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 TRANSPORTATION COMMISSION,)	DOCKETS UE-090134 and UG-090135
TRANSFORTATION COMMISSION,	7	(consolidated)
Complainant,)	(consonuncu)
-)	
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)	(consommion)
AVISTA UTILITIES,)	
For an Order Authorizing	\dot{j}	
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

Line	(a)	(b) Unadjusted	(c) Total Restating Adjustments	(d) Restated Results	(e) Total Pro Forma Adjustments	(f) Pro Forma Results	(g) Staff Proposed	(h) Results at Staff Rates
No.	DESCRIPTION Source	Results Exhibit (EMA-2)	Schedule 1.2	(b) + (c)	Schedule 1.3	(e) + (f)	Increase of 5.15%	(g) + (h)
	RESULT OF OPERATIONS							
	REVENUES			*****		C200 152	20 100	\$410,262
1	Total General Business	\$407,849	(\$17,696)	\$390,153 800		\$390,153 800	20,109	\$410,262 800
2	Interdepartmental Sales	800 126,479	-	126,479	(57,480)	68,999		68,999
3 4	Sales for Resale 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	Total Electric Revenue	,	, , ,	•				
8	EXPENSES						s.	
9	Production and Transmission							177.047
10	Operating Expenses	175,800	(17,729)	158,071	19,776	177,847		177,847 53,114
11	Purchased Power	147,076	0	147,076	(93,962) 6,918	53,114 32,394		32,394
12	Depreciation and Amortization	23,675 8,935	1,801 1,374	25,476 10,309	366	10,675		10,675
13	Taxes Total Production & Transmission	355,486	(14,554)	340,932	(66,902)	274,030	0	274,030
14 15	Total Production & Transmission	333,400	(14,551)	3.0,252	(,)	,		
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				=	500	9.407	52	8,549
22	Customer Accounting	8,559	(652)	7,907 677	590 34	8,497 710		710
23	Customer Service & Information	11,359 696	(10,682) 0	696	52	748		748
24	Sales Expenses	20,614	(11,334)	9,280	676	9,956		10,008
25	A. I. Charles B. Communi	20,014	(11,554)	7,200	0.0	-,		,
26	Administrative & General	35,147	(105)	35,042	2,419	37,461	40	37,501
27 28	Operating Expenses 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		44,286
31	Total Electric Expenses	483,333	(40,499)	442,834	(62,295)	380,539	869	381,409
32					(00.100)	00.207	10.240	100 627
33	OPERATING INCOME BEFORE FIT	88,367	23,219	111,586	(22,189)	89,397	19,240	108,637
34								
35	FEDERAL INCOME TAX	16,759	2,521	19,280	(7,392)	11,888	6,734	18,622
36	Current Accrual	3,070	6,297	9,367	(377)	8,990	,	8,990
37	Deferred Income Taxes Total Income Taxes	19,829	8,818	28,647	(7,769)	20,878		27,612
38 39	Total income Taxes	15,025	*****	,	() ,	-		
40	NET OPERATING INCOME	68,538	14,401	82,939	(14,420)	68,519	12,506	81,025
41	THE OF BROTTING INCOME							
42	RATE BASE							
43	PLANT IN SERVICE	22,439	0	22,439	52,569	75,008		75,008
44	Intangible	656,077	67,362	723,439	18,192	741,631		741,631
45 46	Production 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
	ACCUMULATED DEPRECIATION	543,584	(9,292)	534,292	(5,069)	529,223		529,223
50 51	ACCUMULATED DEPRECIATION ACCUM. PROVISION FOR AMORTIZATION	6,907	57,168	64,075	1,223	65,298		65,298
51 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	1)	(194)
	1		(1.225)	(1 225)		(1,335	7)	(1,335)
54	CUSTOMER DEPOSITS	0	(1,335) (146,083)	(1,335) (146,083)		(1,55.		(1,555)
55 56	DEFERRED FIT	Ü	(140,063)	(140,003)	(10,600)	(150,505	,	(,)
56 57	TOTAL RATE BASE	1,053,828	(128,357)	925,471	71,142	996,613		996,613
						6.889	/ ₆	8.13%
58	RATE OF RETURN	6.50%	=	8.96%	; =	0.889	=	3.1370

\$436

Avista Corporation

Electric - Schedule of Restating Adjustments (Schedule 1.2)

