

REDACTED

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-08 \_\_\_\_\_

DOCKET NO. UG-08 \_\_\_\_\_

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

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON PRO FORMA RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	WITH PRESENT RATES			WITH PROPOSED RATES	
		Actual Per Results Report	Total Adjustments	Pro Forma Total	Proposed Revenues & Related Exp	Pro Forma Proposed Total
	a	b	c	d	e	f
<b>REVENUES</b>						
1	Total General Business	\$372,660	\$ (17,400)	\$355,260	\$36,617	\$391,877
2	Interdepartmental Sales	739		739		739
3	Sales for Resale	89,528	(42,480)	47,048		47,048
4	Total Sales of Electricity	462,927	(59,880)	403,047	36,617	439,664
5	Other Revenue	18,604	(10,500)	8,104		8,104
6	Total Electric Revenue	481,531	(70,380)	411,151	36,617	447,768
<b>EXPENSES</b>						
<b>Production and Transmission</b>						
7	Operating Expenses	148,644	(36,904)	111,740		111,740
8	Purchased Power	110,620	(21,501)	89,119		89,119
9	Depreciation and Amortization	22,020	8,170	30,190		30,190
10	Taxes	8,771	(147)	8,624		8,624
11	Total Production & Transmission	290,055	(50,382)	239,673	0	239,673
<b>Distribution</b>						
12	Operating Expenses	14,563	1,153	15,716		15,716
13	Depreciation	11,438	4,010	15,448		15,448
14	Taxes	30,938	(13,272)	17,666	1,414	19,080
15	Total Distribution	56,939	(8,109)	48,830	1,414	50,244
16	Customer Accounting	8,640	(773)	7,867	95	7,962
17	Customer Service & Information	7,472	(6,652)	820		820
18	Sales Expenses	682	24	706		706
<b>Administrative &amp; General</b>						
19	Operating Expenses	35,912	1,191	37,103	73	37,176
20	Depreciation	6,739	232	6,971		6,971
21	Taxes		188	188		188
22	Total Admin. & General	42,651	1,611	44,262	73	44,335
23	Total Electric Expenses	406,439	(64,281)	342,158	1,582	343,740
24	OPERATING INCOME BEFORE FIT	75,092	(6,099)	68,993	35,035	104,028
<b>FEDERAL INCOME TAX</b>						
25	Current Accrual	9,917	(4,814)	5,103	12,262	17,365
26	Deferred Income Taxes	1,377	5,120	6,497		6,497
27	Amortized Investment Tax Credit					
28	SETTLEMENT EXCHANGE POWER					
29	NET OPERATING INCOME	\$63,798	(\$6,405)	\$57,393	\$22,773	\$80,166
<b>RATE BASE</b>						
<b>PLANT IN SERVICE</b>						
30	Intangible	\$20,632	\$24,774	\$45,406		\$45,406
31	Production	645,576	97,739	743,315		743,315
32	Transmission	259,532	34,962	294,494		294,494
33	Distribution	529,067	34,869	563,936		563,936
34	General	81,368	17,702	99,070		99,070
35	Total Plant in Service	1,536,175	210,046	1,746,221	0	1,746,221
36	ACCUMULATED DEPRECIATION	519,958	50,344	570,302		570,302
37	ACCUM. PROVISION FOR AMORTIZATION	6,349	55,059	61,408		61,408
38	Total Accum. Depreciation & Amort.	526,307	105,403	631,710	0	631,710
39	GAIN ON SALE OF BUILDING		(323)	(323)		(323)
40	DEFERRED TAXES		(163,244)	(163,244)		(163,244)
41	TOTAL RATE BASE	\$1,009,868	(\$58,924)	\$950,944	\$0	\$950,944
42	RATE OF RETURN	6.32%		6.04%		8.43%

**AVISTA UTILITIES**  
**Calculation of General Revenue Requirement**  
**Washington - Electric System**  
**TWELVE MONTHS ENDED DECEMBER 31, 2007**

Line No.	Description	(000's of Dollars)
1	Pro Forma Rate Base	\$950,944
2	Proposed Rate of Return	<u>8.43%</u>
3	Net Operating Income Requirement	\$80,165
4	Pro Forma Net Operating Income	<u>\$57,393</u>
5	Net Operating Income Deficiency	\$22,772
6	Conversion Factor	0.62190134
7	Revenue Requirement	<b>\$36,617</b>
8	Total General Business Revenues	\$355,999
9	Percentage Revenue Increase	<u><u>10.29%</u></u>

