	567 Rents	89,342	72,225	-19.16%
11				
12	TOTAL Operation - Transmission	520,440	371,898	-28.54%
13	Maintenance			
14	568 Maintenance Supervision & Engineering	6,756	5,210	-22.88%
15	569 Maintenance of Structures	1,473	11,700	694.30%
16	570 Maintenance of Station Equipment	58,298	114,942	97.16%
17	571 Maintenance of Overhead Lines	130,507	22,911	-82.44%
18	572 Maintenance of Underground Lines			
19	573 Maintenance of Misc. Transmission Plant			
20				
21	TOTAL Maintenance - Transmission	197,034	154,763	-21.45%
22				
23	<b>TOTAL Transmission Expenses</b>	<b>717,474</b>	<b>526,661</b>	<b>-26.60%</b>
24				
25	Distribution Expenses			
26	Operation			
27	580 Operation Supervision & Engineering			
28	581 Load Dispatching			
29	582 Station Expenses		230	#DIV/0!
30	583 Overhead Line Expenses			
31	584 Underground Line Expenses			
32	585 Street Lighting & Signal System Expenses			
33	586 Meter Expenses			
34	587 Customer Installations Expenses			
35	588 Miscellaneous Distribution Expenses			
36	589 Rents	90		-100.00%
37				
38	TOTAL Operation - Distribution	90	230	155.56%
39	Maintenance			
40	590 Maintenance Supervision & Engineering	219		-100.00%
41	591 Maintenance of Structures		89	#DIV/0!
42	592 Maintenance of Station Equipment	228	600	163.16%
43	593 Maintenance of Overhead Lines			
44	594 Maintenance of Underground Lines			
45	595 Maintenance of Line Transformers			
46	596 Maintenance of Street Lighting, Signal Systems			
47	597 Maintenance of Meters			
48	598 Maintenance of Miscellaneous Dist. Plant			
49				
50	TOTAL Maintenance - Distribution	447	689	54.14%
51				
52	<b>TOTAL Distribution Expenses</b>	<b>537</b>	<b>919</b>	<b>71.14%</b>

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2002

Account Number & Title		Last Year	This Year	% Change
1	Customer Accounts Expenses			
2	Operation			
3	901 Supervision			
4	902 Meter Reading Expenses			
5	903 Customer Records & Collection Expenses			
6	904 Uncollectible Accounts Expenses			
7	905 Miscellaneous Customer Accounts Expenses			
8				
9	TOTAL Customer Accounts Expenses			
10	Customer Service & Information Expenses			
11	Operation			
12	907 Supervision			
13	908 Customer Assistance Expenses			
14	909 Informational & Instructional Adv. Expenses		29,962	#DIV/0!
15	910 Miscellaneous Customer Service & Info. Exp.			
16				
17				
18	TOTAL Customer Service & Info Expenses		29,962	#DIV/0!
19	Sales Expenses			
20	Operation			
21	911 Supervision			
22	912 Demonstrating & Selling Expenses			
23	913 Advertising Expenses			
24	916 Miscellaneous Sales Expenses			
25				
26				
27	TOTAL Sales Expenses			
28	Administrative & General Expenses			
29	Operation			
30	920 Administrative & General Salaries			
31	921 Office Supplies & Expenses	72		-100.00%
32	922 (Less) Administrative Expenses Transferred - Cr.			
33	923 Outside Services Employed			
34	924 Property Insurance	122,786	260,236	111.94%
35	925 Injuries & Damages	6,970	10,213	46.53%
36	926 Employee Pensions & Benefits	45		-100.00%
37	927 Franchise Requirements			
38	928 Regulatory Commission Expenses	681,387	947,154	39.00%
39	929 (Less) Duplicate Charges - Cr.			
40	930.1 General Advertising Expenses			
41	930.2 Miscellaneous General Expenses	105		-100.00%
42	931 Rents			
43				
44				
45	TOTAL Operation - Admin. & General	811,365	1,217,603	50.07%
46	Maintenance			
47	935 Maintenance of General Plant	5,484	8,491	54.83%
48				
49	TOTAL Administrative & General Expenses	816,849	1,226,094	50.10%
50				
51	TOTAL Operation & Maintenance Expenses	35,329,962	25,646,374	-27.41%

**MONTANA TAXES OTHER THAN INCOME**

Year: 2002

	Description of Tax	Last Year	This Year	% Change
1	Payroll Taxes	49,249	(900)	-101.83%
2	Superfund			
3	Secretary of State			
4	Montana Consumer Counsel	41,682	87,690	110.38%
5	Motor Vehicle Tax	5,057	8,393	65.97%
6	KWH Tax	925,564	1,039,235	12.28%
7	Property Taxes	5,568,507	5,973,731	7.28%
8	Public Commission Tax	6	731	12083.33%
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51	<b>TOTAL MT Taxes Other Than Income</b>	6,590,065	7,108,880	7.87%

**PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES**

Year: 2002

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Analytical Surveys Inc.	Computer Services & Consul	612,651		
2	Bain Company	Consulting	1,288,963		
3	Deloitte & Touche LLP	Independent Accountants	596,278		
4	Hanna & Associates, Inc.	Engineering Consulting	352,546		
5	Heller Ehrmann White	Legal	569,839		
6	Marsh Advantage America	Insurance	1,993,147		
7	Morrison and Foerster LLP	Legal	295,332		
8	Network Design & Managemen	Computer Services & Consul	822,819		
9	Owens James and Vernon P	Legal	550,000		
10	Paine Hamblen Coffin & Br	Legal	1,735,856		
11	Price Waterhouse Coopers	Consulting	254,894		
12	Thelen Reid & Preist	Legal	642,947		
13	Van Ness Feldman	Legal	544,904		
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50	<b>TOTAL Payments for Services</b>		10,260,176		

**POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS** Year: 2002

	Description	Total Company	Montana	% Montana
1				
2	Committee to Elect Kim Gillan	\$75.00	\$75.00	100.00%
3	Committee to Elect Jeff Laszloffy	\$50.00	\$50.00	100.00%
4	Committee to Elect Clarice Schrumph	\$50.00	\$50.00	100.00%
5	Committee to Elect Gilda Clancey	\$50.00	\$50.00	100.00%
6	Committee to Elect Gary Forrester	\$75.00	\$75.00	100.00%
7	Committee to Elect Joe McKenney	\$50.00	\$50.00	100.00%
8	Committee to Elect Al Bishop	\$100.00	\$100.00	100.00%
9	Committee to Elect Jack Wells	\$100.00	\$100.00	100.00%
10	Committee to Elect Ric Holden	\$100.00	\$100.00	100.00%
11	Committee to Elect Dan Fuchs	\$100.00	\$100.00	100.00%
12	Committee to Elect Haley Beaudry	\$100.00	\$100.00	100.00%
13	Committee to Elect Tim Dowell	\$100.00	\$100.00	100.00%
14				
15				
16	<b>Contributions were made from the Energy Associates PAC.</b>			
17				
18	Taxpayers Against I-145	\$657,150.00	\$657,150.00	100.00%
19	<b>Contributions from the incidental committee (Avista Clark Fork</b>			
20	<b>Project Protection Committee) made to the ballot issue committee (Taxpayers</b>			
21	<b>Against I-145). These contributions include in-kind of legal and</b>			
22	<b>labor as well as monetary contributions.</b>			
23				
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47				
48				
49				
50	<b>TOTAL Contributions</b>	658,100	658,100	

**Pension Costs**

Year: 2002

1	Plan Name	The Retirement Plan for Employees of Avista Corporation.		
2	Defined Benefit Plan? Yes	Defined Contribution Plan? No		
3	Actuarial Cost Method? Yes	IRS Code: 001		
4	Annual Contribution by Employer: Varies	Is the Plan Over Funded? No		
5				
	Item	Current Year	Last Year	% Change
6	<b>Change in Benefit Obligation</b>			
7	Benefit obligation at beginning of year	198,574	175,291	-11.73%
8	Service cost	6,704	5,686	-15.18%
9	Interest Cost	14,276	13,450	-5.79%
10	Plan participants' contributions			
11	Amendments	(2,530)		100.00%
12	Actuarial Gain	19,704	16,162	-17.98%
13	Benefits paid	(11,441)	(11,078)	3.17%
14	Expenses paid	(1,462)	(937)	35.91%
15	Benefit obligation at end of year	223,825	198,574	-11.28%
16	<b>Change in Plan Assets</b>			
17	Fair value of plan assets at beginning of year	153,705	175,033	13.88%
18	Actual return on plan assets	(16,676)	(9,313)	44.15%
19	Acquisition			
20	Employer contribution	12,000		-100.00%
21	Benefits paid	(11,441)	(11,078)	3.17%
22	Expenses paid	(1,462)	(937)	35.91%
23	Fair value of plan assets at end of year	136,126	153,705	12.91%
24	<b>Funded Status</b>	(87,699)	(44,869)	48.84%
25	Unrecognized net actuarial loss	75,943	28,134	-62.95%
26	Unrecognized prior service cost	6,366	9,708	52.50%
27	Unrecognized net transition obligation/(asset)	(2,671)	(3,757)	
28	Prepaid (accrued) benefit cost	(8,061)	(10,784)	-33.78%
29				
30	<b>Weighted-average Assumptions as of Year End</b>			
31	Discount rate	6.75%	7.25%	7.41%
32	Expected return on plan assets	8.00%	9.00%	12.50%
33	Rate of compensation increase	5.00%	5.00%	
34				
35	<b>Components of Net Periodic Benefit Costs</b>			
36	Service cost	6,704	5,686	-15.18%
37	Interest cost	14,276	13,450	-5.79%
38	Expected return on plan assets	(12,311)	(15,254)	-23.91%
39	Transition (asset)/obligation recognition	(1,086)	(1,086)	
40	Amortization of prior service cost	813	971	19.43%
41	Recognized net actuarial loss	883		-100.00%
42	Net periodic benefit cost	9,279	3,767	-59.40%
43				
44	<b>Montana Intrastate Costs:</b>			
45	Pension Costs			
46	Pension Costs Capitalized			
47	Accumulated Pension Asset (Liability) at Year End	not available by state		
48	<b>Number of Company Employees:</b>			
49	Covered by the Plan	2,486	2,458	-1.13%
50	Not Covered by the Plan			
51	Active	1,342	1,331	-0.82%
52	Retired	807	798	-1.12%
53	Deferred Vested Terminated	337	329	-2.37%



**Other Post Employment Benefits (OPEBS)**

Item	Current Year	Last Year	% Change
<b>1 Regulatory Treatment:</b>			
2 Commission authorized - most recent			
3 Docket number: _____			
4 Order number: _____			
5 Amount recovered through rates			
<b>6 Weighted-average Assumptions as of Year End</b>			
7 Discount rate	7.25%	7.25%	
8 Expected return on plan assets	9.00%	9.00%	
9 Medical Cost Inflation Rate	6.00%	6.00%	
10 Actuarial Cost Method		Proj Unit Credit	#VALUE!
11 Rate of compensation increase			
<b>12 List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:</b>			
13			
14			
<b>15 Describe any Changes to the Benefit Plan:</b>			
16			
<b>17 TOTAL COMPANY</b>			
<b>18 Change in Benefit Obligation</b>			
19 Benefit obligation at beginning of year	36,354	32,761	-9.88%
20 Service cost	303	459	51.49%
21 Interest Cost	2,184	2,567	17.54%
22 Plan participants' contributions			
23 Amendments	(5,820)		100.00%
24 Actuarial Gain	(660)	3,267	595.00%
25 Benefits paid	(3,091)	(2,635)	14.75%
26 Expenses paid	(208)	(65)	68.75%
27 Benefit obligation at end of year	29,062	36,354	25.09%
<b>28 Change in Plan Assets</b>			
29 Fair value of plan assets at beginning of year	13,969	15,195	8.78%
30 Actual return on plan assets	(1,452)	(901)	37.95%
31 Acquisition			
32 Employer contribution		511	#DIV/0!
33 Plan participants' contributions	(1,008)	(771)	23.51%
34 Benefits paid	(208)	(65)	68.75%
35 Fair value of plan assets at end of year	11,301	13,969	23.61%
<b>36 Funded Status</b>			
37 Unrecognized net actuarial loss	(17,761)	(22,385)	-26.03%
38 Unrecognized prior service cost	(1,426)	(430)	69.85%
39 Prepaid (accrued) benefit cost	8,788	16,865	91.91%
	(10,399)	(5,950)	42.78%
<b>40 Components of Net Periodic Benefit Costs</b>			
41 Service cost	303	459	51.49%
42 Interest cost	2,184	2,567	17.54%
43 Expected return on plan assets	(1,064)	(1,310)	-23.12%
44 Amortization of prior service cost	1,256	1,534	22.13%
45 Recognized net actuarial loss		(52)	#DIV/0!
46 Net periodic benefit cost	2,679	3,198	19.37%
<b>47 Accumulated Post Retirement Benefit Obligation</b>			
48 Amount Funded through VEBA	29,062	36,354	25.09%
49 Amount Funded through 401(h)			
50 Amount Funded through Other _____			
51 TOTAL	29,062	36,354	25.09%
52 Amount that was tax deductible - VEBA			
53 Amount that was tax deductible - 401(h)			
54 Amount that was tax deductible - Other _____			
55 TOTAL	29,062	36,354	25.09%

