

Exhibit No. ___ (DPK-2)
Docket UE-090134/UG-090135
and UG-060518 (consolidated)
Witness: Danny P. Kermode

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKETS UE-090134
TRANSPORTATION COMMISSION,)	and UG-090135
)	(consolidated)
Complainant,)	
)	
v.)	
)	
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
)	
Respondent.)	
.....)	
)	
In the Matter of the Petition of)	DOCKET UG-060518
)	(consolidated)
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
)	
For an Order Authorizing)	
Implementation of a Natural Gas)	
Decoupling Mechanism and to Record)	
Accounting Entries Associated With)	
the Mechanism.)	
.....)	

EXHIBIT TO TESTIMONY OF

DANNY P. KERMODE

**STAFF OF WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Electric – Results of Operations (Schedule 1.1)

August 17, 2009

Avista Corporation
Electric - Results of Operations (Schedule 1.1)
Washington Pro Forma Results
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	(a) Source	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
			Unadjusted Results	Total Restating Adjustments	Restated Results	Total Pro Forma Adjustments	Pro Forma Results	Staff Proposed	Results at Staff Rates	
			Exhibit (EMA-2)	Schedule 1.2	(b) + (c)	Schedule 1.3	(e) + (f)	Increase of 5.15%	(g) + (h)	
RESULT OF OPERATIONS										
REVENUES										
1	Total General Business		\$407,849	(\$17,696)	\$390,153		\$390,153	20,109	\$410,262	
2	Interdepartmental Sales		800	-	800		800		800	
3	Sales for Resale		126,479	-	126,479	(57,480)	68,999		68,999	
4	Total Sales of Electricity		535,128	(17,696)	517,432	(57,480)	459,952	20,109	480,061	
5	Other Revenue		36,572	416	36,988	(27,004)	9,984		9,984	
6	Total Electric Revenue		571,700	(17,280)	554,420	(84,484)	469,936	20,109	490,045	
7										
8	EXPENSES									
9	Production and Transmission									
10	Operating Expenses		175,800	(17,729)	158,071	19,776	177,847		177,847	
11	Purchased Power		147,076	0	147,076	(93,962)	53,114		53,114	
12	Depreciation and Amortization		23,675	1,801	25,476	6,918	32,394		32,394	
13	Taxes		8,935	1,374	10,309	366	10,675		10,675	
14	Total Production & Transmission		355,486	(14,554)	340,932	(66,902)	274,030	0	274,030	
15										
16	Distribution									
17	Operating Expenses		17,279	0	17,279	1,414	18,693		18,693	
18	Depreciation		14,599	735	15,334	97	15,431		15,431	
19	Taxes		33,186	(15,003)	18,183	0	18,183	777	18,960	
20	Total Distribution		65,064	(14,268)	50,796	1,511	52,307	777	53,084	
21										
22	Customer Accounting		8,559	(652)	7,907	590	8,497	52	8,549	
23	Customer Service & Information		11,359	(10,682)	677	34	710		710	
24	Sales Expenses		696	0	696	52	748		748	
25	Total Customer Expenses		20,614	(11,334)	9,280	676	9,956	52	10,008	
26	Administrative & General									
27	Operating Expenses		35,147	(105)	35,042	2,419	37,461	40	37,501	
28	Depreciation		7,022	(232)	6,790	0	6,790		6,790	
29	Taxes		0	(5)	(5)	0	(5)		(5)	
30	Total Admin. & General		42,169	(342)	41,827	2,419	44,246	40	44,286	
31	Total Electric Expenses		483,333	(40,499)	442,834	(62,295)	380,539	869	381,409	
32										
33	OPERATING INCOME BEFORE FIT		88,367	23,219	111,586	(22,189)	89,397	19,240	108,637	
34										
35	FEDERAL INCOME TAX									
36	Current Accrual		16,759	2,521	19,280	(7,392)	11,888	6,734	18,622	
37	Deferred Income Taxes		3,070	6,297	9,367	(377)	8,990		8,990	
38	Total Income Taxes		19,829	8,818	28,647	(7,769)	20,878	6,734	27,612	
39										
40	NET OPERATING INCOME		68,538	14,401	82,939	(14,420)	68,519	12,506	81,025	
41										
42	RATE BASE									
43	PLANT IN SERVICE									
44	Intangible		22,439	0	22,439	52,569	75,008		75,008	
45	Production		656,077	67,362	723,439	18,192	741,631		741,631	
46	Transmission		285,760	0	285,760	3,801	289,561		289,561	
47	Distribution		552,007	(231)	551,776	3,540	555,316		555,316	
48	General		88,036	0	88,036	-	88,036		88,036	
49	Total Plant in Service		1,604,319	67,131	1,671,450	78,102	1,749,552		1,749,552	
50	ACCUMULATED DEPRECIATION		543,584	(9,292)	534,292	(5,069)	529,223		529,223	
51	ACCUM. PROVISION FOR AMORTIZATION		6,907	57,168	64,075	1,223	65,298		65,298	
52	Total Accum. Depreciation & Amort.		550,491	47,876	598,367	(3,846)	594,521		594,521	
53	GAIN ON SALE OF BUILDING		0	(194)	(194)	-	(194)		(194)	
54	CUSTOMER DEPOSITS		0	(1,335)	(1,335)		(1,335)		(1,335)	
55	DEFERRED FIT		0	(146,083)	(146,083)	(10,806)	(156,889)		(156,889)	
56										
57	TOTAL RATE BASE		1,053,828	(128,357)	925,471	71,142	996,613		996,613	
58	RATE OF RETURN		6.50%		8.96%		6.88%		8.13%	

