

AVISTA UTILITIES
Washington Gas 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	\$178,263	\$169,525	(\$8,738)	Schedule A-1
2	Overall Rate of Return	8.68%	8.25%	-0.43%	Schedule D
3	Net Operating Income Required	\$ 15,473	\$ 13,986	(\$1,487)	L 1 * L 2
4	NOI-Existing Rates	\$12,414	\$13,445	\$1,031	Schedule A-1
5	Income Deficiency (Sufficiency)	\$ 3,059	\$ 540	(\$2,519)	L 3 - L 4
6	Revenue Conversion Factor	0.622038	0.622089	0.000051	Schedule A-2
7	Revenue Deficiency (Sufficiency)	\$ 4,918	\$ 869	(\$4,049)	L 5 / L 7

AVISTA UTILITIES
 GAS RESULTS OF OPERATION
 WASHINGTON RESTATED RESULTS
 TWELVE MONTHS ENDED SEPTEMBER 30, 2008
 (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	Depreciation True-up	Subtotal Actual	Revenue Normalization & Gas Cost Adjust	Eliminate B & O Taxes	Property Tax	Uncollectible Expense	Regulatory Expense Adjustment	REVISED C-10		Net Gains/losses	Eliminate A/R Expenses
															Injuries and Damages	FIT		
	a	b	c	d	e	f	g	h	-	i	j	k	l	m	n	o	p	q
REVENUES																		
1	Total General Business	\$220,020							\$220,020	1,695	\$ (7,839)							
2	Total Transportation	3,486							3,486	(1,700)	(75)							
3	Other Revenues	135,812							135,812	(131,399)								
4	Total Gas Revenues	359,318	0	0	0	0	0	0	359,318	(131,404)	(7,914)	0	0	0	0	0	0	0
EXPENSES																		
5	Exploration and Development Production	0							0									
6	City Gate Purchases	309,146							309,146	(151,865)								
7	Purchased Gas Expense	737							737									
8	Net Nat Gas Storage Trans	(18,687)							(18,687)									
9	Total Production	291,196	0	0	0	0	0	0	291,196	(133,178)	0	0	0	0	0	0	0	0
Underground Storage																		
10	Operating Expenses	408							408									
11	Depreciation	260						(15)	245									
12	Taxes	113							113			(16)						
13	Total Underground Storage	781	0	0	0	0	0	(15)	766	0	0	(16)	0	0	0	0	0	0
Distribution																		
14	Operating Expenses	6,260							6,260									
15	Depreciation	5,659						(53)	5,606								(13)	
16	Taxes	18,282							18,282	67	(7,908)	(280)						
17	Total Distribution	30,201	0	0	0	0	0	(53)	30,148	67	(7,908)	(280)	0	0	0	0	(13)	0
18	Customer Accounting	4,884							4,884	5				(143)				(85)
19	Customer Service & Information	5,002							5,002	(4,270)								
20	Sales Expenses	545							545									
Administrative & General																		
21	Operating Expenses	9,202							9,202	3				14	(65)			
22	Depreciation	1,414						(15)	1,399	356								
23	Taxes	23							23			(1)						
24	Total Admin. & General	10,639	0	0	0	0	0	(15)	10,624	359	0	(1)	0	14	(65)	0	0	0
25	Total Gas Expense	343,248	0	0	0	0	0	(85)	343,165	(137,017)	(7,908)	(297)	(143)	14	(65)	0	(13)	(85)
26	OPERATING INCOME BEFORE FIT	16,070	0	0	0	0	0	83	16,153	5,613	(6)	297	143	(14)	65	0	13	85
FEDERAL INCOME TAX																		
27	Current Accrual	5,138						29	5,167	1,965	(2)	104	50	(5)	23	3	5	30
28	Deferred FIT	(1,042)							(1,042)							7		
29	Amort TTC	(30)							(30)									
30	NET OPERATING INCOME	\$12,004	\$0	\$0	\$0	\$0	\$0	\$54	\$12,058	\$3,648	(\$4)	\$193	\$93	(\$9)	\$42	(\$10)	\$8	\$55
RATE BASE: PLANT IN SERVICE																		
31	Underground Storage	13,539							13,539									
32	Distribution Plant	237,485					(52)		237,433									
33	General Plant	23,944							23,944									
34	Total Plant in Service	274,968	0	0	0	0	(52)	0	274,916	0	0	0	0	0	0	0	0	0
ACCUMULATED DEPRECIATION																		
35	Underground Storage	7,516							7,516									
36	Distribution Plant	80,580							80,580									
37	General Plant	8,155							8,155									
38	Total Accum. Depreciation	96,251	0	0	0	0	0	0	96,251	0	0	0	0	0	0	0	0	0
39	DEFERRED FIT	0	(27,674)	23					(27,651)						31			
40	GAS INVENTORY	0			11,064				11,064									
41	GAIN ON SALE OF BUILDING	0		(65)					(65)									
OTHER RATE BASE DEDUCTIONS																		
42	TOTAL RATE BASE	\$178,717	(\$27,674)	(\$42)	\$11,064	\$0	(\$52)	\$0	\$162,013	\$0	\$0	\$0	\$0	\$0	(\$87)	\$0	\$0	\$0