**Other Post Employment Benefits (OPEBS) Continued**

	Item	Current Year	Last Year	% Change
1	<b>Number of Company Employees:</b>			
2	Covered by the Plan	2,032	1,999	-1.62%
3	Not Covered by the Plan			
4	Active	1,322	1,308	-1.06%
5	Retired	710	691	-2.68%
6	Spouses/Dependants covered by the Plan			
7	<b>Montana</b>			
8	<b>Change in Benefit Obligation</b>			
9	Benefit obligation at beginning of year			
10	Service cost			
11	Interest Cost	not available by state		
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	<b>Change in Plan Assets</b>			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	<b>Funded Status</b>			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	<b>Components of Net Periodic Benefit Costs</b>			
31	Service cost			
32	Interest cost	not available by state		
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	<b>Accumulated Post Retirement Benefit Obligation</b>			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	<b>Montana Intrastate Costs:</b>			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year Enc			
50	<b>Number of Montana Employees:</b>			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

## TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	Timothy Swant Hydro Licensing & Safety Coordinator				78,227	79,491	-2%
2	Patrick Kelly Chief Operator				66,881	65,235	3%
3	Joseph Dos Santos Aquatic Program Leader				62,195	60,752	2%
4	Lyle Wiltse Journeyman Operator				59,289	60,209	-2%
5	Wesley Monroe Journeyman Operator				59,289	57,525	3%
6	Daniel Thomason Journeyman Operator				59,099	58,334	1%
7	Roy Brown Journeyman Operator				58,576	56,842	3%
8	Thomas Lampshire Journeyman Operator				58,391	58,384	0%
9	Robert Dougherty Journeyman Operator				58,293	56,605	3%
10	Nathan Hall Hydro Licensing & Safety Coordinator				55,895	56,403	-1%

## COMPENSATION OF TOP 5 CORPORATE EMPLOYEES - SEC INFORMATION

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	Gary Ely Chairman, President and CEO	497,115	187,464	31,471	716,050	503,973	42%
2	Jon Eliassen Senior Vice President	251,494	60,488	15,659	327,641	251,078	30%
3	David Meyer Senior Vice President and General Counsel	248,415	59,988	33,118	341,521	256,338	33%
4	Lloyd Meyers Vice President	192,081	32,827	8,805	233,713	312,038	-25%
5	Scott Morris Senior Vice President	216,523	64,488	23,370	304,381	194,533	56%

## BALANCE SHEET

Year: 2002

	Account Number & Title	Last Year	This Year	% Change
1	<b>Assets and Other Debits</b>			
2	Utility Plant			
3	101 Electric Plant in Service	2,237,279,559	2,343,518,533	-5%
4	101.1 Property Under Capital Leases	13,919,860	712,325	1854%
5	102 Electric Plant Purchased or Sold			
6	104 Electric Plant Leased to Others			
7	105 Electric Plant Held for Future Use			
8	106 Completed Constr. Not Classified - Electric			
9	107 Construction Work in Progress - Electric	54,964,082	17,581,119	213%
10	108 (Less) Accumulated Depreciation	(750,636,956)	(803,955,673)	7%
11	111 (Less) Accumulated Amortization	(2,787,903)	(5,732,382)	51%
12	114 Electric Plant Acquisition Adjustments	26,580,072	26,580,073	0%
13	115 (Less) Accum. Amort. Elec. Acq. Adj.	(13,676,797)	(15,000,214)	9%
14	120 Nuclear Fuel (Net)			
15	<b>TOTAL Utility Plant</b>	1,565,641,917	1,563,703,781	0%
16				
17	<b>Other Property &amp; Investments</b>			
18	121 Nonutility Property	3,741,058	3,156,010	19%
19	122 (Less) Accum. Depr. & Amort. for Nonutil. Prop.	(224,549)	(107,826)	-108%
20	123 Investments in Associated Companies			
21	123.1 Investments in Subsidiary Companies	350,746,583	256,737,740	37%
22	124 Other Investments	50,536,283	46,498,833	9%
23	125 Sinking Funds	12,076,598	11,182,354	8%
24	<b>TOTAL Other Property &amp; Investments</b>	416,875,973	317,467,111	31%
25				
26	<b>Current &amp; Accrued Assets</b>			
27	131 Cash	(513,763)	10,048,633	-105%
28	132-134 Special Deposits	2,890,636	2,465,146	17%
29	135 Working Funds	423,725	384,217	10%
30	136 Temporary Cash Investments	7,648,782	24,126,777	-68%
31	141 Notes Receivable			
32	142 Customer Accounts Receivable	49,675,973	28,898,856	72%
33	143 Other Accounts Receivable	5,295,153	4,238,495	25%
34	144 (Less) Accum. Provision for Uncollectible Accts.	(2,949,912)	(2,688,665)	-10%
35	145 Notes Receivable - Associated Companies	182,111,918	137,275,825	33%
36	146 Accounts Receivable - Associated Companies	(2,022,783)	740,428	-373%
37	151 Fuel Stock	3,395,773	3,261,065	4%
38	152 Fuel Stock Expenses Undistributed			
39	153 Residuals			
40	154 Plant Materials and Operating Supplies	9,015,274	8,449,512	7%
41	155 Merchandise			
42	156 Other Material & Supplies			
43	157 Nuclear Materials Held for Sale			
44	163 Stores Expense Undistributed	578,289	494,542	17%
	164 Gas Storage	6,800,162	8,127,528	-16%
45	165 Prepayments	2,185,343	2,916,606	-25%
46	171 Interest & Dividends Receivable	250,267	27,487	810%
47	172 Rents Receivable	737,960	676,514	9%
48	173 Accrued Utility Revenues			
	174 Miscellaneous Current & Accrued Assets	1,018,091	322,206	
49	176 Miscellaneous Current & Accrued Assets		60,322,238	-100%
50	<b>TOTAL Current &amp; Accrued Assets</b>	266,540,888	290,087,410	-8%

