

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION	)	
	)	DOCKET UE-070804
Complainant,	)	
	)	and
v.	)	
	)	DOCKET UG-070805
AVISTA CORPORATION d/b/a	)	(consolidated)
AVISTA UTILITIES	)	
	)	
Respondent.	)	
.....	)	
	)	
In the matter of the Petition of	)	
	)	DOCKET UE-070311
	)	(consolidated)
AVISTA CORPORATION, d/b/a	)	
AVISTA UTILITIES,	)	FULL SETTLEMENT STIPULATION
	)	
For an Accounting Order Regarding the	)	
Appropriate Treatment of the Net Costs	)	
Associated with the Repurchase of Debt	)	
.....	)	

**I. PARTIES**

1. This Full Settlement Stipulation is entered into by Avista Corporation (“Avista” or the “Company”), the Staff of Washington Utilities and Transportation Commission (“Staff”), the Public Counsel Section of the Washington Office of Attorney General (“Public Counsel”), Northwest Industrial Gas Users (“NWIGU”), Industrial Customers of Northwest Utilities (“ICNU”), and The Energy Project, jointly referred to herein as the “Stipulating Parties.” As such, the Stipulating Parties represent all parties to these proceedings. The Stipulating Parties agree that this Full

Settlement Stipulation is in the public interest and, when combined with the previously-filed Partial Settlement Stipulation, should be accepted as a full resolution of all issues in this docket. The Stipulating Parties understand this Full Settlement Stipulation is subject to Commission approval.

## II. INTRODUCTION

2. On April 26, 2007, Avista filed with the Commission certain tariff revisions designed to effect general rate increases for electric service (Docket UE-070804) and gas service (Docket UG-070805) in the state of Washington. Avista requested an average increase in electric rates of 15.8 percent and an average increase in gas rates of 2.3 percent. On February 14, 2007, Avista filed with the Commission a petition seeking an Accounting Order under WAC 480-07-370(b)(i) requesting retroactive approval to account for certain debt repurchase costs in a manner that deviated from the Commission's rules (Docket UE-070311). On May 3, 2007, the Commission entered Order 02 consolidating Docket UE-070311 with Dockets UE-070804 and UG-070805 for hearing and determination pursuant to WAC 480-07-320.

3. After analysis of the filing, all parties commenced discussions for purposes of narrowing the contested issues in this proceeding. On October 15, 2007, all Stipulating Parties to these consolidated dockets filed with the Commission a Partial Settlement Stipulation resolving some, but not all, issues in the above-referenced dockets.<sup>1</sup> Subsequently, on October 29, 2007, all parties to these proceedings participated in a scheduled settlement conference, in an effort to resolve the remaining issues. The Stipulating Parties were successful in that regard, and the following describes the essential terms of the settlement reached by all Stipulating Parties, which resolves, in full, the remaining issues in these dockets, subject to Commission approval. The Stipulating Parties therefore

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<sup>1</sup> This Partial Settlement Stipulation served to reduce Avista's filed-for electric revenue requirement by \$5,969,000, and increase its gas revenue requirement by \$1,314,000.

agree to the following Full Settlement Stipulation in the interest of reaching a fair disposition of this proceeding.

### III. AGREEMENT

A. **Cost of Capital** - The following table sets forth the agreed-upon elements of the cost of capital determination in this proceeding:

Agreed-upon Cost of Capital	Percent of Total Capital	Cost	Component
Total Debt	49.30%	6.491%*	3.20%
Trust Preferred Securities	4.70%	6.575%	0.31%
Common Equity	46.00%	10.20%	4.69%
TOTAL	<u>100.00%</u>		<u>8.20%</u>

\* The cost of debt incorporates the modifications proposed by Staff in Exhibit KLE-1T.

B. **Remaining Revenue Requirement Issues** –

(1.) **Customer Deposits**: Avista accepts Staff’s recommendation to adjust rate base and operating expense for electric and gas operations with respect to customer deposits, resulting in a decrease of \$171,000 in revenue requirement for electric and \$100,000 in revenue requirement for gas operations

(2.) **Directors’ and Officers’ (D&O) Insurance**: All Parties have agreed to a reduction in revenue requirement of \$117,000 for electric and \$30,000 for gas operations, reflecting an adjustment to assign some of the utility portion of premiums paid for D&O insurance to shareholders.

(3.) **Late Charges**: No late charges will be implemented in this proceeding.

**C. Resulting Revenue Requirement:** After recognizing the cumulative effect of the previous Partial Settlement Stipulation, together with the resolution of all remaining issues in this Stipulation, the resulting increases in revenue requirement for electric and gas operations are:

- Electric: \$30,166,000 (9.34% increase overall)
- Gas: \$3,282,000 (1.65% increase overall)

The Stipulating Parties had previously agreed to a number of revenue requirement adjustments to both the filed electric and gas cases. These were described in Appendix 1 to the Partial Settlement Stipulation, and resulted in a reduction of \$5,969,000 to the Company's filed-for electric revenue requirement increase, and a \$1,314,000 increase to the Company's filed-for gas revenue requirement increase. Attached to this Full Settlement as Appendix 4 is a cumulative summary of all revenue requirement adjustments resulting from the previous Partial Settlement Stipulation as well as the resolution of all remaining issues herein. Likewise, Appendix 5 consists of revised Avista pre-filed exhibits EMA-2 (electric) and EMA-3 (gas) showing adjusted proforma results incorporating the cumulative effect of all agreed-upon adjustments.<sup>2</sup> Appendix 6 shows the impact on each service schedule of the spread of the proposed increase.

**D. Effective Date:** As an integral part of this settlement, the Stipulating Parties have agreed that the new rates shall be implemented on January 1, 2008. All Stipulating Parties agree to request an expeditious hearing date before the Commission prior to the end of November of 2007, for approval of the settlement.

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<sup>2</sup>This should be compared with Appendix 2 to the Partial Settlement Stipulation, which reflects revised pre-filed exhibits EMA-2 (electric) and EMA-3 (gas) showing adjusted proforma results capturing only the effect of the Partial Settlement Stipulation.

**E. Power Cost Only Rate Case (PCORC):** The Stipulating Parties have agreed not to adopt a PCORC mechanism in this proceeding. The Stipulating Parties will meet and confer prior to Avista's next general rate case, regarding whether there is a need for, and the design of a PCORC or similar mechanism.

**F. Advanced Meter Reading (AMR):** Avista acknowledges that nothing in this proceeding shall be deemed to constitute pre-approval of Avista's AMR program. Moreover, Avista will bear the burden of proof in any subsequent proceeding to demonstrate that the investment in AMR or any other Time of Use (TOU) or other demand response program is prudent, fair, just and reasonable. Finally, Avista agrees to address the issues raised in the Commission's "Interpretative and Policy Statement" (Docket UE-060649, para. 33 and other applicable provisions), in connection with any future proposal for cost recovery of its AMR investment.

**G. Accounting for Debt Amortization (Docket UE-070311):** Avista agrees to charge against 2007 earnings \$3.850 million of debt repurchase costs associated with the repurchase of certain debt. In addition, Avista will pay a \$15,000 penalty for non-compliance with Commission rules regarding the need to file for proper accounting authorization. (See WAC 480-90-203 and WAC 480-100-203) For any new debt repurchases, Avista will follow FERC General Instruction 17, or request an accounting order from the Commission, prior to any new repurchase of debt, if it desires to use an accounting method other than FERC General Instruction 17. Avista agrees that its Director of Internal Auditing, within the context of Avista's annual financial audit, will review Avista's compliance with Commission rules regarding accounting for debt issuance expenses and reacquisition of debt, and will, in writing, affirm Avista's compliance with such rules. Additionally, the costs of short-term lines of credit may be deferred and amortized over the five year life of the

lines of credit, and the costs of interest rate hedges may be deferred and amortized over the life of bonds to be issued upon the maturity of the 9.75% bonds in June of 2008. The parties recommend that the Commission approve such accounting treatment.

**H. Decoupling Baseline:** Pursuant to the Commission's order adopting the Avista decoupling pilot, In Re Petition of Avista Corp., Order 04, Docket UG-060518, para. 49, the baseline for the decoupling mechanism has been updated so as to use the test year employed in this rate case proceeding. (See Settlement Agreement, Docket UG-060518, supra, section III. C. (6.)) The update of the baseline is reflected in Appendix 7.

**I. Partial Settlement Stipulation:** As noted, the parties to this docket have entered into a Partial Settlement Stipulation. A copy of the Partial Settlement Stipulation is attached hereto as Appendix 8, and is incorporated herein as part of the Full Settlement Stipulation resolving this proceeding.

#### IV. EFFECT OF THE FULL SETTLEMENT STIPULATION

4. **Binding on Parties**. The Stipulating Parties agree to support the terms of the Full Settlement Stipulation throughout this proceeding, including any appeal, and recommend that the Commission issue an order adopting the Full Settlement Stipulation contained herein. The Stipulating Parties understand that this Full Settlement Stipulation is subject to Commission approval. The Stipulating Parties agree that this Full Settlement Stipulation represents a compromise in the positions of the Stipulating Parties. As such, conduct, statements and documents disclosed in the negotiation of this Full Settlement Stipulation shall not be admissible evidence in this or any other proceeding.

5. **Integrated Terms of Settlement**. The Stipulating Parties have negotiated this Full Settlement Stipulation as an integrated document. Accordingly, the Stipulating Parties recommend that the Commission adopt this Full Settlement Stipulation in its entirety. Each Stipulating Party has

participated in the drafting of this Full Settlement Stipulation, so it should not be construed in favor of, or against, any particular Party.

6. **Procedure.** The Stipulating Parties shall cooperate in submitting this Full Settlement Stipulation promptly to the Commission for acceptance. If requested, the Stipulating Parties shall make available a witness or representative in support of this Full Settlement Stipulation. The Stipulating Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Full Settlement Stipulation and to supplement the record accordingly.

The Stipulating Parties agree to stipulate into evidence the prefiled direct testimony and exhibits of all parties as they relate to the stipulated issues, together with such evidence in support of the Stipulation as may be offered at the time of the hearing on the Settlement. If the Commission rejects all or any material portion of this Full Settlement Stipulation, or the Partial Settlement Stipulation, or adds additional material conditions, each Stipulating Party reserves the right, upon written notice to the Commission and all parties to this proceeding within seven (7) days of the date of the Commission's Order, to withdraw from the Full Settlement Stipulation. If any Stipulating Party exercises its right of withdrawal, this Full Settlement Stipulation shall be void and of no effect, and the Stipulating Parties will support a joint motion for an expedited procedural schedule to address the issues that would otherwise have been settled herein.

7. **No Precedent.** The Stipulating Parties enter into this Full Settlement Stipulation to avoid further expense, uncertainty, and delay. By executing this Full Settlement Stipulation, no Stipulating Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving at the Full Settlement Stipulation, and, except to the extent expressly set forth

in the Full Settlement Stipulation, no Stipulating Party shall be deemed to have agreed that such a Full Settlement Stipulation is appropriate for resolving any issues in any other proceeding.

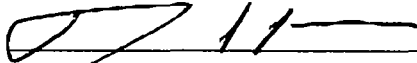
8. **Public Interest.** The Stipulating Parties agree that this Full Settlement Stipulation is in the public interest.

9. **Execution.** This Full Settlement Stipulation may be executed by the Stipulating Parties in several counterparts and as executed shall constitute one Full Settlement Stipulation.



Entered into this 5<sup>th</sup> day of November, 2007

Company:

By:  \_\_\_\_\_

David J. Meyer  
VP, Chief Counsel for Regulatory and  
Governmental Affairs

Staff:

By: \_\_\_\_\_

Gregory J. Trautman  
Assistant Attorney General

Public Counsel:

By: \_\_\_\_\_

Simon ffitch  
Assistant Attorney General

NWIGU:

By: \_\_\_\_\_

Edward A. Finklea  
Cable, Huston, Benedict, Haagenon & Lloyd, LLP

ICNU:

By: \_\_\_\_\_

S. Bradley Van Cleve  
Davison Van Cleve, P.C.

The Energy Project:

By: \_\_\_\_\_

Ronald Roseman  
Attorney at Law

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By:  \_\_\_\_\_

Ronald Roseman  
Attorney at Law

## **APPENDIX 4**

AVISTA UTILITIES  
Summary of Revenue Requirement Adjustments  
Restatement Summary Washington Electric

Column Description of Adjustment	FILED CASE		FINAL SETTLEMENT (1)		DIFFERENCE		IMPACT ON	
	Washington Electric		Washington Electric		Washington Electric		REVENUE REQUIREMENT	
	NOI	Rate Base	NOI	Rate Base	NOI	Rate Base	NOI	Rate Base
b Per Results Report	\$71,715	\$994,207	\$71,715	\$994,207	\$0	\$0	0.621863	8.20%
c Deferred FIT Rate Base	\$0	(\$138,495)	0	(138,495)	\$0	\$0		
d Colstrip 3 AFUDC Elimination	\$216	(\$2,255)	216	(2,255)	\$0	\$0		
e Colstrip Common AFUDC	\$0	\$492	0	492	\$0	\$0		
f Kettle Falls Disallow	(\$56)	(\$993)	(56)	(993)	\$0	\$0		
g Customer Advances	\$0	(\$267)	0	(267)	\$0	\$0		
h PGE Monetization	\$866	(\$324)	866	(324)	\$0	\$0		
i Settlement Exchange Power	\$0	\$22,441	0	22,441	\$0	\$0		
j Actual	72,741	\$74,511	72,741	\$74,511	0	0		
k Eliminate B & O Taxes	(\$21)	\$0	(21)	0	\$0	\$0		
l Property Tax	(\$12)	\$0	(12)	0	\$0	\$0		
m Uncollect. Expense	\$31	\$0	31	0	\$0	\$0		
n Regulatory Expense	(\$755)	\$0	(755)	0	\$0	\$0		
o Injuries and Damages	\$316	\$0	316	0	\$0	\$0		
p FIT	0	\$0	0	0	\$484	\$0		(\$778)
q Eliminate WA Power Cost Deferral	\$229	\$0	229	0	\$0	\$0		
r Nez Perce Settlement Adjustment	(\$12)	\$0	(12)	0	\$0	\$0		
s Eliminate A/R Expenses	\$1,116	\$0	1,116	0	\$0	\$0		
t Office Space Changes to Subsidiaries	\$16	\$0	16	0	\$0	\$0		
u Restate Excise Taxes	(\$78)	\$0	(78)	0	\$0	\$0		
v Net Gains/losses	\$57	\$0	57	0	\$0	\$0		
w Revenue Normalization	(\$23)	\$0	(23)	0	\$0	\$0		
x Incentive & Other	(336)	\$0	318	0	\$654	\$0		(\$1,052)
y Restate Debt Interest	(1,170)	\$0	(2,695)	0	(\$1,525)	\$0		\$2,453
Restated Total	\$72,099	\$874,511	\$71,712	\$874,511	(\$387)	\$0		
PF1 Pro Forma Power Supply	(20,792)	0	(19,359)	0	\$1,433	\$0		(\$2,304)
PF2 Pro Forma Prod Property Adj	5,660	(28,763)	5,551	(28,781)	(\$109)	(\$18)		\$175
PF3 Pro Forma Labor NonExec	(1,375)	0	(1,375)	0	\$0	\$0		\$0
PF4 Pro Forma Labor Exec	29	0	235	0	\$206	\$0		(\$331)
PF5 Pro Forma Transmission Rev/Exp	(857)	0	(857)	0	\$0	\$0		\$0
PF6 Pro Forma Generation Capital Add	(1,078)	40,274	(1,078)	40,274	\$0	\$0		\$0
PF7 Pro Forma Generation Capital Add	(361)	11,739	(361)	11,739	\$0	\$0		\$0
PF8 Pro Forma Depreciation Study	(660)	(330)	208	104	\$868	\$434		(\$1,396)
PF9 Pro Forma Wood Pole Test & Treat	(198)	0	(198)	0	\$0	\$0		\$0
PF10 Proforma Misc Adj	0	0	281	0	\$281	\$0		(\$452)
PF11 Proforma Customer Deposits	0	0	(50)	(1,903)	(\$50)	(\$1,903)		\$80
Pro Forma Total	\$52,467	\$897,431	\$54,709	\$895,944	\$2,242	(\$1,487)		(\$3,605)
								(\$3,801)

(1) Includes the cumulative impact of both the Partial Settlement Stipulation, dated October 13, 2007, as well as the Full Settlement Stipulation.  
 (2) Includes Officer Compensation Adj.  
 (3) Includes adjustments for Advertising, Dues, Board of Director's Fees, and Director's & Officer's Insurance



Attachment B:  
GAS

APPENDIX 4  
AVISTA UTILITIES  
Summary of Revenue Requirement Adjustments  
Restatement Summary Washington Gas