Twelve Months Ended September 30, 2008

TOTAL RATE BASE

(d) (e) (f) (c) (b) (000's of Dollars) R-2 R-3 R-4 R-1 Deferred Gain Colstrip 3 Colstrip Total Deferred AFUDC on Office Common Restating FIT Line AFUDC Building Elimination Rate Base Adjustments DESCRIPTION No. Sum (a) thru (y) Source: RESULT OF OPERATIONS REVENUES \$ (17,696) Total General Business 1 Interdepartmental Sales 2 Sales for Resale 0 0 0 (17,696) Total Sales of Electricity 4 416 Other Revenue 5 0 0 0 (17,280) 0 Total Electric Revenue 7 **EXPENSES** 8 9 Production and Transmission (17,729)10 Operating Expenses Purchased Power 11 (202)1,801 Depreciation and Amortization 12 1,374 13 Taxes (202) (14,554) 0 Total Production & Transmission 14 15 16 Distribution 17 Operating Expenses 735 Depreciation 18 (15.003)19 Taxes 0. 0 0 . (14,268)Total Distribution 20 21 (652)Customer Accounting 22 Customer Service & Information (10,682)23 24 Sales Expenses 25 Administrative & General 26 (105)27 Operating Expenses (232)Depreciation 28 (5) 29 Taxes 0 0 0 0 (342)Total Admin. & General 30 0 (202)0 0 (40,499)3-1 Total Electric Expenses 32 202 0 0 0 23,219 OPERATING INCOME BEFORE FIT 33 34 FEDERAL INCOME TAX 35 2,521 Current Accrual 36 6,297 Deferred Income Taxes 37 38 39 \$202 \$0 \$0 \$0 \$14,401 40 NET OPERATING INCOME 41 RATE BASE 42 PLANT IN SERVICE 43 Intangible 44 (7,452)436 67,362 45 Production 46 Transmission (231) Distribution 47 48 General 0 (7,452) 436 67,131 0 49 Total Plant in Service (5,496)ACCUMULATED DEPRECIATION (9,292) 57,168 ACCUM. PROVISION FOR AMORTIZATION 51 0 (5,496) 0 47,876 Total Accum. Depreciation & Amort. 52 (194)(194)GAIN ON SALE OF BUILDING 53 CUSTOMER DEPOSITS (1,335)54 68 (142,713) (146,083) 55 DEFERRED FIT 56 57

(128,357)

(\$142,713)

(\$126)

(\$1,956)

Electric - Schedule of Restating Adjustments (Schedule 1.2)

Twelve Months Ended September 30, 2008

(j) (k) (h) (g) (000's of Dollars) R-9 R-8 R-6 R-5 Settlement Eliminate Kettle Depreciation Exchange B & O Falls Customer Line Advances True-up Power Taxes DESCRIPTION Disallow. No. Source: RESULT OF OPERATIONS REVENUES \$ (13,744) Total General Business Interdepartmental Sales 2 Sales for Resale 3 (13,744) 0 0 0 4 Total Sales of Electricity (16) Other Revenue 5 0 (13,760) 0 0 6 Total Electric Revenue 7 8 EXPENSES Production and Transmission 9 Operating Expenses 10 11 Purchased Power (685)Depreciation and Amortization 12 13 Taxes 0 (685) 0 Total Production & Transmission 14 15 Distribution 16 Operating Expenses 17 857 18 Depreciation (13,726)19 Taxes 857 (13,726)0 0 Total Distribution 20 21 22 Customer Accounting Customer Service & Information 23 24 Sales Expenses 25 26 Administrative & General Operating Expenses 27 (232)Depreciation 28 29 Taxes 0 0 (232)0 Total Admin. & General 30 (13,726) 0 0 (60)0 31 Total Electric Expenses 32 (34)60 0 OPERATING INCOME BEFORE FIT 0 33 34 FEDERAL INCOME TAX 35 (12)Current Accrual 36 56 21 37 Deferred Income Taxes 38 39 (\$22) \$39 \$0 (\$56) NET OPERATING INCOME 40 41 RATE BASE 42 43 PLANT IN SERVICE Intangible 44 79,626 (5,248)Production 45 46 Transmission (231) Distribution 47 General 48 0 79,626 0 (231) (5,248) Total Plant in Service 49 ACCUMULATED DEPRECIATION (3,796)50 57,168 ACCUM. PROVISION FOR AMORTIZATION 0 0 57,168 (3,796) Total Accum. Depreciation & Amort. 52 GAIN ON SALE OF BUILDING 53 CUSTOMER DEPOSITS 54 (4,036)598 DEFERRED FIT 55 56 57 \$0 (\$854) (\$231)\$18,422 TOTAL RATE BASE

Electric - Schedule of Restating Adjustments (Schedule 1.2)