## BALANCE SHEET

Year: 2002

Account Number & Title		This Year	This Year	% Change
1				
2	<b>Assets and Other Debits (cont.)</b>			
3				
4	<b>Deferred Debits</b>			
5				
6	181 Unamortized Debt Expense	26,075,057	21,921,640	19%
7	182.1 Extraordinary Property Losses			
8	182.2 Unrecovered Plant & Regulatory Study Costs			
9	182.3 Other Regulatory Assets	445,035,675	248,746,931	
10	183 Prelim. Survey & Investigation Charges	7,973,065	12,130,418	-34%
11	184 Clearing Accounts	(2,081,155)	1,416,423	-247%
12	185 Temporary Facilities			
13	186 Miscellaneous Deferred Debits	109,424,216	81,406,921	34%
14	187 Deferred Losses from Disposition of Util. Plant			
15	188 Research, Devel. & Demonstration Expend.			
16	189 Unamortized Loss on Reacquired Debt	15,147,127	29,206,730	-48%
17	190 Accumulated Deferred Income Taxes	27,044,942	37,595,304	-28%
18	191 Unrecovered Purchased Gas Costs	52,679,575	11,514,486	
18	<b>TOTAL Deferred Debits</b>	<b>681,298,502</b>	<b>443,938,853</b>	<b>53%</b>
19				
20	<b>TOTAL Assets &amp; Other Debits</b>	<b>2,930,357,280</b>	<b>2,615,197,155</b>	<b>12%</b>
Account Title		Last Year	This Year	% Change
20				
21	<b>Liabilities and Other Credits</b>			
22				
23	<b>Proprietary Capital</b>			
24				
25	201 Common Stock Issued	617,737,210	623,091,721	-1%
26	202 Common Stock Subscribed			
27	204 Preferred Stock Issued	35,000,000	33,250,000	5%
28	205 Preferred Stock Subscribed			
29	207 Premium on Capital Stock			
30	211 Miscellaneous Paid-In Capital			
31	213 (Less) Discount on Capital Stock			
32	214 (Less) Capital Stock Expense	(11,924,026)	(11,927,830)	0%
33	215 Appropriated Retained Earnings	(106,447,403)	60,386,146	-276%
34	216 Unappropriated Retained Earnings	226,474,938	65,750,804	244%
35	217 (Less) Reacquired Capital Stock			
36	219 Accumulated Other Comprehensive Income		(18,809,177)	
36	<b>TOTAL Proprietary Capital</b>	<b>760,840,719</b>	<b>751,741,664</b>	<b>1%</b>
37				
38	<b>Long Term Debt</b>			
39				
40	221 Bonds	401,300,000	401,300,000	
41	222 (Less) Reacquired Bonds			
42	223 Advances from Associated Companies			
43	224 Other Long Term Debt	931,000,000	703,778,874	32%
44	225 Unamortized Premium on Long Term Debt			
45	226 (Less) Unamort. Discount on L-Term Debt-Dr.	(2,546,888)	(2,160,866)	-18%
46	<b>TOTAL Long Term Debt</b>	<b>1,329,753,112</b>	<b>1,102,918,008</b>	<b>21%</b>

## BALANCE SHEET

Year: 2002

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Total Liabilities and Other Credits (cont.)</b>			
3				
4	<b>Other Noncurrent Liabilities</b>			
5				
6	227 Obligations Under Cap. Leases - Noncurrent		621,526	-100%
7	228.1 Accumulated Provision for Property Insurance			
8	228.2 Accumulated Provision for Injuries & Damages	1,476,494	1,446,348	2%
9	228.3 Accumulated Provision for Pensions & Benefits	18,184,215	50,209,349	-64%
10	228.4 Accumulated Misc. Operating Provisions			
11	229 Accumulated Provision for Rate Refunds			
12	<b>TOTAL Other Noncurrent Liabilities</b>	19,660,709	52,277,223	-62%
13				
14	<b>Current &amp; Accrued Liabilities</b>			
15				
16	231 Notes Payable			
17	232 Accounts Payable	52,930,348	36,247,518	46%
18	233 Notes Payable to Associated Companies			
19	234 Accounts Payable to Associated Companies	20,512,592	18,524,753	11%
20	235 Customer Deposits	3,820,410	4,533,815	-16%
21	236 Taxes Accrued	(20,229,945)	22,522,183	-190%
22	237 Interest Accrued	18,583,369	20,307,075	-8%
23	238 Dividends Declared	99,026		#DIV/0!
24	239 Matured Long Term Debt			
25	240 Matured Interest			
26	241 Tax Collections Payable	374,374	(754)	49752%
27	242 Miscellaneous Current & Accrued Liabilities	515,408	20,279,696	-97%
28	243 Obligations Under Capital Leases - Current			
29	<b>TOTAL Current &amp; Accrued Liabilities</b>	76,605,582	122,414,286	-37%
30				
31	<b>Deferred Credits</b>			
32				
33	252 Customer Advances for Construction	981,208	913,115	7%
34	253 Other Deferred Credits	230,560,198	79,763,039	189%
35	254 Other Regulatory Liabilities	11,931,064	20,174,502	-41%
36	256 Accumulated Deferred Investment Tax Credits	718,884	669,576	7%
37	257 Unamortized Gain on Reacquired Debt	1,728,475	4,118,795	-58%
38	281-283 Accumulated Deferred Income Taxes	497,577,329	480,206,947	4%
39	<b>TOTAL Deferred Credits</b>	743,497,158	585,845,974	27%
40				
41	<b>TOTAL LIABILITIES &amp; OTHER CREDITS</b>	2,930,357,280	2,615,197,155	12%