Avista Corporation
Electric - Schedule of Restating Adjustments (Schedule 1.2)
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	(b) Total Restating Adjustments	(c) R-1 Deferred FIT Rate Base	(d) R-2 Deferred Gain on Office Building	(e) R-3 Colstrip 3 AFUDC Elimination	(f) R-4 Colstrip Common AFUDC
	<i>Source:</i>	<i>Sum (a) thru (f)</i>				
	RESULT OF OPERATIONS					
	REVENUES					
1	Total General Business	\$ (17,696)				
2	Interdepartmental Sales					
3	Sales for Resale					
4	Total Sales of Electricity	(17,696)	0	0	0	0
5	Other Revenue	416				
6	Total Electric Revenue	(17,280)	0	0	0	0
7						
8	EXPENSES					
9	Production and Transmission					
10	Operating Expenses	(17,729)				
11	Purchased Power					
12	Depreciation and Amortization	1,801			(202)	
13	Taxes	1,374				
14	Total Production & Transmission	(14,554)	0	0	(202)	0
15						
16	Distribution					
17	Operating Expenses					
18	Depreciation	735				
19	Taxes	(15,003)				
20	Total Distribution	(14,268)	0	0	0	0
21						
22	Customer Accounting	(652)				
23	Customer Service & Information	(10,682)				
24	Sales Expenses					
25						
26	Administrative & General					
27	Operating Expenses	(105)				
28	Depreciation	(232)				
29	Taxes	(5)				
30	Total Admin. & General	(342)	0	0	0	0
31	Total Electric Expenses	(40,499)	0	0	(202)	0
32						
33	OPERATING INCOME BEFORE FIT	23,219	0	0	202	0
34						
35	FEDERAL INCOME TAX					
36	Current Accrual	2,521				
37	Deferred Income Taxes	6,297				
38						
39						
40	NET OPERATING INCOME	\$14,401	\$0	\$0	\$202	\$0
41						
42	RATE BASE					
43	PLANT IN SERVICE					
44	Intangible					
45	Production	67,362			(7,452)	436
46	Transmission					
47	Distribution	(231)				
48	General					
49	Total Plant in Service	67,131	0	0	(7,452)	436
50	ACCUMULATED DEPRECIATION	(9,292)			(5,496)	
51	ACCUM. PROVISION FOR AMORTIZATION	57,168				
52	Total Accum. Depreciation & Amort.	47,876	0	0	(5,496)	0
53	GAIN ON SALE OF BUILDING	(194)		(194)		
54	CUSTOMER DEPOSITS	(1,335)				
55	DEFERRED FIT	(146,083)	(142,713)	68		
56						
57						
58	TOTAL RATE BASE	\$ (128,357)	(\$142,713)	(\$126)	(\$1,956)	\$436