Twelve Months Ended September 30, 2008

(n) (o) (p) (m) (l) (000's of Dollars) R-14 R-11 R-12 R-13 R-10 Injuries and Uncollect. Regulatory Property Line FIT Expense Expense Damages DESCRIPTION Tax No. Source: RESULT OF OPERATIONS REVENUES Total General Business Interdepartmental Sales 2 Sales for Resale 3 0 0 0 0 0 Total Sales of Electricity 5 Other Revenue 0 0 0 0 Total Electric Revenue 0 6 7 8 EXPENSES Production and Transmission 9 Operating Expenses 10 11 Purchased Power Depreciation and Amortization 12 1,374 13 Taxes 0 0 0 1,374 Total Production & Transmission 14 15 Distribution 16 Operating Expenses 17 18 Depreciation (1,173)Taxes 19 0 0 0 Total Distribution (1,173)20 21 (108)22 Customer Accounting Customer Service & Information 23 Sales Expenses 24 25 Administrative & General 26 86 80 Operating Expenses 27 28 Depreciation (5) 29 Taxes 86 0 80 (5) Total Admin. & General 30 0 86 (108)80 196 31 Total Electric Expenses 32 0 (86) (80)108 (196)OPERATING INCOME BEFORE FIT 33 34 FEDERAL INCOME TAX 35 1,715 (28) (30)38 (69)36 Current Accrual 36 37 Deferred Income Taxes 38 39 (\$1,751) (\$56) \$70 (\$127) NET OPERATING INCOME 40 41 RATE BASE 42 43 PLANT IN SERVICE Intangible 44 Production 45 46 Transmission Distribution 47 General 48 0 0 0 0 49 Total Plant in Service ACCUMULATED DEPRECIATION ACCUM. PROVISION FOR AMORTIZATION 51 0 0 Total Accum. Depreciation & Amort. GAIN ON SALE OF BUILDING 53 CUSTOMER DEPOSITS 54 DEFERRED FIT 55 56 57 \$0 \$0 \$0 \$0 TOTAL RATE BASE

Electric - Schedule of Restating Adjustments (Schedule 1.2)

Twelve Months Ended September 30, 2008

(s) (q) **R-15** (r) (000's of Dollars) R-18 R-16 R-17 Office Space Eliminate Eliminate Nez Perce Charges to WA Power Settlement A/R Line Expenses Subsidiaries Cost Defer Adjustment DESCRIPTION No. Source. RESULT OF OPERATIONS REVENUES \$ (32,702) Total General Business Interdepartmental Sales 2 Sales for Resale 3 0 0 (32,702) 4 Total Sales of Electricity Other Revenue 5 0 (32,702) 0 6 Total Electric Revenue 7 8 **EXPENSES** 9 Production and Transmission (17,668)9 Operating Expenses 10 11 Purchased Power Depreciation and Amortization 12 13 Taxes (17,668) Total Production & Transmission 14 15 Distribution 16 Operating Expenses 17 18 Depreciation (1,262)Taxes 19 0 0 (1,262)0 Total Distribution 20 21 (516)(104)22 Customer Accounting Customer Service & Information 23 Sales Expenses 24 25 Administrative & General 26 (8) Operating Expenses (62)27 28 Depreciation 29 0 (8) 0 (62) Total Admin. & General 30 9 (516)(8) (19,096)Total Electric Expenses 31 32 8 (13,606)(9) 516 OPERATING INCOME BEFORE FIT 33 34 FEDERAL INCOME TAX 35 3 181 (10,946)(3) 36 Current Accrual 6,184 37 Deferred Income Taxes 38 39 \$335 (\$6) (\$8,844)NET OPERATING INCOME 40 41 RATE BASE 42 43 PLANT IN SERVICE Intangible 44 Production 45 46 Transmission Distribution 47 48 General 0 0 0 0 49 Total Plant in Service ACCUMULATED DEPRECIATION 50 ACCUM. PROVISION FOR AMORTIZATION 51 Total Accum. Depreciation & Amort. 52 53 GAIN ON SALE OF BUILDING CUSTOMER DEPOSITS 54 DEFERRED FIT 55 56 57 \$0 \$0 \$0 TOTAL RATE BASE

Page 6 of 15

\$0

Avista Corporation

57

TOTAL RATE BASE

Electric - Schedule of Restating Adjustments (Schedule 1.2)

Twelve Months Ended September 30, 2008

(w) (u) (v) (000's of Dollars) R-22 R-21 R-19 R-20 Restate Miscellaneous Net Revenue Excise Line Normalization Restating Gains/losses DESCRIPTION Taxes No. Source: RESULT OF OPERATIONS REVENUES \$28,750 Total General Business Interdepartmental Sales 2 Sales for Resale 3 28,750 0 0 Total Sales of Electricity 4 432 5 Other Revenue 29,182 0 6 Total Electric Revenue 7 EXPENSES 8 Production and Transmission 9 (70)10 Operating Expenses Purchased Power 11 2,688 Depreciation and Amortization 12 13 2,618 Total Production & Transmission 14 15 16 Operating Expenses 17 (122)Depreciation 18 1,127 19 Taxes 31 (122) 1,127 20 Total Distribution 21 76 22 Customer Accounting (10,688)Customer Service & Information 23 24 Sales Expenses 25 Administrative & General 26 (214) 58 27 Operating Expenses 28 Depreciation 29 Taxes (214) 0 0 Total Admin. & General 30 (6,809)(214)(122)31 Total Electric Expenses 31 32 214 (31) 122 35,991 OPERATING INCOME BEFORE FIT 33 34 FEDERAL INCOME TAX 35 75 12,597 (11)43 Current Accrual 36 Deferred Income Taxes 37 38 39 \$139 \$79 \$23,394 (\$20) 40 NET OPERATING INCOME 41 42 RATE BASE PLANT IN SERVICE 43 Intangible 44 45 Production Transmission 46 Distribution 47 48 General 0 0 0 Total Plant in Service 49 ACCUMULATED DEPRECIATION 50 ACCUM. PROVISION FOR AMORTIZATION 51 0 Total Accum. Depreciation & Amort. 52 GAIN ON SALE OF BUILDING 53 54 CUSTOMER DEPOSITS 55 DEFERRED FIT 56

