

Avista Corporation
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170



April 28, 2011

David W. Danner, Executive Director
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
Olympia, Washington 98504-7250

RECEIVED
RECORDS MANAGEMENT
2011 APR 29 AM 9:34
STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

RE: Avista's 2010 Affiliated Interest and Subsidiary Transactions Report

Dear Mr. Danner:

Pursuant to WAC 480-100-264 and WAC 480-90-264, the Company submits an original and two copies of the attached 2010 Subsidiary Transaction Report. This report contains summaries of all transactions or agreements between Avista and its subsidiaries over the preceding year ending December 31, 2010.

Included within this report are the financial statements of certain Company subsidiaries. The filed statements are prepared for internal use only and are unaudited. Due to the consolidation process it may not be possible to reconcile line items to our publically issued financial statements. Therefore, we are asking that these financial statements be treated confidentially pursuant to WAC 480-07-160. These documents are stamped "CONFIDENTIAL per WAC 480-07-160."

Please direct any questions on this matter to me at (509) 495-8601.

Sincerely,

Liz Andrews
Manager, Revenue Requirements

enclosure

**AFFILIATED INTEREST AND SUBSIDIARY
TRANSACTIONS REPORT
OF
AVISTA CORPORATION
d/b/a AVISTA UTILITIES**

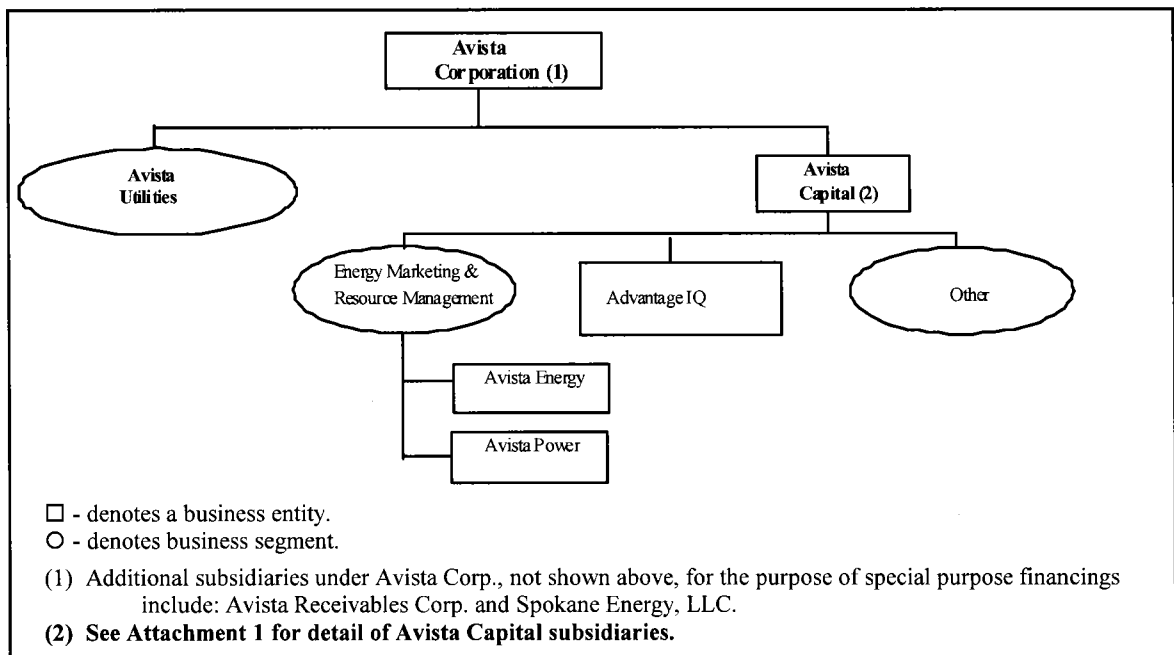
FOR THE YEAR ENDED DECEMBER 31, 2010

Pursuant to WAC 480-100-264 and WAC 480-90-264 Affiliated Interest and Subsidiary Transactions Report, the following report summarizes all transactions, except transactions provided at tariff rates, that occurred between Avista Corporation (hereinafter Avista or Company) and its subsidiaries and affiliates. The Company operates in its utility service territories as Avista Utilities.

Avista Utilities is a combination utility that provides service to approximately 358,000 electric customers and 223,000 natural gas customers in a 26,000-square-mile area in eastern Washington and northern Idaho. Avista Utilities also serves approximately 96,000 natural gas customers in Oregon. The largest community served in the area is Spokane, Washington, which is the location of the corporate headquarters.

I. ORGANIZATION INFORMATION

1. Organizational Chart



Included in **Attachment 1** is additional detail of Avista Capital subsidiaries.

2. Directors and/or Officers

See **Attachment 2** for Officer and Director Listings for Avista Corporation and all wholly owned subsidiaries.

