

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-14_____

EXHIBIT NO. ____ (TLK-2)

TARA L. KNOX

REPRESENTING AVISTA CORPORATION

AVISTA UTILITIES

**AVERAGE PRODUCTION AND TRANSMISSION COST
WASHINGTON ELECTRIC
TWELVE MONTHS ENDED JUNE, 2013**

Line	Column	Description of Adjustment	(000's)	Production / Transmission					
				Revenue	Expense	Plant	Acc Depreciation	Deferred D/C	Deferred Tax
1		Per Results Report		213,278	406,224	1,138,225	(431,247)	17,969	(113,475)
2	1.01	Deferred FIT Rate Base		-	-	-	-	-	(1,890)
3	1.02	Deferred Debits and Credits		-	127	-	-	(8,768)	-
4	1.03	Working Capital		-	-	-	-	-	-
5	2.01	Eliminate B & O Taxes		-	-	-	-	-	-
6	2.02	Restate 2013 Property Tax		-	732	-	-	-	-
7	2.03	Uncollect. Expense		-	-	-	-	-	-
8	2.04	Regulatory Expense		-	-	-	-	-	-
9	2.05	Injuries and Damages		-	-	-	-	-	-
10	2.06	FIT/DFIT/ ITC/PTC Expense		-	-	-	-	-	-
11	2.07	Office Space Charges to Subsidiaries		-	-	-	-	-	-
12	2.08	Restate Excise Taxes		-	-	-	-	-	-
13	2.09	Net Gains / Losses		-	-	-	-	-	-
14	2.10	Revenue Normalization 2013		-	8,587	-	-	-	-
15	2.11	Eliminate WA Power Cost Defer		-	(4,888)	-	-	-	-
16	2.12	Nez Perce Settlement Adjustment		-	12	-	-	-	-
17	2.13	Misc. Restating Expenses		-	(5)	-	-	-	-
18	2.14	Restate Incentive Expenses		-	-	-	-	-	-
19	2.15	Colstrip / CS2 Maintenance Amort		-	550	-	-	-	-
20	2.16	Restate Debt Interest		-	-	-	-	-	-
21	2.17	Restate June 30 2013 Capital EOP		-	(1,214)	22,536	(8,433)	-	(1,795)
22	3.00	Pro Forma Power Supply		(153,358)	(155,640)	-	-	-	-
23	3.01	Pro Forma Transmission Rev/Exp		(6,040)	(607)	-	-	-	-
24	3.02	Pro Forma Labor Non-Exec		-	541	-	-	-	-
25	3.03	Pro Forma Labor Exec		-	(27)	-	-	-	-
26	3.04	Pro Forma Employee Benefits		-	(267)	-	-	-	-
27	3.05	Pro Forma Insurance Expense		-	-	-	-	-	-
28	3.06	Pro Forma Property Tax		-	1,433	-	-	-	-
29	3.07	Pro Forma Information Tech/Serv Exp		-	-	-	-	-	-
30	4.00	Planned Capital Add Dec 2013 EOP		-	389	20,885	(11,443)	-	(2,733)
31	4.01	Planned Capital Add 2014 EOP		-	1,025	53,672	(23,459)	-	(3,311)
32	4.02	Planned Capital Add 2015 AMA		-	522	27,465	(12,335)	-	(1,347)
33	4.03	DSM		-	-	-	-	-	-
34	4.04	Reconcile Pro Forma To Attrition		-	-	-	-	-	-
35	4.05	Lake Spokane Deferral 3-YR Amort		-	290	-	-	726	(254)
36	4.06	O&M Offsets		-	(110)	-	-	-	-
37	4.07	Revenue Normalization 2014		-	-	-	-	-	-
38	Pro Forma Total			53,880	257,675	1,262,783	(486,917)	9,927	(124,805)

AVISTA UTILITIES

**AVERAGE PRODUCTION AND TRANSMISSION COST
WASHINGTON ELECTRIC
TWELVE MONTHS ENDED JUNE, 2013**

PROPOSED PRODUCTION AND TRANSMISSION COSTS

CALCULATION OF RETAIL REVENUE CREDIT RATE

Line			(\$000's)	Debt Cost
1	Prod/Trans	Pro Forma Rate Base	660,988	
2	Cost of Capital	Proposed Rate of Return	<u>7.710%</u>	2.76%
3	Rate Base	Net Operating Income Requirement	\$50,962	
4	Tax Effect	Net Operating Income Requirement (Rate Base x Debt Cost x -35%)	(\$6,385)	
5	Net Expense	Net Operating Income Requirement (Expense - Revenue)	203,795	
6	Tax Effect	Net Operating Income Requirement (Net Expense x -.35%)	(\$71,328)	
7	Total Prod/Trans	Net Operating Income Requirement	\$177,043	
8	1 - Tax Rate	Conversion Factor (Excl. Rev. Rel. Exp.)	0.65	
9	Prod/Trans	Revenue Requirement	\$272,375	
10	Test Year WA Normalized Retail Load MWh		5,571,472	
11	Prod/Trans Cost per kWh		\$ 0.04889	
12	Cost of Service Energy Classified Production/Transmission Costs		\$198,823	
13	Cost of Service Total Production/Transmission Costs		\$289,281	
14	Retail Revenue Credit Rate per kWh (Line 11 * Line 12 / Line 13)		\$ 0.03360	