20

Electric - Schedule of Restating Adjustments (Schedule 1.2)

Twelve Months Ended September 30, 2008

(y) (000's of Dollars) R-23 R-24 R-25 Restate **Board of Director** Customer Debt Line Meeting Costs Interest Deposit DESCRIPTION No. Staff Proposed Staff Proposed Source: RESULT OF OPERATIONS REVENUES Total General Business Interdepartmental Sales Sales for Resale 3 Total Sales of Electricity 0 5 Other Revenue 0 0 6 Total Electric Revenue 7 8 EXPENSES Production and Transmission Operating Expenses 10 Purchased Power 11 Depreciation and Amortization 12 13 Total Production & Transmission 14 15 16 Operating Expenses 17 Depreciation 18 19 Taxes 0 0 **Total Distribution** 20 21 Customer Accounting 22 6 23 Customer Service & Information Sales Expenses 24 25 Administrative & General 26 (45) 27 Operating Expenses Depreciation 28 29 Taxes (45) 0 0 30 Total Admin. & General (45) 0 6 Total Electric Expenses 31 32 (6) 45 0 OPERATING INCOME BEFORE FIT 33 34 FEDERAL INCOME TAX 35 (1,045) (2) 16 36 Current Accrual Deferred Income Taxes 37 38 39 \$1,045 (\$4) \$29 NET OPERATING INCOME 40 41 RATE BASE 42 PLANT IN SERVICE 43 44 Intangible 45 Production Transmission 46 47 Distribution 48 0 49 Total Plant in Service ACCUMULATED DEPRECIATION 50 ACCUM. PROVISION FOR AMORTIZATION 51 0 Total Accum. Depreciation & Amort. GAIN ON SALE OF BUILDING (1,335)54 CUSTOMER DEPOSITS 55 DEFERRED FIT 56 57 (\$1,335) TOTAL RATE BASE

Electric - Schedule of Pro Forma Adjustments (Schedule 1.3)

Twelve Months Ended September 30, 2008

(000's o	of Dollars)		PF 1	PF 2	PF 3	PF 4
		Total	Pro Forma	Pro Forma	Pro Forma	Pro Forma
Line		Pro Forma	Power	Prod Property	Labor	Labor
No.	DESCRIPTION	Adjustments	Supply	Adj	NonExec	Exec
	Source					
	RESULT OF OPERATIONS					
	REVENUES					
1	Total General Business					
2	Interdepartmental Sales					
3	Sales for Resale	(57,480)	(56,623)	(857)		0
4	Total Sales of Electricity	(57,480)	(56,623)	(857)	0	U
5	Other Revenue _	(27,004)	(27,028)	(857)	0	0
6	Total Electric Revenue	(84,484)	(83,651)	(837)	Ü	v
7						
8	EXPENSES					
9	Production and Transmission	19,776	19,916	(5,590)	599	(28)
10	Operating Expenses	(93,962)	(93,962)	(=,== =,		, ,
11	Purchased Power	6,918	(50,500)			
12	Depreciation and Amortization	366				
13	Taxes Total Production & Transmission	(66,902)	(74,046)	(5,590)	599	(28)
14 · 15	Total Floudetion & Transmission	(,-	\			
16	Distribution					
17	Operating Expenses	1,414			496	
18	Depreciation	97				
19	Taxes					
20	Total Distribution	1,511	0	0	496	0
21	Total Distribution					
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		(0.0.40)	1.757	. (600)	(53)
36	Current Accrual	(7,392) (377)	(3,362)	1,656	(609)	(33)
37 38	Deferred Income Taxes	(311)				
39						(000)
40	NET OPERATING INCOME	(\$14,420)	(\$6,243)	\$3,077	(\$1,130)	(\$98)
41						
42	RATE BASE					•
43	PLANT IN SERVICE	50.500				
44	Intangible Production	52,569 18,192		(16,208)		
45 46	Transmission	3,801				
47	Distribution	3,540				
48 49	General Total Plant in Service	78,102	0	(16,208)	0	0
		(5,069)		(6,344)		
50 51	ACCUMULATED DEPRECIATION ACCUM. PROVISION FOR AMORTIZATION	1,223				
52	Total Accum. Depreciation & Amort.	(3,846)	0	(6,344)	0	0
53	GAIN ON SALE OF BUILDING CUSTOMER DEPOSITS	*				
54 55	DEFERRED FIT	(10,806)		2,751		
56		71 140	0	(7,113)	0	0
57	TOTAL RATE BASE	71,142		(7,113)		

Electric - Schedule of Pro Forma Adjustments (Schedule 1.3)