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

PC
 Accepts
 Staff's
 Revised
 Int. Exp

Line No.	DESCRIPTION	C-7		C-8		C-9		PC Pro Forma Total
		Director Fees	Customer Deposits	AGA Dues	Total Adjustments			
	a							-
	REVENUES							
1	Total General Business				-			\$213,876
2	Total Transportation				-			\$1,711
3	Other Revenues				(2,561)			\$1,852
4	Total Gas Revenues				(2,561)			217,439
	EXPENSES							
5	Exploration and Development Production							
6	City Gate Purchases				-			\$157,281
7	Purchased Gas Expense				74			\$811
8	Net Nat Gas Storage Trans				-			
9	Total Production	0	0	0	74			158,092
	Underground Storage							
10	Operating Expenses				1			\$409
11	Depreciation				155			\$400
12	Taxes				129			\$226
13	Total Underground Storage	0	0	0	285			1,035
	Distribution							
14	Operating Expenses				548			\$6,808
15	Depreciation				-			\$5,593
16	Taxes				(98)			\$10,142
17	Total Distribution	0	0	0	450			22,543
18	Customer Accounting				322			\$4,983
19	Customer Service & Information				19			\$751
20	Sales Expenses				29			\$574
	Administrative & General							
21	Operating Expenses	(75)	6	(21)	436			\$9,502
22	Depreciation				-			\$1,755
23	Taxes				-			\$22
24	Total Admin. & General	(75)	6	(21)	436			11,279
25	Total Gas Expense	(75)	6	(21)	1,616			199,258
26	OPERATING INCOME BEFORE FIT	75	(6)	21	(4,177)			\$18,181
	FEDERAL INCOME TAX							
27	Current Accrual	26	(2)	8	(1,462)			\$5,801
28	Deferred FIT				-			\$ (1,035)
29	Amort TTC				-			\$ (30)
30	NET OPERATING INCOME	\$49	(\$4)	\$14	(2,715)			\$13,445
	RATE BASE: PLANT IN SERVICE							
31	Underground Storage				8,614			\$22,153
32	Distribution Plant				-			\$237,433
33	General Plant				-			\$23,944
34	Total Plant in Service	0	0	0	8,614			283,530
	ACCUMULATED DEPRECIATION							
35	Underground Storage				266			\$7,782
36	Distribution Plant				-			\$80,580
37	General Plant				-			\$8,155
38	Total Accum. Depreciation	0	0	0	266			96,517
39	DEFERRED FIT				(473)			\$ (28,093)
40	GAS INVENTORY				1,047			\$12,111
41	GAIN ON SALE OF BUILDING				-			\$ (65)
	OTHER RATE BASE DEDUCTIONS		(1,353)		(1,353)			\$ (1,440)
42	TOTAL RATE BASE	\$0	(\$1,353)	\$0	7,569			\$169,525

AVISTA UTILITIES
Washington Gas 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]	0.002518 [b]
3	Commission Fees	0.002000	0.002000
4	Washington Excise Tax	0.038420 [a]	0.038423 [b]
5	Franchise Fees	-	-
6	Total Expense	<u>0.043019</u>	<u>0.042941</u>
7	Net Operating Income Before FIT	0.956981	0.957059
8	Federal Income Tax @ 35%	<u>0.334943</u>	<u>0.334971</u> L. 7 * 35%
9	Conversion Factor	<u><u>0.622038</u></u>	<u><u>0.622089</u></u> L. 7 - L. 8