Item	Description	FILED CASE		FINAL SETTLEMENT (1)		DIFFERENCE		IMPACT ON	
		Washington Gas NOI	Rate Base	Washington Gas NOI	Rate Base	Washington Gas NOI	Rate Base	NOI	Rate Base
b	Per Result Report	\$10,993	\$165,434	\$10,993	\$165,434	\$0	\$0	0.621999	8.20%
c	Deferred FIT Rate Base	0	(24,645)	0	(24,645)	\$0	\$0		
d	Deferred Gain on Office Building	0	(100)	0	(100)	\$0	\$0		
e	Gas Inventory	0	7,628	0	7,628	\$0	\$0		
f	Weatherization and DSM Investment	0	1,120	0	1,120	\$0	\$0		
g	Customer Advances	0	(75)	0	(75)	\$0	\$0		
	Actual	10,993	149,362	10,993	149,362	0	0		
h	Revenue Normalization & Gas Cost Adjust	686	0	686	0	\$0	\$0		
i	Eliminate B & O Taxes	6	0	6	0	\$0	\$0		
j	Property Tax	16	0	16	0	\$0	\$0		
k	Uncollectible Expense	38	0	38	0	\$0	\$0		
l	Regulatory Expense Adjustment	(49)	0	(49)	0	\$0	\$0		
m	Injuries and Damages	(14)	0	(14)	0	\$0	\$0		
n	FTT	11	0	11	0	\$0	\$0		
o	Restate Debt Interest	(207)	0	(471)	0	(\$265)	\$0		\$426
p	Incentives & Other	16	0	187	0	\$171	\$0		(\$275)
q	Net Gains/losses	8	0	8	0	\$0	\$0		
r	Eliminate A/R Expenses	178	0	178	0	\$0	\$0		
s	Office Space Changes to Subs	4	0	4	0	\$0	\$0		
t	Restate Excise Taxes	(20)	0	(20)	0	\$0	\$0		
	Restated Total	\$11,666	\$149,362	\$11,573	\$149,362	(\$94)	\$0		
PF1	Pro Forma Labor Non-Exec	(363)	0	(363)	0	\$0	\$0		
PF2	Pro Forma Labor Exec	7	0	61	0	\$54	\$0		(\$87)
PF3	Pro Forma Depreciation Study	217	109	217	109	\$0	\$0		\$0
PF4	Pro Forma Storage Contract	(311)	0	(1,404)	0	(\$1,093)	\$0		\$1,757
PF5	Pro Forma Misc Adj	0	0	70	0	\$70	\$0		(\$113)
PF6	Pro Forma Customer Deposits	0	0	(29)	0	(\$29)	\$0		\$47
	Pro Forma Total	\$11,216	\$149,471	\$10,125	\$148,360	(\$1,093)	\$0		(\$146)
									\$1,609

(1) Includes the cumulative impact of both the Partial Settlement Stipulation, dated October 15, 2007, as well as the Full Settlement Stipulation.  
 (2) Includes Officer Compensation Adj.  
 (3) Includes adjustments for Advertising, Dues, Board of Director's Fees, and Director's & Officer's Insurance

## **APPENDIX 5**

APPENDIX 5

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
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	\$362,395	\$ (40,466)	\$321,929	\$30,166	\$352,095
2	Interdepartmental Sales	733		733		733
3	Sales for Resale	115,579	(80,199)	35,380		35,380
4	Total Sales of Electricity	478,707	(120,665)	358,042	30,166	388,208
5	Other Revenue	43,255	(34,969)	7,286		7,286
6	Total Electric Revenue	520,962	(155,634)	365,328	30,166	395,494
<b>EXPENSES</b>						
<b>Production and Transmission</b>						
7	Operating Expenses	176,236	(83,448)	92,788		92,788
8	Purchased Power	117,871	(38,725)	79,146		79,146
9	Depreciation and Amortization	17,008	7,423	24,431		24,431
10	Taxes	9,090	883	9,973		9,973
11	Total Production & Transmission	320,205	(113,867)	206,338	0	206,338
<b>Distribution</b>						
12	Operating Expenses	15,485	765	16,250		16,250
13	Depreciation	10,864	3,032	13,896		13,896
14	Taxes	29,460	(13,153)	16,307	1,165	17,472
15	Total Distribution	55,809	(9,356)	46,453	1,165	47,618
16	Customer Accounting	8,951	(1,611)	7,340	80	7,420
17	Customer Service & Information	7,739	(6,565)	1,174		1,174
18	Sales Expenses	657	23	680		680
<b>Administrative &amp; General</b>						
19	Operating Expenses	32,646	(695)	31,951	60	32,011
20	Depreciation	6,459	(770)	5,689		5,689
21	Taxes					
22	Total Admin. & General	39,105	(1,465)	37,640	60	37,700
23	Total Electric Expenses	432,466	(132,841)	299,625	1,305	300,930
24	OPERATING INCOME BEFORE FIT	88,496	(22,793)	65,703	38,861	94,564
<b>FEDERAL INCOME TAX</b>						
25	Current Accrual	24,008	(16,989)	7,019	10,101	17,120
26	Deferred Income Taxes	(7,227)	11,202	3,975		3,975
27	Amortized Investment Tax Credit					
28	SETTLEMENT EXCHANGE POWER					
29	NET OPERATING INCOME	\$71,715	(\$17,006)	\$54,709	\$18,760	\$73,469
<b>RATE BASE</b>						
<b>PLANT IN SERVICE</b>						
30	Intangible	\$23,458		\$23,458		\$23,458
31	Production	649,965	36,967	686,932		686,932
32	Transmission	244,435	41,969	286,404		286,404
33	Distribution	502,838	(2,170)	500,668		500,668
34	General	80,110		80,110		80,110
35	Total Plant In Service	1,500,806	76,766	1,577,572	0	1,577,572
36	ACCUMULATED DEPRECIATION	493,639	(7,337)	486,102		486,102
37	ACCUM. PROVISION FOR AMORTIZATION	12,960	38,562	51,522		51,522
38	Total Accum. Depreciation & Amort.	506,599	31,025	537,624	0	537,624
39	GAIN ON SALE OF BUILDING		(453)	(453)		(453)
40	DEFERRED TAXES		(143,551)	(143,551)		(143,551)
41	TOTAL RATE BASE	\$994,207	(\$98,263)	\$895,944	\$0	\$895,944
42	RATE OF RETURN	7.21%		6.11%		8.20%

**APPENDIX 5**

Exhibit No. \_\_\_\_\_ (EMA-2)

**AVISTA UTILITIES  
 Calculation of General Revenue Requirement  
 Washington - Electric System  
 TWELVE MONTHS ENDED DECEMBER 31, 2006**

<u>Line No.</u>	<u>Description</u>	<u>(000's of Dollars)</u>
1	Pro Forma Rate Base	\$895,944
2	Proposed Rate of Return:	<u>8.20%</u>
3	Net Operating Income Requirement	\$73,467
4	Pro Forma Net Operating Income	<u>\$54,709</u>
5	Net Operating Income Deficiency	\$18,758
6	Conversion Factor	0.62186345
7	Revenue Requirement	<b>\$30,166</b>
8	Total General Business Revenues	\$322,662
9	Percentage Revenue Increase	<u><u>9.35%</u></u>

APPENDIX 5

Exhibit No. \_\_\_\_\_(EMA-2)

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

Line No.	Description	Factor
1	Revenues	1.000000
	<b>Expense:</b>	
2	Uncollectibles	0.002660
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038627
5	Franchise Fees	0.000000
6	Total Expense	<u>0.043287</u>
7	Net Operating Income Before FIT	0.956713
8	Federal Income Tax @ 35%	<u>0.334850</u>
9	<b>REVENUE CONVERSION FACTOR</b>	<u><u>0.621863</u></u>

APPENDIX 5

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(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
		b	c	d	e	f	g	h
<b>REVENUES</b>								
1	Total General Business	\$362,395						
2	Interdepartmental Sales	733						
3	Sales for Resale	115,579						
4	Total Sales of Electricity	478,707	0	0	0	0	0	0
5	Other Revenue	42,255						
6	Total Electric Revenue	520,962	0	0	0	0	0	0
<b>EXPENSES</b>								
<b>Production and Transmission</b>								
7	Operating Expenses	176,236						
8	Purchased Power	117,871						
9	Depreciation and Amortization	17,008			(216)			
10	Taxes	9,090						
11	Total Production & Transmission	330,205	0	0	(216)	0	0	0
<b>Distribution</b>								
12	Operating Expenses	15,485						
13	Depreciation	10,864						
14	Taxes	29,460						
15	Total Distribution	55,809	0	0	0	0	0	0
16	Customer Accounting	8,951						
17	Customer Service & Information	7,759						
18	Sales Expenses	657						
<b>Administrative &amp; General</b>								
19	Operating Expenses	32,646						
20	Depreciation	6,459						
21	Taxes							
22	Total Admin. & General	39,105	0	0	0	0	0	0
23	Total Electric Expenses	432,466	0	0	(216)	0	0	0
24	OPERATING INCOME BEFORE FIT	88,496	0	0	216	0	0	0
<b>FEDERAL INCOME TAX</b>								
25	Current Accrual	24,008						
26	Deferred Income Taxes	(7,227)					56	
27	NET OPERATING INCOME	\$71,715	\$0	\$0	\$216	\$0	(\$56)	\$0
<b>RATE BASE</b>								
<b>PLANT IN SERVICE</b>								
28	Intangible	\$23,458						
29	Production	649,965			(7,175)	492	(5,248)	
30	Transmission	244,435						
31	Distribution	502,838						(267)
32	General	80,110						
33	Total Plant in Service	1,500,806	0	0	(7,175)	492	(5,248)	(267)
34	ACCUMULATED DEPRECIATION	493,639			(4,920)		(3,559)	
35	ACCUM. PROVISION FOR AMORTIZATION	12,960						
36	Total Accum. Depreciation & Amort.	506,599	0	0	(4,920)	0	(3,559)	0
37	GAIN ON SALE OF BUILDING			(453)				
38	DEFERRED TAXES		(138,495)	158			696	
39	TOTAL RATE BASE	\$994,207	(\$138,495)	(\$295)	(\$2,255)	\$492	(\$993)	(\$267)
40	RATE OF RETURN	7.21%						

APPENDIX 5

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	PGE Monetization	Settlement Exchange Power	Subtotal Actual	Eliminate B & O Taxes	Property Tax	Uncollect. Expense
	a	i	j	-	k	l	m
<b>REVENUES</b>							
1	Total General Business			\$362,395	\$ (12,201)		
2	Interdepartmental Sales			733			
3	Sales for Resale			115,579			
4	Total Sales of Electricity	0	0	478,707	(12,201)	0	0
5	Other Revenue			42,255	(15)		
6	Total Electric Revenue	0	0	520,962	(12,216)	0	0
<b>EXPENSES</b>							
<b>Production and Transmission</b>							
7	Operating Expenses			176,236			
8	Purchased Power			117,871			
9	Depreciation and Amortization	(1,332)		15,460			
10	Taxes			9,090		25	
11	Total Production & Transmission	(1,332)	0	318,657	0	25	0
<b>Distribution</b>							
12	Operating Expenses			15,485			
13	Depreciation			10,864			
14	Taxes			29,460	(12,184)	(6)	
15	Total Distribution	0	0	55,809	(12,184)	(6)	0
16	Customer Accounting			8,951			(47)
17	Customer Service & Information			7,739			
18	Sales Expenses			657			
<b>Administrative &amp; General</b>							
19	Operating Expenses			32,646			
20	Depreciation			6,459			
21	Taxes						
22	Total Admin. & General	0	0	39,105	0	0	0
23	Total Electric Expenses	(1,332)	0	430,918	(12,184)	19	(47)
24	OPERATING INCOME BEFORE FIT	1,332	0	90,044	(32)	(19)	47
<b>FEDERAL INCOME TAX</b>							
25	Current Accrual			24,008	(11)	(7)	16
26	Deferred Income Taxes	466		(6,705)			
27	NET OPERATING INCOME	\$866	\$0	\$73,741	(\$21)	(\$12)	\$31
<b>RATE BASE</b>							
<b>PLANT IN SERVICE</b>							
28	Intangible			\$23,458			
29	Production	(14,205)	79,626	703,455			
30	Transmission			244,435			
31	Distribution			502,571			
32	General			80,110			
33	Total Plant in Service	(14,205)	79,626	1,554,029	0	0	0
34	ACCUMULATED DEPRECIATION			485,160			
35	ACCUM. PROVISION FOR AMORTIZATION	(13,706)	52,268	51,522			
36	Total Accum. Depreciation & Amort.	(13,706)	52,268	536,682	0	0	0
37	GAIN ON SALE OF BUILDING			(453)			
38	DEFERRED TAXES	175	(4,917)	(142,383)			
39	TOTAL RATE BASE	(\$324)	\$22,441	\$874,511	\$0	\$0	\$0
40	RATE OF RETURN			8.32%			

APPENDIX 5

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
 ELECTRIC RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 ('000'S OF DOLLARS)

Line No.	DESCRIPTION	Regulatory Expense	Injuries and Damages	FIT	Eliminate WA Power Cost Defer	Net Perce Settlement Adjustment	Eliminate A/R Expenses
		n	o	p	q	r	s
<b>REVENUES</b>							
1	Total General Business				\$ (31,707)		
2	Interdepartmental Sales						
3	Sales for Resale						
4	Total Sales of Electricity	0	0	0	(31,707)	0	0
5	Other Revenue						
6	Total Electric Revenue	0	0	0	(31,707)	0	0
<b>EXPENSES</b>							
<b>Production and Transmission</b>							
7	Operating Expenses				(30,675)	18	
8	Purchased Power						
9	Depreciation and Amortization						
10	Taxes						
11	Total Production & Transmission	0	0	0	(30,675)	18	0
<b>Distribution</b>							
12	Operating Expenses						
13	Depreciation						
14	Taxes				(1,224)		
15	Total Distribution	0	0	0	(1,224)	0	0
16	Customer Accounting				(100)		(1,717)
17	Customer Service & Information						
18	Sales Expenses						
<b>Administrative &amp; General</b>							
19	Operating Expenses	1,162	(486)		(60)		
20	Depreciation						
21	Taxes						
22	Total Admin. & General	1,162	(486)	0	(60)	0	0
23	Total Electric Expenses	1,162	(486)	0	(32,059)	18	(1,717)
24	OPERATING INCOME BEFORE FIT	(1,162)	486	0	352	(18)	1,717
<b>FEDERAL INCOME TAX</b>							
25	Current Accrual	(407)	170	(428)	(10,613)	(6)	601
26	Deferred Income Taxes			(56)	10,736		
27	NET OPERATING INCOME	(\$755)	\$316	\$484	\$229	(\$12)	\$1,116
<b>RATE BASE</b>							
<b>PLANT IN SERVICE</b>							
28	Intangible						
29	Production						
30	Transmission						
31	Distribution						
32	General						
33	Total Plant in Service	0	0	0	0	0	0
34	ACCUMULATED DEPRECIATION						
35	ACCUM. PROVISION FOR AMORTIZATION						
36	Total Accum. Depreciation & Amort.	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
40	RATE OF RETURN						



APPENDIX 5

Exhibit No. (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Office Space Charges to Subsidiaries	Restate Excise Taxes	Net Gains/Losses	Revenue Normalization	Incentive & Other
		i	u	v	w	x
<b>REVENUES</b>						
1	Total General Business				\$3,442	
2	Interdepartmental Sales					
3	Sales for Resale					
4	Total Sales of Electricity	0	0	0	3,442	0
5	Other Revenue				209	
6	Total Electric Revenue	0	0	0	3,651	0
<b>EXPENSES</b>						
Production and Transmission						
7	Operating Expenses				(176)	614
8	Purchased Power					
9	Depreciation and Amortization				10,285	
10	Taxes					
11	Total Production & Transmission	0	0	0	10,109	614
Distribution						
12	Operating Expenses					
13	Depreciation			(88)		
14	Taxes		120		141	
15	Total Distribution	0	120	(88)	141	0
16	Customer Accounting				10	
17	Customer Service & Information				(6,580)	
18	Sales Expenses					
Administrative & General						
19	Operating Expenses	(24)			7	(1,103)
20	Depreciation					
21	Taxes					
22	Total Admin. & General	(24)	0	0	7	(1,103)
23	Total Electric Expenses	(24)	120	(88)	3,687	(489)
24	OPERATING INCOME BEFORE FIT	24	(120)	88	(36)	489
<b>FEDERAL INCOME TAX</b>						
25	Current Accrual	8	(42)	31	(13)	171
26	Deferred Income Taxes					
27	NET OPERATING INCOME	\$16	(\$78)	\$57	(\$23)	\$318
<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
34	ACCUMULATED DEPRECIATION					
35	ACCUM. PROVISION FOR AMORTIZATION					
36	Total Accum. Depreciation & Amort.	0	0	0	0	0
37	GAIN ON SALE OF BUILDING					
38	DEFERRED TAXES					
39	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0
40	RATE OF RETURN					

APPENDIX 5

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Restate Debt Interest	Restated TOTAL	Pro Forma Power Supply	Pro Forma Prod Property Adj	Pro Forma Labor NonExec	Pro Forma Labor Exec
		y	z	PF1	PF2	PF3	PF4
<b>REVENUES</b>							
1	Total General Business		5321,929				
2	Interdepartmental Sales		733				
3	Sales for Resale:		115,579	(80,199)			
4	Total Sales of Electricity	0	438,241	(80,199)	0	0	0
5	Other Revenue		42,449	(32,271)	(2,029)		
6	Total Electric Revenue	0	480,690	(112,470)	(2,029)	0	0
<b>EXPENSES</b>							
<b>Production and Transmission</b>							
7	Operating Expenses		146,017	(43,962)	(10,569)	717	(14)
8	Purchased Power		117,871	(38,725)			
9	Depreciation and Amortization		25,745				
10	Taxes		9,115				
11	Total Production & Transmission	0	298,748	(82,687)	(10,569)	717	(14)
<b>Distribution</b>							
12	Operating Expenses		15,485			567	
13	Depreciation		10,776				
14	Taxes		16,307				
15	Total Distribution	0	42,568	0	0	567	0
16	Customer Accounting		7,097			243	
17	Customer Service & Information		1,159			15	
18	Sales Expenses		657			23	
<b>Administrative &amp; General</b>							
19	Operating Expenses		32,142			550	(348)
20	Depreciation		6,459				
21	Taxes						
22	Total Admin. & General	0	38,601	0	0	550	(348)
23	Total Electric Expenses	0	388,830	(82,687)	(10,569)	2,115	(362)
24	OPERATING INCOME BEFORE FIT	0	91,860	(29,783)	8,540	(2,115)	362
<b>FEDERAL INCOME TAX</b>							
25	Current Accrual	2,695	16,173	(10,424)	2,989	(740)	127
26	Deferred Income Taxes		3,975				
27	NET OPERATING INCOME	(\$2,695)	\$71,712	(\$19,359)	\$5,551	(\$1,575)	\$235
<b>RATE BASE</b>							
<b>PLANT IN SERVICE</b>							
28	Intangible		\$23,458				
29	Production		703,455		(28,781)		
30	Transmission		244,435				
31	Distribution		502,571				
32	General		80,110				
33	Total Plant in Service	0	1,554,029	0	(28,781)	0	0
34	ACCUMULATED DEPRECIATION		485,160				
25	ACCUM. PROVISION FOR AMORTIZATION		51,522				
36	Total Accum. Depreciation & Amort.	0	536,682	0	0	0	0
37	GAIN ON SALE OF BUILDING		(453)				
38	DEFERRED TAXES		(142,383)				
39	TOTAL RATE BASE	\$0	\$874,511	\$0	(\$28,781)	\$0	\$0
40	RATE OF RETURN		8.20%				

