

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UG-10\_\_\_\_\_

EXHIBIT NO. \_\_\_\_ (TLK-7)

TARA L. KNOX

REPRESENTING AVISTA CORPORATION

Sumcost Company Base Case UG Storage 80% Sales / 20% Throughput	AVISTA UTILITIES Cost of Service General Summary For the Twelve Months Ended December 31, 2009					Natural Gas Utility Washington Jurisdiction	04-Mar-10		
(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Description	System Total		Residential Service Sch 101	Small Firm Service Sch 111	Large Firm Service Sch 121	Interrupt Service Sch 131	Transport Service Sch 146		
<b>Plant In Service</b>									
1 Production Plant									
2 Underground Storage Plant		21,938,000	14,611,840	5,981,039	733,046	80,595	531,480		
3 Distribution Plant		255,976,000	203,549,964	41,828,180	3,757,356	218,516	6,621,985		
4 Intangible Plant		4,279,000	3,361,828	733,723	68,728	4,544	110,177		
5 General Plant		25,207,000	19,787,433	4,336,331	407,283	27,130	648,824		
6 Total Plant In Service		307,400,000	241,311,065	52,879,272	4,966,413	330,785	7,912,466		
<b>Accum Depreciation</b>									
7 Production Plant									
8 Underground Storage Plant		(7,818,000)	(5,207,191)	(2,131,450)	(261,234)	(28,722)	(189,402)		
9 Distribution Plant		(84,021,000)	(67,752,756)	(12,976,344)	(1,194,993)	(64,957)	(2,031,950)		
10 Intangible Plant		(1,993,000)	(1,564,857)	(342,552)	(32,150)	(2,137)	(51,304)		
11 General Plant		(6,934,000)	(5,443,173)	(1,192,848)	(112,036)	(7,463)	(178,480)		
12 Total Accumulated Depreciation		(100,766,000)	(79,967,977)	(16,643,194)	(1,600,413)	(103,278)	(2,451,137)		
13 Net Plant		206,634,000	161,343,088	36,236,077	3,366,000	227,506	5,461,329		
14 Accumulated Deferred FIT		(31,244,000)	(24,526,750)	(5,374,626)	(504,784)	(33,621)	(804,220)		
15 Miscellaneous Rate Base		23,843,000	15,893,651	6,475,705	773,812	82,255	617,577		
16 Total Rate Base		199,233,000	152,709,989	37,337,157	3,635,028	276,140	5,274,686		
17 Revenue From Retail Rates		157,894,000	112,965,441	38,484,113	4,341,624	441,274	1,661,549		
18 Other Operating Revenues		1,589,000	1,218,526	297,306	28,920	2,192	42,057		
19 Total Revenues		159,483,000	114,183,967	38,781,418	4,370,544	443,465	1,703,606		
<b>Operating Expenses</b>									
20 Purchased Gas Costs		102,286,000	69,977,479	28,506,518	3,401,621	362,143	38,239		
21 Underground Storage Expenses		555,000	369,659	151,312	18,545	2,039	13,446		
22 Distribution Expenses		7,819,000	6,249,817	1,252,953	97,717	8,011	210,502		
23 Customer Accounting Expenses		5,526,000	5,266,628	231,449	18,413	1,797	7,714		
24 Customer Information Expenses		526,000	517,423	8,344	114	4	115		
25 Sales Expenses		500,000	491,847	7,932	108	3	110		
26 Admin & General Expenses		10,691,000	7,893,379	1,922,424	207,875	20,891	646,431		
27 Total O&M Expenses		127,903,000	90,766,231	32,080,931	3,744,394	394,888	916,557		
28 Taxes Other Than Income Taxes		8,285,000	6,050,924	1,891,662	207,649	20,098	114,667		
29 Depreciation Expense									
30 Underground Storage Plant Depr		394,000	262,424	107,418	13,165	1,447	9,545		
31 Distribution Plant Depreciation		6,068,000	4,963,208	880,722	75,533	4,904	143,631		
32 General Plant Depreciation		1,250,000	981,247	215,036	20,197	1,345	32,175		
33 Amortization of Intangible Plant		774,000	607,639	133,107	12,499	832	19,923		
34 Total Depr & Amort Expense		8,486,000	6,814,519	1,336,283	121,394	8,529	205,275		
35 Income Tax		3,488,000	2,353,762	932,830	74,415	4,604	122,388		
36 Total Operating Expenses		148,162,000	105,985,436	36,241,707	4,147,852	428,119	1,358,886		
37 Net Income		11,321,000	8,198,531	2,539,711	222,692	15,346	344,719		
38 Rate of Return		5.68%	5.37%	6.80%	6.13%	5.56%	6.54%		
39 Return Ratio		1.00	0.94	1.20	1.08	0.98	1.15		
40 Interest Expense		6,097,000	4,673,286	1,142,605	111,240	8,451	161,418		