Avista Corporation
Electric - Schedule of Restating Adjustments (Schedule 1.2)
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	(g)	(h)	(i)	(j)	(k)
		R-5 Kettle Falls Disallow.	R-6 Customer Advances	R-7 Depreciation True-up	R-8 Settlement Exchange Power	R-9 Eliminate B & O Taxes
<i>Source:</i>						
RESULT OF OPERATIONS						
	REVENUES					
1	Total General Business					\$ (13,744)
2	Interdepartmental Sales					
3	Sales for Resale					
4	Total Sales of Electricity	0	0	0	0	(13,744)
5	Other Revenue					(16)
6	Total Electric Revenue	0	0	0	0	(13,760)
7						
8	EXPENSES					
9	Production and Transmission					
10	Operating Expenses					
11	Purchased Power					
12	Depreciation and Amortization			(685)		
13	Taxes					
14	Total Production & Transmission	0	0	(685)	0	0
15						
16	Distribution					
17	Operating Expenses					
18	Depreciation			857		
19	Taxes					(13,726)
20	Total Distribution	0	0	857	0	(13,726)
21						
22	Customer Accounting					
23	Customer Service & Information					
24	Sales Expenses					
25						
26	Administrative & General					
27	Operating Expenses					
28	Depreciation			(232)		
29	Taxes					
30	Total Admin. & General	0	0	(232)	0	0
31	Total Electric Expenses	0	0	(60)	0	(13,726)
32						
33	OPERATING INCOME BEFORE FIT	0	0	60	0	(34)
34						
35	FEDERAL INCOME TAX					
36	Current Accrual					(12)
37	Deferred Income Taxes	56		21		
38						
39	NET OPERATING INCOME	(\$56)	\$0	\$39	\$0	(\$22)
40						
41						
42	RATE BASE					
43	PLANT IN SERVICE					
44	Intangible					
45	Production	(5,248)			79,626	
46	Transmission					
47	Distribution		(231)			
48	General					
49	Total Plant in Service	(5,248)	(231)	0	79,626	0
50	ACCUMULATED DEPRECIATION	(3,796)				
51	ACCUM. PROVISION FOR AMORTIZATION				57,168	
52	Total Accum. Depreciation & Amort.	(3,796)	0	0	57,168	0
53	GAIN ON SALE OF BUILDING					
54	CUSTOMER DEPOSITS				(4,036)	
55	DEFERRED FIT	598				
56						
57	TOTAL RATE BASE	(\$854)	(\$231)	\$0	\$18,422	\$0

Avista Corporation
Electric - Schedule of Restating Adjustments (Schedule 1.2)
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	(l)	(m)	(n)	(o)	(p)
		R-10	R-11	R-12	R-13	R-14
		Property Tax	Uncollect. Expense	Regulatory Expense	Injuries and Damages	FIT
	<i>Source:</i>					
	RESULT OF OPERATIONS					
	REVENUES					
1	Total General Business					
2	Interdepartmental Sales					
3	Sales for Resale					
4	Total Sales of Electricity	0	0	0	0	0
5	Other Revenue					
6	Total Electric Revenue	0	0	0	0	0
7						
8	EXPENSES					
9	Production and Transmission					
10	Operating Expenses					
11	Purchased Power					
12	Depreciation and Amortization					
13	Taxes	1,374				
14	Total Production & Transmission	1,374	0	0	0	0
15						
16	Distribution					
17	Operating Expenses					
18	Depreciation					
19	Taxes	(1,173)				
20	Total Distribution	(1,173)	0	0	0	0
21						
22	Customer Accounting		(108)			
23	Customer Service & Information					
24	Sales Expenses					
25						
26	Administrative & General					
27	Operating Expenses			80	86	
28	Depreciation					
29	Taxes	(5)				
30	Total Admin. & General	(5)	0	80	86	0
31	Total Electric Expenses	196	(108)	80	86	0
32						
33	OPERATING INCOME BEFORE FIT	(196)	108	(80)	(86)	0
34						
35	FEDERAL INCOME TAX					
36	Current Accrual	(69)	38	(28)	(30)	1,715
37	Deferred Income Taxes					36
38						
39						
40	NET OPERATING INCOME	(\$127)	\$70	(\$52)	(\$56)	(\$1,751)
41						
42	RATE BASE					
43	PLANT IN SERVICE					
44	Intangible					
45	Production					
46	Transmission					
47	Distribution					
48	General					
49	Total Plant in Service	0	0	0	0	0
50	ACCUMULATED DEPRECIATION					
51	ACCUM. PROVISION FOR AMORTIZATION					
52	Total Accum. Depreciation & Amort.	0	0	0	0	0
53	GAIN ON SALE OF BUILDING					
54	CUSTOMER DEPOSITS					
55	DEFERRED FIT					
56						
57						
58	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0