APPENDIX 5

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Transmission Rev/Exp PF5	Pro Forma Transmission Capital Add PF6	Pro Forma Generation Capital Add PF7	Pro Forma Depreciation Study PF8	Pro Forma Wood Pole Test & Treat PF9	Proforma Misc Adj. PF10
<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	(903)					40
6	Total Electric Revenue	(903)	0	0	0	0	40
<b>EXPENSES</b>							
<b>Production and Transmission</b>							
7	Operating Expenses	416				183	
8	Purchased Power						
9	Depreciation and Amortization		998	358	(2,670)		
10	Taxes		660	198			
11	Total Production & Transmission	416	1,658	556	(2,670)	183	0
<b>Distribution</b>							
12	Operating Expenses					121	
13	Depreciation				3,120		
14	Taxes						
15	Total Distribution	0	0	0	3,120	121	0
16	Customer Accounting						
17	Customer Service & Information						
18	Sales Expenses						
<b>Administrative &amp; General</b>							
19	Operating Expenses						(393)
20	Depreciation				(770)		
21	Taxes						
22	Total Admin. & General	0	0	0	(770)	0	(393)
23	Total Electric Expenses	416	1,658	556	(320)	304	(393)
24	OPERATING INCOME BEFORE FIT	(1,319)	(1,658)	(556)	320	(304)	433
<b>FEDERAL INCOME TAX</b>							
25	Current Accrual	(462)	(580)	(195)	112	(106)	152
26	Deferred Income Taxes						
27	NET OPERATING INCOME	(\$857)	(\$1,078)	(\$361)	\$208	(\$198)	\$281
<b>RATE BASE</b>							
<b>PLANT IN SERVICE</b>							
28	Intangible						
29	Production			12,258			
30	Transmission		41,969				
31	Distribution						
32	General						
33	Total Plant in Service	0	41,969	12,258	0	0	0
34	ACCUMULATED DEPRECIATION		748	354	(160)		
35	ACCUM. PROVISION FOR AMORTIZATION						
36	Total Accum. Depreciation & Amort.	0	748	354	(160)	0	0
37	GAIN ON SALE OF BUILDING						
38	DEFERRED TAXES		(947)	(155)	(56)		
39	TOTAL RATE BASE	\$0	\$40,274	\$11,739	\$104	\$0	\$0
40	RATE OF RETURN						

APPENDIX 5

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Proforma Customer Deposits	Pro Forma TOTAL
	a	PF11	PFT
<b>REVENUES</b>			
1	Total General Business		\$321,929
2	Interdepartmental Sales		733
3	Sales for Resale		35,380
4	Total Sales of Electricity	0	358,042
5	Other Revenue		7,286
6	Total Electric Revenue	0	365,328
<b>EXPENSES</b>			
Production and Transmission			
7	Operating Expenses		92,788
8	Purchased Power		79,146
9	Depreciation and Amortization		24,431
10	Taxes		9,973
11	Total Production & Transmission	0	206,338
Distribution			
12	Operating Expenses	77	16,250
13	Depreciation		13,896
14	Taxes		16,307
15	Total Distribution	77	46,453
16	Customer Accounting		7,340
17	Customer Service & Information		1,174
18	Sales Expenses		680
Administrative & General			
19	Operating Expenses		31,951
20	Depreciation		3,689
21	Taxes		
22	Total Admin. & General	0	37,640
23	Total Electric Expenses	77	299,625
24	OPERATING INCOME BEFORE FIT	(77)	65,703
<b>FEDERAL INCOME TAX</b>			
25	Current Accrual	(27)	7,019
26	Deferred Income Taxes		3,973
27	NET OPERATING INCOME	(\$50)	\$54,709
<b>RATE BASE</b>			
<b>PLANT IN SERVICE</b>			
28	Intangible		\$23,458
29	Production		686,932
30	Transmission		286,404
31	Distribution	(1,903)	500,668
32	General		80,110
33	Total Plant in Service	(1,903)	1,577,572
34	ACCUMULATED DEPRECIATION		486,102
35	ACCUM. PROVISION FOR AMORTIZATION		51,522
36	Total Accum. Depreciation & Amort.	0	537,624
37	GAIN ON SALE OF BUILDING		(453)
38	DEFERRED TAXES		(143,551)
39	TOTAL RATE BASE	(\$1,903)	\$895,944
40	RATE OF RETURN		6.11%

APPENDIX 5

Exhibit No. \_\_\_\_ (EMA-3)

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 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	\$208,883	\$ (11,062)	\$197,821	\$3,282	\$201,103
2	Total Transportation	3,166	(1,720)	1,446		1,446
3	Other Revenues	39,097	(37,220)	1,877		1,877
4	Total Gas Revenues	251,146	(50,002)	201,144	3,282	204,426
<b>EXPENSES</b>						
5	Exploration and Development					
	Production					
6	City Gate Purchases	188,395	(38,593)	149,802		149,802
7	Purchased Gas Expense	653	18	671		671
8	Net Nat Gas Storage Trans	495	(495)	-		0
9	Total Production	189,543	(39,070)	150,473	0	150,473
	Underground Storage					
10	Operating Expenses	492	1	493		493
11	Depreciation	312	(60)	252		252
12	Taxes	124	(2)	122		122
13	Total Underground Storage	928	(61)	867	0	867
	Distribution					
14	Operating Expenses	6,359	276	6,635		6,635
15	Depreciation	5,382	(228)	5,154		5,154
16	Taxes	17,051	(7,594)	9,457	126	9,583
17	Total Distribution	28,792	(7,546)	21,246	126	21,372
18	Customer Accounting	4,568	(200)	4,368	9	4,377
19	Customer Service & Information	3,260	(2,190)	1,070		1,070
20	Sales Expenses	496	14	510		510
	Administrative & General					
21	Operating Expenses	8,334	(264)	8,070	7	8,077
22	Depreciation	1,282	(59)	1,223		1,223
23	Taxes	24	0	24		24
24	Total Admin. & General	9,640	(323)	9,317	7	9,324
25	Total Gas Expense	237,227	(49,376)	187,851	142	187,993
26	OPERATING INCOME BEFORE FIT	13,919	(626)	13,293	3,140	16,433
<b>FEDERAL INCOME TAX</b>						
27	Current Accrual	6,006	264	6,270	1,099	7,369
28	Deferred FIT	(3,050)	(22)	(3,072)		(3,072)
29	Amort ITC	(30)	0	(30)		(30)
30	NET OPERATING INCOME	10,993	(5868)	10,125	\$2,041	\$12,166
<b>RATE BASE: PLANT IN SERVICE</b>						
31	Underground Storage	13,854	(1,111)	12,743		12,743
32	Distribution Plant	219,287	1,045	220,332		220,332
33	General Plant	20,791	0	20,791		20,791
34	Total Plant in Service	253,932	(66)	253,866	0	253,866
<b>ACCUMULATED DEPRECIATION</b>						
35	Underground Storage	7,249	(30)	7,219		7,219
36	Distribution Plant	74,019	(107)	73,912		73,912
37	General Plant	7,230	(30)	7,200		7,200
38	Total Accum. Depreciation	88,498	(167)	88,331	0	88,331
39	DEFERRED FIT	0	(24,650)	(24,650)		(24,650)
40	GAS INVENTORY	0	7,628	7,628		7,628
41	GAIN ON SALE OF BUILDING	0	(153)	(153)		(153)
42	TOTAL RATE BASE	165,434	(\$17,074)	148,360	\$0	\$148,360
43	RATE OF RETURN	6.64%		6.82%		8.20%

## APPENDIX 5

**AVISTA UTILITIES**  
**Calculation of General Revenue Requirement**  
**Washington - Gas**  
**TWELVE MONTHS ENDED DECEMBER 31, 2006**  
**(000's OF DOLLARS)**

Line No.	Description	WASH
1	Pro Forma Rate Base	\$148,360
2	Proposed Rate of Return	<u>8.200%</u>
3	Net Operating Income Requirement	\$12,166
4	Pro Forma Net Operating Income	<u>\$10,125</u>
5	Net Operating Income Deficiency	\$2,041
6	Conversion Factor	0.621999
7	Revenue Requirement	<u>\$3,282</u>
8	Total General Business Revenues	\$199,267
9	Percentage Revenue Increase	<u><u>1.65%</u></u>

APPENDIX 5

Exhibit No. \_\_\_\_\_ (EMA-3)

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

Line No.	Description	Factor
1	Revenues	1.000000
	Expense:	
2	Uncollectibles	0.002661
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038418
5	Franchise Fees (City of Millwood Expired in 2004)	0.000000
6	Total Expense	<u>0.043078</u>
7	Net Operating Income Before FIT	0.956922
8	Federal Income Tax @ 35%	0.334923
9	REVENUE CONVERSION FACTOR	<u><u>0.621999</u></u>

APPENDIX 5

Exhibit No. \_\_\_\_\_(EMA-3)

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (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
	a	b	c	d	e	f	g
<b>REVENUES</b>							
1	Total General Business	\$208,883					
2	Total Transportation	3,166					
3	Other Revenues	39,097					
4	<b>Total Gas Revenues</b>	<b>251,146</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXPENSES</b>							
5	Exploration and Development	0					
<b>Production</b>							
6	City Gate Purchases	188,395					
7	Purchased Gas Expense	653					
8	Net Nat Gas Storage Trans	495					
9	<b>Total Production</b>	<b>189,543</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Underground Storage</b>							
10	Operating Expenses	492					
11	Depreciation	312					
12	Taxes	124					
13	<b>Total Underground Storage</b>	<b>928</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Distribution</b>							
14	Operating Expenses	6,359					
15	Depreciation	5,382					
16	Taxes	17,051					
17	<b>Total Distribution</b>	<b>28,792</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
18	Customer Accounting	4,568			0	0	
19	Customer Service & Information	3,260					
20	Sales Expenses	496					
<b>Administrative &amp; General</b>							
21	Operating Expenses	8,334					
22	Depreciation	1,282					
23	Taxes	24					
24	<b>Total Admin. &amp; General</b>	<b>9,640</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
25	<b>Total Gas Expense</b>	<b>237,227</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
26	<b>OPERATING INCOME BEFORE FIT</b>	<b>13,919</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FEDERAL INCOME TAX</b>							
27	Current Accrual	6,006					
28	Deferred FIT	(3,050)					
29	Amort ITC	(30)					
30	<b>NET OPERATING INCOME</b>	<b>\$10,993</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>RATE BASE: PLANT IN SERVICE</b>							
31	Underground Storage	13,854					
32	Distribution Plant	219,287				1,120	(75)
33	General Plant	20,791					
34	<b>Total Plant in Service</b>	<b>253,932</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,120</b>	<b>(75)</b>
<b>ACCUMULATED DEPRECIATION</b>							
35	Underground Storage	7,242					
36	Distribution Plant	74,019					
37	General Plant	7,230					
38	<b>Total Accum. Depreciation</b>	<b>88,498</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
39	DEFERRED FIT	0	(24,645)	53			
40	GAS INVENTORY	0			7,628		
41	GAIN ON SALE OF BUILDING	0		(152)			
42	<b>TOTAL RATE BASE</b>	<b>\$165,434</b>	<b>(\$24,645)</b>	<b>(\$100)</b>	<b>\$7,628</b>	<b>\$1,120</b>	<b>(\$75)</b>
43	<b>RATE OF RETURN</b>	<b>6.64%</b>					



APPENDIX 5

Exhibit No. \_\_\_\_ (EMA-3)

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (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
	a		h	i	j	k	l
<b>REVENUES</b>							
1	Total General Business	\$208,883	\$ (3,682)	\$ (7,380)			
2	Total Transportation	3,166	(1,648)	(72)			
3	Other Revenues	39,097	(35,060)				
4	<b>Total Gas Revenues</b>	<b>251,146</b>	<b>(40,390)</b>	<b>(7,452)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXPENSES</b>							
5	Exploration and Development	0					
<b>Production</b>							
6	City Gate Purchases	188,395	(38,593)				
7	Purchased Gas Expense	653					
8	Net Nat Gas Storage Trans	495	(495)				
9	<b>Total Production</b>	<b>189,543</b>	<b>(39,088)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Underground Storage</b>							
10	Operating Expenses	492					
11	Depreciation	312					
12	Taxes	124			(2)		
13	<b>Total Underground Storage</b>	<b>928</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>0</b>
<b>Distribution</b>							
14	Operating Expenses	6,359					
15	Depreciation	5,382					
16	Taxes	17,051	(141)	(7,461)	(23)		
17	<b>Total Distribution</b>	<b>28,792</b>	<b>(141)</b>	<b>(7,461)</b>	<b>(23)</b>	<b>0</b>	<b>0</b>
18	Customer Accounting	4,568	(10)	0	0	(59)	0
19	Customer Service & Information	3,260	(2,199)				
20	Sales Expenses	496					
<b>Administrative &amp; General</b>							
21	Operating Expenses	8,334	(7)				75
22	Depreciation	1,282					
23	Taxes	24					
24	<b>Total Admin. &amp; General</b>	<b>9,640</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75</b>
25	<b>Total Gas Expense</b>	<b>237,227</b>	<b>(41,445)</b>	<b>(7,461)</b>	<b>(25)</b>	<b>(59)</b>	<b>75</b>
26	<b>OPERATING INCOME BEFORE FIT</b>	<b>13,919</b>	<b>1,055</b>	<b>9</b>	<b>25</b>	<b>59</b>	<b>(75)</b>
<b>FEDERAL INCOME TAX</b>							
27	Current Accrual	6,006	369	3	9	21	(26)
28	Deferred FIT	(3,050)					
29	Amort ITC	(30)					
30	<b>NET OPERATING INCOME</b>	<b>\$10,993</b>	<b>\$686</b>	<b>\$6</b>	<b>\$16</b>	<b>\$38</b>	<b>(\$49)</b>
<b>RATE BASE PLANT IN SERVICE</b>							
31	Underground Storage	13,854					
32	Distribution Plant	220,332					
33	General Plant	20,791					
34	<b>Total Plant in Service</b>	<b>254,977</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ACCUMULATED DEPRECIATION</b>							
35	Underground Storage	7,249					
36	Distribution Plant	74,019					
37	General Plant	7,230					
38	<b>Total Accum. Depreciation</b>	<b>88,498</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
39	DEFERRED FIT	(24,592)					
40	GAS INVENTORY	7,628					
41	GAIN ON SALE OF BUILDING	(153)					
42	<b>TOTAL RATE BASE</b>	<b>\$149,362</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
43	<b>RATE OF RETURN</b>	<b>7.36%</b>					

APPENDIX 5

Exhibit No. \_\_\_\_\_(EMA-3)

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Injuries and Damages	FIT	Restate Debt Interest	Incentives & Other	Net Gains/losses	Eliminate A/R Expenses
	a	m	n	o	p	q	r
<b>REVENUES</b>							
1	Total General Business						
2	Total Transportation						
3	Other Revenues						
4	Total Gas Revenues	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
<b>Underground Storage</b>							
10	Operating Expenses						
11	Depreciation						
12	Taxes						
13	Total Underground Storage	0	0	0	0	0	0
<b>Distribution</b>							
14	Operating Expenses						
15	Depreciation					(13)	
16	Taxes						
17	Total Distribution	0	0	0	0	(13)	0
18	Customer Accounting				0	0	(274)
19	Customer Service & Information						
20	Sales Expenses						
<b>Administrative &amp; General</b>							
21	Operating Expenses	22			(288)		
22	Depreciation						
23	Taxes						
24	Total Admin. & General	22	0	0	(288)	0	0
25	Total Gas Expense	22	0	0	(288)	(13)	(274)
26	OPERATING INCOME BEFORE FIT	(22)	0	0	288	13	274
<b>FEDERAL INCOME TAX</b>							
27	Current Accrual	(8)	11	471	101	5	96
28	Deferred FIT		(22)				
29	Amort ITC						
30	NET OPERATING INCOME	(\$14)	\$11	(\$471)	\$187	\$8	\$178
<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
<b>ACCUMULATED DEPRECIATION</b>							
35	Underground Storage						
36	Distribution Plant						
37	General Plant						
38	Total Accum. Depreciation	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
43	RATE OF RETURN						

APPENDIX 5

Exhibit No. \_\_\_\_\_(EMA-3)