Sumcost  
Company Base Case  
UG Storage 80% Sales / 20% Throughput

AVISTA UTILITIES  
Summary by Function with Margin Analysis  
For the Twelve Months Ended December 31, 2009

Natural Gas Utility  
Washington Jurisdiction  
04-Mar-10

(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Description	System Total	Residential Service Sch 101	Small Firm Service Sch 111	Large Firm Service Sch 121	Interrupt Service Sch 131	Transport Service Sch 146			
<b>Functional Cost Components at Current Rates</b>									
1 Production	107,345,503	73,438,864	29,916,572	3,569,880	380,056	40,131			
2 Underground Storage	3,547,540	2,191,120	1,123,273	124,588	12,487	96,071			
3 Distribution	32,481,049	26,521,510	4,810,599	376,820	23,897	748,223			
4 Common	14,519,908	10,813,948	2,633,668	270,335	24,833	777,124			
5 <b>Total Current Rate Revenue</b>	<b>157,894,000</b>	<b>112,965,441</b>	<b>38,484,113</b>	<b>4,341,624</b>	<b>441,274</b>	<b>1,661,549</b>			
6 Exclude Cost of Gas w / Revenue Exp.	106,407,282	72,812,849	29,664,658	3,539,418	376,727	13,631			
7 <b>Total Margin Revenue at Current Rates</b>	<b>51,486,718</b>	<b>40,152,592</b>	<b>8,819,455</b>	<b>802,206</b>	<b>64,547</b>	<b>1,647,918</b>			
Margin per Therm at Current Rates									
8 Production	\$0.00473	\$0.00526	\$0.00517	\$0.00510	\$0.00507	\$0.00110			
9 Underground Storage	\$0.01787	\$0.01839	\$0.02304	\$0.02085	\$0.01901	\$0.00399			
10 Distribution	\$0.16358	\$0.22265	\$0.09866	\$0.06306	\$0.03637	\$0.03111			
11 Common	\$0.07313	\$0.09078	\$0.05402	\$0.04524	\$0.03780	\$0.03231			
12 <b>Total Current Margin Melded Rate per Therm</b>	<b>\$0.25930</b>	<b>\$0.33709</b>	<b>\$0.18088</b>	<b>\$0.13424</b>	<b>\$0.09824</b>	<b>\$0.06852</b>			
<b>Functional Cost Components at Uniform Current Return</b>									
13 Production	107,345,503	73,438,864	29,916,572	3,569,880	380,056	40,131			
14 Underground Storage	3,471,381	2,312,119	946,415	115,994	12,753	84,099			
15 Distribution	32,548,044	27,146,674	4,327,688	359,849	24,184	689,648			
16 Common	14,529,072	10,905,937	2,561,678	267,654	24,883	768,919			
17 <b>Total Uniform Current Cost</b>	<b>157,894,000</b>	<b>113,803,594</b>	<b>37,752,354</b>	<b>4,313,377</b>	<b>441,877</b>	<b>1,582,797</b>			
18 Exclude Cost of Gas w / Revenue Exp.	106,407,282	72,812,849	29,664,658	3,539,418	376,727	13,631			
19 <b>Total Uniform Current Margin</b>	<b>51,486,718</b>	<b>40,990,745</b>	<b>8,087,696</b>	<b>773,959</b>	<b>65,151</b>	<b>1,569,167</b>			
Margin per Therm at Uniform Current Return									
20 Production	\$0.00473	\$0.00526	\$0.00517	\$0.00510	\$0.00507	\$0.00110			
21 Underground Storage	\$0.01748	\$0.01941	\$0.01941	\$0.01941	\$0.01941	\$0.00350			
22 Distribution	\$0.16392	\$0.22790	\$0.08876	\$0.06022	\$0.03681	\$0.02867			
23 Common	\$0.07317	\$0.09156	\$0.05254	\$0.04479	\$0.03787	\$0.03197			
24 <b>Total Current Uniform Margin Melded Rate per Therm</b>	<b>\$0.25930</b>	<b>\$0.34412</b>	<b>\$0.16588</b>	<b>\$0.12952</b>	<b>\$0.09916</b>	<b>\$0.06524</b>			