3. Narrative Descriptions of Subsidiaries

Avista Capital, Inc., is a wholly owned subsidiary of Avista Corp. and is the parent corporation of Avista Corporation's non-regulated subsidiary investments and operations.¹ As of December 31, 2010, Avista Capital had the following non-utility subsidiary investments:

- **Advantage IQ, Inc.** (75.74% ownership) Provides consolidated billing and resource accounting service and related services.
 - * **Ecos IQ, Inc.** (100% ownership) Provides energy efficiency and related consulting services.
- **Avista Energy, Inc.** and **Avista Energy Canada, Ltd.** (100% ownership–inactive), were energy marketing and resource management companies. On June 30, 2007, Avista completed the sale of the operations of Avista Energy to Coral Energy Holding, L.P., and certain of its subsidiaries, a subsidiary of Shell (Coral).
- **Avista Ventures, Inc.** (100% ownership-no employees, passive income), was formed to manage and market investments.
- **Avista Development, Inc.** (100% ownership-no employees, passive income) was established to manage real estate investments including:
 - * **Steam Plant Square, LLC** (85% ownership) Manages and operates the Steam Plant Square in Spokane, Washington.
 - **Steam Plant Brew Pub, LLC** (100% ownership) Manages and operates the Steam Plant Grill in Spokane, Washington.
 - * **Court Yard Office Center, LP** (100% ownership) Owns and operates commercial office space rentals.
- **Pentzer Corporation** is a wholly owned private investment company that serves as parent of the non-utility businesses listed below (no employees, passive income):
 - * **Advanced Manufacturing and Development, Inc., dba METALfx**, (82.95% ownership), located in Willits, California, is a manufacturer and turnkey assembler of electronic enclosures, parts, and systems primarily for the computer and instrumentation industries. This company is held by **Bay Area Manufacturing, Inc.** (100% ownership)

¹ The only exceptions relate to Avista Receivables, Inc., a special purpose subsidiary formed in connection with the sale of accounts receivable, and Spokane Energy, LLC, which was formed for the purpose of implementing a long-term capacity contract between Avista Utilities and Portland General Electric Company. At present, these entities are directly owned by Avista Corporation. See page 4 for a further description of Spokane Energy, LLC.

- * **Pentzer Venture Holdings II, Inc.** (100% ownership) Holding company for an inactive sewage treatment plant near Spokane Industrial Park.
- **Avista Power, LLC** (100% ownership), was created to develop and own generation assets in North America. In 2001, Avista Power ceased active development of additional non-regulated generation projects. Subsidiaries of Avista Power, LLC include:
 - * **Coyote Springs 2, LLC** (50% ownership-inactive), created to develop and own generation assets. No current assets.
- **Avista Turbine Power, Inc.** (100% ownership-ceased active development of additional projects) was created to receive assignments of power purchase agreements (PPAs).
- **Avista Northwest Resources, LLC** (100% ownership) was formed for the purpose of holding investment in the energy industry.

Spokane Energy, LLC (Spokane Energy) is a special purpose limited liability company and has 100% of its membership owned by Avista Corp. Spokane Energy was formed on December 30, 1998 to assume ownership of a fixed rate electric capacity contract between Avista and Portland General Electric Company (PGE). Under this contract, Peaker, LLC (Peaker) purchases capacity from Avista Utilities and sells capacity to Spokane Energy. Spokane Energy sells the related capacity to PGE. Peaker acts as an intermediary to fulfill certain regulatory requirements between Spokane Energy and Avista Corp. The transaction is structured such that Spokane Energy bears full recourse risk for a loan (balance of \$58.9 million as of December 31, 2010) that matures in January 2015. Avista has no recourse related to this loan. Peaker makes monthly payments of approximately \$150,000 to Avista for its capacity purchase.

4. Narrative Descriptions of Affiliates

As of December 31, 2010, Avista Capital had the following affiliates:

- **GreenVolts, Inc.** (ownership by Avista Development, Inc.)
- **Inland Northwest Investors, L.P.** (16.50% ownership by Avista Development, Inc.)
- **Pivotal Investment Partners I, L.P.** (30.62% ownership by Avista Northwest Resources, LLC)
- **ReliOn, Inc.** (5.84% ownership by Avista Capital, Inc.)

II. TRANSACTIONS BETWEEN AVISTA AND SUBSIDIARIES AND AFFILIATES

1. Transactions with subsidiaries and affiliates totaling less than \$100,000 for the reporting period ended December 31, 2010:

<u>Subsidiary Name</u>	<u>Account No. & Description</u>	<u>Amount</u>
(2) Avista Capital, Inc. (Nucleus)	557 Amortization Exp.	\$ 45,742
(2) Avista Capital, Inc. (Nucleus)	813 Other Gas Supply Exp.	\$ 9,604
(3) Spokane Energy, LLC	456 Other Electric Revenue	\$ 51,306
(3) Spokane Energy, LLC	234 Interest Payable	\$ 9,365
(4) Steam Plant Square, LLC	931 Rents	\$ 63,493
(4) Steam Plant Square, LLC	107 CWIP	\$ 32,855
(6) Avista Development, Inc.	146 Accts Rec.	\$ 2,531
(6) Avista Energy, Inc.	146 Accts Rec.	\$ 31,342

See descriptions below, Section II.2. (b), (2) – (6), pages 5 through 8.

2. Transactions with subsidiaries and affiliates totaling or exceeding \$100,000 for the reporting period ended December 31, 2010:

<u>Subsidiary Name</u>	<u>Account No. & Description</u>	<u>Amount</u>
(1) Avista Capital II (Trust)	419 Interest Exp.	\$ 634,833
(5) Avista Turbine Power, Inc.	555 Purchased Power	\$ 22,207,813
(5) Avista Energy, Inc.	107 CWIP	\$ 570,913
(6) Advantage IQ	146 Accts Rec.	\$ 367,127
(6) Avista Capital, Inc.	146 Accts Rec.	\$ 101,258

See descriptions below, Section II.2. (b), (1) – (6), pages 5 through 8.

(a) Financial Statements:

A Balance Sheet and Income Statement for the subsidiaries listed above whose transactions exceeded \$100,000 is included as **Attachment 3**. See descriptions below in section II.2 (b).

CONFIDENTIALITY REQUEST

In accordance with WAC 480-07-160, Avista Corporation requests confidential treatment of all statements provided under this section of the Subsidiary Transaction Report. All such statements are marked "CONFIDENTIAL."