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Office Space Charges to Subs	Restate Excise Taxes	Restated Total	Pro Forma Labor Non-Exec	Pro Forma Labor Exec	Pro Forma Depreciation Study
	a	s	t	-	PF1	PF2	PF3
<b>REVENUES</b>							
1	Total General Business			\$197,821			
2	Total Transportation			1,446			
3	Other Revenues			4,037			
4	Total Gas Revenues	0	0	203,304	0	0	0
<b>EXPENSES</b>							
5	Exploration and Development			0			
6	Production						
6	City Gate Purchases			149,802			
7	Purchased Gas Expense			653	23	(5)	
8	Net Nat Gas Storage Trans			0			
9	Total Production	0	0	150,455	23	(5)	0
10	Underground Storage						
10	Operating Expenses			492	1		
11	Depreciation			312			(60)
12	Taxes			122			
13	Total Underground Storage	0	0	926	1	0	(60)
14	Distribution						
14	Operating Expenses			6,359	231		
15	Depreciation			5,369			(215)
16	Taxes		31	9,457			
17	Total Distribution	0	31	21,185	231	0	(215)
18	Customer Accounting	0	0	4,225	143		
19	Customer Service & Information			1,061	9		
20	Sales Expenses			496	14		
21	Administrative & General						
21	Operating Expenses	(6)		8,130	137	(89)	
22	Depreciation			1,282			(59)
23	Taxes			24			
24	Total Admin. & General	(6)	0	9,436	137	(89)	(59)
25	Total Gas Expense	(6)	31	187,784	558	(94)	(334)
26	OPERATING INCOME BEFORE FIT	6	(31)	15,520	(558)	94	334
<b>FEDERAL INCOME TAX</b>							
27	Current Accrual	2	(11)	7,049	(195)	33	117
28	Deferred FIT			(3,072)			
29	Amort ITC			(30)			
30	NET OPERATING INCOME	\$4	(\$20)	\$11,573	(\$363)	\$61	\$217
<b>RATE BASE: PLANT IN SERVICE</b>							
31	Underground Storage			13,854			
32	Distribution Plant			220,332			
33	General Plant			20,791			
34	Total Plant in Service	0	0	254,977	0	0	0
<b>ACCUMULATED DEPRECIATION</b>							
35	Underground Storage			7,249			(30)
36	Distribution Plant			74,019			(107)
37	General Plant			7,230			(30)
38	Total Accum. Depreciation	0	0	88,498	0	0	(167)
39	DEFERRED FIT			(24,592)			(58)
40	GAS INVENTORY			7,628			
41	GAIN ON SALE OF BUILDING			(153)			
42	TOTAL RATE BASE	\$0	\$0	\$149,362	\$0	\$0	\$109
43	RATE OF RETURN			7.75%			

APPENDIX 5

Exhibit No. \_\_\_\_ (EMA-3)

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Storage Contract PF4	Pro Forma Misc Adj PF5	Pro Forma Customer Deposits PF6	Pro Forma Total
<b>REVENUES</b>					
1	Total General Business				\$197,821
2	Total Transportation				1,446
3	Other Revenues	(2,160)			1,877
4	Total Gas Revenues	(2,160)	0	0	201,144
<b>EXPENSES</b>					
5	Exploration and Development				0
<b>Production</b>					
6	City Gate Purchases				149,802
7	Purchased Gas Expense				671
8	Net Nat Gas Storage Trans				0
9	Total Production	0	0	0	150,473
<b>Underground Storage</b>					
10	Operating Expenses				493
11	Depreciation				252
12	Taxes				122
13	Total Underground Storage	0	0	0	867
<b>Distribution</b>					
14	Operating Expenses			45	6,635
15	Depreciation				5,154
16	Taxes				9,457
17	Total Distribution	0	0	45	21,246
18	Customer Accounting		0	0	4,368
19	Customer Service & Information				1,070
20	Sales Expenses				510
<b>Administrative &amp; General</b>					
21	Operating Expenses		(108)		8,070
22	Depreciation				1,223
23	Taxes				24
24	Total Admin. & General	0	(108)	0	9,317
25	Total Gas Expense	0	(108)	45	187,851
26	OPERATING INCOME BEFORE FIT	(2,160)	108	(45)	13,293
<b>FEDERAL INCOME TAX</b>					
27	Current Accrual	(756)	38	(16)	6,270
28	Deferred FIT				(3,072)
29	Amort ITC				(30)
30	NET OPERATING INCOME	(\$1,404)	\$70	(\$29)	\$10,125
<b>RATE BASE: PLANT IN SERVICE</b>					
31	Underground Storage			\$ (1,111)	12,743
32	Distribution Plant				220,332
33	General Plant				20,791
34	Total Plant in Service	0	0	(1,111)	253,866
<b>ACCUMULATED DEPRECIATION</b>					
35	Underground Storage				7,219
36	Distribution Plant				73,912
37	General Plant				7,200
38	Total Accum. Depreciation	0	0	0	88,331
39	DEFERRED FIT				(24,650)
40	GAS INVENTORY				7,628
41	GAIN ON SALE OF BUILDING				(153)
42	TOTAL RATE BASE	\$0	\$0	(\$1,111)	\$148,360
43	RATE OF RETURN				6.82%

## **APPENDIX 6**

AVISTA UTILITIES  
 Docket No. UE-070804  
**SPREAD OF ELECTRIC REVENUE INCREASE  
 PER PROPOSED SETTLEMENT AGREEMENT**  
 (000s of Dollars)

Line No.	Type of Service	Schedule Number	Base Tariff Revenue Under Present Rates(1)	General Increase	Base Tariff Revenue Under Proposed Rates(2)	Base Tariff Percent Increase	Total Billed Revenue at Present Rates	Sch. 91 Increase	Total Gen & Sch. 91 Increase	Total Increase on Billed Revenue
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	Residential	1	\$140,352	\$13,121	\$153,473	9.3%	\$157,353	\$2,381	\$15,501	9.9%
2	General Service	11	\$33,525	\$3,134	\$36,659	9.3%	\$37,762	\$583	\$3,717	9.8%
3	Large General Service	21	\$98,247	\$9,186	\$107,433	9.4%	\$109,887	\$1,674	\$10,860	9.9%
4	Extra Large General Service	25	\$39,015	\$3,647	\$42,662	9.3%	\$43,491	\$661	\$4,308	9.9%
5	Pumping Service	31	\$6,804	\$636	\$7,440	9.4%	\$7,622	\$118	\$754	9.9%
6	Street & Area Lights	41-48	\$4,719	\$442	\$5,161	9.4%	\$5,335	\$86	\$528	9.9%
7	Total		\$322,662	\$30,166	\$352,828	9.3%	\$361,450	\$5,503	\$35,669	9.9%

(1) Excludes all present rate adjustments: Schedule 91 - DSM Rider & Schedule 93 - Power Cost Surcharge

(2) Includes all present rate adjustments: Schedule 91 - DSM Rider & Schedule 93 - Power Cost Surcharge

**AVISTA UTILITIES**  
**Docket UE-070804**  
**ELECTRIC RATES BY RATES SCHEDULE**  
**PER PROPOSED SETTLEMENT AGREEMENT**

(a)	Base Tariff Sch. Rate (b)	Present ERM & Other Adj.(1) (c)	Present Billing Rate (d)	General Rate Increase (e)	Sch. 91 Increase (f)	Proposed Billing Rate (g)	Proposed Base Tariff Rate (h)
<b><u>Residential Service - Schedule 1</u></b>							
Basic Charge	\$5.50		\$5.50	\$0.00		\$5.50	\$5.50
Energy Charge:							
First 600 kWhs	\$0.04905	\$0.00573	\$0.05478	\$0.00504	\$0.00102	\$0.06084	\$0.05409
600 - 1,300 kWhs	\$0.05706	\$0.00795	\$0.06501	\$0.00587	\$0.00102	\$0.07190	\$0.06293
All over 1,300 kWhs	\$0.06689	\$0.01065	\$0.07754	\$0.00688	\$0.00102	\$0.08544	\$0.07377
<b><u>General Services - Schedule 11</u></b>							
Basic Charge	\$6.00		\$6.00	\$0.00		\$6.00	\$6.00
Energy Charge:							
First 3,650 kWhs	\$0.07795	\$0.01047	\$0.08842	\$0.00784	\$0.00144	\$0.09770	\$0.08579
All over 3,650 kWhs	\$0.07300	\$0.01047	\$0.08347	\$0.00732	\$0.00144	\$0.09223	\$0.08032
Demand Charge:							
20 kW or less	no charge		no charge	no charge			no charge
Over 20 kW	\$3.50/kW		\$3.50/kW			\$3.50/kW	\$3.50/kW
<b><u>Large General Service - Schedule 21</u></b>							
Energy Charge:							
First 250,000 kWhs	\$0.05132	\$0.00737	\$0.05869	\$0.00588	\$0.00106	\$0.06563	\$0.05720
All over 250,000 kWhs	\$0.04586	\$0.00737	\$0.05323	\$0.00524	\$0.00106	\$0.05953	\$0.05110
Demand Charge:							
50 kW or less	\$250.00		\$250.00	\$0.00		\$250.00	\$250.00
Over 50 kW	\$3.00/kW		\$3.00/kW			\$3.00/kW	\$3.00/kW
Primary Voltage Discount	\$0.20/kW		\$0.20/kW			\$0.20/kW	\$0.20/kW
<b><u>Extra Large General Service - Schedule 25</u></b>							
Energy Charge:							
First 500,000 kWhs	\$0.03926	\$0.00474	\$0.04400	\$0.00490	\$0.00070	\$0.04960	\$0.04416
500,000 - 6,000,000 kWhs	\$0.03532	\$0.00474	\$0.04006	\$0.00441	\$0.00070	\$0.04517	\$0.03973
All over 6,000,000 kWhs				n/a	\$0.00070	\$0.04376	\$0.03832
Demand Charge:							
3,000 kva or less	\$9,000		\$9,000			\$9,000	\$9,000
Over 3,000 kva	\$2.75/kva		\$2.75/kva			\$2.75/kva	\$2.75/kva
Primary Volt. Discount							
11 - 60 kv	\$0.20/kW		\$0.20/kW			\$0.20/kW	\$0.20/kW
60 - 115 kv	\$0.40/kW		\$0.40/kW	\$0.40/kW		\$0.80/kW	\$0.80/kW
115 or higher kv	\$0.50/kW		\$0.50/kW	\$0.50/kW		\$1.00/kW	\$1.00/kW
Annual Minimum	Present:	\$520,160			Proposed:	\$571,610	
<b><u>Pumping Service - Schedule 31</u></b>							
Basic Charge	\$6.00		\$6.00	\$0.00		\$6.00	\$6.00
Energy Charge:							
First 165 kW/kWh	\$0.06576	\$0.00651	\$0.07227	\$0.00630	\$0.00094	\$0.07951	\$0.07206
All additional kWhs	\$0.04697	\$0.00651	\$0.05348	\$0.00450	\$0.00094	\$0.05892	\$0.05147

(1) Includes all present rate adjustments: Schedule 91 - DSM Rider & Schedule 93 - ERM Surcharge (all Schedules).  
Schedule 59 - Residential Exchange Credit (Sch. 1 only) suspended June 2007.

AVISTA UTILITIES  
Docket UG-070805  
**SPREAD OF NATURAL GAS REVENUE INCREASE  
PER PROPOSED SETTLEMENT AGREEMENT**

	Residential Service SCH 101	Small Firm Service SCH 111	Large Firm Service SCH 121	Interruptible Service SCH 131	Transport Service SCH 146	Special Contract Service SCH 148
<b>CURRENT REVENUE</b>	\$ 200,932,869	\$ 139,874,954	\$ 50,120,149	\$ 7,287,038	\$ 599,142	\$ 1,446,369
<b>COST OF GAS</b>	\$ 149,726,687	\$ 101,577,082	\$ 41,266,125	\$ 6,343,420	\$ 527,229	\$ 12,830
<b>CURRENT MARGIN</b>	\$ 51,206,183	\$ 38,297,872	\$ 8,854,024	\$ 943,618	\$ 71,913	\$ 1,433,539
% of Current Margin excl Sch 148	100.00%	77.18%	17.87%	1.90%	0.15%	2.89%

Revenue Requirement Incr (decr) \$3,282,000  
 Terassen storage Rev Incr (decr) \$1,757,000  
 Remaining Rev Incr (decr) \$1,525,000

Terassen Storage allocator

Throughput	199,203,835	118,603,605	48,415,667	7,580,750	644,022	23,759,791	0
% of Total	100.000%	59.539%	24.305%	3.806%	0.323%	11.927%	0.000%
Sales Therms	175,444,044	118,803,605	48,415,667	7,580,750	644,022	0	0
% of Total	100.000%	67.716%	27.566%	4.321%	0.367%	0.000%	0.000%
% of Total - 20% Throughput / 80% Sales Therms	100.000%	66.101%	26.938%	4.218%	0.359%	2.385%	0.000%

Terassen Storage Rev. Req. Incr (decr) - allocated on 20%/80%  
 Remaining Rev. Req. Incr (decr) - allocated on % of Curr Margin  
**TOTAL REVENUE INCREASE**

	\$1,757,000	\$1,161,368	\$473,297	\$74,107	\$6,296	\$41,913	\$0
	\$1,525,000	\$1,177,061	\$272,550	\$29,047	\$2,214	\$44,128	\$0
	\$3,282,000	\$2,338,429	\$745,847	\$103,154	\$8,509	\$86,041	\$0

**PROPOSED MARGIN**

	\$ 54,488,183	\$ 40,576,321	\$ 9,599,670	\$ 1,046,772	\$ 80,423	\$ 1,519,580	\$ 1,665,218
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**INCREASE AS PERCENT OF CURRENT MARGIN**

Terassen	6.41%	6.12%	8.42%	10.93%	11.83%	6.00%	0.00%
Remainder	3.43%	3.04%	5.35%	7.85%	8.75%	2.92%	0.00%
	2.98%	3.08%	3.08%	3.08%	3.08%	3.09%	0.00%

**INCREASE AS PERCENT OF PRESENT REVENUE**

	1.63%	1.67%	1.49%	1.42%	1.42%	5.95%	0.00%
--	-------	-------	-------	-------	-------	-------	-------

Current Revenue + Proposed Margin Rev Increase \$ 204,214,869 \$ 142,153,403 \$ 50,865,996 \$ 7,390,192 \$ 607,651 \$ 1,592,410 \$ 1,665,218

(1) Terassen Recap  
 80% spread based on Sales Volumes \$1,405,600 \$951,815 \$387,890 \$60,734 \$5,160 \$0  
 20% spread based on Throughput (excl. Sch. 146) \$351,700 \$209,572 \$85,406 \$13,373 \$1,136 \$41,913  
 Total \$1,757,000 \$1,161,388 \$473,297 \$74,107 \$6,296 \$41,913



**AVISTA UTILITIES**  
**Docket UG-070805**  
**GAS RATES BY SCHEDULE**  
**PER SETTLEMENT AGREEMENT**

(a)	Base Rate(1) (b)	Present Rate Adj.(2) (c)	Present Billing Rate (d)	General Rate Increase (e)	Sch. 91 Increase (f)	Proposed Billing Rate(2) (g)	Proposed Base Rate(1) (h)
<b><u>General Service - Schedule 101</u></b>							
Basic Charge	\$5.50		\$5.50	\$0.00		\$5.50	\$5.50
Usage Charge:							
All therms	\$1.09269	\$0.02402	\$1.11671	\$0.01968	\$0.00158	\$1.13797	\$1.11237
<b><u>Large General Service - Schedule 111</u></b>							
Usage Charge:							
First 200 therms	\$1.11892	\$0.02141	\$1.14033	\$0.01970	\$0.00137	\$1.16140	\$1.13862
200 - 1,000 therms	\$1.05177	\$0.02141	\$1.07318	\$0.01528	\$0.00137	\$1.08983	\$1.06705
All over 1,000 therms	\$0.98624	\$0.02141	\$1.00765	\$0.01433	\$0.00137	\$1.02335	\$1.00057
Minimum Charge:							
per month	\$131.13		\$131.13	\$3.94		\$135.07	\$135.07
per therm	\$0.46327	\$0.02141	\$0.48468		\$0.00137	\$0.48605	\$0.46327
<b><u>High Annual Load Factor Large General Service - Schedule 121</u></b>							
Usage Charge:							
First 500 therms	\$1.08924	\$0.03085	\$1.12009	\$0.01968	\$0.00126	\$1.14103	\$1.10892
500 - 1,000 therms	\$1.03874	\$0.03085	\$1.06959	\$0.01528	\$0.00126	\$1.08613	\$1.05402
1,000 - 10,000 therms	\$0.97321	\$0.03085	\$1.00406	\$0.01377	\$0.00126	\$1.01909	\$0.98698
10,000 - 25,000 therms	\$0.93168	\$0.03085	\$0.96253	\$0.01319	\$0.00126	\$0.97698	\$0.94487
All over 25,000 therms	\$0.92033	\$0.03085	\$0.95118	\$0.01303	\$0.00126	\$0.96547	\$0.93336
Minimum Charge:							
per month	\$319.59		\$319.59	\$9.84		\$329.43	\$329.43
per therm	\$0.45006	\$0.03085	\$0.48091		\$0.00126	\$0.48217	\$0.45006
<b><u>Interruptible Service - Schedule 131</u></b>							
Usage Charge:							
First 10,000 therms	\$0.96132	\$0.02595	\$0.98727	\$0.01377	\$0.00122	\$1.00226	\$0.97509
10,000 - 25,000 therms	\$0.92058	\$0.02595	\$0.94653	\$0.01319	\$0.00122	\$0.96094	\$0.93377
25,000 - 50,000 therms	\$0.91058	\$0.02595	\$0.93653	\$0.01305	\$0.00122	\$0.95080	\$0.92363
All over 50,000 therms	\$0.90728	\$0.02595	\$0.93323	\$0.01300	\$0.00122	\$0.94745	\$0.92028
<b><u>Transportation Service - Schedule 146</u></b>							
Basic Charge	\$200.00		\$200.00	\$0.00		\$200.00	\$200.00
Usage Charge:							
First 20,000 therms	\$0.06716	\$0.00008	\$0.06724	\$0.00418		\$0.07142	\$0.07134
20,000 - 50,000 therms	\$0.05980	\$0.00008	\$0.05988	\$0.00372		\$0.06360	\$0.06352
50,000 - 300,000 therms	\$0.05394	\$0.00008	\$0.05402	\$0.00336		\$0.05738	\$0.05730
300,000 - 500,000 therms	\$0.04991	\$0.00008	\$0.04999	\$0.00311		\$0.05310	\$0.05302
All over 500,000 therms	\$0.03761	\$0.00008	\$0.03769	\$0.00234		\$0.04003	\$0.03995

**Note: Billing Rates include 11/1/07 PGA.**

(1) Includes Schedules 150 & 156 - Purchased Gas Cost Adj.

