### BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND )	
TRANSPORTATION COMMISSION )	
)	DOCKET UE-070804
Complainant, )	
)	and
v. )	
)	DOCKET UG-070805
AVISTA CORPORATION d/b/a ) AVISTA UTILITIES )	(consolidated)
Respondent.	
In the matter of the Petition of	
)	DOCKET UE-070311
<b>)</b>	(consolidated)
AVISTA CORPORATION, d/b/a	,
AVISTA UTILITIES, )	FULL SETTLEMENT STIPULATION
For an Accounting Order Regarding the )	
Appropriate Treatment of the Net Costs )	
Associated with the Repurchase of Debt )	
)	•

#### I. PARTIES

1. This Full Settlement Stipulation is entered into by Avista Corporation ("Avista" or the "Company"), the Staff of Washington Utilities and Transportation Commission ("Staff"), the Public Counsel Section of the Washington Office of Attorney General ("Public Counsel"), Northwest Industrial Gas Users ("NWIGU"), Industrial Customers of Northwest Utilities ("ICNU"), and The Energy Project, jointly referred to herein as the "Stipulating Parties." As such, the Stipulating Parties represent all parties to these proceedings. The Stipulating Parties agree that this Full

Settlement Stipulation is in the public interest and, when combined with the previously-filed Partial Settlement Stipulation, should be accepted as a full resolution of all issues in this docket. The Stipulating Parties understand this Full Settlement Stipulation is subject to Commission approval.

#### II. INTRODUCTION

- 2. On April 26, 2007, Avista filed with the Commission certain tariff revisions designed to effect general rate increases for electric service (Docket UE-070804) and gas service (Docket UG-070805) in the state of Washington. Avista requested an average increase in electric rates of 15.8 percent and an average increase in gas rates of 2.3 percent. On February 14, 2007, Avista filed with the Commission a petition seeking an Accounting Order under WAC 480-07-370(b)(i) requesting retroactive approval to account for certain debt repurchase costs in a manner that deviated from the Commission's rules (Docket UE-070311). On May 3, 2007, the Commission entered Order 02 consolidating Docket UE-070311 with Dockets UE-070804 and UG-070805 for hearing and determination pursuant to WAC 480-07-320.
- 3. After analysis of the filing, all parties commenced discussions for purposes of narrowing the contested issues in this proceeding. On October 15, 2007, all Stipulating Parties to these consolidated dockets filed with the Commission a Partial Settlement Stipulation resolving some, but not all, issues in the above-referenced dockets.¹ Subsequently, on October 29, 2007, all parties to these proceedings participated in a scheduled settlement conference, in an effort to resolve the remaining issues. The Stipulating Parties were successful in that regard, and the following describes the essential terms of the settlement reached by all Stipulating Parties, which resolves, in full, the remaining issues in these dockets, subject to Commission approval. The Stipulating Parties therefore

<sup>&</sup>lt;sup>1</sup> This Partial Settlement Stipulation served to reduce Avista's filed-for electric revenue requirement by \$5,969,000, and increase its gas revenue requirement by \$1,314,000.

agree to the following Full Settlement Stipulation in the interest of reaching a fair disposition of this proceeding.

#### III. AGREEMENT

A. <u>Cost of Capital</u> - The following table sets forth the agreed-upon elements of the cost of capital determination in this proceeding:

Agreed-upon Cost of Capital	Percent of Total Capital	Cost	Component
Total Debt	49.30%	6.491%	3.20%
Trust Preferred Securities	4.70%	6.575%	0.31%
Common Equity	46.00%	10.20%	4.69%
TOTAL	100.00%		8.20%

<sup>\*</sup> The cost of debt incorporates the modifications proposed by Staff in Exhibit KLE-1T.

#### B. Remaining Revenue Requirement Issues -

- (1.) <u>Customer Deposits</u>: Avista accepts Staff's recommendation to adjust rate base and operating expense for electric and gas operations with respect to customer deposits, resulting in a decrease of \$171,000 in revenue requirement for electric and \$100,000 in revenue requirement for gas operations
- (2.) <u>Directors' and Officers' (D&O) Insurance</u>: All Parties have agreed to a reduction in revenue requirement of \$117,000 for electric and \$30,000 for gas operations, reflecting an adjustment to assign some of the utility portion of premiums paid for D&O insurance to shareholders.
- (3.) Late Charges: No late charges will be implemented in this proceeding.

C. <u>Resulting Revenue Requirement</u>: After recognizing the cumulative effect of the previous Partial Settlement Stipulation, together with the resolution of all remaining issues in this Stipulation, the resulting increases in revenue requirement for electric and gas operations are:

• Electric: \$30,166,000 (9.34% increase overall)

• Gas: \$3,282,000 (1.65% increase overall)

The Stipulating Parties had previously agreed to a number of revenue requirement adjustments to both the filed electric and gas cases. These were described in Appendix 1 to the Partial Settlement Stipulation, and resulted in a reduction of \$5,969,000 to the Company's filed-for electric revenue requirement increase, and a \$1,314,000 increase to the Company's filed-for gas revenue requirement increase. Attached to this Full Settlement as Appendix 4 is a <u>cumulative</u> summary of <u>all</u> revenue requirement adjustments resulting from the previous Partial Settlement Stipulation as well as the resolution of all remaining issues herein. Likewise, Appendix 5 consists of revised Avista pre-filed exhibits EMA-2 (electric) and EMA-3 (gas) showing adjusted proforma results incorporating the cumulative effect of all agreed-upon adjustments.<sup>2</sup> Appendix 6 shows the impact on each service schedule of the spread of the proposed increase.

**D.** Effective Date: As an integral part of this settlement, the Stipulating Parties have agreed that the new rates shall be implemented on January 1, 2008. All Stipulating Parties agree to request an expeditious hearing date before the Commission prior to the end of November of 2007, for approval of the settlement.

<sup>&</sup>lt;sup>2</sup>This should be compared with Appendix 2 to the Partial Settlement Stipulation, which reflects revised pre-filed exhibits EMA-2 (electric) and EMA-3 (gas) showing adjusted proforma results capturing only the effect of the Partial Settlement Stipulation.

- E. <u>Power Cost Only Rate Case (PCORC)</u>: The Stipulating Parties have agreed not to adopt a PCORC mechanism in this proceeding. The Stipulating Parties will meet and confer prior to Avista's next general rate case, regarding whether there is a need for, and the design of a PCORC or similar mechanism.
- F. Advanced Meter Reading (AMR): Avista acknowledges that nothing in this proceeding shall be deemed to constitute pre-approval of Avista's AMR program. Moreover, Avista will bear the burden of proof in any subsequent proceeding to demonstrate that the investment in AMR or any other Time of Use (TOU) or other demand response program is prudent, fair, just and reasonable. Finally, Avista agrees to address the issues raised in the Commission's "Interpretative and Policy Statement" (Docket UE-060649, para. 33 and other applicable provisions), in connection with any future proposal for cost recovery of its AMR investment.
- G. Accounting for Debt Amortization (Docket UE-070311): Avista agrees to charge against 2007 earnings \$3.850 million of debt repurchase costs associated with the repurchase of certain debt. In addition, Avista will pay a \$15,000 penalty for non-compliance with Commission rules regarding the need to file for proper accounting authorization. (See WAC 480-90-203 and WAC 480-100-203) For any new debt repurchases, Avista will follow FERC General Instruction 17, or request an accounting order from the Commission, prior to any new repurchase of debt, if it desires to use an accounting method other than FERC General Instruction 17. Avista agrees that its Director of Internal Auditing, within the context of Avista's annual financial audit, will review Avista's compliance with Commission rules regarding accounting for debt issuance expenses and reacquisition of debt, and will, in writing, affirm Avista's compliance with such rules. Additionally, the costs of short-term lines of credit may be deferred and amortized over the five year life of the

lines of credit, and the costs of interest rate hedges may be deferred and amortized over the life of bonds to be issued upon the maturity of the 9.75% bonds in June of 2008. The parties recommend that the Commission approve such accounting treatment.

- **H.** <u>Decoupling Baseline</u>: Pursuant to the Commission's order adopting the Avista decoupling pilot, In Re Petition of Avista Corp., Order 04, Docket UG-060518, para. 49, the baseline for the decoupling mechanism has been updated so as to use the test year employed in this rate case proceeding. (See Settlement Agreement, Docket UG-060518, supra, section III. C. (6.)) The update of the baseline is reflected in Appendix 7.
- I. <u>Partial Settlement Stipulation</u>: As noted, the parties to this docket have entered into a Partial Settlement Stipulation. A copy of the Partial Settlement Stipulation is attached hereto as Appendix 8, and is incorporated herein as part of the Full Settlement Stipulation resolving this proceeding.

#### IV. EFFECT OF THE FULL SETTLEMENT STIPULATION

- 4. <u>Binding on Parties</u>. The Stipulating Parties agree to support the terms of the Full Settlement Stipulation throughout this proceeding, including any appeal, and recommend that the Commission issue an order adopting the Full Settlement Stipulation contained herein. The Stipulating Parties understand that this Full Settlement Stipulation is subject to Commission approval. The Stipulating Parties agree that this Full Settlement Stipulation represents a compromise in the positions of the Stipulating Parties. As such, conduct, statements and documents disclosed in the negotiation of this Full Settlement Stipulation shall not be admissible evidence in this or any other proceeding.
- 5. <u>Integrated Terms of Settlement</u>. The Stipulating Parties have negotiated this Full Settlement Stipulation as an integrated document. Accordingly, the Stipulating Parties recommend that the Commission adopt this Full Settlement Stipulation in its entirety. Each Stipulating Party has

participated in the drafting of this Full Settlement Stipulation, so it should not be construed in favor of, or against, any particular Party.

6. **Procedure.** The Stipulating Parties shall cooperate in submitting this Full Settlement Stipulation promptly to the Commission for acceptance. If requested, the Stipulating Parties shall make available a witness or representative in support of this Full Settlement Stipulation. The Stipulating Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Full Settlement Stipulation and to supplement the record accordingly.

The Stipulating Parties agree to stipulate into evidence the prefiled direct testimony and exhibits of all parties as they relate to the stipulated issues, together with such evidence in support of the Stipulation as may be offered at the time of the hearing on the Settlement. If the Commission rejects all or any material portion of this Full Settlement Stipulation, or the Partial Settlement Stipulation, or adds additional material conditions, each Stipulating Party reserves the right, upon written notice to the Commission and all parties to this proceeding within seven (7) days of the date of the Commission's Order, to withdraw from the Full Settlement Stipulation. If any Stipulating Party exercises its right of withdrawal, this Full Settlement Stipulation shall be void and of no effect, and the Stipulating Parties will support a joint motion for an expedited procedural schedule to address the issues that would otherwise have been settled herein.

7. No Precedent. The Stipulating Parties enter into this Full Settlement Stipulation to avoid further expense, uncertainty, and delay. By executing this Full Settlement Stipulation, no Stipulating Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving at the Full Settlement Stipulation, and, except to the extent expressly set forth

in the Full Settlement Stipulation, no Stipulating Party shall be deemed to have agreed that such a Full Settlement Stipulation is appropriate for resolving any issues in any other proceeding.

- 8. <u>Public Interest</u>. The Stipulating Parties agree that this Full Settlement Stipulation is in the public interest.
- 9. **Execution.** This Full Settlement Stipulation may be executed by the Stipulating Parties in several counterparts and as executed shall constitute one Full Settlement Stipulation.

Entered into this \_\_\_\_\_\_day of November, 2007

Company:	Ву:
	David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs
<u>Staff</u> :	Ву:
	Gregory J. Trautman Assistant Attorney General
Public Counsel:	By:
	Simon ffitch Assistant Attorney General
<u>NWIGU</u> :	By:
<u>ICNU</u> :	By:
	S. Bradley Van Cleve Davison Van Cleve, P.C.
The Energy Project:	Ву:
	Ronald Roseman

## Entered into this 5 Hday of November, 2007

Company:	By:
	David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs
Staff:	By: Jananan Gregory J. Trautman Assistant Attorney General
Public Counsel:	By:
	Simon ffitch Assistant Attorney General
NWIGU:	By: Edward A. Finklea Cable, Huston, Benedict, Haagenson & Lloyd, LLF
<u>ICNU</u> :	By:
	S. Bradley Van Cleve Davison Van Cleve, P.C.
The Energy Project:	Ву:
	Ronald Roseman
	Attorney at Law

# Entered into this \_\_\_\_\_\_\_day of November, 2007

Company:	Ву:
	David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs
Staff:	By:
	Gregory J. Trautman Assistant Attorney General
Public Counsel:	By: Simon ffitch Assistant Attornex General
<u>NWIGU</u> :	By: Edward A. Finklea Cable, Huston, Benedict, Haagenson & Lloyd, LL
ICNU:	Ву:
	S. Bradley Van Cleve Davison Van Cleve, P.C.
The Energy Project:	Ву:
	Ronald Roseman Attorney at Law

Entered into this 5th day of November, 2007

Company:	Ву:
	David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs
Staff:	Ву:
	Gregory J. Trautman Assistant Attorney General
Public Counsel:	Ву:
<u>NWIGU</u> :	Simon ffitch Assistant Attorney General  By:  Edward A. Finklea Cable, Huston, Benedict, Haagenson & Lloyd, LLP
<u>ICNU</u> :	By: S. Bradley Van Cleve Davison Van Cleve, P.C.
The Energy Project:	By: Ronald Roseman
	Attornou at I are

Entered into thisday of Novem	aber, 2007
Company:	By:
	David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs
<u>Staff</u> :	By:
	Gregory J. Trautman Assistant Attorney General
Public Counsel:	By: Simon ffitch Assistant Attorney General
<u>NWIGU</u> :	By: Edward A. Finklea Cable, Huston, Benedict, Haagenson & Lloyd, LLP
<u>ICNU</u> :	By: S. Bradley U. Cleve  S. Bradley Van Cleve
The Energy Project:	Davison Van Cleve, P.C.  By:  Ronald Roseman Attorney at Law

Entered into this \_\_\_\_day of November, 2007

Company:	By:
	David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs
Staff:	Ву:
	Gregory J. Trautman Assistant Attorney General
Public Counsel:	By:
	Simon Mitch Assistant Attorney General
NWIGU:	By:
ICNU:	Ву:
	S. Bradley Van Cleve Davison Van Cleve, P.C.
The Energy Project:	By: Delo He
	Ronald Roseman

Attorney at Law

Summary of Revenue Requirement Adjustments
Restatement Summary Washington Electric AVISTA UTILITIES

	PF11	PFIO	643	PF8	PF7	17.6	1	3 5	DEA	PF3	PF2	PFI			×	×	æ	.<	Ë		<b>→</b> ;	ÇO;	<b>-</b> 10	.0	'⊅.	ø	=	Ħ	<del></del>	· Æ		۶	Ļ.	<b></b> .	#	D2)		, ,0	C	L (	e .	ď	Column		
Pro Forma Total	Deposits	Proforma Misc Adj. (3)	Pro Forma Wood Pole Test & Treat	Pro Forma Depreciation Study	Pro Forma Generation Capital Add	Pro Forma Transmission Capital Add	Pro Forma I minsmission Kev/Exp	Tro Territor Parcer Parcer		Pro Forma Labor NonExec	Pro Forma Prod Property Adj	Pro Forma Power Supply	Restated Total	-	Restate Debt Interest	Incentive & Other	Revenue Normalization	Net Gains/losses	Nestate Excise Lakes	District Chairs Towns	Office Space Chappes to Susidiaries	Eliminate A/R Expenses	Nez Perce Settlement Adjustment	Eliminate WA Power Cost Defer	RIT	Injuries and Damages	Regulatory Expense	Uncollect Expense	Property Lax	Eliminate B & O Taxes	Dunia	Actual Actual	Settlement Exchange Power	PGE Monetization	Customer Advances	Kettle Falls Disallow.	Colstrip Common AFUDC	Colstrip's AFUEC Elimination	Deterred Call on Ottice building	Control of the Case	Defined ET Bate Base	Per Results Report	Column Description of Adjustment		
\$52,467	0	0	(198)	(660)	(361)	(1,078)	(85/)			(1.375)	5,660	(20,792)	<i>\$72,099</i>		(1,170)	(336)	(323)	\$57	(5) (6)	(670)	2 .	SI 116	(\$12)	\$229	<b>O</b>	\$316	(\$755)	S	(312)	(\$21)	13.054	79.74	ŝ	\$866	\$0	(S56)	SO	3210	3	3 6	S	\$71,715	NOI	Washington Electric	FILED CASE
\$897,431	0	•	<b>.</b>	(330)	11,739	40,274	c	· <	2	<b>~</b>	(28,763)	0	\$874,511		SO	80	80	2	2		<b>S</b> (	- S	08	\$0	<b>S</b> 0	So	\$0	SO	80	S	0774011	074 611	S3 441	(\$324)	(\$267)	(\$993)	\$492	(42,24)	(3292)	(671,407,141)	(\$138.495)	\$994,207	Rate Base	Electric	CASE
\$54,709	(50)	281	(861)	208	(361)	(4,078)	(7.58)	200	336	(1,375)	5,551	(19,359)	\$71.712		(2,695)	318	(23)	) /	(S)	(70)	16	1.116	(12)	229	484	316	(755)	יין	(12)	(21)	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	77 741	3	866	0	(56)		2.10	Š	Ď s		\$71,715	NOI	Washington Electric	FINAL SETTLEMENT (I)
\$895,944	(1,903)	0		104	11,739	40,274		> 'C	>		(28,781)	0	\$874,511		0	0		· C	o - C	> 0	<b>o</b> ,	0	0	0	0	0	0		c	.0	i i	115 720	72 441	(324)	(267)	(993)	492	(2,23)	(252)	(2004)	(138,495)	\$994,207	Rate Base	ctric	ENT (1)
\$2,242	(\$50)	\$281	So	\$868	SO	90		\$0.00 \$0.00	Since	SO	(\$1.09)	S1,433	(\$387)		(\$1,525)	\$654	So	9	3 8	 	S.	So	So	So	\$484	So	SO	So	20	SO		0	S	SO:	S0.	SO	SO	30	3. 8		SO:	\$0	NOI	Washington Electric	DUFFRENCE
(\$1,487)	(\$1,903)	SO	\$0	\$434	SS	30	. e	3 5	S	\$0	(\$18)	\$0	\$0		So	\$6	8	) E	8.5	3 8	S	S	80	80	SO	SO.	SO	SO	80	os So	ć		S	os °	OS	SO	SO	2	} &	3 6	3	20	Rate Base	Electric	ENCE
(\$3,605)	\$80	(\$452)	\$0	(\$1,396)	SO	SO	<u>ج</u>	(9)(1)	(6331)	S	\$175	(\$2,304)			\$2,453	(\$1,052)									(\$778)																		0.621863	NOI	IMPACT ON REVENUE REQUIREMENT
(\$196)	(\$251)			\$57							(S2)	,																															8.20%	Rate Base	T ON UIREMENT

Includes the <u>cumulative</u> impact of both the Partial Settlement Stipulation, dated October 15, 2007, as well as the Full Settlement Stipulation.
 Includes Officer Compensation Adj.
 Includes adjustments for Advertising, Dues, Board of Director's Fees, and Director's & Officer's Insurance

AVISTA UTILITIES
Summary of Revenue Requirement Adjustments
Restatement Summary Washington Gas

	PF6	PF5	PF4	PE	PF2			-	ŝ	4	۵۰	Ö,	Ó	Ħ	Ξ	<u>-</u>	*	۵.		₽,		00	r-i)	œ	à	c	ō.	ltem		
Pto Forma Total	Pro Forma Customer Deposits	Pro Forma Misc Adj (3)	Pro Forma Storage Contract	Pro Forma Depreciation Study	Pro Forma Labor Exec (2)	Pro Forma Labor Non-Exec	Restated Total	Restate Excise Taxes	Office Space Charges to Subs	Eliminate A/R Expenses	Net Gains/losses	Incentives & Other	Restate Debt Interest		Injuries and Damages	Regulatory Expense Adjustment	Uncollectible Expense	Property Tax	Eliminate B & O Taxes	Revenue Normalization & Gas Cost Adjust	Actual	Customer Advances	Weatherization and DSM Investment	Gas Inventory	Deferred Gain on Office Building	Deferred FIT Rate Base	Per Results Report	Description		
\$11,216	0	Ö	(311)	217	7.	(363)	\$11.666	(20)	<i>#</i>	178	. oe	. 16	(207)	Ħ,	( <del>14</del> )	(49)	38	16	á	686	10,993	0	0	0	Ö	0	\$10,993	ION	Washington Gas	FILED CASE
\$149,471	0	0	•	109	Ö	<sup>1</sup> 0	\$149,362	0	0	· C	: <b>©</b>	0	<b>©</b>	0	0	0	0	:0	0	0	149,362	(75)	1,120	7,628	(100)	(24,645)	\$1,65,434	Rate Base	on Cas	ASE
\$10,125	(29)	70	(1,404)	. 217	61	(363)	\$11,573	(20)	4	178	co	187	(471)	==	(14)	(49)	38	16	Ó	686	10,993	0	í Ö	, o	0	O	\$10,993	NOI	Washington Gas	FINAL SETTLEMENT (i)
\$148,360	(111,1)	0	.0	109	0	. @	\$149,362	Ģ	0	0		0	0	Ö.	0	0	0	0	0	0	149,362	(75)	1,120	7,628	(100)	(24,645)	\$165,434	Rate Base		NT (I)
(\$1,063)	(\$29)	\$70	(\$1,093)	So	\$54	\$0	(\$94)	SO	So	SO	SS	\$171	(\$265)	SO.	\$0	\$0	80	8	SO	\$0	.0	\$0	SO	SO.	SO.	SO	SO	NOI	Washington Gas	DIFFERENCE
\$0	(\$1,111)	\$0	\$0	<b>S</b> 0	<b>S</b> 0	S.O	\$0	\$0	\$0	<u>\$</u> 0	SO.	\$0	SO.	\$0	so	SO	S0	SO	\$0	SO	0	\$0	08	SO	SO	\$0	SO	Rate Base	n Gas	NCE
\$1,755	\$47	(\$113)	\$1,757	So	(\$87)							(\$275)	\$426											•				0.621999	NOI	IMPACT ON REVENUE REQUIREMENT
(\$146)	(\$146)										•																	8.20%	Rate Base	ON

