

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

Line No.	Description	Avista a	PC b	Difference c=b-a
1	Pro Forma Rate Base	\$ 950,944	\$ 937,415	\$ (13,529)
2	Proposed Rate of Return	8.43%	8.22%	
3	Net Operating Income Requirement	\$ 80,165	\$ 77,041	\$ (3,123)
4	Pro Forma Net Operating Income	\$ 57,393	\$ 63,760	\$ 6,367
5	Net Operating Income Deficiency	\$ 22,771	\$ 13,281	\$ (9,490)
6	Conversion Factor	0.6219013	0.6601722	
7	Revenue Requirement	<b>\$ 36,616</b>	<b>\$ 20,118</b>	<b>\$ (16,498)</b>
8	Total General Business Revenues	\$ 355,260	\$ 355,260	\$ -
9	Percentage Revenue Increase	10.31%	5.66%	

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

Line No.	Description	Avista a	PC b	Difference c=b-a
1	Pro Forma Rate Base	\$ 172,957	\$ 173,566	\$ 609
2	Proposed Rate of Return	<u>8.430%</u>	<u>8.22%</u>	
3	Net Operating Income Requirement	\$ 14,580	\$ 14,264	\$ (316)
4	Pro Forma Net Operating Income	<u>\$ 10,483</u>	<u>\$ 13,850</u>	\$ 3,368
5	Net Operating Income Deficiency	\$ 4,098	\$ 414	\$ (3,683)
6	Conversion Factor	0.62203765	0.66031689	
7	Revenue Requirement	<b>\$ 6,588</b>	<b>\$ 627</b>	\$ (5,961)
8	Total General Business Revenues	\$ 197,946	\$ 197,946	\$ -
9	Percentage Revenue Increase	<u><u>3.33%</u></u>	<u><u>0.32%</u></u>	

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

Line No.	DESCRIPTION	Avista Pro Forma TOTAL	Reclassify COR Reg. Liab.		Income Tax	King Depreciation	Non-Exec Comp.	Executive Comp.	Incentive	Advertising
			1	2						
REVENUES										
1	Total General Business	\$ 355,260	\$ -	\$ -	\$ -	-	-	\$ -	-	\$ -
2	Interdepartmental Sales	739	-	-	-	-	-	-	-	-
3	Sales for Resale	47,048	-	-	-	-	-	-	-	-
4	Total Sales of Electricity	403,047	-	-	-	-	-	-	-	-
5	Other Revenue	8,104	-	-	-	-	-	-	-	-
6	Total Electric Revenue	411,151	-	-	-	-	-	-	-	-
EXPENSES										
7	Production and Transmission Operating Expenses	111,740	-	-	-	-	-	-	-	-
8	Purchased Power	89,119	-	-	-	-	-	(6)	-	-
9	Distribution Operating Expenses	15,716	-	-	-	-	(0)	-	-	-
10	Customer Accounting	7,867	-	-	-	-	(1)	-	-	-
11	Customer Service & Information	820	-	-	-	-	(0)	-	-	-
12	Sales Expenses	706	-	-	-	-	(0)	-	-	-
13	Admin & General Operating Expenses	37,103	-	-	-	-	(0)	-	-	(28)
14	Depreciation and Amortization	52,609	-	-	-	(3,110)	(366)	-	-	-
15	Taxes	26,478	-	-	-	-	-	-	-	-
16	Total Electric Expenses	342,158	-	-	-	(3,110)	(372)	-	-	(28)
17	OPERATING INCOME BEFORE FIT	68,993	-	-	-	3,110	8	372	366	28
FEDERAL INCOME TAX										
18	Current Accrual	5,103	-	(2,272)	-	964	2	115	113	9
19	Deferred Income Taxes	6,497	-	-	-	-	-	-	-	-
20	NET OPERATING INCOME	\$ 57,393	\$ -	\$ 2,272	\$ 2,146	-	5	\$ 257	\$ 253	\$ 19
RATE BASE										
21	Plant in Service	\$ 1,746,221	\$ -	\$ -	\$ -	-	-	\$ -	\$ -	\$ -
22	Total Accum. Depreciation & Amort.	631,710	-	-	(1,555)	-	-	-	-	-
23	Gain on Sale of Building	(323)	-	-	-	-	-	-	-	-
24	Deferred Taxes	(163,244)	-	-	-	-	-	-	-	-
25	TOTAL RATE BASE	\$ 950,944	\$ -	\$ -	\$ 1,555	-	-	\$ -	\$ -	\$ -
26	Avista Rate of Return	8.43%	-	-	-	-	-	-	-	-
27	PC Recommended Rate of Return	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%
28	Rate Base Effect	\$ (2,012)	\$ -	\$ -	\$ 128	-	-	\$ -	\$ -	\$ -
29	Revenue Conversion Factor	1.514756	1.514756	1.514756	1.514756	1.514756	1.514756	1.514756	1.514756	1.514756
30	Incremental Revenue Requirement	\$ (3,047)	\$ -	\$ (3,441)	\$ (3,057)	-	(8)	\$ (389)	\$ (383)	\$ (29)