Source:

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

[b] Response to PC-025

AVISTA UTILITIES
GAS RESULTS OF OPERATION
WASHINGTON RESTATED RESULTS
TWELVE 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	Underground Storage	13,539	\$ 22,826	\$ 22,153
2	Distribution Plant	237,485	\$ 253,003	\$ 237,433
3	General Plant	23,944	\$ 30,580	\$ 23,944
4	Total Plant in Service	274,968	306,409	283,530
5	Accumulated Depreciation			\$ -
6	Underground Storage	7,516	\$ 8,167	\$ 7,782
7	Distribution Plant	80,580	\$ 89,619	\$ 80,580
8	General Plant	8,155	\$ 11,597	\$ 8,155
9	Total Accum. Depreciation	96,251	109,383	96,517
10	Deferred FIT	0	\$ (30,809)	\$ (28,093)
11	Gas Inventory	0	\$ 12,111	\$ 12,111
12	Gain on Sale of Building	0	\$ (65)	\$ (65)
13	Other Rate Base Deductions			\$ (1,440)
14	TOTAL RATE BASE	\$178,717	\$178,263	\$169,525

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

Line No.	DESCRIPTION	Per Results Report	Company Adjusted	PC Adjusted
REVENUES				
1	Total General Business	\$ 220,020	\$ 213,876	\$ 213,876
2	Total Transportation	\$ 3,486	\$ 1,711	\$ 1,711
3	Other Revenues	\$ 135,812	\$ 1,852	\$ 1,852
4	Total Gas Revenues	\$ 359,318	\$ 217,439	\$ 217,439
EXPENSES				
5	Exploration and Development	\$ -	\$ -	\$ -
6	Production	\$ 291,196	\$ 158,107	\$ 158,092
7	Underground Storage	\$ 781	\$ 937	\$ 1,035
8	Distribution	\$ 30,201	\$ 22,531	\$ 22,543
9	Customer Accounting	\$ 4,884	\$ 5,053	\$ 4,983
10	Customer Service & Information	\$ 5,002	\$ 756	\$ 751
11	Sales Expenses	\$ 545	\$ 582	\$ 574
12	Administrative & General	\$ 10,639	\$ 12,982	\$ 11,279
13	Total Gas Expense	\$ 343,248	\$ 200,948	\$ 199,258
14	OPERATING INCOME BEFORE FIT	\$ 16,070	\$ 16,491	\$ 18,181
FEDERAL INCOME TAX				
15	Current Accrual	\$ 5,138	\$ 5,142	\$ 5,801
16	Deferred FIT	\$ (1,042)	\$ (1,035)	\$ (1,035)
17	Amort ITC	\$ (30)	\$ (30)	\$ (30)
18	NET OPERATING INCOME	\$ 12,004	\$ 12,414	\$ 13,445

AVISTA UTILITIES
Washington Gas 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		
1	City Gate Purchases		
2	Purchased Gas Expense	\$ 14	Col. G, L.4
3	Net Nat Gas Storage Trans		
4	Total Production	<u>\$ 14</u>	
	Underground Storage		
5	Operating Expenses	\$ 0	Col. G, L.7
6	Depreciation		
7	Taxes		
8	Total Underground Storage	<u>\$ 0</u>	
	Distribution		
9	Operating Expenses	\$ 190	Col G, L. 26
10	Depreciation		
11	Taxes		
12	Total Distribution	<u>\$ 190</u>	
13	Customer Accounting	\$ 100	Col G, L. 31
14	Customer Service & Information	\$ 5	Col. G, L. 35
15	Sales Expenses	\$ 8	Col. G, L. 40
	Administrative & General		
16	Operating Expenses	\$ 81	Col. G, L. 49
17	Depreciation		
18	Taxes		
19	Total Admin. & General	<u>\$ 81</u>	
20	Total Gas Expenses	<u>\$ 399</u>	
21	Federal Income Tax Rate	<u>35.000%</u>	
22	Decrease in Federal Income Tax Expense	<u>\$ (140)</u>	
23	Decrease in Net Operating Income	<u><u>\$ (259)</u></u>	