(b) Description of Services or Transactions:

(1) Avista Capital II (Trust) Expenses

In 1997, the Company issued Floating Rate Junior Subordinated Deferrable Interest Debentures, Series B, with principle amount of \$51.5 million to Avista Capital II, an affiliated business trust formed by the Company. Avista Capital II issued \$50.0 million of Preferred Trust Securities. The interest charges for the trust carried on Avista's books for 2010 totaled \$634,833, and were recorded in FERC Account No. 419 (interest expense). There are no other costs associated with this trust.

(2) Avista Capital, Inc. – Nucleus Software Application

Nucleus is a software application used to record energy transactions by Avista Utilities and Avista Energy. During 2007, Avista Utilities and Avista Energy used the Nucleus software application independent from one another with completely separate databases. Therefore, no access to data between companies was possible. After the sale of Avista Energy in 2007, Avista Utilities is the sole user of this application.

The Nucleus asset was transferred from Avista Energy's books to Avista Capital's books on December 31, 2003. The asset transferred was of mutual benefit to both Avista Utilities and Avista Energy. Avista Capital paid and recorded all shared costs on its books related to the development of the application and charged a monthly amortization expense to both Avista Utilities and Avista Energy for the original asset transferred and for any development of the application. In November 2004, a software sublicense agreement was entered into between Avista Corporation dba Avista Utilities and Avista Capital, Inc., which granted Avista Utilities a non-exclusive sublicense to the Nucleus software. A copy of this agreement was provided to the WUTC in September 2004.

Avista Utilities' portion of the asset held by Capital at December 31, 2010 to be amortized totaled approximately \$2,929,373. In 2010, amortization expense of \$45,742 and \$19,604 were recorded in FERC Account Nos. 557 and 813, respectively. Electric and gas charges allocated to the Washington jurisdiction are allocated based on the Company's four-factor allocation methodology. *(Please refer to **Attachment 4** for the allocation factors.)*

(3) Spokane Energy, LLC Transactions

Avista acts as the servicer of Spokane Energy's commodity contracts. Annual service fees paid by Spokane Energy to Avista were approximately \$51,306 in 2010.

Spokane Energy is required to maintain in trust \$1.6 million. All funds in excess of this amount are transferred to Avista for cash management purposes. During 2010, the amount transferred was \$9,365. At December 31, 2010 Avista has a liability of \$705,946 payable to Spokane Energy for these funds.

(4) Steam Plant Square, LLC Lease

Avista Utilities leases office space (two spaces under separate Multi-Tenant Lease Agreements) from Steam Plant Square, LLC. For the first space, Avista Corporation assumed a lease in May 2003 from Avista Capital, Inc. that was renewed May 1, 2010. The basic terms of this lease (i.e. square footage, monthly rents, etc.) remained the same. A copy of the lease agreement was provided in Docket No. UE-110067. The second space was leased in August 2010. A copy of the lease agreement was provided in Docket No. UE-101859.

Lease payments in 2010 totaled \$96,348 (\$32,855 recorded in FERC Account No. 107 and \$63,493 recorded in FERC Account No.931).

(5) Avista Turbine Power, Inc., Power Purchase Agreement (PPA)

Prior to the sale of Avista Energy in 2007, Avista Turbine Power, Inc. had a PPA with Rathdrum Power, LLC, (RP) which had been assigned to Avista Energy, Inc. In connection with the sale of Avista Energy's business to Coral, an energy conversion agreement was entered into with Coral. Upon the expiration of the energy conversion agreement on December 31, 2009, Avista Turbine Power (ATP) continued to be the purchasing counterparty under the RP-ATP PPA with Rathdrum Power and was entitled to the electric output of the Lancaster facility. Avista Corporation, dba Avista Utilities, became the purchaser under a power purchase agreement (Lancaster PPA) executed December 7, 2009 and that became effective on January 1, 2010, which ultimately transferred the rights and obligations under the RP-ATP PPA from Avista Turbine Power to Avista Corporation, dba Avista Utilities, including entitlement to the electric output of the Lancaster plant through

October 31, 2026. Avista Turbine Power and Avista Corporation subsequently secured the consent of lenders in order to allow Avista Turbine Power to directly assign the underlying power purchase agreement to Avista Corporation, and remove Avista Turbine Power entirely from the middle of this arrangement. The Joint Consent and Termination agreement, which was executed in 2010, allowed Avista Turbine Power, through an Assignment and Assumption Agreement (Assignment), to assign its entire interest in the Lancaster PPA to Avista Corporation, dba Avista Utilities. This Consent and Assignment removed Avista Turbine Power as an intermediary and makes the Utility the direct counterparty to Rathdrum Power under the Lancaster PPA.

For additional information on the assignment of the PPA to Avista Utilities, see Docket No. UE-091902 (Affiliated Interest Agreement between Avista Turbine Power and Avista Corporation).

During 2010, Avista Utilities purchased power under the PPA for \$22,207,813, which was recorded in FERC Account No. 555 (Purchased Power). In conjunction with the assignment of the PPA, Avista Utilities purchased the leasehold improvements that had been made by Avista Energy for interconnection costs and other improvements made at the Lancaster facility for the net book value of \$570,913 on January 1, 2010.

(6) Non-Service Transactions

Avista Corporation Corporate Services:

On a regular basis, general office employees of Avista Corporation spend time on corporate service support, such as accounting, federal income tax filing, planning, graphic services, etc. for subsidiaries. Their time is charged to suspense accounts (Deferred Debit Account No. 186), loaded for benefits and then established as a receivable (FERC Account No. 146) when billed to the subsidiary. If other resources are expended during the course of this work such as travel or consulting services, these costs are also charged to suspense accounts and billed to the subsidiary.