[BEGIN CONFIDENTIAL]

[END CONFIDENTIAL]



Docket Nos. UE-080416 & UG-080417  
 Exhibit No. (MJM-4)  
 Schedule 2(G)  
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AVISTA UTILITIES  
 GAS RESULTS OF OPERATION  
 WASHINGTON RESTATED RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2007  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Avista Pro Forma Total	1	2	3	4	5	6	7	8	9	10
			Reclassify COR Reg. Liab.	Income Tax	King Depreciation	Non-Exec Comp.	Executive Comp.	Incentive	Advertising	Sporting Events	Dues & Membership Fees	Charitable Contributions
<b>REVENUES</b>												
1	Total General Business	\$ 196,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Total Transportation	1,623	-	-	-	-	-	-	-	-	-	-
3	Other Revenues	1,796	-	-	-	-	-	-	-	-	-	-
4	Total Gas Revenues	199,742	-	-	-	-	-	-	-	-	-	-
<b>EXPENSES</b>												
5	Exploration and Development	-	-	-	-	-	-	-	-	-	-	-
Production												
6	City Gate Purchases	145,771	-	-	-	-	-	-	-	-	-	-
7	Purchased Gas Expense	628	-	-	-	-	-	-	-	-	-	-
8	Net Nat Gas Storage Trans	-	-	-	-	-	-	-	-	-	-	-
9	Total Production	146,599	-	-	-	(0)	(2)	-	-	-	-	-
10	Underground Storage Operating Expenses	452	-	-	(0)	-	-	-	-	-	-	-
11	Distribution Operating Expenses	6,747	-	-	(0)	-	-	-	-	-	-	-
12	Customer Accounting	4,613	-	-	(1)	-	-	-	-	-	-	-
13	Customer Service & Information	833	-	-	(0)	-	-	-	-	-	-	-
14	Sales Expenses	531	-	-	(0)	-	-	-	-	-	-	-
15	Admin. & General Operating Expenses	9,177	-	-	(1)	(95)	(95)	(30)	(30)	(65)	(38)	(8)
16	Depreciation	7,417	-	-	(1,218)	-	-	-	-	-	-	-
17	Taxes	9,752	-	-	-	-	-	-	-	-	-	-
18	Total Gas Expense	186,121	-	-	(1,218)	(2)	(97)	(95)	(30)	(65)	(38)	(8)
19	OPERATING INCOME BEFORE FIT	13,621	-	-	1,218	2	97	95	30	65	38	8
<b>FEDERAL INCOME TAX</b>												
20	Current Accrual	4,611	-	(2,053)	377	1	30	30	9	20	12	2
21	Deferred FIT	(1,442)	-	-	-	-	-	-	-	-	-	-
22	Amort ITC	(31)	-	-	-	-	-	-	-	-	-	-
23	NET OPERATING INCOME	\$ 10,483	\$ -	\$ 2,053	\$ 840	\$ 1	\$ 67	\$ 66	\$ 21	\$ 45	\$ 26	\$ 5
<b>RATE BASE</b>												
24	Total Plant in Service	\$ 287,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25	Total Accum. Depreciation	101,556	-	(609)	-	-	-	-	-	-	-	-
26	Deferred FIT	(29,164)	-	-	-	-	-	-	-	-	-	-
27	Gas Inventory	15,874	-	-	-	-	-	-	-	-	-	-
28	Gain on Sale of Building	(109)	-	-	-	-	-	-	-	-	-	-
29	TOTAL RATE BASE	\$ 172,957	\$ -	\$ -	\$ 609	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30	Avista Rate of Return	8.43%	-	-	-	-	-	-	-	-	-	-
31	PC Recommended Rate of Return	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%
32	Rate Base Effect	(366)	\$ -	\$ -	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Revenue Conversion Factor	1.514424	1.514424	1.514424	1.514424	1.514424	1.514424	1.514424	1.514424	1.514424	1.514424	1.514424
34	Incremental Revenue Requirement	(554)	\$ -	\$ (3,109)	\$ (1,197)	\$ (2)	\$ (102)	\$ (100)	\$ (31)	\$ (68)	\$ (39)	\$ (6)