**AVISTA UTILITIES**  
**Revenue Conversion Factor**  
**Washington - Electric System**  
**TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	<b>Revenues</b>	1.000000
	<b>Expense:</b>	
2	Uncollectibles	0.002599
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038629
5	Franchise Fees	0.000000
6	Total Expense	<u>0.043229</u>
7	Net Operating Income Before FIT	0.956771
8	Federal Income Tax @ 35%	<u>0.334870</u>
9	<b>REVENUE CONVERSION FACTOR</b>	<u><u>0.621901</u></u>

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Per Results Report	Deferred FIT Rate Base	Deferred Gain on Office Building	Colstrip 3 AFUDC Elimination	Colstrip Common AFUDC	Kettle Falls Disallow.	Customer Advances
	a	b	c	d	e	f	g	h
<b>REVENUES</b>								
1	Total General Business	\$372,660						
2	Interdepartmental Sales	739						
3	Sales for Resale	89,528						
4	Total Sales of Electricity	462,927	0	0	0	0	0	0
5	Other Revenue	18,604						
6	Total Electric Revenue	481,531	0	0	0	0	0	0
<b>EXPENSES</b>								
Production and Transmission								
7	Operating Expenses	148,644						
8	Purchased Power	110,620						
9	Depreciation and Amortization	22,020			(225)			
10	Taxes	8,771						
11	Total Production & Transmission	290,055	0	0	(225)	0	0	0
Distribution								
12	Operating Expenses	14,563						
13	Depreciation	11,438						
14	Taxes	30,938						
15	Total Distribution	56,939	0	0	0	0	0	0
16	Customer Accounting	8,640						
17	Customer Service & Information	7,472						
18	Sales Expenses	682						
Administrative & General								
19	Operating Expenses	35,912						
20	Depreciation	6,739						
21	Taxes							
22	Total Admin. & General	42,651	0	0	0	0	0	0
23	Total Electric Expenses	406,439	0	0	(225)	0	0	0
24	OPERATING INCOME BEFORE FIT	75,092	0	0	225	0	0	0
FEDERAL INCOME TAX								
25	Current Accrual	9,917						
26	Deferred Income Taxes	1,377					56	
27	NET OPERATING INCOME	\$63,798	\$0	\$0	\$225	\$0	(\$56)	\$0
<b>RATE BASE</b>								
PLANT IN SERVICE								
28	Intangible	\$20,632						
29	Production	645,576			(7,452)	460	(5,248)	
30	Transmission	259,532						
31	Distribution	529,067						(258)
32	General	81,368						
33	Total Plant in Service	1,536,175	0	0	(7,452)	460	(5,248)	(258)
34	ACCUMULATED DEPRECIATION	519,958			(5,110)		(3,695)	
25	ACCUM. PROVISION FOR AMORTIZATION	6,349						
36	Total Accum. Depreciation & Amort.	526,307	0	0	(5,110)	0	(3,695)	0
37	GAIN ON SALE OF BUILDING			(323)				
38	DEFERRED TAXES		(139,033)	113			640	
39	TOTAL RATE BASE	\$1,009,868	(\$139,033)	(\$210)	(\$2,342)	\$460	(\$913)	(\$258)
40	RATE OF RETURN	6.32%						

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Depreciation True-up	Settlement Exchange Power	Subtotal Actual	Eliminate B & O Taxes	Property Tax	Uncollect. Expense	Regulatory Expense
	a	i	j	-	k	l	m	n
REVENUES								
1	Total General Business			\$372,660	\$(12,625)			
2	Interdepartmental Sales			739				
3	Sales for Resale			89,528				
4	Total Sales of Electricity	0	0	462,927	(12,625)	0	0	0
5	Other Revenue			18,604	(17)			
6	Total Electric Revenue	0	0	481,531	(12,642)	0	0	0
EXPENSES								
Production and Transmission								
7	Operating Expenses			148,644				
8	Purchased Power			110,620				
9	Depreciation and Amortization	(2,782)		19,013				
10	Taxes			8,771		(452)		
11	Total Production & Transmission	(2,782)	0	287,048	0	(452)	0	0
Distribution								
12	Operating Expenses			14,563				
13	Depreciation	3,344		14,782				
14	Taxes			30,938	(12,613)	(818)		
15	Total Distribution	3,344	0	60,283	(12,613)	(818)	0	0
16	Customer Accounting			8,640			(107)	
17	Customer Service & Information			7,472				
18	Sales Expenses			682				
Administrative & General								
19	Operating Expenses			35,912				19
20	Depreciation	(888)		5,851				
21	Taxes					(9)		
22	Total Admin. & General	(888)	0	41,763	0	(9)	0	19
23	Total Electric Expenses	(326)	0	405,888	(12,613)	(1,279)	(107)	19
24	OPERATING INCOME BEFORE FIT	326	0	75,643	(29)	1,279	107	(19)
FEDERAL INCOME TAX								
25	Current Accrual	114		10,031	(10)	448	37	(7)
26	Deferred Income Taxes			1,433				
27	NET OPERATING INCOME	\$212	\$0	\$64,179	(\$19)	\$831	\$70	(\$12)
RATE BASE								
PLANT IN SERVICE								
28	Intangible			\$20,632				
29	Production		79,626	712,962				
30	Transmission			259,532				
31	Distribution			528,809				
32	General			81,368				
33	Total Plant in Service	0	79,626	1,603,303	0	0	0	0
34	ACCUMULATED DEPRECIATION			511,153				
25	ACCUM. PROVISION FOR AMORTIZATION		54,718	61,067				
36	Total Accum. Depreciation & Amort.	0	54,718	572,220	0	0	0	0
37	GAIN ON SALE OF BUILDING			(323)				
38	DEFERRED TAXES		(4,476)	(142,756)				
39	TOTAL RATE BASE	\$0	\$20,432	\$888,004	\$0	\$0	\$0	\$0
40	RATE OF RETURN			7.23%				

