

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Revenue Requirement

| Line No. | Description | As Proposed Per Company Adjusted (A) | As Proposed Per PC Adjusted (B) | Difference (C) | Reference (D) |
|----------|----------------------------------|---|--|-------------------|------------------|
| 1 | WA Jurisdictional Rate Base | \$1,007,076 | \$ 947,223 | (\$59,853) | Schedule A-1 |
| 2 | Overall Rate of Return | 8.68% | 8.25% | -0.43% | Schedule D |
| 3 | Net Operating Income Required | \$ 87,414 | \$ 78,146 | (\$9,268) | L 1 * L 2 |
| 4 | NOI-Existing Rates | \$44,029 | \$ 75,703 | \$31,674 | Schedule A-1 |
| 5 | Income Deficiency (Sufficiency) | \$ 43,385 | \$ 2,443 | (\$40,942) | L 3 - L 4 |
| 6 | Revenue Conversion Factor | 0.621901 | 0.621953 | 0.000051 | Schedule A-2 |
| 7 | Revenue Deficiency (Sufficiency) | \$ 69,762 | \$ 3,927 | (\$65,835) | L 5 / L 7 |

AVISTA UTILITIES
 ELECTRIC RESULTS OF OPERATION
 WASHINGTON REGISTERED RESULTS
 12-MONTH PERIOD SEPTEMBER 30, 2008
 (800'S OF DOLLARS)

| Line No. | DESCRIPTION | FLOW THROUGH CHANGES PER PARTIAL SETTLEMENT | | FLOW THROUGH CHANGES PER PARTIAL SETTLEMENT | | FLOW THROUGH CHANGES PER PARTIAL SETTLEMENT | | FLOW THROUGH CHANGES PER PARTIAL SETTLEMENT | | FLOW THROUGH CHANGES PER PARTIAL SETTLEMENT | | FLOW THROUGH CHANGES PER PARTIAL SETTLEMENT | | FLOW THROUGH CHANGES PER PARTIAL SETTLEMENT | | FLOW THROUGH CHANGES PER PARTIAL SETTLEMENT | | FLOW THROUGH CHANGES PER PARTIAL SETTLEMENT | | FLOW THROUGH CHANGES PER PARTIAL SETTLEMENT | | |
|----------|------------------------------------|---|---|---|---|---|---|---|----|---|----|---|----|---|----|---|----|---|----|---|----|----|
| | | u | v | w | x | y | z | aa | ab | ac | ad | ae | af | ag | ah | ai | aj | ak | al | am | an | ao |
| 1 | Total General Business | | | 539,153 | | | | | | | | | | | | | | | | | | |
| 2 | Intergovernmental Sales | | | 176,479 | | | | | | | | | | | | | | | | | | |
| 3 | Sales for Retail | | | 21,700 | | | | | | | | | | | | | | | | | | |
| 4 | Other Sales | | | 517,433 | | | | | | | | | | | | | | | | | | |
| 5 | Other Revenues | | | 432 | | | | | | | | | | | | | | | | | | |
| 6 | Total Electric Revenues | | | 20,182 | | | | | | | | | | | | | | | | | | |
| 7 | EXPENSES | | | | | | | | | | | | | | | | | | | | | |
| 8 | Production and Transmission | | | | | | | | | | | | | | | | | | | | | |
| 9 | Operating Expenses | | | | | | | | | | | | | | | | | | | | | |
| 10 | Purchased Power | | | | | | | | | | | | | | | | | | | | | |
| 11 | Depreciation and Amortization | | | | | | | | | | | | | | | | | | | | | |
| 12 | Taxes | | | | | | | | | | | | | | | | | | | | | |
| 13 | Total Production & Transmission | | | | | | | | | | | | | | | | | | | | | |
| 14 | Distribution | | | | | | | | | | | | | | | | | | | | | |
| 15 | Operating Expenses | | | | | | | | | | | | | | | | | | | | | |
| 16 | Customer Accounting | | | | | | | | | | | | | | | | | | | | | |
| 17 | Customer Service & Information | | | | | | | | | | | | | | | | | | | | | |
| 18 | Sales Expenses | | | | | | | | | | | | | | | | | | | | | |
| 19 | Administrative & General | | | | | | | | | | | | | | | | | | | | | |
| 20 | Operating Expenses | | | | | | | | | | | | | | | | | | | | | |
| 21 | Depreciation | | | | | | | | | | | | | | | | | | | | | |
| 22 | Total Admin. & General | | | | | | | | | | | | | | | | | | | | | |
| 23 | Total Electric Expenses | | | | | | | | | | | | | | | | | | | | | |
| 24 | OPERATING INCOME BEFORE FIT | | | | | | | | | | | | | | | | | | | | | |
| 25 | FEDERAL INCOME TAX | | | | | | | | | | | | | | | | | | | | | |
| 26 | Current Accrual | | | | | | | | | | | | | | | | | | | | | |
| 27 | Deferred Income Taxes | | | | | | | | | | | | | | | | | | | | | |
| 28 | NET OPERATING INCOME | | | | | | | | | | | | | | | | | | | | | |
| 29 | RATE BASE | | | | | | | | | | | | | | | | | | | | | |
| 30 | PLANT IN SERVICE | | | | | | | | | | | | | | | | | | | | | |
| 31 | Intangible | | | | | | | | | | | | | | | | | | | | | |
| 32 | Production | | | | | | | | | | | | | | | | | | | | | |
| 33 | Transmission | | | | | | | | | | | | | | | | | | | | | |
| 34 | Distribution | | | | | | | | | | | | | | | | | | | | | |
| 35 | General | | | | | | | | | | | | | | | | | | | | | |
| 36 | Total Plant in Service | | | | | | | | | | | | | | | | | | | | | |
| 37 | ACCUMULATED DEPRECIATION | | | | | | | | | | | | | | | | | | | | | |
| 38 | Total Accum. Depreciation & Amort. | | | | | | | | | | | | | | | | | | | | | |
| 39 | OTHER RATE BASE BUILDING | | | | | | | | | | | | | | | | | | | | | |
| 40 | OTHER RATE BASE DEDUCTIONS | | | | | | | | | | | | | | | | | | | | | |
| 41 | TOTAL RATE BASE | | | | | | | | | | | | | | | | | | | | | |

[A] The Partial Settlement does not make any adjustment for Lencaster. PC still maintains its original position regarding Lencaster, as such PC has incorporated its original adjustment for Lencaster into the Power Supply Partial Settlement Position reflected for PFI on line 7.

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Conversion Factor

| Line No. | Description | Per Company | Per PC |
|-------------|---------------------------------|------------------------|----------------------------|
| 1 | Revenues | <u>1.000000</u> | <u>1.000000</u> |
| | Expense: | | |
| 2 | Uncollectibles | 0.002599 [a] | 0.002517 [b] |
| 3 | Commission Fees | 0.002000 | 0.002000 |
| 4 | Washington Excise Tax | 0.038629 [a] | 0.038633 [b] |
| 5 | Franchise Fees | - | - |
| 6 | Total Expense | <u>0.043229</u> | <u>0.043150</u> |
| 7 | Net Operating Income Before FIT | 0.956771 | 0.956850 |
| 8 | Federal Income Tax @ 35% | <u>0.334870</u> | <u>0.334898</u> L. 7 * 35% |
| 9 | Conversion Factor | <u><u>0.621901</u></u> | <u><u>0.621953</u></u> |

Source: _____

[a] Exhibit No. __ (EMA-2) page 3

[b] Response to PC-025

AVISTA UTILITIES
 ELECTRIC RESULTS OF OPERATION
 WASHINGTON RESTATED RESULTS
 12 MONTHS ENDED SEPTEMBER 30, 2008
 (000'S OF DOLLARS)

| Line No. | DESCRIPTION | Per Results Report | Company Adjusted | PC Adjusted |
|----------|------------------------------------|--------------------|------------------|--------------|
| | RATE BASE | | | |
| | Plant In Service | | | |
| 1 | Intangible | \$22,439 | \$ 78,478 | \$ 26,339 |
| 2 | Production | 656,077 | \$ 762,219 | \$ 745,205 |
| 3 | Transmission | 285,760 | \$ 296,316 | \$ 279,759 |
| 4 | Distribution | 552,007 | \$ 607,308 | \$ 551,776 |
| 5 | General | 88,036 | \$ 109,598 | \$ 88,036 |
| 6 | Total Plant in Service | 1,604,319 | \$ 1,853,919 | \$ 1,691,115 |
| 7 | Accumulated Depreciation | 543,584 | \$ 610,941 | \$ 528,153 |
| 8 | Accum. Provision for Amortization | 6,907 | \$ 64,635 | \$ 64,075 |
| 9 | Total Accum. Depreciation & Amort. | 550,491 | \$ 675,576 | \$ 592,228 |
| 10 | Gain on Sale of Building | | \$ (194) | \$ 1,721 |
| 11 | Deferred Taxes | | \$ (171,073) | \$ (150,748) |
| 12 | Other Rate Base Deductions | | | \$ (2,638) |
| 13 | TOTAL RATE BASE | \$1,053,828 | \$ 1,007,076 | \$ 947,223 |