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

Line No.	DESCRIPTION	Shareholders' Services	D&O Insurance	Interest Synch.	Total PC Adjustments	PC Adjusted Results of Operations
		11	12	13	14	15
<b>REVENUES</b>						
1	Total General Business	\$ -	\$ -	\$ -	\$ -	\$ 196,323
2	Total Transportation	-	-	-	-	1,623
3	Other Revenues	-	-	-	-	1,796
4	Total Gas Revenues	-	-	-	-	199,742
<b>EXPENSES</b>						
5	Exploration and Development	-	-	-	-	-
	Production	-	-	-	-	-
6	City Gate Purchases	-	-	-	-	145,771
7	Purchased Gas Expense	-	-	-	-	828
8	Net Nat Gas Storage Trans	-	-	-	-	-
9	Total Production	-	-	-	-	146,599
10	Underground Storage Operating Expenses	-	-	-	(0)	452
11	Distribution Operating Expenses	-	-	-	(0)	6,747
12	Customer Accounting	-	-	-	(1)	4,612
13	Customer Service & Information	-	-	-	(0)	833
14	Sales Expenses	-	-	-	(0)	531
15	Admin. & General Operating Expenses	(99)	(101)	-	(632)	8,645
16	Depreciation	-	-	-	(1,218)	6,199
17	Taxes	-	-	-	-	9,752
18	Total Gas Expense	(99)	(101)	-	(1,751)	184,370
19	OPERATING INCOME BEFORE FIT	99	101	-	1,751	15,372
<b>FEDERAL INCOME TAX</b>						
20	Current Accrual	31	31	(107)	(1,617)	2,995
21	Deferred FIT	-	-	-	-	(1,442)
22	Amort ITC	-	-	-	-	(31)
23	NET OPERATING INCOME	68	70	107	3,368	13,850
<b>RATE BASE</b>						
24	Total Plant in Service	-	-	-	-	\$ 287,912
25	Total Accum. Depreciation	-	-	-	(609)	100,947
26	Deferred FIT	-	-	-	-	(29,164)
27	Gas Inventory	-	-	-	-	15,874
28	Gain on Sale of Building	-	-	-	-	(109)
29	TOTAL RATE BASE	-	-	-	609	\$ 173,566
30	Avista Rate of Return	8.22%	8.22%	8.22%	-	-
31	PC Recommended Rate of Return	-	-	-	-	-
32	Rate Base Effect	\$ -	\$ -	\$ -	-	-
33	Revenue Conversion Factor	1.514424	1.514424	1.514424	-	-
34	Incremental Revenue Requirement	(103)	(106)	(162)	-	-

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

**Electric System**

Line No.	Description	Avista Factor	PC Factor
1	<b>Revenues</b>	1.000000	1.000000
	<b>Expense:</b>		
2	Uncollectibles	0.002599	0.002599
3	Commission Fees	0.002000	0.002000
4	Washington Excise Tax	0.038629	0.038629
5	Franchise Fees	0.000000	0.000000
6	Total Expense	<u>0.043229</u>	<u>0.043229</u>
7	Net Operating Income Before FIT	0.956771	0.956771
8	Federal Income Tax @ 35%	35% <u>0.334870</u>	31% <u>0.296599</u>
9	CONVERSION FACTOR	0.621901	0.660172
10	<b>REVENUE CONVERSION FACTOR</b>	<u><u>1.607972</u></u>	<u><u>1.514756</u></u>