Source:
 C-1.1

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

Line No.	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	Total WA	Remove Executives	Adjusted Total WA	2008 Increase 1.519% 1.698%	Adjusted for 2008 Increase	Approved 2009 Increase 2.500% 4.000%	2008 & 2009 Increases	Add Back Executives	Total
			Col. A + Col. B		Col. C + Col. D		Col. D + Col. F		Col. C + G+ H
Production									
1	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
2	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
3	\$ 383,809	\$ (27,295)	\$ 356,514	\$ 5,415	\$ 361,929	\$ 9,048	\$ 14,463	\$ 27,710	\$ 398,687
4	\$ 383,809	\$ (27,295)	\$ 356,514	\$ 5,415	\$ 361,929	\$ 9,048	\$ 14,463	\$ 27,710	\$ 398,687
Underground Storage									
5	\$ 6,811		\$ 6,811	\$ 103	\$ 6,914	\$ 173	\$ 276		\$ 7,087
6	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
7	\$ 6,811	\$ -	\$ 6,811	\$ 103	\$ 6,914	\$ 173	\$ 276	\$ -	\$ 7,087
Distribution									
8	\$ 270,437		\$ 270,437	\$ 4,108	\$ 274,545	\$ 6,864	\$ 10,972		\$ 281,409
9	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
10	\$ 563,374		\$ 563,374	\$ 9,566	\$ 572,940	\$ 22,918	\$ 32,484		\$ 595,858
11	\$ 32,650		\$ 32,650	\$ 554	\$ 33,204	\$ 1,328	\$ 1,882		\$ 34,532
12	\$ 3,253		\$ 3,253	\$ 55	\$ 3,308	\$ 132	\$ 187		\$ 3,440
13	\$ 33,186		\$ 33,186	\$ 563	\$ 33,749	\$ 1,350	\$ 1,913		\$ 35,099
14	\$ 331,556		\$ 331,556	\$ 5,630	\$ 337,186	\$ 13,487	\$ 19,117		\$ 350,673
15	\$ 416,487		\$ 416,487	\$ 7,072	\$ 423,559	\$ 16,942	\$ 24,014		\$ 440,501
16	\$ 568,799		\$ 568,799	\$ 9,658	\$ 578,457	\$ 23,138	\$ 32,796		\$ 601,595
17	\$ 60,094		\$ 60,094	\$ 1,020	\$ 61,114	\$ 2,445	\$ 3,465		\$ 63,559
18	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
19	\$ 449,493		\$ 449,493	\$ 7,632	\$ 457,125	\$ 18,285	\$ 25,917		\$ 475,410
20	\$ 44,427		\$ 44,427	\$ 754	\$ 45,181	\$ 1,807	\$ 2,561		\$ 46,988
21	\$ 72,127		\$ 72,127	\$ 1,225	\$ 73,352	\$ 2,934	\$ 4,159		\$ 76,286
22	\$ 10,338		\$ 10,338	\$ 176	\$ 10,514	\$ 421	\$ 597		\$ 10,935
23	\$ 246,018		\$ 246,018	\$ 4,177	\$ 250,195	\$ 10,008	\$ 14,185		\$ 260,203
24	\$ 263,936		\$ 263,936	\$ 4,482	\$ 268,418	\$ 10,737	\$ 15,219		\$ 279,155
25	\$ 6,089		\$ 6,089	\$ 103	\$ 6,192	\$ 248	\$ 351		\$ 6,440
26	\$ 3,372,264	\$ -	\$ 3,372,264	\$ 56,775	\$ 3,429,039	\$ 133,043	\$ 189,818	\$ -	\$ 3,562,082
Customer Accounts									
27	\$ 136,815		\$ 136,815	\$ 2,078	\$ 138,893	\$ 3,472	\$ 5,550		\$ 142,365
28	\$ 742,416		\$ 742,416	\$ 12,606	\$ 755,022	\$ 30,201	\$ 42,807		\$ 785,223