25 <b>Margin to Cost Ratio at Current Rates</b>	<b>1.00</b>	<b>0.98</b>	<b>1.09</b>	<b>1.04</b>	<b>0.99</b>	<b>1.05</b>			
<b>Functional Cost Components at Proposed Rates</b>									
26 Production	107,328,504	73,427,234	29,911,834	3,569,315	379,996	40,125			
27 Underground Storage	4,926,609	3,188,088	1,427,594	167,887	17,947	125,093			
28 Distribution	38,693,679	31,670,133	5,641,272	462,302	29,803	890,169			
29 Common	15,434,208	11,570,442	2,757,197	283,805	25,862	796,902			
30 <b>Total Proposed Rate Revenue</b>	<b>166,383,000</b>	<b>119,855,897</b>	<b>39,737,897</b>	<b>4,483,310</b>	<b>453,608</b>	<b>1,852,289</b>			
31 Exclude Cost of Gas w / Revenue Exp.	106,390,431	72,801,318	29,659,960	3,538,857	376,667	13,629			
32 <b>Total Margin Revenue at Proposed Rates</b>	<b>59,992,569</b>	<b>47,054,579</b>	<b>10,077,937</b>	<b>944,452</b>	<b>76,941</b>	<b>1,838,660</b>			
Margin per Therm at Proposed Rates									
33 Production	\$0.00472	\$0.00525	\$0.00517	\$0.00510	\$0.00507	\$0.00110			
34 Underground Storage	\$0.02481	\$0.02676	\$0.02928	\$0.02809	\$0.02732	\$0.00520			
35 Distribution	\$0.19487	\$0.26588	\$0.11570	\$0.07736	\$0.04536	\$0.03701			
36 Common	\$0.07773	\$0.09714	\$0.05655	\$0.04749	\$0.03936	\$0.03313			
37 <b>Total Proposed Margin Melded Rate per Therm</b>	<b>\$0.30214</b>	<b>\$0.39503</b>	<b>\$0.20669</b>	<b>\$0.15805</b>	<b>\$0.11711</b>	<b>\$0.07645</b>			
<b>Functional Cost Components at Uniform Proposed Return</b>									
38 Production	107,328,504	73,427,234	29,911,834	3,569,315	379,996	40,125			
39 Underground Storage	4,885,290	3,253,855	1,331,895	163,239	17,947	118,353			
40 Distribution	38,730,021	32,009,935	5,379,966	453,124	29,803	857,194			
41 Common	15,439,185	11,620,442	2,718,243	282,356	25,862	792,282			
42 <b>Total Uniform Proposed Cost</b>	<b>166,383,000</b>	<b>120,311,466</b>	<b>39,341,938</b>	<b>4,468,033</b>	<b>453,608</b>	<b>1,807,955</b>			
43 Exclude Cost of Gas w / Revenue Exp.	106,390,431	72,801,318	29,659,960	3,538,857	376,667	13,629			
44 <b>Total Uniform Proposed Margin</b>	<b>59,992,569</b>	<b>47,510,148</b>	<b>9,681,978</b>	<b>929,176</b>	<b>76,941</b>	<b>1,794,326</b>			
Margin per Therm at Uniform Proposed Return									
45 Production	\$0.00472	\$0.00525	\$0.00517	\$0.00510	\$0.00507	\$0.00110			
46 Underground Storage	\$0.02460	\$0.02732	\$0.02732	\$0.02732	\$0.02732	\$0.00492			
47 Distribution	\$0.19506	\$0.26873	\$0.11034	\$0.07583	\$0.04536	\$0.03564			
48 Common	\$0.07776	\$0.09756	\$0.05575	\$0.04725	\$0.03936	\$0.03294			
49 <b>Total Proposed Uniform Margin Melded Rate per Therm</b>	<b>\$0.30214</b>	<b>\$0.39886</b>	<b>\$0.19857</b>	<b>\$0.15549</b>	<b>\$0.11711</b>	<b>\$0.07460</b>			
50 <b>Margin to Cost Ratio at Proposed Rates</b>	<b>1.00</b>	<b>0.99</b>	<b>1.04</b>	<b>1.02</b>	<b>1.00</b>	<b>1.02</b>			
51 <b>Current Margin to Proposed Cost Ratio</b>	<b>0.86</b>	<b>0.85</b>	<b>0.91</b>	<b>0.86</b>	<b>0.84</b>	<b>0.92</b>			