Includes the cumulative impact of both the Partial Settlement Stipulation, dated October 15, 2007, as well as the Full Settlement Stipulation.
 Includes Officer Compensation Adj.
 Includes adjustments for Advertising, Dues, Board of Director's Fees, and Director's & Officer's Insurance

	T		TH PRESENT RAT	WITH PROPOSED RATE						
		Actual Per			Proposed	Pro Forma				
Line		Résults	Total	Pro Forma	Revenues &	Proposed				
No,	DESCRIPTION	Report	Adjustments	Total	Related Exp	Total				
	α	<b>b</b> .	c	đ	e	f				
	REVENUES									
ı	Total General Business	\$362,395	\$ (40,466)	\$321,929	\$30,166	\$352,09				
2	Interdepartmental Sales	733	3 (40,40,0)	733	230,100	73				
3	Sales for Resule	115,579	(80,199)	35,380		35,38				
4	Total Sales of Electricity	478,707	(120,665)	358,042	30,166	388,20				
5	Other Revenue	43,255	(34,969)	7,286		7,28				
6	Total Electric Revenue	520,962	(155,634)	365,328	30,166	395,49				
	EXPENSES									
_	Production and Transmission			4						
7	Operating Expenses	176,236	(83,448)	92,788		92,78				
8 9	Purchased Power Depreciation and Amortization	117,871	(38,725)	79,146		79,14 24,43				
10	Taxes	17,008 9,090	7,423 883	24,431 9,973		9,97				
11	Total Production & Transmission	320,205	(113,867)	206,338	0.	206.33				
• •	romit toductourer transmission	5245203	£(12700)	200,000	ų.	200,23				
	Distribution									
12	Operating Expenses	15,485	765	16,250		16,25				
13	Depreciation	10,864	3,032	13,896		13,89				
14	Taxes	29,460	(13,153)	16,307	1,165	17,47				
15	Total Distribution	55,809	(9,356)	46,453	1,165	47,61				
ن		i de la de l	er en re	m'm 40	0.0					
16	Customer Accounting	8,951	(1,611)	7,340	80	7,42 1,17				
17 18	Customer Service & Information Sales Expenses	7,739 657	(6,565) 23	1,174 680		68				
10	Sales Expenses		22	.000		O.				
	Administrative & General									
19	Operating Expenses	32,646	(695)	31,951	.60	32,01				
20	Depreciation	6,459	(770)	5,689		5,68				
21	Taxes									
22	Total Admin, & General	39,105	(1,465)	37,640	60	37.70				
23	Total Electric Expenses	432,466	(132,841)	299,625	1,305	100,93				
24	OPERATING INCOME BEFORE FIT	88,496	(22,793)	65,703	38,861	94,56				
	FEDERAL INCOME TAX									
25	Current Accrual	24,008	(16,989)	7,019	10,101	17,12				
26	Deferred Income Taxes	(7,227)	11,202	3,975	1011,01	3.97				
27	Amortized Investment Tax Credit	(.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,,,,,,,,,	-						
28										
	SETTLEMENT EXCHANGE POWER			00.000	A10 500	672.44				
39	NET OPERATING INCOME	\$71,715	(\$17,006)	\$54,709	\$18,760	\$73,46				
	RATEBASE									
	PLANT IN SERVICE									
30	Intangible	\$23,458		\$23,458		\$23,45				
31	Production	649,965	36,967	686,932		686,93				
32	Transmission	244,435	41,969	286,404		286,40				
33	Distribution	502,838	(2,170)	500,668		500,66				
34	General	80,110	-11E 11EE	80,110	0.	80 <u>:11</u> 1,577;57				
35	Total Plant in Service	1,500,806	76,766	1,577,572	ų.	486,10				
36 37	ACCUMULATED DEPRECIATION ACCUM, PROVISION FOR AMORTIZATION	493,639 12,960	(7,537) 38,562	486,102 51,522		51,53				
		506,599	31,025	537,624	C C	537,62				
18 19	Total Accum. Depreciation & Amort, GAIN ON SALE OF BUILDING	700 <sup>4</sup> 290	(453)	(453)	J	(45				
	DEFERRED TAXES		(143,551)	(143,551)		(143,55				
-			<u> </u>							
<b>1</b>	TOTAL RATE BASE	\$994,207	(\$98,263)	\$895,944	.\$0_	5895,94				
т.										

# AVISTA UTILITIES Calculation of General Revenue Requirement Washington - Electric System TWELVE MONTHS ENDED DECEMBER 31, 2006

Line No.	Description	(000's of Dollars)
1	Pro Forma Rate Base	\$895,944
2	Proposed Rate of Return	8.20%
3	Net Operating Income Requirement	\$73,467
4	Pro Forma Net Operating Income	\$54,709
5	Net Operating Income Deficiency	\$18,758
6	Conversion Factor	0.62186345
7	Revenue Requirement	\$30,166
8	Total General Business Revenues	\$322,662
9	Percentage Revenue Increase	9:35%

#### AVISTA UTILITIES

# Revenue Conversion Factor Washington - Electric System TWELVE MONTHS ENDED DECEMBER 31, 2006

Line No.	Description	Factor
1	Revenues	1.000000
2	Expense: Uncollectibles	0.002660
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038627
5	Franchise Fees	0.000000
6	Total Expense	0.043287
7	Net Operating Income Before FIT	0.956713
· <b>8</b> .	Federal Income Tax @ 35%	0.334850
9	REVENUE CONVERSION FACTOR	0.621863

Line		Per Results	Deferred FIT	Deferred Gain on Office	Colstrip 3 AFUDC	Colstrip Common	Keitle Falls Disallow,	Customer
No.	DESCRIPTION	Report	Rute Base	Building d	Elimination	AFUDC	Disallow.	Advances
	ů.	U	C	· ·	Ç	•	5	"
	REVENUES							
Ţ	Total General Business	\$362,395						
2	Interdepartmental Sales	733						
3	Sales for Resule	115,579						
4	Total Sales of Electricity	478,707	0	0	0	Ō	0	0
5.	Other Revenue	42,255						
6	Total Electric Revenue	520,962	0.	0	. 0	0	0	0
	EXPENSES							
	Production and Transmission							
7	Operating Expenses	176,236						
8	Purchased Power	117,871						
9	Depreciation and Amortization	17,008			(216)			
10	Taxes	9,090			, , ,			
11	Total Production & Transmission	320,205	.0	0	(216)	Ó	0	Ŭ
	Distribution							
12	Operating Expenses	15,485		•				
13	Depreciation	10,864						
14	Taxes	29,460						
15	Total Distribution	55,809	Ö	0	0		0	0
IJ	Louis Dissilientest	وياه,در	V	V	٧	,,		·
16	Clistomer Accounting	8,951						
17	Customer Service & Information	7,739						
l S	Sales Expenses	657						
	Administrative & General							
19.	Operating Expenses	32,646						
20	Depreciation	6,459		•				
21	Taxes	7,6,67						
22	Total Admin. & General	39,105	0	.0	0	0	Ó	0
.23	Total Electric Expenses	432,466	Ü	0	(216)	. 0	0	0
. 24	OPERATING INCOME BEFORE FIT	88,496	0	0	216	0	ó	Ü
	THE TOTAL SECTION STATE AND							
n'e	FEDERAL INCOME TAX	24,008						
25	Current Accrual	/ ;					56	
26	Deferred Income Taxes	(7,227)						
27	NET OPERATING INCOME	\$71,715	\$0	\$0	\$216	\$0	(\$56)	\$0
_								
	RATE BASE							
	PLANT IN SERVICE	A						
28	Intengible	\$23,458					am attende	
29	Production	649,965		•	(7,175)	492	(5,248)	
30	Transmission	244,435						نشأه عد
31	Distribution	502,838						(267
32	General	80,110						
33	Total Plant in Service	1,500,806	Q	. 0	(7,175)	492	(5,248)	(267
34	ACCUMULATED DEPRECIATION	493.639			(4,920)		(3,559)	
25	ACCUM, PROVISION FOR AMORTIZATION	12,960			N.6.24		****	
36	Total Accum. Depreciation & Amort.	506,599	- O	0	(4,920)	.0	(3,559)	Ó
37	GAIN ON SALE OF BUILDING		_	(453)				
38	DEFERRED TAXES		(138,495)	158			696	
		\$994,207	(\$138,495)	(\$295)	(\$2,255)	<b>S</b> 492	(\$993)	(\$267
39	TOTAL RATE BASE							

Line		Bar	Scittlement	Subtotal	Eliminate	Dinasain.	The market date
No.	DESCRIPTION	PGE Monetization	Exchange Power	Actual	B & O Taxes	Property Tax	Uncollect. Expense
	ü	i	1,90,941	Accions	k	1	m
		•	•				
,	REVENUES						
1	Total General Business			\$362,395	\$ (12,201)		
2	Interdepartmental Sales			733			
3. 4	Sales for Resule Total Sales of Electricity		0	115,579 478,707	(12,201)	0	0
5	Other Revenue	. 0	v	42,255	(12,201)	U	v
6	Total Electric Revenue	0	0	520,962	(12,216)	0	0
•	**************************************	v	·	35,,545	(10,0.9)	*	-
	EXPENSES						
	Production and Transmission						
7	Operating Expenses			176,236			
8	Purchased Power			117,871			
9 10	Depreciation and Amortization Taxes	(1,332)		15,460		25	
11	Total Production & Transmission	(1,332)	0	9,090 318,657	0	25 25	0
* *	Total I (oduction of Indignission	(200,1)	Ů	316037	v		•
	Distribution						
12	Operating Expenses			15,485	•		
13	Depreciation			10,864			
14	Taxes			29,460	(12,184)	(6)	
15	Total Distribution	0	0	55,809	(12,184)	(6)	Ö
				- 41-1			
16	Customer Accounting			8,951			(47)
17	Customer Service & Information			7,739			
18	Sules Expenses			657			
	Administrative & General				•		
19	Operating Expenses			32,646			
20	Depreciation			6,459			
21	Taxes						
22	Total Admin. & General	.0	0	39,105	0	0	0
23	Total Electric Expenses	(1,332)	.0.	430,918	(12,184)	19	(47)
24	OPERATING INCOME BEFORE FIT	1,332	0	90,044	(32)	(19)	47
	AND THE RESERVE AND THE PROPERTY OF THE PROPER						
25	FEDERAL INCOME TAX Current Accrual			24,008	(11)	(7)	16
26	Deferred Income Taxes	466		(6,705)	(tri)	(9)	,••
20	Deterred mediale Paxes	400.		(4,700).			
27	NET OPERATING INCOME	\$866	\$0	\$72,741	(\$21)	(\$1,2)	\$31
	A					•	
	RATE BASE					·	
	PLANT IN SERVICE			enn 460			ν.
28	Intengible	(14 00C)	30-696	\$23,458 703,455			
29 30	Production Transmission	(14,205)	79,626	244,435			
30 31	Distribution	•		502,571			
32	General			80,110			
33	Total Plant in Service	(14,205)	79,626	1,554,029	0	0	0
1.	ACCUMULATED DEPRECIATION	, ,- ,/	•	485,160			•
7.0	ACCUMULATED DEPRECIATION ACCUM. PROVISION FOR AMORTIZATION	(13,706)	52,268	485,100 51, <b>5</b> 22			
.25 . 36	Total Accum, Depreciation & Amort.	(13,706)	52,268	536,682	0	<u>-</u>	0
	GAIN ON SALE OF BUILDING	(121,40)	22,404	(453)		-	
	DEFERRED TAXES	175	(4,917)	(142,383)			
-							
	TOTAL RATE BASE	(\$324)	\$22,441	\$874,511	\$0	<b>\$</b> 0	- <b>\$</b> 0 .
39	IOTAL KATE BASE	(3227)	0.00,711	44.7 130.9 2			

Line		Regulatory	Injuries and		Eliminate WA Power	Nez Perce Settlement	Eliminate A/R
No.	DESCRIPTION	Expense	Damages	FIT	Cost Defer	Adjustment	Expenses
	Ď,	n	O,	p	q	r	8
	REVENUES	•					
1	Total General Business				\$ (31,707).		
2	Interdepartmental Sales						
3	Sales for Resale						
4	Total Sales of Electricity	0	0	0	(31,707)	0	0
5	Other Revenue						
6	Total Electric Revenue	0.	.6	0	(31,707)	0	0
	EXPENSES						
	Production and Transmission						
7	Operating Expenses				(30,675)	1.8	
8	Purchased Power						
9	Depreciation and Amortization					4	
10	Taxes						
11	Total Production & Transmission	0	. 0	0	(30,675)	18	0
	Distribution						
12	Operating Expenses						
13	Depreciation						
14	Taxes				(1,224)		
15	Total Distribution	0	. 0	0	(1,224)	. 0	Ü
16	Customer Accounting				(100)		(1,717
17	Customer Service & Information				, .		•
18	Sales Expenses						
	Administrative & General						
19	Operating Expenses	1,162	(486)		(60)		
20	Depreciation				., ,		
21	Taxes		·				
22	Total Admin. & General	1,162	(486)	0	(60)	0(	0
23	Total Electric Expenses	1,162	(486)	0	(32,059)		(1,717)
24	OPERATING INCOME BEFORE FIT	(1,162)	486	0	352	(18)	1,71,7
	FEDERAL INCOME TAX						
25	Current Accrual	(407)	170	(428)	(10,613)	(6)	601
26	Deferred Income Taxes	. ,		(56)	10,736	•	
	المدارية الان المستور المستورات	· · · · · · · · · · · · · · · · · · ·		<del></del>		. Who ris	:01.116
27	NET OPERATING INCOME	(\$755)	\$316	\$484	\$229	(\$12)	\$1,116
	RATE BASE				•		
	PLANT IN SERVICE						
28	Intangible						
29	Production						•
30	Transmission					•	
31	Distribution						
32 33	General Total Plant in Service	0	0	.0.	0	0	Û
33	Total Light in Service	υ	V	.0.	v	٧	Ū
	ACCUMULATED DEPRECIATION						
	ACCUM. PROVISION FOR AMORTIZATION						
36	Total Accum. Depreciation & Amort.	0	0	O:	0	0	.0.
37	GAIN ON SALE OF BUILDING						
38	DEFERRED TAXES	<del></del>	<del></del>			,	<del> </del>
39 -	TOTAL RATE BASE	.\$0	\$0	\$0	<b>\$</b> 0	20	\$0
40	RATE OF RETURN						

Line	1	Office Space Charges to	Restate Excise	Net	Revenue Normalization	Incentive
No.	DESCRIPTION	Susidiaries	Taxes	Gains/losses		& Other
	ą	t	ņ	-V	w	x
	REVENUES					
ı	Total General Business				\$3,442	
2	Interdepartmental Sales				*****	
3	Sales for Resale					
4	Total Sales of Electricity	0	.0	0	3,442	0
5	Other Revenue	•	.0	*	209	-
6	Total Electric Revenue	0	0	0	3,651	.0
	FORT SIDER OF THE PAIN	v	•		5,00.	ū
	EXPENSES			*		
	Production and Transmission					
7	Operating Expenses				(176)	614
8	Purchased Power			•		
9	Depreciation and Americation		*		10,385	
10	Taxes					
11	Total Production & Transmission	0	Q	Ō	10,109	614
	Distribution					
12	Operating Expenses					
13	Depreciation			(88)		
14	Taxes		120		141	
15	Total Distribution	0	120	(88)	141	0
	And the second second					
16	Customer Accounting				10	
17	Customer Service & Information				(6,580)	
18	Sules Expenses					
	Administrative & General					
2.0		7575			7	(1,103)
19	Operating Expenses	(24)			,	(1,103)
20	Depreciation	•				
21 22	Taxes Total Admin. & General	(24)	0	0	7	(1,103)
44	Total Montin, & General					
23	Total Electric Expenses	(24)	120	(88)	3,687	(489)
			44.234	an	(2)(4)	400
24	OPERATING INCOME BEFORE FIT	24	(120)	88	(36)	489
	and the same of th					
	FEDERAL INCOME TAX	_	žan.	. 31	61.2)	171
25	Current Accrual	8	(42)	31	(13)	
26	Deferred Income Taxes					
				<del> </del>		
27	NET OPERATING INCOME	\$16	(\$78)	\$57	(\$23)	\$318
_		_ <del></del>				
	RATE BASE					
	PLANT IN SERVICE	·				
28	Inungible					
29	Production					
30	Transmission					
31	Distribution					
32	General			+ 4		
33	Total Plant in Service	0	0	. 0	O	0
		•				
34	ACCUMULATED DEPRECIATION					
25	ACCUM, PROVISION FOR AMORTIZATION			0	0	0
36	Total Accum. Depreciation & Amort.	0	Ō	Q	V	U
37	GAIN ON SALE OF BUILDING					
38	DEFERRED TAXES		<del></del>	<del></del>		
39:	TOTAL RATE BASE	\$0	\$0	\$0	SO.	\$0
.,		- do				
40:	RATE OF RETURN					

Line		Restate Debt	Restated	Pro Forma Power	Pro Forma Prod Property	Pro Forma Labor	Pro Forma Lubor
No.	DESCRIPTION	Interest	TOTAL	Supply	Adj	NonExec	Exec
	á	У	ž	PFI	PF2	PF3	PF4
	REVENUES						
1	Total General Business		\$321,929				
2	Interdepartmental Sales		733				
3	Sales for Resale		115,579	(80,199)			
4	Total Sales of Electricity	0	438,241	(80,199)	0	0	,
5	Other Revenue		42,449	(32,271)	(2,029)	• •	
6	Total Electric Revenue	0	480,690	(112,470)	(2,029)	. 0	Ō
	EXPENSES						
	Production and Transmission					÷	
7	Operating Expenses		146,017	(43,962)	(10,569)	717	(14
8	Purchased Power		117,871	(38,725)			3.
9	Depreciation and Amortization		25,745	,			
10	Taxes		9,115				
11	Total Production & Transmission	۵	298,748	(82,687)	(10,569)	717	(14
	Distribution						
12	Operating Expenses		15,485			567	
1.3	Depreciation		10,776				
14	Tixxes		16,307				
15	Total Distribution	. 0	42,568	0	0	567	đ,
16	Customer Accounting		7,097			243	
17	Customer Service & Information		1,159			15	
18	Sales Expenses		657			23	
	Administrative & General						
19	Operating Expenses		32,142			550	(348
.20	Depreciation		6,459				(
21	Taxes	•	.,				
22	Total Admin, & General	0	38,601	0	0	550	(348)
23	Total Electric Expenses	.0	38\$,830	(82,687)	(10,569)	2,115	(362)
24	OPERATING INCOME BEFORE FIT	0.	91,860	(29,783)	8,540	(2,115)	362
	PEDERAL INCOME TAX						
	Current Accrual	2,695	16,173	(10,424)	2,989	(740)	127
26	Deferred Income Taxes		3,975				
27	NET OPERATING INCOME	(\$2,695)	\$71,712	(\$19,359)	\$5,551	(\$1,375)	\$235
	RATE BASE						
	PLANT IN SERVICE						
28	Intangible		\$23,458		alan maka		
29	Production		703,455		(28,781)		
30	Transmission		244,435				
31	Distribution		502,571	,			
32 33	General Transaction Research		80,110		(80 501)		
	Total Plant in Service	0	1,554,029	0	(28,781)	.0	0
	ACCUMULATED DEFRECIATION		485,160				
	ACCUM PROVISION FOR AMORTIZATION		51,522				<del></del>
36	Total Accum. Depreciation & Amort.	0.	536,682	0	0,	0,	0
	GAÍN ON SALE OF BUILDING DEFERRED TAXES		(453) (142,383)				
	TOTAL RATE BASE	\$0	\$874,511	SO	(\$28,781)	\$0	\$0
1		30		30	(340)(81)	จัก	30
40	rate of return		8.20%				