**Gas System**

Line No.	Description	Avista Factor	PC Factor
1	<b>Revenues</b>	1.000000	1.000000
	<b>Expense:</b>		
2	Uncollectibles	0.002599	0.002599
3	Commission Fees	0.002000	0.002000
4	Washington Excise Tax	0.038420	0.038420
5	Franchise Fees (City of Millwood Expired in 2004)	0.000000	0.000000
6	Total Expense	<u>0.043019</u>	<u>0.043019</u>
7	Net Operating Income Before FIT	0.956981	0.956981
8	Federal Income Tax @ 35%	35% <u>0.334943</u>	31% <u>0.296664</u>
9	CONVERSION FACTOR	<u>0.622038</u>	<u>0.660317</u>
9	<b>REVENUE CONVERSION FACTOR</b>	<u><u>1.607620</u></u>	<u><u>1.514424</u></u>

**AVISTA UTILITIES**

**COST OF CAPITAL**

<u>Line</u>		<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Component</u>
1	Total Debt	53.70%	6.510%	3.50%
2	Common Equity	<u>46.30%</u>	10.200%	<u>4.72%</u>
3	Total	<u>100.00%</u>		<u>8.22%</u>

Source: Settlement Agreement



**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 1(E) AND 1(G)**

**COR REGULATORY LIABILITY RECLASSIFICATION**

<u>Line</u>	<u>Description</u>	<u>Total</u>	<u>Electric</u>		<u>Gas</u>	
		<u>System</u>		<u>Reclass.</u>		<u>Reclass.</u>
		<u>(\$000)</u>	<u>(\$000)</u>		<u>(\$000)</u>	
1	Plant in Service	\$ 2,807,291	\$ 2,415,671		\$ 391,620	
2	Accumulated Depreciation & Amortization	(962,058)	(826,627)	\$ 180,151	(135,431)	\$ 29,206
3	Other Regulatory Liabilities	209,357		<u>(180,151)</u>		<u>(29,206)</u>
4	Net Rate Base Effect			<u>\$ -</u>		<u>\$ -</u>

Sources:

Lines 1 and 2 from Exhibit Nos. (EMA-2) and (EMA-3)

Line 3 from response to Public Counsel Data Request No. 232, allocated based on plant in service.

**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 2(E) AND 2(G)**

**CONSOLIDATED TAX SAVINGS**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>	<u>Total</u>
	<u>Expense Adjustment</u>			
1	FIT per Avista	<u>\$ 5,103</u>	<u>\$ 4,611</u>	<u>\$ 9,714</u>
2	Savings	\$ (2,272)	\$ (2,053)	\$ (4,324) 1/
3	Revenue Conversion Factor	1.5147563	1.51442438	
4	Revenue Requirement (L. 6 * L. 7)	<u>\$ (3,441)</u>	<u>\$ (3,109)</u>	

1/ Exhibit\_\_(MJM-xx), distributed based on Line 1.

**AVISTA UTILITIES  
 TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 3(E) AND 3(G)**

**KING DEPRECIATION ADJUSTMENT**

<u>Line</u>	<u>Description</u>	Avista Adjusted Amount 1/ a	PC Adjusted Amount 1/ b	Difference c=b-a	WA Allocator 2/ d	PC Adjustment Electric e=c*d	PC Adjustment Gas f=c*d
1	Depreciation Expense - Electric Transmission	\$ 8,233,982	\$ 6,821,983	\$ (1,411,999)	64.59%	\$ (912,010)	
2	Depreciation Expense - Electric Distribution	\$ 14,781,408	\$ 12,583,526	\$ (2,197,882)	100.00%	\$ (2,197,882)	
3	Total Electric Depreciation Adj.					\$ (3,109,892)	
4	Depreciation Expense - Gas Distribution	\$ 7,976,709	\$ 6,167,980	\$ (1,808,729)	67.32%		\$ (1,217,564)
5	Total Expense Adjustment - Pre Tax					\$ (3,109,892)	\$ (1,217,564)
6	Tax Rate		31.00%				
7	Tax Effect (L. 5 * L. 6)					\$ 964,067	\$ 377,445
8	Adjustment - Post Tax (L. 5+ L. 7)					\$ (2,145,826)	\$ (840,119)
9	Revenue Conversion Factor					1.514756	1.514424
10	Revenue Requirement (L. 8 * L. 9)					\$ (3,250,403)	\$ (1,272,297)
<u>Rate Base Adjustment</u>							
9	Adj. to Accum. Deprec. @ 50% of Dep. Exp. (L. 5)					\$ (1,554,946)	\$ (608,782)
10	Total Adj. to Rate Base					\$ (1,554,946)	\$ (608,782)

