

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-07 \_\_\_\_\_

DOCKET NO. UG-07 \_\_\_\_\_

EXHIBIT NO. \_\_\_\_ (EMA-3)

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON PRO FORMA RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	WITH PRESENT RATES			WITH PROPOSED RATES	
		Actual Per Results Report	Total Adjustments	Pro Forma Total	Proposed Revenues & Related Exp	Pro Forma Proposed Total
	a	b	c	d	e	f
REVENUES						
1	Total General Business	\$208,883	\$ (11,062)	\$197,821	\$4,531	\$202,352
2	Total Transportation	3,166	(1,720)	1,446		1,446
3	Other Revenues	39,097	(35,538)	3,559		3,559
4	Total Gas Revenues	251,146	(48,320)	202,826	4,531	207,357
EXPENSES						
5	Exploration and Development					
	Production					
6	City Gate Purchases	188,395	(38,593)	149,802		149,802
7	Purchased Gas Expense	653	27	680		680
8	Net Nat Gas Storage Trans	495	(495)	-		0
9	Total Production	189,543	(39,061)	150,482	0	150,482
	Underground Storage					
10	Operating Expenses	492	1	493		493
11	Depreciation	312	(60)	252		252
12	Taxes	124	(2)	122		122
13	Total Underground Storage	928	(61)	867	0	867
	Distribution					
14	Operating Expenses	6,359	231	6,590		6,590
15	Depreciation	5,382	(228)	5,154		5,154
16	Taxes	17,051	(7,594)	9,457	174	9,631
17	Total Distribution	28,792	(7,591)	21,201	174	21,375
18	Customer Accounting	4,568	(200)	4,368	12	4,380
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	181	8,515	9	8,524
22	Depreciation	1,282	(59)	1,223		1,223
23	Taxes	24	0	24		24
24	Total Admin. & General	9,640	122	9,762	9	9,771
25	Total Gas Expense	237,227	(48,967)	188,260	195	188,455
26	OPERATING INCOME BEFORE FIT	13,919	647	14,566	4,336	18,902
FEDERAL INCOME TAX						
27	Current Accrual	6,006	446	6,452	1,518	7,970
28	Deferred FIT	(3,050)	(22)	(3,072)		(3,072)
29	Amort ITC	(30)	0	(30)		(30)
30	NET OPERATING INCOME	10,993	\$223	11,216	\$2,818	\$14,034
RATE BASE: PLANT IN SERVICE						
31	Underground Storage	13,854	0	13,854		13,854
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	1,045	254,977	0	254,977
ACCUMULATED DEPRECIATION						
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
38	Total Accum. Depreciation	88,498	(167)	88,331	0	88,331
39	DEFERRED FIT	0	(24,650)	(24,650)		(24,650)
40	GAS INVENTORY	0	7,628	7,628		7,628
41	GAIN ON SALE OF BUILDING	0	(153)	(153)		(153)
42	TOTAL RATE BASE	165,434	(\$15,963)	149,471	\$0	\$149,471
43	RATE OF RETURN	6.64%		7.50%		9.39%

**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	<u>9.390%</u>
3	Net Operating Income Requirement	\$14,035
4	Pro Forma Net Operating Income	<u>\$11,216</u>
5	Net Operating Income Deficiency	\$2,819
6	Conversion Factor	0.621999
7	Revenue Requirement	<b>\$4,531</b>
8	Total General Business Revenues	\$199,267
9	Percentage Revenue Increase	<u><u>2.27%</u></u>

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

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	<b>Revenues</b>	1.000000
	<b>Expense:</b>	
2	Uncollectibles	0.002661
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038418
5	Franchise Fees (City of Millwood Expired in 2004)	0.000000
6	Total Expense	<u>0.043078</u>
7	Net Operating Income Before FIT	0.956922
8	Federal Income Tax @ 35%	0.334923
9	REVENUE CONVERSION FACTOR	<u><u>0.621999</u></u>

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTAIED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

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

AVISTA UTILITIES  
GAS RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(000'S OF DOLLARS)

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

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Injuries and Damages	FIT	Restate Debt Interest	Incentives & Other	Net Gains/losses	Eliminate A/R Expenses
	a	m	n	o	p	q	r
REVENUES							
1	Total General Business						
2	Total Transportation						
3	Other Revenues						
4	Total Gas Revenues	0	0	0	0	0	0
EXPENSES							
5	Exploration and Development						
	Production						
6	City Gate Purchases						
7	Purchased Gas Expense						
8	Net Nat Gas Storage Trans						
9	Total Production	0	0	0	0	0	0
	Underground Storage						
10	Operating Expenses						
11	Depreciation						
12	Taxes						
13	Total Underground Storage	0	0	0	0	0	0
	Distribution						
14	Operating Expenses						
15	Depreciation					(13)	
16	Taxes						
17	Total Distribution	0	0	0	0	(13)	0
18	Customer Accounting				0	0	(274)
19	Customer Service & Information						
20	Sales Expenses						
	Administrative & General						
21	Operating Expenses	22			(25)		
22	Depreciation						
23	Taxes						
24	Total Admin. & General	22	0	0	(25)	0	0
25	Total Gas Expense	22	0	0	(25)	(13)	(274)
26	OPERATING INCOME BEFORE FIT	(22)	0	0	25	13	274
	FEDERAL INCOME TAX						
27	Current Accrual	(8)	11	207	9	5	96
28	Deferred FIT		(22)				
29	Amort ITC						
30	NET OPERATING INCOME	(\$14)	\$11	(\$207)	\$16	\$8	\$178
RATE BASE: PLANT IN SERVICE							
31	Underground Storage						
32	Distribution Plant						
33	General Plant						
34	Total Plant in Service	0	0	0	0	0	0
ACCUMULATED DEPRECIATION							
35	Underground Storage						
36	Distribution Plant						
37	General Plant						
38	Total Accum. Depreciation	0	0	0	0	0	0
39	DEFERRED FIT						
40	GAS INVENTORY						
41	GAIN ON SALE OF BUILDING						
42	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$0
43	RATE OF RETURN						