Line		Pro Forma Transmission	Pro Forma Transmission	Pro Forma Generation	Pro Forma Depreciation	Pro Forms Wood Pole	Proforma Mise
No.	DESCRIPTION	Rev/Exp	Capital Add	Capital Add	Study	Test & Treat	мцsc Adj.
11.51	a a	PF5	PF6	PF7	PF8	PF9	PF10
	REVENUES						
1	Total General Business						
2	Interdepartmental Sales						
3	Sales for Resale:						
4	Total Sales of Electricity	0	0	0	0	0	0
5	Other Revenue	(903)					40
6	Total Electric Revenue	(903)	, 0	0.	0	0	.40
	EXPENSES						
	Production and Transmission						
7	Operating Expenses	416				183	
8	Purchased Power		•				
9	Depreciation and Amortization		998	358	(2.670)		
10	Taxes	4 <u> </u>	660	198			
11	Total Production & Transmission	416	1,658	556	(2,670)	183	0
	Distribution						
12	Operating Expenses					121	
13	Depreciation				3,120		
14	Tuxes						
1.5	Total Distribution	.0	0.	0	3,120	121	0
16	Customer Accounting						
17	Customer Service & Information						
18	Sales Expenses						
	Administrative & General						,
19	Operating Expenses				amatin.		(393)
20	Depreciation				(770)		
21 22	Taxes Total Admin. & General	0	0	. 0	(770)	0	(393)
23	Total Electric Expenses	416	1,658	556	(320)	304	(393)
	·						
24	OPERATING INCOME BEFORE FIT	(1,319)	(1,658)	(556)	320	(304)	433
	FEDERAL INCOME TAX					45 4720	
25	Current Accrual	(462)	(580)	(195)	112	(106)	152
26	Deferred income Taxes						
		<del>د داند د</del>	in a hear	Services		(\$198)	\$281
27	NET OPERATING INCOME	(\$857)	(\$1,078)	(\$361)	\$208	(2139)	\$251
	RATEBASE	•					
	PLANT IN SERVICE						
28	Intangible						
29	Production		محقادة	12,258			
30	Transmission		41,969				
31	Distribution						
32 33	General Total Plant in Service	0	41,969	12,258	.0	0	0
	And the second s	. •				•	
34	ACCUMULATED DEPRECIATION		748	354	(160)		
25	ACCUM, PROVISION FOR AMORTIZATION				(1.4%)		0
36	Total Accum. Depreciation & Amort.	,0	748	354	(160)	0	Ų.
37 38	GAIN ON SALE OF BUILDING DEFERRED TAXES	•	(947)	(165)	(56)		
	•					en	ŚO
39	TOTAL RATE BASE	50	\$40,274	\$11,739	\$104	\$0	30

38 DEFERRED TAXES (143,551) 0 39 TOTAL RATE BASE (\$1,903) \$895,944				
No.   DESCRIPTION   Deposits   TOTAL	١			
REVENUES		DESCRIPTION		
REVENUES   1 Total General Business   5321,929   2	INO.	·		
Total Ceneral Business   \$321,929		ű	PPII	111
Interdepartmental Sales   373   3   Sales for Resaile   35,380   4   Total Sales of Resaile   0   358,042   5   Other Revenue   7,286   6   Total Electric Revenue   0   365,328		REVENUES		
Sales for Resale	1	Total General Business		\$321,929
Total Sales of Electricity	2	Interdepartmental Sales		733
Total Electric Revenue	3	Sales for Resale		35,380
Total Electric Revenue	4	Total Sules of Electricity	0	358,042
EXPENSE   Production and Transmission	5	Other Revenue		
Production and Transmission   2,788	6	Total Electric Revenue	0	365,328
7         Operating Expenses         92,788           8         Purclassed Power         79,146           9         Depreciation and Amortization         24,431           10         Taxes         9,973           11         Total Production & Transmission         0         206,338           Distribution         77         16,250           12         Operating Expenses         77         16,250           14         Taxes         16,307           15         Total Distribution         77         46,453           16         Customer Accounting         7,340           17         Customer Service & Information         11,174           18         Sales Expenses         680           Administrative & General         0         37,640           19         Operacing Expenses         31,951           20         Depreciation         5,689           21         Taxes         77         299,625           22         Total Effectric Expenses         77         299,625           24         OPERATING INCOME BEFORE FIT         (77)         65,703           FEDERAL INCOME TAX         (27)         7,019           26         Curren		EXPENSES		
8 Purchased Power         79,146           9 Depreciation and Amortization         24,431           10 Taxes         9,973           11 Total Production & Transmission         0           Distribution         0           12 Operating Expenses         77         16,250           13 Depreciation         13,896           14 Taxes         16,307           15 Total Distribution         77         46,453           16 Customer Accounting         7,340           17 Customer Service & Information         1,174           18 Sales Expenses         680           Administrative & General         0           19 Operating Expenses         31,951           20 Depreciation         5,659           21 Tuxes         31,951           22 Total Admin. & General         0         37,640           23 Total Electric Expenses         77         299,625           24 OPERATING INCOME BEFORE FIT         (77)         65,703           FEDERAL INCOME TAX         (27)         7,019           26 Current Accrual         (27)         7,019           27 NET OPERATING INCOME         (\$50)         \$34,709           28 Intangible         \$23,458           29 Foodoction		Production and Transmission		
Depreciation and Amortization   24,431   10   Taxes   9,973   11   Total Production & Transmission   0   206,338	7	Operating Expenses		92,788
Taxes	8	• • • • •		79,146
Tixxes	9	Depreciation and Amortization		24,431
Distribution   1	10			9,973
12			0	
12		Disastrusting		
13   Depreciation   13,896   15,307   15   Total Distribution   77   46,453   16,307   15   Total Distribution   77   46,453   16   Customer Accounting   7,340   1,174   1,	12		42	18:250
Taxes   16,307   16,453   16,307   16,453   16,307   16,507   16,507   16,507   16,507   16,507   16,507   16,507   17,040   17,740   17			( ,	
15		t transfer to the contract of		
16   Customer Accounting   7,340     17   Customer Service & Information   1,174     18   Sales Expenses   680     Administrative & General     19   Operating Expenses   31,951     20   Depreciation   5,689     21   Toxes		the state of the s	77	
1,174     18   Sales Expenses	1.2	tom Distribution	,,,,	1911
Administrative & General  Operating Expenses Depreciation	15	Customer Accounting		7,340
Administrative & General 19 Operating Expenses 31,951 20 Depreciation 5,689 21 Tuxes 22 Total Admin. & General 0 37,640 23 Total Electric Expenses 77 299,625 24 OPERATING INCOME BEFORE FIT (77) 65,703  FEDERAL INCOME TAX 25 Current Accrual (27) 7,019 26 Deferred Income Tuxes 3,975  27 NET OPERATING INCOME (\$50) \$34,709  RATE BASE PLANT IN SERVICE 28 Intragible \$23,458 29 Production 686,932 29 Production 686,932 30 Transmission 286,404 31 Distribution (1,903) 500,668 32 General 80,110 33 Total Plant in Service (1,903) 1,577,572 34 ACCUMULATED DEPRECIATION 486,102 25 ACCUM, PROVISION FOR AMORTIZATION 51,522 36 Total Accum, Depreciation & Amon. 0 537,624 37 GAN ON SALE OF BUILDING (453) 38 DIEFERRED TAXES (143,551) 0 10 TOTAL RATE BASE (\$1,903) \$895,944	1.7	Customer Service & Information		1,174
Operating Expenses   31,951	18	Sales Expenses		680
Operating Expenses   31,951		Administrative & General		
Depreciation   7,689	19			31,951
Taxes   22				60.00
Total Admin. & General   0   37,540				- 34,000 30
24         OPERATING INCOME BEFORE FIT         (77)         65,703           FEDERAL INCOME TAX           25         Current Accrual         (27)         7,019           26         Deferred Income Taxes         3,975           27         NET OPERATING INCOME         (\$50)         \$34,709           RATE BASE           PLANT IN SERVICE         \$23,458           29         Production         686,932           30         Transmission         286,404           31         Distribution         (1,903)         500,668           32         General         80,110           33         Total Plant in Service         (1,903)         1,577,372           34         ACCUMULATED DEPRECIATION         486,102           25         ACCUM, PROVISION FOR AMORTIZATION         51,522           36         Total Accum, Depreciation & Amort.         0         537,624           37         GAN ON SALE OF BUILDING         (453)           38         DIEFERRED TAXES         (143,551)           39         TOTAL RATE BASE         (\$1,903)         \$895,944			0.	37,640
FEDERAL INCOME TAX 25 Current Accrual (27) 7,019 26 Deferred Income Tuxes 3,975  27 NET OPERATING INCOME (\$50) \$34,709  RATE BASE PLANT IN SERVICE 28 Intengible \$23,458 29 Production 686,932 30 Transmission (1,903) 500,668 31 Distribution (1,903) 500,668 32 General (1,903) 1,577,572 34 ACCUMULATED DEPRECIATION 486,102 25 ACCUM. PROVISION FOR AMORTIZATION 51,522 36 Total Accum. Depreciation & Amort. 0 537,624 37 GAIN ON SALE OF BUILDING (453) 38 DIEFERRED TAXES (1,43,551) 0 39 TOTAL RATE BASE (\$1,903) \$895,944	23	Total Electric Expenses	. 77	299,625
25   Current Accusul   (27)   7,019	24	OPERATING INCOME BEFORE FIT	(77)	65,703
25   Current Accusul   (27)   7,019		FEDERAL INCOME TAX		
26         Deferred Income Tuxes         3,975           27         NET OPERATING INCOME         (\$50)         \$54,709           RATE BASE PLANT IN SERVICE         \$23,458         \$29         \$20,458	25		(27)	7.019
27         NET OPERATING INCOME         (\$50)         \$\$4,709           RATE BASE PLANT IN SERVICE         \$23,458           28         Intengible         \$23,458           29         Production         686,932           30         Transmission         286,404           31         Distribution         (1,903)         500,668           32         General         80,110           33         Total Plant in Service         (1,903)         1,577,572           34         ACCUMULATED DEPRECIATION         486,102           25         ACCUM, PROVISION FOR AMORTIZATION         51,522           36         Total Accum, Depreciation & Amon.         0         537,624           37         GAIN ON SALE OF BUILDING         (453)           38         DIEFERRED TAXES         (143,551)           39         TOTAL RATE BASE         (81,903)         \$895,944			* : .*	3,975
RATE BASE PLANT IN SERVICE  28 Intengible \$23,458 29 Production \$686,932 30 Transmission \$286,404 31 Distribution \$(1,903) \$500,668 32 General \$80,110 33 Total Plant in Service \$(1,903) \$1,577,572 34 ACCUMULATED DEPRECIATION \$486,102 25 ACCUM, PROVISION FOR AMORTIZATION \$51,522 36 Total Accum, Depreciation & Amort. \$0 \$37,624 37 GAN ON SALE OF BUILDING \$(453) 38 DISTRIBUTIONS \$(453) 39 TOTAL RATE BASE \$(\$1,903) \$\$895,944	.=			
PLANT IN SERVICE	. <b>27</b>	NET OPERATING INCOME	(\$50)	\$54,709
PLANT IN SERVICE		RATE BASE		
28         Intengible         \$23,458           29         Production         686,932           30         Transmission         286,464           31         Distribution         (1,903)         500,668           32         General         80,110           33         Total Plant in Service         (1,903)         1,577,572           34         ACCUMULATED DEPRECIATION         486,102           25         ACCUM, PROVISION FOR AMORTIZATION         51,522           36         Total Accum, Depreciation & Amort         0         537,524           37         GAIN ON SALE OF BUILDING         (453)           38         DISFERRED TAXES         (143,551)           39         TOTAL RATE BASE         (\$1,903)         \$893,944			-	
Production   686,932	28			\$23,458
30         Transmission         286,464           31         Distribution         (1,903)         500,668           32         General         80,110           33         Total Plant in Service         (1,903)         1,577,572           34         ACCUMULATED DEPRECIATION         486,102           25         ACCUM. PROVISION FOR AMORTIZATION         51,522           36         Total Accum. Depreciation & Amort.         0         537,524           37         GAIN ON SALE OF BUILDING         (453)           38         DIEFERRED TAXES         (143,551)           39         TOTAL RATE BASE         (\$1,903)         \$89,5944				
Distribution				
32   General   80,110		The state of the s	(1,903)	4
33   Total Plant in Service				
25         ACCUM. PROVISION FOR AMORTIZATION         51,522           36         Total Accum. Depreciation & Amort.         0         537,624           37         GAIN ON SALE OF BUILDING         (453)           38         DEPERRED TAXES         (143,551)           39         TOTAL RATE BASE         (\$1,903)         \$895,944			(1,903)	
36         Total Accum, Depreciation & Amon.         0         537,624           37         GAIN ON SALE OF BUILDING         (453)           38         DEFERRED TAXES         (143,551)           39         TOTAL RATE BASE         (\$1,903)         \$895,944	34			486,102
36         Total Accum, Depreciation & Amon.         0         537,624           37         GAIN ON SALE OF BUILDING         (453)           38         DEFERRED TAXES         (143,551)           39         TOTAL RATE BASE         (\$1,903)         \$895,944	25	ACCUM PROVISION FOR AMORTIZATION		51,522
38 DEFERRED TAXES (143,551)  39 TOTAL RATE BASE (\$1,903) \$895,944	36		. 0	537,624
39 TOTAL RATE BASE (\$1,903) \$895,944	37	GAIN ON SALE OF BUILDING		(453)
	38	DEFERRED TAXES	<del></del>	(143,551)
40 RATE OF RETURN 6.11%	39.	TOTAL RATE BASE	(\$1,903)	\$895,944
	40	RATE OF RETURN		6.11%

			H PRESENT RA	WITH PROPOSED RATES		
		Actual Per	i i		Proposed	Pro Forma
Line	, ,	Results.	Total	Pro Forma	Revenues &	Proposed
No.	DESCRIPTION	Report	Adjustments	Total	Related Exp	Total
	a DESCRIPTION	Ь	Ċ	d	ĕ	ſ
	REVENUES	dann rina	A 111 A 275	ellog og t	60.000	
l	Total General Business	\$208,883	\$ (11,062)	\$197,821	\$3,282	\$201,103
2	Total Transportation	3,166	(1,720)	1,446		1,446
3 4	Other Revenues	39,097 251,146	(37,220)	1,877	3,282	1,877
•	Total Gas Revenues	231,140	(\$0,002)	201,144	3,202	204,420
	EXPENSES					
5	Exploration and Development					
	Production					
6	City Gate Purchases	188,395	(38,593)	149,802		149,802
7	Purchased Gas Expense	653	18	671		671
8	Net Nat Gas Storage Trans	495	(495)			. 0
9	Total Production	189,543	(39,070)	150,473	.0	150,473
	Underground Storage		Service Servic		•	
10	Operating Expenses	492	ı	493		493
H	Depreciation	312	(60)	252		252
12	Taxes	124	(2).	122		122
13	Total Underground Storage	928	(61)	867	Ó	867
•••	Distribution	,	(4.,)			***
14	Operating Expenses	6,359	276	6.635		6,635
15	Denreciation	5:382	(228)	5,154		5,154
16	Taxes	17,051	(7,594)	9,457	126	9,583
17	Total Distribution	28,792	(7,546)	21,246	126	21,372
				· ·		
18	Customer Accounting	4,568	(200)	4,368	9	4,377
19	Customer Service & Information	3,260	(2,190)	1,070		1,070
20.	Sales Expenses	496	14	510		510
	Administrative & General			*		
21	Operating Expenses	8,334	(264)	8,070	7	8,077
22	Depreciation	1,282	(59)	1,223		1,223
23	Taxes	24	0	24	<u> </u>	24
24	Total Admin, & General	9,640	(323)	9,317	7	9,324
25	Total Gas Expense	237,227	(49,376)	187,851	142	187,993
26	OPERATING INCOME BEFORE FIT	13,919	(626)	13,293	3,140	16,433
	CCD-DALL MARCHES TANK					
27	FEDERAL INCOME TAX	8,006	264	6,270	1,099	7,369
27	Current Acordal	(3,050)	1.62	(3,072)	4 **	(3,072
28 29	Deferred FIT Amort ITC	(30)	0	(30)		(30
29	Amortine	(30)	<u>y</u>	(30)		(30
30	NET OPERATING INCOME	10,993	(\$868)	10,125	\$2,041	\$12,166
	RATE BASE: PLANT IN SERVICE					
31	Underground Storage	13,854	(iati)	12,743		12,743
32	Distribution Plant	219,287	1,045	220,332		220,332
33	General Plant	20,791	0.	20,791		20,791
34	Total Plant in Service	253,932	(66)	253,866	.0	253,866
ac, 1	ACCUMULATED DEPRECIATION	100000000000000000000000000000000000000	(39).	न्तर स्टब्स		
35	Underground Storage	7,249	(30)	7,219		7,219
36	Distribution Plant	74,019	(107)	73,912		73,912
37	General Plant	7.230	(30)	7,200		7,200
.37 38	Total Accum. Depreciation	88,498	(367)	88,331	0	88,331
	DEFERRED FIT	0.	(24,650)	(24,650)	₹.	(24,650
39: 40	GAS INVENTORY		7,628	7,628		7.628
41	GAIN ON SALE OF BUILDING	0	(153)	(153)		(153
••	with the second second			<u></u>		
	TOTAL RATE BASE	165,434	(\$17,074)	148,360	\$0	\$148,360
42	10. Vr toute buon	200110,1	4.77			8.20%

#### AVISTA UTILITIES

# Calculation of General Revenue Requirement Washington - Gas TWELVE MONTHS ENDED DECEMBER 31, 2006 (000's OF DOLLARS)

Line No.	Description	WASH
1	Pro Forma Rate Base	\$148,360
2	Proposed Rate of Return	8.200%
3	Net Operating Income Requirement	\$12,166
4	Pro Forma Net Operating Income	\$10,125
5	Net Operating Income Deficiency	\$2,041
6	Conversion Factor	0.621999
7	Revenue Requirement	\$3,282°
8	Total General Business Revenues	\$199,267
9	Percentage Revenue Increase	1.65%

# AVISTA UTILITIES Revenue Conversion Factor Washington - Gas System TWELVE MONTHS ENDED DECEMBER 31, 2006

Line No.	Description	Factor
1	Revenues	1.000000
2	Expense: Uncollectibles	0.002661
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038418
5	Franchise Fees (City of Millwood Expired in 2004)	0.00000.0
6	Total Expense	0.043078
7	Net Operating Income Before FIT	0.956922
8	Federal Income Tax @ 35%	0.334923
9	REVENUE CONVERSION FACTOR	0.621999

Line		Per Results	Deferred FIT	Deferred Gain on Office	Gas	Weatherization and DSM	Customer
No.	DESCRIPTION	Report	Rate Base	Building	Inventory	Investment	Advances
	а	ь	C	ď	e.	f ,	g
	DEVENTED						
1	REVENUES Total General Business	enne 903					
2	Total Transportation	\$208,883					
3	Other Revenues	3,166 39 <b>,</b> 097					
4	Total Gas Revenues	251,146	0	0	0	-0	0
۳.	Total Cara Moralines	231,140	v	U	v	v	•
	EXPENSES						
5	Exploration and Development	Ó					
-	Production	·					
ő	City Gate Purchases	188,395					
7	Purchased Gas Expense	653					
.8	Net Nat Gas Storage Trans	495					
9	Total Production	189,543	0	Q	. 0.	0	0
	Underground Storage						
10	Operating Expenses	492					
11	Depreciation	312					
12	Taxes	124					
13	Total Underground Storage	928	0	Ö	0	Ō	0
	Distribution						
14	Operating-Expenses	6,359					
15	Depreciation	5,382					
16	Taxes	17,051					
17	Total Distribution	28,792	Ú	O.	.0.	0	0
18	Customer Accounting	4,568			.0	· <b>0</b> -	
19	Customer Service & Information	3,260					
20	Sales Expenses Administrative & General	496					
21	Operating Expenses	8,334					
22	Depreciation	1,282					
23	Taxes	24					
24	Total Admin, & General	9,640	0	Ó	0	Q	Ò
25	Total Gas Expense	237,227	0	. 0	0	:01	0
26	OPERATING INCOME BEFORE FIT FEDERAL INCOME TAX	13,919	0	0	Ċ	0.	0
37	Current Accrual	6,006.					
28	Deferred FIT	(3,050)					
29	Amort ITC	(30)					<del></del>
30	NET OPERATING INCOME	\$10,993	\$0	\$0	\$0	\$0	.50
	RATE BASE: PLANT IN SERVICE						
31	Underground Storage	13,854					
32	Distribution Plant	219,287				1,120	(75)
33	General Plant	20,791		·			
34	Total Plant in Service ACCUMULATED DEPRECIATION	253,932	0	Ó	0	1,120	(75)
35	Underground Storage	7,249					
36	Distribution Plant	74,019					
37	General Plant	7,230					
38	Total Accum, Depreciation	88,498	Q.	0	0	0	0
39	DEFERRED FIT	0.	(24,645)	53			
40	GAS INVENTORY	· 0 ·	•		7,628		
41	GAIN ON SALE OF BUILDING	0	<del></del>	(153)			
42	TOTAL RATE BASE	\$165,434	(\$24,645)	(\$100)	\$7,628	\$1,120	(\$75)
	RATE OF RETURN	6.64%					