All corporate services provided, and costs incurred, are direct billed to subsidiaries at cost. No additional margin or profit is included and no assets are allocated. Suspense and capture of Avista Corporation employee costs, which are then billed back to the subsidiary at cost, serve to reduce the utility expenses.

Such transactions can be generally categorized as corporate support. Specific examples include labor, benefits, postage, supplies, copier and graphic services, legal, travel, lodging, and food.

(c) Description of pricing basis or costing method for allocating costs, and amounts and accounts charged during the year:

See individual descriptions above Section II.2, pages 5 through 8.

(d) Inter-Company Loans:

During 2010, Avista Corp. recorded short-term note payables to Avista Capital, Inc. The year-end note payable amount at December 31, 2010 was \$7,374,317. The maximum note payable amount outstanding during the year, owed to Avista Capital was \$8,287,668 at September 1, 2010. There were no notes receivable amount outstanding during the year owed to Avista Corp.

This revolving short-term cash borrowing between the parties helps to reduce external cash requirements. According to the policy, investment/borrowing rates between Avista Corporation and Avista Capital that were in effect during 2010 were:

- a. Upon receiving appropriate approvals, excess Avista Capital cash may be invested with (loaned to) Avista Corp. at a rate equal to Avista Corp.'s avoided short-term borrowing cost, currently estimated at the one-month LIBOR plus 50 basis points. The rate will be reset monthly with the LIBOR rate in effect on the second business day of each month, as reported in the money rate section of the Wall Street Journal.
- b. Avista Capital may borrow from Avista Corp., subject to board-approved limits, at a rate equal to the Prime rate. This rate will be reset at such time as the Agent bank on the Avista Corp. Revolving Credit Agreement changes the Prime rate.

The net associated accrued interest expense recorded was \$248,610 in 2010. However, it was determined in early 2011, that the interest rate being used was the Prime rate, rather than the one-month LIBOR plus 30 basis points since April 25, 2008. Total interest expense in 2010 should have been recorded at \$42,540. The cumulative reduction in interest expense for the period April 2008 through March 2011 was recorded in March 2011.

Avista Corp. updated its Cash management Guidelines and Procedures in April 2011, upon entering into a new four-year line of credit in February 2011. Avista will make a filing with FERC and a separate affiliated interest filing with the Washington Utilities and Transportation

Commission prior to the effective date of the policy to reflect the update to the policy. Upon regulatory approval and in accordance with the updated policy, investment/borrowing rates between Avista Corporation and Avista Capital will be:

- a. Upon receiving appropriate approvals, excess Avista Capital cash may be invested with (loaned to) Avista Corp. at a rate equal to Avista Corp.'s avoided short-term borrowing cost currently estimated at the one-month LIBOR plus 130 basis points (this is the short-term borrowing rate related to Avista Corp.'s credit facility). The rate will be reset monthly with the LIBOR rate in effect on the second business day of each month.

At times Avista Corp may have no outstanding borrowings under the credit facility. If there are no outstanding borrowings under the credit facility, excess cash should be utilized to pay down borrowings on other short-term borrowing instruments (if any) and the borrowing rate should be adjusted to the avoided short-term borrowing rate applicable to the borrowings that were re-paid.

At times, Avista Corp may have no outstanding cash borrowings on the credit facility or other short-term borrowing facilities. If there are no cash borrowings under any facility, excess cash should be invested at the subsidiary until the funds can be utilized.

- b. Avista Capital may borrow from Avista Corp., subject to board-approved limits, at a rate equal to at least the Prime rate plus 30 basis points. This rate will be reset at such time as the Agent bank on the Avista Corp. credit agreement changes the Prime rate or the margin is changed per the credit facility pricing grid. If an Alternate Base Rate (as defined in the credit facility) is in effect, the borrowing rate would be adjusted accordingly.

(e) Description of Parent Guaranteed Debt:

Avista Corporation does not guarantee debt of its subsidiaries. However, there are payment guarantees as noted below in Section III. Miscellaneous Agreements, page 10.

(f) Description of Activities of Subsidiaries:

See Section I.3 at pages 2 through 3.

(g) List of all common officers and directors:

See Section I.2 at page 1.

III. MISCELLANEOUS AGREEMENTS AND TRANSACTIONS

1. Guaranty Agreement

As previously disclosed, the Company had a “Guaranty Agreement” between Avista Corp. and Rathdrum Power, LLC. This agreement called for Avista Corp. to act as guarantor of Avista Turbine Power, Inc.’s payment obligation to Rathdrum Power, LLC under a purchase power contract. This agreement was terminated in 2010 with the assignment of the Lancaster PPA to Avista Utilities, as described above and in Docket No. UE-091902.

2. Conveyance Agreement

The Company has a “Conveyance Agreement” between Avista Corp. and Avista Energy that was entered into on October 5, 1998 and amended on October 30, 2002. Under this agreement, Avista conveyed for a term through October 31, 2009 its ownership interest in the Jackson Prairie Expansion Capacity and related withdrawal and injection capacity to Avista Energy. As consideration, Avista Energy paid Avista’s share of capital costs associated with the construction of the Jackson Prairie Expansion Capacity and pays Avista’s share of operating, maintenance and general and administrative expenses associated with the Jackson Prairie Expansion Capacity. In April 2007, in conjunction with the previously discussed sale of Avista Energy, Inc., the term of the Conveyance Agreement was extended to April 30, 2011. A confidential copy of the “Agreement to Extend Agreement to Convey Ownership Interest in Jackson Prairie Storage Project Expansion” was provided to the WUTC in the 2006 Subsidiary Transaction Report.