(2) Includes Schedule 155 - Gas Rate Adj., Schedule 159 - Gas Decoupling Rate Adj., and Schedule 191 - Public Purpose Rider Adj.

## **APPENDIX 7**

APPENDIX 7

Avista Utilities  
 Washington - Gas - Test Year Calculations for Decoupling  
 2006 - Docket No. UG-070805

Schedule 101 Therms	Per BtU(1)	Annual Total	January	February	March	April	May	June	July	August	September	October	November	December
Usage from Revenue Run(2)	112,993,336	112,993,336	18,662,669	16,708,536	16,924,556	11,304,373	6,552,477	3,538,280	2,378,214	1,985,594	2,479,717	4,292,105	9,891,005	18,364,798
Debt Prior Mo. Unbilled(2)	(12,246,878)	(72,278,176)	(9,835,922)	(9,835,922)	(10,346,687)	(7,769,266)	(5,379,240)	(3,372,792)	(1,644,233)	(1,249,212)	(1,312,939)	(2,062,172)	(6,574,314)	(10,484,519)
Add: Current Mo. Unbilled(2)	12,031,121	72,062,419	9,835,922	10,346,687	7,769,268	5,379,240	3,372,792	1,644,233	1,249,212	1,312,939	2,062,172	6,574,314	10,484,519	12,031,121
Add: Weather Adjustment(2)	6,036,026	6,036,026	4,041,945	(473,371)	(245,515)	433,190	486,111	580,436				26,537	428,902	751,791
Test Year Monthly Therms	118,803,605	118,803,605	20,193,658	16,744,930	14,101,624	9,347,535	5,032,140	2,400,167	1,983,193	2,049,321	3,228,950	8,830,784	14,228,112	20,663,191
Adjust to Annual Pro Forma														
Monthly Pro Forma Therms	118,803,605	118,803,605	20,193,658	16,744,930	14,101,624	9,347,535	5,032,140	2,400,167	1,983,193	2,049,321	3,228,950	8,830,784	14,228,112	20,663,191
Customers / Billings														
Test Yr. Customers/Billings(2)	1,636,851	1,636,851	135,510	135,699	135,789	135,775	135,938	135,719	135,822	136,128	136,466	137,302	138,036	138,667
Test Year Average Use/Cust	73	73	149	123	104	69	37	18	15	15	24	64	103	149
Sch 101 Base Rate/therm(3)		\$1.11237												
Times: 1 minus Revenue Related Items (4)		0.956922												
Revenue prior to gross up		\$1.06445												
Less: Weighted Average Gas Cost/therm(5)		(\$0.85500)												
Margin Rate/therm		\$0.20945												

(1) From Hirschhorn worksheets in Docket No. UG-070805 BtU -19, BtU -16, BtU - 15, and BtU - 14  
 (2) From 2006 Monthly Data (below)  
 (3) From Hirschhorn Exhibit No. (BtU-7), page 3, revised for proposed settlement  
 (4) From Andrews Exhibit No. (EMA-3), page 3, line 7  
 (5) From Hirschhorn Exhibit No. (BtU-6), page 9

## **APPENDIX 8**



Rob McKenna

## ATTORNEY GENERAL OF WASHINGTON

Utilities and Transportation Division

1400 S Evergreen Park Drive SW • PO Box 40128 • Olympia WA 98504-0128 • (360) 664-1183

October 15, 2007

Carole J. Washburn, Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Dr. SW  
P. O. Box 47250  
Olympia, Washington 98504-7250

Re: *UTC v. Avista Corporation d/b/a Avista Utilities*  
Docket Nos. UE-070804 and UG-070805  
*In re Petition of Avista Corporation d/b/a Avista Utilities for an Accounting Order*  
Docket No. UE-070311  
(consolidated)

Dear Ms. Washburn:

Enclosed for filing in the above-referenced docket are the original and 15 copies of the Parties' Partial Settlement Stipulation, including appendices, and Certificate of Service.

Sincerely,



GREGORY J. TRAUTMAN  
Assistant Attorney General

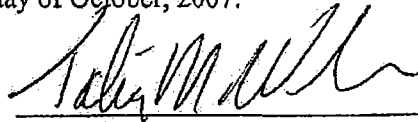
GJT:tmw  
Enclosures  
cc: Parties



Docket Nos. UE-070804/UG-070805/UE-070311 (consolidated)  
CERTIFICATE OF SERVICE

I hereby certify that I have this day served the attached document upon the persons and entities listed on the Service List below by depositing a copy of said document in the United States mail, addressed as shown on said Service List, with first class postage prepaid.

DATED at Olympia, Washington this 15<sup>th</sup> day of October, 2007.



TALIA M. WILSON

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**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION	)	
	)	DOCKET UE-070804
Complainant,	)	
	)	and
v.	)	
	)	DOCKET UG-070805
AVISTA CORPORATION d/b/a	)	<i>(consolidated)</i>
AVISTA UTILITIES	)	
	)	
Respondent.	)	
.....	)	
	)	
In the matter of the Petition of	)	
	)	DOCKET UE-070311
	)	<i>(consolidated)</i>
AVISTA CORPORATION, d/b/a	)	
AVISTA UTILITIES,	)	PARTIAL SETTLEMENT STIPULATION
	)	
For an Accounting Order Regarding the	)	
Appropriate Treatment of the Net Costs	)	
Associated with the Repurchase of Debt	)	
.....	)	

**I. PARTIES**

1. This Partial Settlement Stipulation is entered into by Avista Corporation (“Avista” or the “Company”), the Staff of Washington Utilities and Transportation Commission (“Staff”), the Public Counsel Section of the Washington Office of Attorney General (“Public Counsel”), Northwest Industrial Gas Users (“NWIGU”), Industrial Customers of Northwest Utilities (“ICNU”), and The Energy Project, jointly referred to herein as the “Stipulating Parties.” The Stipulating Parties agree



that this Partial Settlement Stipulation is in the public interest and should be accepted as a partial resolution of issues in this docket. The Stipulating Parties understand this Partial Settlement Stipulation is subject to Commission approval.

## II. INTRODUCTION

2. On April 26, 2007, Avista filed with the Commission certain tariff revisions designed to effect general rate increases for electric service (Docket UE-070804) and gas service (Docket UG-070805) in the state of Washington. Avista requests an increase in electric rates of 15.8 percent and an increase in gas rates of 2.3 percent. On February 14, 2007, Avista filed with the Commission a petition seeking an Accounting Order under WAC 480-07-370(b)(i) requesting retroactive approval to account for certain debt repurchase costs in a manner that deviated from the Commission's rules (Docket UE-070311). On May 3, 2007, the Commission entered Order 02 consolidating Docket UE-070311 with Dockets UE-070804 and UG-070805 for hearing and determination pursuant to WAC 480-07-320.

3. After analysis of the filing, all parties commenced discussions for purposes of narrowing the contested issues in this proceeding. The Stipulating Parties have reached a Partial Settlement Stipulation on certain issues in this proceeding and wish to present their agreement for the Commission's consideration. The Stipulating Parties therefore adopt the following Partial Settlement Stipulation in the interest of expediting the disposition of this proceeding.

### III. AGREEMENT

#### A. Revised Revenue Requirement

4. The Stipulating Parties have agreed to a number of revenue requirement adjustments to both the filed electric and gas cases. These are described in the table set forth in Appendix 1. (See Issue #'s 1 – 9) Attachment A to Appendix 1 is a summary of the revenue requirement adjustments for the Company's electric operations, showing a reduction of \$5,969,000 to the Company's filed-for revenue requirement increase. Attachment B to Appendix 1 is a summary of the revenue requirement adjustments for the Company's natural gas operations, showing an adjustment of \$1,314,000 to the Company's filed-for revenue requirement increase.<sup>1</sup> Revised Avista pre-filed exhibits EMA-2 (electric) and EMA-3 (gas) are attached as Appendix 2, showing adjusted proforma results incorporating these agreed-upon adjustments.

5. This Partial Settlement does not resolve all issues impacting the electric and gas revenue requirements, as discussed in Paragraph E below.

#### B. Cost of Service and Rate Spread/Rate Design

##### (1.) Cost of Service Analysis:

6. For purposes of this proceeding, the Parties have not reached agreement on the Company's filed cost of service analysis; instead, after the conclusion of this proceeding, the Company agrees to prepare a new load study, and will meet with and seek input from the Commission Staff and other interested parties prior to initiation of and during the study. Additionally, the Company will further

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<sup>1</sup> The revenue received from Terasen from the Company's released Jackson Prairie Storage capacity & deliverability following the base rate increase will be deferred and returned to customers in the Company's 2008 PGA filing. (See Issue # 7 of Appendix 1)

examine the operating characteristics and associated costs of its electric system resources in conjunction with the allocation of costs within its cost of service study. Finally, as part of the load study, the Company will examine how rates should be designed to properly allocate costs. (See Issue 12 of Appendix 1) The revenue allocation for purposes of this proceeding, however, will be described below.

(2.) Rate Spread/Rate Design:

7. The Stipulating Parties agree to apply a uniform percentage increase only to the electric energy charges for purposes of recovering Avista's revenue requirement; the demand charges will remain the same and there will be no increase to the basic charges in Schedule 1, 11, and 31.

8. For Extra Large General Service Schedule 25, the Primary Voltage Discount (PVD) rates for service at or above 60 kV and 115 kV will be increased as follows: The PVD rate for service at or above 60 kV will be increased from \$0.40 per kVA to \$0.80 per kVA and the PVD rate for service above 115 kV will be increased from \$0.50 per kVA to \$1.00 per kVA. The revenue reduction resulting from the PVD rate changes would be offset by an increase to the other energy charges under Schedule 25. Additionally, a third energy rate block will be implemented for usage in excess of 6,000,000 KWhs per month. The rate for energy usage under this block will be less than the rates for the first two blocks under the schedule. The Company agrees to withdraw, for purposes of this case, its proposal to add language under Schedule 25 that would require the customer to execute a special contract for service to a new/incremental load requirement of 25 megawatts or greater. (See Issue # 13, Appendix 1)

9. For natural gas, the Stipulating Parties agree that the revenue requirement, apart from the increase related to Terasen, would be spread on a uniform percentage of margin across the natural gas service schedules.<sup>2</sup>

**C. Low Income Bill Assistance Funding:**

10. The Stipulating Parties agree to adjust the LIRAP portion of the public purpose tariff riders (Schedules 91 and 191) to provide increased annual funding as follows: Electric \$2,496,000, Natural Gas \$1,262,000. The proposed increase in LIRAP funding is intended to approximately match the overall percentage increase in retail rates resulting from this case. (See Issue # 10 of Appendix 1) Appendix 3 identifies the tariff rider adjustments to Schedules 91 and 191 (in ¢/kwh or ¢/therm) to reflect increased levels of funding for LIRAP and DSM.

**D. Demand Side Management (DSM) Expenditures:**

11. The Stipulating Parties agree that the Company's proposed rate base treatment of DSM expenditures shall not be implemented in this proceeding; instead, prudent expenditures on DSM will continue to be expensed annually. Moreover, no electric lost margin recovery mechanisms will be implemented in this case. The Stipulating Parties agree, however, that expenditures on DSM by Avista made for the period January 1, 2004 through December 31, 2006 are prudent. This Stipulation does not apply to any expenditures for automatic metering.

12. The electric DSM tariff rider funding will be increased to correspond with increased DSM target levels set forth in the 2007 Integrated Resource Plan (IRP) of the Company. This includes

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<sup>2</sup> The base rate increase associated with the elimination of the Jackson Prairie release revenue received from Terasen will be allocated based on 80% of the costs being allocated to all gas sales and 20% of the costs being allocated to all schedules except for Schedule 148 (special contract).

Low Income DSM funding of \$1,132,000. The electric DSM level incorporates program enhancements contained in Avista's testimony in this docket. There will otherwise be no change to the DSM tariff rider for natural gas. Avista agrees to examine the sufficiency of the electric and gas DSM tariff riders in its next general rate case and to review issues related to negative DSM account balances. Avista further agrees to make an annual DSM tariff filing for the purpose of determining whether the riders should be adjusted to account for recovery of expenses and DSM budget projections. Appendix 3 identifies the tariff rider adjustments to Schedules 91 and 191 (in ¢/kwh or ¢/therm) to reflect increased levels of funding for LIRAP and DSM.

E. Unresolved Issues:

13. This Partial Settlement Stipulation resolves only those issues identified above for purposes of this proceeding. Among the items yet to be resolved, either through settlement or litigation, are the following:

1. Capital Structure
2. Return on Equity
3. Cost of Debt and Preferred
4. Power Cost Only Rate Case
5. Proposed Effective Date
6. Debt Amortization
7. Late Charges
8. Advanced Meter Reading
9. Directors & Officers Insurance

## 10. Customer Deposits

This is not intended to be an all-inclusive list of the unresolved issues.

### IV. EFFECT OF THE PARTIAL SETTLEMENT STIPULATION

14. Binding on Parties. The Stipulating Parties agree to support the terms of the Partial Settlement Stipulation throughout this proceeding, including any appeal, and recommend that the Commission issue an order adopting the Partial Settlement Stipulation contained herein. The Stipulating Parties understand that this Partial Settlement Stipulation is subject to Commission approval. The Stipulating Parties agree that this Partial Settlement Stipulation represents a compromise in the positions of the Stipulating Parties. As such, conduct, statements and documents disclosed in the negotiation of this Partial Settlement Stipulation shall not be admissible evidence in this or any other proceeding.

15. Integrated Terms of Settlement. The Stipulating Parties have negotiated this Partial Settlement Stipulation as an integrated document. Accordingly, the Stipulating Parties recommend that the Commission adopt this Partial Settlement Stipulation in its entirety. Each Stipulating Party has participated in the drafting of this Partial Settlement Stipulation, so it should not be construed in favor of, or against, any particular Party.

16. Procedure. The Stipulating Parties shall cooperate in submitting this Partial Settlement Stipulation promptly to the Commission for acceptance. The Stipulating Parties shall make available a witness or representative in support of this Partial Settlement Stipulation. The Stipulating Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Partial Settlement Stipulation and to supplement the record

accordingly.

The Stipulating Parties agree to stipulate into evidence the prefiled direct testimony and exhibits of the Company as they relate to the stipulated issues, together with such evidence in support of the Stipulation as may be offered at the time of the hearing on the Settlement. If the Commission rejects all or any material portion of this Partial Settlement Stipulation, or adds additional material conditions, each Stipulating Party reserves the right, upon written notice to the Commission and all parties to this proceeding within seven (7) days of the date of the Commission's Order, to withdraw from the Partial Settlement Stipulation. If any Stipulating Party exercises its right of withdrawal, this Partial Settlement Stipulation shall be void and of no effect, and the Stipulating Parties will support a joint motion for an expedited procedural schedule to address the issues that would otherwise have been settled herein.

17. No Precedent. The Stipulating Parties enter into this Partial Settlement Stipulation to avoid further expense, uncertainty, and delay. By executing this Partial Settlement Stipulation, no Stipulating Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving at the Partial Settlement Stipulation, and, except to the extent expressly set forth in the Partial Settlement Stipulation, no Stipulating Party shall be deemed to have agreed that such a Partial Settlement Stipulation is appropriate for resolving any issues in any other proceeding.

18. Public Interest. The Stipulating Parties agree that this Partial Settlement Stipulation is in the public interest.

19. Execution. This Partial Settlement Stipulation may be executed by the Stipulating Parties in

several counterparts and as executed shall constitute one Partial Settlement Stipulation.