Line		Subtotal	Revenue Normalization &	Eliminate B & O	Property	Uncollectible	Regulatory Expense
No.	DESCRIPTION	Actual	Gas Cost Adjust	Taxes	Tax	Expense	Adjustment
	а	-	h :	i	j	k	1
	REVENUES						
1	Total General Business	\$208,883	\$ (3,682)	\$ (7,380)			
2	Total Transportation	3,166	(1,648)	(72)			
3	Other Revenues	39,097	(35,060)	(,			
4	Total Gas Revenues	251,146	(40,390)	(7,452)	0	0	. 0
	EXPENSES						
5	Exploration and Development	0					
	Production				•		:
6.	City Gate Purchases	188,395	(38,593)				
7	Purchased Gas Expense	653					
8	Net Nat Gas Storage Truns	495	(495)				
9	Total Production	189,543	(39,088)	0	0	0	ø
	Underground Storage						
10	Operating Expenses	492					
11	Depreciation	312					
12	Taxes	124	····		(2)		
13	Total Underground Storage	. 928	Q	0	(2)	0.	Ö
	Distribution						
14	Operating Expenses	6,359					
15	Depreciation	5,382	V.,				
16	Taxes	17,051	(141)	(7,461)	(23)	<del></del>	
17	Total Distribution	28,792	(141)	(7,461)	(23)	Û	σ
18	Customer Accounting	4,568	(10)	:0:	·Ó	(59)	0
19	Customer Service & Information	3,260	(2,199)				
30	Sules Expenses Administrative & General	496					
21	Operating Expenses	8,334	(7)				75
22	Depreciation	1,282	• • •				
23	Taxes	24					
24	Total Admin. & General	9,640	(7)	0	.0	0	75
25.	Total Cas Expense	237,227	(41,445)	(7,461)	(25)	(59)	75
26	OPERATING INCOME BEFORE FIT FEDERAL INCOME TAX	13,919	1,055	9;	25	59	(75)
27	Current Accrual	6,006	369	3	9	21	(26)
28	Deferred FIT	(3,050)					-
29	Amon IFC	(30)	<u> </u>				
30	NET OPERATING INCOME	\$10,993	\$686	\$6.	\$16	\$38	(\$49)
	RATE BASE: PLANT IN SERVICE						
31	Underground Storage	13,854					
32	Distribution Plant	220,332					
33	General Plant	20,791	_	<u></u> _			
34	Total Plant in Service	254,977	, Ø	0,	.0	Ō	0
	ACCUMULATED DEPRECIATION	7,249					
35	Underground Storage	7,249 74(019					
36 37	Distribution Plant General Plant	7,230					
38	Total Accum. Depreciation	88,498	0	0	0	0	0
39	DEFERRED FIT	(24,592)	·		•	•	*
40	GAS INVENTORY	7,628		,		•	
41	GAIN ON SALE OF BUILDING	(153)					<del> </del>
42	TOTAL RATE BASE	\$149,362	\$0	_\$0	\$0	\$0	\$0
43	RATE OF RETURN	7.36%		<del></del>			

		Injuries	· · · · · · · · · · · · · · · · · · ·	Restate			Eliminate
Line No.	DESCRIPTION	and Damages	FIT	Debt Interest	Incentives & Other	Net Gains/losses	A/R Expenses
	ä	m	n	0	P.	q	r
	REVENUES						
1	Total General Business			•			
2	Total Transportation						
3	Other Revenues						
4	Total Gas Revenues	0	0	0	ů	0	0
	EXPENSES			•			
5	Exploration and Development						
	Production						
6	City Gate Purchases						
-7	Purchased Gas Expense		•				
8	Net Nat Gas Storage Trans				<del></del> ,		
9	Total Production	. 0	0	.0	Ų.	O	0
	Underground Storage						
.10	Operating Expenses		•				,
1.1	Depreciation						
12	Taxes						
13	Total Underground Storage Distribution	0	O	0	.0.	Ö:	à
14	Operating Expenses				•		
15	Depreciation					(13)	
16	Taxes				<del> </del>		
[7	Total Distribution	0	0	.0	Ó.	(13)	Ð
18	Customer Accounting				0.	9	(274)
19	Customer Service & Information						
20	Soles Expenses						
	Administrative & General				*		
21	Operating Expenses	22			(288)		
22	Depreciation						
23	Taxes						
24	Total Admin. & General	22	0	0	(388)	0	0
25	Total Gas Expense	22	0	0	(288)	(13)	(274)
26	OPERATING INCOME BEFORE FIT	(22)	:0	30.	288	13	274
	FEDERAL INCOME TAX						
27	Current Acorual	(8)	11	471	101	5	:96
28	Deferred FIT		(22)				
29	Amort ITC				<del></del>	<del></del>	<del></del>
30	NET OPERATING INCOME	(\$14)	\$I1	(\$471)	\$187	\$8.	\$178
	RATE BASE: PLANT IN SERVICE	4					
31	Underground Storage					•	
32	Distribution Plant						
33	General Plant						
34	Total Plant in Service	0	Ö	0	0	0	0
	ACCUMULATED DEPRECIATION						
35	Underground Storage						
36	Distribution Plunt						
37	General Plant				· · · · · · · · · · · · · · · · · · ·	a	40
38	Total Accum. Depreciation	Û	0	O';	0	·u	-tu
39	DEFERRED FIT						
40	GAS INVENTORY						•
41	GAIN ON SALE OF BUILDING						
42	TOTAL RATE BASE	\$0	S0	\$Q	\$0	\$0.	\$0
43	RATE OF RETURN						

Line		Office Space Charges to	Restate Excise	Restated	Pro Forma Labor	Pro Forma Labor	Pro Forma Depreciation
No.	DESCRIPTION	Subs	Taxes	Total	Non-Exec	Exec	Study
	а	<b>ន</b> ៈ	T-	•	PFI	PF2	PF3
	REVENUES						
1	Total General Business		•	\$197,821			
2	Total Transportation			1,446			
3	Other Revenues			4,037			
4	Total Gas Revenues	0	0	203,304	0	0	0
	EXPENSES						
5	Exploration and Development Production			0			
6	City Gate Purchases			140 905			
7				149,802		eri	
	Purchased Gas Expense			653	23	(5)	
8	Net Nat Gas Storage Trans			0			
.9	Total Production	0	Q	150,455	23	(5)	:0
	Underground Storage						
10	Operating Expenses			492	I		
11	Depreciation			312			(60)
12	Taxes		······································	122			
13	Total Underground Storage	C	.0	926	1	Ó	(60)
	Distribution						
14:	Operating Expenses			.6,359	23.1		
15	Depreciation			5,369		+	(215)
16	Taxes		31	9,457			
17	Total Distribution	. 0	31	21,185	231	. 0	(215)
18	Customer Accounting.	0	· <b>0</b> ,	4,225	143		*
19	Customer Service & Information			1,061	:9∗.		
20.	Sales Expenses			496	14		
	Administrative & General	•					
21	Operating Expenses	(6)		8,130	137	(89)	
22	Depreciation			1,282			(59)
23	Taxes			24			
24	Total Admin. & General	(6)	Û	9,436	137	(89)	(59)
25	Total Gas Expense	(6)	31	187,784	558	(94)	(334)
26	OPERATING INCOME BEFORE FIT	6	(31)	15,520	(558)	94	334
•	FEDERAL INCOME TAX						
27	Current Accruel	. 2.	(11)	7,049	(195)	33	117
28	Deferred FIT		• •	(3,072)			
29	Amort ITC			(30)			
30	NET OPERATING INCOME	<u>\$4</u>	(\$20)	\$11,573	(\$363)	\$61	\$217-
	RATE BASE: PLANT IN SERVICE						•
31	Underground Storage		•	13,854			
32	Distribution Plant			220,332			
33	General Plant			20,791			
34	Total Plant in Service	0	. 0	254,977	0	.D	0
10	ACCUMULATED DEPRECIATION			# #WD			(30)
35	Underground Storage			7,249			
36	Distribution Plant			74,019			(107) (30)
37 38	General Plant Total Accum. Depreciation	0	Ō	7,230 88,498	0.	0	(167)
39	DEPERRED FIT			(24,592)			(58)
40	GAS INVENTORY			7,628			,
41	GAIN ON SALE OF BUILDING	·	·	(153)			
42	TOTAL RATE BASE	20	<b>\$0</b> ;	\$149,362	\$0	30.	\$109
43	RATE OF RETURN			7.75%			

	<u> </u>	Pro Forma	Pro Forma	Pro Forma	·
Line	1	Storage	Misc	Customer	Pro Forma
No.	DESCRIPTION	Contract	Adj	Deposits	Total
	3	PF4	PF5	PF6	•
	REVENUES				
1	Total General Business				\$197,821
2	Total Transportation				1,446
3	Other Revenues	(2,160)			1,877
4	Total Gas Revenues	(2,160)	0	Ò	201,144
	EXPENSES				
5	Exploration and Development Production				
6	City Gate Purchases		*		149,802
7	Purchased Gas Expense	·			671
8	Not Nat Gas Storage Trans				0
9	Total Production	0	.0	O	150,473
	Underground Storage				
10	Operating Expenses				493
11.	Depreciation	*			252
12	Taxes		<del></del>	·	122
13.	Total Underground Storage Distribution	0	0	0	867
14	Operating Expenses			45	6,635
15	Depreciation				5,154
16	Taxes				9,457
17	Total Distribution	q	Ö.	45	31,246
18	Custoiner Accounting		0	0	4,368
19	Customer Service & Information				1,070
20	Sules Expenses				510
	Administrative & General				
21	Operating Expenses		(108)		8,070
22	Depreciation				1,323
23	Taxes				24
24	Total Admin. & General	0	(108)	. 0	9,317
25	Total Gas Expense	0	(108)	45	187,851
26	OPERATING INCOME BEFORE FIT FEDERAL INCOME TAX	(2,160)	108	(45)	13,293
27	Current Accrual	(756)	-38	(16)	6,270
28	Deferred PTT	(1,54)	-		(3,072)
29	Amort ITC				(30)
30	NET OPERATING INCOME	(\$1,404)	\$70	(\$29)	\$10,125
	RATE BASE: PLANT IN SERVICE				
31	Underground Storage			5 (1,111)	12,743
32	Distribution Plant			~ //	220,332
33	General Plant				20,791
34	Total Plant in Service	Ó	.0	(1,111)	253,866
	ACCUMULATED DEPRECIATION		,	(-,)	7,219
35	Underground Storage				7,219 73,912
36	Distribution Plant				7,200
37 38	General Plant Total Accum: Depreciation	0	0 -	·	88,331
39	DEFERRED FIT				(24,650)
40	GAS INVENTORY				7,628
41	GAIN ON SALE OF BUILDING	<del></del>			(153)
42	TOTAL RATE BASE	\$0	\$0	(\$1,111)	\$148,360
43	RATE OF RETURN				6.82%

AVISTA UTILITIES
Docket No. UE-070804
SPREAD OF ELECTRIC REVENUE INCREASE
PER PROPOSED SETTLEMENT AGREEMENT
(000s of Dollars)

9.9%	9	\$35,669	\$5,503	\$361,450	9.3%	\$352,828	\$30,166	\$322,662		Total	7
9.9%	و	\$ <u>528</u>	\$86	\$5,335	9.4%	<u>\$5,161</u>	\$442	\$4,719	41-48	Street & Area Lights	்
9.9%	9	\$754	\$118	\$7,622	9.4%	\$7,440	\$636	\$6,804	သ	Pumping Service	ن ن
9.9%	9	\$4,308	\$661	\$43,491	9.3%	\$42,662	\$3,647	\$39,015	25	Extra Large General Service	4
9.9%	ဖ	\$10,860	\$1,674	\$109,887	9.4%	\$107,433	\$9,186	\$98,247	22	Large General Service	ယ
9.8%	9	\$3,717	\$583	\$37,762	9.3%	\$36,659	\$3,134	\$33,525	1	General Service	Ŋ
9.9%	g	\$15,501	\$2,381	\$157,353	9.3%	\$153,473	\$13,121	\$140,352	-	Residential	_
	(i)	(i)	(£)	(9)	3	(e)	3	<u>o</u>	( <del>b</del> )	(a)	İ
nue	Revenue	Increase	Increase	Rates	Increase	Rates(2)	Increase	Rates(1)	Number		8
lled	on Billed	Sch. 91	Sch. 91	at Present	Percent	General Under Proposed	General	Schedule Under Present	Schedule	Type of	Line
ase	Increa	Total Gen & Increase		Revenue	Tariff	Revenue		Revenue			
<u>"</u>	Total			Total Billed	Base	Base Tariff		Base Tariff			

<sup>(1)</sup> Excludes all present rate adjustments: Schedule 91 - DSM Rider & Schedule 93 - Power Cost Surcharge

<sup>(2)</sup> Includes all present rate adjustments: Schedule 91 - DSM Rider & Schedule 93 - Power Cost Surcharge

### AVISTA UTILITIES Docket UE-070804 ELECTRIC RATES BY RATES SCHEDULE PER PROPOSED SETTLEMENT AGREEMENT

(a) <u>Residential Service - Schedule</u>	(b)	Present ERM & Other Adj.(1) (c)	Present Billing Rate (d)	General Rate <u>Increase</u> (e)	Sch. 91 Increase (f)	Proposed Billing <u>Rate</u> (g)	Proposed Base Tariff <u>Rate</u> (h)
Basic Charge	\$5.50		\$5.50	\$0.00		\$5.50	\$5.50
Energy Charge:	•						
First 600 kWhs	\$0.04905	\$0.00573	\$0.05478	\$0.00504	\$0.00102	\$0.06084	\$0.05409
600 - 1,300 kWhs	\$0.05706	\$0.00795	\$0.06501	\$0.00587	\$0.00102	\$0.07190	\$0.06293
All over 1,300 kWhs	\$0.06689	\$0.01065	\$0.07754	\$0.00688	\$0.00102	\$0.08544	\$0.07377
General Services - Schedule 11				_			
Basic Charge	\$6.00		\$6.00	\$0.00		\$6.00	\$6.00
Energy Charge:				•		*****	* 5
First 3,650 kWhs	\$0.07795	\$0.01047	\$0.08842	\$0.00784	\$0.00144	\$0.09770	\$0.08579
All over 3,650 kWhs	\$0.07300	\$0.01047	\$0.08347	\$0.00732	\$0.00144	\$0.09223	\$0.08032
Demand Charge:		, <del>s.</del>	3.4.4.4.4.	<b>V</b> 0.00.00	44,65	V.V.U.S.==0	V,,
20 kW or less	no charge		no charge	no charge			no charge
Over 20 kW	\$3.50/kW		\$3.50/kW	.,		\$3,50/kW	\$3.50/kW
1	•		*			***************************************	<b>*</b> • • • • • • • • • • • • • • • • • • •
Large General Service - Schedu	<u>le 21</u>						
Energy Charge:							
First 250,000 kWhs	\$0.05132	\$0.00737	\$0.05869	\$0.00588	\$0.00106	\$0.06563	\$0.05720
All over 250,000 kWhs	\$0.04586	\$0.00737	\$0.05323	\$0.00524	\$0.00106	\$0.05953	\$0.05110
Demand Charge:							
50 kW or less	\$250.00		\$250.00	\$0.00		\$250.00	\$250.00
Over 50 kW	\$3.00/kW		\$3.00/kW			\$3.00/kW	\$3.00/kW
Primary Voltage Discount	\$0.20/kW		\$0,20/kW	,		\$0.20/kW	\$0.20/kW
Extra Large General Service - So	hedule 25						
Energy Charge:							
First 500,000 kWhs	\$0.03926	\$0.00474	\$0.04400	\$0.00490	\$0.00070	\$0.04960	\$0.04416
500,000 - 6,000,000 kWhs	\$0.03532	\$0.00474	\$0.04006	\$0.00441	\$0.00070	\$0.04517	\$0,03973
All over 6,000,000 kWhs	0010000	• • • • • • • • • • • • • • • • • • • •		n/a	\$0.00070	\$0.04376	\$0.03832
Demand Charge:				••••	<b>V</b> 2.00,000	<b>4</b> - 3 - 3 - 3 - 5 - 5 - 5 - 5 - 5 - 5 - 5	***************************************
3,000 kva or less	\$9,000		\$9,000			\$9,000	\$9,000
Over 3,000 kva	\$2.75/kva		\$2.75/kva			\$2.75/kva	\$2.75/kva
Primary Volt. Discount	<b>4.200</b> (5) (1) (2)	•	<b>*</b>			<b>4 44</b>	<b>*</b> , *
11 - 60 kv	\$0.20/kW		\$0.20/kW			\$0.20/kW	\$0.20/kW
60 - 115 kv	\$0.40/kW		\$0.40/kW	\$0.40/kW		\$0.80/kW	\$0.80/kW
115 or higher kv	\$0.50/kW		\$0.50/kW	\$0.50/kW		\$1.00/kW	\$1.00/kW
Annual Minimum	Present:	\$520,160	.00.0071111	<b>WO.CO.JIVIV</b>	Proposed:	\$571,610	<b>41,00</b> /1,11
ranagn mininom	i iosent	ψυ20,100			i ighosed.	wor ijo io	
Pumping Service - Schedule 31			art i i i				
Basic Charge	\$6.00		\$6.00	\$0.00		\$6.00	\$5.00
Energy Charge:							
First 165 kW/kWh	\$0.06576	\$0.00651	\$0.07227	\$0.00630	\$0.00094	\$0.07951	\$0.07206
All additional kWhs	\$0.04697	\$0.00651	\$0.05348	\$0.00450	\$0.00094	\$0.05892	\$0.05147

<sup>(1)</sup> Includes all present rate adjustments: Schedule 91 - DSM Rider & Schedule 93 - ERM Surcharge (all Schedules). Schedule 59 - Residential Exchange Credit (Sch. 1 only) suspended June 2007.

# AVISTA UTILITIES Docket UG-070805 SPREAD OF NATURAL GAS REVENUE INCREASE PER PROPOSED SETTLEMENT AGREEMENT

VENUE S ARGIN Margin excl Sch 148 Interment incr (decr) age Rev incr (decr) kev incr (decr)	WASHINGTON TOTAL \$ 200,932,869 \$ 149,726,687 \$ 51,206,183 100,00% \$1,757,000 \$1,525,000 \$1,525,000		Small Firm Service SCH 111 \$ 50,120,149 \$ 41,266,125 \$ 8,854,024 17,87% 48,415,667 24,305%	Service SCH 121 \$ 7.287,038 \$ 6,343,420 \$ 943,618 1.90% 7,580,750 3.806%	Interruptible Service SCH 131 \$ 599,142 \$ 527,229 \$ 71,913 0.15% 644,022 0.323%	Transport Service SCH 146 \$ 1,446,369 \$ 1,2,830 \$ 1,433,539 2,89% 11,927%	Special Contract Service SCH 148 \$ 1,665,218 \$ 1,665,218
Terasen Storage allocator Throughput % of Total Sales Therms % of Total % of Total % of Total - 20% Throughput / 80% Sales Therms	199;203;835 100,000% 175,444,044 100,000%	118,803,605 59:639% 118,803,605 67,716% 66,101%	48,415,667 24.305% 48,415,667 27.596% 26.938%	7,580,750 3,806% 7,580,750 4,321% 4,218%	644,022 0.323% 644,022 0.367% 0.358%	23,759,791 11.927% 0.000% 2.385%	1
Terasen Storage Rev. Req. incr (decr) - allocated on 20% / 80%(: Remaining Rev. Req. incr (decr) - allocated on % of Curr Margin	\$1,757,000 \$1,525,000	\$1,161,388 \$1,177,061	\$473,297 \$272,550	\$74,107 \$29,047	\$6,296 \$2,214	\$41,913 \$44,128	1
PROPOSED MARGIN	\$ 54,488,183	\$ 40,576,321	\$ 9,599,870	\$ 1,046,772	\$ 80,423	\$ 1,519,580 \$ 1,665,218	1.5
INCREASE AS PERCENT OF CURRENT MARGIN Terasen Remainder	6.41% 3.43% 2.98%	6.12% 3.04% 3.08%	8.42% 5.35% 3.08%	10.93% 7.85% 3.08%	11.83% 8.75% 3.08%	6.00% 2.92% 3.08%	
INCREASE AS PERCENT OF PRESENT REVENUE	1.63%	1.67%	1.49%	1.42%	1.42%	5.95%	
Current Revenue + Proposed Margin Rev Increase	\$ 204,214,869	\$142,153,403 \$ 50,865,996	\$ 50,865,996	\$ 7,390,192 \$		607,651 \$ 1,532,410 \$ 1,665,218	

<ul><li>(1) Terasen Recap</li><li>80% spread based on Sales Volumes</li><li>20% spread based on Throughput (excl. Sch. 148)</li><li>Total</li></ul>
\$1,405,600 \$351,400 \$1,757,000
\$951,815 \$209,572 \$1,161,388
\$387,890 \$85,406 \$473,297
\$60,734 \$13,373 \$74,107
\$5,160 \$1,136 \$6,296
\$0 <u>\$41,913</u> \$41,913