Twelve Months Ended September 30, 2008

(000's c	of Dollars)	DE 5	DF C	PF 7	PF 8	PF 9
		PF 5 Pro Forma	PF 6 Pro Forma	Pro Forma	Pro Forma	Pro Forma
Line		Transmission	Capital Add/EOP	Capital Add	Noxon Gen	Asset
No.	DESCRIPTION	Rev/Exp	TY 2007/08	4th Qrt 2008/09	2009/2010	Management
110.	Source					
	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			40.0	110	
12	Depreciation and Amortization			496	118 38	
13	Taxes			328	156	0
14	Total Production & Transmission	103	0	824	130	Ū
15						
16	Distribution			•		
17	Operating Expenses			97		
18	Depreciation			91		
19	Taxes _	0	0	97	0	0
20	Total Distribution	U	O	, , , , , , , , , , , , , , , , , , , ,		
21						
22	Customer Accounting					
23	Customer Service & Information					
24	Sales Expenses					
25						
26	Administrative & General					
27	Operating Expenses					
28	Depreciation					
29	Taxes	0) 0	0	0
30	Total Admin. & General	103		921	156	. 0
31	Total Electric Expenses	103		, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
32		. (70	n) ((921)	(156)	0
33	OPERATING INCOME BEFORE FIT	(79	`	(221)	(-50)	
34	PROPERTY PLOCATE TANK					
35 36	FEDERAL INCOME TAX Current Accrual	(28	3)			
36 37	Deferred Income Taxes	((322)	(55)	
38	-					
39	A THE CAMP AND LO DICOME	(\$51	3)	0 (\$599)	(\$101)	\$0
40	NET OPERATING INCOME	(33)				
41	DATTE DACE					
42	RATE BASE					
43 44	PLANT IN SERVICE Intangible					
45	Production			15,411	14,591	
46	Transmission			3,801 3,540		•
47 48	Distribution General					
49	Total Plant in Service)	0 22,752	14,591	0
50	ACCUMULATED DEPRECIATION			873	402	
51	ACCUM. PROVISION FOR AMORTIZATION		0	0 873	402	0
52	Total Accum. Depreciation & Amort. GAIN ON SALE OF BUILDING	(U	0 6/3	402	
53 54	CUSTOMER DEPOSITS				/	
55	DEFERRED FIT			(626)	(190)
56 57	TOTAL RATE BASE	1	0	0 21,252	13,999	0
57	I UTAL KATE DASE					

Electric - Schedule of Pro Forma Adjustments (Schedule 1.3)