Sources:

- 1/ Exhibit CWK-4, Schedule 1.
- 2/ "2007 Rates Depreciation Study-FINAL.xls" included in Andrews' workpapers.

**Page 12 of 22 is**

**Confidential**

**in its entirety.**

**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 5(E) AND 4(G)**

**ADJUST NON-EXECUTIVE COMPENSATION**

<u>Line</u>	<u>Description</u>	<u>Washington Electric</u> Non-Exec 2007 to 2009 Pro Forma Increase		
		<u>Avista 1/</u>	<u>PC</u>	<u>Difference</u>
1	Total Production	631,545	630,048	(1,497)
2	Total Transmission	<u>181,602</u>	<u>180,731</u>	<u>(871)</u>
3	Total Production & Transmission	813,147	810,779	(2,368)
4	Total Distribution	618,681	618,238	(443)
5	Customer Accounts	274,928	273,692	(1,236)
6	Cust Service & Info	16,185	16,078	(107)
7	Sales & Marketing	24,115	23,954	(161)
8	Total Admin & General	<u>594,456</u>	<u>590,965</u>	<u>(3,491)</u>
9	Total WA Electric Expense	<u>2,341,512</u>	<u>2,333,706</u>	<u>(7,806)</u>
<u>Washington Gas</u> Non-Exec 2007 to 2009 Pro Forma Increase				
		<u>Avista 1/</u>	<u>PC</u>	<u>Difference</u>
10	Total Production	24,314	24,151	(163)
11	Total Underground Storage	862	856	(6)
12	Total Distribution	280,206	280,096	(110)
13	Customer Accounts	160,039	159,323	(716)
14	Cust Service & Info	9,999	9,932	(67)
15	Sales & Marketing	14,807	14,709	(98)
16	Total Admin & General	<u>143,752</u>	<u>142,878</u>	<u>(874)</u>
17	Total WA Gas Expense	<u>633,979</u>	<u>631,945</u>	<u>(2,034)</u>
			<u>Electric</u>	<u>Gas</u>
18	Total Expense Adjustment - Pre Tax		\$ (7,806)	\$ (2,034)
19	Tax Rate	31.00%		
20	Tax Effect (L. 18 * L. 19)		<u>2,420</u>	<u>631</u>
21	Adjustment - Post Tax (L. 18 + L. 20)		<u>\$ (5,386)</u>	<u>\$ (1,403)</u>
22	Revenue Conversion Factor		1.5147563	1.51442438
23	Revenue Requirement (L. 21 * L. 22)		<u>\$ (8,159)</u>	<u>\$ (2,125)</u>

1/ Response to WUTC Data Request No. 69.

**AVISTA UTILITIES**  
**TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 6(E) AND 5(G)**

**ADJUST EXECUTIVE COMPENSATION**

<u>Line</u>	<u>Description</u>	<u>Washington Electric</u> Net 2009 Executive Pro Forma Adjustment		
		<u>Avista 1/</u>	<u>PC</u>	<u>Difference</u>
1	Total Production	38,142	32,407	(5,735)
2	Total Transmission	-	-	-
3	Total Production & Transmission	38,142	32,407	(5,735)
4	Total Distribution	-	-	-
5	Customer Accounts	-	-	-
6	Cust Service & Info	-	-	-
7	Sales & Marketing	-	-	-
8	Total Admin & General	208,309	(157,974)	(366,283)
9	Total WA Electric Expense	246,451	(125,567)	(372,018)