## MONTANA PLANT IN SERVICE (ASSIGNED &amp; ALLOCATED)

Year: 2002

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Intangible Plant</b>			
3				
4	301 Organization	6,415,526	6,415,526	
5	302 Franchises & Consents	194,175	194,175	
6	303 Miscellaneous Intangible Plant			
7				
8	<b>TOTAL Intangible Plant</b>	6,609,701	6,609,701	
9				
10	<b>Production Plant</b>			
11				
12	Steam Production			
13				
14	310 Land & Land Rights	1,307,499	1,307,499	
15	311 Structures & Improvements	99,333,966	99,570,102	0%
16	312 Boiler Plant Equipment	116,037,120	117,184,830	-1%
17	313 Engines & Engine Driven Generators	31,050,804	31,301,778	-1%
18	314 Turbogenerator Units	13,480,703	13,480,703	
19	315 Accessory Electric Equipment	12,584,360	12,642,512	0%
20	316 Miscellaneous Power Plant Equipment			
21				
22	<b>TOTAL Steam Production Plant</b>	273,794,452	275,487,424	-1%
23				
24	Nuclear Production			
25				
26	320 Land & Land Rights			
27	321 Structures & Improvements			
28	322 Reactor Plant Equipment			
29	323 Turbogenerator Units			
30	324 Accessory Electric Equipment			
31	325 Miscellaneous Power Plant Equipment			
32				
33	<b>TOTAL Nuclear Production Plant</b>			
34				
35	Hydraulic Production			
36				
37	330 Land & Land Rights	39,252,415	40,189,009	-2%
38	331 Structures & Improvements	11,093,351	11,425,004	-3%
39	332 Reservoirs, Dams & Waterways	31,787,902	32,085,880	-1%
40	333 Water Wheels, Turbines & Generators	30,980,761	30,894,593	0%
41	334 Accessory Electric Equipment	8,961,063	10,281,602	-13%
42	335 Miscellaneous Power Plant Equipment	2,592,476	2,611,255	-1%
43	336 Roads, Railroads & Bridges	217,199	217,283	0%
44				
45	<b>TOTAL Hydraulic Production Plant</b>	124,885,167	127,704,626	-2%



**MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)**

Year: 2002

	Account Number & Title	Last Year	This Year	% Change
1				
2	Production Plant (cont.)			
3				
4	Other Production			
5				
6	340 Land & Land Rights			
7	341 Structures & Improvements			
8	342 Fuel Holders, Producers & Accessories			
9	343 Prime Movers			
10	344 Generators			
11	345 Accessory Electric Equipment			
12	346 Miscellaneous Power Plant Equipment			
13				
14	<b>TOTAL Other Production Plant</b>			
15				
16	<b>TOTAL Production Plant</b>	398,679,619	403,192,050	-1%
17				
18	<b>Transmission Plant</b>			
19				
20	350 Land & Land Rights	883,384	883,384	
21	352 Structures & Improvements	456,643	456,643	
22	353 Station Equipment	15,760,538	15,839,576	0%
23	354 Towers & Fixtures	16,012,151	16,012,151	
24	355 Poles & Fixtures	7,137,702	7,162,523	0%
25	356 Overhead Conductors & Devices	15,740,543	15,744,096	0%
26	357 Underground Conduit			
27	358 Underground Conductors & Devices			
28	359 Roads & Trails	367,476	367,476	
29				
30	<b>TOTAL Transmission Plant</b>	56,358,437	56,465,849	0%
31				
32	<b>Distribution Plant</b>			
33				
34	360 Land & Land Rights			
35	361 Structures & Improvements	15,881	15,881	
36	362 Station Equipment	151,641	151,641	
37	363 Storage Battery Equipment			
38	364 Poles, Towers & Fixtures	9,955	10,080	-1%
39	365 Overhead Conductors & Devices	6,676	6,676	
40	366 Underground Conduit	46	46	
41	367 Underground Conductors & Devices	637	637	
42	368 Line Transformers	897	897	
43	369 Services	127	127	
44	370 Meters	29	29	
45	371 Installations on Customers' Premises			
46	372 Leased Property on Customers' Premises			
47	373 Street Lighting & Signal Systems			
48				
49	<b>TOTAL Distribution Plant</b>	185,889	186,014	

**MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)**

Year: 2002

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>General Plant</b>			
3				
4	389 Land & Land Rights			
5	390 Structures & Improvements			
6	391 Office Furniture & Equipment			
7	392 Transportation Equipment			
8	393 Stores Equipment			
9	394 Tools, Shop & Garage Equipment			
10	395 Laboratory Equipment			
11	396 Power Operated Equipment			
12	397 Communication Equipment	9,862	7,502	31%
13	398 Miscellaneous Equipment			
14	399 Other Tangible Property			
15				
16	<b>TOTAL General Plant</b>	9,862	7,502	
17				
18	<b>TOTAL Electric Plant in Service</b>	461,843,508	466,461,116	

**MONTANA DEPRECIATION SUMMARY**

Year: 2002

	Functional Plant Classification	Plant Cost	Accumulated Depreciation		Current Avg. Rate
			Last Year Bal.	This Year Bal.	
1					
2	Steam Production	275,487,424	136,485,984	144,993,366	4.72%
3	Nuclear Production				
4	Hydraulic Production	127,704,626	12,854,214	13,867,550	1.03%
5	Other Production				
6	Transmission	56,465,849	19,742,954	20,611,038	3.41%
7	Distribution	186,014	53,373	55,235	2.79%
8	General	3,553,342	1,328,833	1,228,062	3.45%
9	<b>TOTAL</b>	<b>463,397,255</b>	<b>170,465,358</b>	<b>180,755,251</b>	<b>0</b>

**MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)**

SCHEDULE 21

	Account	Last Year Bal.	This Year Bal.	%Change
1				
2	151 Fuel Stock	363,038	558,037	-35%
3	152 Fuel Stock Expenses Undistributed			
4	153 Residuals			
5	154 Plant Materials & Operating Supplies:			
6	Assigned to Construction (Estimated)			
7	Assigned to Operations & Maintenance			
8	Production Plant (Estimated)	1,336,453	1,406,608	-5%
9	Transmission Plant (Estimated)			
10	Distribution Plant (Estimated)			
11	Assigned to Other			
12	155 Merchandise			
13	156 Other Materials & Supplies			
14	157 Nuclear Materials Held for Sale			
15	163 Stores Expense Undistributed			
16				
17	<b>TOTAL Materials &amp; Supplies</b>	<b>1,699,491</b>	<b>1,964,645</b>	<b>-13%</b>