AVISTA UTILITIES
ELECTRIC RESULTS OF OPERATION
WASHINGTON RESTATED RESULTS
12 MONTHS ENDED SEPTEMBER 30, 2008
(000'S OF DOLLARS)

| Line No. | DESCRIPTION | Per Results Report | Company Adjusted | PC Adjusted |
|--------------------|--------------------------------|---------------------------|-------------------------|--------------------|
| a | | | | |
| REVENUES | | | | |
| 1 | Total Sales | \$ 535,128 | \$ 457,459 | \$ 466,721 |
| 2 | Total Other Revenue | \$ 36,572 | \$ 9,680 | \$ 9,851 |
| 3 | Total Electric Revenue | \$ 571,700 | \$ 467,139 | \$ 476,572 |
| EXPENSES | | | | |
| 4 | Production and Transmission | \$ 355,486 | \$ 298,585 | \$ 267,834 |
| 5 | Distribution | \$ 65,064 | \$ 56,504 | \$ 53,369 |
| 6 | Customer Accounting | \$ 8,559 | \$ 8,584 | \$ 8,466 |
| 7 | Customer Service & Information | \$ 11,359 | \$ 710 | \$ 701 |
| 8 | Sales Expenses | \$ 696 | \$ 757 | \$ 744 |
| 9 | Administrative & General | \$ 42,169 | \$ 49,720 | \$ 43,640 |
| 10 | Total Electric Expenses | \$ 483,333 | \$ 414,860 | \$ 374,755 |
| 11 | OPERATING INCOME BEFORE FIT | \$ 88,367 | \$ 52,279 | \$ 101,817 |
| FEDERAL INCOME TAX | | | | |
| 12 | Current Accrual | \$ 16,759 | \$ (1,096) | \$ 16,768 |
| 13 | Deferred Income Taxes | \$ 3,070 | \$ 9,346 | \$ 9,346 |
| | Total Taxes | \$ 19,829 | \$ 8,250 | \$ 26,114 |
| 14 | NET OPERATING INCOME | \$ 68,538 | \$ 44,029 | \$ 75,703 |

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008
 (\$000's of Dollars)

Reduce Company's Production Property Adjustment

| Line No. | Description | Amount |
|----------|--|-------------|
| | REVENUES | |
| 1 | Total General Business | |
| 2 | Interdepartmental Sales | |
| 3 | Sales for Resale | \$ (1,625) |
| 4 | Total Sales of Electricity | \$ (1,625) |
| 5 | Other Revenue | \$ (133) |
| 6 | Total Electric Revenue | \$ (1,758) |
| | EXPENSES | |
| | Production and Transmission | |
| 7 | Operating Expenses | \$ (3,145) |
| 8 | Purchased Power | \$ (1,692) |
| 9 | Depreciation and Amortization | \$ (605) |
| 10 | Taxes | \$ (162) |
| 11 | Total Production & Transmission | \$ (5,605) |
| | Distribution | |
| 12 | Operating Expenses | |
| 13 | Depreciation | |
| 14 | Taxes | |
| 15 | Total Distribution | \$ - |
| 16 | Customer Accounting | |
| 17 | Customer Service & Information | |
| 18 | Sales Expenses | |
| | Administrative & General | |
| 19 | Operating Expenses | |
| 20 | Depreciation | |
| 21 | Taxes | |
| 22 | Total Admin. & General | \$ - |
| 23 | Total Electric Expenses | \$ (5,605) |
| 24 | Operating Income Before FIT | \$ 3,846 |
| 25 | Federal Income Tax Rate | 35.000% |
| 26 | Increase in Federal Income Tax Expense | \$ 1,346 |
| 27 | Increase in Net Operating Income | \$ 2,500 |
| 28 | RATE BASE | |
| 29 | PLANT IN SERVICE | |
| 30 | Intangible | \$ (498) |
| 31 | Production | \$ (14,062) |
| 32 | Transmission | \$ (6,001) |
| 33 | Distribution | |
| 34 | General | |
| 35 | Total Plant in Service | \$ (20,561) |
| 36 | ACCUMULATED DEPRECIATION | \$ (7,033) |
| 37 | ACCUM. PROVISION FOR AMORTIZATION | |
| 38 | Total Accum. Depreciation & Amort. | \$ (7,033) |
| 39 | GAIN ON SALE OF BUILDING | |
| 40 | DEFERRED TAXES | \$ 1,919 |
| 41 | OTHER RATE BASE DEDUCTIONS | |
| 42 | TOTAL RATE BASE | \$ (11,612) |

Source:

C-1.1

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

| | Test Year | | | Production Factor (D) | Adjustment (E) | Test Year | | Reference (G) |
|---|---------------------|---------------------|---------------------|-----------------------------|-------------------|---------------------|--|------------------|
| | Production (A) | Transmission (B) | Total (C) | | | Total (F) | | |
| Plant | | | | | | | | |
| AMA 9/30/08 | \$ 659,739 | \$ 285,760 | \$ 945,499 | 0.021 | \$ 19,855 | \$ 925,644 | | PF6 2 |
| Noxon Generation | \$ 5,464 | | \$ 5,464 | 0.021 | \$ 115 | \$ 5,349 | | PF8 |
| Spokane River Relicensing | \$ 23,703 | | \$ 23,703 | 0.021 | \$ 498 | \$ 23,205 | | PF11 |
| CDA Tribe Settlement | \$ - | | \$ - | 0.021 | \$ - | \$ - | | PF12 |
| Montana Lease | \$ 4,398 | | \$ 4,398 | 0.021 | \$ 92 | \$ 4,306 | | PF13 |
| Total Plant | \$ 693,304 | \$ 285,760 | \$ 979,064 | | \$ 20,560 | \$ 958,504 | | |
| Accumulated Depreciation | | | | | | | | |
| AMA 9/30/08 | \$ (241,449) | \$ (94,048) | \$ (335,497) | 0.021 | \$ (7,045) | \$ (328,452) | | PF6 2 |
| Noxon Generation | \$ (56) | | \$ (56) | 0.021 | \$ (1) | \$ (55) | | PF8 |
| Spokane River Relicensing | \$ 663 | | \$ 663 | 0.021 | \$ 14 | \$ 649 | | PF12 |
| CDA Tribe Settlement | \$ - | | \$ - | 0.021 | \$ - | \$ - | | PF11 |
| Total Accumulated Depreciation | \$ (240,842) | \$ (94,048) | \$ (334,890) | | \$ (7,033) | \$ (327,857) | | |
| Accumulated Deferred FIT | | | | | | | | |
| AMA 9/30/08 | \$ (60,693) | \$ (26,128) | \$ (86,821) | 0.021 | \$ (1,823) | \$ (84,998) | | PF6 2 |
| Noxon Generation | \$ (22) | | \$ (22) | 0.021 | \$ (0) | \$ (22) | | PF8 |
| Spokane River Relicensing | \$ (2,818) | | \$ (2,818) | 0.021 | \$ (59) | \$ (2,759) | | PF12 |
| CDA Tribe Settlement | \$ - | | \$ - | 0.021 | \$ - | \$ - | | PF11 |
| Montana Lease | \$ (1,539) | | \$ (1,539) | 0.021 | \$ (32) | \$ (1,507) | | PF11 |
| Total Accumulated Deferred FIT | \$ (65,072) | \$ (26,128) | \$ (91,200) | | \$ (1,915) | \$ (89,285) | | |
| Net Rate Base | \$ 387,390 | \$ 165,584 | \$ 552,974 | | \$ 11,612 | \$ 541,362 | | |
| Depreciation/Amortization | | | | | | | | |
| AMA 9/30/08 | \$ 17,034 | \$ 5,902 | \$ 22,936 | 0.021 | \$ 482 | \$ 22,454 | | PF6 2 |
| Noxon Generation | \$ 158 | | \$ 158 | 0.021 | \$ 3 | \$ 155 | | PF8 |
| Spokane River Relicensing | \$ 1,959 | | \$ 1,959 | 0.021 | \$ 41 | \$ 1,918 | | PF11 |
| CDA Tribe Settlement | \$ 258 | | \$ 258 | 0.021 | \$ 5 | \$ 253 | | PF12 |
| Montana Lease | \$ 3,516 | | \$ 3,516 | 0.021 | \$ 74 | \$ 3,442 | | PF13 |
| Total Depreciation/Amortization | \$ 22,925 | \$ 5,902 | \$ 28,827 | | \$ 605 | \$ 28,222 | | |
| Property Taxes | | | | | | | | |
| AMA 9/30/08 | \$ 4,589 | \$ 3,057 | \$ 7,646 | 0.021 | \$ 161 | \$ 7,485 | | L-5 |
| Noxon Generations | \$ 82 | | \$ 82 | 0.021 | \$ 2 | \$ 80 | | L-3 |
| Total Property Taxes | \$ 4,671 | \$ 3,057 | \$ 7,728 | | \$ 162 | \$ 7,566 | | |
| O&M Expense | | | | | | | | |
| Spokane River Relicensing | \$ 1,677 | | \$ 1,677 | 0.021 | \$ 35 | \$ 1,642 | | PF11 |
| Power Supply-Purchased Power | \$ 80,571 | | \$ 80,571 | 0.021 | \$ 1,692 | \$ 78,879 | | PF11 |
| Power Supply | \$ 100,388 | \$ 11,965 | \$ 112,353 | 0.021 | \$ 2,359 | \$ 109,994 | | PF11, C-1.12 |
| Labor | \$ 8,825 | \$ 2,537 | \$ 11,362 | 0.021 | \$ 239 | \$ 11,123 | | C-2 |
| Transmission | | \$ 1,424 | \$ 1,424 | 0.021 | \$ 30 | \$ 1,394 | | PF5 |
| Asset Management | | \$ 1,473 | \$ 1,473 | 0.021 | \$ 31 | \$ 1,442 | | PF9 3 |
| Mercury Emissions | \$ 1,241 | | \$ 1,241 | 0.021 | \$ 26 | \$ 1,215 | | C-7 |
| Production Plant O&M | \$ 14,065 | | \$ 14,065 | 0.021 | \$ 295 | \$ 13,770 | | PF16 |
| Benefits | \$ 3,008 | \$ 869 | \$ 3,877 | 0.021 | \$ 81 | \$ 3,796 | | PF17 & PF 3 |
| Clark Fork PM&E | \$ 2,285 | | \$ 2,285 | 0.021 | \$ 48 | \$ 2,237 | | PF19 |
| Total O&M Expense | \$ 212,060 | \$ 18,268 | \$ 230,328 | | \$ 4,837 | \$ 225,491 | | |
| Total Expenses | \$ 239,656 | \$ 27,227 | \$ 266,883 | | \$ 5,605 | \$ 261,278 | | |
| Revenue | | | | | | | | |
| Power Supply-Sales for Resale | \$ 77,393 | | \$ 77,393 | 0.021 | \$ 1,625 | \$ 75,768 | | PF1 |
| Power Supply-Other Revenue | \$ 211 | | \$ 211 | 0.021 | \$ 4 | \$ 207 | | PF1 |
| Transmission-Other Revenue | | \$ 6,123 | \$ 6,123 | 0.021 | \$ 129 | \$ 5,994 | | PF5 |
| Total Revenue | \$ 77,604 | \$ 6,123 | \$ 83,727 | | \$ 1,758 | \$ 81,969 | | |
| Net Operating Expense Before Tax | \$ 162,052 | \$ 21,104 | \$ 183,156 | | \$ 3,846 | \$ 179,310 | | |