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Company Base Case  
UG Storage 80% Sales / 20% Throughput

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Summary by Classification with Unit Cost Analysis  
For the Twelve Months Ended December 31, 2009

Natural Gas Utility  
Washington Jurisdiction 04-Mar-10

(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Description	System Total	Residential Service Sch 101	Small Firm Service Sch 111	Large Firm Service Sch 121	Interrupt Service Sch 131	Transport Service Sch 146			
<b>Cost by Classification at Current Return by Schedule</b>									
1 Commodity	105,118,357	70,726,020	29,391,972	3,576,134	378,024	1,046,207			
2 Demand	26,619,793	18,099,932	7,368,264	700,422	52,433	398,742			
3 Customer	26,155,850	24,139,489	1,723,876	65,067	10,817	216,601			
4 Total Current Rate Revenue	157,894,000	112,965,441	38,484,113	4,341,624	441,274	1,661,549			
Revenue per Therm at Current Rates									
5 Commodity	\$0.52941	\$0.59376	\$0.60282	\$0.59843	\$0.57537	\$0.04350			
6 Demand	\$0.13407	\$0.15195	\$0.15112	\$0.11721	\$0.07980	\$0.01658			
7 Customer	\$0.13173	\$0.20265	\$0.03536	\$0.01089	\$0.01646	\$0.00901			
8 Total Revenue per Therm at Current Rates	\$0.79520	\$0.94836	\$0.78929	\$0.72653	\$0.67163	\$0.06908			
Cost per Unit at Current Rates									
9 Commodity Cost per Therm	\$0.52941	\$0.59376	\$0.60282	\$0.59843	\$0.57537	\$0.04350			
10 Demand Cost per Peak Day Therms	\$17.20	\$17.90	\$19.64	\$21.05	\$12.07	\$3.23			
11 Customer Cost per Customer per Month	\$14.94	\$14.01	\$62.05	\$171.23	\$901.38	\$564.06			
<b>Cost by Classification at Uniform Current Return</b>									
12 Commodity	104,953,369	70,964,477	29,043,432	3,559,197	378,385	1,007,878			
13 Demand	26,515,877	18,302,685	7,099,646	690,977	52,585	369,984			
14 Customer	26,424,753	24,536,432	1,609,276	63,203	10,907	204,936			
15 Total Uniform Current Cost	157,894,000	113,803,594	37,752,354	4,313,377	441,877	1,582,797			
Cost per Therm at Current Return									
16 Commodity	\$0.52858	\$0.59576	\$0.59567	\$0.59560	\$0.57592	\$0.04190			
17 Demand	\$0.13354	\$0.15365	\$0.14561	\$0.11563	\$0.08004	\$0.01538			
18 Customer	\$0.13308	\$0.20599	\$0.03301	\$0.01058	\$0.01660	\$0.00852			
19 Total Cost per Therm at Current Return	\$0.79520	\$0.95540	\$0.77429	\$0.72181	\$0.67255	\$0.06581			
Cost per Unit at Uniform Current Return									
20 Commodity Cost per Therm	\$0.52858	\$0.59576	\$0.59567	\$0.59560	\$0.57592	\$0.04190			