**MONTANA REGULATORY CAPITAL STRUCTURE & COSTS**

SCHEDULE 22

	Commission Accepted - Most Recent	% Cap. Str.	% Cost Rate	Weighted Cost
1	Docket Number			
2	Order Number			
3		Reference is made to Schedule 27		
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	<b>TOTAL</b>			
9				
10	Actual at Year End			
11				
12	Common Equity			
13	Preferred Stock			
14	Long Term Debt			
15	Other			
16	<b>TOTAL</b>			

## STATEMENT OF CASH FLOWS

Year: 2002

	Description	Last Year	This Year	% Change
1				
2	Increase/(decrease) in Cash & Cash Equivalents:			
3				
4	<b>Cash Flows from Operating Activities:</b>			
5	Net Income	12,155,764	31,306,753	-61%
6	Depreciation	58,204,870	60,293,548	-3%
7	Amortization	(14,991,903)	(8,112,744)	-85%
8	Deferred Income Taxes - Net	107,163,925	(7,898,717)	1457%
9	Investment Tax Credit Adjustments - Net	(49,308)	(49,308)	
10	Change in Operating Receivables - Net	129,531,882	18,152,007	614%
11	Change in Materials, Supplies & Inventories - Net	(1,595,553)	(543,149)	-194%
12	Change in Operating Payables & Accrued Liabilities - Net	(147,458,248)	43,968,375	-435%
13	Allowance for Funds Used During Construction (AFUDC)	(2,983,200)	(1,814,175)	-64%
14	Change in Other Assets & Liabilities - Net	8,340,496	(38,924,684)	121%
15	Other Operating Activities (explained on attached page)	(256,848,118)	104,182,346	-347%
16	<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>(108,529,393)</b>	<b>200,560,252</b>	<b>-154%</b>
17				
18	<b>Cash Inflows/Outflows From Investment Activities:</b>			
19	Construction/Acquisition of Property, Plant and Equipment	(119,905,290)	(62,926,161)	-91%
20	(net of AFUDC & Capital Lease Related Acquisitions)			
21	Acquisition of Other Noncurrent Assets			
22	Proceeds from Disposal of Noncurrent Assets	7,317,286	1,315,660	456%
23	Investments In and Advances to Affiliates	(68,523,582)		#DIV/0!
24	Contributions and Advances from Affiliates		134,632,463	-100%
25	Disposition of Investments in and Advances to Affiliates			
26	Other Investing Activities (explained on attached page)			
27	<b>Net Cash Provided by/(Used in) Investing Activities</b>	<b>(181,111,586)</b>	<b>73,021,962</b>	<b>-348%</b>
28				
29	<b>Cash Flows from Financing Activities:</b>			
30	Proceeds from Issuance of:			
31	Long-Term Debt	550,000,000		#DIV/0!
32	Preferred Stock			
33	Common Stock	8,267,706	7,034,492	18%
34	Other:			
35	Net Increase in Short-Term Debt			
36	Other:			
37	Payment for Retirement of:			
38	Long-Term Debt	(140,000,000)	(201,835,104)	31%
39	Preferred Stock		(1,750,000)	100%
40	Common Stock			
41	Other:			
42	Net Decrease in Short-Term Debt	(107,160,000)	(25,000,000)	-329%
43	Dividends on Preferred Stock	(2,432,500)	(2,402,094)	-1%
44	Dividends on Common Stock	(22,677,281)	(23,054,118)	2%
45	Other Financing Activities (explained on attached page)	(2,434,377)		#DIV/0!
46	<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>283,563,548</b>	<b>(247,006,824)</b>	<b>215%</b>
47				
48	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(6,077,431)</b>	<b>26,575,390</b>	<b>-123%</b>
49	<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>16,526,811</b>	<b>10,449,380</b>	<b>58%</b>
50	<b>Cash and Cash Equivalents at End of Year</b>	<b>10,449,380</b>	<b>37,024,770</b>	<b>-72%</b>

## STATEMENT OF CASH FLOWS

Year: 2002

	Description	Last Year	This Year	% Change
1				
2	<b>Detail of Lines 15 and 26</b>			
3				
4	<b>Line 15: Other Operating Activities</b>			
5	Non-Monetary Power Transactions	(19,601,924)	747,354	-2723%
6	Regulatory Gas Cost and Power Cost Adjustment	(248,385,720)	99,222,518	-350%
7	Gain/Loss on Asset Disposition	-		
8	Other	11,139,526	4,212,474	164%
9	Total Line 15	(256,848,118)	104,182,346	-347%
10				
11	<b>Line 26: Other Investing Activities</b>			
12	Other	-	-	
13	Total Line 26	-	-	