Source:

WP PF 2 2

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

| | Acct No. | Company Amounts [a] | | |
|--------------------|-------------|---------------------|------------------|-----------------------|
| | | 10/07 -9/08 | | |
| | | Washington Company | | Pro forma |
| Actuals | Adjustments | | | |
| Other Expenses | 557 | \$ 27,303 | \$ (27,009) | \$ 183 |
| Thermal Fuel | 501 | \$ 16,166 | \$ 4,125 | \$ 17,085 |
| Other Fuel Expense | 547 | \$ 70,014 | \$ 39,995 | \$ 82,594 [b] |
| Water for Power | 536 | \$ 422 | \$ 1 | \$ 423 |
| Misc Other Gen Exp | 549 | \$ 113 | \$ (10) | \$ 103 |
| Total | | \$ 114,018 | \$ 17,102 | \$ 100,388 [e] |

Source:

[a] WP PF1 2

Other Fuel Expense

Per Company

\$ 94,414 \$146,175 * 64.59

Reduction Per PC Power Cost Witness-WA

\$ (11,820) [c]

\$ 82,594 [b]

Lancaster

\$ (18,300)

WA Allocator

64.59%

WA Lancaster

\$ (11,820) [d]

Power Supply Operating Expense

\$ 1,004 per EMA-2 Revised for Settlement Position

Total Power Supply Reduction per PC

\$ (10,816)

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Reduce Company's Pro forma Adjustment for Non-Executive Labor

| Line No. | Description | Amount | |
|----------|--|------------------------|----------------------|
| | Production and Transmission | | |
| 1 | Operating Expenses | \$ 539 | Col. G, L.35 + L. 49 |
| 2 | Purchased Power | | |
| 3 | Depreciation and Amortization | | |
| 4 | Taxes | | |
| 5 | Total Production & Transmission | <u>\$ 539</u> | |
| | Distribution | | |
| 6 | Operating Expenses | \$ 482 | Col G, L. 69 |
| 7 | Depreciation | | |
| 8 | Taxes | | |
| 9 | Total Distribution | <u>\$ 482</u> | |
| 10 | Customer Accounting | \$ 170 | Col G, L. 74 |
| 11 | Customer Service & Information | \$ 8 | Col. G, L. 79 |
| 12 | Sales Expenses | \$ 13 | Col. G, L. 86 |
| | Administrative & General | | |
| 13 | Operating Expenses | \$ 321 | Col. G, L. 95 |
| 14 | Depreciation | | |
| 15 | Taxes | | |
| 16 | Total Admin. & General | <u>\$ 321</u> | |
| 17 | Total Electric Expenses | <u>\$ 1,534</u> | |
| 18 | Federal Income Tax Rate | <u>35.000%</u> | |
| 19 | Decrease in Federal Income Tax Expense | <u>\$ (537)</u> | |
| 20 | Decrease in Net Operating Income | <u><u>\$ (997)</u></u> | |

Source:

C-2.1

AVISTA UTILITIES
 Washington Electric System
 Test Year Twelve Months Ended September 30, 2008
 (\$000's of Dollars)