Entered into this 15<sup>th</sup> day of October, 2007


Company:

By: \_\_\_\_\_

David J. Meyer  
VP, Chief Counsel for Regulatory and  
Governmental Affairs

Staff:

By: \_\_\_\_\_

  
Gregory J. Trautman  
Assistant Attorney General

Public Counsel:

By: \_\_\_\_\_

Simon fitch  
Assistant Attorney General

NWIGU:

By: \_\_\_\_\_

Edward A. Finklea  
Cable, Huston, Benedict, Haagenon & Lloyd, LLP

ICNU:

By: \_\_\_\_\_

S. Bradley Van Cleve  
Davison Van Cleve, P.C.

The Energy Project:

By: \_\_\_\_\_

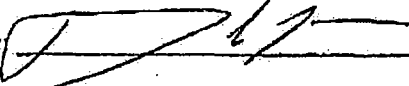
Ronald Roseman  
Attorney at Law



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Entered into this 15<sup>th</sup> day of October, 2007

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Staff:

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ICNU:

By: \_\_\_\_\_

S. Bradley Van Clove  
Davison Van Clove, P.C.

The Energy Project:

By:  \_\_\_\_\_

Ronald Roseman  
Attorney at Law

**APPENDIX I**

**Avista Dockets UE-070804 & UG-070805  
Partial Settlement of Issues**

Issue	Resolution
1. Power Supply (Electric only)	1) Increase Colstrip Availability Factor based on the use of a 2003-2006 average rather than a 2002-2006 average. 2) Increase Natural Gas Prices to reflect the 3-month average of 5/30/07 to 8/28/07. 3) Add Hydro Filtering by excluding months during the 1928-1978 water year record that fall outside a one standard deviation band. 4) Add actual purchases and sales of natural gas and electricity that have already occurred for the calendar year 2008. Net Decrease to Revenue Requirement (\$2,304,000) (See Attachment A – Item PF1) Investment in generation and transmission deemed prudent. The new generation investment reflects upgrades to Cabinet Gorge Unit 4, Noxon Unit 4, and Colstrip Units 3 and 4.
2. Incentives & Executive Compensation (Electric & Gas)	Reduce test year incentive payout based on 8-year average, and reduce executive compensation reflected in the base. Electric Decr. Rev. Req. (\$1,383,000), Gas Decr. Rev. Req. (\$362,000). (See Attachment A – Items x and PF4, and Attachment B – Items p and PF2))
3. Adjust Section 199 Deduction (Electric only)	Increase deduction allowance from 3% to 6%. The deduction allowance for federal income tax expense is related to the Section 199 manufacturing tax credit which increased from 3% in 2006 to 6% in 2007. Decrease Rev. Req. (\$778,000) (See Attachment A – Item p)
4. Depreciation Study (Electric & Gas)	Reduce negative salvage values in determining new depreciation rates on four electric accounts. No change to the proposed new depreciation rates for natural gas. Decrease Electric Rev. Req. (\$1,330,000). See Footnote 1. (See Attachment A – PF8)
5. Production Property Adjustment (Electric only)	The Power Supply Adjustments adopted in Item 1, the Depreciation Study Adjustment in Item 4, and the Incentive & Executive Compensation Adjustment in Item 2 above result in a corresponding change to the Production Property Adjustment. Incr. Rev. Req. \$172,000 (See Attachment A – Item PF2)
6. Deferred FIT Rate Base (Electric & Gas)	In its next general rate case Avista agrees to reflect dollars in rate-making consistent with the ruling from Budget's pending Private Letter Ruling related to the level of rate base reduction pertaining to deferred FIT. No adjustment in current case.
7. Terasesen (Gas only)	Remove storage revenues from base rates and include in PGA. Increase Rev. Req. \$1,757,000. See Footnote 2. (See Attachment B – Item PF4)
8. Other Miscellaneous Adjustments (Electric & Gas)	Eliminate advertising costs of \$73,000, reduce Dues by \$88,000, reduce Board of Director costs by \$200,000, and increase Pole Attachment revenues by \$40,000. Decr. Electric Rev. Req. (\$336,000) and Decr. Gas Rev. Req. (\$82,000) (See Attachment A – Item PF12, and Attachment B – Item PF5)
9. Wood Pole Treatment (Electric only)	Avista agrees to a one-way balancing account on pro forma expense level. If Avista spends more dollars, there will not be a deferral. If Avista spends less dollars than included in base rates, the difference will be

**APPENDIX 1**

<p>10. Low Income Bill Assistance Funding (Electric &amp; Gas)</p>	<p>deferred and returned to customers if not spent in a succeeding year. The Company will include in its Commission Basis Report a report on the Company's expenses for wood pole inspections and capital expenditures made for wood poles.</p> <p>Adjust LIRAP portion of tariff riders to provide annual funding as follows: Electric \$2,496,000, Natural Gas \$1,262,000. The proposed increase in LIRAP funding is intended to approximately match the overall percentage increase in retail rates approved in this case. Appendix 3 identifies the tariff rider adjustments to Schedules 91 and 191 (in \$/kwh or \$/therm) to reflect increased levels of funding for LIRAP and DSM.</p>
<p>11. DSM (Electric &amp; Gas)</p>	<p>No rate base treatment of DSM - continue to expense annually. Increase the electric DSM tariff rider funding to correspond with DSM targets in 2007 IRP. The electric DSM level incorporates program enhancements contained in Avista's testimony in this docket. No change to the DSM tariff rider for natural gas. This funding includes Low Income DSM funding at \$1,132,000. No electric lost margin recovery mechanism approved in this case. Avista agrees to examine the sufficiency of the electric and gas DSM tariff riders in its next general rate case and to review issues related to negative DSM account balances. Avista further agrees to make an annual DSM tariff filing for the purpose of determining whether the rider should be adjusted to account for recovery of expenses and DSM budget projections. Appendix 3 identifies the tariff rider adjustments to Schedules 91 and 191 (in \$/kwh or \$/therm) to reflect increased levels of funding for LIRAP and DSM. Expenditures on DSM through December 31, 2006 are deemed prudent. This Stipulation does not apply to any expenditures for automatic metering.</p>
<p>12. Cost of Service Analysis</p>	<p>Avista agrees to prepare a new load study, and will meet with and seek input from the Commission Staff and other interested parties prior to initiation of and during the study. Additionally, the Company will further examine the operating characteristics and associated costs of its electric system resources in conjunction with the allocation of costs within its cost of service study. Finally, as part of the load study, the Company will examine how rates should be designed to properly allocate costs.</p>
<p>13. Rate Spread/Rate Design</p>	<p>Apply uniform percentage increase to only the electric energy charges. For natural gas, the revenue requirement, apart from the increase related to Terason, would be spread on a uniform percentage of margin across the natural gas service schedules. Intra-schedule adjustments to Schedule 25 per Footnote 3. The treatment of new loads above 25 megawatts as proposed in Schedule 25 (by means of a special contract), will be deferred until a subsequent general rate proceeding.</p>

**Footnotes:**

1. Based on a depreciation study performed by the Company, Avista proposed a decrease in electric net operating income by \$660,000 and a decrease to rate base by \$330,000. WUTC Staff has proposed a reduction in the negative net savings values the Company used in determining new depreciation rates on four electric accounts, which results in lower depreciation accrual rates on those accounts. These proposed changes result in an increase in electric net operating income by \$208,000 and an increase to rate base by \$104,000. The net impact on the electric revenue requirement of these proposed changes is a reduction of approximately \$1.333 million. The net impact by account is as follows:

**APPENDIX I**

Account 311 - Structures & Improvements	\$408,000
Account 312 - Boiler Plant Equipment	\$564,000
Account 356 - Overhead Conductor & Devices	\$222,000
Account 369 - Services	\$139,000

WUTC Staff proposed no changes to Avista's gas depreciation adjustment.

2. The base rate increase associated with the elimination of the Jackson Prairie release revenue received from Terresen will be spread by rate schedule in the same manner in which the revenue has been allocated in the Company's cost of service study. The allocation of this revenue matches the allocation of underground storage costs in the cost of service study which is based on 80% of the costs being allocated to all gas sales schedules and 20% of the costs being allocated to all schedules except for Schedule 148 (special contract). The revenue received from Terresen following the base rate increase will be deferred and allocated to customers in the same fashion in the Company's 2008 PGA Filing.
  
3. Increase the Primary Voltage Discount (PVD) rates for service at or above 60 kV and 115 kV for Schedule 25. The PVD rate for service at or above 60 kV would be increased from \$0.40 per KVA to \$0.80 per KVA and the PVD rate for service at or above 115 kV would be increased from \$0.50 per KVA to \$1.00 per KVA. The revenue reduction resulting from the PVD rate changes would be offset by an increase to the other energy charges under Schedule 25. Additionally, a third energy rate block will be implemented for usage in excess of 6,000,000 KWhs per month. The rate for energy usage under this block will be less than the rates for the first two blocks under the schedule.

**Among the Items Yet to be Resolved**

Issue	Resolution
Among the Items Yet to be Resolved:	
1. Capital Structure	
2. Return on Equity	
3. Cost of Debt and Preferred	
4. Power Cost Only Rate Case	
5. Proposed Effective Date	
6. Debt Amortization	
7. Late Charges	
8. Advanced Meter Reading	
9. Directors & Officers Insurance	
10. Customer Deposits	



Attachment A:  
Electric

APPENDIX 1

AVISTA UTILITIES  
Summary of Revenue Requirement Adjustments  
Restatement Summary Washington Electric

Item	Description of Adjustment	RILEN CASE		PARTIAL SETTLEMENT OF ISSUES		DIFFERENCE		IMPACT ON	
		Washington Electric NOI	Rate Base	Washington Electric NOI	Rate Base	Washington Electric NOI	Rate Base	NOI	Rate Base
b	Per Results Report	\$71,715	\$94,207	\$71,715	\$94,207	\$0	\$0	0.621863	9.39%
c	Deferred FRT Rate Base	\$0	(\$138,495)	0	(\$138,495)	\$0	\$0		
d	Deferred Gain on Office Building	\$0	(\$295)	0	(\$295)	\$0	\$0		
e	Colstrip 3 AFUDC Elimination	\$216	(\$2,255)	216	(\$2,255)	\$0	\$0		
f	Colstrip 3 AFUDC	\$0	\$492	0	492	\$0	\$0		
g	Kettle Falls Dismantle	(\$56)	(\$993)	(\$59)	(\$993)	\$0	\$0		
h	Customer Advances	\$0	(\$267)	0	(\$267)	\$0	\$0		
i	FGE Monetization	\$866	(\$324)	866	(\$324)	\$0	\$0		
j	Settlement Exchange Power Actual	\$0	\$22,441	0	22,441	\$0	\$0		
		72,741	874,511	72,741	874,511	0	0		
k	Eliminate B & O Taxes	(\$21)	\$0	(\$21)	\$0	\$0	\$0		
l	Property Tax	(\$12)	\$0	(\$12)	\$0	\$0	\$0		
m	Unallocated Expense	\$31	\$0	\$31	\$0	\$0	\$0		
n	Regulatory Expense	(\$755)	\$0	(\$755)	\$0	\$0	\$0		
o	Injuries and Damages	\$316	\$0	\$316	\$0	\$0	\$0		
p	FRT	0	\$0	0	\$0	\$484	\$0		(\$778)
q	Eliminate WA Power Cost Defor	\$292	\$0	229	\$0	\$0	\$0		
r	Net Rate Settlement Adjustment	(\$12)	\$0	(\$12)	\$0	\$0	\$0		
s	Eliminate AVR Expenses	\$1,106	\$0	1,116	\$0	\$0	\$0		
t	Office Space Charges to Subsidiaries	\$16	\$0	16	\$0	\$0	\$0		
u	Reserve Excess Taxes	(\$78)	\$0	(\$78)	\$0	\$0	\$0		
v	Net Gains/Taxes	\$57	\$0	57	\$0	\$0	\$0		
w	Revenue Normalization	(\$23)	\$0	(\$23)	\$0	\$0	\$0		
x	Incentive & Offset	(\$36)	\$0	318	\$0	\$0	\$0		
y	Reserve Debt Interest	(\$1,170)	\$0	(\$1,164)	\$0	\$6	\$0		(\$1,052)
		(\$1,170)	\$0	(\$1,164)	\$0	\$6	\$0		(\$10)
	Restated Total	\$72,099	\$874,511	\$73,243	\$874,511	\$1,144	\$0		
pf1	Pro Forma Power Supply	(\$20,792)	0	(\$20,792)	0	\$1,433	\$0		(\$2,304)
pf2	Pro Forma Prga Property Adj	5,660	(\$28,783)	\$5,551	(\$28,781)	(\$109)	(\$18)		\$175
pf3	Pro Forma Labor NonExec	(\$1,375)	0	(\$1,375)	0	\$0	\$0		\$0
pf4	Pro Forma Labor Exec	28	0	235	0	\$206	\$0		(\$331)
pf5	Pro Forma Transmission Rev/Exp	(\$57)	0	(\$57)	0	\$0	\$0		\$0
pf6	Pro Forma Transmission Capital Add	(\$1,078)	40,274	(\$1,078)	40,274	\$0	\$0		\$0
pf7	Pro Forma Generation Capital Add	(\$61)	0	(\$61)	0	\$0	\$0		\$0
pf8	Pro Forma Depreciation Study	(\$60)	0	(\$60)	0	\$868	\$414		(\$1,396)
pf9	Pro Forma Wood Pole Test & Treat	(\$98)	0	(\$98)	0	\$0	\$0		\$0
pf12	Pro Forma Misc Adj.	0	0	209	0	\$209	\$0		(\$336)
	Pro Forma Total	(\$52,467)	\$897,431	(\$56,218)	\$897,847	\$3,751	\$416		(\$6,032)
									(\$5,969)

(1) Includes Officer Compensation Adj.  
(2) Includes adjustments for Advertising, Dues, and Board of Director's Fees.

Attachment B:  
Gas

AVISTA UTILITIES  
Summary of Revenue Requirement Adjustments  
Restatement Summary Washington Gas

APPENDIX 1

Item	Description	FILED CASE		PARTIAL SETTLEMENT OF ISSUES		DIFFERENCE		IMPACT ON	
		NOI	Rate Base	NOI	Rate Base	NOI	Rate Base	NOI	Rate Base
b	Per Resale Report	\$10,993	\$165,434	\$10,993	\$165,434	\$0	\$0	0.621999	9.39%
c	Deferred FIT Rate Base	0	(24,645)	0	(24,645)	\$0	\$0		
d	Deferred Gain on Office Building	0	(100)	0	(100)	\$0	\$0		
e	Gas Inventory	0	7,628	0	7,628	\$0	\$0		
f	Weatherization and DSM Investment	0	1,120	0	1,120	\$0	\$0		
g	Customer Advances	0	(75)	0	(75)	\$0	\$0		
h	Actual	10,993	149,362	10,993	149,362	0	0		
i	Revenue Normalization & Gas Cost Adjust	686	0	686	0	\$0	\$0		
j	Eliminate B & O Taxes	6	0	6	0	\$0	\$0		
k	Property Tax	16	0	16	0	\$0	\$0		
l	Uncollectible Expense	38	0	38	0	\$0	\$0		
m	Regulatory Expense Adjustment	(49)	0	(49)	0	\$0	\$0		
n	Injuries and Damages	(14)	0	(14)	0	\$0	\$0		
o	FIT	11	0	11	0	\$0	\$0		
p	Restate Right Interest	(207)	0	(207)	0	\$0	\$0		(9275)
q	Incentives & Other	16	0	187	0	\$171	\$0		
r	Net Gains/Losses	8	0	8	0	\$0	\$0		
s	Eliminate AVE Expenses	178	0	178	0	\$0	\$0		
t	Office Space Changes to Subs	4	0	4	0	\$0	\$0		
u	Resale Excise Taxes	(20)	0	(20)	0	\$0	\$0		
	Restated Total	\$11,666	\$149,362	\$11,837	\$149,362	\$171	\$0		
PF1	Pro Forma Labor/Non-Exce	(363)	0	(363)	0	\$0	\$0		
PF2	Pro Forma Labor Exce	7	0	61	0	\$54	\$0		(387)
PF3	Pro Forma Depreciation Study	217	109	217	109	\$0	\$0		\$0
PF4	Pro Forma Storage Contract	(311)	0	(1,404)	0	(\$1,093)	\$0		\$1,757
PF5	Pro Forma MaszAdj	0	0	-51	0	\$51	\$0		(382)
	Pro Forma Total:	\$11,216	\$149,271	\$10,399	\$149,471	(\$817)	\$0		\$1,314
									\$1,314

(1) Includes Officer Compensation Adj.  
(2) Includes adjustments for Advertising, Dues, and Board of Directors Fees

## APPENDIX 2

Exhibit No. (E)(A)-2

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON PRO FORMA RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(\$000 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
		b	c	d	e	f
<b>REVENUES</b>						
1	Total General Business	\$393,796	\$140,466	\$534,262	\$45,170	\$579,432
2	Interdepartmental Sales	733		733		733
3	Sales for Resale	115,379	(36,199)	79,180		79,180
4	Total Sales of Electricity	478,707	(130,665)	348,042	45,170	393,212
5	Other Revenue	22,255	(34,989)	7,266		7,266
6	Total Electric Revenue	520,962	(165,654)	355,308	45,170	400,478
<b>EXPENSES</b>						
<b>Production and Transmission</b>						
7	Operating Expenses	175,226	(55,448)	119,778		119,778
8	Purchased Power	117,871	(38,225)	79,646		79,646
9	Depreciation and Amortization	17,045	7,425	24,470		24,470
10	Taxes	9,890	883	10,773		10,773
11	Total Production & Transmission	320,032	(75,865)	244,167	0	244,167
<b>Distribution</b>						
12	Operating Expenses	15,485	688	16,173		16,173
13	Depreciation	15,864	3,072	18,936		18,936
14	Taxes	29,460	(12,155)	17,305	1,745	19,050
15	Total Distribution	59,809	(8,395)	51,414	1,745	53,159
<b>Customer Accounting</b>						
16	Customer Accounting	3,951	(1,611)	2,340	120	2,460
<b>Customer Service &amp; Information</b>						
17	Customer Service & Information	7,759	(6,565)	1,194		1,194
<b>Sales Expenses</b>						
18	Sales Expenses	657	27	684		684
<b>Administrative &amp; General</b>						
19	Operating Expenses	32,646	(553)	32,093	0	32,093
20	Depreciation	6,459	(770)	5,689		5,689
21	Taxes					
22	Total Admin. & General	39,105	(1,323)	37,782	0	37,782
23	Total Electric Expenses	421,498	(132,806)	288,692	1,865	290,557
24	OPERATING INCOME BEFORE FIT	89,464	(23,828)	65,636	43,215	108,851
<b>FEDERAL INCOME TAX</b>						
25	Current Annual	24,784	(18,553)	6,231	15,123	21,354
26	Deferred Income Taxes	(7,227)	11,202	3,975		3,975
27	Normalized Investment Tax Credit					
28	SETTLEMENT EXCHANGE POWER					
29	NET OPERATING INCOME	\$71,215	(\$15,497)	\$55,718	\$28,090	\$83,808
<b>RATE BASE</b>						
<b>PLANT IN SERVICE</b>						
30	Intangible	\$23,428		\$23,428		\$23,428
31	Production	649,965	26,967	676,932		676,932
32	Transmission	244,433	41,966	286,400		286,400
33	Distribution	502,858	(207)	502,651		502,651
34	General	80,110		80,110		80,110
35	Total Plant in Service	1,500,826	78,669	1,579,495	0	1,579,495
36	ACCUMULATED DEPRECIATION	493,639	(7,537)	486,102		486,102
37	ACCUM. PROVISION FOR AMORTIZATION	12,960	36,662	49,622		49,622
38	Total Accum. Depreciation & Amort.	506,599	29,125	535,724	0	535,724
39	GAIN ON SALE OF BUILDING		(453)	(453)		(453)
40	DEFERRED TAXES		(142,521)	(142,521)		(142,521)
41	TOTAL RATE BASE	\$994,287	(\$90,360)	\$903,927	\$0	\$903,927
42	RATE OF RETURN	7.21%		6.26%		9.38%