Year: 2002

**LONG TERM DEBT**

	Description	Issue Date Mo./Yr.	Maturity Date Mo./Yr.	Principal Amount	Net Proceeds	Outstanding Per Balance Sheet	Yield to Maturity	Annual Net Cost Inc. Prem/Disc.	Total Cost %
1									
2	<u>Secured Medium-Term Notes</u>								
3	Series A	various	various	250,000,000	248,374,625	104,500,000	7.17%	7,488,241	7.17%
4	Series B	various	various	161,000,000	160,141,500	59,000,000	7.25%	4,279,415	7.25%
5				Annual Net Cost and Total Cost % figures are for both Series combined					
6									
7									
8	<u>Pollution Control Bonds</u>								
9	Colstrip 1999A	9-1-99	10-1-32	66,700,000	61,612,366	66,700,000	5.50%	3,670,475	5.50%
10	Colstrip 1999B	9-1-99	3-1-34	17,000,000	15,648,108	17,000,000	5.65%	960,734	5.65%
11	6% Pollution Control Bonds	7-1-93	12-1-23	4,100,000	3,913,000	4,100,000	6.34%	259,924	6.34%
12									
13									
14									
15	<u>Unsecured Medium-Term Notes</u>								
16	Series A	various	various	200,000,000	198,800,000	13,000,000	8.83%	1,148,192	8.83%
17	Series B	various	various	150,000,000	149,175,000	74,300,000	7.87%	5,849,792	7.87%
18	Series C	various	various	109,000,000	108,272,250	99,000,000	6.78%	6,713,014	6.78%
19	Series D	8-28-00	9-1-03	224,000,000	223,314,000	45,950,000	9.26%	4,255,105	9.26%
20				Annual Net Cost and Total Cost % figures are for all four Series combined					
21	<u>First Mortgage Bonds</u>								
22	7.75% Issued December 2	12-19-01	1-1-07	150,000,000	148,125,000	150,000,000	8.06%	12,083,720	8.06%
23									
24	Senior Notes	4-3-01	6-1-08	400,000,000	392,000,000	340,160,000	10.14%	34,507,048	10.14%
25									
26									
27									
28									
29									
30									
31									
32	<b>TOTAL</b>			<b>1,731,800,000</b>	<b>1,709,375,849</b>	<b>973,710,000</b>		<b>81,215,660</b>	<b>8.34%</b>

**PREFERRED STOCK**

Year: 2002

	Series	Issue Date Mo./Yr.	Shares Issued	Par Value	Call Price	Net Proceeds	Cost of Money	Principal Outstanding	Annual Cost	Embed. Cost %
1										
2	Subject to									
3	<u>mandatory redemption:</u>									
4	Series K	09-15-92	332,500	\$100	-	\$31,160,609	\$6.95	\$33,250,000	\$2,310,875	7.42%
5										
6										
7										
8										
9										
10	Company-Obligated									
11	Mandatorily Redeemable									
12	<u>Preferred Trust Securities:</u>									
13	Series A	01-23-97	2,400,000	\$25	-	\$54,039,839	\$1.96875	\$60,000,000	\$4,725,000	8.744%
14	Series B	06-03-97	40,000	\$1,000	-	\$36,828,222	2.3000%	\$40,000,000	\$920,000	2.4981%
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32	<b>TOTAL</b>					122,028,670		133,250,000	7,955,875	

Year: 2002

COMMON STOCK

	Avg. Number of Shares Outstanding	Book Value Per Share	Earnings Per Share	Dividends Per Share	Retention Ratio	Market Price High	Market Price Low	Price/Earnings Ratio
1								
2								
3								
4								
5								
6								
7								
8	47,670,790	15.22	0.22	0.12		16.47	13.00	
9								
10								
11								
12								
13								
14	47,773,793	15.29	0.20	0.12		16.60	11.00	
15								
16								
17								
18								
19								
20	47,866,007	15.11	(0.05)	0.12		13.89	10.16	
21								
22								
23								
24								
25								
26	47,977,586	14.84	0.23	0.12		12.10	8.75	
27								
28								
29								
30								
31								
32	TOTAL Year End	48,044,208	0.60	0.48	20.00%	11.56		19.3



**MONTANA EARNED RATE OF RETURN**

Year: 2002

	Description	Last Year	This Year	% Change
	Rate Base			
1				
2	101 Plant in Service			
3	108 (Less) Accumulated Depreciation			
4	<b>NET Plant in Service</b>			
5				
6	Additions			
7	154, 156 Materials & Supplies			
8	165 Prepayments			
9	Other Additions			
10	<b>TOTAL Additions</b>			
11				
12	Deductions			
13	190 Accumulated Deferred Income Taxes			
14	252 Customer Advances for Construction			
15	255 Accumulated Def. Investment Tax Credits			
16	Other Deductions			
17	<b>TOTAL Deductions</b>			
18	<b>TOTAL Rate Base</b>			
19				
20	<b>Net Earnings</b>			
21				
22	<b>Rate of Return on Average Rate Base</b>			
23				
24	<b>Rate of Return on Average Equity</b>			
25				
26	Major Normalizing Adjustments & Commission			
27	Ratemaking adjustments to Utility Operations			
28				
29				
30	<b>Rates charged were based on the</b>			
31	<b>Company's last rate order from the Idaho</b>			
32	<b>Public Utilities Commission and accepted by</b>			
33	<b>the Montana Commission. The Company</b>			
34	<b>does not calculate separate rates of return</b>			
35	<b>for the Montana jurisdiction.</b>			
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47	<b>Adjusted Rate of Return on Average Rate Base</b>			
48				
49	<b>Adjusted Rate of Return on Average Equity</b>			

**MONTANA COMPOSITE STATISTICS**

Year: 2002

	Description	Amount
1		
2	Plant (Intrastate Only) (000 Omitted)	
3		
4	101 Plant in Service	466,461
5	107 Construction Work in Progress	
6	114 Plant Acquisition Adjustments	
7	105 Plant Held for Future Use	
8	154, 156 Materials & Supplies	1,965
9	(Less):	
10	108, 111 Depreciation & Amortization Reserves	(180,755)
11	252 Contributions in Aid of Construction	
12		
13	<b>NET BOOK COSTS</b>	<b>287,671</b>
14	Revenues & Expenses (000 Omitted)	
15		
16		
17	400 Operating Revenues	2,651
18		
19	403 - 407 Depreciation & Amortization Expenses	10,290
20	Federal & State Income Taxes	595
21	Other Taxes	7,109
22	Other Operating Expenses	25,646
23	TOTAL Operating Expenses	43,640
24		
25	Net Operating Income	(40,989)
26		
27	415-421.1 Other Income	
28	421.2-426.5 Other Deductions	
29		
30	<b>NET INCOME</b>	<b>(40,989)</b>
31	Customers (Intrastate Only)	
32		
33		
34	Year End Average:	
35	Residential	11
36	Commercial	1
37	Industrial	
38	Other	11
39		
40	<b>TOTAL NUMBER OF CUSTOMERS</b>	<b>23</b>
41	Other Statistics (Intrastate Only)	
42		
43		
44	Average Annual Residential Use (Kwh)	12,909
45	Average Annual Residential Cost per (Kwh) (Cents) *	4.63
46	* Avg annual cost = [(cost per Kwh x annual use) + ( mo. svc chrg x 12)]/annual use	
47	Average Residential Monthly Bill	49.79
48	Gross Plant per Customer	42,406