| Line No. | Account/Description | (A) Total WA | (B) Remove Executives | (C) Adjusted Total WA | (D) 2008 Increase | | (E) Adjusted for 2008 Increase | (F) Board Apprvd | | (G) 2008 & 2009 Increases | (H) Add back Executives | (I) Total |
|-------------------------|----------------------------|-----------------|--------------------------|--------------------------|----------------------|--------------|-----------------------------------|---------------------|----------------|------------------------------|----------------------------|--------------|
| | | | | | Admin 1.519% | Union 1.698% | | Admin 2.50% | Union 4.000% | | | |
| | | Col. A + Col. B | | | Col. C + Col. D | | Col. D + Col. F | | Col. C + G + H | | | |
| Production | | | | | | | | | | | | |
| Steam | | | | | | | | | | | | |
| 1 | 500 Supervision & Eng. | \$ 100,189 | \$ - | \$ 100,189 | \$ 1,522 | \$ - | \$ 101,711 | \$ 2,543 | \$ - | \$ 4,065 | \$ - | \$ 104,254 |
| 2 | 501 Fuel | \$ 429,552 | \$ - | \$ 429,552 | \$ 7,294 | \$ - | \$ 436,846 | \$ 17,474 | \$ - | \$ 24,768 | \$ - | \$ 454,320 |
| 3 | 502 Steam Expense | \$ 248,961 | \$ - | \$ 248,961 | \$ 4,227 | \$ - | \$ 253,188 | \$ 10,128 | \$ - | \$ 14,355 | \$ - | \$ 263,316 |
| 4 | 505 Electric Expense | \$ 278,581 | \$ - | \$ 278,581 | \$ 4,730 | \$ - | \$ 283,311 | \$ 11,332 | \$ - | \$ 16,062 | \$ - | \$ 294,643 |
| 5 | 506 Misc. Steam Pwr. Exp. | \$ 82,275 | \$ - | \$ 82,275 | \$ 1,397 | \$ - | \$ 83,672 | \$ 3,347 | \$ - | \$ 4,744 | \$ - | \$ 87,019 |
| 6 | 510 Supervision & Eng. | \$ 43,118 | \$ - | \$ 43,118 | \$ 655 | \$ - | \$ 43,773 | \$ 1,094 | \$ - | \$ 1,749 | \$ - | \$ 44,867 |
| 7 | 511 Structures | \$ 2,329 | \$ - | \$ 2,329 | \$ 40 | \$ - | \$ 2,369 | \$ 95 | \$ - | \$ 135 | \$ - | \$ 2,464 |
| 8 | 512 Boiler Plant | \$ 236,566 | \$ - | \$ 236,566 | \$ 4,017 | \$ - | \$ 240,583 | \$ 9,623 | \$ - | \$ 13,640 | \$ - | \$ 250,206 |
| 9 | 513 Electric Plant | \$ 59,587 | \$ - | \$ 59,587 | \$ 1,012 | \$ - | \$ 60,599 | \$ 2,424 | \$ - | \$ 3,436 | \$ - | \$ 63,023 |
| 10 | 514 Misc. Steam Plant | \$ 43,024 | \$ - | \$ 43,024 | \$ 731 | \$ - | \$ 43,755 | \$ 1,750 | \$ - | \$ 2,481 | \$ - | \$ 45,505 |
| 11 | Total Steam | \$ 1,524,182 | \$ - | \$ 1,524,182 | \$ 25,625 | \$ - | \$ 1,549,807 | \$ 59,810 | \$ - | \$ 85,435 | \$ - | \$ 1,609,617 |
| Hydro | | | | | | | | | | | | |
| 12 | 535 Supervision & Eng. | \$ 630,434 | \$ - | \$ 630,434 | \$ 9,576 | \$ - | \$ 640,010 | \$ 16,000 | \$ - | \$ 25,576 | \$ - | \$ 656,010 |
| 13 | 536 Water For Power | \$ 4,987 | \$ - | \$ 4,987 | \$ 85 | \$ - | \$ 5,072 | \$ 203 | \$ - | \$ 288 | \$ - | \$ 5,275 |
| 14 | 537 Hydraulic Expense | \$ 201,780 | \$ - | \$ 201,780 | \$ 3,426 | \$ - | \$ 205,206 | \$ 8,208 | \$ - | \$ 11,634 | \$ - | \$ 213,414 |
| 15 | 538 Electric Expense | \$ 2,053,338 | \$ - | \$ 2,053,338 | \$ 34,866 | \$ - | \$ 2,088,204 | \$ 83,528 | \$ - | \$ 118,394 | \$ - | \$ 2,171,732 |
| 16 | 539 Misc. Hydro Expense | \$ 193,205 | \$ - | \$ 193,205 | \$ 3,281 | \$ - | \$ 196,486 | \$ 7,859 | \$ - | \$ 11,140 | \$ - | \$ 204,345 |
| 17 | 541 Supervision & Eng. | \$ 92,201 | \$ - | \$ 92,201 | \$ 1,401 | \$ - | \$ 93,602 | \$ 2,340 | \$ - | \$ 3,741 | \$ - | \$ 95,942 |
| 18 | 542 Structures | \$ 91,574 | \$ - | \$ 91,574 | \$ 1,555 | \$ - | \$ 93,129 | \$ 3,725 | \$ - | \$ 5,280 | \$ - | \$ 96,854 |
| 19 | 543 Res., Dams & Wtrways | \$ 255,208 | \$ - | \$ 255,208 | \$ 4,333 | \$ - | \$ 259,541 | \$ 10,382 | \$ - | \$ 14,715 | \$ - | \$ 269,923 |
| 20 | 544 Electric Plant | \$ 728,112 | \$ - | \$ 728,112 | \$ 12,363 | \$ - | \$ 740,475 | \$ 29,619 | \$ - | \$ 41,982 | \$ - | \$ 770,094 |
| 21 | 545 Misc. Hydro Plant | \$ 80,318 | \$ - | \$ 80,318 | \$ 1,364 | \$ - | \$ 81,682 | \$ 3,267 | \$ - | \$ 4,631 | \$ - | \$ 84,949 |
| 22 | Total Hydro | \$ 4,331,157 | \$ - | \$ 4,331,157 | \$ 72,250 | \$ - | \$ 4,403,407 | \$ 165,132 | \$ - | \$ 237,382 | \$ - | \$ 4,568,539 |
| Other Generation | | | | | | | | | | | | |
| 23 | 546 Supervision & Eng. | \$ 126,245 | \$ - | \$ 126,245 | \$ 1,918 | \$ - | \$ 128,163 | \$ 3,204 | \$ - | \$ 5,122 | \$ - | \$ 131,367 |
| 24 | 547 Fuel | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 25 | 548 Generation Expense | \$ 126,769 | \$ - | \$ 126,769 | \$ 2,153 | \$ - | \$ 128,922 | \$ 5,157 | \$ - | \$ 7,310 | \$ - | \$ 134,079 |
| 26 | 549 Misc. Other Gen. | \$ 75,450 | \$ - | \$ 75,450 | \$ 1,281 | \$ - | \$ 76,731 | \$ 3,069 | \$ - | \$ 4,350 | \$ - | \$ 79,800 |
| 27 | 551 Supervision & Eng. | \$ 58,489 | \$ - | \$ 58,489 | \$ 888 | \$ - | \$ 59,377 | \$ 1,484 | \$ - | \$ 2,372 | \$ - | \$ 60,861 |
| 28 | 552 Structures | \$ 1,156 | \$ - | \$ 1,156 | \$ 20 | \$ - | \$ 1,176 | \$ 47 | \$ - | \$ 67 | \$ - | \$ 1,223 |
| 29 | 553 Gen. & Elec. Equip. | \$ 103,919 | \$ - | \$ 103,919 | \$ 1,765 | \$ - | \$ 105,684 | \$ 4,227 | \$ - | \$ 5,992 | \$ - | \$ 109,911 |
| 30 | 554 Misc. Other Gen. Plant | \$ 43,699 | \$ - | \$ 43,699 | \$ 742 | \$ - | \$ 44,441 | \$ 1,778 | \$ - | \$ 2,520 | \$ - | \$ 46,219 |
| 31 | Total Other Generation | \$ 535,727 | \$ - | \$ 535,727 | \$ 8,767 | \$ - | \$ 544,494 | \$ 18,967 | \$ - | \$ 27,734 | \$ - | \$ 563,461 |

AVISTA UTILITIES
 Washington Electric System
 Test Year Twelve Months Ended September 30, 2008
 (\$000's of Dollars)

