Exhibit No. ___ (DPK-3) 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 (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

Natural Gas – Results of Operations (Schedule 1.1)

August 17, 2009

Avista Corporation
Natural Gas - Results of Operations (Schedule 1.1)
Twelve Months Ended September 30, 2008
(000's of Dollars)

	(a)	(b)	(c) Total	(d)	(e) Total	(f)	(g)	(h) Results
Line No.	DESCRIPTION	Unadjusted Results	Restating Adjustments	Restated Results	Pro Forma Adjustments	Pro Forma Results	Staff Proposed	at Staff Rates
	Source	ЕМА-3 (b)	Schedule 1.2	(b) + (c)	Schedule 1.3	(e) + (f)	Increase of 0.13%	(g) + (h)
	RESULT OF OPERATIONS							
1 2	REVENUES Total General Business	\$220,020	(\$6,144)	\$213,876	_	\$213,876	280	\$214,156
3	Total Transportation	3,486	(1,775)	1,711	-	1,711	-	1,711
4	Other Revenues	135,812	(131,399)	4,413	(2,561)	1,852	-	1,852
5	Total Gas Revenues	359,318	(139,318)	220,000	(2,561)	217,439	280	217,719
6								
7	EXPENSES Exploration and Development					_		_
8 9	Exploration and Development		-					
10	Production							
11	City Gate Purchases	309,146	(151,865)	157,281	-	157,281		157,281
12	Purchased Gas Expense	737	-	737	70	807		807
13	Net Nat Gas Storage Trans	(18,687) 291,196	18,687 (133,178)	158,018	70	158,088		158,088
14 15	Total Production	291,190	(133,176)	130,010	70	150,000		150,000
16	Underground Storage							
17	Operating Expenses	408	-	408	1	409		409
18	Depreciation	260	(15)	245	155	400		400
19	Taxes	113	(40)	73 726	129 285	1,011		1,011
20 21	Total Underground Storage	781	(55)	720	283	1,011		1,011
22	Distribution							
23	Operating Expenses	6,260	-	6,260	552	6,812		6,812
24	Depreciation	5,659	(66)	5,593		5,593		5,593
25	Taxes	18,282	(8,465)	9,817	(98)	9,719	1	9,720
26	Total Distribution	30,201	(8,531)	21,670	454	22,124	1	22,125
27	Contains Associating	4,884	(220)	4,664	340	5,005	11	5,015
28 29	Customer Accounting Customer Service & Information	5,002	(4,270)	732	21	753	• •	753
30	Sales Expenses	545	-	545	32	577		577
31		10,431	(4,490)	5,941	393	6,335	11	6,345
32	Administrative & General	0.000	. (148)	0.054	(22	0.407	1	9,688
33 34	Operating Expenses	9,202 1,414	(148) 341	9,054 1,755	633	9,687 1,755	1	1,755
35	Depreciation Taxes	23	(5)	18	-	18		18
36	Total Admin. & General	10,639	188	10,827	633	11,460	l	11,461
37	_							
38	Total Gas Expense	343,248	(146,065)	197,183	1,834	199,017	12	199,029
39	ODED ATING INCOME DEFORE FIT	16.070	6 747	22,817	(4,395)	18,422	268	18,690
40 41	OPERATING INCOME BEFORE FIT FEDERAL INCOME TAX	16,070	6,747	22,017	(4,353)	10,422	200	10,070
42	Current Accrual	5,138	2,232	7,370	(1,538)	5,832	94	5,925
43	Deferred FIT	(1,042)	7	(1,035)	-	(1,035)		(1,035)
44	Amort ITC	(30)		(30)	-	(30)		(30)
45	NIET OBED ATINIC INCOME	12,004	\$4,508	\$16,512	(\$2,857)	\$13,655	\$174	\$13,830
46 47	NET OPERATING INCOME	12,004	\$4,508	\$10,512	(92,037)	ψ13,033		\$13,030
48	RATE BASE							
49	PLANT IN SERVICE							
50	Underground Storage	13,539	-	13,539	8,614	22,153		22,153
51	Distribution Plant	237,485	(52)	237,433	-	237,433		237,433 23,944
52	General Plant	23,944	-	23,944	-	23,944		
53	Total Plant in Service	274,968	(52)	274,916	8,614	283,530	0	283,530
54	ACCUMULATED DEPRECIATION	7,516		7,516		7,516		7,516
55 56	Underground Storage Distribution Plant	80,580	-	80,580		80,846		80,846
57	General Plant	8,155	-	8,155		8,155		8,155
58	Total Accum. Depreciation	96,251	0	96,251	266	96,517	0	96,517
59				/a.m		/ac "		(00.10.0
60	DEFERRED FIT		(27,651)	(27,651)		(28,124) 12,111		(28,124) 12,111
61 62	GAS INVENTORY CUSTOMER DEPOSITS		11,064 (830)	11,064 (830)		(830)		(830)
63	GAIN ON SALE OF BUILDING		(65)	(65)		(65)		(65)
64			<u> </u>					
65	TOTAL RATE BASE	\$178,717	(\$17,534)	\$161,183	\$8,922	\$170,105	\$0	\$170,105
66	RATE OF RETURN	6.72%		10.24%	,	8.03%		8.13%