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

Line	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	Total WA	Remove Executives	Adjusted Total WA	2008 Increase 1.519% 1.698%	Adjusted for 2008 Increase	Approved 2009 Increase 2.500% 4.000%	2008 & 2009 Increases	Add Back Executives	Total
29 903-Customer records & collection exp	\$ 1,235,082		\$ 1,235,082	\$ 18,761	\$ 1,253,843	\$ 31,346	\$ 50,107		\$ 1,285,189
30 905- Misc. customer accounts expenses	\$ 36,622		\$ 36,622	\$ 556	\$ 37,178	\$ 929	\$ 1,485		\$ 38,107
31 Total Cust Accounts	\$ 2,150,935	\$ -	\$ 2,150,935	\$ 34,001	\$ 2,184,936	\$ 65,949	\$ 99,950	\$ -	\$ 2,250,885
Cust Service & Info									
32 908-Customer assistance expenses	\$ 123,032		\$ 123,032	\$ 1,869	\$ 124,901	\$ 3,123	\$ 4,992		\$ 128,024
33 909-Advertising	\$ 6,578		\$ 6,578	\$ 100	\$ 6,678	\$ 167	\$ 267		\$ 6,845
34 910-Misc Customer Service & Info Exp	\$ 54		\$ 54	\$ 1	\$ 55	\$ 1	\$ 2		\$ 56
35 Total Cust Svc & Info	\$ 129,664	\$ -	\$ 129,664	\$ 1,970	\$ 131,634	\$ 3,291	\$ 5,261	\$ -	\$ 134,925
Sales									
36 911-Supervision	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
37 912-Demonstrating & selling expenses	\$ 111,401		\$ 111,401	\$ 1,692	\$ 113,093	\$ 2,827	\$ 4,519		\$ 115,920
38 913-Advertising	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
39 916- Misc Sales Expense	\$ 89,414		\$ 89,414	\$ 1,358	\$ 90,772	\$ 2,269	\$ 3,627		\$ 93,041
40 Total Sales	\$ 200,815	\$ -	\$ 200,815	\$ 3,050	\$ 203,865	\$ 5,097	\$ 8,147	\$ -	\$ 208,962
Admin & General									
41 920-Administrative & general salaries	\$ 1,904,927	\$ (359,641)	\$ 1,545,286	\$ 23,473	\$ 1,568,759	\$ 39,219	\$ 62,692	\$ 365,104	\$ 1,973,082
42 921	\$ 3,340		\$ 3,340	\$ 57	\$ 3,397	\$ 136	\$ 193		\$ 3,533
43 923-Outside services employed	\$ 368		\$ 368	\$ 6	\$ 374	\$ 9	\$ 15		\$ 383
44 924-Property insurance	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
45 925-Injuries & damages	\$ 32,270		\$ 32,270	\$ 490	\$ 32,760	\$ 819	\$ 1,309		\$ 33,579
46 928-Regulatory commission expenses	\$ 182,180		\$ 182,180	\$ 2,767	\$ 184,947	\$ 4,624	\$ 7,391		\$ 189,571
47 930-Misc. general expenses	\$ 65,522	\$ -	\$ 65,522	\$ 995	\$ 66,517	\$ 1,663	\$ 2,658		\$ 68,180
48 935-Maintenance of general plant	\$ 163,525		\$ 163,525	\$ 2,777	\$ 166,302	\$ 4,158	\$ 6,935		\$ 170,460
49 Total Admin & General	\$ 2,352,132	\$ (359,641)	\$ 1,992,491	\$ 30,565	\$ 2,023,056	\$ 50,627	\$ 81,192	\$ 365,104	\$ 2,438,787
50 Total WA Gas Labor	\$ 8,596,430	\$ (386,936)	\$ 8,209,494	\$ 131,879	\$ 8,341,373	\$ 267,228	\$ 399,107	\$ 392,814	\$ 9,001,415

Source:
 PFI Workpapers

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

Reduce Company's Pro Forma Adjustment for Executive Labor Expense

Line No.	Description	Amount	Source
1	Avista's Pro Forma Increase for Executive Labor	\$ 66,560	[A]
2	PC's Recommended Reduction to Executive Labor	<u>\$ (60,682)</u>	
3	PC's Pro Forma Increase for Executive Labor	<u>\$ 5,878</u>	[B]
4	Federal Income Tax Rate	<u>35.000%</u>	
5	Decrease in Federal Income Tax Expense	<u>\$ (2,057)</u>	L. 3 * L. 4
6	Decrease in Net Operating Income	<u><u>\$ (3,820)</u></u>	L. 3 - L. 5