| Line No. | Account/Description | (A) Total WA | (B) Remove Executives | (C) Adjusted Total WA | (D) 2008 Increase Admin 1.519% Union 1.698% | (E) Adjusted for 2008 Increase | (F) Board Apprvd 2009 Increase Admin 2.50% Union 4.000% | (G) 2008 & 2009 Increases | (H) Add back Executives | (I) Total |
|---------------------------|------------------------------|-----------------|--------------------------|--------------------------|---|-----------------------------------|---|------------------------------|----------------------------|--------------|
| Other Power Supply | | | | | | | | | | |
| 32 | 556 Sys. Control & Ld. Disp. | \$ 160,960 | \$ - | \$ 160,960 | \$ 2,445 | \$ 163,405 | \$ 4,085 | \$ 6,530 | \$ - | \$ 167,490 |
| 33 | 557 Other Expense | \$ 1,843,660 | \$ (88,409) | \$ 1,755,251 | \$ 26,662 | \$ 1,781,913 | \$ 44,548 | \$ 71,210 | \$ 89,752 | \$ 1,916,213 |
| 34 | Total Other Power Supply | \$ 2,004,620 | \$ (88,409) | \$ 1,916,211 | \$ 29,107 | \$ 1,945,318 | \$ 48,633 | \$ 77,740 | \$ 89,752 | \$ 2,083,703 |
| 35 | Total Production | \$ 8,395,686 | \$ (88,409) | \$ 8,307,277 | \$ 135,749 | \$ 8,443,026 | \$ 292,542 | \$ 428,291 | \$ 89,752 | \$ 8,825,320 |
| Transmission | | | | | | | | | | |
| 36 | 560 Supervision & Eng. | \$ 727,913 | \$ - | \$ 727,913 | \$ 11,057 | \$ 738,970 | \$ 18,474 | \$ 29,531 | \$ - | \$ 757,444 |
| 37 | 561 Load Dispatching | \$ 813,174 | \$ - | \$ 813,174 | \$ 12,352 | \$ 825,526 | \$ 20,638 | \$ 32,990 | \$ - | \$ 846,164 |
| 38 | 562 Station Expense | \$ 61,978 | \$ - | \$ 61,978 | \$ 1,052 | \$ 63,030 | \$ 2,521 | \$ 3,573 | \$ - | \$ 65,551 |
| 39 | 563 Overhead Line Exp. | \$ 62,541 | \$ - | \$ 62,541 | \$ 1,062 | \$ 63,603 | \$ 2,544 | \$ 3,606 | \$ - | \$ 66,147 |
| 40 | 564 Underground Line Exp. | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 41 | 566 Misc. Trans. Exp. | \$ 173,751 | \$ - | \$ 173,751 | \$ 2,950 | \$ 176,701 | \$ 7,068 | \$ 10,018 | \$ - | \$ 183,769 |
| 42 | 567 | \$ 344 | \$ - | \$ 344 | \$ 6 | \$ 350 | \$ 14 | \$ 20 | \$ - | \$ 364 |
| 43 | 568 Supervision & Eng. | \$ 164,356 | \$ - | \$ 164,356 | \$ 2,497 | \$ 166,853 | \$ 4,171 | \$ 6,668 | \$ - | \$ 171,024 |
| 44 | 569 Structures | \$ 74,666 | \$ - | \$ 74,666 | \$ 1,268 | \$ 75,934 | \$ 3,037 | \$ 4,305 | \$ - | \$ 78,971 |
| 45 | 570 Station Equip. | \$ 302,682 | \$ - | \$ 302,682 | \$ 5,140 | \$ 307,822 | \$ 12,313 | \$ 17,453 | \$ - | \$ 320,135 |
| 46 | 571 Overhead Lines | \$ 30,200 | \$ - | \$ 30,200 | \$ 513 | \$ 30,713 | \$ 1,229 | \$ 1,742 | \$ - | \$ 31,942 |
| 47 | 572 Underground Lines | \$ 2,647 | \$ - | \$ 2,647 | \$ 45 | \$ 2,692 | \$ 108 | \$ 153 | \$ - | \$ 2,800 |
| 48 | 573 Misc. Trans. Plant | \$ 11,942 | \$ - | \$ 11,942 | \$ 203 | \$ 12,145 | \$ 486 | \$ 689 | \$ - | \$ 12,631 |
| 49 | Total Transmission | \$ 2,426,194 | \$ - | \$ 2,426,194 | \$ 38,145 | \$ 2,464,339 | \$ 72,603 | \$ 110,748 | \$ - | \$ 2,536,942 |
| Distribution | | | | | | | | | | |
| 50 | 580 Supervision & Eng. | \$ 600,639 | \$ - | \$ 600,639 | \$ 9,124 | \$ 609,763 | \$ 15,244 | \$ 24,368 | \$ - | \$ 625,007 |
| 51 | 581 Load Dispatching | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 52 | 582 Station Expense | \$ 187,653 | \$ - | \$ 187,653 | \$ 3,186 | \$ 190,839 | \$ 7,634 | \$ 10,820 | \$ - | \$ 198,473 |
| 53 | 583 Overhead Line Exp. | \$ 1,100,282 | \$ - | \$ 1,100,282 | \$ 18,683 | \$ 1,118,965 | \$ 44,759 | \$ 63,442 | \$ - | \$ 1,163,724 |
| 54 | 584 Undergrd. Line Exp. | \$ 535,265 | \$ - | \$ 535,265 | \$ 9,089 | \$ 544,354 | \$ 21,774 | \$ 30,863 | \$ - | \$ 566,128 |
| 55 | 585 St. Lt. & Signl. Sys. | \$ 18,642 | \$ - | \$ 18,642 | \$ 317 | \$ 18,959 | \$ 758 | \$ 1,075 | \$ - | \$ 19,717 |
| 56 | 586 Meter Expense | \$ 855,301 | \$ - | \$ 855,301 | \$ 14,523 | \$ 869,824 | \$ 34,793 | \$ 49,316 | \$ - | \$ 904,617 |
| 57 | 587 Cust. Install. Expense | \$ 231,968 | \$ - | \$ 231,968 | \$ 3,939 | \$ 235,907 | \$ 9,436 | \$ 13,375 | \$ - | \$ 245,343 |
| 58 | 588 Misc. Dist. Expense | \$ 1,952,760 | \$ - | \$ 1,952,760 | \$ 33,158 | \$ 1,985,918 | \$ 79,437 | \$ 112,595 | \$ - | \$ 2,065,355 |
| 59 | 589 Rent | \$ 949 | \$ - | \$ 949 | \$ 16 | \$ 965 | \$ 39 | \$ 55 | \$ - | \$ 1,004 |
| 60 | 590 Supervision & Eng. | \$ 342,593 | \$ - | \$ 342,593 | \$ 5,204 | \$ 347,797 | \$ 8,695 | \$ 13,899 | \$ - | \$ 356,492 |
| 61 | 591 Structures | \$ 48,999 | \$ - | \$ 48,999 | \$ 832 | \$ 49,831 | \$ 1,993 | \$ 2,825 | \$ - | \$ 51,824 |
| 62 | 592 Station Equipment | \$ 305,043 | \$ - | \$ 305,043 | \$ 5,180 | \$ 310,223 | \$ 12,409 | \$ 17,589 | \$ - | \$ 322,632 |
| 63 | 593 Overhead Lines | \$ 1,294,950 | \$ - | \$ 1,294,950 | \$ 21,988 | \$ 1,316,938 | \$ 52,678 | \$ 74,666 | \$ - | \$ 1,369,616 |
| 64 | 594 Undergrd. Lines | \$ 443,724 | \$ - | \$ 443,724 | \$ 7,534 | \$ 451,258 | \$ 18,050 | \$ 25,584 | \$ - | \$ 469,308 |

AVISTA UTILITIES
 Washington Electric System
 Test Year Twelve Months Ended September 30, 2008
 (\$000's of Dollars)

| Line No. | Account/Description | (A) Total WA | (B) Remove Executives | (C) Adjusted Total WA | (D) 2008 Increase Admin | | (E) Adjusted for 2008 Increase | (F) Board Apprvd 2009 Increase Admin | | (G) 2008 & 2009 Increases | (H) Add back Executives | (I) Total |
|--------------------------------|-----------------------------|-----------------|--------------------------|--------------------------|----------------------------|--------------|-----------------------------------|---|--------------|------------------------------|----------------------------|--------------|
| | | | | | Union 1.698% | Admin 1.519% | | Union 4.000% | Admin 2.50% | | | |
| 65 | 595 Line Transformers | \$ 310,557 | \$ - | \$ 310,557 | \$ 5,273 | \$ 315,830 | \$ 12,633 | \$ 17,906 | \$ 328,463 | \$ - | \$ 328,463 | |
| 66 | 596 St. Lt. & Signl. Sys. | \$ 187,819 | \$ - | \$ 187,819 | \$ 3,189 | \$ 191,008 | \$ 7,640 | \$ 10,829 | \$ 198,648 | \$ - | \$ 198,648 | |
| 67 | 597 Meters | \$ 56,013 | \$ - | \$ 56,013 | \$ 951 | \$ 56,964 | \$ 2,279 | \$ 3,230 | \$ 59,243 | \$ - | \$ 59,243 | |
| 68 | 598 Misc. Dist. Expense | \$ 167,765 | \$ - | \$ 167,765 | \$ 2,849 | \$ 170,614 | \$ 6,825 | \$ 9,674 | \$ 177,439 | \$ - | \$ 177,439 | |
| 69 | Total Distribution | \$ 8,640,922 | \$ - | \$ 8,640,922 | \$ 145,035 | \$ 8,785,957 | \$ 337,075 | \$ 482,110 | \$ 9,123,032 | \$ - | \$ 9,123,032 | |
| Customer Accounts | | | | | | | | | | | | |
| 70 | 901 Supervision | \$ 221,076 | \$ - | \$ 221,076 | \$ 3,358 | \$ 224,434 | \$ 5,611 | \$ 8,969 | \$ 230,045 | \$ - | \$ 230,045 | |
| 71 | 902 Meter Reading Exp. | \$ 1,251,744 | \$ - | \$ 1,251,744 | \$ 21,255 | \$ 1,272,999 | \$ 50,920 | \$ 72,175 | \$ 1,323,919 | \$ - | \$ 1,323,919 | |
| 72 | 903 Cust. Records & Coll. | \$ 2,124,985 | \$ - | \$ 2,124,985 | \$ 32,279 | \$ 2,157,264 | \$ 53,932 | \$ 86,211 | \$ 2,211,196 | \$ - | \$ 2,211,196 | |
| 73 | 905 Misc. Cust. Accts. | \$ 59,208 | \$ - | \$ 59,208 | \$ 899 | \$ 60,107 | \$ 1,503 | \$ 2,402 | \$ 61,610 | \$ - | \$ 61,610 | |
| 74 | Total Cust Accounts | \$ 3,657,013 | \$ - | \$ 3,657,013 | \$ 57,791 | \$ 3,714,804 | \$ 111,965 | \$ 169,756 | \$ 3,826,769 | \$ - | \$ 3,826,769 | |
| Cust Service & Info | | | | | | | | | | | | |
| 75 | 907 Supervision | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 76 | 908 Cust. Assistance Exp. | \$ 198,765 | \$ - | \$ 198,765 | \$ 3,019 | \$ 201,784 | \$ 5,045 | \$ 8,064 | \$ 206,829 | \$ - | \$ 206,829 | |
| 77 | 909 Advertising | \$ 10,617 | \$ - | \$ 10,617 | \$ 161 | \$ 10,778 | \$ 269 | \$ 430 | \$ 11,047 | \$ - | \$ 11,047 | |
| 78 | 910 Miscellaneous | \$ 87 | \$ - | \$ 87 | \$ 1 | \$ 88 | \$ 2 | \$ 3 | \$ 90 | \$ - | \$ 90 | |
| 79 | Total Cust Svc & Info | \$ 209,469 | \$ - | \$ 209,469 | \$ 3,181 | \$ 212,650 | \$ 5,316 | \$ 8,497 | \$ 217,966 | \$ - | \$ 217,966 | |
| Sales | | | | | | | | | | | | |
| 80 | 911 Supervision | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 81 | 912 Demonstrating & Selling | \$ 179,975 | \$ - | \$ 179,975 | \$ 2,734 | \$ 182,709 | \$ 4,568 | \$ 7,302 | \$ 187,277 | \$ - | \$ 187,277 | |
| 82 | 913 Advertising | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 83 | 916 Misc Cust Serv & Info | \$ 146,454 | \$ - | \$ 146,454 | \$ 2,225 | \$ 148,679 | \$ 3,717 | \$ 5,942 | \$ 152,396 | \$ - | \$ 152,396 | |
| 84 | Total Sales | \$ 326,429 | \$ - | \$ 326,429 | \$ 4,959 | \$ 331,388 | \$ 8,285 | \$ 13,244 | \$ 339,673 | \$ - | \$ 339,673 | |
| Admin & General | | | | | | | | | | | | |
| 85 | 920 Salaries | \$ 7,181,131 | \$ (1,301,176) | \$ 5,879,955 | \$ 89,317 | \$ 5,969,272 | \$ 149,232 | \$ 238,549 | \$ 6,107,821 | \$ 1,320,941 | \$ 7,439,445 | |
| 86 | 921 Office Supplies & Exp. | \$ 20,490 | \$ - | \$ 20,490 | \$ 311 | \$ 20,801 | \$ 520 | \$ 831 | \$ 21,321 | \$ - | \$ 21,321 | |
| 87 | 923 Outside Services | \$ 1,739 | \$ - | \$ 1,739 | \$ 26 | \$ 1,765 | \$ 44 | \$ 70 | \$ 1,809 | \$ - | \$ 1,809 | |
| 88 | 924 Property Ins. Premium | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 89 | 925 Injuries & Damages | \$ 120,821 | \$ - | \$ 120,821 | \$ 1,835 | \$ 122,656 | \$ 3,066 | \$ 4,901 | \$ 125,722 | \$ - | \$ 125,722 | |
| 90 | 926 Empl. Pensions & Bene. | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 91 | 927 Franchise Requirements | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 92 | 928 Reg. Comm. Expenses | \$ 506,923 | \$ - | \$ 506,923 | \$ 7,700 | \$ 514,623 | \$ 12,866 | \$ 20,566 | \$ 527,489 | \$ - | \$ 527,489 | |
| 93 | 930 Misc. General Exp. | \$ 272,019 | \$ - | \$ 272,019 | \$ 4,132 | \$ 276,151 | \$ 6,904 | \$ 11,036 | \$ 283,055 | \$ - | \$ 283,055 | |
| 94 | 931 Rents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 95 | 935 Mtee. of Gen. Plant | \$ 786,972 | \$ - | \$ 786,972 | \$ 13,363 | \$ 800,335 | \$ 32,013 | \$ 45,376 | \$ 832,348 | \$ - | \$ 832,348 | |
| 96 | Total Admin & General | \$ 8,890,095 | \$ (1,301,176) | \$ 7,588,919 | \$ 116,684 | \$ 7,705,603 | \$ 204,645 | \$ 321,329 | \$ 8,026,932 | \$ 1,320,941 | \$ 9,231,189 | |