MONTANA CUSTOMER INFORMATION

Year: 2002

	City/Town	Population (Include Rural)	Residential Customers	Commercial Customers	Industrial & Other Customers	Total Customers
1						
2	Noxon, Montana		11	1	7	19
3						
4	Sales for resale (wholesale customers)				4	4
5						
6						
7						
8						
9						
10						
11						
12						
13						
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29						
30						
31						
32	<b>TOTAL Montana Customers</b>		11	1	11	23

MONTANA EMPLOYEE COUNTS

Year: 2002

	Department	Year Beginning	Year End	Average
1				
2	Noxon Generating Station	23	24	24
3				
4				
5				
6				
7				
8				
9				
10				
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15				
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45				
46				
47				
48				
49				
50	<b>TOTAL Montana Employees</b>	23	24	24

**MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED)**

Year: 2003

	Project Description	Total Company	Total Montana
1			
2	Noxon Rapids Capital Projects Upgrades	412,298	412,298
3			
4	Clark Fork Settlement Agreement	1,096,266	1,096,266
5			
6	Minor Projects (1) under \$100,000	8,444	8,444
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
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47			
48			
49			
50	<b>TOTAL</b>	<b>1,517,008</b>	<b>1,517,008</b>

**TOTAL SYSTEM & MONTANA PEAK AND ENERGY**

Year: 2002

System						
	Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)	
1	Jan.	29	1800	1333	876,384	105,228
2	Feb.	25	800	1326	785,919	101,899
3	Mar.	6	1900	1340	886,676	157,370
4	Apr.	24	800	1123	825,744	199,125
5	May	7	900	1128	909,080	278,072
6	Jun.	26	1700	1313	1,037,755	394,963
7	Jul.	12	1400	1389	988,103	279,752
8	Aug.	14	1700	1273	884,350	216,391
9	Sep.	12	1700	1138	734,766	136,213
10	Oct.	29	1800	1298	768,698	96,513
11	Nov.	1	800	1264	820,297	118,933
12	Dec.	9	1800	1346	895,751	131,086
13	<b>TOTAL</b>				10,413,523	2,215,545

Montana						
	Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)	
14	Jan.					
15	Feb.					
16	Mar.					
17	Apr.					
18	May					
19	Jun.					
20	Jul.					
21	Aug.					
22	Sep.					
23	Oct.					
24	Nov.					
25	Dec.					
26	<b>TOTAL</b>					

**TOTAL SYSTEM Sources & Disposition of Energy**

SCHEDULE 33

	Sources	Megawatthours	Disposition	Megawatthours
1	Generation (Net of Station Use)			
2	Steam	1,658,530	Sales to Ultimate Consumers (Include Interdepartmental)	7,598,029
3	Nuclear			
4	Hydro - Conventional	4,009,637		
5	Hydro - Pumped Storage		Requirements Sales for Resale	
6	Other	55,752		
7	(Less) Energy for Pumping			
8	<b>NET Generation</b>	5,723,919	Non-Requirements Sales for Resale	2,215,545
9	Purchases	4,664,491		
10	Power Exchanges			
11	Received	632,543	Energy Furnished Without Charge	
12	Delivered	(607,430)		
13	<b>NET Exchanges</b>	25,113		
14	Transmission Wheeling for Others		Energy Used Within Electric Utility	7,486
15	Received	3,735,844		
16	Delivered	(3,735,844)		
17	<b>NET Transmission Wheeling</b>		Total Energy Losses	592,463
18	Transmission by Others Losses			
19	<b>TOTAL</b>	10,413,523	<b>TOTAL</b>	10,413,523

SOURCES OF ELECTRIC SUPPLY

Year: 2002

	Type	Plant Name	Location	Annual Peak (MW)	Annual Energy (Mwh)
1					
2	Washington:				
3					
4	Thermal	Kettle Falls	Kettle Falls, WA	54	261,425
5	Hydro	Little Falls	Ford, WA	41	204,960
6	Hydro	Long Lake	Ford, WA	89	510,996
7	Hydro	Monroe Street	Spokane, WA	17	104,697
8	Hydro	Nine Mile	Spokane, WA	24	125,566
9	Hydro	Upper Falls	Spokane, WA	12	74,623
10	Combustion -				
11	Turbine	Northeast	Spokane, WA	24	198
12	Combustion -				
13	Turbine	Kettle Falls Bi-fuel	Kettle Falls, WA	9	293
14	Combustion -				
15	Turbine	Boulder Park	Spokane, WA	25	8,537
16					
17					
18	Idaho:				
19	Hydro	Cabinet Gorge	Clark Fork, ID	259	1,084,836
20	Hydro	Post Falls	Post Falls, ID	18	87,468
21	Combustion -				
22	Turbine	Rathdrum	Rathdrum, ID	170	39,424
23					
24					
25					
26	Montana:				
27	Thermal	Colstrip #3 and #4	Colstrip, MT	225	1,397,105
28	Hydro	Noxon	Thompson Falls, MT	548	1,816,491
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49	<b>Total</b>			<b>1515</b>	<b>5,716,619</b>

MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS

Year: 2002

	Program Description	Current Year Expenditures	Last Year Expenditures	% Change	Planned Savings (MW & MWH)	Achieved Savings (MW & MWH)	Difference (MW & MWH)
1	Not applicable						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
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21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32	<b>TOTAL</b>						



MONTANA CONSUMPTION AND REVENUES

Year: 2002

	Sales of Electricity	Operating Revenues		MegaWatt Hours Sold		Avg. No. of Customers	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1	Residential	\$6,572	\$7,047	142	152	11	10
2	Commercial - Small	2,038	1,608	31	24	1	1
3	Commercial - Large						
4	Industrial - Small						
5	Industrial - Large						
6	Interruption Industrial						
7	Public Street & Highway Lighting						
8	Other Sales to Public Authorities						
9	Sales to Cooperatives						
10	Sales to Other Utilities	1,303,825	1,083,362,082	64,753	537,366	4	5
11	Interdepartmental	6,470	5,627	96	85	7	5
12							
13	<b>TOTAL</b>	<b>\$1,318,905</b>	<b>\$108,376,364</b>	<b>65,022</b>	<b>537,627</b>	<b>23</b>	<b>21</b>