	<u>Description</u>	<u>Washington Gas</u> Net 2009 Executive Pro Forma Adjustment		
		<u>Avista 1/</u>	<u>PC</u>	<u>Difference</u>
10	Total Production	12,029	10,228	(1,801)
11	Total Underground Storage	-	-	-
12	Total Distribution	-	-	-
13	Customer Accounts	-	-	-
14	Cust Service & Info	-	-	-
15	Sales & Marketing	-	-	-
16	Total Admin & General	54,294	(41,174)	(95,468)
17	Total WA Gas Expense	66,323	(30,946)	(97,269)

18	Total Expense Adjustment - Pre Tax	\$ (372,018)	\$ (97,269)
19	Tax Rate	31.00%	
20	Tax Effect (L. 18 * L. 19)	115,326	30,153
21	Adjustment - Post Tax (L. 18 + L. 20)	\$ (256,692)	\$ (67,116)
22	Revenue Conversion Factor	1.514756301	1.51442438
23	Revenue Requirement (L. 21 * L. 22)	\$ (388,826)	\$ (101,642)

1/ Response to WUTC Data Request No. 69.

**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 7(E) AND 6(G)**

**REVERSE INCENTIVE ADJUSTMENT**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Company incentive adjustment related to 6-year average 1/	\$ 366,047	\$ 95,407
2	Total Expense Adjustment - Pre Tax	<u>\$ (366,047)</u>	<u>\$ (95,407)</u>
3	Tax Rate	31.00%	
4	Tax Effect (L. 2 * L. 3)	<u>113,475</u>	<u>29,576</u>
5	Adjustment - Post Tax (L. 2 + L. 4)	<u>\$ (252,572)</u>	<u>\$ (65,831)</u>
6	Revenue Conversion Factor	1.514756301	1.51442438
7	Revenue Requirement (L. 5 * L. 6)	<u>\$ (382,586)</u>	<u>\$ (99,696)</u>

1/ Andrews Workpaper, p. PF 13.2.

**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 8(E) AND 7(G)**

**REMOVE ADVERTISING EXPENSES**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Advertising expenses	\$ 27,912	\$ 30,080
2	Total Expense Adjustment - Pre Tax	<u>\$ (27,912)</u>	<u>\$ (30,080)</u>
3	Tax Rate	31.00%	
4	Tax Effect (L. 2 * L. 3)	<u>8,653</u>	<u>9,325</u>
5	Adjustment - Post Tax (L. 2 + L. 4)	<u>\$ (19,260)</u>	<u>\$ (20,755)</u>
6	Revenue Conversion Factor	1.5147563	1.51442438
7	Revenue Requirement (L. 5 * L. 6)	<u>\$ (29,173)</u>	<u>\$ (31,432)</u>

1/ See response to WUTC 43.



**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 9(E) AND 8(G)**

**REMOVE SPORTING AND ENTERTAINMENT EXPENSES**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Sporting and entertainment expenses 1/	\$ 105,365	\$ 65,200
2	Total Expense Adjustment - Pre Tax	<u>\$ (105,365)</u>	<u>\$ (65,200)</u>
3	Tax Rate	31.00%	
4	Tax Effect (L. 2 * L. 3)	<u>32,663</u>	<u>20,212</u>
5	Adjustment - Post Tax (L. 2 + L. 4)	<u>\$ (72,702)</u>	<u>\$ (44,988)</u>
6	Revenue Conversion Factor	1.5147563	1.51442438
7	Revenue Requirement (L. 5 * L. 6)	<u>\$ (110,125)</u>	<u>\$ (68,131)</u>

1/ See response to WUTC 43.

**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 10(E) AND 9(G)**

**REMOVE DUES AND MEMBERSHIP FEES**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Dues and membership fees related civic / charitable and Board of Directors' activities	\$ 152,331	\$ 37,530
2	Total Expense Adjustment - Pre Tax	\$ (152,331)	\$ (37,530)
3	Tax Rate	31.00%	
4	Tax Effect (L. 2 * L. 3)	<u>47,223</u>	<u>11,634</u>
5	Adjustment - Post Tax (L. 2 + L. 5)	<u>\$ (105,108)</u>	<u>\$ (25,896)</u>
6	Revenue Conversion Factor	1.5147563	1.51442438
7	Revenue Requirement (L. 5 * L. 6)	<u>\$ (159,214)</u>	<u>\$ (39,217)</u>