Avista Corporation Gas Results of Operations

Washington Restating Adjustments (Schedule 1.2)
Twelve Months Ended September 30, 2008

	(a)	(b)	(c) R-1	(d) R-2	(e) R-3	(f) R-4	(g) R-5	(h) R-6
(000's 6	f Dollars)	Total	Deferred	Deferred Gain		Weatherization		
Line	PERCONDITION	Restating	FIT Rate Base	on Office Building	Gas Inventory	and DSM Investment	Customer Advances	Depreciation True-up
No.	DESCRIPTION	Adjustments Source	Rate Dase	Dunuing 1	inventory	Investment	Auvances	- 110 up
	RESULT OF OPERATIONS							
1	REVENUES	\$ (6,144)						
2	Total General Business Total Transportation	(1,775)						
4	Other Revenues	(131,399)						
5	Total Gas Revenues	(139,318)	0	0	0	0	0	0
6 7	EXPENSES							
8	Exploration and Development	0						
9								
10 11	Production City Gate Purchases	(151,865)						
12	Purchased Gas Expense	0						
13	Net Nat Gas Storage Trans	18,687						. 0
14	Total Production	(133,178)	0	0	0	. 0	0	V
15 16	Underground Storage							
17	Operating Expenses	0						
18	Depreciation	(15)						(15)
19 20	Taxes Total Underground Storage	(40) (55)	0	0	0	0	0	(15)
21	Total Chuciground Storage	(55)						• • • •
22	Distribution							
23	Operating Expenses	0						(53)
24 25	Depreciation Taxes	(66) (8,465)						(33)
26	Total Distribution	(8,531)	0	0	. 0	0	0	(53)
27								
28	Customer Accounting	(220) (4,270)						
29 30	Customer Service & Information Sales Expenses	0						
50	Sales Expenses	(4,490)	0	0	0	0	0	0
		٥						
31 32	Administrative & General Operating Expenses	(148)			٠			•
33	Depreciation -	341				•		(15)
34	Taxes	(5)						
35	Total Admin. & General	188	0	. 0	0	0	0	(15)
36 37	Total Gas Expense	(146,065)	0	0	. 0	0	0	(83)
38	•						_	
39	OPERATING INCOME BEFORE FIT	6,747	0	0	0	0	0	83
40 41	FEDERAL INCOME TAX Current Accrual	2,232						29
42	Deferred FIT	7						
43	Amort ITC	0						
44 45	NET OPERATING INCOME	\$4,508	\$0	\$0	\$0	\$0	\$0	. \$54
46	THE OF ERGTING INCOME	\$ 1,500						
47	RATE BASE							
48	PLANT IN SERVICE							
49	Underground Storage	0					(50)	
50	Distribution Plant General Plant	(52) 0					(52)	
51 52	Total Plant in Service	(52)	0	0	0	0	(52)	0
53	ACCUMULATED DEPRECIATION							
54	Underground Storage	0						
55	Distribution Plant	0						
56 57	General Plant Total Accum. Depreciation	0	0	0	0	0	0	0
	_			23		v	v	·
58 59	DEFERRED FIT GAS INVENTORY	(27,651) 11,064	(27,674)	23	11,064			
JJ	CUSTOMER DEPOSITS	(830)						
60	GAIN ON SALE OF BUILDING	(65)		(65)				
61 62	TOTAL RATE BASE	(\$17,534)	(\$27,674)	(\$42)	\$11,064	\$0	(\$52)	\$0_
63	RATE OF RETURN	-25.71%		(5.12)				