AVISTA UTILITIES
 Washington Electric System
 Test Year Twelve Months Ended September 30, 2008
 (\$000's of Dollars)

| Line No. | Account/Description | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) |
|----------|----------------------|---------------|----------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|
| | | | Remove | Adjusted | 2008 Increase | Adjusted for | Board Apprvd | 2008 & 2009 | Add back | |
| | | Total WA | Executives | Total WA | Admin 1.519% | 2008 Increase | 2009 Increase | Increase | Executives | Total |
| | | | | | Union 1.698% | | Admin 2.50% | | | |
| | | | | | | | Union 4.000% | | | |
| 97 | Total Electric Labor | \$ 32,545,808 | \$ (1,389,585) | \$ 31,156,223 | \$ 501,544 | \$ 31,657,767 | \$ 1,032,431 | \$ 1,533,975 | \$ 1,410,693 | \$ 34,100,891 |

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

Reduce Company's Pro Forma Adjustment to Executive Labor Expense

| Line No. | Description | Amount | Source |
|----------|---|---------------------------|-------------|
| 1 | Avista's Pro Forma Increase for Executive Labor | \$ 239,543 | [A] |
| 2 | PC's Recommended Reduction to Executive Labor | <u>\$ (218,435)</u> | |
| 3 | PC's Pro Forma Increase for Executive Labor | <u>\$ 21,108</u> | [B] |
| 4 | Federal Income Tax Rate | <u>35.000%</u> | |
| 5 | Decrease in Federal Income Tax Expense | <u>\$ (7,388)</u> | L. 3 * L. 4 |
| 6 | Decrease in Net Operating Income | <u><u>\$ (13,720)</u></u> | L. 3 - L. 5 |

[A] Exhibit No. ____ (EMA-2) Workpaper PF3 4

| | | | |
|-----|--|---------------|-----|
| [B] | Executive Compensation Included in Test Year | \$ 1,389,585 | [C] |
| | Administrative Increase March 2008 | <u>1.519%</u> | [D] |
| | PC Recommended Increase to Executive Comp. | \$ 21,108 | |

[C] Exhibit No. ____ (EMA-2) PF3 3

[D] Exhibit No. ____ (EMA-2) PF3 4

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Reduce Company's 2008 Pro Forma Capital Additions Adjustment

| Line No. | Description | Amount |
|-----------------------------|--|----------|
| REVENUES | | |
| 1 | Total General Business | |
| 2 | Interdepartmental Sales | |
| 3 | Sales for Resale | |
| 4 | Total Sales of Electricity | |
| 5 | Other Revenue | |
| 6 | Total Electric Revenue | \$ - |
| EXPENSES | | |
| Production and Transmission | | |
| 7 | Operating Expenses | |
| 8 | Purchased Power | |
| 9 | Depreciation and Amortization | \$ 6 |
| 10 | Taxes | \$ 9 |
| 11 | Total Production & Transmission | \$ 15 |
| Distribution | | |
| 12 | Operating Expenses | |
| 13 | Depreciation | |
| 14 | Taxes | |
| 15 | Total Distribution | \$ - |
| 16 | Customer Accounting | |
| 17 | Customer Service & Information | |
| 18 | Sales Expenses | |
| Administrative & General | | |
| 19 | Operating Expenses | |
| 20 | Depreciation | |
| 21 | Taxes | |
| 22 | Total Admin. & General | \$ - |
| 23 | Total Electric Expenses | \$ 15 |
| 24 | Operating Income Before FIT | \$ (15) |
| 25 | Federal Income Tax Rate | 35.000% |
| 26 | Increase in Federal Income Tax Expense | \$ (5) |
| 27 | Increase in Net Operating Income | \$ (10) |
| 28 | RATE BASE | |
| 29 | PLANT IN SERVICE | |
| 30 | Intangible | |
| 31 | Production | \$ 1,312 |
| 32 | Transmission | |
| 33 | Distribution | |
| 34 | General | |
| 35 | Total Plant in Service | \$ 1,312 |
| 36 | ACCUMULATED DEPRECIATION | \$ 1,066 |
| 37 | ACCUM. PROVISION FOR AMORTIZATION | |
| 38 | Total Accum. Depreciation & Amort. | \$ 1,066 |
| 39 | GAIN ON SALE OF BUILDING | |
| 40 | DEFERRED TAXES | \$ (123) |
| 41 | OTHER RATE BASE DEDUCTIONS | |
| 42 | TOTAL RATE BASE | \$ 123 |

Source:

C-4.1

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

2008 Additions

Production Plant Balances

| | Monthly Balance | Difference | Source |
|--------|---------------------------|---------------------|---------------|
| Sep-08 | \$ 1,024,889,772 | | PC-483 Att. A |
| Oct-08 | \$ 1,027,151,135 | \$ 2,261,363 | |
| Nov-08 | \$ 1,027,226,699 | \$ 75,564 | |
| Dec-08 | \$ 1,030,981,459 | \$ 3,754,760 | |
| | AMA | \$ 2,030,562 | |
| | WA Electric Allocation | 64.59% | |
| | PC Recommended Adjustment | <u>\$ 1,311,540</u> | |

Accumulated Depreciation

| | Monthly Balance | Difference | Source |
|--------|---------------------------|---------------------|---------------|
| Sep-08 | \$ (386,130,957) | | PC-483 Att. A |
| Oct-08 | \$ (379,431,028) | \$ 6,699,929 | |
| Nov-08 | \$ (381,583,065) | \$ (2,152,037) | |
| Dec-08 | \$ (381,180,435) | \$ 402,630 | |
| | AMA | \$ 1,650,174 | |
| | WA Electric Allocation | 64.59% | |
| | PC Recommended Adjustment | <u>\$ 1,065,847</u> | |

