

AVISTA UTILITIES

Production Property Adjustment Calculation
 Washington Electric
TWELVE MONTHS ENDED DECEMBER 31, 2007

Line No.	Column	Description of Adjustment	(000's)	Production/Transmission		
				Revenue	Expense	Rate Base
1	b	Per Results Report		104,996	290,055	593,535
2	c	Deferred FIT Rate Base			-	(83,855)
3	d	Deferred Gain on Office Building			-	
4	e	Colstrip 3 AFUDC Elimination		-	(225)	(2,342)
5	f	Colstrip Common AFUDC		-	-	460
6	g	Kettle Falls Disallow.		-	-	(913)
7	h	Customer Advances			-	
8	i	Depreciation True-up		-	(2,782)	-
9	j	Settlement Exchange Power		-	-	20,432
10		Actual		104,996	287,048	527,317
11	k	Eliminate B & O Taxes			-	
12	l	Property Tax			(452)	
13	m	Uncollect. Expense			-	
14	n	Regulatory Expense			-	
15	o	Injuries and Damages			-	
16	p	FIT			-	
17	q	Eliminate WA Power Cost Defer			(14,658)	
18	r	Nez Perce Settlement Adjustment			9	
19	s	Eliminate A/R Expenses			-	
20	t	Office Space Charges to Subsidiaries			-	
21	u	Restate Excise Taxes			-	
22	v	Net Gains/losses			-	
23	w	Revenue Normalization			5,593	
24	0	Misc Restating			-	
25	x	Restate Debt Interest			-	
26		Restated Total		104,996	277,540	527,317
27	PF1	Pro Forma Power Supply		(50,915)	(41,056)	-
28	PF2	Pro Forma Prod Property Adj				
29	PF3	Pro Forma Labor Non-Exec			813	
30	PF4	Pro Forma Labor Exec			38	
31	PF5	Pro Forma Transmission Rev/Exp		(864)	(114)	-
32	PF6	Pro Forma Capital Add 2007			431	22,857
33	PF7	Pro Forma Capital Add 2008			781	(6,476)
34	PF8	Pro Forma Asset Management			1,238	-
35	PF09					
36	PF10					
37	PF11					
38	PF12	Pro Forma Colstrip Mercury Emiss. O&M			969	-
39	PF13	Pro Forma Incentives			-	
40		Pro Forma Total		53,217	247,078	584,041
41		2009 WA Retail Load in Power Supply	5,580,783			
42		2007 WA Normalized Retail Load	5,413,524			
43		Production Factor	0.970029			
44		2007 Production/Transmission Costs		\$51,622	\$239,673	\$566,537
45		Production Property Adjustment		(\$1,595)	(\$7,405)	(\$17,504)

Proposed Production and Transmission Revenue Requirement
Calculation of Proposed Retail Revenue Credit Rate

			2007	2009	Debt Cost
1	Prod/Trans	Pro Forma Rate Base	\$566,537	\$584,041	
2		Proposed Rate of Return	<u>8.430%</u>	<u>8.430%</u>	3.43%
3	Rate Base	Net Operating Income Requirement	\$47,759	\$49,235	
4	Tax Effect	Net Operating Income Requirement (Rate Base x Debt Cost x -35%)	(\$6,801)	(\$7,011)	
5	Net Expense	Net Operating Income Requirement (Expense - Revenue)	\$188,051	\$193,861	
6	Tax Effect	Net Operating Income Requirement (Net Expense x -35%)	(\$65,818)	(\$67,851)	
7	Total Prod/Trans	Net Operating Income Requirement	\$163,191	\$168,233	
8	1 - Tax Rate	Conversion Factor (Excl. Rev. Rel. Exp.)	0.65	0.65	
9	Prod/Trans	Revenue Requirement	\$251,063	\$258,820	\$7,757
10	Prod/Trans Rev Requirement per kWh		\$ 0.04638	\$ 0.04638	7,757