Avista Corporation

Gas Results of Operations

Washington Restating Adjustments (Schedule 1.2)

Twelve	Months	Ended	September	30, 2008

	e Months Ended September 30, 2008 (a)	(i)	(j)	(k) R-9	(l) R-10	(m) R-11	(n) R-12	(o) R-13	(p) R-14
(000's o	f Dollars)	R-7 Revenue	R-8 Eliminate	R-9	K-10	Regulatory	Injuries	K-15	
Line No.	DESCRIPTION	Normalization & Gas Cost Adjust	B & O Taxes	Property Tax	Uncollectible Expense	Expense Adjustment	and Damages	FIT	Net Gains/losses
						:			
1	RESULT OF OPERATIONS REVENUES								
2	Total General Business	\$1,695	\$ (7,839)						
3	Total Transportation	(1,700)	(75)						
4	Other Revenues	(131,399)	(7,914)	. 0	0	0	0	0	0
5 6	Total Gas Revenues	(131,404)	(7,914)	v	Ü	v	· ·	•	_
7	EXPENSES								
8 9	Exploration and Development								
10	Production								
11	City Gate Purchases	(151,865)							
12	Purchased Gas Expense	10 407		•					
13	Net Nat Gas Storage Trans Total Production	18,687	0	0	0	0	0	0	0
14 15	Total Floduction	(155,176)	v						
16	Underground Storage								
ء 17	Operating Expenses			•					
18	Depreciation			(40)					
19	Taxes	0	0	(40)		0	0	0	0
20 21	Total Underground Storage	U	v	(40)	, •	J	•	-	
22	Distribution								
23	Operating Expenses								
24	Depreciation								(13)
25	Taxes	67	(7,908)	(703				0	(13)
26	Total Distribution	67	(7,908)	(703)) 0	0	0	. 0	(13)
27	Customer Accounting	5			(143)				
28 29	Customer Accounting Customer Service & Information	(4,270)			()	•			
30	Sales Expenses								
	-	(4,265)	0	0	(143)	0	0	0	0
21	Administrative & General			*					
31 32	Operating Expenses	3				14	(65)		
33	Depreciation	356							
34	Taxes			(5					
35	Total Admin. & General	359	0	(5) 0	14	(65)	0	0
36		(127.017)	(7,009)	(748) (143)	14	(65)	0	(13)
37 38	Total Gas Expense	(137,017)	(7,908)	(740) (143)		(03)		(15)_
39	OPERATING INCOME BEFORE FIT	5,613	(6)	748	143	(14)	65	0	; 13
40	FEDERAL INCOME TAX		(2)	2/2	50	(5)	23	3	5
41	Current Accrual	1,965	(2)	262	50	(5)	23	3 7	,
42 43	Deferred FIT Amort ITC							•	
44	Amoretee								
45	NET OPERATING INCOME	\$3,648	(\$4)	\$486	\$93	(\$9)	\$42	(\$10)	\$8
46									•
47	RATE BASE								
48	PLANT IN SERVICE	-							
49	Underground Storage								
50	Distribution Plant								
51 52	General Plant Total Plant in Service	0	0	0	0	0	0	0	0
		Ť							
53	ACCUMULATED DEPRECIATION								
54 55	Underground Storage Distribution Plant								
56	General Plant								
57	Total Accum. Depreciation	0	0	C	0	0	0 -	0	0
58	DEFERRED FIT								
59	GAS INVENTORY	•	•						
	CUSTOMER DEPOSITS								
60	GAIN ON SALE OF BUILDING								
61 62	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
63	RATE OF RETURN	1	Ψ.	Ψ					
0.5	THE POPULATION OF THE PURISH THE PROPERTY OF THE PROPERTY OF THE PURISH THE PROPERTY OF THE PURISH	1							