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

[B]	Executive Compensation Included in Test Year	\$ 386,936	[C]
	Administrative Increase March 2008	<u>1.519%</u>	[D]
	PC Recommended Increase to Executive Comp.	\$ 5,878	

[C] Exhibit No. __ (EMA-3) PF3 1

[D] Exhibit No. __ (EMA-3) PF3 2

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

Reduce Incentive Compensation		Total	Adjust 2008	Adjust 2008
Line No.	Description	Adjustment	To Actual	to 6-Year Average
1	Pro Forma Incentive Adjustment Per Company	\$ 152,143	\$ (4,814)	\$ 156,957 [A]
2	Recommended Reduction to Pro Forma Incentives	<u>\$ (156,957)</u>		<u>\$ (156,957)</u>
3	Pro Forma Incentive Adjustment Per PC	\$ (4,814)	\$ (4,814)	
4	Federal Income Tax Rate	<u>35.000%</u>		
5	Increase in Federal Income Tax Expense	<u>\$ 1,685</u>	L. 3 * L. 4	
6	Increase in Net Operating Income	<u><u>\$ 3,129</u></u>	L. 3 - L. 5	

Source: _____

PF7 2

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

Reduce Insurance Expense

Line No.	Description	Amount
1	Avista's Original Pro Forma Increase for Insurance	\$ 78,284 [A]
2	PC's Recommended Reduction to Pro Forma Adj	<u>\$ (17,886) [B]</u>
3	PC's Pro Forma Increase for Insurance	\$ 60,398
4	Federal Income Tax Rate	<u>35.00%</u>
5	Decrease in Federal Income Tax Expense	<u>\$ (21,139)</u>
6	Decrease in Net Operating Income	<u><u>\$ (39,259)</u></u>

Source:

PF10 [A]	PC-142 [B]	Difference
Adjust Insurance to 2009 Pro Forma (Filed)	Adjust Insurance to 2009 Pro Forma (Revised)	
\$ 78,284	\$ 60,398	\$ (17,886)

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

Remove D&O Insurance Expense

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
1	Washington Gas D&O Insurance Expense in Test Year	\$ 217,168	PC-212
2	PC Recommended Disallowance %	<u>-50.000%</u>	
3	PC Recommended Reduction of D&O Insurance Expense	\$ (108,584)	L. 1 * L. 2
4	Federal Income Tax Rate	<u>35.000%</u>	
5	Increase in Federal Income Tax Expense	<u>\$ 38,004</u>	L. 3 * L. 4
6	Increase in Net Operating Income	<u>\$ 70,580</u>	L. 3 - L. 5

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

Reduce Board of Directors Meeting Costs

Line No.	Description	Amount	Source
1	System Board of Director Meeting Costs in Test Year	\$ 96,553	PC-155
2	Gas Operations Allocation Factor	<u>19.180%</u>	PC-328
3	Amount Allocated to Gas Operations	\$ 18,519	L. 1 * L. 2
4	Washington Gas Operations Allocation Factor	<u>67.505%</u>	PC-328
5	Amount allocated to WA Gas Operations	\$ 12,501	L. 3 * L.4
6	PC Recommended Disallowance %	<u>-50.000%</u>	
7	PC Recommended Reduction of Director Meeting Costs	\$ (6,251)	L. 5 * L. 6
8	Federal Income Tax Rate	<u>35.000%</u>	
9	Increase in Federal Income Tax Expense	<u>\$ 2,188</u>	L. 7 * L. 8
10	Increase in Net Operating Income	<u><u>\$ 4,063</u></u>	L. 7 - L. 9

