

AVISTA UTILITIES

GAS 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
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f</i>
REVENUES						
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
EXPENSES						
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
FEDERAL INCOME TAX						
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
RATE BASE: PLANT IN SERVICE						
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
ACCUMULATED DEPRECIATION						
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	\$6,587
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, 2007

Line No.	Description	Factor
1	Revenues	1.000000
	Expense:	
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>