Avista Corporation
Gas Results of Operations
Washington Restating Adjustments (Schedule 1.2)
Twelve Months Ended September 30, 2008

Part	(a)		(p)	(r)	(s)	(t)	(u)		n 44
Bank	(000's c	of Dollars)	R-15	R-16	R-17 Restate	R-18	R-19 Restate	R-20	R-21
SMAP Proposed SMAP Propose	Line					Misc Restating			
REVENUES Color PREVIOUS Color	No.	DESCRIPTION	Expenses	Subs	Taxes	Adjustments	Interest		
Per EVENTURES Content Distinct Content Distinct Content Cont		RESULT OF OPERATIONS		****				Stall Proposed	Stall Floposed
10-bit	1	REVENUES							
Control Revenues									
Total Gras Revenues									
Production City Case Purchases Exploration and Development			0	0	0	0	0	0	.0
September Sept									
Production City Gate Purchases City Ga									
City Gare Purchases		Exploration and Development							
Purchande Gas Expense									
Net Nat Gas Storage Trime		1							
Total Production									
10derground Storage	14		0	0	0	0	0	0	0
Operating Expenses		U. d							
Depreciation Taxes									
Total Underground Storage									
Distribution		·							
Distribution Distribution Depreciation Takes Depreciation Depreciatio		Total Underground Storage	, 0	0	U	U	U	v	U
Page		Distribution							
Taxes	23	Operating Expenses							
Total Distribution					70				
Customer Accounting (85)		!	0	0			0	0	0
Customer Service & Information Sales Expenses (85) 0 0 0 0 0 0 3 0 0 3 0 0 0 0		Total Distribution	· ·	_		-			
Sales Expenses (85)			(85)					3	
Main strative & General Coperating Expenses Coperating Expen								٠	
Operating Expenses C2 C86 C12	30	Daicş Expenses	(85)	0	0	0	0	3	0
Operating Expenses C2 C86 C12									
Depreciation Taxes Total Admin. & General O (2) O (86) O O (12) (12) (12) (13)		l .	•	(2)		(86)			(12)
Total Admin. & General 0				(2)		(00)			(/
Total Gas Expense (85) (2) 79 (86) 0 3 (12) Total Gas Expense (85) (2) 79 (86) 0 3 (12) Total Gas Expense (85) (2) 79 (86) 0 3 (12) OPERATING INCOME BEFORE FIT 85 2 (79) 86 0 (3) 12 FEDERAL INCOME TAX FEDERAL INCOME TAX Deferred FIT Amort ITC Total Plant Income 855 \$1 (\$51) \$56 \$134 (\$2) \$8 TOTAL RATE BASE PLANT IN SERVICE Underground Storage Distribution Plant General Plant Total Plant in service 0 0 0 0 0 0 0 0 0 0 0 ACCUMULATED DEPRECIATION Underground Storage Distribution Plant General Plant Total Accum. Depreciation 0 0 0 0 0 0 0 0 0 0 0 DEFERRED FIT GAS INVENTORY CUSTOMER DEPOSITS GAIN ON SALE OF BUILDING TOTAL RATE BASE \$0 \$0 \$0 \$0 \$0 \$0 \$50 \$80 \$80 \$80 \$80 \$80 \$80 \$80 \$80 \$80 \$8	34	Taxes							
Total Gas Expense (85) (2) 79 (86) 0 3 (12)		Total Admin. & General	0	(2)	0	(86)	0	0	(12)
OPERATING INCOME BEFORE FIT 85 2 (79) 86 0 (3) 12		Total Gas Expense	(85)	(2)	79	(86)	0	3	(12)
FEDERAL INCOME TAX Current Accrual 30 1 (28) 30 (134) (1) 4			· · · · · · · · · · · · · · · · · · ·						
Current Accrual 30 1 (28) 30 (134) (1) 4			85	2	(79)) 86	0	(3)	12
Deferred FIT Amort ITC S55 \$1 \$(\$51) \$56 \$134 \$(\$2) \$8			30	1	(28)) 30	(134)	(1)	4
NET OPERATING INCOME \$55					` '	,	` '	``	
NET OPERATING INCOME \$55		Amort ITC							
According to the content of the co		NET OPERATING INCOME	\$55	\$1	(\$51)) \$56	\$134	(\$2)	\$8
PLANT IN SERVICE Underground Storage		=							
PLANT IN SERVICE Underground Storage	47	RATE BASE							
Distribution Plant General Plant General Plant Total Plant in Service 0									
Signature First Control			•						
Total Plant in Service									
Underground Storage Distribution Plant General Plant Total Accum. Depreciation O O O O O O O O O		l -	0	. 0	0	0	. 0	. 0	0
Underground Storage Distribution Plant General Plant Total Accum. Depreciation O O O O O O O O O	53	ACCUMULATED DEPRECIATION							
September First General Plant Total Accum. Depreciation O O O O O O O O O		Underground Storage							
57 Total Accum. Depreciation 0 0 0 0 0 0 0 58 DEFERRED FIT									
DEFERRED FIT GAS INVENTORY CUSTOMER DEPOSITS GAIN ON SALE OF BUILDING TOTAL RATE BASE DEFERRED FIT (830) (830) (830) (830) (830) (830)		,	0	0	0	0	. 0	0	0
59 GAS INVENTORY CUSTOMER DEPOSITS GAIN ON SALE OF BUILDING 60 61 62 TOTAL RATE BASE 50 50 50 50 50 50 50 50 50 50 50 50 50			J	v	v	·	Ť		-
CUSTOMER DEPOSITS (830) 60 GAIN ON SALE OF BUILDING 61 TOTAL RATE BASE \$0 \$0 \$0 \$0 \$0 \$830) \$0									
61 62 TOTAL RATE BASE		CUSTOMER DEPOSITS						(830)	
62 TOTAL RATE BASE \$0 \$0 \$0 \$0 \$0 \$830) \$0		GAIN ON SALE OF BUILDING							
		TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	(\$830)	\$0