Page 3 of 4

### AVISTA UTILITIES Docket UG-070805 GAS RATES BY SCHEDULE PER SETTLEMENT AGREEMENT

	Base Rate(1)	Present Rate Adj.(2)	Present Billing Rate	General Rate <u>Increase</u>	Sch. 91 Increase	Proposed Billing Rate(2)	Proposed Base <u>Rate(1)</u>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
General Service - Schedule 101			•				
Basic Charge	\$5.50		<b>\$</b> 5.50	\$0.00	•	\$5.50	\$5.50
Usage Charge:							
All therms	\$1.09269	\$0.02402	\$1.11671	\$0.01968	\$0.00158	\$1.13797	\$1.11237
Large General Service - Schedu	le 111						
Usage Charge:	•	<u></u>		W = 2 2222			
First 200 therms	\$1.11892	\$0.02141	\$1.14033	\$0.01970	\$0.00137	\$1.16140	\$1.13862
200 - 1,000 therms	\$1.05177	\$0.02141	\$1.07318	\$0.01528	\$0.00137	\$1.08983	\$1.06705
All over 1,000 therms Minimum Charge:	\$0.98624	\$0.02141	\$1.00765	\$0.01433	\$0.00137	\$1.02335	\$1,00057
per month	\$131.13		\$131,13	\$3.94		\$135.07	\$135.07
per therm	\$0.46327	\$0.02141	\$0.48468	<u> </u>	\$0.00137	\$0.48605	\$0.46327
High Annual Load Factor Large	General Se	rvice - Sched	ule 121				
Usage Charge:							
First 500 therms	\$1.08924	\$0.03085	\$1.12009	\$0.01968	\$0.00126	\$1.14103	\$1.10892
500 - 1,000 therms	\$1.03874	\$0.03085	\$1.06959	\$0.01528	\$0.00126	\$1.08613	\$1.05402
1,000 - 10,000 therms	\$0.97321	\$0.03085	\$1.00406	\$0.01377	\$0.00126	\$1.01909	\$0.98698
10,000 - 25,000 therms	\$0.93168	\$0.03085	\$0.96253	\$0.01319	\$0.00126	\$0.97698	\$0.94487
All over 25,000 therms	\$0.92033	\$0.03085	\$0.95118	\$0.01303	\$0.00126	\$0.96547	\$0.93336
Minimum Charge:							
per month	\$319.59		\$319.59	\$9.84		\$329.43	\$329.43
per therm	\$0.45006	\$0.03085	\$0.48091		\$0.00126	\$0.48217	\$0.45006
Interruptible Service - Schedule	<u>131</u>						
Usage Charge:	2011 - 2012 - 2012	سميعيد فاعتراضها	adi sinana	الترسيدي بالمارية	in a secondaria	A A MANAGE	** *****
First 10,000 therms	\$0.96132	\$0.02595	\$0.98727	\$0.01377	\$0.00122	\$1.00226	\$0.97509
10,000 - 25,000 therms	\$0.92058	\$0.02595	\$0.94653	\$0.01319	\$0.00122	\$0.96094	\$0.93377
25,000 - 50,000 therms	\$0.91058	\$0.02595	\$0.93653	\$0.01305	\$0.00122	\$0.95080	\$0.92363
All over 50,000 therms	\$0.90728	\$0.02595	\$0.93323	\$0.01300	\$0.00122	\$0.94745	\$0.92028
Transportation Service - Schedu	le 146						
Basic Charge	\$200.00		\$200.00	\$0.00	•	\$200.00	\$200.00
Usage Charge:							
First 20,000 therms	\$0.06716	\$0.00008	\$0.06724	\$0.00418		\$0.07142	\$0.07134
20,000 - 50,000 therms	\$0.05980	\$0.00008	\$0.05988	\$0.00372		\$0.06360	\$0.06352
50,000 - 300,000 therms	\$0.05394	\$0.00008	\$0.05402	\$0.00336		\$0.05738	\$0.05730
300,000 - 500,000 therms	\$0.04991	\$0.00008	\$0.04999	\$0.00311		\$0.05310	\$0.05302
All over 500,000 therms	\$0.03761	\$0.00008	\$0.03769	\$0.00234		\$0.04003	\$0.03995

Note: Billing Rates include 11/1/07 PGA

<sup>(1)</sup> Includes Schedules 150 & 156 - Purchased Gas Cost Adj.

<sup>(2)</sup> Includes Schedule 155 - Gas Rate Adj., Schedule 159 - Gas Decoupling Rate Adj., and Schedule 191 - Public Purpose Rider Adj.

Avista Utilities
Washington - Gas - Test Year Calculations for Decoupling
2006 - Docket No.: UG-070805

Sch 101 Base Rate/therm(3) Times: 1 minus Revenue Related Items (4) Revenue prior to gross up Less: Weighted Average Gas Cost/therm(5) Margin Rate/therm	Customers / Billings Test Yr Customers/Billings(2) Test Year Average Use/Cust	Monthly Pro Forma Therms	Adjust to Annual Pro Forma	Test Year Monthly Therms	Schedule 101 Thermis Thermis Usage from Revenue Run(2) Usage Prior Mo. Unbilled(2) Add: Current Mo. Unbilled(2) Add: Weather Adjustment(2)	
Items (4) Vtherm(5)	1,636,851		ита	118,803,605	Per BJH(1) 112,983,336 (12,246,878) 12,031,121 6,036,026	
\$1.11237 0.956922 \$1.06445 (\$0.8550) \$0.20945	1,636,851 73	118,803,605		118,803,605	Annual Total 112,983,336 (72,278,176) 72,062,419 6,036,026	
	135,510 149	20,193,658		20,193,658	January 18,562,669 (12,246,878) 9,835,922 4,041,945	
	135,699 123	16,744,930	ı	16,744,930	February 16,709,536 (9,835,922) 10,346,687 (475,371)	
	135,789 104	14,101,624	,	14,101,624	March 16,924,558 (10,346,687) 7,769,268 (245,515)	
	135,775 69	9,347,535		9,347,535	<u>April</u> 11,304,373 (7,769,268) 5,379,240 433,190	
	135,938 37	5,032,140	F.	5,032,140	May 6,552,477 (5,379,240) 3,372,792 486,111	
	135,719 18	2,400,167		2,400,167	June 3,538,290 (3,372,792) 1,644,233 590,436	
	135,822 15	1,983,193	,	1,983,193	July         August         September           2,378,214         1,985,594         2,479,717           (1,644,233)         (1,249,712)         (1,312,939)           1,249,212         1,312,939         2,062,772	
	136,128 15	2,049,321	,	2,049,321	August 1,985,594 (1,249,212) 1,312,939	
	136,466 24	3,228,950	,	3,228,950	<u>September</u> 2,479,717 (1,312,939) 2,062,172	
	137,302 64	8,830,784		8,830,784	October 4,292,105 (2,062,172) 6,574,314 26,537	
	138,036 103	1,983,193 2,049,321 3,228,950 8,830,784 14,228,112 20,663,191		1,983,193 2,049,321 3,228,950 8,830,784 14,228,112 20,663,191	November 9,891,005 (6,574,314) 10,484,519 426,902	
	138,667 149	20,663,191		20,663,191	December 18,364,798 (10,484,519) 12,031,121 751,791	

<sup>(1)</sup> From Hirschkom workpapers in Docket No. UG-070805 BJH -19, BJH -16, BJH - 15, and BJH - 14
(2) From 2006 Monthly Data (below)
(3) From Hirschkom Exhibit No. \_\_\_(BJH-7) page 3, revised for proposed settlement
(4) From Andrews Exhibit No. \_\_\_(BJH-8), page 3, line 7
(5) From Hirschkom Exhibit No. \_\_\_(BJH-8), page 9



#### Rob McKenna

#### ATTORNEY GENERAL OF WASHINGTON

Utilities and Transportation Division
1400 S Evergreen Park Drive SW • PO Box 40128 • Olympia WA 98504-0128 • (360) 664-1183

October 15, 2007

Carole J. Washburn, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

Re: UTC v. Avista Corporation d/b/a Avista Utilities

Docket Nos. UE-070804 and UG-070805

In re Petition of Avista Corporation d/b/a Avista Utilities for an Accounting Order

Docket No. UE-070311

(consolidated)

Dear Ms. Washburn:

Enclosed for filing in the above-referenced docket are the original and 15 copies of the Parties' Partial Settlement Stipulation, including appendices, and Certificate of Service.

randman)

Sincerely,

gregory (Javautman

Assistant Attorney General

GJT:tmw Enclosures cc: Parties

#### Docket Nos. UE-070804/UG-070805/UE-070311 (consolidated) CERTIFICATE OF SERVICE

I hereby certify that I have this day served the attached document upon the persons and entities listed on the Service List below by depositing a copy of said document in the United States mail, addressed as shown on said Service List, with first class postage prepaid.

DATED at Olympia, Washington this 15th day of October, 2007.

TALIA M. WILSON

#### For Avista:

David Meyer Regulatory and Governmental Affairs Avista Corporation P.O. Box 3727 1411 E. Mission Ave., MSC-13 Spokane, WA 99220-3727

Phone: (509) 495-4316 Fax: (509) 495-4361

E-mail: david.meyer@avistacorp.com

Kelly Norwood State and Federal Regulation Avista Corporation P.O. Box 3727 1411 E. Mission Ave., MSC-7 Spokane, WA 99220-3727 Phone: (509) 495-4267

E-mail: kelly.norwood@avistacorp.com

#### For The Energy Project:

Ronald Roseman 2011 14<sup>th</sup> Avenue East Seattle, WA 98112 Phone: (206) 324-8792 Fax: (206) 568-0138

E-mail: ronaldroseman@comcast.net

#### For Public Counsel:

Simon ffitch
Office of the Attorney General
Public Counsel Section
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
Phone: (206) 389-2055
Fax: (206) 389-2079
E-mail: simonf@atg.wa.gov

#### For Northwest Industrial Gas Users:

Edward Finklea
Chad Stokes
Cable Huston Benedict Haagensen &
Lloyd, LLP
1001 SW Fifth Ave., Suite 2000
Portland, OR 97204-1136
Phone: (503) 224-3092
Fax: (503) 224-3176
E-mail: efinklea@chbh.com
cstokes@chbh.com

#### For ICNU:

S. Bradley Van Cleve Irion Sanger Davison Van Cleve, P.C. 333 S.W. Taylor, Suite 400 Portland, OR 97204 Phone: (503) 241-7242

Fax: (503) 241-8160

E-mail: mail@dvclaw.com

#### BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION	)
Complainant,	) DOCKET UE-070804
v. AVISTA CORPORATION d/b/a AVISTA UTILITIES	) and ) DOCKET UG-070805 ) (consolidated)
Respondent.	.)
In the matter of the Petition of	) ) DOCKET UE-070311 ) (consolidated)
AVISTA CORPORATION, d/b/a AVISTA UTILITIES,	) ) PARTIAL SETTLEMENT STIPULATION )
For an Accounting Order Regarding the Appropriate Treatment of the Net Costs Associated with the Repurchase of Debt	ý ) ) .)

#### I. PARTIES

1. This Partial Settlement Stipulation is entered into by Avista Corporation ("Avista" or the "Company"), the Staff of Washington Utilities and Transportation Commission ("Staff"), the Public Counsel Section of the Washington Office of Attorney General ("Public Counsel"), Northwest Industrial Gas Users ("NWIGU"), Industrial Customers of Northwest Utilities ("ICNU"), and The Energy Project, jointly referred to herein as the "Stipulating Parties." The Stipulating Parties agree

that this Partial Settlement Stipulation is in the public interest and should be accepted as a partial resolution of issues in this docket. The Stipulating Parties understand this Partial Settlement Stipulation is subject to Commission approval.

#### II. INTRODUCTION

- 2. On April 26, 2007, Avista filed with the Commission certain tariff revisions designed to effect general rate increases for electric service (Docket UE-070804) and gas service (Docket UG-070805) in the state of Washington. Avista requests an increase in electric rates of 15.8 percent and an increase in gas rates of 2.3 percent. On February 14, 2007, Avista filed with the Commission a petition seeking an Accounting Order under WAC 480-07-370(b)(i) requesting retroactive approval to account for certain debt repurchase costs in a manner that deviated from the Commission's rules (Docket UE-070311). On May 3, 2007, the Commission entered Order 02 consolidating Docket UE-070311 with Dockets UE-070804 and UG-070805 for hearing and determination pursuant to WAC 480-07-320.
- 3. After analysis of the filing, all parties commenced discussions for purposes of narrowing the contested issues in this proceeding. The Stipulating Parties have reached a Partial Settlement Stipulation on certain issues in this proceeding and wish to present their agreement for the Commission's consideration. The Stipulating Parties therefore adopt the following Partial Settlement Stipulation in the interest of expediting the disposition of this proceeding.

#### III. AGREEMENT

#### A. Revised Revenue Requirement

- 4. The Stipulating Parties have agreed to a number of revenue requirement adjustments to both the filed electric and gas cases. These are described in the table set forth in Appendix 1. (See Issue #'s 1-9) Attachment A to Appendix 1 is a summary of the revenue requirement adjustments for the Company's electric operations, showing a reduction of \$5,969,000 to the Company's filed-for revenue requirement increase. Attachment B to Appendix 1 is a summary of the revenue requirement adjustments for the Company's natural gas operations, showing an adjustment of \$1,314,000 to the Company's filed-for revenue requirement increase.\(^1\) Revised Avista pre-filed exhibits EMA-2 (electric) and EMA-3 (gas) are attached as Appendix 2, showing adjusted proforma results incorporating these agreed-upon adjustments.
- 5. This Partial Settlement does not resolve all issues impacting the electric and gas revenue requirements, as discussed in Paragraph E below.

#### B. Cost of Service and Rate Spread/Rate Design

#### (1.) Cost of Service Analysis:

6. For purposes of this proceeding, the Parties have not reached agreement on the Company's filed cost of service analysis; instead, after the conclusion of this proceeding, the Company agrees to prepare a new load study, and will meet with and seek input from the Commission Staff and other interested parties prior to initiation of and during the study. Additionally, the Company will further

The revenue received from Terasen from the Company's released Jackson Prairie Storage capacity & deliverability following the base rate increase will be deferred and returned to customers in the Company's 2008 PGA filing. (See Issue # 7 of Appendix 1)

examine the operating characteristics and associated costs of its electric system resources in conjunction with the allocation of costs within its cost of service study. Finally, as part of the load study, the Company will examine how rates should be designed to properly allocate costs. (See Issue 12 of Appendix 1) The revenue allocation for purposes of this proceeding, however, will be described below.

#### (2.) Rate Spread/Rate Design:

- 7. The Stipulating Parties agree to apply a uniform percentage increase only to the electric energy charges for purposes of recovering Avista's revenue requirement; the demand charges will remain the same and there will be no increase to the basic charges in Schedule 1, 11, and 31.
- 8. For Extra Large General Service Schedule 25, the Primary Voltage Discount (PVD) rates for service at or above 60 kV and 115 kV will be increased as follows: The PVD rate for service at or above 60 kV will be increased from \$0.40 per kVA to \$0.80 per kVA and the PVD rate for service above 115 kV will be increased from \$0.50 per kVA to \$1.00 per kVA. The revenue reduction resulting from the PVD rate changes would be offset by an increase to the other energy charges under Schedule 25. Additionally, a third energy rate block will be implemented for usage in excess of 6,000,000 KWhs per month. The rate for energy usage under this block will be less than the rates for the first two blocks under the schedule. The Company agrees to withdraw, for purposes of this case, its proposal to add language under Schedule 25 that would require the customer to execute a special contract for service to a new/incremental load requirement of 25 megawatts or greater. (See Issue # 13, Appendix 1)

9. For natural gas, the Stipulating Parties agree that the revenue requirement, apart from the increase related to Terasen, would be spread on a uniform percentage of margin across the natural gas service schedules.<sup>2</sup>

#### C. Low Income Bill Assistance Funding:

10. The Stipulating Parties agree to adjust the LIRAP portion of the public purpose tariff riders (Schedules 91 and 191) to provide increased annual funding as follows: Electric \$2,496,000, Natural Gas \$1,262,000. The proposed increase in LIRAP funding is intended to approximately match the overall percentage increase in retail rates resulting from this case. (See Issue # 10 of Appendix 1) Appendix 3 identifies the tariff rider adjustments to Schedules 91 and 191 (in \$\phi/k\text{wh} \text{ or \$\phi/k\text{therm}\$) to reflect increased levels of funding for LIRAP and DSM.

#### D. <u>Demand Side Management (DSM) Expenditures:</u>

- 11. The Stipulating Parties agree that the Company's proposed rate base treatment of DSM expenditures shall not be implemented in this proceeding; instead, prudent expenditures on DSM will continue to be expensed annually. Moreover, no electric lost margin recovery mechanisms will be implemented in this case. The Stipulating Parties agree, however, that expenditures on DSM by Avista made for the period January 1, 2004 through December 31, 2006 are prudent. This Stipulation does not apply to any expenditures for automatic metering.
- 12. The electric DSM tariff rider funding will be increased to correspond with increased DSM target levels set forth in the 2007 Integrated Resource Plan (IRP) of the Company. This includes

<sup>&</sup>lt;sup>2</sup> The base rate increase associated with the elimination of the Jackson Prairie release revenue received from Terasen will be allocated based on 80% of the costs being allocated to all gas sales and 20% of the costs being allocated to all schedules except for Schedule 148 (special contract).

Low Income DSM funding of \$1,132,000. The electric DSM level incorporates program enhancements contained in Avista's testimony in this docket. There will otherwise be no change to the DSM tariff rider for natural gas. Avista agrees to examine the sufficiency of the electric and gas DSM tariff riders in its next general rate case and to review issues related to negative DSM account balances. Avista further agrees to make an annual DSM tariff filling for the purpose of determining whether the riders should be adjusted to account for recovery of expenses and DSM budget projections. Appendix 3 identifies the tariff rider adjustments to Schedules 91 and 191 (in \$\epsilon\$ kwh or \$\epsilon\$ (therm) to reflect increased levels of funding for LIRAP and DSM.

#### E. Unresolved Issues:

- 13. This Partial Settlement Stipulation resolves only those issues identified above for purposes of this proceeding. Among the items yet to be resolved, either through settlement or litigation, are the following:
  - 1. Capital Structure
  - 2. Return on Equity
  - 3. Cost of Debt and Preferred
  - 4. Power Cost Only Rate Case
  - 5. Proposed Effective Date
  - 6. Debt Amortization
  - 7. Late Charges
  - 8. Advanced Meter Reading
  - 9. Directors & Officers Insurance

#### 10. Customer Deposits

This is not intended to be an all-inclusive list of the unresolved issues.

#### IV. EFFECT OF THE PARTIAL SETTLEMENT STIPULATION

- 14. <u>Binding on Parties</u>. The Stipulating Parties agree to support the terms of the Partial Settlement Stipulation throughout this proceeding, including any appeal, and recommend that the Commission issue an order adopting the Partial Settlement Stipulation contained herein. The Stipulating Parties understand that this Partial Settlement Stipulation is subject to Commission approval. The Stipulating Parties agree that this Partial Settlement Stipulation represents a compromise in the positions of the Stipulating Parties. As such, conduct, statements and documents disclosed in the negotiation of this Partial Settlement Stipulation shall not be admissible evidence in this or any other proceeding.
- 15. <u>Integrated Terms of Settlement</u>. The Stipulating Parties have negotiated this Partial Settlement Stipulation as an integrated document. Accordingly, the Stipulating Parties recommend that the Commission adopt this Partial Settlement Stipulation in its entirety. Each Stipulating Party has participated in the drafting of this Partial Settlement Stipulation, so it should not be construed in favor of, or against, any particular Party.
- 16. <u>Procedure</u>. The Stipulating Parties shall cooperate in submitting this Partial Settlement Stipulation promptly to the Commission for acceptance. The Stipulating Parties shall make available a witness or representative in support of this Partial Settlement Stipulation. The Stipulating Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Partial Settlement Stipulation and to supplement the record

accordingly.

The Stipulating Parties agree to stipulate into evidence the prefiled direct testimony and exhibits of the Company as they relate to the stipulated issues, together with such evidence in support of the Stipulation as may be offered at the time of the hearing on the Settlement. If the Commission rejects all or any material portion of this Partial Settlement Stipulation, or adds additional material conditions, each Stipulating Party reserves the right, upon written notice to the Commission and all parties to this proceeding within seven (7) days of the date of the Commission's Order, to withdraw from the Partial Settlement Stipulation. If any Stipulating Party exercises its right of withdrawal, this Partial Settlement Stipulation shall be void and of no effect, and the Stipulating Parties will support a joint motion for an expedited procedural schedule to address the issues that would otherwise have been settled herein.

- No Precedent. The Stipulating Parties enter into this Partial Settlement Stipulation to avoid further expense, uncertainty, and delay. By executing this Partial Settlement Stipulation, no Stipulating Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving at the Partial Settlement Stipulation, and, except to the extent expressly set forth in the Partial Settlement Stipulation, no Stipulating Party shall be deemed to have agreed that such a Partial Settlement Stipulation is appropriate for resolving any issues in any other proceeding.
- 18. <u>Public Interest</u>. The Stipulating Parties agree that this Partial Settlement Stipulation is in the public interest.
- 19. <u>Execution.</u> This Partial Settlement Stipulation may be executed by the Stipulating Parties in

Entered into this 5 7 day of October, 2007 Company: By: David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs naudman Staff: Gregory J. Trautman Assistant Attorney General Public Counsel: Simon ffitch Assistant Attorney General NWIGU: Edward A. Finklea Cable, Huston, Benedict, Haagenson & Lloyd, LLP ICNU: S. Bradley Van Cleve Davison Van Cleve, P.C. The Energy Project: By:

> Ronald Roseman Attorney at Law

several counterparts and as executed shall constitute one Partial Settlement Stipulation.

several counterparts and as executed shall constitute one Partial Settlement Stipulation.