Twelve Months Ended September 30, 2008

Total Professiona Profes	(0003	of Dollars)	PF 10	PF 11	PF 12	PF 13	PF 14
No. Services Redicating Settlement Lease Emiss O&M			Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma
REVINUES		DESCRIPTION		1 - 1			1
RESULT OR OPERACTIONS	140.		Del vices	1 Renewising			
Trail Great Business		The state of the s					
Commence							
See For Restate	1	Total General Business					
Total Sales of Electricity 0 0 0 0 0 0 0 0 0	2	Interdepartmental Sales					
Other Revenue	3	Sales for Resale					
Control Electric Revense	. 4	Total Sales of Electricity	0	. 0	0		0
Total Electric Revenue Total Revenue	5	Other Revenue _					
REPRINSES 1,677 1,227	6	Total Electric Revenue	0	0	0		0
Production and Transmission 1,227	7						
1	8	EXPENSES					
Purchased Power 1,959 829 3,516	9	Production and Transmission					
Depreciation and Amortization	10	Operating Expenses		1,677			1,227
Total Production & Transmission	11	Purchased Power					
Total Production & Transmission	12	Depreciation and Amortization		1,959	829	3,516	
Total Floeutie Tribustions Takes	13	Taxes _					
Distribution Dist	14	Total Production & Transmission	0	3,636	829	3,516	. 1,227
17	15			,			
18	16	Distribution					
18	17	Operating Expenses					
Taxes	18	,					
Total Distribution 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0							
Customer Accounting		<u> </u>	0	0	0	0	0
Customer Accounting							
Customer Service & Information		Customer Accounting					
Sales Expenses Sale		1					
Administrative & General Operating Expenses Depreciation Taxes Total Admin. & General O		_		,	•		
Administrative & General Operating Expenses Depreciation Taxes Total Admin. & General OPERATING INCOME BEFORE FIT OPERATING INCOME TAX Current Accrual Deferred Income Taxes NET OPERATING INCOME RATE BASE PLANT IN SERVICE Intagible Production Transmission Distribution General General General Current Accrual OPERATING INCOME OPERATING INCO							
Depreciation Taxes Total Admin. & General Depreciation Total Electric Expenses Depreciation Department Dep		Administrative & General					
Depreciation Taxes O		1					
Taxes							
Total Admin. & General 0 0 0 0 0 0 0 0 0							
Total Electric Expenses 0 3,636 829 3,516 1,227		·	C	0	0	0	0
Total Electric Expenses Total Electric E		·	0	3.636	829	3,516	1,227
OPERATING INCOME BEFORE FIT 0 (3,636) (829) (3,516) (1,227) FEDERAL INCOME TAX Current Accrual (1,273) (290) (1,231) (430) Deferred Income Taxes NET OPERATING INCOME S0 (\$2,363) (\$539) (\$2,285) (\$797) RATE BASE PLANT IN SERVICE Intangible 26,703 25,866 Froduction 4,398 Total Plant in Service 0 26,703 25,866 4,398 OR ACCUMULATED DEPRECIATION ACCUM. PROVISION FOR AMORTIZATION ACCUM. PROVISION FOR AMORTIZATION Total Accum. Depreciation & Amort. 0 560 663 GAN ON SALE OF BUILDING CUSTOMER DEPOSITS CUSTOMER DEPOSITS DEFERED FIT (2,818) (8,384) (1,539)		Total Electric Expenses		,,,,,,			
FEDERAL INCOME TAX Current Accrual Deferred Income Taxes NET OPERATING INCOME RATE BASE PLANT IN SERVICE Intangible Production For Distribution General General Total Plant in Service ACCUMULATED DEPRECIATION ACCUM. PROVISION FOR AMORTIZATION ACCUM. PROVISION FOR AMORTIZATION ACCUM. PROVISION FOR AMORTIZATION Total Accum. Depreciation & Amort. Total Accum. Depr		OPERATRIC BICOME DEFORE FIT	0	(3.636)	(829)	(3.516)	(1,227)
FEDERAL INCOME TAX Current Accrual Deferred Income Taxes NET OPERATING INCOME RATE BASE PLANT IN SERVICE Intangible Production Transmission Total Plant in Service O 26,703 Ceneral Ceneral Total Plant in Service O 26,703 Ceneral County Production Total Plant in Service O 26,703 County Production County Produ		OPERATING INCOME BEFORE FIT	·	(5,050)	()	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, ,
Current Accrual C1,273 C290 C1,231 C430 Deferred Income Taxes C3		THE PART OF TAX					
Deferred Income Taxes Deferred Income Taxes NET OPERATING INCOME S0 (\$2,363) (\$539) (\$2,285) (\$797) 11 12 RATE BASE PLANT IN SERVICE Intangible 26,703 25,866 Intangible 7 ransmission 5 production General Total Plant in Service ACCUMULATED DEPRECIATION ACCUM. PROVISION FOR AMORTIZATION ACCUM. PROVISION FOR AMORTIZATION Total Accum. Depreciation & Amort. GAIN ON SALE OF BUILDING CUSTOMER DEPOSITS (2,818) (8,384) (1,539)				(1,273)	(290)	(1,231)	(430)
NET OPERATING INCOME \$0 (\$2,363) (\$539) (\$2,285) (\$797)				``,			
NET OPERATING INCOME \$0 (\$2,363) (\$539) (\$2,285) (\$797)							
ACCUMULATED DEPRECIATION ACCUM. PROVISION FOR AMORTIZATION ACCUM. PROVISION FOR AMORTIZATION ACCUM. PROVISION FOR AMORTIZATION ACCUM. PROVISION & AMORTIZATION AMORTIZATION ACCUM. PROVISION & AMORTIZATION AM			•	(en aca)	(\$£2A)	(82 205)	(\$707)
PLANT IN SERVICE Intangible 26,703 25,866 4,398		NET OPERATING INCOME	\$0	(\$2,503)	(3039)	(32,283)	(\$191)
PLANT IN SERVICE Intangible Production Transmission Distribution General Total Plant in Service ACCUMULATED DEPRECIATION ACCUM. PROVISION FOR AMORTIZATION Total Accum. Depreciation & Amort. GAIN ON SALE OF BUILDING CUSTOMER DEPOSITS DEFERRED FIT (2,818) (8,384) 25,866 4,398 4,398 0 4,398 0 4,398 0 4,398 0 4,398 0 0 0 26,703 25,866 4,398 0 0 0 0 0 0 0 0 0 0 0 0 0							
Intangible 26,703 25,866							
Production 4,398				26 703	25.866		
Transmission Distribution				20,703	25,500	4,398	
Distribution General Total Plant in Service 0 26,703 25,866 4,398 0		Transmission .					
Total Plant in Service 0 26,703 25,866 4,398 0	47	1					
ACCUMULATED DEPRECIATION ACCUM. PROVISION FOR AMORTIZATION Total Accum. Depreciation & Amort. GAIN ON SALE OF BUILDING CUSTOMER DEPOSITS DEFERRED FIT (2,818) (8,384) (1,539)			(26.703	25,866	4,398	0
ACCUM. PROVISION FOR AMORTIZATION 560 663			`	25,. 55	,		
Total Accum. Depreciation & Amort. 0 560 663 0 0 0 GAIN ON SALE OF BUILDING CUSTOMER DEPOSITS DEFERRED FIT (2,818) (8,384) (1,539)				560	663		
53 GAIN ON SALE OF BUILDING CUSTOMER DEPOSITS DEFERRED FIT (2,818) (8,384) (1,539) 56 (2,818) (1,539)			(0	0
55 DEFERRED FIT (2,818) (8,384) (1,539) 56 (2,818) (8,384) (1,539)	53	GAIN ON SALE OF BUILDING					
56				(2.818)	(8.384)	(1.539)	ı
		DEFERRED FII	7	(2,010)			
		TOTAL RATE BASE	(23,325	16,819	2,859	0