Avista Corporation
Electric - Schedule of Restating Adjustments (Schedule 1.2)
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	(q)	(r)	(s)	(t)
		R-15 Eliminate WA Power Cost Defer	R-16 Nez Perce Settlement Adjustment	R-17 Eliminate A/R Expenses	R-18 Office Space Charges to Subsidiaries
	<i>Source:</i>				
	RESULT OF OPERATIONS				
	REVENUES				
1	Total General Business	\$ (32,702)			
2	Interdepartmental Sales				
3	Sales for Resale				
4	Total Sales of Electricity	(32,702)	0	0	0
5	Other Revenue				
6	Total Electric Revenue	(32,702)	0	0	0
7					
8	EXPENSES				
9	Production and Transmission				
10	Operating Expenses	(17,668)	9		
11	Purchased Power				
12	Depreciation and Amortization				
13	Taxes				
14	Total Production & Transmission	(17,668)	9	0	0
15					
16	Distribution				
17	Operating Expenses				
18	Depreciation				
19	Taxes	(1,262)			
20	Total Distribution	(1,262)	0	0	0
21					
22	Customer Accounting	(104)		(516)	
23	Customer Service & Information				
24	Sales Expenses				
25					
26	Administrative & General				
27	Operating Expenses	(62)			(8)
28	Depreciation				
29	Taxes				
30	Total Admin. & General	(62)	0	0	(8)
31	Total Electric Expenses	(19,096)	9	(516)	(8)
32					
33	OPERATING INCOME BEFORE FIT	(13,606)	(9)	516	8
34					
35	FEDERAL INCOME TAX				
36	Current Accrual	(10,946)	(3)	181	3
37	Deferred Income Taxes	6,184			
38					
39					
40	NET OPERATING INCOME	(\$8,844)	(\$6)	\$335	\$5
41					
42	RATE BASE				
43	PLANT IN SERVICE				
44	Intangible				
45	Production				
46	Transmission				
47	Distribution				
48	General				
49	Total Plant in Service	0	0	0	0
50	ACCUMULATED DEPRECIATION				
51	ACCUM. PROVISION FOR AMORTIZATION				
52	Total Accum. Depreciation & Amort.	0	0	0	0
53	GAIN ON SALE OF BUILDING				
54	CUSTOMER DEPOSITS				
55	DEFERRED FIT				
56					
57					
58	TOTAL RATE BASE	\$0	\$0	\$0	\$0

Avista Corporation
Electric - Schedule of Restating Adjustments (Schedule 1.2)
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	(u)	(v)	(w)	(x)
		R-19 Restate Excise Taxes	R-20 Net Gains/losses	R-21 Revenue Normalization	R-22 Miscellaneous Restating
	<i>Source:</i>				
	RESULT OF OPERATIONS				
	REVENUES				
1	Total General Business			\$28,750	
2	Interdepartmental Sales				
3	Sales for Resale				
4	Total Sales of Electricity	0	0	28,750	0
5	Other Revenue			432	
6	Total Electric Revenue	0	0	29,182	0
7					
8	EXPENSES				
9	Production and Transmission				
10	Operating Expenses			(70)	
11	Purchased Power				
12	Depreciation and Amortization			2,688	
13	Taxes				
14	Total Production & Transmission	0	0	2,618	0
15					
16	Distribution				
17	Operating Expenses				
18	Depreciation		(122)		
19	Taxes	31		1,127	
20	Total Distribution	31	(122)	1,127	0
21					
22	Customer Accounting			76	
23	Customer Service & Information			(10,688)	
24	Sales Expenses				
25					
26	Administrative & General				
27	Operating Expenses			58	(214)
28	Depreciation				
29	Taxes				
30	Total Admin. & General	0	0	58	(214)
31	Total Electric Expenses	31	(122)	(6,809)	(214)
32					
33	OPERATING INCOME BEFORE FIT	(31)	122	35,991	214
34					
35	FEDERAL INCOME TAX				
36	Current Accrual	(11)	43	12,597	75
37	Deferred Income Taxes				
38					
39					
40	NET OPERATING INCOME	(\$20)	\$79	\$23,394	\$139
41					
42	RATE BASE				
43	PLANT IN SERVICE				
44	Intangible				
45	Production				
46	Transmission				
47	Distribution				
48	General				
49	Total Plant in Service	0	0	0	0
50	ACCUMULATED DEPRECIATION				
51	ACCUM. PROVISION FOR AMORTIZATION				
52	Total Accum. Depreciation & Amort.	0	0	0	0
53	GAIN ON SALE OF BUILDING				
54	CUSTOMER DEPOSITS				
55	DEFERRED FIT				
56					
57					
58	TOTAL RATE BASE	\$0	\$0	\$0	\$0