Entered into this 15 day of October, 2007

Company:	David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs
Staff:	By: Gregory J. Trautman Assistant Attorney General
Public Counsel:	By: Simon ffitch Assistant Attorney General
NWIGU:	By:
ICNU:	By: S. Bradley Van Cleve Davison Van Cleve, P.C.
The Energy Project:	By:  Ronald Roseman  Attorney at Law

several coun	سيراسي	constitute one Partial Settlement Stipulation.
	Company:	Ву:
	·	David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs
	Staff:	Ву:
	Public Counsel:	By:  Simon ffitch Assistant Attorney General
	<u>NWIGU</u> :	By:  Edward A. Finklea  Cable, Huston, Benedict, Haagenson & Lloyd, LLF
	<u>ICNU</u> :	By: S. Bradley Van Cleve Davison Van Cleve, P.C.
	The Energy Project:	By:
		TAMEN TANDAMY

Attorney at Law

several counterparts and as executed shall constitute one Partial Settlement Stipulation.

Bntered into this 15th day of October, 2007

Company:	Ву:
	David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs
Staff:	Ву:
	Gregory J. Trautman Assistant Attorney General
Public Counsel:	Ву:
<u>NWIGU</u> :	Simon ffitch Assistant Attorney General  By: Lawal & Finklea Edward A. Finklea Cable, Huston, Benedict, Haagenson & Lloyd, LLF
<u>ICNU</u> :	By:
	S. Bradley Van Cleve Davison Van Cleve, P.C.
The Bnergy Project:	Ву:
	Ronald Roseman Attorney at Law

several counterparts and as executed shall constitute one Partial Settlement Stipulation.

Entered into this 15 + day of October, 2007

Company:	Ву:
	David J. Meyer  VP, Chief Counsel for Regulatory and Governmental Affairs
Staff:	Ву:
	Gregory J. Trautman Assistant Attorney General
Public Counsel:	Ву:
	Simon fitch Assistant Attorney General
<u>NWIGU</u> :	By:
<u>ICNU</u> :	By S. Bralley Cleve
	S. Bradley Van Cleve Davison Van Cleve, P.C.
The Energy Project:	Ву:
	Ronald Roseman

Entered into thisday of Octob	per, 2007
Company:	Ву:
	David J. Meyer VP, Chief Counsel for Regulatory and Governmental Affairs
<u>Staff</u> :	Ву:
	Gregory J. Trautman Assistant Attorney General
Public Counsel:	By:
	Simon ffitch Assistant Attorney General
<u>NWIGU</u> :	By:
<u>iCN</u> U:	Ву:
The Energy Project:	S. Bradley Van Clove Davisor Van Cleve, P.C.  By:  Ronald Roseman Attorney at Law

there will not be a deferral. If Avisia spends less dollars than included in base rates, the difference will be	1	
Avista agrees to a one-way balancing account on pro formed expense level. If Avista spends more dollars,	<ol> <li>Wood Pole Treatment (Electric</li> </ol>	
Eliminate advertising costs of \$73,000, reduce Dues by \$88,000, reduce Board of Director costs by \$200,000, and increase Pole Attachment revenues by \$40,000. Decr. Electric Rev. Req. (\$336,000) and Decr. Gas Rev. Req. (\$82,000) (See Attachment A – Item PF12, and Attachment B – Item PF5)	8. Other Miscellaneous Adjustments (Hectric & Gas)	
Remove storage revenues from base rates and include in PGA. Increase Rev. Req. \$1,757,000. See Footnote 2. (See Attachment B – Rem PB4)	7. Tenasca (Gas only)	
In its next general rate case Avista agrees to reflect dollars in ratemaking consistent with the ruling from Puget's pending Private Letter Ruling related to the level of rate base rediction pertaining to deferred FIT. No adjustment in current case.	6. Deferred FIT Rate Base (Electric & Gas)	
The Power Supply Adjustments adopted in Item 1, the Depreciation Study Adjustment in Item 4, and the Incentive & Executive Compensation Adjustment in Item 2 above result in a corresponding change to the Production Property Adjustment. Incr. Rev. Reg. \$172,000 (See Attachment A – Item PF2)	ļ	T
Reduce negative salvage values in determining new depreciation rates on four electric accounts. No change to the proposed new depreciation rates for natural gas. Decrease Electric Rev. Req. (\$1,330,000). See Footnote 1. (See Attachment A PF8)	4. Dépreciation Study (Electric & Gas)	<del> </del>
Increase deduction allowance from 3% to 6%. The deduction allowance for federal income tax expense is related to the Section 199 manufacturing tax credit which increased from 3% in 2006 to 6% in 2007.  Decrease Rev. Reg. (\$778,000) (See Attachment A – Item p)	3. Adjust Section 199 Deduction (Electric only)	٠
Reduce test year incentive payout based on 8-year average, and reduce executive compensation reflected in the case. Electric Decr. Rev. Req. (\$1,383,000), Gas Decr. Rev. Req. (\$362,000). (See Attachment A – Items x and PF4, and Attachment B.— Items p and PF2))	<ol> <li>Incentives &amp; Executive Compensation (Electric &amp; Gas)</li> </ol>	r
4) Add actual purchases and sales of natural gas and electricity that have already occurred for the calendar year 2008.  Net Decrease to Revenue Requirement (\$2,304,000) (See Attachment A.— Item PFI)  Investment in generation and transmission deemed prudent. The new generation investment reflects upgrades to Cabinet Gorge Unit 4, Noxon Unit 4, and Colstrip Units 3 and 4.		<del></del>
average.  2) Increase Natural Gas Prices to reflect the 3-month average of 5/30/07 to 8/28/07.  2) Add Hydro Filtering by excluding months during the 1928-1978 water year record that fall outside a one standard deviation band.	Construction of the state of th	
13 thorogen Colorado America Enter honor on the many 2007, 2	1 Power Sundy (Floritie only)	1. (
Resolution	Issue	
Avista Dockets UE-070804 & UG-070805  Partial Settlement of Issues		¥
		7

## LXICINERAL

<del></del>	<del></del>		<u> </u>	1
13. Rate Spread/Rate Design	12. Cost of Service Analysis	11. DSM (Electric & Gas)	10. Low Income Bill Assistance Funding (Electric & Gas)	
Apply uniform percentage increase to only the electric energy charges. For natural gas, the revenue requirement, apart from the increase related to Terasen, would be spread on a uniform percentage of margin across the natural gas service schedules. Intra-schedule adjustments to Schedule 25 per Footnote 3. The treatment of new loads above 25 megawatts as proposed in Schedule 25 (by means of a special contract), will be deferred until a subsequent general rate proceeding.	Avista agrees to prepare a new load study, and will meet with and seek input from the Commission Staff and other interested parties prior to initiation of and during the study. Additionally, the Company will further examine the operating characteristics and associated costs of its electric system resources in conjunction with the allocation of costs within its cost of service study. Finally, as part of the load study, the Company will examine how rates should be designed to properly allocate costs.	No rate base treatment of DSM - continue to expense annually. Increase the electric DSM tariff rider funding to correspond with DSM targets in 2007 RP. The electric DSM level incorporates program enhancements contained in Avista's testimony in this docket. No change to the DSM tariff rider for natural gas. This funding includes Low Income DSM funding at \$1,132,000. No electric lost margin recovery mechanism approved in this case. Avista agrees to examine the sufficiency of the electric and gas DSM tariff riders in its next general rate case and to review issues related to negative DSM account balances. Avista further agrees to make an annual DSM tariff filing for the purpose of determining whether the rider should be adjusted to account for recovery of expenses and DSM budget projections. Appendix 3 identifies the tariff rider adjustments to Schedules \$1 and 191 (in \$/kwh or \$/kherm) to reflect increased levels of funding for LIRAP apply to any expenditures for automatic metering.	Adjust LIRAP portion of fariff (iders to provide annual funding as follows: Electric \$2,496,000, Natural Gas \$1,262,000. The proposed increase in LIRAP funding is intended to approximately match the overall percentage increase in retail rates approved in this case. Appendix 3 identifies the tariff rider adjustments to Schedules 91 and 191 (in \$/k\winter{w}in \$/k\winter{w}in \$) to reflect mercased levels of funding for LIRAP and DSM.	deferred and returned to customers if not spent in a succeeding year. The Company will include in its Commission Basis Report a report on the Company's expenses for wood pole inspections and capital expenditures made for wood poles.

## Footnotes:

Based on a depreciation study performed by the Company. Avista proposed a decrease in electric net operating income by \$660,000 and a decrease to rate base by \$330,000. WUTC Staff has proposed a reduction in the negative net salvage values the Company used in determining new depreciation rates on four electric accounts, which results in lower depreciation account rates on those accounts. These proposed changes result in an increase in electric net operating income by \$208,000 and an increase to rate base by \$104,000. The net impact on the electric revenue requirement of these proposed changes is a reduction of approximately \$1.333 million. The net impact by account is as follows:

Account 369 - Services \$139,000	Account 356 — Overhead Conductor & Devices \$222,000		Account 311 - Structures & Improvements \$408,000	
8	8	8	8	CALL TATABLE

WUTC Staff proposed no changes to Avista's gas depreciation adjustment.

- Ņ allocation of underground storage costs in the cost of service study which is based on 80% of the costs being allocated to all gas sales schedules and 20% of the costs being allocated to all schedules except for Schedule 148 (special contract). The revenue received from Terasen following the base in the same manner in which the revenue has been allocated in the Company's cost of service study. The allocation of this revenue matches the The base rate increase associated with the elimination of the Jackson Prairie release revenue received from Terasen will be spread by rate schedule rate increase will be deferred and allocated to customers in the same fashion in the Company's 2008 PGA filing.
- Ų. energy usage under this block will be less than the rates for the first two blocks under the schedule. per kVA to \$1.00 per kVA. The revenue reduction resulting from the PVD rate changes would be offset by an increase to the other energy charges 60 kV would be increased from \$0.40 per kVA to \$0.80 per kVA and the PVD rate for service at or above 115 kV would be increased from \$0.50 under Schedule 25. increase the Primary Voltage Discount (PVD) rates for service at or above 60 KV and 115 kV for Sehedule 25. The PVD rate for service at or above Additionally, a third energy rate block will be implemented for usage in excess of 6,000,000 KWhs per month. The rate for

# Among the Items Yet to be Resolved

10. Customer Deposits	9. Directors & Officers Insurance	8. Advanced Meier Reading	7. Late Charges	6. Debt Amortization	5. Proposed Effective Date	4. Power Cost Only Rate Case	3. Cost of Debt-and Preferred	2. Return on Equity	1, Capital Structure	Among the Items Wet to be Resolved:	Issue Resolution
		,									olution

# AVISTA UTILITIES Summary of Revenue Requirement Adjustments Restatement Summary Washington Electric

Pro Forms Total	Přil Pro Forma Power-Supply Přil Pro Forma Lubor NonExec Přil Pro Forma Lubor NonExec Přil Pro Forma Lubor Exco Přil Pro Forma Lubor Exco Přil Pro Forma Transmissiont Rev/Exp Přil Pro Forma Transmissiont Capital Add Přil Pro Forma Transmission Capital Add Přil Pro Forma Depociation Study Přil Pro Forma Wood Pole Test & Treat Přil Pro Forma Misc Adj. (2)		Irein Disseription of Adjustment  b Por Regults Report  c Deformed Fill Rate Base  d Deferragicatin on Office Building  e Colstrip 3 Aprilbe Elimination  f Colstrip Christion AFIDC  g Kettle Falls Disallow  h Customer Advances  i PGE Monetzation  Settlement Exchange Power  Actual  k Eliminate B & O Taxes  I Properly Trax  m Uncolloct, Expense  o Infuries and Dairages  o Infuries and Dairages
\$52,467	(20,792) \$,650 (1,275) (1,275) (1,278) (1,078) (1,078) (1,98) (1,98)	277,099	RILED CASE Washington Effective NOI Rate B S71,715 S9 S71,711 S7
\$897,431	(28,769) 0 0 0 0 17,759 0 (2,774 0 (2,774 0 0	115 74 85 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	2ASE Effective Rate Base \$294,707 (\$134,495) (\$22,55) (\$22,55) (\$293) (\$293) (\$293) (\$293) (\$293) (\$234) (\$
\$56,218	(19339) \$,551 (1,375) 235 (857) (1,078) (361) 208 (188) 209	484 229 (12) 1,116 1,16 (78) (78) (73) 318 (1,164)	PARTIAL SETTLEMAENT OF ISSUES Westlington-Electric NOI Rate Base  \$71,715 \$994,201 0 (138,49) 0 (29, 216 (2,25, 0 (32, 43) 0 (23,41) 0 (23,41) (12) 11 (15) 316
\$897,847	(26,78!) 0 0 0 40,274 11,739 104 0	\$874.511 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	OF ISSUES Fic. Rate Base Rate Base (138.495) (1295) (295) (295) (295) (295) (295) (295) (293) (293) (293) (293) (293) (293) (293) (293) (293) (293) (293) (204) (2
\$3,751	\$1,433 (\$109) \$206 \$206 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	25 50 50 50 50 50 50 50 50 50 50 50 50 50	ton ER
3416	8 8 7 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	20 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	is   is   is   is   is   is   is   is
(\$6,032)	(\$2,304) \$175 \$0 (\$331) \$0 \$0 \$1,396) \$0 (\$1,396) \$0 (\$336)	(\$178) (\$1,052) (\$10)	IMPACT ON REVENUE REQUIREMENT NOI Rate Base 0.621863 9:39%
\$63 (\$5,969)	\$66		CIN URLEMENT Rate Base 9:39%

<sup>(1)</sup> Includes Officer Compensation Adj.
(2) Includes Adjustments for Advertising, Dues, and Board of Director's Fees.

ANISTA UTILITIES
Summary of Revenue Requirement Adjustments
Restatement Summary Washington Gas

\$1,314						-			
	S1.31A	SO	(\$817)	S149,471	810:399	\$149,471	\$11,216	Pro Forma Total	
	(\$87) \$0 \$1,757 (\$82)	8 8 8 8 8	158 (889) 38 88 88 88 88 88 88 88 88 88 88 88 88	්ත වැ <mark>මි</mark> ව දේ	(363) 61 217 (1,404) 51	6 6 <b>5</b> 6 6	(163) (173) (173)	Pro Forms Lation Non-Exce Pro Forms Lation Exce Pro Forms Depreciation Study Pro Forms Strage Contract Pro Forms Misor Adj Proforms Misor Adj (2)	F 7 F 7 F 7
		\$0	17.15	\$149,362	\$11,837	\$149,362	\$11,666	Restated Total	
		<u> </u>	8 8 8 8	ପ ସ୍ପର	D 4 8	<b>200</b>	(00) 4 8	Net Gains/losses Eliminate A/R Expanses Office Space Charges to Subs Restate Excise Taxes	കേഷ കമ
	(\$275)	8888	25 8 8 8 8 8	(C) C C (C)	120 140 187 187	5655	<b>-8-33</b>	kogundory usperse solustment Injuries and Dathages FIT Restato Debt. Interest Incentives & Other	- G c c c
		88888	វន្តនន	၁၀၀ ခ	686 686	500 O	\$ 5 0 00 8	Reventie Nontralization & Gas Cost Adjust Eliminate B.& O Taxes Property Tax Uncollectible Expense	Oktober Georgia
		o	• 8888888	\$100,404 (24,645) (200) 7,628 (,120 (75)	10,993	7,628 1,120 1,49,362 1,120 1,49,362	0.000	Per tegnis (chora Deferred Filt Tate Base Deferred Cain on Office Building One Inventory Weatherhation and DSM Investment Customer Advances Actual	
9.39%	0.021999	33.5	1	are	NOI	Rate Base	NOI		Item
13 A	REVENUE REQUIR	CBS CB	DIFFERENCE Washington Gas	OF ISSUES	PARTIAL SEPTLEMENT OF ISSUES Washington Gas	ASE n Gas	Washington Gas		

<sup>(1)</sup> Includes Officer Compensation Adj.
(2) Includes officer Compensation Adj.
(2) Includes officer Compensation Adj.
(3) Includes of Director's Focs.

AVISTA UTILITIES
BLECTRIC RESULTS OF OPERATION
WASHINGTON PRO POPASA RESULTS
IWELVE MONTHS ENDED DECEMBER 21, 2006
4000 OF DOLLARS

٠.			th present Rat	ES E	WITH PROPO	
		Actual Per			Proposed	Pro Forms
juv		Ramits	Tenl	Lia Lotaza	Revenues &	Proposed
čes.	DESCRIPTION	Report	Adjustments	Total	Related Day	I co a T
		p.		र्वें	*	$f_{ij}$
	REVENUES					
,	Total General Hyrinesa	\$383,388	\$ (40,466)	\$321,929	\$43,170	\$367,0
	Inter-departmental Sales	733	7 (40)4401	733	345,1.0	7.000
	Salva for Result	115,579	(36,199)	35,380		ذور
	Total Selecter Geometry	473,707	(120,665)	338,042	45,170	463.2
	Otto: Revenue	42,255	(34,969)	7.286		7,2
	Total Electric Revenue	520,962	(195,534)	355.328	45,178	4 (0,4
	EXPENSES:					
	Production and Transparences					
	Opening Expenses	178,236	(\$3,**8)	91,788		92,7
	Purchased Paper	137.571	488,7251	77,145		79.1
	Depreciation and Americanop	17 cus	1,423	المظروع		24.4
2	Targe	0,695	823	9:973		9.9
	Total Production & Transmission	320,205	(113.867)	206.338	9	166,
	Nicohan					
!	Distribution Operating Expension	13,485	68s	16,173		:6,1
	Deplectation	12364	3,032	13,896		13,8
	Trainer	34,460	(15,155)	10.367	1,745	18,0
	Total Dumphapen	55,509	(9,4)3)	45376	1,745	48,1
	, n = 1, s = 1, s = 1	,,,,,,,,,,	1. 4.7-7	,	., ,	.•
	Customer Accounting	3,951	risti.	7,5-0	120	7.4
Ė	Captumer Servace & Información	7,759	(4.565)	1,174		1,\$
	Nation Expenses	657	23	650		6
	Authorstone vera General					
	Opening Expenses	32,646	(585)	32,083	**0	32,1
	Depresation	6,459	(770)	\$25.5		5,6
	Takes					
	Total Admin. & Goneral	19,105	(1,350)	37.751	90	17.7
	Fotal Electric Expenses	421,464	[137](6)	199,660	1,953	3.106
	OPERATING INCOME SEFORE FO	58,406	(23.828)	65,668	45,215	105.81
	FEDERAL INCOME TAX					
	Carent Acades	24,96\$	(18,533)	5,475	15,125	20,5
	Octored Income Taxes	(7,237)	11,202	3,975	_	9,0
	Amortized Investment Tax Creati	,		***		
	SEYTLEMENT EXCHANGE POWER					
		visis	(\$15,497)	256,218	524,090	384.3
	net operating income	5/1/43	(213.42.7)	250**10	440,000	
	rate base					
	PLANT IN SERVICE			\$23,45\$		\$23,4
	Intakçible	523,455 649,964	30,967	686,932		655.9
	Production	244,435	41.969	286,404		285.4
	Transfersion	502.838	(507)	503.571		302:5
	Distribution	\$0.110	1241)	\$2,110		80,1
	General	1,500,806	78,669	1,579,475	b b	1,577,4
	Total Plant in Survice	453.039	(7,557)	486,102	-	485.1
	ACCUMANATED DEPRECIATION	12,960	34,563	31.522		51.5
		12,799		577.624		537,6
	accum erovesión for amortization	662 650				
	Verы Ассат. Вергесинан & Анюу.	55m,549	11,425			14
	Form Account Degreemmen & Americ GAIN ON SALE OF BUILDING	\$26,549	(459) (453) (143,351)	(455) (45 <u>5</u> )		(4) (14),55
	Verы Ассат. Вергесинан & Анюу.	556,599 5992,367	(453)	(455)	\$0	

Exhibit No. \_\_\_\_(EMA-2)

### AVISTA UTILITIES Calculation of General Revenue Requirement Washington - Electric System TWELVE MONTHS ENDED DECEMBER 31, 2006

Line No.	Description	(000's of Dollars)
!	Pro Forma Rate Base	\$897,847
3	Proposed Rate of Return	9,39%
3	Net Operating Income Requirement	\$84,308
4	Pro Forma Net Operating Income	\$56,218
5.	Net Operating Income Deficiency	\$28,090
6	Conversion Factor	0.62186345
7	Revenue Requirement	\$45.170
8	Total General Business Révenues	\$322,662
9	Pércentage Revenue Increase	14,00%

Exhibit No. \_\_\_\_(EMA-2)