Avista Corporation
Gas Results of Operations
Pro Forma Adjustments (Schedule 1.3)
Twelve Months Ended September 30, 2008
(000'S of Dollars)

PF 1

PF 2

PF 3

PF 4

PF 5

PF 6

PF 7

Line No.	DESCRIPTION	Total Pro Forma Adjustments	Pro Forma Labor Non-Exec	Pro Forma Labor Exec	Pro Forma JP Storage	Pro Forma Captial Add 2008 / EOP	Pro Forma Captial Add 2009	Pro Forma Asset Management	Pro Forma Incentives
110.	Source								
_	RESULT OF OPERATIONS								
1 2	REVENUES Total General Business								
3	Total Transportation	-						•	
4	Other Revenues	(2,561)			(2,561)				
5	Total Gas Revenues	(2,561)	0	0	(2,561)	. 0	0	0	0
6									
7	EXPENSES Fundamental Development								
8 9	Exploration and Development								
10	Production								
11	City Gate Purchases								
12	Purchased Gas Expense	\$70	19	(9)					
13	Net Nat Gas Storage Trans	0	10	(0)	0	0	0	0	0
14	Total Production	70	19	(9)	. 0	U	U	U	U
15 16	Underground Storage	-							
17	Operating Expenses	. 1			•				
18	Depreciation	155			155				
19	Taxes	129			129				
20	Total Underground Storage	285	0	0	284	0	0	. 0	0
21									
22	Distribution	550	193						
23	Operating Expenses	552	193			•			
24	Depreciation Taxes	(98)			(98)				
25 26	Total Distribution	454	193	0	. (98)	0	0	0	0
27	Total Distribution				, ()				
28	Customer Accounting	340	. 119		(7)				
29	Customer Service & Information	21	7						
30	Sales Expenses	32	11						
31									
32	Administrative & General	633	109	50	(5)				(5)
33 34	Operating Expenses Depreciation	033	105	30	(3)				(-)
35	Taxes	0							
36	Total Admin. & General	633	109	50	(5)	0	. 0	0	(5)
37									
38	Total Gas Expense	1,834	457	41	174	0	0	0	(5)
39		/ · · · · ·	(155)	(41)	(0.50.5)	^	0	0	5
40	OPERATING INCOME BEFORE FIT	(4,395)	(457)	(41)	(2,735)	. 0	0	0	3
41 42	FEDERAL INCOME TAX Current Accrual	(1,538)	(160)	(14)	(957)				2
43	Deferred FIT	(1,556)	(100)	(1-1)	(551)				_
44	Amort ITC	0						•	
45									
46	NET OPERATING INCOME	(\$2,857)	(\$297)	(\$27)	(\$1,778)	\$0	\$0	\$0	\$3
47 48	RATE BASE	1							
		•							
49 50	PLANT IN SERVICE Underground Storage	8,614			\$8,614				
50 51	Distribution Plant	0,014			\$6,014				
52	General Plant	0							
53	Total Plant in Service	8,614	0	0	8,614	0	0	0	0
54	ACCUMULATED DEPRECIATION								