Avista Corporation
Electric - Schedule of Restating Adjustments (Schedule 1.2)
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	(y)	R-24	R-25
		Restate Debt Interest	Customer Deposit	Board of Director Meeting Costs
			Staff Proposed	Staff Proposed
<i>Source:</i>				
RESULT OF OPERATIONS				
REVENUES				
1	Total General Business			
2	Interdepartmental Sales			
3	Sales for Resale			
4	Total Sales of Electricity	0	0	0
5	Other Revenue			
6	Total Electric Revenue	0	0	0
7				
8	EXPENSES			
9	Production and Transmission			
10	Operating Expenses			
11	Purchased Power			
12	Depreciation and Amortization			
13	Taxes			
14	Total Production & Transmission	0	0	0
15				
16	Distribution			
17	Operating Expenses			
18	Depreciation			
19	Taxes			
20	Total Distribution	0	0	0
21				
22	Customer Accounting			
23	Customer Service & Information		6	
24	Sales Expenses			
25				
26	Administrative & General			(45)
27	Operating Expenses			
28	Depreciation			
29	Taxes			
30	Total Admin. & General	0	0	(45)
31	Total Electric Expenses	0	6	(45)
32				
33	OPERATING INCOME BEFORE FIT	0	(6)	45
34				
35	FEDERAL INCOME TAX			
36	Current Accrual	(1,045)	(2)	16
37	Deferred Income Taxes			
38				
39				
40	NET OPERATING INCOME	\$1,045	(\$4)	\$29
41				
42	RATE BASE			
43	PLANT IN SERVICE			
44	Intangible			
45	Production			
46	Transmission			
47	Distribution			
48	General			
49	Total Plant in Service	0		
50	ACCUMULATED DEPRECIATION			
51	ACCUM. PROVISION FOR AMORTIZATION			
52	Total Accum. Depreciation & Amort.	0		
53	GAIN ON SALE OF BUILDING			
54	CUSTOMER DEPOSITS		(1,335)	
55	DEFERRED FIT			
56				
57				
58	TOTAL RATE BASE	\$0	(\$1,335)	\$0

Avista Corporation
Electric - Schedule of Pro Forma Adjustments (Schedule 1.3)
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	Total Pro Forma Adjustments	PF 1	PF 2	PF 3	PF 4
			Pro Forma Power Supply	Pro Forma Prod Property Adj	Pro Forma Labor NonExec	Pro Forma Labor Exec
	<i>Source</i>					
	RESULT OF OPERATIONS					
	REVENUES					
1	Total General Business					
2	Interdepartmental Sales					
3	Sales for Resale	(57,480)	(56,623)	(857)		
4	Total Sales of Electricity	(57,480)	(56,623)	(857)	0	0
5	Other Revenue	(27,004)	(27,028)			
6	Total Electric Revenue	(84,484)	(83,651)	(857)	0	0
7						
8	EXPENSES					
9	Production and Transmission					
10	Operating Expenses	19,776	19,916	(5,590)	599	(28)
11	Purchased Power	(93,962)	(93,962)			
12	Depreciation and Amortization	6,918				
13	Taxes	366				
14	Total Production & Transmission	(66,902)	(74,046)	(5,590)	599	(28)
15						
16	Distribution					
17	Operating Expenses	1,414			496	
18	Depreciation	97				
19	Taxes					
20	Total Distribution	1,511	0	0	496	0
21						
22	Customer Accounting	590			201	
23	Customer Service & Information	34			11	
24	Sales Expenses	52			18	
25						
26	Administrative & General					
27	Operating Expenses	2,419			414	180
28	Depreciation					
29	Taxes					
30	Total Admin. & General	2,419	0	0	414	180
31	Total Electric Expenses	(62,295)	(74,046)	(5,590)	1,739	151
32						
33	OPERATING INCOME BEFORE FIT	(22,189)	(9,605)	4,733	(1,739)	(151)
34						
35	FEDERAL INCOME TAX					
36	Current Accrual	(7,392)	(3,362)	1,656	(609)	(53)
37	Deferred Income Taxes	(377)				
38						
39						
40	NET OPERATING INCOME	(\$14,420)	(\$6,243)	\$3,077	(\$1,130)	(\$98)
41						
42	RATE BASE					
43	PLANT IN SERVICE					
44	Intangible	52,569				
45	Production	18,192		(16,208)		
46	Transmission	3,801				
47	Distribution	3,540				
48	General					
49	Total Plant in Service	78,102	0	(16,208)	0	0
50	ACCUMULATED DEPRECIATION	(5,069)		(6,344)		
51	ACCUM. PROVISION FOR AMORTIZATION	1,223				
52	Total Accum. Depreciation & Amort.	(3,846)	0	(6,344)	0	0
53	GAIN ON SALE OF BUILDING					
54	CUSTOMER DEPOSITS			2,751		
55	DEFERRED FIT	(10,806)				
56						
57	TOTAL RATE BASE	71,142	0	(7,113)	0	0

