

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-12\_\_\_\_\_

DOCKET NO. UG-12\_\_\_\_\_

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

TARA L. KNOX

REPRESENTING AVISTA CORPORATION

## AVISTA UTILITIES

**AVERAGE PRODUCTION AND TRANSMISSION COST  
WASHINGTON ELECTRIC  
TWELVE MONTHS ENDED DECEMBER 31, 2011**

Line	Column	Description of Adjustment	(000's)	Production / Transmission					
				Revenue	Expense	Plant	Acc Depreciation	Deferred D/C	Deferred Tax
1		Per Results Report		203,572	414,020	1,098,443	(401,133)	22,901	(116,527)
2	1.01	Deferred FIT Rate Base		-	-	-	-	-	285
3	1.02	Deferred Debits and Credits		-	(15)	-	-	(7,034)	-
4	1.03	Working Capital		-	-	-	-	-	-
5	2.01	Eliminate B & O Taxes		-	-	-	-	-	-
7	2.02	Uncollect. Expense		-	-	-	-	-	-
8	2.03	Regulatory Expense		-	-	-	-	-	-
9	2.04	Injuries and Damages		-	-	-	-	-	-
10	2.05	FIT/DFIT/ ITC/PTC Expense		-	-	-	-	-	-
11	2.06	Eliminate WA Power Cost Defer		-	(12,788)	-	-	-	-
12	2.07	Nez Perce Settlement Adjustment		-	14	-	-	-	-
13	2.08	Eliminate A/R Expenses		-	-	-	-	-	-
14	2.09	Office Space Charges to Subsidiaries		-	-	-	-	-	-
15	2.10	Restate Excise Taxes		-	-	-	-	-	-
16	2.11	Net Gains / Losses		-	-	-	-	-	-
17	2.12	Revenue Normalization		-	4,610	-	-	-	-
18	2.13	Misc Restating		-	(6)	-	-	-	-
19	2.15	Restate Incentives		-	-	-	-	-	-
20	2.16	Colstrip / CS2 Maintenance		-	981	-	-	-	-
21	2.17	Restate Debt Interest		-	-	-	-	-	-
22	3.00	Pro Forma Power Supply		(147,616)	(139,558)	-	-	-	-
23	3.01	Pro Forma Transmission Rev/Exp		(62)	747	-	-	-	-
24	3.02	Pro Forma Labor Non-Exec		-	738	-	-	-	-
25	3.03	Pro Forma Labor Exec		-	1	-	-	-	-
26	3.04	Pro Forma Employee Benefits		-	1,110	-	-	-	-
27	3.05	Pro Forma Insurance		-	-	-	-	-	-
28	3.06	Pro Forma Property Tax		-	1,341	-	-	-	-
29	3.07	Restate 2011 Capital		-	406	18,532	(8,883)	-	(1,567)
30	4.00	Planned Capital Add 2012		-	1,091	47,766	(25,454)	-	(3,054)
31	4.01	Planned Capital Add 2013 AMA		-	120	6,391	(11,497)	-	(1,243)
32	4.02	DSM		-	-	-	-	-	-
33	4.03	Other		-	-	-	-	-	-
34	4.04	Retail Revenue Credit		-	-	-	-	-	-
35	4.05	Depreciation Study		-	(3,317)	-	-	-	-
36	4.06	O&M Offsets		-	(106)	-	-	-	-
37	Pro Forma Total			55,894	269,389	1,171,132	(446,967)	15,867	(122,106)

## AVISTA UTILITIES

**AVERAGE PRODUCTION AND TRANSMISSION COST  
WASHINGTON ELECTRIC  
TWELVE MONTHS ENDED DECEMBER 31, 2011**

## PROPOSED PRODUCTION AND TRANSMISSION REVENUE REQUIREMENT

## CALCULATION OF RETAIL REVENUE CREDIT RATE

Line			(\$000's)	Debt Cost
1	Prod/Trans	Pro Forma Rate Base	617,926	
2	Cost of Capital	Black Box Rate of Return	<u>8.250%</u>	2.97%
3	Rate Base	Net Operating Income Requirement	\$50,979	
4	Tax Effect	Net Operating Income Requirement (Rate Base x Debt Cost x -35%)	(\$6,423)	
5	Net Expense	Net Operating Income Requirement (Expense - Revenue)	213,495	
6	Tax Effect	Net Operating Income Requirement (Net Expense x -.35%)	(\$74,723)	
7	Total Prod/Trans	Net Operating Income Requirement	\$183,327	
8	1 - Tax Rate	Conversion Factor (Excl. Rev. Rel. Exp	0.65	
9	Prod/Trans	Revenue Requirement	<b>\$282,042</b>	
10	Test Year WA Normalized Retail Load MWh		5,574,856	
11	Prod/Trans Rev Requirement per kWh		\$ 0.05059	
12	Cost of Service Energy Classified Production/Transmission Costs		\$198,895	
13	Cost of Service Total Production/Transmission Costs		\$302,272	
14	Retail Revenue Credit Rate per kWh (Line 11 * Line 12 / Line 13)		<b>\$ 0.03329</b>	

## AVISTA UTILITIES

AVERAGE PRODUCTION AND TRANSMISSION COST  
WASHINGTON ELECTRIC  
TWELVE MONTHS ENDED DECEMBER 31, 2011

## RETAIL REVENUE CREDIT 2013 ERM ADJUSTMENT

Line	Description	Amount
1	2013 Forecasted WA Retail Load MWh	5,775,346
2	Test Year WA Normalized Retail Load MWh	5,574,856
3	2013 Estimated Load in Excess of Test Year Load	200,490
4	Proposed Retail Revenue Credit Rate per kWh	\$ 0.03329
5	Estimated Proposed Retail Revenue Credit in 2013 ERM (\$000s)	\$ (6,674)
6	Full Prod/Trans Rev Requirement per kWh	\$ 0.05059
7	Estimated Full Retail Revenue Credit in 2013 ERM (\$000s)	\$ (10,143)
8	Cost of Full vs Proposed Retail Revenue Credit in 2013 ERM (\$000s)	\$ 3,469