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Injuries and Damages	FIT	Eliminate WA Power Cost Defer	Nez Perce Settlement Adjustment	Eliminate A/R Expenses	Office Space Charges to Subsidiaries	Restate Excise Taxes
	a	o	p	q	r	s	t	u
<b>REVENUES</b>								
1	Total General Business			\$ (32,418)				
2	Interdepartmental Sales							
3	Sales for Resale							
4	Total Sales of Electricity	0	0	(32,418)	0	0	0	0
5	Other Revenue							
6	Total Electric Revenue	0	0	(32,418)	0	0	0	0
<b>EXPENSES</b>								
Production and Transmission								
7	Operating Expenses			(14,658)	9			
8	Purchased Power							
9	Depreciation and Amortization							
10	Taxes							
11	Total Production & Transmission	0	0	(14,658)	9	0	0	0
Distribution								
12	Operating Expenses							
13	Depreciation							
14	Taxes			(1,251)				(50)
15	Total Distribution	0	0	(1,251)	0	0	0	(50)
16	Customer Accounting			(103)		(913)		
17	Customer Service & Information							
18	Sales Expenses							
Administrative & General								
19	Operating Expenses	(12)		(62)			(10)	
20	Depreciation							
21	Taxes							
22	Total Admin. & General	(12)	0	(62)	0	0	(10)	0
23	Total Electric Expenses	(12)	0	(16,074)	9	(913)	(10)	(50)
24	OPERATING INCOME BEFORE FIT	12	0	(16,344)	(9)	913	10	50
FEDERAL INCOME TAX								
25	Current Accrual	4	(83)	(10,851)	(3)	320	4	18
26	Deferred Income Taxes		(66)	5,130				
27	NET OPERATING INCOME	\$8	\$149	(\$10,623)	(\$6)	\$593	\$6	\$32
<b>RATE BASE</b>								
PLANT IN SERVICE								
28	Intangible							
29	Production							
30	Transmission							
31	Distribution							
32	General							
33	Total Plant in Service	0	0	0	0	0	0	0
34	ACCUMULATED DEPRECIATION							
25	ACCUM. PROVISION FOR AMORTIZATION							
36	Total Accum. Depreciation & Amort.	0	0	0	0	0	0	0
37	GAIN ON SALE OF BUILDING							
38	DEFERRED TAXES							
39	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
40	RATE OF RETURN							

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Net Gains/losses	Revenue Normalization	Restate Debt Interest	Restated TOTAL	Pro Forma Power Supply	Pro Forma Prod Property Adj
	a	v	w	x	Y	PF1	PF2
<b>REVENUES</b>							
1	Total General Business		\$27,643		\$355,260		
2	Interdepartmental Sales				739		
3	Sales for Resale				89,528	(42,480)	
4	Total Sales of Electricity	0	27,643	0	445,527	(42,480)	0
5	Other Revenue		411		18,998	(8,435)	(1,595)
6	Total Electric Revenue	0	28,054	0	464,525	(50,915)	(1,595)
<b>EXPENSES</b>							
Production and Transmission							
7	Operating Expenses		11		134,006	(19,555)	(7,405)
8	Purchased Power				110,620	(21,501)	
9	Depreciation and Amortization		5,582		24,595		
10	Taxes				8,319		
11	Total Production & Transmission	0	5,593	0	277,540	(41,056)	(7,405)
Distribution							
12	Operating Expenses				14,563		
13	Depreciation	(105)			14,677		
14	Taxes		1,083		17,289		
15	Total Distribution	(105)	1,083	0	46,529	0	0
16	Customer Accounting		75		7,592		
17	Customer Service & Information		(6,668)		804		
18	Sales Expenses				682		
Administrative & General							
19	Operating Expenses		56		35,903		
20	Depreciation				5,851		
21	Taxes				(9)		
22	Total Admin. & General	0	56	0	41,745	0	0
23	Total Electric Expenses	(105)	139	0	374,892	(41,056)	(7,405)
24	OPERATING INCOME BEFORE FIT	105	27,915	0	89,633	(9,859)	5,810
FEDERAL INCOME TAX							
25	Current Accrual	37	9,770	2,612	12,327	(3,451)	2,034
26	Deferred Income Taxes				6,497		
27	NET OPERATING INCOME	\$68	\$18,145	(\$2,612)	\$70,809	(\$6,408)	\$3,776
<b>RATE BASE</b>							
PLANT IN SERVICE							
28	Intangible				\$20,632		
29	Production				712,962		(17,504)
30	Transmission				259,532		
31	Distribution				528,809		
32	General				81,368		
33	Total Plant in Service	0	0	0	1,603,303	0	(17,504)
34	ACCUMULATED DEPRECIATION				511,153		
25	ACCUM. PROVISION FOR AMORTIZATION				61,067		
36	Total Accum. Depreciation & Amort.	0	0	0	572,220	0	0
37	GAIN ON SALE OF BUILDING				(323)		
38	DEFERRED TAXES				(142,756)		
39	TOTAL RATE BASE	\$0	\$0	\$0	\$888,004	\$0	(\$17,504)
40	RATE OF RETURN				7.97%		



AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Labor Non-Exec	Pro Forma Labor Exec	Pro Forma Transmission Rev/Exp	Pro Forma Capital Add 2007	Pro Forma Capital Add 2008	Pro Forma Asset Management
	a	PF3	PF4	PF5	PF6	PF7	PF8
<b>REVENUES</b>							
1	Total General Business						
2	Interdepartmental Sales						
3	Sales for Resale						
4	Total Sales of Electricity	0	0	0	0	0	0
5	Other Revenue			(864)			
6	Total Electric Revenue	0	0	(864)	0	0	0
<b>EXPENSES</b>							
Production and Transmission							
7	Operating Expenses	813	38	(114)			1,238
8	Purchased Power						
9	Depreciation and Amortization				431	476	
10	Taxes					305	
11	Total Production & Transmission	813	38	(114)	431	781	1,238
Distribution							
12	Operating Expenses	619					534
13	Depreciation				59	712	
14	Taxes					377	
15	Total Distribution	619	0	0	59	1,089	534
16	Customer Accounting	275					
17	Customer Service & Information	16					
18	Sales Expenses	24					
Administrative & General							
19	Operating Expenses	595	208				
20	Depreciation				42	1,078	
21	Taxes					197	
22	Total Admin. & General	595	208	0	42	1,275	0
23	Total Electric Expenses	2,342	246	(114)	532	3,145	1,772
24	OPERATING INCOME BEFORE FIT	(2,342)	(246)	(750)	(532)	(3,145)	(1,772)
FEDERAL INCOME TAX							
25	Current Accrual	(820)	(86)	(263)	(186)	(1,101)	(620)
26	Deferred Income Taxes						
27	NET OPERATING INCOME	(\$1,522)	(\$160)	(\$487)	(\$346)	(\$2,044)	(\$1,152)
<b>RATE BASE</b>							
PLANT IN SERVICE							
28	Intangible				\$542	\$1,931	
29	Production				6,805	12,771	
30	Transmission				27,156	7,806	
31	Distribution				9,658	25,469	
32	General				5,935	11,767	
33	Total Plant in Service	0	0	0	50,096	59,744	0
34	ACCUMULATED DEPRECIATION				14,227	44,922	
35	ACCUM. PROVISION FOR AMORTIZATION						
36	Total Accum. Depreciation & Amort.	0	0	0	14,227	44,922	0
37	GAIN ON SALE OF BUILDING						
38	DEFERRED TAXES				(3,060)	(7,530)	
39	TOTAL RATE BASE	\$0	\$0	\$0	\$32,809	\$7,292	\$0
40	RATE OF RETURN						