21 Demand Cost per Peak Day Therms	\$17.14	\$18.10	\$18.92	\$20.77	\$12.11	\$3.00			
22 Customer Cost per Customer per Month	\$15.09	\$14.24	\$57.93	\$166.32	\$908.90	\$533.69			
23 Revenue to Cost Ratio at Current Rates	1.00	0.99	1.02	1.01	1.00	1.05			
<b>Cost by Classification at Proposed Return by Schedule</b>									
24 Commodity	107,852,996	72,680,266	29,987,404	3,660,937	385,385	1,139,004			
25 Demand	28,869,707	19,768,225	7,829,581	747,919	55,556	468,427			
26 Customer	29,660,297	27,407,406	1,920,912	74,454	12,667	244,858			
27 Total Proposed Rate Revenue	166,383,000	119,855,897	39,737,897	4,483,310	453,608	1,852,289			
Revenue per Therm at Proposed Rates									
28 Commodity	\$0.54318	\$0.61016	\$0.61503	\$0.61263	\$0.58657	\$0.04736			
29 Demand	\$0.14540	\$0.16596	\$0.16058	\$0.12516	\$0.08456	\$0.01948			
30 Customer	\$0.14938	\$0.23009	\$0.03940	\$0.01246	\$0.01928	\$0.01018			
31 Total Revenue per Therm at Proposed Rates	\$0.83795	\$1.00621	\$0.81501	\$0.75024	\$0.69041	\$0.07701			
Cost per Unit at Proposed Rates									
32 Commodity Cost per Therm	\$0.54318	\$0.61016	\$0.61503	\$0.61263	\$0.58657	\$0.04736			
33 Demand Cost per Peak Day Therms	\$18.66	\$19.55	\$20.87	\$22.48	\$12.79	\$3.80			
34 Customer Cost per Customer per Month	\$16.94	\$15.91	\$69.15	\$195.93	\$1,055.61	\$637.65			
<b>Cost by Classification at Uniform Proposed Return</b>									
35 Commodity	107,763,272	72,809,877	29,798,807	3,651,777	385,385	1,117,426			
36 Demand	28,813,262	19,878,429	7,684,230	742,811	55,556	452,237			
37 Customer	29,806,466	27,623,160	1,858,901	73,445	12,667	238,292			
38 Total Uniform Proposed Cost	166,383,000	120,311,466	39,341,938	4,468,033	453,608	1,807,955			
Cost per Therm at Proposed Return									
39 Commodity	\$0.54273	\$0.61125	\$0.61116	\$0.61109	\$0.58657	\$0.04646			
40 Demand	\$0.14511	\$0.16688	\$0.15760	\$0.12430	\$0.08456	\$0.01880			
41 Customer	\$0.15011	\$0.23190	\$0.03813	\$0.01229	\$0.01928	\$0.00991			
42 Total Cost per Therm at Proposed Return	\$0.83795	\$1.01003	\$0.80689	\$0.74769	\$0.69041	\$0.07517			
Cost per Unit at Uniform Proposed Return									
43 Commodity Cost per Therm	\$0.54273	\$0.61125	\$0.61116	\$0.61109	\$0.58657	\$0.04646			
44 Demand Cost per Peak Day Therms	\$18.62	\$19.66	\$20.48	\$22.33	\$12.79	\$3.66			
45 Customer Cost per Customer per Month	\$17.02	\$16.04	\$66.92	\$193.28	\$1,055.61	\$620.55			
46 Revenue to Cost Ratio at Proposed Rates	1.00	1.00	1.01	1.00	1.00	1.02			
47 Current Revenue to Proposed Cost Ratio	0.95	0.94	0.98	0.97	0.97	0.92			