In addition, the Company filed with the WUTC on March 2, 2010 the “Confirmation Agreement” between Avista Corp. and Avista Energy related to the reconveyance of the JP storage capacity (and deliverability) to the utility on May 1, 2011. For additional information on the reconveyance of the Jackson Prairie Storage to Avista Corporation, see Docket No. UG-100370 (Affiliated Interest Agreement).

3. GreenVolts, Inc. Investment and Property Lease and Conditional Use Agreement

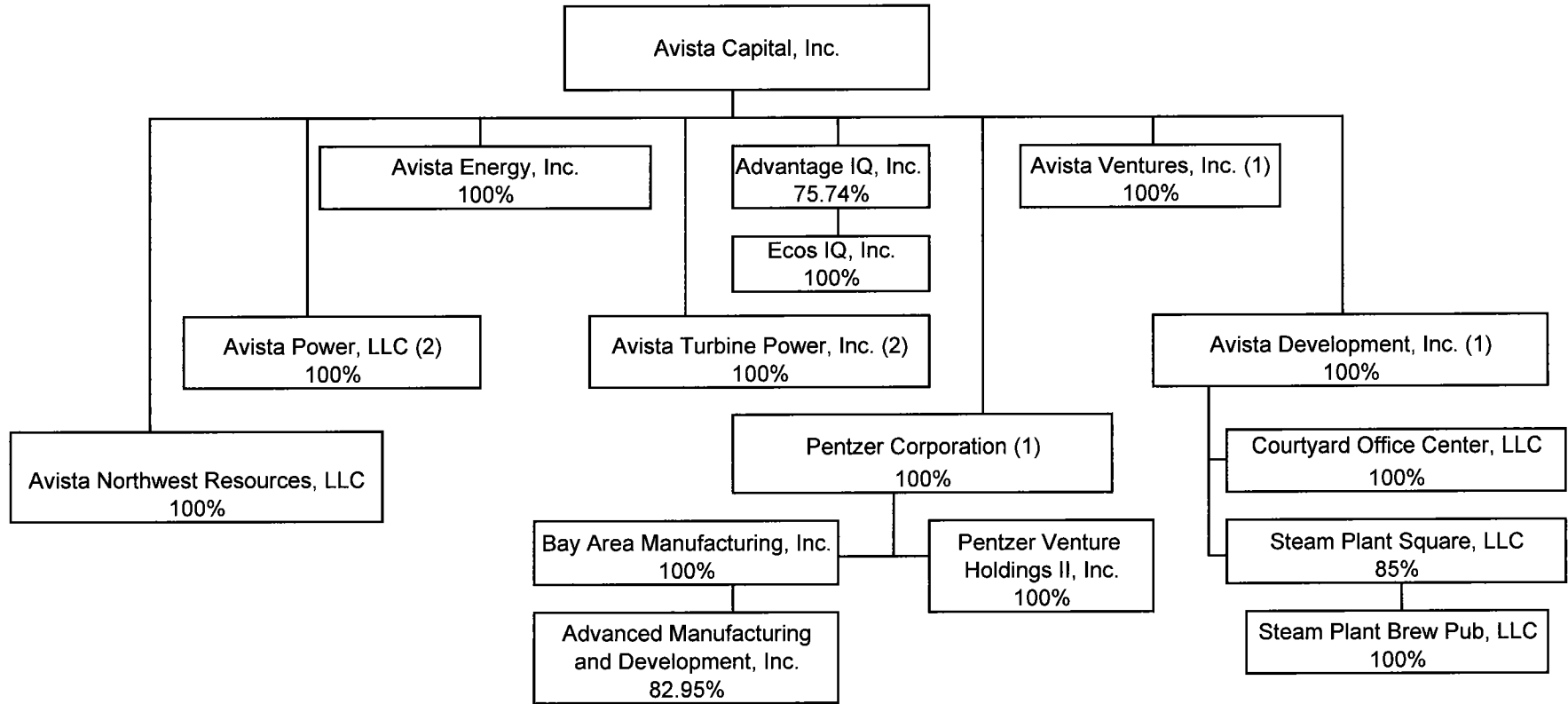
In May 2007, Avista Development loaned \$200,000 to GreenVolts, Inc. under a convertible promissory note and executed a Property Lease and Conditional Use Agreement, by and between Avista and GreenVolts. The Agreement allows GreenVolts access to Avista’s Clean Energy Test Site (CETS) on the grounds of its Rathdrum Combustion Turbine property in north Idaho.

GreenVolts, a San Francisco based solar photovoltaic energy firm, will test new solar technology that is expected to deliver electricity as a cost that is potentially competitive with peak natural gas alternatives.

In November 2007, Avista Development invested \$500,000 in Series A Preferred Stock in GreenVolts and converted the \$200,000 promissory note to Series A Preferred Stock. This investment represents approximately 3% ownership in GreenVolts. Based on this, GreenVolts is not an affiliated interest of Avista, however, for informational purposes, a copy of the Property Lease and Conditional Use Agreement was provided in the 2007 Subsidiary Transaction Report.