AVISTA UTILITIES  
 ELECTRIC RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2007  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma	Pro Forma	Pro Forma
		Colstrip Mercury Emiss. O&M	Incentives	TOTAL
		PF12	PF13	PFT
<b>REVENUES</b>				
1	Total General Business			\$355,260
2	Interdepartmental Sales			739
3	Sales for Resale			47,048
4	Total Sales of Electricity	0	0	403,047
5	Other Revenue			8,104
6	Total Electric Revenue	0	0	411,151
<b>EXPENSES</b>				
Production and Transmission				
7	Operating Expenses	969		111,740
8	Purchased Power			89,119
9	Depreciation and Amortization			30,190
10	Taxes			8,624
11	Total Production & Transmission	969	0	239,673
Distribution				
12	Operating Expenses			15,716
13	Depreciation			15,448
14	Taxes			17,666
15	Total Distribution	0	0	48,830
16	Customer Accounting			7,867
17	Customer Service & Information			820
18	Sales Expenses			706
Administrative & General				
19	Operating Expenses		397	37,103
20	Depreciation			6,971
21	Taxes			188
22	Total Admin. & General	0	397	44,262
23	Total Electric Expenses	969	397	342,158
24	OPERATING INCOME BEFORE FIT	(969)	(397)	68,993
FEDERAL INCOME TAX				
25	Current Accrual	(339)	(139)	5,103
26	Deferred Income Taxes			6,497
27	NET OPERATING INCOME	(\$630)	(\$258)	\$57,393
<b>RATE BASE</b>				
PLANT IN SERVICE				
28	Intangible			\$45,406
29	Production			743,315
30	Transmission			294,494
31	Distribution			563,936
32	General			99,070
33	Total Plant in Service	0	0	1,746,221
34	ACCUMULATED DEPRECIATION			570,302
25	ACCUM. PROVISION FOR AMORTIZATION			61,408
36	Total Accum. Depreciation & Amort.	0	0	631,710
37	GAIN ON SALE OF BUILDING			(323)
38	DEFERRED TAXES			(163,244)
39	TOTAL RATE BASE	\$0	\$0	\$950,944
40	RATE OF RETURN			6.04%

CONFIDENTIAL per WAC 480-07-160

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REPRESENTING AVISTA CORPORATION

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 WASHINGTON PRO FORMA RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	WITH PRESENT RATES			WITH PROPOSED RATES	
		Actual Per Results Report	Total Adjustments	Pro Forma Total	Proposed Revenues & Related Exp	Pro Forma Proposed Total
	a	b	c	d	e	f
<b>REVENUES</b>						
1	Total General Business	\$212,985	\$ (16,662)	\$196,323	\$6,587	\$202,910
2	Total Transportation	3,335	(1,712)	1,623		1,623
3	Other Revenues	68,416	(66,620)	1,796		1,796
4	Total Gas Revenues	284,736	(84,994)	199,742	6,587	206,329
<b>EXPENSES</b>						
5	Exploration and Development					
	Production					
6	City Gate Purchases	219,332	(73,561)	145,771		145,771
7	Purchased Gas Expense	792	36	828		828
8	Net Nat Gas Storage Trans	283	(283)	-		0
9	Total Production	220,407	(73,808)	146,599	0	146,599
	Underground Storage					
10	Operating Expenses	451	1	452		452
11	Depreciation	310	32	342		342
12	Taxes	124	103	227		227
13	Total Underground Storage	885	136	1,021	0	1,021
	Distribution					
14	Operating Expenses	6,611	136	6,747		6,747
15	Depreciation	5,618	(482)	5,136		5,136
16	Taxes	17,856	(8,403)	9,453	253	9,706
17	Total Distribution	30,085	(8,749)	21,336	253	21,589
18	Customer Accounting	4,735	(122)	4,613	17	4,630
19	Customer Service & Information	4,658	(3,825)	833		833
20	Sales Expenses	516	15	531		531
	Administrative & General					
21	Operating Expenses	8,771	406	9,177	13	9,190
22	Depreciation	683	1,256	1,939		1,939
23	Taxes	24	48	72		72
24	Total Admin. & General	9,478	1,710	11,188	13	11,201
25	Total Gas Expense	270,764	(84,643)	186,121	283	186,404
26	OPERATING INCOME BEFORE FIT	13,972	(351)	13,621	6,304	19,925
<b>FEDERAL INCOME TAX</b>						
27	Current Accrual	4,307	304	4,611	2,206	6,817
28	Deferred FIT	(1,368)	(74)	(1,442)		(1,442)
29	Amort ITC	(31)	0	(31)		(31)
30	NET OPERATING INCOME	11,064	(\$581)	10,483	\$4,098	\$14,581
<b>RATE BASE: PLANT IN SERVICE</b>						
31	Underground Storage	13,758	8,738	22,496		22,496
32	Distribution Plant	229,417	9,513	238,930		238,930
33	General Plant	21,708	4,778	26,486		26,486
34	Total Plant in Service	264,883	23,029	287,912	0	287,912
<b>ACCUMULATED DEPRECIATION</b>						
35	Underground Storage	7,427	438	7,865		7,865
36	Distribution Plant	77,997	6,277	84,274		84,274
37	General Plant	7,136	2,281	9,417		9,417
38	Total Accum. Depreciation	92,560	8,996	101,556	0	101,556
39	DEFERRED FIT	0	(29,164)	(29,164)		(29,164)
40	GAS INVENTORY	0	15,874	15,874		15,874
41	GAIN ON SALE OF BUILDING	0	(109)	(109)		(109)
42	TOTAL RATE BASE	172,323	\$634	172,957	\$0	\$172,957
43	RATE OF RETURN	6.42%		6.06%		8.43%