Depreciation Expense

| | Monthly Balance | Difference | Source |
|--------|---------------------------|-----------------|---------------|
| Sep-08 | \$ 2,211,402 | | PC-483 Att. A |
| Oct-08 | \$ 2,212,840 | \$ 1,438 | |
| Nov-08 | \$ 2,216,706 | \$ 3,866 | |
| Dec-08 | \$ 2,221,217 | \$ 4,511 | |
| | Total | \$ 9,815 | |
| | WA Electric Allocation | 64.59% | |
| | PC Recommended Adjustment | <u>\$ 6,340</u> | |

Accumulated Deferred Income Taxes

| Prod. Plant | | Approximate | |
|-------------|---------------------------|---------------------|--------|
| ADIT | Total Prod. Plant | ADIT Ratio | Source |
| \$ (65,072) | \$ 693,304 | -9.39% | C-1.1 |
| | | <u>\$ 1,311,540</u> | |
| | PC Recommended Adjustment | <u>\$ (123,098)</u> | |

Property Taxes

| Prod. Plant | | Approximate | |
|----------------|---------------------------|---------------------|--------|
| Property Taxes | Total Prod. Plant | Property Tax Ratio | Source |
| \$ 4,671 | \$ 693,304 | 0.67% | C-1.1 |
| | | <u>\$ 1,311,540</u> | |
| | PC Recommended Adjustment | <u>\$ 8,836</u> | |

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Reduce Company's 2009 Pro Forma Capital Additions Adjustment

| Line No. | Description | Amount |
|-----------------------------|--|------------|
| REVENUES | | |
| 1 | Total General Business | |
| 2 | Interdepartmental Sales | |
| 3 | Sales for Resale | |
| 4 | Total Sales of Electricity | |
| 5 | Other Revenue | |
| 6 | Total Electric Revenue | \$ - |
| EXPENSES | | |
| Production and Transmission | | |
| 7 | Operating Expenses | |
| 8 | Purchased Power | |
| 9 | Depreciation and Amortization | \$ 29 |
| 10 | Taxes | \$ 16 |
| 11 | Total Production & Transmission | \$ 45 |
| Distribution | | |
| 12 | Operating Expenses | |
| 13 | Depreciation | |
| 14 | Taxes | |
| 15 | Total Distribution | \$ - |
| 16 | Customer Accounting | |
| 17 | Customer Service & Information | |
| 18 | Sales Expenses | |
| Administrative & General | | |
| 19 | Operating Expenses | |
| 20 | Depreciation | |
| 21 | Taxes | |
| 22 | Total Admin. & General | \$ - |
| 23 | Total Electric Expenses | \$ 45 |
| 24 | Operating Income Before FIT | \$ (45) |
| 25 | Federal Income Tax Rate | 35.000% |
| 26 | Increase in Federal Income Tax Expense | \$ (16) |
| 27 | Increase in Net Operating Income | \$ (29) |
| 28 | RATE BASE | |
| 29 | PLANT IN SERVICE | |
| 30 | Intangible | |
| 31 | Production | \$ 2,349 |
| 32 | Transmission | |
| 33 | Distribution | |
| 34 | General | |
| 35 | Total Plant in Service | \$ 2,349 |
| 36 | ACCUMULATED DEPRECIATION | \$ (1,343) |
| 37 | ACCUM. PROVISION FOR AMORTIZATION | |
| 38 | Total Accum. Depreciation & Amort. | \$ (1,343) |
| 39 | GAIN ON SALE OF BUILDING | |
| 40 | DEFERRED TAXES | \$ (220) |
| 41 | OTHER RATE BASE DEDUCTIONS | |
| 42 | TOTAL RATE BASE | \$ 3,472 |

Source:
 C-5.1

AVISTA UTILITIES
Washington Electric System
 Test Year Twelve Months Ended September 30, 2008

2009 Additions

Production Plant Balances

| | Monthly Balance | Difference | Source |
|---------------------------|------------------------|---------------------|---------------|
| Dec-08 | \$ 1,030,981,459 | | PC-483 Att. A |
| Jan-09 | \$ 1,031,128,830 | \$ 147,371 | |
| Feb-09 | \$ 1,031,934,549 | \$ 805,719 | |
| Mar-09 | \$ 1,032,351,153 | \$ 416,604 | |
| Apr-09 | \$ 1,032,964,116 | \$ 612,963 | |
| May-09 | \$ 1,051,012,459 | \$ 18,048,343 | |
| Jun-09 | \$ 1,052,801,911 | \$ 1,789,452 | |
| | AMA | \$ 3,636,742 | |
| | WA Electric Allocation | 64.59% | |
| PC Recommended Adjustment | | <u>\$ 2,348,972</u> | |

Accumulated Depreciation

| | Monthly Balance | Difference | Source |
|---------------------------|------------------------|-----------------------|---------------|
| Dec-08 | \$ (381,180,435) | | PC-483 Att. A |
| Jan-09 | \$ (383,392,667) | \$ (2,212,232) | |
| Feb-09 | \$ (385,616,082) | \$ (2,223,415) | |
| Mar-09 | \$ (387,111,091) | \$ (1,495,009) | |
| Apr-09 | \$ (389,341,365) | \$ (2,230,274) | |
| May-09 | \$ (391,588,206) | \$ (2,246,841) | |
| Jun-09 | \$ (393,660,433) | \$ (2,072,227) | |
| | AMA | \$ (2,080,000) | |
| | WA Electric Allocation | 64.59% | |
| PC Recommended Adjustment | | <u>\$ (1,343,472)</u> | |

Depreciation Expense

| | Monthly Balance | Difference | Source |
|---------------------------|------------------------|------------------|---------------|
| Dec-08 | \$ 2,221,217 | | PC-483 Att. A |
| Jan-09 | \$ 2,225,516 | \$ 4,299 | |
| Feb-09 | \$ 2,225,952 | \$ 436 | |
| Mar-09 | \$ 2,226,824 | \$ 872 | |
| Apr-09 | \$ 2,228,013 | \$ 1,189 | |
| May-09 | \$ 2,243,033 | \$ 15,020 | |
| Jun-09 | \$ 2,266,838 | \$ 23,805 | |
| Total | | \$ 45,621 | |
| | WA Electric Allocation | 64.59% | |
| PC Recommended Adjustment | | <u>\$ 29,467</u> | |

Accumulated Deferred Income Taxes

| Prod. Plant ADIT | Total Prod. Plant | Approximate ADIT Ratio | Source |
|------------------|-------------------|------------------------|--------|
| \$ (65,072) | \$ 693,304 | -9.39% | C-1.1 |
| | | \$ 2,348,972 | |
| | | <u>\$ (220,469)</u> | |

Property Taxes

| Prod. Plant Property Taxes | Total Prod. Plant | Approximate Property Tax Ratio | Source |
|----------------------------|-------------------|--------------------------------|--------|
| \$ 4,671 | \$ 693,304 | 0.67% | C-1.1 |
| | | \$ 2,348,972 | |
| | | <u>\$ 15,826</u> | |

Source PC-483 and WP PF2 2

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

Reduce Company Pro Forma Adjustment for Couer D'Alene Tribe Settlement

| Line No. | Description | Total Pro forma Adjustment | WA Jurisdictional 2010 Annual Payment | Amortization of Deferral | |
|----------|--|----------------------------------|---|-----------------------------|-----|
| 1 | Total Pro Forma Adjustment Per Company | \$ 828,615 | \$ 258,360 | \$ 570,255 | [A] |
| 2 | Recommended Reduction for CDA Settlement | <u>\$ (570,255)</u> | | <u>\$ (570,255)</u> | |
| 3 | Pro Forma CDA Settlement Adjustment Per PC | \$ 258,360 | | | |
| 4 | Federal Income Tax Rate | <u>35.000%</u> | | | |
| 5 | Decrease in Federal Income Tax Expense | <u>\$ (90,426)</u> | L. 3 * L. 4 | | |
| 6 | Decrease in Net Operating Income | <u>\$ (167,934)</u> | L. 3 - L. 5 | | |

Source:

[A] PF12 2

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

Reduce Company's Pro Forma Adjustment for Colstrip Mercury Emission O&M Expense

| Line No. | Description | Amount |
|----------|---|----------------------------|
| 1 | Avista's Pro Forma Increase for Mercury O&M Exp | \$ 1,873,110 [A] |
| 2 | PC's Recommended Reduction to Pro Forma Adj | <u>\$ (904,260) [B]</u> |
| 3 | PC's Pro Forma Increase for Mercury O&M Exp | <u>\$ 968,850</u> |
| 4 | Federal Income Tax Rate | <u>35.00%</u> |
| 5 | Decrease in Federal Income Tax Expense | <u>\$ (339,098)</u> |
| 6 | Decrease in Net Operating Income | <u><u>\$ (629,753)</u></u> |