55	Underground Storage	_							
56	Distribution Plant	266			266				
57	General Plant	0							
58	Total Accum. Depreciation	266	0	0	266	0	0	0	. 0
59	DEFERRED FIT	(473)			(473)				
60	GAS INVENTORY	1,047			1,047				
61	GAIN ON SALE OF BUILDING	0							
62	momily by the bigg	60.00 0		me.	60.000		øo.	••	₽ ¢
63	TOTAL RATE BASE	\$8,922	\$0	\$0	\$8,922	\$0	\$0	\$0	\$0
64		j							

Avista Corporation
Gas Results of Operations
Pro Forma Adjustments (Schedule 1.3)
Twelve Months Ended September 30, 2008
(000'S of Dollars)

PF 8 PF 9

PF 10

(0000	or Bonard,	Pro Forma	Pro Forma	Pro Forma
Line		Information	Employee	Insurance
No.	DESCRIPTION Source	Services	Benefits	
	RESULT OF OPERATIONS			
1	REVENUES			
2	Total General Business			
3	Total Transportation			
4	Other Revenues	0	0	0
5 6	Total Gas Revenues	U	U	v
7	EXPENSES			
8 '	Exploration and Development			
9	-			
10	Production			
11	City Gate Purchases		60	
12 13	Purchased Gas Expense Net Nat Gas Storage Trans		00	
14	Total Production	0	60	0
15				
16	Underground Storage			
17	Operating Expenses		1	
18	Depreciation			
19	Taxes Total Underground Storage	0	1	0
20 21	Total Underground Storage	U	1	v
22	Distribution			
23	Operating Expenses		358	
24	Depreciation			
25	Taxes			
26	Total Distribution	0	358	0
27			720	
28	Customer Accounting Customer Service & Information		229 14	
29 30	Sales Expenses		21	
31	Baies Expenses			
32	Administrative & General			
33	Operating Expenses		504	(19)
34	Depreciation .			•
35	Taxes		504	(10)
36	Total Admin. & General	0	504	(19)
37 38	Total Gas Expense	0	1,186	(19)
39	Total Gas Expense		1,100	
40	OPERATING INCOME BEFORE FIT	0	(1,186)	19
41	FEDERAL INCOME TAX			
42	Current Accrual		(415)	7
43	Deferred FIT			
44	Amort ITC			
45 46	NET OPERATING INCOME	\$0	(\$771)	\$12
47	THE OF ENTITIES INCOME			
48	RATE BASE			
49	PLANT IN SERVICE	-		
50	Underground Storage			
51	Distribution Plant			
52	General Plant			
53	Total Plant in Service	0	0	. 0
54	ACCUMULATED DEPRECIATION			
55	Underground Storage			
56	Distribution Plant			
57	General Plant			
58	Total Accum. Depreciation	0	0	0
59	DEFERRED FIT			
60	GAS INVENTORY			
61	GAIN ON SALE OF BUILDING			
62				4.
63	TOTAL RATE BASE	\$0	\$0	\$0
64	A Commission of the Commission	1		