**AVISTA UTILITIES**  
**Calculation of General Revenue Requirement**  
**Washington - Gas**  
**TWELVE MONTHS ENDED DECEMBER 31, 2007**  
**(000's OF DOLLARS)**

Line No.	Description	WASH
1	Pro Forma Rate Base	\$172,957
2	Proposed Rate of Return	<u>8.430%</u>
3	Net Operating Income Requirement	\$14,580
4	Pro Forma Net Operating Income	<u>\$10,483</u>
5	Net Operating Income Deficiency	\$4,097
6	Conversion Factor	0.622038
7	Revenue Requirement	<b>\$6,587</b>
8	Total General Business Revenues	\$197,946
9	Percentage Revenue Increase	<u><u>3.33%</u></u>

**AVISTA UTILITIES**  
**Revenue Conversion Factor**  
**Washington - Gas System**  
**TWELVE MONTHS ENDED DECEMBER 31, 2006**

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	<b>Revenues</b>	1.000000
	<b>Expense:</b>	
2	Uncollectibles	0.002599
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038420
5	Franchise Fees (City of Millwood Expired in 2004)	0.000000
6	Total Expense	<u>0.043019</u>
7	Net Operating Income Before FIT	0.956981
8	Federal Income Tax @ 35%	0.334943
9	REVENUE CONVERSION FACTOR	<u><u>0.622038</u></u>

AVISTA UTILITIES  
GAS RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(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
	a	b	c	d	e	f	g	h
<b>REVENUES</b>								
1	Total General Business	\$212,985						
2	Total Transportation	3,335						
3	Other Revenues	68,416						
4	Total Gas Revenues	284,736	0	0	0	0	0	0
<b>EXPENSES</b>								
5	Exploration and Development	0						
Production								
6	City Gate Purchases	219,332						
7	Purchased Gas Expense	792						
8	Net Nat Gas Storage Trans	283						
9	Total Production	220,407	0	0	0	0	0	0
Underground Storage								
10	Operating Expenses	451						
11	Depreciation	310						(60)
12	Taxes	124						
13	Total Underground Storage	885	0	0	0	0	0	(60)
Distribution								
14	Operating Expenses	6,611						
15	Depreciation	5,618						(205)
16	Taxes	17,856						
17	Total Distribution	30,085	0	0	0	0	0	(205)
18	Customer Accounting	4,735			0	0		
19	Customer Service & Information	4,658						
20	Sales Expenses	516						
Administrative & General								
21	Operating Expenses	8,771						
22	Depreciation	683						(65)
23	Taxes	24						
24	Total Admin. & General	9,478	0	0	0	0	0	(65)
25	Total Gas Expense	270,764	0	0	0	0	0	(330)
26	OPERATING INCOME BEFORE FIT	13,972	0	0	0	0	0	330
FEDERAL INCOME TAX								
27	Current Accrual	4,307						116
28	Deferred FIT	(1,368)						
29	Amort ITC	(31)						
30	NET OPERATING INCOME	\$11,064	\$0	\$0	\$0	\$0	\$0	\$214
<b>RATE BASE: PLANT IN SERVICE</b>								
31	Underground Storage	13,758						
32	Distribution Plant	229,417				784	(64)	
33	General Plant	21,708						
34	Total Plant in Service	264,883	0	0	0	784	(64)	0
<b>ACCUMULATED DEPRECIATION</b>								
35	Underground Storage	7,427						
36	Distribution Plant	77,997						
37	General Plant	7,136						
38	Total Accum. Depreciation	92,560	0	0	0	0	0	0
39	DEFERRED FIT	0	(26,823)	38				
40	GAS INVENTORY	0			5,607			
41	GAIN ON SALE OF BUILDING	0		(109)				
42	TOTAL RATE BASE	\$172,323	(\$26,823)	(\$71)	\$5,607	\$784	(\$64)	\$0
43	RATE OF RETURN							