AVISTA UTILITIES
Washington Gas 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	Gas Operations Allocation Factor	<u>19.180%</u>	PC-328
3	Amount Allocated to Gas Operations	\$ 222,875	L. 1 * L. 2
4	Washington Gas Operations Allocation Factor	<u>67.505%</u>	PC-328
5	Amount allocated to WA Gas Operations	\$ 150,452	L. 3 * L. 4
6	PC Recommended Disallowance %	<u>-50.000%</u>	
7	PC Recommended Reduction of Director Fees	\$ (75,226)	L. 5 * L. 6
8	Federal Income Tax Rate	<u>35.000%</u>	
9	Increase in Federal Income Tax Expense	<u>\$ 26,329</u>	L. 7 * L. 8
10	Increase in Net Operating Income	<u>\$ 48,897</u>	L. 7 - L. 9

AVISTA UTILITIES
Washington Gas 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 Gas Allocation Factor	<u>35.36%</u>
3	WA Gas Customer Deposits	<u>\$ (1,352,864)</u>
4	WA Gas Customer Deposits	\$ 1,352,864
5	Interest Rate	<u>0.42%</u> [a]
6	WA Gas Interest on Customer Deposits Paid	<u>\$ 5,682</u>
7	Federal Income Tax Rate	<u>35%</u>
8	Decrease in Federal Income Tax Expense	<u>\$ (1,989)</u>
9	Decrease in Net Operating Income	<u>\$ (3,693)</u>

Source:

Response to Public Counsel Data Request 326

[a] Interest rate used by Staff

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

AGA Dues Adjustment

Line No.	Description	Amount (A)	Source (B)
1	Test Year WA Gas Operations AGA Dues	\$ 64,958	A
2	Recommended WA Gas Operations AGA Dues	\$ 43,527	B
3	Recommended disallowance	<u>\$ (21,431)</u>	
4	Federal Income Tax Rate	<u>35.000%</u>	
5	Increase in Federal Income Tax Expense	<u>\$ 7,501</u>	L. 3 * L. 4
6	Increase in Net Operating Income	<u>\$ 13,930</u>	L. 3 - L. 5

Notes and Source

A: Response to PC-333

B:	2008 AGA Dues	\$ 147,067	C
	Amount Removed by Company	<u>\$ (5,883)</u>	D
	System amount of dues in test year	\$ 141,184	
	Recommended Disallowance %	33%	E
	Recommended Disallowance	<u>\$ (46,591)</u>	
	System amount of dues in test year	\$ 141,184	
	Recommended Disallowance	<u>\$ (46,591)</u>	
	System Recommended AGA dues in test year	\$ 94,593	
	Gas North Factor	<u>68.16%</u>	
		\$ 64,475	
	Washington Jurisdictional Factor	<u>67.51%</u>	
	Recommended WA Gas Operations AGA Dues	\$ 43,527	

C: Response to PC-333, 335

D: Responses to PC-022

E:	Amount of dues related to advocacy, advertising, etc	40%
	Amount of dues removed from test year by Company	<u>4%</u>
		36%

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

Remove Injuries & Damages Reserve from Rate Base

<u>Date</u>	<u>Balance</u>
Sep-07	\$ 84,807
Oct-07	\$ 84,516
Nov-07	\$ 84,516
Dec-08	\$ 84,516
Jan-08	\$ 84,516
Feb-08	\$ 85,297
Mar-08	\$ 84,516
Apr-08	\$ 84,516
May-08	\$ 84,516
Jun-08	\$ 84,516
Jul-08	\$ 84,516
Aug-08	\$ 104,768
Sep-08	\$ 107,768
 (Sept. 2007 + Sept. 2008) / 2	 <u>\$ 96,287</u>
 WA Gas AMA	 <u><u>\$ 87,250</u></u>
 Federal Income Tax Rate	 <u>35%</u>
 ADIT Associated with Injuries & Damages	 <u><u>\$ 30,537</u></u>

Source:

 Response to Public Counsel Data Request 210

AVISTA UTILITIES
Washington Gas 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	\$169,525	Sch. A-1
2	PC Proposed Weighted Cost of Debt	3.51%	Sch D
3	Interest Deduction	\$ 5,950	L 1 * L 2
4	Interest Deduction Per Company	\$ 5,724	[A]
5	Difference	\$ 226	L 3 - L 4
6	Federal Income Tax Rate	35.00%	[A]
7	Increase (Decrease) to Income Tax Expense	\$ (79)	L 5 * L 6

Source:

[A] Exhibit No. __ (EMA-3)WP B11

AVISTA UTILITIES
Washington Gas 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.