**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 11(E) AND 10(G)**

**REMOVE CHARITABLE CONTRIBUTIONS**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Allocated charitable contributions per PC DR 271	\$ 14,993	\$ 7,927
2	Total Expense Adjustment - Pre Tax	<u>\$ (14,993)</u>	<u>\$ (7,927)</u>
3	Tax Rate	31.00%	
4	Tax Effect (L. 2 * L. 3)	<u>4,648</u>	<u>2,457</u>
5	Adjustment - Post Tax (L. 2 + L. 4)	<u>\$ (10,345)</u>	<u>\$ (5,470)</u>
6	Revenue Conversion Factor	1.5147563	1.51442438
7	Revenue Requirement (L. 5 * L. 6)	<u>\$ (15,670)</u>	<u>\$ (8,283)</u>

**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 12(E) AND 11(G)**

**REMOVE EXPENSES RELATED TO SHAREHOLDERS' SERVICES**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Expenses related to shareholders' services 1/	\$ 138,645	\$ 36,136
2	50 percent Board of Directors' Fees 1/	<u>239,861</u>	<u>62,517</u>
3	Total Expense Adjustment - Pre Tax	\$ (378,506)	\$ (98,654)
4	Tax Rate	31.00%	
5	Tax Effect (L. 3 * L. 4)	<u>117,337</u>	<u>30,583</u>
6	Adjustment - Post Tax (L. 3 + L. 5)	<u>\$ (261,169)</u>	<u>\$ (68,071)</u>
7	Revenue Conversion Factor	1.5147563	1.51442438
8	Revenue Requirement (L. 6 * L. 7)	<u>\$ (395,607)</u>	<u>\$ (103,089)</u>

1/ Response to Public Counsel Data Request No. 280.

**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 13(E) AND 12(G)**

**REMOVE PORTION OF D&O INSURANCE**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	D&O Insurance in WA revenue requirement 1/	\$ 777,256	\$ 202,584
2	Remove 50% shareholder portion	<u>(388,628)</u>	<u>(101,292)</u>
3	Total Expense Adjustment - Pre Tax	\$ (388,628)	\$ (101,292)
4	Tax Rate	31.00%	
5	Tax Effect (L. 3 * L. 4)	<u>120,475</u>	<u>31,401</u>
6	Adjustment - Post Tax (L. 3 + L. 5)	<u>\$ (268,153)</u>	<u>\$ (69,891)</u>
7	Revenue Conversion Factor	1.5147563	1.51442438
8	Revenue Requirement (L. 6 * L. 7)	<u>\$ (406,187)</u>	<u>\$ (105,845)</u>

1/ Avista response to PC 278.

**AVISTA UTILITIES  
TEST YEAR ENDING DECEMBER 31, 2007**

**PC ADJUSTMENT NOS. 14(E) AND 13(G)**

**INTEREST SYNCHRONIZATION**

<u>Line</u>	<u>Description</u>	<u>Electric</u>		<u>Gas</u>	
		<u>Avista 1/</u>	<u>PC</u>	<u>Avista 1/</u>	<u>PC</u>
1	Net Rate Base	950,944	937,415	172,957	173,566
2	Weighted Cost of Debt	3.43%	3.50%	3.43%	3.50%
3	Proforma Interest (L. 1 * L. 2)	32,617	32,771	5,932	6,068
4	Interest Charged to Expense in Test Year	<u>40,080</u>	<u>40,080</u>	<u>6,825</u>	<u>6,825</u>
5	Change to Income (L. 4 - L. 3)	\$ 7,463	\$ 7,309	\$ 979 2/	\$ 757
6	Tax Rate	35.00%	31.00%	35.00%	31.00%
7	Tax Effect (L. 5 * L. 6)	\$ 2,612	\$ 2,266	\$ 342 2/	\$ 235
8	Difference - PC Adjustment to Income Tax		\$ (346)		\$ (107)

## Sources:

1/ Exhibit Nos. EMA-2 and EMA-3 - Excel files, DebtCalc tab.

2/ Company calculation uses different net rate base from what is used in their revenue requirement