ATTACHMENT 1

Avista Capital Organizational Structure December 31, 2010



- (1) No employees, passive income
- (2) Ceased active development of additional projects

Note a) Inactive Subsidiaries under Avista Capital, not shown above, include: Coyote Springs 2, LLC

ATTACHMENT 2



Corporate Secretary Department
Current as of February 5, 2011

Annual Meeting Held in May of Each Year

Directors:

Erik J. Anderson	Scott L. Morris
Kristianne Blake	Michael L. Noël
John F. Kelly	Marc F. Racicot
Rebecca (Becky) A. Klein	Heidi B. Stanley
	R. John Taylor

Officers:

Scott L. Morris	Chairman of the Board, President & Chief Executive Officer
Mark T. Thies	Senior Vice President & Chief Financial Officer
Marian M. Durkin	Senior Vice President, General Counsel & Chief Compliance Officer
Karen S. Feltes	Senior Vice President & Corporate Secretary
Dennis P. Vermillion	Senior Vice President & Environmental Compliance Officer
Christy M. Burmeister-Smith	Vice President, Controller & Principal Accounting Officer
James M. Kensok	Vice President & Chief Information Officer
Don F. Kopczynski	Vice President
David J. Meyer	Vice President & Chief Counsel for Regulatory & Governmental Affairs
Kelly O. Norwood	Vice President
Richard L. Storro	Vice President
Jason R. Thackston	Vice President
Roger D. Woodworth	Vice President
Diane C. Thoren	Treasurer
Don M. Falkner	Assistant Treasurer
Susan Y. Fleming	Assistant Corporate Secretary

Corporate Governance/

Nominating Committee

Kristianne Blake
R. John Taylor
John F. Kelly – Chair

Executive Committee

Kristianne Blake
John F. Kelly
R. John Taylor
Scott L. Morris – Chair

Audit Committee

Michael L. Noël (financial expert)
Heidi B. Stanley
Kristianne Blake – Chair

**Compensation & Organization
Committee**

John F. Kelly
Rebecca A. Klein
Michael L. Noël
R. John Taylor – Chair

Finance Committee

Marc F. Racicot
Heidi B. Stanley
Erik J. Anderson – Chair

**Energy, Environmental, &
Operations Committee**

Erik J. Anderson
Rebecca A. Klein
Marc F. Racicot

All Committees are comprised of independent Board members as defined under the rules of the NYSE, with the exception of the Executive Committee (not required to be independent).

The Company was formed as The Washington Water Power Company in 1889 and changed its name to Avista Corp. on January 1, 1999.

Current as of May 3, 2010

ADVANCED MANUFACTURING & DEVELOPMENT, INC.

Doing business as METALfx

(A Subsidiary of Bay Area Manufacturing, Inc.)

(A California Corporation)

200 North Lenore Ave.

Willits, CA 95490 (707) 459-9451

Directors:

Marian M. Durkin

Scott L. Morris

Mark T. Thies

Officers:

Scott L. Morris

Gordon B. Short

Christy M. Burmeister-Smith

Karen S. Feltes

Susan Y. Fleming

Jill Porterfield

Chairman of the Board

President & Chief Executive Officer

Vice President & Treasurer

Senior Vice President & Corporate Secretary

Assistant Corporate Secretary

Assistant Corporate Secretary

Current as of October 20, 2010

ADVANTAGE IQ, INC.

(A Subsidiary of Avista Capital, Inc.)
1313 N. Atlantic St., 5th Floor
Spokane, WA 99201

Directors:

Erik J. Anderson
Kristianne Blake
Jeff Heggedahl
John F. Kelly
Craig Levinsohn
Jeff Lieberman
Scott L. Morris

Officers:

Scott L. Morris	Chairman of the Board
Jeff Heggedahl	President & Chief Executive Officer
Ed Schlect	Executive Vice President
Jon Thomsen	Executive Vice President
Gene Lynes	Executive Vice President, CFO & Treasurer
Donato Capobianco	Sr. Vice President & General Counsel
Marian M. Durkin	Sr. Vice President
Mark T. Thies	Sr. Vice President
Karen S. Feltes	Sr. Vice President & Corporate Secretary
Steve Chamberlain	Sr. Vice President
Julie Kearney	Sr. Vice President
Hossein Nikdel	Vice President & Chief Technology Officer
Jim Hendricks	Vice President
Susan Y. Fleming	Assistant Corporate Secretary
Diane C. Thoren	Assistant Treasurer

Compensation Committee

Scott Morris – Chair
John F. Kelly
Jeff Lieberman

Audit Committee

Kristianne Blake – Chair
Erik Anderson
Craig Levinsohn

The Company was formed as Altus Energy Solutions, Inc. and then changed its name to WWP Energy Solutions, Inc. before becoming Avista Advantage. The name was changed to Advantage IQ on June 29, 2006.

Current as of May 3, 2010

AVISTA CAPITAL, INC.

(A Subsidiary of Avista Corporation)

1411 E. Mission Ave.

Spokane, WA 99202

Directors:

Marian M. Durkin

Scott L. Morris

Mark T. Thies

Officers:

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Christy Burmeister-Smith

Diane C. Thoren

Susan Y. Fleming

Don M. Falkner

Chairman of the Board, President & CEO

Senior Vice President & Chief Financial Officer

Senior Vice President & Corporate Secretary

Vice President

Treasurer

Assistant Corporate Secretary

Assistant Treasurer

The Company was formed as Avista Corp. before changing its name to Avista Capital on August 17, 1998.

Current as of May 3, 2010

AVISTA DEVELOPMENT, INC.

(A Subsidiary of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane, WA 99202

Directors:

Marian M. Durkin

Scott L. Morris

Mark T. Thies

Officers:

Scott L. Morris

Mark T. Thies

Marian M. Durkin

Karen S. Feltes

Roger D. Woodworth

Diane C. Thoren

Susan Y. Fleming

Don M. Falkner

Chairman of the Board, President and CEO

Senior Vice President & Chief Financial Officer

Senior Vice President & Environmental Compliance Officer

Senior Vice President & Corporate Secretary

Vice President

Treasurer

Assistant Corporate Secretary

Assistant Treasurer

The Company was formed as WP Finance Co. before changing its name to Avista Development. Pentzer Development, Inc. and Washington Irrigation & Development Company merged with and into Avista Development in October 1998.