## AVISTA UTILITIES Revenue Conversion Factor Washington - Electric System TWELVE MONTHS ENDED DECEMBER 31, 2006

Line No.	Description	Factor
t	Revenues	1.000000
2	Expense: Uncollectibles	0.002660
3	Commission Fees	0.962000
4	Washington Excise Tax	0.038627
5	Franchise Fees	0,000000
á	Total Expense	0.043287
7	Net Operating Income Before FIT	0.9567/3
8	Federal Income Tex @ 35%	0.334850
Ġ	REVENUE CONVERSION FACTOR	0,621863

AVISTA UTILITIES
HISCHRIC RESULTS OF OPERATION
WASHINGTON RESTATED RESULTS
TWILLVE MONTHS ENDED DECEMBER 11, 2005
(660% OF DOLLARY)

Line		Per Results	Deferred FIT	Deferred Gain on Office	Colstrip 3	Colstrip Common	Kettle Falls	Customer
Ņń,	DESCRIPTION	Report	Rate Base	Rullding	Elimination	AFUDC	Dizellow.	Advances
	1	č.	÷	3	e		F	'n.
	REVENUES							
1	Teral General Business	P14.4.70.6						
1	Etterdopartmental Safes	\$342,39 <i>9</i> 733						
-	Salva 199 Restale	115679						
ì	Total Sales of Montagny		<del></del>	5		<del></del>		
5	Criser Resemble	478,707		į.	14	,	ນ	,
ń	Istal Estate Resemble	42,355 520,962	ė,		Ĝ			<del></del>
"	terat receipt Kookunt	200203	C;	i)		1	¢	•
	EXPENSES							
	Promuetten and Transmission							
-	Operated a Expenses	376,336						
8	Parentsed Power	117.37						
0	Depresention and Americantum	17,003			(3)6)			
11	Livex	9,0194			(2007)			
i,	Potal Production & Preministration	32%, 205	<del></del>		(2)6)	ò	10	
	f. and a transfer to an interest to the contract of the contra	Self-refer a	.,	**	1-141	•		
	Distribution							
; 2	Operating Experient	15,485						
15	Depresentan	10,864						
[4	Taxes	25,450						
15	Total Distribution	55,839		·	18	· ·		i,
	· ; - · · · · · · · · · · · · · · · · ·	****						
16	Costonie Acceptains	8.651			•			
17	Customer Service & Internation	7:739						
18	Sales Expenses	657						
	Administrative & Champy							
12	Operating Expenses	13,640						
Ξ,	Периоспина	9,459						
21	Lakes							
22	Total Admin, & Georgi	32,103	ħ.	. 0	Q	Ų	Û	Q
21	Tetal-Mestic Impease	432,466	þ		(214)	, ø	Ų	ji ji
							_	
74	OPERATING INCOME REFORE FIT	\$8,496	ij	Û	216	¢	a	. 0
	PEDERAL INCOME TAX							
	Current Accress	70.00						
		34,648					56	
36	Defended Inchese Takes	(7,22*)					,54	
			<del></del>					-
27	NET OPERATING INCOME	\$71,715	\$0	. \$0	\$216	S/1	(859)	Şir
	RATE BASE							
	PLANT IN SERVICE							
*	bnazgible	:533,438				21	at at Some	
39	Production	648.365			(7,575)	ŹŶċ	(5 <u>.2</u> 48)	
<b>5</b> 11	Triantaisrica	244,432						
53	Distributes	502,838						(267)
52	Chada:	\$0,110					79.94.20	(267)
33	Foud Plant in Survice	1,500,506	Ġ.	Ů	(7,175)	492	(5.248)	(707)
30	ACCUMULATED DEPRECIATION	495,839		•	(4,930)		(3.535)	
	ACCUM, PROVISION FOR AMORTIZATION	13,960			1 ()			
25 39	Total Access. Depreciation & Amort.	506,500	Ó	3	(4,920)	n	(9,559)	. 0
	OMN ON SALE OF BUILDING	٠٠٠ پېښون		(453)	( ) to A			
	OFFERRED TAXES		(138,493)	158			494	
-7*	to the supportant of the total and the support of t		* * * * * * * * * * * * * * * * * * *	5-18-1			<del></del>	
14	TOTAL RATE BASE	\$394,207	18138.495	(\$295)	(\$2,255)	S492	(\$997)	(5767)

AVISTA UTELTIES
ELECTRIC RESCLIS OF OPERATION
WASHINGTON RESTATED RESULTS
TWELVE MONTHS ENDED DECEMBER 34, 2006
(000'S OF DOLLARS)

Line		PGE	Settlement Exchange	Subtotal	Eliminate E & O	Property	Lucollect.
Nu.	DESCRIPTION	Manetigation	Power	Actent	Taxes	Tus	Expense
	ä		j		1	F	£1
	MAKA PIN W Man			•			
	REVINUES				21.22.		
	Total Censed Business			8363.385	\$ (12,201)		
2	Interdeportmental Seles Sales for Result			733			
į	Fotal Sales of Electricity	4		115,579	718 4019	q	ſ
3	Office Resemble	•	, si	475,707	(12,201)	'1	•
7 7	Total Electric Researce		£i	43.255 520.962	(15) (13,576)	Ü	
	to the manager appropriate	•		220,002	11272133		•
	EXPENSES						
	Productive and Transmission						
7	Operating Expenses			176,236			
×	Purchased Fower			117,871			
Ÿ	Digrecontion and Americanica	(1,332)		15,460			
ĺσ	Taxes			A.0AQ		25	
ł ż	Itali Predection & Preparission	(1,332)	ű	7 8.657	6	35	Ĺ
	Discribetion						
12	Operating Expanses			15,085			
13.	Deprocations			10,854		•	
i a	Тихог			29,550	(12,184).	(5)	
15.	Total Distribution		ō	55,808	(12.1%)	(6)	ก
	The state of the s			*****	4.5 <del>4.</del> 4.54	, , , ,	
14	Customer Accounting			8,95			(4 T
17	Castemer Service & Information			7,739			
1.8	Sales Expenses			657			
	Administrative & General			32,646			
19 25	Operating Expenses Depresistion			52,640 5,459			
2.1 31	Taxis'			0,432			
20	Fotal Admin. & General	- 6	- I	39,185	<u> </u>	6	0
	*					19	(47
23	Total Eléctré léopenses	(),332)	ð	:30,518	(12,(88)	19.	(47
7=	OPERATING INCOME BEFORE FT	1,332	. 0	90,644	(32)	1491	,47
•	Statement and the set of the statement to state a set						
	PEDERAL INCOME TAX						
	Oprimit Address			24 JAN	(11)	(7)	41
26	Deserrod Incomo Taxes	48Q		(6,705)			
							<del></del>
27	NET OPERATING INCOME	3866	Sti	\$72,741	(52))	(\$13)	\$31
• '	time of the state and since						
	KATE RASH						
	PLANT IN SERVICE						
38	(a) anginte			\$23,456			
29	Production	(14,203)	79.036	703,435			
313	Transcription			244,475			
11	Distribution			502,571			
12	chant			\$5,116			
, 1	Total Piant in Service	(14.5.5)	70,626	554 (135	ů.	fi	o
	accumulated depreciation			485,160			
	ACCUM, PROVISION FOR AMORTIZATION	{\f3.766}	52,268	51.532			
5.5	hotal Accide. Depocriation & Accom-	(13,766)	\$2,368	536,682	8	g.	Q.
17	GAIN ON SAILE OF BUILDING			(453)			
3	DEFERRED TANES	175	(4517)	(143,383)			
			F92 . 41	, 005 4: 60 1	S¢	<b>\$</b> 0	Str
14	TO FAL RATE BASE	(\$324)	532,441	\$874,531			
	RATE OF RETURN			8.32%			

AVISTALTILITIES.
SHECTRIC RESIDENTS OF OPERATION
WASHINGTON RESTATED RESIDENT
TWELVE MONTHS ENDED DECEMBER 31, 2004
1000'S OF DOLLARS)

r.			Injuries		Eliminate	Nez Perce	Eliminate
Line		Regulatory	mid.	(1)71	WA l'awer	Settlement	A/R
	1 1/4-5 44- 11/5	Expense	Damages	FIT	Con Defer	Adjustment	Expenses
		-	•	r	*	•	• ,
	REVENUES						
1	Total Gerenal Business	*			\$ (31,707)		
•	hterdopartmantal Sales Sales for Resale					٠.	
4	Total Sales of Electricas	3	ถ	0	(81,707)	· · · · · · · · · · · · · · · · · · ·	<del></del>
3	Other Reserve	•	"		(41,797)	••	•
ŧ	Paral Electric Revenue	6	ō	0	(31,707)	, a	
	EXPENSES						
	Production and Transmission						
	Operation Expenses				(39,673)	18	
g u	Furcionard Henry						
•	Deproclision and Americation Taxes						
:1	Impi Produmen & Transmission	6	6		(30,675)	18	a_
•	The state of the s		*	ų	(30,0.34)	15	
	Distributions						
12	Operating Experies						
:7	Depreciation						
14	Faces				(1,224)		<u>-</u>
15	Total Positionrep	i)	, , , , , , , , , , , , , , , , , , ,	la la	(1,231)	6	4
16	Customer Accounting				(196)		
1"	Customer Service & Internation				(1744)		(1,717)
18	Sales Expenses						
•	and a supply						
	Applianstable & General			,			
(9	Operating Expenses	1,152	(486)		(50)		
Ft	Depreciation						
21	Taxes						
22	Potal) Admin. & General	1,163	(436)	ía.	(60)		ć
23	Tetal filozite Enginees	1.162	(486)	Ģ.	(32,039)	18	(1.717)
24	OPERATING INCOME BEFORE FIT	(1,3 <u>6</u> ±)	485	ů	352	(1:81	1,717
	PEDERAL NOME TAX						
<u></u>	Corrent Aderesi	(407)	170	(428)	(10,513)	<u>(6)</u>	601
25	Deferred Income Tacks			(56)	10,776	-	
						<del></del>	<del></del>
27	NET OPERATING INCOME	(57,55)	\$316	5152	\$5.50	(\$12)	\$1.116
	RATE-BASE						
	MONT IN SERVICE						
23	lipimyldia						
20	Production						
30	Frontesiasion,						
3.1	Distribution						
12	Changeal						<del></del>
33	Total Plant to Saruce	p	(1	a	ij	ń	0
3.5	ACCÉMICIATED DEPRECIATION						
	ACCEM, PROVISION FOR AMORTIZATION						
36	Fotal Access. Depreciation & Assort.		Ŀ	.6	Đ	ŋ	- 0
	gain on salie of building						
15	DIFFERED TANES					<del> </del>	
39	TOTAL RATE BASE	-\$9i	<b>5</b> 0.	\$8	<b>5</b> 0	\$6	\$i)
400	rate of return						

AVISTA CILÉTIES
ELECTRIC RESULTS OF OPERATION
WASHINGTON RESTATED RESULTS
TWELVE MONTHS INDIED DECEMBER 31, 1906
0-203 OF DOLLARS)

		Office Space	Restate		Revenue	·"······
Line		Charges to	Excise	Net	Normalization	lineartive
No.		Suridlaries	Taxes	Gains/losses	2.01.013117711011	& Other
	1	1	ų.	3	37	3
	RI-VENCES					
	Ford Graters Business					
2	interdisperticental Sylus	•			\$3,442	
	Sales for Result			,		
. 4	Faul Siles of Heathern					<del></del>
•	Sther Revenue	**	9		8,442 209	1.
,	Total Ideator Revenge	C	ÿ		3,651	<del></del>
			,	*	,,,,,,,	,
	EXPENSES					
_	Production and Immunistrate					
	Operating Ediplement				(176)	<u>ក</u> ារ
Á	Porchased Force					
14	Department and American for the States				19,285	
::	Lotel Production & Transparation	3		<u> </u>	10,100	614
••	the state of the s	4	ņ	11	(6,112	614
	Dispitution					
12	Operating Expenses					
1.1	Degraciation			(83)		
13	Tara		. 136		[2]	
15	Total Distribution	Į.	126	(88)	141	b ·
14	Chategier Appointing				ló	
17	Costonier Service & Information				(0.2544)	
18						
	and the second					
	Adams otrastve & Climent	. 6.0.			7	(1,03)
.≯ 26	Operating Expenses Depreciation	(24)			,	. Chuid
21	Falter					
22	Total Admin. & Concret	(24)	. 0	0		(1,193)
	Total Electric Exemples		120	(88)	3,687	(489)
- "	tord-Cheate Debatter	(24)	126	(193)	3,061	14.03
24	OPERATING INCOME HEFORE FIT	34	(122)	88	(36)	1899
	promptions in the stands in the stands					
25	FEDERAL INCOME TAX  Current Access!	5	(43)	31	(43)	171
26	Deferred Income Texas	,	(+4)	,,,	14.27	
2.0	the state of the s					
27	NUL OPERATING INCOME	510	(\$78)	\$57	(\$23)	2162
	KATEBASE					
	PLANTIN SERVICE					
25	Intungible					
:7	Production		*			
311	Transmission					
31	Destribution					
1.	<b>Garati</b>					
33	Total Plant in Service.	n	a	ų	ú	5
12	ACCUMULATED DEPRECTATION					
35	ACCUM, PROVISION FOR AMORTIZATION					
¥,	Total Accust Depreciation & Assort.	Ü	O	a ·	ij	41.
	CAIN ON SALE OF BUILDING					
78	DEFERRED TAXES					
39	IOTAL RATERASE	\$41	\$6	. \$ā	SK.	\$/2
20	RATE OF RETURN					
3	and all the control of and by prospers.					

AVISTA UTBLITTES
LIECTRIC RESTATED FESTLES
WASHINGTON RESTATED FESTLES
WILLYE MONTHS ENDED DECEMBER 31, 2005
6007S OF DOLLARS)

		Restate	Ī	i're Forma	Pro Harma	Pro Forms	Pro Ferna
Line		Debt	Restated	Power	Prod Property	Lalver	Labor
Nu.	DESCRIPTION	interest	TOTAL.	Supply	Adj	NonExec	Exec
	:	?	2 -	PFI	PIC	F44	1954
	REVENDES						
2	Fotal General Business	•	8321,909				
2	Interdepartmental Sales		733				
:	Sales for Resale		115.275	(80,599)			
:	Total Sales of Electricity	Ú	435_241	(\$h;154)	ď		
5	Other Revenue		42,449	(32,271)	(4.029)		
I.	Talai Bleame Revenue	1)	≎ <b>ê</b> ∆ <i>¢k</i> ≎	(1:2,≠36)	(2,929)		5
	EXPENSES						
	Production and Transmission						
•	Operating Departure		146,017	(43.962)	(10,569)	717	(14)
S	Purchased Power		137,871	(58:725)			
ŷ	Depotentialing and Amortisation		25,745				
: 1	Traces		9,115				
; !	Total Production & Transmission	ñ	238,348	(87,487)	((0.569)	7)7	(34)
	Distributes						
13	Opening bayers		15,483			567	
; \$	Рамональн		19,374				
[4]	Jac=4		16,307		<u> </u>	\$67	ŭ
15	Tital Distribution	0	27,568	ΰ	ย	200	ŧi
15	Castomer Accounting		7,097			243	
i~	Curtainer Service & Information		1.159			13	
18	Sales Ecoenses		657			25	
	Administrative & General						
Ŋ	Operating Expused		a2,142			351.	(34%)
36	Depression		6:459				
11	Taxes		38,501	:0:	0	530	(348)
32	Tistal Asizsiai & Generali		<del></del>		<del></del>	2,115	(363)
2.3	York) (Décario, Espanso)		388,830	(32,557)	(10,369)	2,130	
24	CPERATING INCOME BEFORE PT	U	91.560	(29,783)	8,540	(E.113)	362
	PÉDERAL INCOME CAN						
	Current Accreal	1:11:54	14,642	(10,424) -	2,997	(740)	137
26	Deserted Income Toxos		3,975				
17	NET OPERATING DICOMB	(\$1.764)	\$73,243	(\$19,359)	\$5,\$51	(\$1,37\$)	5235
	RATEBASE						
	PLANUS SERVICE		can .co				
28 29	ได้เขตรูปฟะ Pindurios		523.458 783.455		(28,781)		
30 30	Frankrisson		344,435		(44,44)		
31	Distribution	•	562,571				
32	Casani Casani		80,110				
13	Petal Plant in Sansara		1,354,629	9	(23.731)	Ü	ü
	acturate aten defrik tanon		485.160				
25	ACCUSE PROVISION FOR AMORTIZATION		51,522				d d
*6	Linai Azonor, Depreciation & Amort.		536,682	)į	Q		
	GAIN ON VALE OF BUILDING		(455)				
15	DEFERREDTAXES		(142,355)	<del></del>			
N	TOTAL RATE BASE	\$4)	5874,511	\$0	(\$28,781)	\$0	بالآ
			8,38%				

AVISTA UTILITIES
ELECTRIC RESILUTS OF OFERATION
WASHINGTON RESTATED RESULUS
TWELVE MONTHS ENDED DECEMBER 31, 2008
1640'S OF DOLLARS)

Line No.		Pro Forms Transmission	Pro Forma Transmission	Pro Forms Generation	Pro Furnia Depreciation	Pra Forma Wood Pole	Proforms Misc	('ra Forma
47.47	74.5-CKB 110/A	ReviEsp PFS	Capital Add	Capital Add	Study	Test & Treat	Adj.	TOTAL
	-	150	216	FF.	PPS	<b>M</b> 20	PF12	bisi
	REVINUES							
:	Total General Huspania							\$321,929
2	Interreparamental Sales							733
;	Nales for Resule							35,380
4	Potel Sales of Electricity	ť.	, ú	Ç.	0	<i>§</i>	n n	158.04
5	Coher Revenue	(605)					40	7.286
ń	Total Electric Revenue	(903)	li .	0	9	9	26	365(325
	IENPINSES							
	Production and Transmission							
**	Operators literates	416				189		92,788
5	Processes frower	,,				147		F9,106
×	Depreciation and Americanies		<b>ሃ</b> ጵያ፡	333	(2,670)			14,431
ta	Lange-		Vén	193	1-301/1			1,573
11	Tall Production & Transpossing	415	: 653	556	(2,670)	185		206,335
	Distribution							
1.5	Operating Expension							24. 2
17	Depreciation					12;		(6,)73
44	र सम्बद्धाः स्मिर्वेशः				3,120			13,396
13	Test fistribing	T)	d	0		(21	Û	16,307 45,376
**	the at the state of the	u	41	u	3,120	.21	I)	40,3 FQ
16	Commit Accounting							7,340
17	Customer Service & Information							:.]74
15	Sules Expenses							685
	Administrative & General							
17	Operating Expenses						(261)	32,963
3	Depryoration				(729)			<b>1682</b>
21	[mes				·			
22	Tatal Admin. & General	t t	9	Ú	(370)	A	(231)	37,752
23	Total Electric Expenses	<b>#16</b>	1,658	556	(329)	. 304	(281)	39,660
34	OPERATING INCOME HELORE PER		ne velo	The second				
<b>.</b> ¬	on processes only the card lab	(1.319)	(1.658)	(556)	530	(514)	421	65,668
	PEDERAL INCOME TAX							
	Cumeni Accruel	(46.2)	(580)	(195)	112	(186)	-112	5.473
	Delayar Income Trees	(144)	(2)	(,	,	*****		1,975
27	MET OPERATING INCOME	(\$\$37)	(\$1,675)	(\$351)	5208	(\$155)	\$209.	534.218
	COLUMN TO THE PROPERTY OF THE	1300 1	(41,012)	(25.21)	3243	13230)	3,07	274-10
1	RATE BASE							
	PLANT IN KERVICE							
29	lattengibie							537,458
29	Production			12,25%				686,632
¥(,	Fransmission		21,959					286,404
il	Distribution							\$02,571
30	Geacht	·						\$6,110
32	Total Plaining Service	Đ.	-1.969	12.23%	(r	fi.	ā	1,579,475
34 ,	ACCUSTULATED DIFFRECTATION		743.	330	(150)			486,102
	CCUM, PROVISION FOR AMORDIZATION				*:/			51 323
14	Total Accum Depreciation & Amon		748	354	(167)	ŭ	4	537,624
	TAIN ON SALE OF BUILDING		• *		1 1			(437)
t" (				11000	(\$6)			(143,551)
	DEFERRIED TAXES		(34,1)	(1221	[20]			11.000
** [	•		(\$47)	(165)				. 0
** [	OLAL RATE BASE	- Su	540,274	311,739	\$104	\$e	50	