## APPENDIX 2

Exhibit No. \_\_\_\_\_(EMA-2)

AVISTA UTILITIES  
 Calculation of General Revenue Requirement  
 Washington - Electric System  
 TWELVE MONTHS ENDED DECEMBER 31, 2006

Line No.	Description	(000's of Dollars)
1	Pro Forma Rate Base	\$897,847
2	Proposed Rate of Return	<u>9.39%</u>
3	Net Operating Income Requirement	\$84,308
4	Pro Forma Net Operating Income	<u>\$56,218</u>
5	Net Operating Income Deficiency	\$28,090
6	Conversion Factor	0.62186345
7	Revenue Requirement	<u>\$45,170</u>
8	Total General Business Revenues	\$322,662
9	Percentage Revenue Increase	<u><u>14.00%</u></u>

APPENDIX 2

Exhibit No. \_\_\_\_\_(EMA-2)

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

Line No.	Description	Factor
1	Revenues	1.000000
	Expense:	
2	Uncollectibles	0.002660
3	Commission Fees	0.062000
4	Washington Excise Tax	0.058627
5	Franchise Fees	0.000000
6	Total Expense	<u>0.043387</u>
7	Net Operating Income Before FIT	0.956713
8	Federal Income Tax @ 35%	<u>0.334850</u>
9	REVENUE CONVERSION FACTOR	<u><u>0.621863</u></u>

APPENDIX 2

Exhibit No. (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATEMENT RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2009  
(DOLLARS 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
<b>REVENUES</b>								
1	Total General Business	\$342,396						
2	Interdepartmental Sales	723						
3	Sales for Resale	115,579						
4	Total Sales of Electricity	478,707	0	0	0	0	0	0
5	Other Revenue	42,253						
6	Total Electric Revenue	\$29,962	0	0	0	0	0	0
<b>EXPENSES</b>								
<b>Production and Transmission</b>								
7	Operating Expenses	176,236						
8	Purchased Power	117,371						
9	Depreciation and Amortization	17,009			(216)			
10	Losses	9,099						
11	Total Production & Transmission	199,295	0	0	(216)	0	0	0
<b>Distribution</b>								
12	Operating Expenses	15,463						
13	Depreciation	10,864						
14	Taxes	29,250						
15	Total Distribution	\$3,829	0	0	0	0	0	0
16	Customer Accounting	9,851						
17	Customer Service & Information	7,739						
18	Sales Expenses	657						
<b>Administrative &amp; General</b>								
19	Operating Expenses	32,646						
20	Depreciation	6,459						
21	Losses							
22	Total Admin. & General	\$2,105	0	0	0	0	0	0
23	Total Electric Expenses	432,466	0	0	(216)	0	0	0
24	OPERATING INCOME BEFORE FIT	\$8,496	0	0	216	0	0	0
<b>FEDERAL INCOME TAX</b>								
25	Current Amount	24,008						
26	Deferred Income Taxes	(7,227)					56	
27	NET OPERATING INCOME	\$91,715	\$0	\$0	\$216	\$0	(\$50)	\$0
<b>RATE BASE</b>								
<b>PLANT IN SERVICE</b>								
28	Intangible	\$23,438						
29	Production	649,965			(7,175)	-92	(\$248)	
30	Transmission	244,433						
31	Distribution	\$92,838						(207)
32	General	\$6,110						
33	Total Plant in Service	1,396,806	0	0	(7,175)	-92	(\$248)	(207)
34	ACCUMULATED DEPRECIATION	493,639			(4,920)		(3,550)	
35	ACCUM. PROVISION FOR AMORTIZATION	12,960						
36	Total Accum. Depreciation & Amort.	\$66,599	0	0	(4,920)	0	(3,550)	0
37	GAIN ON SALE OF BUILDING			(453)				
38	DEFERRED TAXES		(138,493)	188			106	
39	TOTAL RATE BASE	\$994,207	(\$138,493)	(\$295)	(\$2,255)	\$402	(\$992)	(\$207)
40	RATE OF RETURN	7.21%						

APPENDIX 2

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
 ELECTRIC RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	PGE Monetization	Settlement Exchange Power	Subtotal Actual	Eliminate B & O Taxes	Property Tax	Uncollect. Expense
<b>REVENUES</b>							
1	Total General Revenues			\$262,385	\$ (12,201)		
2	Interdepartmental Sales			733			
3	Sales for Resale			115,579			
4	Total Sales of Electricity	0	0	478,707	(12,201)	0	0
5	Other Revenue			43,253	(15)		
6	Total Electric Revenue	0	0	520,952	(12,216)	0	0
<b>EXPENSES</b>							
<b>Production and Transmission</b>							
7	Operating Expenses			176,236			
8	Purchased Power			117,871			
9	Depreciation and Amortization	(1,332)		15,460			
10	Taxes			9,090		25	
11	Total Production & Transmission	(1,332)	0	318,657	0	25	0
<b>Distribution</b>							
12	Operating Expenses			15,485			
13	Depreciation			10,864			
14	Taxes			20,460	(12,182)	(6)	
15	Total Distribution	0	0	55,809	(12,182)	(6)	0
16	Customer Accounting			8,251			(47)
17	Customer Service & Information			7,739			
18	Sales Expenses			637			
<b>Administrative &amp; General</b>							
19	Operating Expenses			32,646			
20	Depreciation			6,439			
21	Taxes						
22	Total Admin. & General	0	0	39,185	0	0	0
23	Total Electric Expenses	(1,332)	0	436,918	(12,182)	19	(47)
24	OPERATING INCOME BEFORE FTI	1,332	0	90,044	(32)	(19)	47
<b>FEDERAL INCOME TAX</b>							
25	Current Annual			24,028	(11)	(7)	16
26	Deferred Income Taxes	486		(6,765)			
27	NET OPERATING INCOME	864	\$0	\$72,741	(\$21)	(\$12)	\$31
<b>RATE BASE:</b>							
<b>PLANT IN SERVICE</b>							
28	Intangible			\$23,436			
29	Production	(14,305)	79,626	709,485			
30	Transmission			244,435			
31	Distribution			502,571			
32	General			\$2,110			
33	Total Plant in Service	(14,305)	79,626	1,454,037	0	0	0
34	ACCUMULATED DEPRECIATION			485,160			
35	ACCUM. PROVISION FOR AMORTIZATION	(13,766)	\$2,268	\$1,522			
36	Total Accum. Depreciation & Amort.	(13,766)	\$2,268	\$36,682	0	0	0
37	GAIN ON SALE OF BUILDING			(453)			
38	DEFERRED TAXES	173	(4,517)	(143,383)			
39	TOTAL RATE BASE	(3324)	\$22,441	\$874,511	\$0	\$0	\$0
40	RATE OF RETURN			8.32%			

APPENDIX 2

Exhibit No. (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2004  
(000'S OF DOLLARS)

Line No	DESCRIPTION	Regulatory Expense	Injuries and Damages	FIT	Eliminate WA Power Cost Defer	Nez Perce Settlement Adjustment	Eliminate A/R Expenses
		b	c	p	q	r	s
<b>REVENUES</b>							
1	Total General Business				\$ (31,707)		
2	Interdepartmental Sales						
3	Sales for Resale						
4	Total Sales of Electricity	0	0	0	(31,707)	0	0
5	Other Revenue						
6	Total Electric Revenue	0	0	0	(31,707)	0	0
<b>EXPENSES</b>							
<b>Production and Transmission</b>							
7	Operating Expenses				(30,675)	18	
8	Purchased Power						
9	Depreciation and Amortization						
10	Taxes						
11	Total Production & Transmission	0	0	0	(30,675)	18	0
<b>Distribution</b>							
12	Operating Expenses						
13	Depreciation						
14	Taxes				(1,234)		
15	Total Distribution	0	0	0	(1,234)	0	0
16	Customer Accounting				(190)		(1,717)
17	Customer Service & Information						
18	Sales Expenses						
<b>Administrative &amp; General</b>							
19	Operating Expenses	1,162	(486)		(50)		
20	Depreciation						
21	Taxes						
22	Total Admin. & General	1,162	(486)	0	(50)	0	0
23	Total Electric Expenses	1,162	(486)	0	(32,355)	18	(1,717)
24	OPERATING INCOME BEFORE FIT	(1,162)	486	0	352	(18)	1,717
<b>FEDERAL INCOME TAX</b>							
25	Current Assets	(407)	170	(428)	(10,613)	(6)	601
26	Deferred Income Taxes			(56)	10,736		
27	NET OPERATING INCOME	(1,569)	656	(484)	\$270	(24)	\$1,116
<b>RATE BASE</b>							
<b>PLANT IN SERVICE</b>							
28	Intangible						
29	Production						
30	Transmission						
31	Distribution						
32	General						
33	Total Plant in Service	0	0	0	0	0	0
34	ACCUMULATED DEPRECIATION						
35	ACCLM. PROVISION FOR AMORTIZATION						
36	Total Accum. Depreciation & Amort.	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
40	RATE OF RETURN						



APPENDIX 2

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(DAYS OF DOLLARS)

Line No.	DESCRIPTION	Office Space Charges to Subsidiaries	Rebate Excess Taxes	Net Gains/Losses	Revenue Normalization	Incentive & Other
<b>REVENUES</b>						
1	Total General Business				\$3,442	
2	Interdepartmental Sales					
3	Sales for Resale					
4	Total Sales of Electricity	0	0	0	3,442	0
5	Other Revenue				268	
6	Total Identifiable Revenue	0	0	0	3,651	0
<b>EXPENSES</b>						
<b>Production and Transmission</b>						
7	Operating Expenses				(176)	614
8	Purchased Power					
9	Depreciation and Amortization				16,255	
10	Taxes					
11	Total Production & Transmission	0	0	0	16,109	614
<b>Distribution</b>						
12	Operating Expenses					
13	Depreciation			(88)		
14	Taxes		126		141	
15	Total Distribution	0	126	(88)	141	0
16	Customer Accounting				16	
17	Customer Service & Information				(6,580)	
18	Sales Expenses					
<b>Administrative &amp; General</b>						
19	Operating Expenses	(24)			7	(1,103)
20	Depreciation					
21	Taxes					
22	Total Admin. & General	(24)	0	0	7	(1,103)
23	Total Electric Expenses	(24)	126	(88)	3,687	(489)
24	OPERATING INCOME BEFORE FIT	24	(126)	88	(36)	489
<b>FEDERAL INCOME TAX</b>						
25	Current Accrual	0	(42)	31	(13)	171
26	Deferred Income Taxes					
27	NET OPERATING INCOME	24	(168)	119	(49)	660
<b>RATE BASE</b>						
<b>PLANT IN SERVICE</b>						
28	Intangible					
29	Production					
30	Transmission					
31	Distribution					
32	General					
33	Total Plant in Service	0	0	0	0	0
34	ACCUMULATED DEPRECIATION					
35	ACCUM. PROVISION FOR AMORTIZATION					
36	Total Accum. Depreciation & Amort.	0	0	0	0	0
37	GAIN ON SALE OF BUILDING					
38	DEFERRED TAXES					
39	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0
40	RATE OF RETURN					

APPENDIX 2

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
 ELECTRIC RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 FIFTEEN MONTHS ENDED DECEMBER 31, 2004  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Restate Debt Interest	Restated TOTAL	Pro Forma Power Supply	Pro Forma Prod Property Adj	Pro Forma Labor NonExec	Pro Forma Labor Exec
		1	2	PF1	PF2	PF3	PF4
<b>REVENUES</b>							
1	Total General Business		\$321,829				
2	Interdepartmental Sales		733				
3	Sales for Resale		115,476	(80,199)			
4	Total Sales of Electricity	0	438,038	(80,199)	0		
5	Other Revenue		42,448	(32,271)	(2,029)		
6	Total Electric Revenue	0	480,486	(112,470)	(2,029)	0	0
<b>EXPENSES</b>							
<b>Production and Transmission</b>							
7	Operating Expenses		146,017	(43,962)	(10,569)	717	(14)
8	Purchased Power		117,871	(58,725)			
9	Depreciation and Amortization		23,745				
10	Taxes		9,115				
11	Total Production & Transmission	0	296,748	(102,687)	(10,569)	717	(14)
<b>Distribution</b>							
12	Operating Expenses		15,485			567	
13	Depreciation		10,776				
14	Taxes		16,907				
15	Total Distribution	0	43,168	0	0	567	0
16	Customer Accounting		7,497			243	
17	Customer Service & Information		1,159			13	
18	Sales Expenses		657			25	
<b>Administrative &amp; General</b>							
19	Operating Expenses		31,143			550	(248)
20	Depreciation		6,439				
21	Taxes						
22	Total Admin. & General	0	37,582	0	0	550	(248)
23	Total Electric Expenses	0	388,830	(102,687)	(10,569)	2,115	(362)
24	OPERATING INCOME BEFORE PFI	0	91,656	(20,783)	8,540	(2,115)	362
<b>FEDERAL INCOME TAX</b>							
25	Current Accrual	1,154	14,642	(10,424)	2,989	(740)	127
26	Deferred Income Taxes		3,975				
27	NET OPERATING INCOME	(\$1,164)	\$73,243	(\$10,350)	\$5,551	(\$1,375)	\$235
<b>RATE BASE</b>							
<b>PLANT IN SERVICE</b>							
28	Intangible		\$28,458				
29	Production		793,455		(28,781)		
30	Transmission		244,435				
31	Distribution		502,571				
32	General		80,110				
33	Total Plant in Service	0	1,548,629	0	(28,781)	0	0
34	ACCUMULATED DEPRECIATION		485,140				
35	ACCUM. PROVISION FOR AMORTIZATION		51,522				
36	Total Accum. Depreciation & Amort.	0	536,662	0	0	0	0
37	GAIN ON SALE OF BUILDING		(455)				
38	DEFERRED TAXES		(142,355)				
39	TOTAL RATE BASE	\$0	\$874,511	\$0	(\$28,781)	\$0	\$0
40	RATE OF RETURN		8.38%				

APPENDIX 2

Exhibit No. \_\_\_\_ (EMA-2)

AVISTA UTILITIES  
ELECTRIC RESULTS OF OPERATION  
WASHINGTON RESTATED RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(DOLLARS OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Transmission Rev/Exp	Pro Forma Transmission Capital Add	Pro Forma Generation Capital Add	Pro Forma Depreciation Study	Pro Forma Wood Pole Test & Treat	Proforma Misc Adj.	Pro Forma TOTAL
		PF5	PF6	PF7	PF8	PF9	PF12	PF1
<b>REVENUES</b>								
1	Total General Business							5721,979
2	Interdepartmental Sales							733
3	Sales for Resale							35,399
4	Total Sales of Electricity	0	0	0	0	0	0	338,042
5	Other Revenue	(903)					40	7,286
6	Total Electric Revenue	(903)	0	0	0	0	40	365,328
<b>EXPENSES</b>								
<b>Production and Transmission</b>								
7	Operating Expenses	416				183		92,788
8	Purchased Power							79,166
9	Depreciation and Amortization		989	538	(2,670)			24,431
10	Taxes		660	198				9,873
11	Total Production & Transmission	416	1,658	536	(2,670)	183	0	206,338
<b>Distribution</b>								
12	Operating Expenses					121		16,173
13	Depreciation				3,120			17,896
14	Taxes							16,307
15	Total Distribution	0	0	0	3,120	121	0	46,376
16	Customer Accounting							7,320
17	Customer Service & Information							1,174
18	Sales Expenses							681
<b>Administrative &amp; General</b>								
19	Operating Expenses						(261)	32,063
20	Depreciation				(770)			3,609
21	Taxes							
22	Total Admin. & General	0	0	0	(770)	0	(261)	37,732
23	Total Electric Expenses	416	1,658	536	(320)	304	(281)	289,690
24	OPERATING INCOME BEFORE TAX	(1,319)	(1,658)	(856)	520	(504)	121	65,668
<b>FEDERAL INCOME TAX</b>								
25	Current Accrued	(463)	(580)	(195)	112	(100)	112	3,473
26	Deferred Income Taxes							1,973
27	NET OPERATING INCOME	(\$897)	(\$1,678)	(\$851)	\$208	(\$198)	\$209	\$56,218
<b>RATE BASE</b>								
<b>PLANT IN SERVICE</b>								
29	Intangible							\$23,658
30	Production			12,258				986,632
36	Transmission		4,969					286,604
31	Distribution							\$62,871
32	General							80,110
33	Total Plant in Service	0	4,969	12,258	0	0	0	1,579,473
34	ACCUMULATED DEPRECIATION		748	354	(160)			480,102
25	ACCUM. PROVISION FOR AMORTIZATION							31,822
35	Total Accum. Depreciation & Amort.	0	748	354	(160)	0	0	537,624
37	GAIN ON SALE OF BUILDING							(433)
38	DEFERRED TAXES		(947)	(165)	(56)			(143,551)
39	TOTAL RATE BASE	\$0	\$40,274	\$11,739	\$104	\$0	\$0	\$897,847
40	RATE OF RETURN							6.26%

APPENDIX 2

Exhibit No. (EMA-3)

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON PRO FORMA RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000S OF DOLLARS)