Summary of Adjustments - Gas Operations (Schedule 1.4) Twelve Months Ended September 30, 2008

,	ักกกาะ	οf	Dollars	١.	
4	0000	U	Dullais	, .	

		(a)	(b)	(c) Avista Corp	oration (u)	[(c)	. Staff A	diusted	Difference
T in a			Avis	ta Adjusted	Rev Requirement Impact	Staff	Adjusted	Rev Requirement Impact	Revenue Requirement
Line No.		·	NOI	Net Rate Base	Impact	NOI	Rate Base	Impact*	Impact
1	Adj. No.	Per Books	12,004	178,717	5,641	12,004	178,717	5,641	(g)-(d)
2		Adjustments							
3	R-1 (c)	Deferred FIT Rate Base]	(27,674)	(3,862)		(27,674)	(3,862)	-
4	R-2 (d)	Deferred Gain on Office Building		(42)	(6)		(42)	(6)	-
5	R-3 (e)	Gas Inventory		11,064	1,544		11,064	1,544	-
6	R-4 (f)	Weatherization and DSM Investment		0	0		0	0	-
7	R-5 (g)	Customer Advances		(52)	(7)		(52)	(7)	-
8	R-6 (h)	Depreciation True-up	54		(87)	54		(87)	-
. 9	R-7 (i)		3,648		(5,865)	3,648		(5,865)	, -
10	R-8 (j)	Eliminate B & O Taxes	(4)		6	(4)		6	-
11	"	Property Tax C	· ·		(310)	486		(781)	(471)
12	1	Uncollect. Expense	93		(150)	93		(150)	-
13		Regulatory Expense	(9)		14	(9)		14	-
14	, ,	Injuries and Damages	42		(68)	42		(68)	-
15	1 ''	Federal Income Tax	(10)		16	(10)		16	-
16	1 ' '	Net Gains/ Losses	8		(13)	8		(13)	-
17	1	Eliminate A/R Expenses	55		(88)	55		(88)	-
18	1	Office Space Charges to Subs	1		(2)	1		(2)	_
19	1 ''	Restate Excise Taxes	(51)		82	(51)		82	_
20	1	Misc Restating Adjustments	56		(90)	56		(90)	-
21	1 ''	Restate Debt Interest **	149		(240)	134		(215)	24
22	R-20	Customer Deposits		1		(2)	(\$830)		
23	R-20	Board of Directors Meetings			0	8	\$0	(13)	(13)
27	10-21	Total Restating Adjustments	4,225	(16,704)	(9,123)	4,508	(17,534)	(9,694)	(572)
28		Tour resulting regulations		\					
29		Restated	16,229	162,013	(3,483)	16,512	161,183	(4,054))
30					· · · · · · · · · · · · · · · · · · ·				
28		Pro Forma Adjustments						!	
21	PF-1	Labor Non-Executive C	(511)		821	(297)		477	(344)
22	PF-2	Labor Executive C	(44)		70	(27)	}	43	(27)
23	PF-3	JP Storage	(1,778)	8,922	4,103	(1,778)	8,922	4,103	-
24	PF-4	Capital Add 2008		1,234	(301)	-	-	_	301
25	PF-5	Capital Add 2009	İ	6,094	1,809	-	_	-	(1,809)
26	PF-6	Asset Management (1 ' '	1 1	92	\$0		-	(92)
27	PF-7	Incentives	1 .	1	159	\$3		(5	(164)
28	PF-8	Information Services			469	\$0		-	(469)
29	PF-9	Employee Benefits			1,095	(\$771)		1,240	145
30	PF-10	Insurance	1 ' '	1 1	82	\$12		(20	(102)
31	PF-11				_				
		Total Pro Forma Adjustments	(3,814)	16,250	8,398	(2,857)	8,922	5,838	(2,561)
27 28		Total Flo Forma Adjustments	NOI	Rate Base	0,276	NOI	Rate Base		The Company of the Co
29		Pro Forma Results	12,416	178,263	4,916	13,655	170,105	1,784	(3,133)
30					Impact of Chang	e in Weighted	Cost of Capita	1 (1,504	(1,504)
31							ue Requiremen		(4,637)
32									
33		Capital Structure		Avista Filed Cap	ital Structure			Staff Adjusted Capital	Structure
20	1								