Avista Corporation
Electric - Schedule of Pro Forma Adjustments (Schedule 1.3)
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	PF 5	PF 6	PF 7	PF 8	PF 9
		Pro Forma Transmission Rev/Exp	Pro Forma Capital Add/EOP TY 2007/08	Pro Forma Capital Add 4th Qrt 2008/09	Pro Forma Noxon Gen 2009/2010	Pro Forma Asset Management
	<i>Source</i>					
	RESULT OF OPERATIONS					
	REVENUES					
1	Total General Business					
2	Interdepartmental Sales					
3	Sales for Resale					
4	Total Sales of Electricity	0	0	0	0	0
5	Other Revenue	24				
6	Total Electric Revenue	24	0	0	0	0
7						
8	EXPENSES					
9	Production and Transmission					
10	Operating Expenses	103				
11	Purchased Power					
12	Depreciation and Amortization			496	118	
13	Taxes			328	38	
14	Total Production & Transmission	103	0	824	156	0
15						
16	Distribution					
17	Operating Expenses					
18	Depreciation			97		
19	Taxes					
20	Total Distribution	0	0	97	0	0
21						
22	Customer Accounting					
23	Customer Service & Information					
24	Sales Expenses					
25						
26	Administrative & General					
27	Operating Expenses					
28	Depreciation					
29	Taxes					
30	Total Admin. & General	0	0	0	0	0
31	Total Electric Expenses	103	0	921	156	0
32						
33	OPERATING INCOME BEFORE FIT	(79)	0	(921)	(156)	0
34						
35	FEDERAL INCOME TAX					
36	Current Accrual	(28)				
37	Deferred Income Taxes			(322)	(55)	
38						
39						
40	NET OPERATING INCOME	(\$51)	\$0	(\$599)	(\$101)	\$0
41						
42	RATE BASE					
43	PLANT IN SERVICE					
44	Intangible					
45	Production			15,411	14,591	
46	Transmission			3,801		
47	Distribution			3,540		
48	General					
49	Total Plant in Service	0	0	22,752	14,591	0
50	ACCUMULATED DEPRECIATION			873	402	
51	ACCUM. PROVISION FOR AMORTIZATION					
52	Total Accum. Depreciation & Amort.	0	0	873	402	0
53	GAIN ON SALE OF BUILDING					
54	CUSTOMER DEPOSITS					
55	DEFERRED FIT			(626)	(190)	
56						
57	TOTAL RATE BASE	0	0	21,252	13,999	0

Avista Corporation
Electric - Schedule of Pro Forma Adjustments (Schedule 1.3)
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	PF 10	PF 11	PF 12	PF 13	PF 14
		Pro Forma Information Services	Pro Forma Spokane Rvr Relicensing	Pro Forma CDA Tribe Settlement	Pro Forma Montana Lease	Pro Forma Colstrip Mercury Emiss O&M
	<i>Source</i>					
	RESULT OF OPERATIONS					
	REVENUES					
1	Total General Business					
2	Interdepartmental Sales					
3	Sales for Resale					
4	Total Sales of Electricity	0	0	0		0
5	Other Revenue					
6	Total Electric Revenue	0	0	0		0
7						
8	EXPENSES					
9	Production and Transmission					
10	Operating Expenses		1,677			1,227
11	Purchased Power					
12	Depreciation and Amortization		1,959	829	3,516	
13	Taxes					
14	Total Production & Transmission	0	3,636	829	3,516	1,227
15						
16	Distribution					
17	Operating Expenses					
18	Depreciation					
19	Taxes					
20	Total Distribution	0	0	0	0	0
21						
22	Customer Accounting					
23	Customer Service & Information					
24	Sales Expenses					
25						
26	Administrative & General					
27	Operating Expenses					
28	Depreciation					
29	Taxes					
30	Total Admin. & General	0	0	0	0	0
31	Total Electric Expenses	0	3,636	829	3,516	1,227
32						
33	OPERATING INCOME BEFORE FIT	0	(3,636)	(829)	(3,516)	(1,227)
34						
35	FEDERAL INCOME TAX					
36	Current Accrual		(1,273)	(290)	(1,231)	(430)
37	Deferred Income Taxes					
38						
39	NET OPERATING INCOME	\$0	(\$2,363)	(\$539)	(\$2,285)	(\$797)
40						
41						
42	RATE BASE					
43	PLANT IN SERVICE					
44	Intangible		26,703	25,866		
45	Production				4,398	
46	Transmission					
47	Distribution					
48	General					
49	Total Plant in Service	0	26,703	25,866	4,398	0
50	ACCUMULATED DEPRECIATION					
51	ACCUM. PROVISION FOR AMORTIZATION		560	663		
52	Total Accum. Depreciation & Amort.	0	560	663	0	0
53	GAIN ON SALE OF BUILDING					
54	CUSTOMER DEPOSITS					
55	DEFERRED FIT		(2,818)	(8,384)	(1,539)	
56						
57	TOTAL RATE BASE	0	23,325	16,819	2,859	0

Avista Corporation
Electric - Schedule of Pro Forma Adjustments (Schedule 1.3)
Twelve Months Ended September 30, 2008
(000's of Dollars)