	171		H PRESENT RA	TES	WITH PROPO	
	] [	Actual Per	] _		havada.,	Pro Forms
-ide	14	Reside	Tetal	Fre Ferma	Revenues de	Proposed
Nu.	DESCRIPTION	Repurt	Adjustments	Total	Related Exp	Total
	d	8		d.	r	1
ī	REVENCES	*****		#1ab ab	*****	6242.00
	Tetal General Business	\$208.863	\$ : (1.05.2)	\$197.821	\$5.545	\$253,86 1,44
2	Total Transportation	3.765	11,730)	1,446		
3	Coder Revenues	39,997	(37.225)	1,877	5,545	1,67 206,08
÷	Fotal Gas Revenuez	251,740	(\$0,002)	201,144	5,545	3110,93
	ENPENSES					
•	Explement and Development				-	
	Production					
ġ.	Cay One Purchases	185,395	(38.353 -	149,302		149,50
7	Parchased Cay Expense	653	14	671		67
3	Net Nat Gay Storage Trans	495	(495)	-		
ij	Tela: Praduction	189,543	(39,070)	150,473	0	150,47
	Chaldigmond Storage					
ió	Operating Expenses	492	i	293		29
11	Вексеннов	312	(00)	352		25
12	Three	134	· (2)	[23]		12
13	Total Underground Storage	658	561	267	á	\$6
1 1.	Distribut.on	*	,,,,	241		
14	Operating Expenses	الأقرارة	231	6,390		6.59
14	Depreciation	5,387	(225)	-5.154		5.15
16	facei	17,051	1265	0,457	203	9,68
12	Total Distributeds	38,792	(7,591)	21,291	225	21.42
	Politica Change House-offer	•		-,,		
13	Силмини-Ассециину	4,568	(200)	4,568	10	4.38
14	Castomer Service & Information	3,760	(3.190)	1,670		1,67
26	Sales Expeliers	<b>29</b> 6	14	\$10		51
	Administrative & Coneral					
21	Oranius Sipensei	\$.334	(235)	5,000	13	8.14
22	Depreciation	: 332	(39)	1,223		4.22
7,3	Taxes	34	6	24		
24	Total Admyr & General	9.640	(\$94)	9,340	13	9,15
25	Total Clas Expense	237,227	149:3921	137,875	253	188.08
36	OPERATING INCOME BEFORE FIT	15,819	(6)(6)	13,300	5_542	00,21
	FEDERAL INCOME TAX					
27	Current Accine	5,300	6	5,012	1.957	7.96
25	Designed ITT	(3.050)	(22)	(3:072)		(3,07
26	Autori ITC	(30)	Œ	(30)		(3
	•			10.700	\$3,635	\$14.03
30	NET OPERATING INCOME	10,975	(\$\$94)	10399	32,023	9,5,4,40
	rate base plant in service					هنگ پور
34	Underground Storage	13,854	ť	13.554		13,55
32	Distribution Plans	319,287	1,045	729,793		220.33
33	General Plant	20,791	0	20,791		20,79
: -:	Talat Plant in Service	233,932	1,6:5	254,977	0	251,97
	ACCI MULLIFO DEPRECIATION					- 421
35	Undangsould Storage	7,244	(30)	7.3.15		
åα	Distribution Plans	74,019	(101)	75.912		73.91 7.20
37	General Pant	7,230	(28)	7.200		
38	Total Accum. Democration	88,493	(167)	\$8231	O	85,33
) iii	DEFERRED FIT	· G	(24,650)	(34:656)		124.65
÷ũ	GAS INVENTORY	i o	7,628	7,625		7.63
41	GAIN ON SALE OF BUILDING	6	11531	(1:5)		(15
42	TOTAL RATE BASE	165,434	(\$13,963)	149,471	SO	si42,47
						7,59

### APPENDIX 2

## AVISTA UTILITIES Calculation of General Revenue Requirement Washington - Gas

### TWELVE MONTHS ENDED DECEMBER 31, 2006 (000's OF DOLLARS)

Line No.	Description	WASH
1	Pro Forma Rate Base	\$149,471
2	Proposed Rate of Return	9,390%
3	Net Operating Income Requirement	\$14,035
4	Pro Forma Net Operating Income	\$10,399
5	Net Openiting Income Deficiency	\$3.636
,6 .	Conversion Factor	0,621999
7	Revenue Requirement	- \$5,845
\$	Total General Business Revenues	\$199,267
4)	Percentage Revenue Increase	3.93%

### APPENDIX 2

Exhibit No. \_\_\_\_(EMA-3)

# AVISTA UTILITIES Revenue Conversion Factor Washington - Gas System TWELVE MONTHS ENDED DECEMBER 31, 2006

Line No.	Description	Factor
ì	Revenues	1.000000
2	Expense: Uncollectibles	0.002661
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038418
<b>Š</b>	Franchise Fees (City of Millwood Expired in 2004)	0.000000
6	Total Expense	0.043078
7	Net Operating Income Before FIT	0.956923
8,	Federal Income Tax @ 35%	0.334923
9	REVENUE CONVERSION FACTOR	0.621999

AVISEA CHEITHES
GAS RESCLES OF OPERATION
WASHINGTON RESTATED RESULTS
IWIELVE MONTHS ENDED DECEMBER 11, 2006
(MOS OF DOLLARS)

l.jąc	I .	Per Results	Deferred FIT	Deferred Gain on Office	Can	Weatherization and DSM	Cuxtomer
No.	DESCRIPTION	Report	Rate Base	Bullding	Inventory	Investment	Advances
	4	ъ	Ξ	4	£	ţ	6
	REVENUES						
:	Total Ceneral Business	\$20\$1987					
2	Total Transportation	3,166					
1	Other Rosenson	39,897					
4	Foral Can Resignal	351,146	ù	ú	Ú	ij	····
	EXPLOYERS						
5	Exploration and Development Production	ŧ					
Ģ	City Constructions	188,305					
-	Furchased this Expense	v <b>5</b> 3					
3	Net Nat Gus Storoge Thans	493					
ij	foral Production	189,543	ų.	3	Đ	C	
	Unumproved Storage						
14)	Operating Expenses	492					
11	Depreciation	312					
12	Entrys	124					
13	final Endergravia Stange	738	Э	o o	Q	Č	
	Discribation						
14	Operatory Expresses	4,339	•				
i è	Depreciation	5,382					
16	Texas	17,051					
14	Tutal Distribution	26,792	Ţ.	(	ò	3	
18	Cantones, yezonopiak	4,36%			Ą	· ·	
}¥} -	Costogon Survey & Information	3,269					
10	Sales Departure	496					
	Administrative & Charter						
€! -	Openitury Expenses	8.332					
12	Depreciation	1,382					
13. 14	Такър	9,54//	ū		. ()		
25	Total Admin, & General Food Gas Expense	277,227	p p			. 4	
	torn (Try Evileties)	<u> </u>	<u>"</u>				
	OPERATING INCOME SUFFORE FIT FEDERAL INCOME TAX	13.919	Ü	ัช	9	4	ſ
7	Current Agerest	á,54 <b>-6</b>					
8	Deferred FTF	(3,050)					
i.	Aragi II C	(30)		·			
í·	NET OPERATING INCOME	\$10393	50	<b>\$</b> 0	\$51	. Su	s:
	Straight the early and another part our treatments		<del></del>				
	RATE BASE: PLANT IN SERVICE	. 4					
il L	Underground Startige	13,854				1,120	(75
12 11	Datributesi Placi Garcial Plani	219,287 39,791				1-150	, -2
j.a.	Iotal Plant in Service	253,932	Č	ā	G	1.126	{75
	ACCURBANTED DIFFECTATION	2.545					
<u>s</u>	Chilerground Storage Distribution Plant	7 <u>049</u> 74019					
7		7,334					
is	General Plant Tetal Accuse: Depreciation	35,495		r,		a	
	DEPERIED FIT	ý 20≥0	(24(845)	;;	-		
	Defending fit Das Dividitions	ii	1=4,0701		.938		
	GAIN ON SALE OF BUILDING	n n		(1.53)	1100:		
	TOTAL RATE BASÉ	\$155,434	(\$24,645)	(S1.95)	57,528	\$1,120	(575
	içine, Kale Banı	3150,434	100-0-01	(2(44)	47,0020	1974 y 4 4497	

AVISTA UTILITIES
DAS RESULTS OF OFERATION
WASHINGTON RÉSULATED RESULTS
TWELVE MONTHS ENDED DECEMBER 31, 1004
(00075 OF DOLLARS)

Line		Subtatal	Revenue Normalization &	Eliminate 8 & O	Property	Uncollectible	Regulatory Expense
Na.	DESCRIPTION	Actual	Gas Cost Adjust	Taxes	Tax	Expense	Adjustment
	A	•	Ł	i	j	Ŀ	1.
	REVIEWARIS						
1	Total Control Business	5200,883	\$ (3,582)	\$ (7,38%)			
2	Total Transporticion	3.164	(1,548)	(*2)			
3	Other Revenues	32,097	(35,560)	\ -/			
٤	Total Gid Resemble	251.146	(40(39%)	(7,452)	Ü	Ti.	Š
	EXPENSES						
\$	Exploration and Development Prinduction	Ğ					
4	City Gate Parahases	188,395	(38,593)				
7	Purchased Christophiase	653					
*	Net Net Cas Storage Trans	495	(495)				
•	Total Production	189,543	(880,27)	Ţ	¥	Ç;	-1
	Underground Storage						
ļ.:3	Οραπεικό Ελέσενοι	493					
11	Depreciation	312					
٥	Taxes	124	·		(3)		ភ
1.3	loui Livergrama frongs	928	0	Ģ.	(2)	G	. 34
	Distributed						
; <b>4</b> .	Operating Expenses	لاكثر غ					
1.5	Deprezacion	5,382	*				
16	Tares	17(15)	(141)	(7.461)	(23)	- j.	· · · · · ·
17	Total Diaterbusion	28,792	(141)	(7,461)	(33)	<b>3.</b>	
18	Customic Accounting	4.368	(19)	*;	Ú	(39)	-l
16	Customer Service & Information	1,260	(2,199)				
20	Spice limpowers	49 <del>6</del>					
	Administrative & General						
21	Openstant Expenses	8,394	(°)				- 75
	Diginaciuliesi	1.282					
23	Faces	29					
34	Latel Acetan, & General	9,640	(7)		ឯ	:1	75
23	Seni Gas Expense	237,227	(#1,445)	(7,561)	(23)	(37)	73
žr <sub>e</sub>	OPERATING INCOME BEFORE FEE	(3,9 %	1,088	y ,	. 25	59	(73
	PEDERAL INCOME TAX						:62
27	Cirrent Average	8,005	365	4	÷J	21	(36
ž,×	Delated FII	(3,4 <b>5</b> 0)					
24	Amer HC	(39)					
38	SET OPERATING INCOME	\$10,593	\$654	<b>3</b> 5	\$16.	858	18:2
	RATE BASE PLANT IN SERVICE						
11	Baderground Storage	13,354					
30	Distribution Plans	126,332					
53	General Plant	20,791					
54 ·	Total Plant in Service	254.977	il	Đ	ė	0	o
-	ACTIMILATED DEPRELIATION	7,349					
¥5	Underground Storage Distribution Fluid	75,815					
\$4 57	(Asserti Plani	7,236				,	
3.7 24	Teiri Accum. Depreciation	85,498	5	Ą	Ü	ô	Ö
19	DETEKRIÉD FÖL	(34,592)					
40	CAS INVENTORY	528					
41	GAIN ON SALE OF BUILDING	(133)				<del>, ,</del>	
áž	TOTAL RATE BASE	\$149,362	. \$0	. Sp	\$10	54.	\$0
	RATE OF REIURN:	7.36%		-			

AVIMA CULTIES
GAS RESULTS OF OPERATION
WASHINGTON RESTATED RESULTS
TWELVE MONTHS ENDED DECEMBER 31, 2006
1000'S OF DOLLARS)

		Injuries		Restate			Eliminate
Line Su.	DESCRIPTION	and Damages	FET	Debt interest	incentives & Other	Net Gains/Invaria	A/R. Expressis
	le .	ra	5		p P	ų	;
	REVENUES						
	Total General Business						
:	Folial Transportation	*					
3	China Revanua						
4	Total Gas Recursos	0	t)	Ü	G	n	Ľ.
	FORTY-SYSES			•			
5	Exploration and Development Production						
ě	Cay Gete Puntages						
-	Purchased Gas Emparate						
8	Net Mat (InterStating): Trem-			·			
3	Total Production	H	0	9		41	Ú
	Undergoised Storage						
(7)	Operating Expenses						
<del>1</del> -1	Degreeistion						
12	Yaga						
13.	Tajai Chdergowna Storage Describution	H,	t.	Ĝ.	ů.	Ć.	Û
14	Operating Expenses						
1.5	Oppresention					(23)	
16	Three			<del></del> _			ā
(7	Total Distribution	l)	Ó	Û.	a	(13)	,,
15	Customer Accounting					£4	(274)
19	Customer Service & Information						
<b>D</b> )	Sales Heparica						
	Administrative & General						
27	Operating Expenses	22			(288)		
22	Diprogration				·		
23	Taxe						
24	Potet Admin & Camertii	27	0	0	(3\$\$)	6	(274)
23	Total Gas Expense	22	į.	9	(285)	(13)	(2(-)
×	OPERATING INCOME BEFORE FIT PEDERAL INCOME TAX	(32)	۵	a	3%8	13	27#
27	Current Accreal	<b>(\$)</b>	ŧİ	207	101	\$	96
23	Belefted FIT	147	(22)	-			
29	Amor IIC		,,				
<del>3</del> G	NET OPERATINO INCOME	(\$14)	\$11	(\$207)	\$157	\$8	\$178
	RATE BASE PLANT IN SERVICE						
3:	Lindergread Starage						
17	Distribution Plant						
33	General Plant						
34	Test Figures Service ACCUMULATED DEPRECIATION	a	ถ	ή	Į:	5	69
174	ACCUMULATED DEPRECATION Linderground Storage						
ų.	Distribution Plant						
94) 94	Cateral Plant						
iy.	Total Aircuat, Depreciation	0	ů	- 4	C	d	þ
ių	DEFENSED FIT						
40	CAS ENVENTURY						
41	GAIN ON SALE OF BUILDING						<u> </u>
	•		\$6	.sú	SÓ	50	šo
45	IUTAL RATE DASH	56			<del></del>	<del></del>	·
43	RATE OF RICHEN						

AVISTA UTILITIES
GAS RESULTS OF OPERATION
WASHINGTON RESTAITED RESULTS
IWIELVE MONTHS ENDED DECEMBER 11, 2005
(2007S OF DOLLARS)

1		Office Space	Restate		Pro Forms	Pro Forma	Рев Росиц
Line No.	DESCRIPTION	Charges to	Excise	Restated	Entror	Labor	Depreciation
. 454.	DESCRIPTIOS	Suhs	Taxes	Total	Non-Exec	Exec PF2	Study PF3
		•	,	_	1.4 (	***	1 5:3
	REVIENTES						
:	Fetal General Business			\$197,801			
-	Form: Transportation			1,445			
3	Other Revenues			4,937			
•	Total Giz Revenues	i,	Ū	203,384	÷	r	E,
	CXPRINSES						
5	Exploration and Development			ъ			
	Production						
6	City Gate Burghmes Patenaved Gest Expense			149,502			
x	Parentero Gar Expense. Net Net Cem Storage Tema			633	27	(5)	
ů.	Tatal-Production	ý	9	.  ≾0,≭55	75	(5)	n
•	Chargeound Storage	•	:•	(20,435	٠.	(2)	"
<u>;0</u>	Operating Expenses			493			
11	Digrapholon			313			(63)
1.2	Таког			122			•
13	Total Underground Storage	ń	4	926		G.	(50)
	Distribution			,	·		
14	Operating Expenses	•		4,350	331		
15	Depresionera			£,369			(215)
12	124⇔		31	9,457			
17	Total Distribution	6	31	31,185	271	ş	(213)
18	Custoner Associations	, 4	ģ	4,225	143		
14	Castomer Surdee & Information			:36;	\$		
20	Silles Experies			49 <i>6</i>	14		
	Administrative & General						
11	Operating lixpenses	(4)		8,130	117	(39)	
22	Degreenation			1.283			(39)
23	Take			24		ver.	7501
24	Josef Admin. & General	(6)	0	9.435	137	(\$5) (\$4)	(59 <u>)</u> (394)
2.5	From State Marganets	(6)	3 (*	187,784	558	(541	1751
	Chiranno income bepore fit	6	(31)	15,520	(55%)	\$4	334
17	FEDERAL INCOME FAN	2	(11)	6;785°	(195)	33	117
28	Coment Acoryol Defensed FIT	4	(11)	(3,073)	13,721	۲.	,.
29	Amen IIC			(30)			
		•	esion .		(\$863)	. 261	\$217
<b>3</b> 0	NET OFERATING INCOME		(\$20)	\$11,897	(3543)	891	
	rate base flantin service						
31	Lacheground Stange			13,854			
32	Distribution Plant			220,332			
33	General Pluis			29,791	<del> </del>	<u></u>	
34	Total Plan in News. ACCUMULATED DEFRECIATION	a	•(-	254,977	ŭ	<del>Q</del>	G
Ų	Underground Stange			7,249			(36)
ic	Digitriouties Plant			74,019			(10.0)
1"	General Pient			7,230.			(30)
ų	Total Accum. Deprenation	. A	*	88.458	η	i,i	(167)
20	nathred in			(34.593)			1581
	HAS INVENTORY			7,62%			
	GAIN ON SALE OF BUILDING			(153)			
	CONTRACTOR DESIGNATION	<del></del>					
<b>4</b> %	TOTAL RATE BASE	\$6	\$5	M-3-361	\$0	\$4	\$103

AVISTA UNITHES
GAS RESIATS OF OPERATION
WASHINGTON RESIATED RESULTS
TWELVE MONTHS ENDED DECIZIBER \$1, 2564
1050S OF DOLLARS)

		Pro Forma	Proferen	
Line	A	Slurage	Mac	Pro Farma
Na	DESCRIPTION	Contract	Adj	l'otal
	4	PF=	PF5	•
	e Philippe Co.			
	KEVENERS			A-A
!	Total General Business			\$197,821
2	Total fransportation	es tenio		1,446
	Other References Total Olis Reviewe	(2,160)		2,877 201:1441
•	Total Oss Kerenic	(2,100)		2011144
	ENPENSES			
3	hispianation and Deputerment			Ü
_	Providential			
4	Cay Case Peribases			[40,963
-	Pumpised Gu Expense			67)
S	Net Nat Gas Stitenage Trans			ú
,	Lored Production		4	150,473
	Underground Sterage			
10	Operating Expenses			495
9.1	Depressione			252
12	Lovas			122
13	Total Underground Storage	-ti	þ	\$67
	Distribution			
14	Opening Expense			6,500
15	Depreciation			ક્રોઇક
154	Taxes			9,457
17	Total Distribution	0	å	142,12
2.1	Customer Associating		Ģ	4,368
10	Customer Service & Interpretion			1,079
29	Salas Expansis			210
	Administrative & Coneral	•		
21	Opening Expenses		(79)	2eu.a
23	Deprocusion			1,223
23	Taxes			34.
2.5	Total Admin. & Cannal	. 4	(79)	9,346
25	July Gen Hapener	5	(29)	187,835
			•	13,305
26	OPENATING INCOME REFORE HT	(2,166)	₹9	12,293.
	FEDERAL ISCOME TAX	imara	30	3,012
27	Current Accinial	(756)	33	(3,072)
28	Petered (TI)			(30)
32	Ameri [IC			(30)
35	NET OPERATING INCOME	(\$1,404)	-\$51	\$16,399
*12	Met An Eight Factors of the			
	RATE BASE PLANT IN SERVICE			
3	Linderground Storage			;3,854
12	Lighthurion Plant			324,332
13	General Plant			20,791
		. 0	e e	254,977
3.4	Total Plant in Service	. 9	2	447.44
	AUTHMOLATED DEPERCIATION			7.219
<del>5</del> 5	Linderground Storage			73,912
75	Distribution Plant			7.360
i	Grand Plant Juna Accum Departments	<del></del>	ē	53.33 l
18		".	•	
iri	DEFERRED EU			(2±,550) = 630
Zr.	GAS DIVENIONY			7,938
<b>4</b> ·	gan on sale of suilding			(153)
	marks a brightness and	\$\cdot	34	\$149,471
-2	TOTAL RATE BASE	30	91'	
47	RATE OF RETURN			6,96%

#### APPENDIX 3

Rate Adjustments to Schedules 91 and 191 to Reflect Increased Levels of Funding for LIRAP/DSM

### A. Schedule 91 (Electric) Tariff Rider Adjustment:

The revenues to be generated by Schedule 91 (electric) rates are for the implementation of programs including DSM and the Low Income Rate Assistance Program (LIRAP).

	Energy Charge (¢/kV		
Schedule	Current	Proposed	
	0.40=4	0.0001	
1	0.127¢	0.229¢	
11 & 12	0.180¢	0.324¢	
21 & 22	0.133¢	0.239¢	
25	0.087¢	0.157¢	
31 & 32	0.117¢	0.211¢	
*41-48			

### B. Schedule 191 (Gas) Tariff Rider Adjustment:

The Schedule 191 (gas) rates are revised to reflect the provisions in Paragraph C of the Stipulation related to LIRAP funding.

	DSM Rate (\$/Therm)		LIRAP Rate (\$/Therm)	
	Current	Proposed	Current	Proposed
<u>Schedule</u>			<b>~</b>	
101	\$0.01795	\$0.01795	\$0.00650	\$0.00808
111 & 112	\$0.01580	\$0.01580	\$0.00561	\$0.00698
121 & 122	\$0.01479	\$0.01479	\$0.00519	\$0.00645
131 & 132	\$0.01429	\$0.01429	\$0.00502	\$0.00624

<sup>\*</sup> The rates for street and area lights (Schedules 41-48) will also increase to correspond with the overall percentage increase in ¢/kWh for other schedules reflected in the table above.