Current as of May 3, 2010

AVISTA ENERGY, INC.

(A Subsidiary of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane WA 99202

Directors:

Marian M. Durkin

Scott L. Morris

Mark T. Thies

Officers:

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Tracy Van Orden

Diane C. Thoren

Susan Y. Fleming

Don M. Falkner

Chairman of the Board, President & CEO

Senior Vice President & Chief Financial Officer

Senior Vice President & Corporate Secretary

Controller

Treasurer

Assistant Corporate Secretary

Assistant Treasurer

The Company was formed as WWP Resource Services, Inc., before becoming Avista Energy.

Current as of March 31, 2009

AVISTA NORTHWEST RESOURCES, LLC

(An Affiliate of Avista Capital)

1411 E. Mission Ave.

Spokane, WA 99202

Member:

Avista Capital

Officers (Managers):

Scott L. Morris	President & Chief Executive Officer
Mark T. Thies	Senior Vice President & Chief Financial Officer
Christy Burmeister-Smith	Vice President & Treasurer
Karen S. Feltes	Senior Vice President & Corporate Secretary
Susan Y. Fleming	Assistant Corporate Secretary
Diane C. Thoren	Assistant Treasurer

Most of our LLC's do not have officers. This particular one was formed with officers as managers.

Current as of March 31, 2009

AVISTA POWER, LLC

(An Affiliate of Avista Capital)

1411 E. Mission Ave.

Spokane, WA 99202

Member:

Avista Capital

Manager:

Dennis Vermillion

Current as of December 31, 2010

AVISTA RECEIVABLES CORP.

(A Subsidiary of Avista Corp.)

1411 E. Mission Ave.

Spokane, WA 99202

Directors:

Marian M. Durkin

Mark T. Thies

Diane C. Thoren

Officers:

Mark T. Thies

Diane C. Thoren

Karen S. Feltes

Susan Y. Fleming

Don M. Falkner

Chairman of the Board & President

Vice President & Treasurer

Senior Vice President & Corporate Secretary

Assistant Corporate Secretary

Assistant Treasurer

Current as of May 3, 2010

AVISTA TURBINE POWER, INC.

(A Subsidiary of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane, WA 99202

Directors:

Marian M. Durkin

Scott L. Morris

Mark T. Thies

Officers:

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Diane C. Thoren

Susan Y. Fleming

Don M. Falkner

Chairman, President & Chief Executive Officer

Senior Vice President & Chief Financial Officer

Senior Vice President & Corporate Secretary

Treasurer

Assistant Corporate Secretary

Assistant Treasurer

Current as of May 3, 2010

AVISTA VENTURES, INC.

(A Subsidiary of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane, WA 99202

Directors:

Scott L. Morris

Mark T. Thies

Jason R. Thackston

Roger D. Woodworth

Officers:

Scott L. Morris

Chairman of the Board, President & CEO

Mark T. Thies

Senior Vice President & Chief Financial Officer

Karen S. Feltes

Senior Vice President & Corporate Secretary

Diane C. Thoren

Treasurer

Susan Y. Fleming

Assistant Corporate Secretary

Don M. Falkner

Assistant Treasurer

Current as of May 3, 2010

BAY AREA MANUFACTURING, INC.

(A Subsidiary of Pentzer Corporation)

1411 E. Mission Ave.

Spokane, WA 99202

Directors:

Marian M. Durkin

Scott L. Morris

Mark T. Thies

Officers:

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Diane C. Thoren

Susan Y. Fleming

Don M. Falkner

Chairman, President & Chief Executive Officer

Senior Vice President & Chief Financial Officer

Senior Vice President & Corporate Secretary

Treasurer

Assistant Corporate Secretary

Assistant Treasurer

Current as of March 31, 2009

COURTYARD OFFICE CENTER, LLC

(An Affiliate of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane, WA 99202

Member:

Avista Development, Inc.

Manager

Roger Woodworth

Current as of January 19, 2010

ECOS IQ, INC.

(A Subsidiary of Advantage IQ, Inc.)

309 S.W. 6th Ave., Suite 1000

Portland, OR 97204

Directors:

Marian M. Durkin

Jeff Heggedahl

Scott L. Morris

Mark T. Thies

Jon Thomsen

Officers:

Jon Thomsen

President & Chief Executive Officer

DeeAnn Lindsley

Chief Operating Officer

Mark T. Thies

Senior Vice President & Treasurer

Marian M. Durkin

Senior Vice President & General Counsel

Karen S. Feltes

Senior Vice President & Corporate Secretary

Dave Backen

Vice President

Gregg Hardy

Vice President

Julie Kearney

Vice President

Pat Keegan

Vice President

Richard Lauman

Vice President

David Weigel

Vice President

Susan Y. Fleming

Assistant Corporate Secretary

Current as of May 3, 2010

PENTZER CORPORATION

(A Subsidiary of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane, WA 99202

Directors:

Scott L. Morris

Mark T. Thies

Jason Thackston

Officers:

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Diane C. Thoren

Susan Y. Fleming

Don M. Falkner

Chairman, President & Chief Executive Officer

Senior Vice President & Chief Financial Officer

Senior Vice President & Corporate Secretary

Treasurer

Assistant Corporate Secretary

Assistant Treasurer

Current as of May 3, 2010

PENTZER VENTURE HOLDINGS II

(A Subsidiary of Pentzer Corporation)

1411 E. Mission Ave.

Spokane, WA 99202

Directors:

Scott L. Morris

Mark T. Thies

Jason R. Thackston

Officers:

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Diane C. Thoren

Susan Y. Fleming

Don M. Falkner

Chairman, President & Chief Executive Officer

Senior Vice President & Chief Financial Officer

Senior Vice President & Corporate Secretary

Treasurer

Assistant Corporate Secretary

Assistant Treasurer

Current as of March 31, 2009

SPOKANE ENERGY, LLC
(An Affiliate of Avista Corp.)
1411 E. Mission Ave.
Spokane, WA 99202

Members:

Avista Corp.
RBJ, Inc.