AVISTA UTILITIES  
GAS RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Office Space Charges to Subs	Restate Excise Taxes	Restated Total	Pro Forma Labor Non-Exec	Pro Forma Labor Exec	Pro Forma Depreciation Study
	a	s	t	-	PF1	PF2	PF3
<b>REVENUES</b>							
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
<b>EXPENSES</b>							
5	Exploration and Development			0			
Production							
6	City Gate Purchases			149,802			
7	Purchased Gas Expense			653	23	4	
8	Net Nat Gas Storage Trans			0			
9	Total Production	0	0	150,455	23	4	0
Underground Storage							
10	Operating Expenses			492	1		
11	Depreciation			312			(60)
12	Taxes			122			
13	Total Underground Storage	0	0	926	1	0	(60)
Distribution							
14	Operating Expenses			6,359	231		
15	Depreciation			5,369			(215)
16	Taxes		31	9,457			
17	Total Distribution	0	31	21,185	231	0	(215)
18	Customer Accounting	0	0	4,225	143		
19	Customer Service & Information			1,061	9		
20	Sales Expenses			496	14		
Administrative & General							
21	Operating Expenses	(6)		8,393	137	(15)	
22	Depreciation			1,282			(59)
23	Taxes			24			
24	Total Admin. & General	(6)	0	9,699	137	(15)	(59)
25	Total Gas Expense	(6)	31	188,047	558	(11)	(334)
26	OPERATING INCOME BEFORE FIT	6	(31)	15,257	(558)	11	334
FEDERAL INCOME TAX							
27	Current Accrual	2	(11)	6,693	(195)	4	117
28	Deferred FIT			(3,072)			
29	Amort ITC			(30)			
30	NET OPERATING INCOME	\$4	(\$20)	\$11,666	(\$363)	\$7	\$217
<b>RATE BASE: PLANT IN SERVICE</b>							
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	0	0
<b>ACCUMULATED DEPRECIATION</b>							
35	Underground Storage			7,249			(30)
36	Distribution Plant			74,019			(107)
37	General Plant			7,230			(30)
38	Total Accum. Depreciation	0	0	88,498	0	0	(167)
39	DEFERRED FIT			(24,592)			(58)
40	GAS INVENTORY			7,628			
41	GAIN ON SALE OF BUILDING			(153)			
42	TOTAL RATE BASE	\$0	\$0	\$149,362	\$0	\$0	\$109
43	RATE OF RETURN			7.81%			



AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Storage Contract	Pro Forma Total
	a	PF4	-
<b>REVENUES</b>			
1	Total General Business		\$197,821
2	Total Transportation		1,446
3	Other Revenues	(478)	3,559
4	Total Gas Revenues	(478)	202,826
<b>EXPENSES</b>			
5	Exploration and Development		0
Production			
6	City Gate Purchases		149,802
7	Purchased Gas Expense		680
8	Net Nat Gas Storage Trans		0
9	Total Production	0	150,482
Underground Storage			
10	Operating Expenses		493
11	Depreciation		252
12	Taxes		122
13	Total Underground Storage	0	867
Distribution			
14	Operating Expenses		6,590
15	Depreciation		5,154
16	Taxes		9,457
17	Total Distribution	0	21,201
18	Customer Accounting		4,368
19	Customer Service & Information		1,070
20	Sales Expenses		510
Administrative & General			
21	Operating Expenses		8,515
22	Depreciation		1,223
23	Taxes		24
24	Total Admin. & General	0	9,762
25	Total Gas Expense	0	188,260
26	OPERATING INCOME BEFORE FIT	(478)	14,566
FEDERAL INCOME TAX			
27	Current Accrual	(167)	6,452
28	Deferred FIT		(3,072)
29	Amort ITC		(30)
30	NET OPERATING INCOME	(\$311)	\$11,216
<b>RATE BASE: PLANT IN SERVICE</b>			
31	Underground Storage		13,854
32	Distribution Plant		220,332
33	General Plant		20,791
34	Total Plant in Service	0	254,977
<b>ACCUMULATED DEPRECIATION</b>			
35	Underground Storage		7,219
36	Distribution Plant		73,912
37	General Plant		7,200
38	Total Accum. Depreciation	0	88,331
39	DEFERRED FIT		(24,650)
40	GAS INVENTORY		7,628
41	GAIN ON SALE OF BUILDING		(153)
42	TOTAL RATE BASE	\$0	\$149,471
43	RATE OF RETURN		7.50%