

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-10 \_\_\_\_\_

EXHIBIT NO. \_\_\_\_ (TLK-2)

TARA L. KNOX

REPRESENTING AVISTA CORPORATION

## AVISTA UTILITIES

**AVERAGE PRODUCTION AND TRANSMISSION COST  
WASHINGTON ELECTRIC  
TWELVE MONTHS ENDED DECEMBER 31, 2009**

**Production and Transmission**

Line No.	Adjustment Column	Description of Adjustment	Acc				
			Revenue	Expense	Plant	Depreciation	Deferred Tax
1	b	Per Results Report	156,783	377,335	1,020,196	(358,552)	
2	c	Deferred FIT Rate Base		-	-	-	(94,771)
3	d	Deferred Gain on Office Building		-	-	-	
4	e	Colstrip 3 AFUDC Elimination		(193)	(7,390)	5,690	-
5	f	Colstrip Common AFUDC		-	426	-	-
6	g	Kettle Falls Disallow.		-	(5,248)	3,964	528
7	h	Customer Advances		-	-	-	-
8	i	Customer Deposits		-	-	-	-
9	j	Settlement Exchange Power		-	79,626	(59,618)	(3,596)
10	k	Restating CDA Settlement		859	8,290	(1,035)	(2,579)
11	l	Restating CDA Settlement Deferral		506	1,553	(288)	(443)
12	m	Restating CDA/SRR CDR		1,463	6,005	(240)	(2,019)
13	n	Restating Spokane River Relicensing		373	8,567	(707)	(589)
14	o	Restating Spokane River Deferral		243	743	(136)	(212)
15	p	Restating Spokane River PM&E Deferral		154	472	(87)	(135)
16	q	Restating Montana Lease		81	3,721	-	(1,302)
17	r	Eliminate B & O Taxes		-	-	-	-
18	s	Property Tax		1,433	-	-	-
19	t	Uncollect. Expense		-	-	-	-
20	u	Regulatory Expense		-	-	-	-
21	v	Injuries and Damages		-	-	-	-
22	w	FIT		-	-	-	-
23	x	Eliminate WA Power Cost Defer		(31,567)	-	-	-
24	y	Nez Perce Settlement Adjustment		11	-	-	-
25	z	Eliminate A/R Expenses		-	-	-	-
26	aa	Office Space Charges to Subsidiaries		-	-	-	-
27	ab	Restate Excise Taxes		-	-	-	-
28	ac	Net Gains/losses		-	-	-	-
29	ad	Revenue Normalization	-	3,747	-	-	-
30	ae	Misc Restating		-	-	-	-
31	af	Colstrip Mercury Emiss. O&M		888	-	-	-
32	ag	Working Capital		-	-	-	-
33	ah	Restate Debt Interest		-	-	-	-
34	PF1	Pro Forma Power Supply	(119,447)	(91,311)	-	-	-
35	PF2	Pro Forma Production Property	(2,294)	(15,830)	(68,134)	24,082	6,409
36	PF3	Pro Forma Lancaster Amortization	-	2,436	10,964	-	(3,837)
37	PF4	Pro Forma Labor Non-Exec	-	676	-	-	-
38	PF5	Pro Forma Labor Exec	-	2	-	-	-
39	PF6	Pro Forma Transmission Rev/Exp	1,886	91	-	-	-
40	PF7	Pro Forma Capital Add 2010	-	867	27,782	(437)	(504)
41	PF8	Pro Forma Noxon Gen 2010/2011	-	386	8,970	(218)	(96)
42	PF9	Pro Forma Vegetation Management	-	-	-	-	-
43	PF10	Pro Forma Information Services	-	4	-	-	-
44	PF11	Pro Forma Employee Benefits	-	(374)	-	-	-
45	PF12	Pro Forma Insurance	-	-	-	-	-
46	PF13	Pro Forma Clark Fork/Spokane Rel PM&E	-	2,491	-	-	-
47		<b>Pro Forma Total Production and Transmission Costs</b>	<b>36,928</b>	<b>254,771</b>	<b>1,096,543</b>	<b>(387,582)</b>	<b>(103,146)</b>

## AVISTA UTILITIES

**AVERAGE PRODUCTION AND TRANSMISSION COST  
WASHINGTON ELECTRIC  
TWELVE MONTHS ENDED DECEMBER 31, 2009**

## Proposed Production and Transmission Revenue Requirement

## Calculation of Retail Revenue Credit Rate

Line No.			(\$000's)	Debt Cost
1	Prod/Trans	Pro Forma Rate Base	605,815	
2		Proposed Rate of Return	8.330%	3.06%
3	Rate Base	Net Operating Income Requirement	\$50,464	
4	Tax Effect	Net Operating Income Requirement (Rate Base x Debt Cost x -35%)	(\$6,488)	
5	Net Expense	Net Operating Income Requirement (Expense - Revenue)	217,843	
6	Tax Effect	Net Operating Income Requirement (Net Expense x -.35%)	(\$76,245)	
7	Total Prod/Trans	Net Operating Income Requirement	\$185,574	
8	1 - Tax Rate	Conversion Factor (Excl. Rev. Rel. Exp.)	0.65	
9	Prod/Trans	Revenue Requirement	\$285,499	
10	Test Year WA Normalized Retail Load MWh		5,407,534	
11	Prod/Trans Rev Requirement per kWh (Retail Revenue Credit Rate)		\$ 0.05280	