Line No.	DESCRIPTION	PF 15	PF 16	PF 17	PF 18	PF 19
		Pro Forma Incentives	Pro Forma O&M Plant Expense	Pro Forma Employee Benefits	Pro Forma Insurance	Pro Forma Clark Fork PM&E
	<i>Source</i>					
	RESULT OF OPERATIONS					
	REVENUES					
1	Total General Business					
2	Interdepartmental Sales					
3	Sales for Resale					
4	Total Sales of Electricity	0	0			
5	Other Revenue					
6	Total Electric Revenue	0	0			
7						
8	EXPENSES					
9	Production and Transmission					
10	Operating Expenses			1,216		656
11	Purchased Power					
12	Depreciation and Amortization					
13	Taxes					
14	Total Production & Transmission	0	0	1,216	0	656
15						
16	Distribution					
17	Operating Expenses			918		
18	Depreciation					
19	Taxes					
20	Total Distribution	0	0	918	0	0
21						
22	Customer Accounting			389		
23	Customer Service & Information			22		
24	Sales Expenses			35		
25						
26	Administrative & General					
27	Operating Expenses	(17)		1,912	(69)	
28	Depreciation					
29	Taxes					
30	Total Admin. & General	(17)	0	1,912	(69)	0
31	Total Electric Expenses	(17)	0	4,492	(69)	656
32						
33	OPERATING INCOME BEFORE FIT	17	0	(4,492)	69	(656)
34						
35	FEDERAL INCOME TAX					
36	Current Accrual	6		(1,572)	24	(230)
37	Deferred Income Taxes					
38						
39						
40	NET OPERATING INCOME	\$11	\$0	(\$2,920)	\$45	(\$426)
41						
42	RATE BASE					
43	PLANT IN SERVICE					
44	Intangible					
45	Production					
46	Transmission					
47	Distribution					
48	General					
49	Total Plant in Service	0	0	0	0	0
50	ACCUMULATED DEPRECIATION					
51	ACCUM. PROVISION FOR AMORTIZATION					
52	Total Accum. Depreciation & Amort.	0	0	0	0	0
53	GAIN ON SALE OF BUILDING					
54	CUSTOMER DEPOSITS					
55	DEFERRED FIT					
56						
57	TOTAL RATE BASE	0	0	0	0	0

Avista Corporation
Summary of Adjustments - Electric Operations (Schedule 1.4)
Twelve Months Ended September 30, 2008 (AMA)
(000's of Dollars)

Line No.	(a) Adj. No.	(b) Per Books	(c) Avista Corporation			(e) Staff Adjusted			(h) Difference	
			Avista Adjusted		Revenue Requirement Impact	Staff Adjusted		Revenue Requirement Impact		
			NOI	Net Rate Base	Impact	NOI	Rate Base	Impact *		
1		68,538	1,053,828	36,878	68,538	1,053,828	36,878	(g)-(d)		
2	Adjustments									
3	R-1 (c)			(142,713)			(142,713)	(19,919)	-	
4	R-2 (d)			(126)			(126)	(18)	-	
5	R-3 (e)	202		(1,956)	202		(1,956)	(598)	-	
6	R-4 (f)			436			436	61	-	
7	R-5 (g)	(56)		(854)	(56)		(854)	(29)	-	
8	R-6 (h)			(231)			(231)	(32)	-	
9	R-7 (i)	39		0	39		0	(63)	-	
10	R-8 (j)			18,422			18,422	2,571	-	
11	R-9 (k)	(22)			(22)			36	-	
12	R-10 (l)	C (939)		1,510	(127)			205	(1,305)	
13	R-11 (m)			70			70	(113)	(1)	
14	R-12 (n)			(52)			(52)	84	-	
15	R-13 (o)			(56)			(56)	90	-	
16	R-14 (p)			(1,751)			(1,751)	2,816	-	
17	R-15 (q)			(8,844)			(8,844)	14,221	-	
18	R-16 (r)			(6)			(6)	9	-	
19	R-17 (s)			335			335	(539)	(1)	
20	R-18 (t)			5			5	(8)	-	
21	R-19 (u)			(20)			(20)	32	-	
22	R-20 (v)			79			79	(128)	-	
23	R-21 (w)			23,394			23,394	(37,617)	-	
24	R-22 (x)			139			139	(224)	-	
25	R-23 (y)	C 683			1,045			(1,680)	(582)	
26	R-24	C 0			(4)		(1,335)	(180)	(180)	
27	R-25	C 29						(47)	(47)	
28	Total Restating Adjustments		13,200	(127,022)	(38,953)	14,401	(128,357)	(41,071)	(2,116)	
29										
30	Restated		81,738	926,806	(2,076)	82,939	925,471	(4,193)		
31										
32	Pro Forma Adjustments									
27	PF-1	C (24,030)		-			(6,243)	-	10,038	(28,602)
28	PF-2	C 6,449		(12,500)			3,077	(7,113)	(5,940)	6,175
29	PF-3	C (1,942)		-			(1,130)	-	1,817	(1,306)
30	PF-4	C (155)		-			(98)	-	158	(91)
31	PF-5	C (51)		-			(51)	-	82	-
32	PF-6	C (473)		21,445			-	-	-	(3,754)
33	PF-7	C (2,906)		22,936			(599)	21,252	3,930	(3,944)
34	PF-8	C (156)		5,386			(101)	13,999	2,117	1,114
35	PF-9	C (1,883)		-			-	-	-	(3,028)
36	PF-10	C (1,139)		-			-	-	-	(1,831)
37	PF-11	C (2,363)		23,325			(2,363)	23,325	7,055	-
38	PF-12	C (539)		16,819			(539)	16,819	3,214	-
39	PF-13	C (2,285)		2,859			(2,285)	2,859	4,073	-
40	PF-14	C (1,217)		-			(797)	-	1,282	(675)
41	PF-15	C (357)		-			11	-	(18)	(592)
42	PF-16	C (1,475)		-			-	-	-	(2,372)
43	PF-17	C (2,577)		-			(2,920)	-	4,695	552
44	PF-18	C (184)		-			45	-	(72)	(367)
45	PF-19	C (426)		-			(426)	-	685	-
46										
47										
48										
49	Total Pro Forma Adjustments		(37,709)	80,270	71,839	(14,420)	71,142	33,116	(38,721)	
50	Pro Forma Results		NOI 44,029	Net Rate Base 1,007,076	Revenue Requirement 69,763	NOI 68,519	Rate Base 996,613	Revenue Requirement 28,923	(40,837)	
51										
52	Impact of Change in Weighted Cost of Capital (8,814) (8,814)									
53	Adjusted Revenue Requirement 20,109 (49,651)									