Line No.	DESCRIPTION	WITH PRESENT RATES			WITH PROPOSED RATES	
		Actual Per Rate Report	Total Adjustments	Pro Forma Total	Proposed Revenues & Related Exp	Pro Forma Proposed Total
		b	c	d	e	f
<b>REVENUES</b>						
1	Total General Business	\$208,883	\$ (11,053)	\$197,831	\$5,845	\$203,676
2	Total Transportation	3,466	11,720	1,456		1,456
3	Other Revenues	29,687	(37,229)	1,877		1,877
4	Total Gas Revenues	251,745	(50,002)	201,744	5,845	206,959
<b>EXPENSES</b>						
5	Exploration and Development Production					
6	City Gate Purchases	155,283	(28,253)	149,502		149,502
7	Purchased Gas Interim	653	18	671		671
8	Net Nat Gas Storage Trans	495	(495)	-		0
9	Total Production	156,431	(29,070)	150,473	0	150,473
<b>Underground Storage</b>						
10	Operating Expenses	493	-	493		493
11	Depreciation	242	(60)	252		252
12	Taxes	134	(2)	132		132
13	Total Underground Storage	928	(62)	867	0	867
<b>Distribution</b>						
14	Operating Expenses	6,259	234	6,500		6,500
15	Depreciation	5,282	(226)	5,154		5,154
16	Taxes	17,051	(7,594)	9,457	255	9,682
17	Total Distribution	28,592	(7,591)	21,201	255	21,426
18	Customer Accounting	4,268	(200)	4,068	10	4,384
19	Customer Service & Information	7,260	(2,180)	1,070		1,070
20	Sales Expenses	496	14	510		510
<b>Administrative &amp; General</b>						
21	Operating Expenses	8,254	(235)	8,009	12	8,111
22	Depreciation	1,232	(39)	1,223		1,223
23	Taxes	24	0	24		24
24	Total Admin & General	9,640	(273)	9,246	13	9,338
25	Total Gas Expense	257,227	(49,392)	187,833	255	188,088
26	OPERATING INCOME BEFORE ITT	15,519	(610)	13,309	5,592	18,901
<b>FEDERAL INCOME TAX</b>						
27	Current Annual	5,206	0	5,012	1,957	7,265
28	Deferred ITT	(3,050)	(22)	(3,072)		(3,072)
29	Amount ITC	(30)	0	(30)		(30)
30	NET OPERATING INCOME	10,993	(594)	10,399	\$3,635	\$14,034
<b>RATE BASE: PLANT IN SERVICE</b>						
31	Underground Storage	13,854	0	13,854		13,854
32	Distribution Plant	319,287	1,045	220,332		220,332
33	General Plant	20,791	0	20,791		20,791
34	Total Plant in Service	353,932	1,045	254,977	0	254,977
<b>ACCUMULATED DEPRECIATION</b>						
35	Underground Storage	7,249	(30)	7,216		7,216
36	Distribution Plant	74,019	(407)	73,912		73,912
37	General Plant	7,239	(20)	7,200		7,200
38	Total Accum. Depreciation	88,495	(167)	86,331	0	86,331
39	DEFERRED PIT	0	(24,650)	(24,650)		(24,650)
40	GAS INVENTORY	0	7,628	7,628		7,628
41	GAIN ON SALE OF BUILDING	0	(153)	(153)		(153)
42	TOTAL RATE BASE	165,414	(51,063)	149,471	\$0	\$149,471
43	RATE OF RETURN	6.64%		6.90%		7.39%

APPENDIX 2

AVISTA UTILITIES  
 Calculation of General Revenue Requirement  
 Washington - Gas  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000's OF DOLLARS)

Line No.	Description	WASH
1	Pro Forma Rate Base	\$149,471
2	Proposed Rate of Return	<u>9.390%</u>
3	Net Operating Income Requirement	\$14,035
4	Pro Forma Net Operating Income	<u>\$10,399</u>
5	Net Operating Income Deficiency	\$3,636
6	Conversion Factor	0.621999
7	Revenue Requirement	<u>- \$5,845</u>
8	Total General Business Revenues	\$199,267
9	Percentage Revenue Increase	<u><u>2.93%</u></u>

## APPENDIX 2

Exhibit No. \_\_\_\_\_(EMA-3)

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

Line No.	Description	Factor
1	Revenues	1.000000
	Expense:	
2	Uncollectibles	0.002661
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038418
5	Franchise Fees (City of Millwood Expired in 2004)	0.000000
6	Total Expense	<u>0.043078</u>
7	Net Operating Income Before FIT	0.956922
8	Federal Income Tax @ 35%	0.334923
9	REVENUE CONVERSION FACTOR	<u><u>0.621999</u></u>

APPENDIX 2

Exhibit No. (EMA-3)

AVIS FACILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2009  
 (60% 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
		b	c	d	e	f	g
<b>REVENUES</b>							
1	Total General Business	\$208,887					
2	Total Transportation	1,166					
3	Other Revenues	39,897					
4	<b>Total Gas Revenue</b>	<b>251,146</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXPENSES</b>							
5	Exploration and Development Production	0					
6	City Gas Purchases	188,305					
7	Purchased Gas Expense	453					
8	Net Nat Gas Storage Trans	493					
9	<b>Total Production</b>	<b>189,251</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Underground Storage</b>							
10	Operating Expenses	492					
11	Depreciation	312					
12	Taxes	124					
13	<b>Total Underground Storage</b>	<b>928</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Distribution</b>							
14	Operating Expenses	5,349					
15	Depreciation	5,382					
16	Taxes	17,051					
17	<b>Total Distribution</b>	<b>27,782</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
18	Customer Accounting	4,368			0		
19	Customer Service & Information	2,260					
20	Sales Expenses	490					
<b>Administrative &amp; General</b>							
21	Operating Expenses	8,274					
22	Depreciation	1,282					
23	Taxes	74					
24	<b>Total Admin. &amp; General</b>	<b>9,630</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
25	<b>Total Gas Expense</b>	<b>257,527</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
26	<b>OPERATING INCOME BEFORE FIT</b>	<b>15,919</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FEDERAL INCOME TAX</b>							
27	Current Federal	4,546					
28	Deferred FIT	(3,050)					
29	Amort FIT	(50)					
30	<b>NET OPERATING INCOME</b>	<b>\$10,993</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>RATE BASE PLANT IN SERVICE</b>							
31	Underground Storage	13,854					
32	Distribution Plant	219,287				1,120	(75)
33	General Plant	20,791					
34	<b>Total Plant in Service</b>	<b>253,932</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,120</b>	<b>(75)</b>
<b>ACCUMULATED DEPRECIATION</b>							
35	Underground Storage	7,240					
36	Distribution Plant	74,919					
37	General Plant	7,230					
38	<b>Total Accum. Depreciation</b>	<b>89,389</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
39	<b>DEFERRED FIT</b>	<b>0</b>	<b>(24,845)</b>	<b>52</b>			
40	<b>GAS INVENTORY</b>	<b>0</b>			<b>7,928</b>		
41	<b>GAIN ON SALE OF BUILDING</b>	<b>0</b>		<b>(193)</b>			
42	<b>TOTAL RATE BASE</b>	<b>\$165,434</b>	<b>(\$24,845)</b>	<b>(\$140)</b>	<b>\$7,928</b>	<b>\$1,120</b>	<b>(675)</b>
43	<b>RATE OF RETURN</b>						

APPENDIX 2

Exhibit No. \_\_\_\_\_ (EMA-3)

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (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
			k	l	j	k	l
<b>REVENUES</b>							
1	Total General Business	\$206,887	\$ (3,682)	\$ (7,587)			
2	Total Transportation	5,164	(1,848)	(72)			
3	Other Revenues	32,097	(35,050)				
4	Total Gas Revenue	251,146	(40,380)	(7,652)	0	0	0
<b>EXPENSES</b>							
5	Exploration and Development Production	0					
6	City Gate Purchases	188,395	(38,593)				
7	Purchased Gas Expense	659					
8	Net Nat Gas Storage Trans	495	(495)				
9	Total Production	189,543	(39,088)	0	0	0	0
<b>Underground Storage</b>							
10	Operating Expenses	492					
11	Depreciation	312					
12	Taxes	124			(2)		
13	Total Underground Storage	928	0	0	(2)	0	0
<b>Distribution</b>							
14	Operating Expenses	6,359					
15	Depreciation	5,382					
16	Taxes	17,051	(141)	(7,401)	(25)		
17	Total Distribution	28,792	(141)	(7,401)	(25)	0	0
18	Customer Accounting	4,368	(10)	0	0	(59)	0
19	Customer Service & Information	7,260	(2,159)				
20	Sales Expenses	496					
<b>Administrative &amp; General</b>							
21	Operating Expenses	8,334	(7)				75
22	Depreciation	1,282					
23	Taxes	24					
24	Total Admin. & General	9,640	(7)	0	0	0	75
25	Total Gas Expense	237,227	(41,445)	(7,461)	(25)	(59)	75
26	OPERATING INCOME BEFORE FTI	13,919	1,935	0	25	59	(75)
<b>FEDERAL INCOME TAX</b>							
27	Current Annual	9,604	769	0	0	21	(26)
28	Deferred FTI	(3,250)					
29	Amort ITC	(59)					
30	NET OPERATING INCOME	\$10,606	\$659	\$0	\$16	\$38	(\$9)
<b>RATE BASE PLANT IN SERVICE</b>							
31	Underground Storage	15,354					
32	Distribution Plant	220,332					
33	General Plant	20,791					
34	Total Plant in Service	254,977	0	0	0	0	0
<b>ACCUMULATED DEPRECIATION</b>							
35	Underground Storage	7,249					
36	Distribution Plant	7,819					
37	General Plant	7,236					
38	Total Accum. Depreciation	22,304	0	0	0	0	0
39	DEFERRED FTI	(24,592)					
40	GAS INVENTORY	7,628					
41	GAIN ON SALE OF BUILDING	(153)					
42	TOTAL RATE BASE	\$149,362	\$0	\$0	\$0	\$0	\$0
43	RATE OF RETURN	7.36%					



APPENDIX 2

Exhibit No. \_\_\_\_ (EMA-3)

AVI UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Injuries and Damages	FIT	Restate Debt Interest	Incentives & Other	Net Gains/Losses	Eliminate A/R Expenses
		11	12	13	14	15	16
<b>REVENUES</b>							
1	Total General Business						
2	Total Transportation						
3	Other Revenues						
4	Total Gas Revenues	0	0	0	0	0	0
<b>EXPENSES</b>							
5	Exploration and Development						
6	Production						
7	Cry-Cote Purchases						
8	Purchased Gas Expense						
9	Net Nat Gas Storage Trans						
10	Total Production	0	0	0	0	0	0
11	Underground Storage						
12	Operating Expenses						
13	Depreciation						
14	Taxes						
15	Total Underground Storage	0	0	0	0	0	0
16	Distribution						
17	Operating Expenses						
18	Depreciation					(13)	
19	Taxes						
20	Total Distribution	0	0	0	0	(13)	0
21	Customer Accounting				0	0	(274)
22	Customer Service & Information						
23	Sales Expenses						
24	Administrative & General						
25	Operating Expenses	22			(288)		
26	Depreciation						
27	Taxes					0	0
28	Total Admin & General	22	0	0	(288)	0	0
29	Total Gas Expense	22	0	0	(288)	(13)	(274)
30	OPERATING INCOME BEFORE FIT	(22)	0	0	288	13	274
31	FEDERAL INCOME TAX						
32	Current Accrual	(8)	11	207	101	5	96
33	Deferred FIT		(22)				
34	Amort ITC						
35	NET OPERATING INCOME	(\$14)	\$11	(\$207)	\$187	\$8	\$178
<b>RATE BASE PLANT IN SERVICE</b>							
36	Underground Storage						
37	Distribution Plant						
38	General Plant						
39	Total Plant in Service	0	0	0	0	0	0
<b>ACCUMULATED DEPRECIATION</b>							
40	Underground Storage						
41	Distribution Plant						
42	General Plant						
43	Total Accrued Depreciation	0	0	0	0	0	0
44	DEFERRED FIT						
45	GAS INVENTORY						
46	GAIN ON SALE OF BUILDING						
47	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$0
48	RATE OF RETURN						

APPENDIX 2

Exhibit No. \_\_\_\_\_(EMA-3)

AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2009  
 (DOLLARS)

Line No.	DESCRIPTION	Office Space Charges to Subs	Restate Excise Taxes	Restated Total	Pro Forma Labor Non-Exec PF1	Pro Forma Labor Exec PF2	Pro Forma Depreciation Study PF3
<b>REVENUES</b>							
1	Total General Business			\$197,821			
2	Total Transportation			1,346			
3	Other Revenues			4,837			
4	Total Gas Revenues	0	0	203,304	0	0	0
<b>EXPENSES</b>							
5	Exploration and Development Production			0			
6	City Gate Purchases			149,802			
7	Purchased Gas Expense			653	23	(5)	
8	Net Nat Gas Storage Trans			0			
9	Total Production	0	0	150,455	23	(5)	0
<b>Underground Storage</b>							
10	Operating Expenses			492			
11	Depreciation			312			(60)
12	Taxes			127			
13	Total Underground Storage	0	0	926	0	0	(60)
<b>Distribution</b>							
14	Operating Expenses			6,359	231		
15	Depreciation			5,369			(215)
16	Taxes		31	9,437			
17	Total Distribution	0	31	21,185	231	0	(215)
18	Customer Accounting	0	0	4,225	143		
19	Customer Service & Information			1,061	9		
20	Sales Expenses			496	14		
<b>Administrative &amp; General</b>							
21	Operating Expenses	(5)		8,150	137	(59)	
22	Depreciation			1,282			(59)
23	Taxes			24			
24	Total Admin. & General	(5)	0	9,456	137	(59)	(59)
25	Total Gas Expense	(5)	31	187,784	558	(24)	(324)
26	OPERATING INCOME BEFORE FIT	5	(31)	15,520	(558)	24	334
<b>FEDERAL INCOME TAX</b>							
27	Current Annual	2	(11)	6,785	(195)	32	117
28	Deferred FIT			(3,073)			
29	Amort FIT			(50)			
30	NET OPERATING INCOME	54	(52)	\$11,852	(553)	86	\$217
<b>RATE BASE PLANT IN SERVICE</b>							
31	Underground Storage			17,854			
32	Distribution Plant			228,332			
33	General Plant			29,791			
34	Total Plant in Service	0	0	254,977	0	0	0
<b>ACCUMULATED DEPRECIATION</b>							
35	Underground Storage			7,249			(30)
36	Distribution Plant			24,019			(107)
37	General Plant			7,230			(30)
38	Total Accum. Depreciation	0	0	38,498	0	0	(167)
39	DEFERRED FIT			(24,592)			(58)
40	GAS INVENTORY			7,628			
41	GAIN ON SALE OF BUILDING			(157)			
42	TOTAL RATE BASE	\$0	\$0	\$149,361	\$0	\$0	\$102
43	RATE OF RETURN			7.93%			

APPENDIX 2

Exhibit No. \_\_\_\_\_(EMA-3)

AVESIA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RELATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2006  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Storage Contract PF=	Proforma Misc Adj PFS	Pro Forma Total
<b>REVENUES</b>				
1	Total General Business			\$197,821
2	Total Transportation			1,346
3	Other Revenues	(2,166)		1,877
4	Total Gas Revenue	(2,166)	0	201,144
<b>EXPENSES</b>				
5	Exploration and Development Production			0
6	City Gas Purchases			149,862
7	Purchased Gas Expense			671
8	Net Nat Gas Storage Trans			0
9	Total Production	0	0	150,473
<b>Underground Storage</b>				
10	Operating Expenses			495
11	Depreciation			252
12	Taxes			122
13	Total Underground Storage	0	0	867
<b>Distribution</b>				
14	Operating Expenses			6,506
15	Depreciation			5,154
16	Taxes			7,457
17	Total Distribution	0	0	21,291
18	Customer Accounting		0	4,368
19	Customer Service & Information			1,679
20	Sales Expenses			510
<b>Administrative &amp; General</b>				
21	Operating Expenses		(79)	8,895
22	Depreciation			1,225
23	Taxes			24
24	Total Admin. & General	0	(79)	9,346
25	Total Gas Expense	0	(79)	187,535
26	OPERATING INCOME BEFORE FIT	(2,166)	75	13,395
<b>FEDERAL INCOME TAX</b>				
27	Current Accrual	(756)	28	5,012
28	Deferred FIT			(5,072)
29	Amort FIT			(30)
30	NET OPERATING INCOME	(\$1,404)	\$51	\$10,329
<b>RATE BASE PLANT IN SERVICE</b>				
31	Underground Storage			13,854
32	Distribution Plant			220,532
33	General Plant			20,791
34	Total Plant in Service	0	0	254,977
<b>ACCUMULATED DEPRECIATION</b>				
35	Underground Storage			7,219
36	Distribution Plant			73,912
37	General Plant			7,260
38	Total Accum. Depreciation	0	0	88,391
39	DEFERRED FIT			(24,659)
40	GAS INVENTORY			7,628
41	GAIN ON SALE OF BUILDING			(153)
42	TOTAL RATE BASE	\$0	\$0	\$149,471
43	RATE OF RETURN			6.96%

### APPENDIX 3

#### Rate Adjustments to Schedules 91 and 191 to Reflect Increased Levels of Funding for LIRAP/DSM

**A. Schedule 91 (Electric) Tariff Rider Adjustment:**

The revenues to be generated by Schedule 91 (electric) rates are for the implementation of programs including DSM and the Low Income Rate Assistance Program (LIRAP).

<u>Schedule</u>	<u>Energy Charge (¢/kWh)</u>	
	Current	Proposed
1	0.127¢	0.229¢
11 & 12	0.180¢	0.324¢
21 & 22	0.133¢	0.239¢
25	0.087¢	0.157¢
31 & 32	0.117¢	0.211¢
*41-48	--	--

**B. Schedule 191 (Gas) Tariff Rider Adjustment:**

The Schedule 191 (gas) rates are revised to reflect the provisions in Paragraph C of the Stipulation related to LIRAP funding.

<u>Schedule</u>	<u>DSM Rate (\$/Therm)</u>		<u>LIRAP Rate (\$/Therm)</u>	
	Current	Proposed	Current	Proposed
101	\$0.01795	\$0.01795	\$0.00650	\$0.00808
111 & 112	\$0.01580	\$0.01580	\$0.00561	\$0.00698
121 & 122	\$0.01479	\$0.01479	\$0.00519	\$0.00645
131 & 132	\$0.01429	\$0.01429	\$0.00502	\$0.00624

\* The rates for street and area lights (Schedules 41-48) will also increase to correspond with the overall percentage increase in ¢/kWh for other schedules reflected in the table above.