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(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Description	System		Residential	Small Firm	Large Firm	Interrupt	Transport		
	Total	Sch 101	Sch 111	Sch 121	Sch 131	Sch 146			
<b>Meter, Services, Meter Reading &amp; Billing Costs by Schedule at Requested Rate of Return</b>									
<b>Rate Base</b>									
1	Services	86,038,000	84,523,016	1,363,073	55,936	1,766	94,208		
2	Services Accum. Depr.	(33,626,000)	(33,033,903)	(532,726)	(21,861)	(690)	(36,819)		
3	<b>Total Services</b>	<b>52,412,000</b>	<b>51,489,113</b>	<b>830,347</b>	<b>34,075</b>	<b>1,076</b>	<b>57,389</b>		
4	Meters	37,102,000	31,083,415	5,107,956	193,912	37,603	679,114		
5	Meters Accum. Depr.	(7,469,000)	(6,257,399)	(1,028,282)	(39,036)	(7,570)	(136,712)		
6	<b>Total Meters</b>	<b>29,633,000</b>	<b>24,826,016</b>	<b>4,079,674</b>	<b>154,875</b>	<b>30,033</b>	<b>542,401</b>		
7	<b>Total Rate Base</b>	<b>82,045,000</b>	<b>76,315,129</b>	<b>4,910,021</b>	<b>188,950</b>	<b>31,109</b>	<b>599,790</b>		
8	Return on Rate Base @ 8.33%	6,834,349	6,357,050	409,005	15,740	2,591	49,963		
9	Revenue Conversion Factor	0.62130	0.62130	0.62130	0.62130	0.62130	0.62130		
10	<b>Rate Base Revenue Requirement</b>	<b>11,000,078</b>	<b>10,231,853</b>	<b>658,305</b>	<b>25,333</b>	<b>4,171</b>	<b>80,416</b>		
<b>Expenses</b>									
11	Services Depr Exp	2,334,000	2,292,902	36,977	1,517	48	2,556		
12	Meters Depr Exp	1,152,000	965,126	158,600	6,021	1,168	21,086		
13	Services Maintenance Exp	520,000	510,844	8,238	338	11	569		
14	Meters Maintenance Exp	936,000	784,165	128,862	4,892	949	17,133		
15	Meter Reading	1,393,000	1,370,285	22,098	302	10	305		
16	Billing	3,161,000	3,109,454	50,145	686	22	693		
17	<b>Total Expenses</b>	<b>9,496,000</b>	<b>9,032,775</b>	<b>404,920</b>	<b>13,757</b>	<b>2,206</b>	<b>42,342</b>		
18	Revenue Conversion Factor	0.955843	0.955843	0.955843	0.955843	0.955843	0.955843		
19	<b>Expense Revenue Requirement</b>	<b>9,934,686</b>	<b>9,450,061</b>	<b>423,626</b>	<b>14,392</b>	<b>2,308</b>	<b>44,298</b>		
20	<b>Total Meter, Service, Meter Reading, and Billing Cost</b>	<b>20,934,764</b>	<b>19,681,914</b>	<b>1,081,931</b>	<b>39,725</b>	<b>6,479</b>	<b>124,714</b>		
21	Total Customer Bills	1,751,170	1,722,614	27,780	380	12	384		
22	<b>Average Unit Cost per Month</b>	<b>\$11.95</b>	<b>\$11.43</b>	<b>\$38.95</b>	<b>\$104.54</b>	<b>\$539.90</b>	<b>\$324.78</b>		
<b>Fixed Costs per Customer</b>									
23	Total Customer Related Cost	29,806,466	27,623,160	1,858,901	73,445	12,667	238,292		
24	Customer Related Unit Cost per Month	\$17.02	\$16.04	\$66.92	\$193.28	\$1,055.61	\$620.55		
25	Other Non-Gas Costs	30,186,103	19,886,988	7,823,077	855,731	64,274	1,556,035		
26	Other Non-Gas Unit Cost per Month	\$17.24	\$11.54	\$281.61	\$2,251.92	\$5,356.14	\$4,052.17		
27	<b>Total Fixed Unit Cost per Month</b>	<b>\$34.26</b>	<b>\$27.58</b>	<b>\$348.52</b>	<b>\$2,445.20</b>	<b>\$6,411.75</b>	<b>\$4,672.72</b>		