Source:

| | <u>System Adj</u> | <u>WA Allocated</u> | |
|---|-------------------|---------------------|-----|
| | | 64.59% | |
| Pro Forma O&M Expense per PF 14 2 | \$ 2,900,000 | \$ 1,873,110 | [A] |
| Revised O&M Expense per PC-428 | \$ 1,500,000 | <u>\$ 968,850</u> | [B] |
| PC's Recommended Reduction for Mercury O&M Exp. | | <u>\$ (904,260)</u> | |

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

Reduce Incentive Compensation

| Line No. | Description | Total Adjustment | Adjust 2008 To Actual | Adjust 2008 to 6-Year Average |
|----------|---|---------------------|--------------------------|-------------------------------------|
| 1 | Pro Forma Incentive Adjustment Per Company | \$ 550,457 | \$ (17,414) | \$ 567,871 [A] |
| 2 | Recommended Reduction to Pro Forma Incentives | <u>\$ (567,871)</u> | | <u>\$ (567,871)</u> |
| 3 | Pro Forma Incentive Adjustment Per PC | \$ (17,414) | \$ (17,414) | |
| 4 | Federal Income Tax Rate | <u>35.000%</u> | | |
| 5 | Increase in Federal Income Tax Expense | <u>\$ 6,095</u> | L. 3 * L. 4 | |
| 6 | Increase in Net Operating Income | <u>\$ 11,319</u> | L. 3 - L. 5 | |

Source: _____

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

Reduce Company's Pro Forma Adjustment for Insurance Expense

| Line No. | Description | Amount |
|-------------|--|----------------------------|
| 1 | Avista's Original Pro Forma Increase for Insurance | \$ 283,233 [A] |
| 2 | PC's Recommended Reduction to Pro Forma Adj | <u>\$ (64,712) [B]</u> |
| 3 | PC's Pro Forma Increase for Insurance | \$ 218,521 |
| 4 | Federal Income Tax Rate | <u>35.00%</u> |
| 5 | Decrease in Federal Income Tax Expense | <u>\$ (76,482)</u> |
| 6 | Decrease in Net Operating Income | <u><u>\$ (142,039)</u></u> |

Source:

| PF18 [A] | PC-142 [B] | Difference |
|--|--|-------------|
| Adjust Insurance to 2009 Pro Forma (Filed) | Adjust Insurance to 2009 Pro Forma (Revised) | |
| \$ 283,233 | \$ 218,521 | \$ (64,712) |

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

Remove 50% of D&O Insurance Expense

| <u>Line No.</u> | <u>Description</u> | <u>Amount</u> | <u>Source</u> |
|-----------------|--|-------------------|---------------|
| 1 | Washington Electric D&O Insurance Expense in Test Year | \$ 816,856 | PC-212 |
| 2 | PC Recommended Disallowance % | <u>-50.000%</u> | |
| 3 | PC Recommended Reduction of D&O Insurance Expense | \$ (408,428) | L. 1 * L. 2 |
| 4 | Federal Income Tax Rate | <u>35.000%</u> | |
| 5 | Increase in Federal Income Tax Expense | <u>\$ 142,950</u> | L. 3 * L. 4 |
| 6 | Increase in Net Operating Income | <u>\$ 265,478</u> | L. 3 - L. 5 |

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

Reduce Board of Director Meeting Costs

| Line No. | Description | Amount | Source |
|----------|---|-------------------------|-------------|
| 1 | System Board of Director Meeting Costs in Test Year | \$ 96,553 | PC-155 |
| 2 | Electric Operations Allocation Factor | <u>71.960%</u> | PC-328 |
| 3 | Amount Allocated to Electric Operations | \$ 69,480 | L. 1 * L. 2 |
| 4 | Washington Electric Operations Allocation Factor | <u>65.097%</u> | PC-328 |
| 5 | Amount allocated to WA Electric Operations | \$ 45,229 | L. 3 * L. 4 |
| 6 | PC Recommended Disallowance % | <u>-50.000%</u> | |
| 7 | PC Recommended Reduction of Director Meeting Costs | \$ (22,615) | L. 5 * L. 6 |
| 8 | Federal Income Tax Rate | <u>35.000%</u> | |
| 9 | Increase in Federal Income Tax Expense | <u>\$ 7,915</u> | L. 7 * L. 8 |
| 10 | Increase in Net Operating Income | <u><u>\$ 14,699</u></u> | L. 7 - L. 9 |

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

Reduce Board of Director Fees

| Line No. | Description | Amount | Source |
|----------|--|-------------------|-------------|
| 1 | System Director Fees in Test Year | \$ 1,162,018 | PC-328 |
| 2 | Electric Operations Allocation Factor | <u>71.960%</u> | PC-328 |
| 3 | Amount Allocated to Electric Operations | \$ 836,188 | L. 1 * L. 2 |
| 4 | Washington Electric Operations Allocation Factor | <u>65.097%</u> | PC-328 |
| 5 | Amount allocated to WA Electric Operations | \$ 544,333 | L. 3 * L. 4 |
| 6 | PC Recommended Disallowance % | <u>-50.000%</u> | |
| 7 | PC Recommended Reduction of Director Fees | \$ (272,167) | L. 5 * L. 6 |
| 8 | Federal Income Tax Rate | <u>35.000%</u> | |
| 9 | Increase in Federal Income Tax Expense | <u>\$ 95,258</u> | L. 7 * L. 8 |
| 10 | Increase in Net Operating Income | <u>\$ 176,908</u> | L. 7 - L. 9 |

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

Remove Customer Deposits From Rate Base

| Line No. | Description | Amount |
|-------------|--|-----------------------|
| 1 | WA AMA Amount of Customer Deposits | \$ 3,825,972 |
| 2 | WA Electric Allocation Factor | <u>64.64%</u> |
| 3 | WA Electric Customer Deposits | <u>\$ (2,473,108)</u> |
| 4 | WA Electric Customer Deposits | \$ 2,473,108 |
| 5 | Interest Rate | <u>0.42%</u> [a] |
| 6 | WA Electric Interest on Customer Deposits Paid | <u>\$ 10,387</u> |
| 7 | Federal Income Tax Rate | <u>35%</u> |
| 8 | Decrease in Federal Income Tax Expense | <u>\$ (3,635)</u> |
| 9 | Decrease in Net Operating Income | <u>\$ (6,752)</u> |

Source:

Response to Public Counsel Data Request 326

[a] Interest rate used by Staff

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008

Remove Injuries & Damages Reserve from Rate Base

| <u>Date</u> | <u>Balance</u> |
|---|----------------|
| Sep-07 | \$ 144,646 |
| Oct-07 | \$ 144,646 |
| Nov-07 | \$ 128,371 |
| Dec-08 | \$ 128,371 |
| Jan-08 | \$ 128,371 |
| Feb-08 | \$ 130,186 |
| Mar-08 | \$ 166,128 |
| Apr-08 | \$ 166,128 |
| May-08 | \$ 166,095 |
| Jun-08 | \$ 198,644 |
| Jul-08 | \$ 205,186 |
| Aug-08 | \$ 216,578 |
| Sep-08 | \$ 249,126 |
| (Sept. 2007 + Sept. 2008) / 2 | \$ 196,886 |
| WA Electric AMA | \$ 164,632 |
| Federal Income Tax Rate | 35% |
| ADIT Associated with Injuries & Damages | \$ 57,621 |

Source:

Response to Public Counsel Data Request 480-2nd Revised

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Interest Synchronization Adjustment

| Line No. | Description | Amount | Source |
|-------------|---|------------|-----------|
| 1 | Rate Base, per PC | \$ 947,223 | Sch. B-1a |
| 2 | PC Proposed Weighted Cost of Debt | 3.51% | Sch D |
| 3 | Interest Deduction | \$ 33,248 | L 1 * L 2 |
| 4 | Interest Deduction Per Company | \$ 32,793 | [A] |
| 5 | Difference | \$ 455 | L 3 - L 4 |
| 6 | Federal Income Tax Rate | 35.00% | [A] |
| 7 | Increase (Decrease) to Income Tax Expense | \$ (159) | L 5 * L 6 |

Source:

[A] Exhibit No. ____ (EMA-2)WP B16

AVISTA UTILITIES
Washington Electric System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Overall Cost of Capital, per PC

| <u>Line No.</u> | <u>Description</u> | <u>Capital Structure</u> | <u>Ratio</u> | <u>Cost Rate</u> | <u>Weighted Cost Rate</u> |
|-----------------|-------------------------|--------------------------|--------------|------------------|---------------------------|
| 1 | Total debt | \$ 1,190,915,751 | 53.5% | 6.57% | 3.51% |
| 2 | Common Equity | \$ 996,883,374 | 46.5% | 10.20% | 4.74% |
| 3 | Total Capital Structure | \$ 2,187,799,125 | 100.00% | | 8.25% |

Source/Reference:

The above cost rate amounts are sponsored by PC's witness Mike Gorman and are provided here for ease of reference.