AVISTA UTILITIES  
GAS RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Subtotal Actual	Revenue Normalization & Gas Cost Adjust	Eliminate B & O Taxes	Property Tax	Uncollectible Expense	Regulatory Expense Adjustment	Injuries and Damages
	a	-	i	j	k	l	m	n
REVENUES								
1	Total General Business	\$212,985	\$ (9,038)	\$ (7,624)				
2	Total Transportation	3,335	(1,640)	(72)				
3	Other Revenues	68,416	(64,804)					
4	Total Gas Revenues	284,736	(75,482)	(7,696)	0	0	0	0
EXPENSES								
5	Exploration and Development	0						
Production								
6	City Gate Purchases	219,332	(73,561)					
7	Purchased Gas Expense	792						
8	Net Nat Gas Storage Trans	283	(283)					
9	Total Production	220,407	(73,844)	0	0	0	0	0
Underground Storage								
10	Operating Expenses	451						
11	Depreciation	250						
12	Taxes	124			(29)			
13	Total Underground Storage	825	0	0	(29)	0	0	0
Distribution								
14	Operating Expenses	6,611						
15	Depreciation	5,413						
16	Taxes	17,856	(344)	(7,690)	(492)			
17	Total Distribution	29,880	(344)	(7,690)	(492)	0	0	0
18	Customer Accounting	4,735	(24)	0		(105)	0	
19	Customer Service & Information	4,658	(3,835)					
20	Sales Expenses	516						
Administrative & General								
21	Operating Expenses	8,771	(18)				12	113
22	Depreciation	618	815					
23	Taxes	24			(4)			
24	Total Admin. & General	9,413	797	0	(4)	0	12	113
25	Total Gas Expense	270,434	(77,250)	(7,690)	(525)	(105)	12	113
26	OPERATING INCOME BEFORE FIT	14,302	1,768	(6)	525	105	(12)	(113)
FEDERAL INCOME TAX								
27	Current Accrual	4,423	619	(2)	184	37	(4)	(40)
28	Deferred FIT	(1,368)						
29	Amort ITC	(31)						
30	NET OPERATING INCOME	\$11,278	\$1,149	(\$4)	\$341	\$68	(\$8)	(\$73)
RATE BASE: PLANT IN SERVICE								
31	Underground Storage	13,758						
32	Distribution Plant	230,137						
33	General Plant	21,708						
34	Total Plant in Service	265,603	0	0	0	0	0	0
ACCUMULATED DEPRECIATION								
35	Underground Storage	7,427						
36	Distribution Plant	77,997						
37	General Plant	7,136						
38	Total Accum. Depreciation	92,560	0	0	0	0	0	0
39	DEFERRED FIT	(26,785)						
40	GAS INVENTORY	5,607						
41	GAIN ON SALE OF BUILDING	(109)						
42	TOTAL RATE BASE	\$151,756	\$0	\$0	\$0	\$0	\$0	\$0
43	RATE OF RETURN	7.43%						



AVISTA UTILITIES  
GAS RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	FIT	Net Gains/losses	Eliminate A/R Expenses	Office Space Charges to Subs	Restate Excise Taxes	O&M Savings	Restate Debt Interest
	a	o	p	q	r	s	t	u
<b>REVENUES</b>								
1	Total General Business							
2	Total Transportation							
3	Other Revenues							
4	Total Gas Revenues	0	0	0	0	0	0	0
<b>EXPENSES</b>								
5	Exploration and Development							
	Production							
6	City Gate Purchases							
7	Purchased Gas Expense							
8	Net Nat Gas Storage Trans							
9	Total Production	0	0	0	0	0	0	0
	Underground Storage							
10	Operating Expenses							
11	Depreciation							
12	Taxes							
13	Total Underground Storage	0	0	0	0	0	0	0
	Distribution							
14	Operating Expenses						(144)	
15	Depreciation		(13)					
16	Taxes					23		
17	Total Distribution	0	(13)	0	0	23	(144)	0
18	Customer Accounting		0	(153)	0	0	0	
19	Customer Service & Information							
20	Sales Expenses							
	Administrative & General							
21	Operating Expenses				(3)			
22	Depreciation							
23	Taxes							
24	Total Admin. & General	0	0	0	(3)	0	0	0
25	Total Gas Expense	0	(13)	(153)	(3)	23	(144)	0
26	OPERATING INCOME BEFORE FIT	0	13	153	3	(23)	144	0
<b>FEDERAL INCOME TAX</b>								
27	Current Accrual	83	5	54	1	(8)	50	342
28	Deferred FIT	(74)						
29	Amort ITC							
30	NET OPERATING INCOME	(\$9)	\$8	\$99	\$2	(\$15)	\$94	(\$342)
<b>RATE BASE: PLANT IN SERVICE</b>								
31	Underground Storage							
32	Distribution Plant							
33	General Plant							
34	Total Plant in Service	0	0	0	0	0	0	0
<b>ACCUMULATED DEPRECIATION</b>								
35	Underground Storage							
36	Distribution Plant							
37	General Plant							
38	Total Accum. Depreciation	0	0	0	0	0	0	0
39	DEFERRED FIT							
40	GAS INVENTORY							
41	GAIN ON SALE OF BUILDING							
42	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
43	RATE OF RETURN							