Electric - Schedule of Pro Forma Adjustments (Schedule 1.3)

Twelve Months Ended September 30, 2008

		PF 15	PF 16	PF 17	PF 18	PF 19
		Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma
Line		Incentives	O&M Plant	Employee	Insurance	Clark Fork
No.	DESCRIPTION		Expense	Benefits		PM&E
	Source					
	RESULT OF OPERATIONS					
	REVENUES					
1	Total General Business					
2	Interdepartmental Sales					
3	Sales for Resale					
4	Total Sales of Electricity	0	0	H		
5	Other Revenue					
6	Total Electric Revenue	0	0	1		
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	C	1,216	0	656
15						
16	Distribution					
17	Operating Expenses			918		
18	Depreciation			v		
19	Taxes					
20	Total Distribution	. 0	(918	0	0
21	Total Distribution					
22	Customer Accounting			389		
23	Customer Service & Information			22		
24	Sales Expenses			35		
	Sales Expenses					
25	A designative & Congress					
26	Administrative & General	(17))	1,912	(69)	
27	Operating Expenses	(**.	•			
28	Depreciation			•		
29	Taxes Total Admin. & General	(17)	0 1,912	(69)	0
30				0 4,492		
31	Total Electric Expenses	(17)	0 4,492	(0)	
32				0 (4,492) 69	(656)
33	OPERATING INCOME BEFORE FIT	17	'	0 (4,492	,	(000)
34						
35	FEDERAL INCOME TAX	6		(1,572) 24	(230)
36 37	Current Accrual Deferred Income Taxes	v		(-)- · -	,	
38	- I Sold Market Market					
39		-	=			(\$426)
40	NET OPERATING INCOME	\$11	\$	0 (\$2,920	\$45	(\$420)
41						
42	RATE BASE					
43	PLANT IN SERVICE					
44	Intangible					
45 46	Production Transmission					
47	Distribution					
48	General			0 0) 0	0
49	Total Plant in Service	·	•		,	·
50	ACCUMULATED DEPRECIATION					
51 52	ACCUM. PROVISION FOR AMORTIZATION Total Accum. Depreciation & Amort.	C		0 0) 0	0
53	GAIN ON SALE OF BUILDING					
54	CUSTOMER DEPOSITS					
55 56	DEFERRED FIT					
56 57	TOTAL RATE BASE	C		0 (0	0
	•					