Avista Filed Capital Structure

Staff Adjusted Capital Structure

	Percent of Total	Cost	Weighted Cost	Percent of Total	Cost	Weighted Cost
Total Debt	52.49%	6.570%	3.45%	54.60%	6.570%	3.59%
Preferred Stock			0.00%	0.00%	0.000%	0.00%
Common Stock	47.51%	11.000%	5.23%	45.40%	10.000%	4.54%
Total	100.00%		8.68%	100.00%		8.13%

* Revenue Requirement Impact of adjustments based on company filed Weighted Cost of Capital
** Pro Forma Debt is computed using Staff proposed debt rates and Staff Pro Forma Rate Base

Avista Corporation
Electric Operations
Revenue Requirement Computation (Schedule 2.0)
(000's of Dollars)

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Revenue Requirement Computation

	At Pro Forma Results
Total Pro Forma Average Rate Base	\$ 996,613
Weighted Cost of Capital	8.13%
Operating Income Requirement	81,025
Pro Forma Net Operating Income (Loss)	\$68,519
Operating Income Deficiency	12,506
Revenue Conversion Factor	62.1901%
Additional Revenue Requirement	20,109
Amount fil	69,762
Difference	(49,653)

Avista Corporation
Electric Operations
Revenue Conversion Factor (Schedule 3.0)
Twelve Months Ended December 31, 2006

Line
No.

Schedule for the Computation of Revenue Conversion Factor

1		
2		
3		
4	Revenues	100.0000%
5		
6	WUTC Regulatory Fee	0.2000%
7	Utility Revenue Tax	3.8629%
8	Uncollectables	0.2599%
9	Total Revenue Sensitive Items	<u>4.3229%</u>
10		
11	Net Operating Income before FIT	95.6771%
12		
13	Effective Income Tax Rate at 35%	<u>33.4870%</u>
14	Total adjustments	<u><u>37.8099%</u></u>
15		
16	Revenue Conversion Factor	<u><u>62.1901%</u></u>
17		
18		
19		
20		
21		

Avista Corporation
Electric Operations
Pro Forma Capital Structure (Schedule 4.0)

Line
No.

Pro Forma Capital Structure and Cost of Capital

Weighted Cost of Capital

	Percent of Total	Cost	Weighted Cost
Total Debt	54.60%	6.570%	3.59%
Preferred Stock			0.00%
Common Stock	45.40%	10.000%	4.54%
Total	<u>100.00%</u>		<u>8.13%</u>

Weighted Cost of Debt

Total Debt	3.59%
Preferred Stock	<u>0.00%</u>
Weighted Cost of Debt	<u><u>3.59%</u></u>

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