

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

EXHIBIT NO. \_\_\_\_ (TLK-4)

TARA L. KNOX

REPRESENTING AVISTA CORPORATION

## AVISTA UTILITIES

Production Property Adjustment Calculation  
 Washington Electric  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000's)

Line	Column	Description of Adjustment	Production/Transmission		
			Revenue	Expense	Rate Base
1	b	Per Results Report	155,015	320,205	599,305
2	c	Deferred FIT Rate Base		-	(80,867)
3	d	Deferred Gain on Office Building		-	
4	e	Colstrip 3 AFUDC Elimination	0	(216)	(2,255)
5	f	Colstrip Common AFUDC	0	-	492
6	g	Kettle Falls Disallow.	0	-	(993)
7	h	Customer Advances		-	
8	i	PGE Monetization	0	(1,332)	(324)
9	j	Settlement Exchange Power	0	-	22,441
10		Actual	155,015	318,657	537,799
11	k	Eliminate B & O Taxes		-	
12	l	Property Tax		25	
13	m	Uncollect. Expense		-	
14	n	Regulatory Expense		-	
15	o	Injuries and Damages		-	
16	p	FIT		-	
17	q	Eliminate WA Power Cost Defer		(30,675)	
18	r	Nez Perce Settlement Adjustment		18	
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		10,109	
24	x	Incentive & Other		614	
25	y	Restate Debt Interest		-	
26		Restated Total	155,015	298,748	537,799
27	PF1	Proforma Power Supply	(112,470)	(80,482)	-
28	PF2	Proforma Prod Property Adj			
29	PF3	Proforma Labor NonExec		717	
30	PF4	Proforma Labor Exec		14	
31	PF5	Proforma Transmission Rev/Exp	(903)	416	-
32	PF6	Proforma Transmission Capital Add	-	1,658	40,274
33	PF7	Proforma Generation Capital Add	-	556	11,739
34	PF8	Proforma Depreciation Study		(1,475)	480
35	PF9	Proforma Wood Pole Test & Treat	0	183	
36		Pro Forma Total	\$41,642	\$220,335	\$590,292
37		2008 WA Retail Load in Power Supply	5,692,181		
38		2006 WA Normalized Retail Load	5,414,826		
39		Production Property Factor	0.951274388		
40		2006 Production/Transmission Costs	\$39,613	\$209,599	\$561,529
41		Production Property Adjustment	(\$2,029)	(\$10,736)	(\$28,763)

Proposed Production and Transmission Revenue Requirement  
Proposed Retail Revenue Credit Rate

Line			2006	2008	Debt Cost
1	Prod/Trans	Pro Forma Rate Base	\$561,529	\$590,292	
2		Proposed Rate of Return	<u>9.390%</u>	<u>9.390%</u>	3.99%
3	Rate Base	Net Operating Income Requirement	\$52,728	\$55,428	
4	Tax Effect	Net Operating Income Requirement (Rate Base x Debt Cost x -35%)	(\$7,842)	(\$8,243)	
5	Net Expense	Net Operating Income Requirement (Expense - Revenue)	\$169,986	\$178,693	
6	Tax Effect	Net Operating Income Requirement (Net Expense x -.35%)	(\$59,495)	(\$62,543)	
7	Total Prod/Trans	Net Operating Income Requirement	\$155,377	\$163,335	
8	1 - Tax Rate	Conversion Factor (Excl. Rev. Rel. Exp.)	0.65	0.65	
9	Prod/Trans	Revenue Requirement	<b>\$239,041</b>	<b>\$251,285</b>	\$12,244
10	Proposed Retail Revenue Credit Rate (Production and Transmission Revenue Requirement per kWh)		\$ 0.04415	\$ 0.04415	12,244