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

(000's o	f Dollars)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		\ - '/		Avista Coi	poration		Staff	Adjusted	Difference Revenue Requirement
Line			NOI NOI	ista Adjusted Net Rate Base	Revenue Requirement Impact Impact	NOI	aff Adjusted Rate Base	Revenue Requirement Impact Impact *	Impact
No.	Adj. No.	Per Books	68,538	1,053,828	36,878	68,53		36,878	(g)-(d)
2	Auj. 140.	Adjustments	50,550	1,000,020					
3	R-1 (c)	Deferred FIT Rate Base		(142,713)	(19,919)		0 (142,713)	(19,919)	-
4		Deferred Gain on Office Building		(126)	(18)		0 (126)	(18)	1 1
5	` '	Colstrip 3 AFUDC Elimination	202	(1,956)	(598)	20	1 ' '	(598)	
6		Colstrip Common AFUDC	""	436	61		0 436	61	
7	. ,	Kettle Falls Disallow.	(56)	(854)	(29)	e	(854)	(29)	_
8		Customer Advances	(50)	(231)	(32)	'	0 (231)	(32)	
9		Depreciation True-up	39	. 0	(63)	1	9 -	(63)	_
		Settlement Exchange Power	"	18,422	2,571	1 1	0 18,422	2,571	_
10		Eliminate B & O Taxes	(22)	10,422	35	1 1	(2)	36	-
11	` '		(939)		1,510	(1:	1	205	(1,305)
12		' '	70		(112)	I I '	70 -	(113)	
13		Uncollect. Expense	1		84	1 1	52)	84	
14		Regulatory Expense	(52)		90	l I	56) -	90	_
15		Injuries and Damages	(56)					2,816	_
16		Federal Income Tax	(1,751)		2,816	(1,7)	1	1	. [
17		Eliminate WA Power Cost Defer	(8,844)		14,221	(8,8)		14,221	-
18		Nez Perce Settlement Adjustment	(6)		9	1 1	(6) -		
19	* /	Eliminate A/R Expenses	335		(539)	3	35 -	(539)	1 1
20		Office Space Charges to Subsidiaries	5		(8)	.	5 -	(8)	ή -1
21	R-19 (u)	Restate Excise Taxes	(20)		32	1 1	20) -	32	_
22		Net Gains/losses	79		(127)	! !	79 -	(128)	1
23	R-21 (w)	Revenue Normalization	23,394		(37,617)	1 1		(37,617	
24	R-22 (x)	Misc Restating	139		(224)		- 39	(224)	i i
25	R-23 (y)	Restate Debt Interest ** C	683		(1,098)	1,0	l l	(1,680)	1
26	R-24	Customer Deposits C	0		0		(4) (1,335)		
27	R-25	Board of Directors Meetings C				1	29 -	(47	
28		Total Restating Adjustments	13,200	(127,022)	(38,953)	14,4	01 (128,357)	(41,071	(2,116)
29				T	r	ļ 			
30		Restated	81,738	926,806	(2,076)	82,9	39 925,471	(4,193	
31									
32		Pro Forma Adjustments			····	↓ 			
27	PF-1	Power Supply C	(24,030)	-	38,640	(6,2	43) -	10,038	1 1
28	PF-2	Prod Property Adj C	6,449	(12,500)	(12,114	3,0	77 (7,113)	(5,940	6,175
29	PF-3	Labor NonExec C	(1,942)	_	3,123	(1,1	30) -	1,817	(1,306)
30	PF-4	Labor Exec C	(155)	-	249		98) -	158	(91)
31	PF-5	Transmission Rev/Exp	(51		82		51) -	82	-
32	PF-6	Capital Additions 2008			3,754	.	-		(3,754)
33	PF-7	Capital Additions 2009			7,874	(5	99) 21,252	3,930	(3,944)
34	PF-8	Capital Additions Noxon Gen 2010 C			1,003	(1	01) 13,999	2,117	1,114
35	PF-9	Asset Management C			3,028	11.	_		(3,028)
36	PF-10	Information Services C	1 .		1,831	,	_	-	(1,831)
	PF-10	Spokane River Relicensing	(2,363)		7,055	(2,3	63) 23,325	7,055	1 1
37			(539)		3,214		39) 16,819	3,214	
38	PF-12		(2,285)		4,073	(2,2			1
39	PF-13	Montana Lease			1,957	1 1 '	97) -	1,282	
40	PF-14	Colstrip Mercury Emiss., O&M	1		574	1 1 '	11 -	(18	1
41	PF-15	Incentives C	1 '		2,372	1 1			(2,372)
42	PF-16	O&M Plant Expense	1		4,144	(2,9		4,695	
43	PF-17	Employee Benefits C	1		296		45 -	(72	1
44	PF-18	Insurance C	1 '		685	i i	26) -	685	'i I
45	PF-19	Clark Fork PM&E	(426	•	685	"			.]
46]		-		
47									_
48				T	L .	┨			-
49		Total Pro Forma Adjustments	(37,709		71,839				(38,721)
50			NOI	Net Rate Base	Revenue Requirement	NC.	Sect Cardiacatemy reco-	Revenue Requirement	
51		Pro Forma Results	44,029	1,007,076	69,763			28,92	
52					PROPERTY OF THE PROPERTY OF TH	eres and a second second	ted Cost of Capita		en grandersemment og der et eksterning.
53					A	djusted Rev	enue Requiremen	t 20,109	(49,651)
54									
55				Avista Filed Capita	d Structure			Staff Adjusted Capital Stru	cture
56									

	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

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Avista Corporation

Electric Operations

Revenue Requirement Computation (Schedule 2.0)

Line		
No.		
1	Revenue Requirement Comput	tation
2		
3		At
4		Pro Forma
5	-	Results
6		
7	Total Pro Forma Average Rate Base	\$ 996,613
8	Weighted Cost of Capital_	8.13%
9	Operating Income Requirement_	81,025
10		
11	Pro Forma Net Operating Income (Loss)	\$68,519
12	•	
13	Operating Income Deficiency	12,506
14		
15	Revenue Conversion Factor	62.1901%
16	· _	
17	Additional Revenue Requirement_	20,109
18		
19	Amount fil_	69,762
20	Difference	(49,653)
21		
22		
23		
24		
25		
26		
27	·	
28		

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Avista Corporation

20 21

Electric Operations

Revenue Conversion Factor (Schedule 3.0) Twelve Months Ended December 31, 2006

Line		
No.		
1	Schedule for the Computation of Rev	venue Conversion Factor
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	4.3229%
10		
11	Net Operating Income before FIT	95.6771%
12		
13	Effective Income Tax Rate at 35%	33.4870%
14	Total adjustments	37.8099%
15	·	
16	Revenue Conversion Factor	62.1901%
17		
18		
19		

Electric Operations

Pro Forma Capital Structure (Schedule 4.0)

Line				
<u>No.</u>	Pro Forma	Capital Structure and Cos	st of Captia	l
1				
2				
. 3	Weighted Cost of Capital			
4		Percent		Weighted
5		of Total	Cost	Cost
6	Total Debt	54.60%	6.570%	3.59%
7	Preferred Stock			0.00%
8	Common Stock	45.40%	10.000%	4.54%
9	Total	100.00%		8.13%
10	,			
11				
12				
13				
14	Weighted Cost of Debt		• =00/	
15		Total Debt	3.59%	
16		Preferred Stock	0.00%	
17		Weighted Cost of Debt	3.59%	
18				
19				
20				
21	·			
22				
23				
24				
25		•		
26				