(d)

(c)

(b)

(e)

(f)

Capital Structure

Avista Filed Capital Structure

Staff Adjusted Capital Structure

5		Percent		Weighted	Percent	0.4	Weighted
5	Cost of Capital	of Total	Cost	Cost	of Total	Cost	Cost
7	Total Debt	52.49%	6.570%	3.45%	54.60%	6.570%	3.59%
3	Preferred Stock	0.00%	0.000%	0.00%	0.00%	0.000%	0.00%
9	Common Stock	47.51%	11.000%	5.23%	45.40%	10.000%	4.54%
o	Total	100.00%		8.68%	100.00%	·	8.13%

Avista Corporation
Natural Gas Operations
Revenue Requirement Computation (Schedule 2)
Twelve Months Ended September 30, 2008
(000's of Dollars)

30

Line		
<u>No.</u>		,
1	Revenue Requirement Comp	utation
2		
3	·	At
4		Pro Forma
5		Results
6		*1 ** 0 * 0 *
7	Pro Forma Rate Base	\$170,105
8	Weighted Cost of Capital	8.130%
9	Operating Income Requirement	13,830
10		* * * * * * *
11	Pro Forma Net Operating Income (Loss)	\$13,655
12		
13	Operating Income Deficiency	174
14		
15	Revenue Conversion Factor	62.2038%
16		
17	Additional Revenue Requirement	\$280
18		
19	Amount filed	4,918
20	Difference	\$ (4,638)
21		
22		
23		
24		
25		
26		
. 27		
28		•
29		

Avista Corporation
Natural Gas Operations
Revenue Conversion Factor (Schedule 3)
Twelve Months Ended September 30, 2008

20 21

Line	,		
No.			
1	Schedule for the Computation of	Revenue Conv	ersion Factor
2			
3			
4	Revenues		100.0000%
5			
6	Uncollectables		0.2599%
7	WUTC Regulatory Fee		0.2000%
8	Utility Revenue Tax		3.8420%
9	Total Revenue Sensitive Items	Ln 6 thru Ln 8	4.3019%
10			
11	Net Operating Income before FIT	Ln 4 - Ln 9	95.6981%
12			
13	Effective Income Tax Rate at 35%	35% * Ln 11	33.4943%
14	Total adjustments	Ln 9 + Ln 13	37.7962%
15			
16	Revenue Conversion Factor	1-(Ln 14 / Ln 4)	62.2038%
17			
18			
19			

Avista Corporation

Natural Gas - Results of Operations

Pro Forma Capital Structure and Cost of Captial (Schedule 4)

Twelve Months Ended September 30, 2008

(000's of Dollars)

Line	
<u>No.</u>	
1	
2	
3	
4	ĺ
5	
6	
7	
8	
9	
10	
11	
12	
13	
14 15	
16	
1,7	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31 32	
32	
33 34	
35	

36 37

Pro Forma Capital Structure and Cost of Captial

Weighted Cost of Capital

	Percent		Weighted
	of Total	<u>Cost</u>	Cost
Total Debt	54.60%	6.57%	3.59%
Common Stock	45.40%	10.00%	4.54%
Total	100.00%		8.13%