AVISTA UTILITIES  
GAS RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Restated Total	Pro Forma Labor Non-Exec	Pro Forma Labor Exec	Pro Forma JP Storage	Pro Forma Capital Add 2007	Pro Forma Capital Add 2008
	a	-	PF1	PF2	PF3	PF4	PF5
<b>REVENUES</b>							
1	Total General Business	\$196,323					
2	Total Transportation	1,623					
3	Other Revenues	3,612			(1,816)		
4	Total Gas Revenues	201,558	0	0	(1,816)	0	0
<b>EXPENSES</b>							
5	Exploration and Development	0					
Production							
6	City Gate Purchases	145,771					
7	Purchased Gas Expense	792	24	12			
8	Net Nat Gas Storage Trans	0					
9	Total Production	146,563	24	12	0	0	0
Underground Storage							
10	Operating Expenses	451	1				
11	Depreciation	250			\$166	(74)	
12	Taxes	95			\$132		
13	Total Underground Storage	796	1	0	298	(74)	0
Distribution							
14	Operating Expenses	6,467	280				
15	Depreciation	5,400				(412)	148
16	Taxes	9,353					100
17	Total Distribution	21,220	280	0	0	(412)	248
18	Customer Accounting	4,453	160				0
19	Customer Service & Information	823	10				
20	Sales Expenses	516	15				
Administrative & General							
21	Operating Expenses	8,875	144	54			
22	Depreciation	1,433				224	282
23	Taxes	20					52
24	Total Admin. & General	10,328	144	54	0	224	334
25	Total Gas Expense	184,699	634	66	298	(262)	582
26	OPERATING INCOME BEFORE FIT	16,859	(634)	(66)	(2,114)	262	(582)
FEDERAL INCOME TAX							
27	Current Accrual	5,744	(222)	(23)	(740)	92	(204)
28	Deferred FIT	(1,442)					
29	Amort ITC	(31)					
30	NET OPERATING INCOME	\$12,588	(\$412)	(\$43)	(\$1,374)	\$170	(\$378)
<b>RATE BASE: PLANT IN SERVICE</b>							
31	Underground Storage	13,758			\$8,780	\$(42)	
32	Distribution Plant	230,137				2,052	6,741
33	General Plant	21,708				1,208	3,570
34	Total Plant in Service	265,603	0	0	8,780	3,218	10,311
<b>ACCUMULATED DEPRECIATION</b>							
35	Underground Storage	7,427			\$110	151	177
36	Distribution Plant	77,997				1,229	5,048
37	General Plant	7,136				517	1,764
38	Total Accum. Depreciation	92,560	0	0	110	1,897	6,989
39	DEFERRED FIT	(26,785)			\$(242)	(772)	(1,365)
40	GAS INVENTORY	5,607			\$10,267		
41	GAIN ON SALE OF BUILDING	(109)					
42	TOTAL RATE BASE	\$151,756	\$0	\$0	\$18,695	\$549	\$1,957
43	RATE OF RETURN	8.29%					

AVISTA UTILITIES  
GAS RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Incentives	Pro Forma Total
	a	PF6	-
	REVENUES		
1	Total General Business		\$196,323
2	Total Transportation		1,623
3	Other Revenues		1,796
4	Total Gas Revenues	0	199,742
	EXPENSES		
5	Exploration and Development		0
	Production		
6	City Gate Purchases		145,771
7	Purchased Gas Expense		828
8	Net Nat Gas Storage Trans		0
9	Total Production	0	146,599
	Underground Storage		
10	Operating Expenses		452
11	Depreciation		342
12	Taxes		227
13	Total Underground Storage	0	1,021
	Distribution		
14	Operating Expenses		6,747
15	Depreciation		5,136
16	Taxes		9,453
17	Total Distribution	0	21,336
18	Customer Accounting	0	4,613
19	Customer Service & Information		833
20	Sales Expenses		531
	Administrative & General		
21	Operating Expenses	104	9,177
22	Depreciation		1,939
23	Taxes		72
24	Total Admin. & General	104	11,188
25	Total Gas Expense	104	186,121
26	OPERATING INCOME BEFORE FIT	(104)	13,621
	FEDERAL INCOME TAX		
27	Current Accrual	(36)	4,611
28	Deferred FIT		(1,442)
29	Amort ITC		(31)
30	NET OPERATING INCOME	(\$68)	\$10,483
	RATE BASE: PLANT IN SERVICE		
31	Underground Storage		22,496
32	Distribution Plant		238,930
33	General Plant		26,486
34	Total Plant in Service	0	287,912
	ACCUMULATED DEPRECIATION		
35	Underground Storage		7,865
36	Distribution Plant		84,274
37	General Plant		9,417
38	Total Accum. Depreciation	0	101,556
39	DEFERRED FIT		(29,164)
40	GAS INVENTORY		15,874
41	GAIN ON SALE OF BUILDING		(109)
42	TOTAL RATE BASE	\$0	\$172,957
43	RATE OF RETURN		6.06%