Managers:

Dennis Vermillion (Avista)
Russell B. Jones (RBJ)

Current as of December 31, 2010

STEAM PLANT BREW PUB, LLC
Doing Business as Steam Plant Grill
(An Affiliate of Steam Plant Square LLC.)
1411 E. Mission Ave.
Spokane, WA 99202

Members:
Avista Development, Inc.
Wells & Co.

Manager
Roger Woodworth

Current as of December 31, 2010

STEAM PLANT SQUARE, LLC
(An Affiliate of Avista Capital, Inc.)
1411 E. Mission Ave.
Spokane, WA 99202

Members:
Avista Development, Inc.
Wells & Co.

Manager
Roger Woodworth

ATTACHMENT 3

REDACTED

Avista Subsidiaries Balance Sheets
as of
December 31, 2010

REDACTED

Avista Subsidiaries Income Statements
Year to Date
201012

REDACTED

ADVANTAGE IQ
BALANCE SHEET
DECEMBER 31, 2010

REDACTED

ADVANTAGE IQ
INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

REDACTED

ATTACHMENT 4

ELECTRIC ALLOCATION PERCENTAGES For Twelve Months Ended December 31, 2010 Average of Monthly Averages Basis	Report ID: E-ALL-12A
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Basis	Ref	Description	System	Washington	Idaho	
1	Input	Production/Transmission Ratio	12-31-2010	100.000%	65.160%	34.840%
2	Input	Number of Customers Percent	12-31-2010	356,681 100.000%	234,174 65.654%	122,507 34.346%
3	E-OPS	Direct Distribution Operating Expense Percent		21,204,011 100.000%	14,360,859 67.727%	6,843,152 32.273%
	Input	Jurisdictional 4-Factor Ratio	12-31-2010			
		Direct O&M Accts 500 - 598		20,560,338	13,027,648	7,532,690
		Direct O&M Accts 901 - 935		30,886,625	22,072,859	8,813,766
		Total		51,446,963	35,100,507	16,346,456
		Percentage		100.000%	68.227%	31.773%
		Direct Labor Accts 500 - 598		10,559,350	7,367,399	3,191,951
		Direct Labor Accts 901 - 935		4,468,706	3,399,027	1,069,679
		Total		15,028,056	10,766,426	4,261,630
		Percentage		100.000%	71.642%	28.358%
		Number of Customers		358,982	235,820	123,162
		Percentage		100.000%	65.691%	34.309%
		Net Direct Plant		780,574,225	468,345,444	312,228,781
		Percentage		100.000%	60.000%	40.000%
4		Total Percentages Percent		400.000%	265.560%	134.440%
				100.000%	66.390%	33.610%

ELECTRIC ALLOCATION PERCENTAGES For Twelve Months Ended December 31, 2010 Average of Monthly Averages Basis	Report ID: E-ALL-12A
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Basis	Ref	Description	System	Washington	Idaho		
Input		Elec/Gas North/Oregon 4-Factor	01-01-2010	Total	Electric	Gas North	Oregon Gas
		Direct O&M Accts 500 - 894		51,081,946	45,988,228	3,116,832	1,976,886
		Direct O&M Accts 901 - 935		51,945,284	35,419,000	12,684,856	3,841,428
		Direct O&M Accts 901 - 905 Utility 9 Only		3,516,695	2,172,122	1,344,573	XXXXXX
		Adjustments		0			
		Total		106,543,925	83,579,350	17,146,261	5,818,314
		Percentage		100.000%	78.446%	16.093%	5.461%
		Direct Labor Accts 500 - 894		55,092,383	43,337,007	8,181,894	3,573,482
		Direct Labor Accts 901 - 935		5,731,661	4,212,733	361,664	1,157,264
		Direct Labor Accts 901 - 905 Utility 9 Only		3,029,709	1,871,330	1,158,379	XXXXXX
		Total		63,853,753	49,421,070	9,701,937	4,730,746
		Percentage		100.000%	77.397%	15.194%	7.409%
		Number of Customers at 12/31/09		672,970	356,620	220,748	95,602
		Percentage		100.000%	52.992%	32.802%	14.206%
		Net Direct Plant		2,269,179,267	1,813,979,169	309,908,801	145,291,297
		Percentage		100.000%	79.940%	13.657%	6.403%
		Total Percentages		400.000%	288.775%	77.746%	33.479%
7		Average (CD AA)		100.000%	72.193%	19.437%	8.370%
Input		Gas North/Oregon 4-Factor	01-01-2010	Total	Electric	Gas North	Oregon Gas
		Direct O&M Accts 500 - 894		5,093,718	0	3,116,832	1,976,886
		Direct O&M Accts 901 - 935		16,526,284	0	12,684,856	3,841,428
		Direct O&M Accts 901 - 905 (Utility 9 only)		1,344,573	0	1,344,573	XXXXXX
		Total		22,964,575	0	17,146,261	5,818,314
		Percentage		100.000%	0.000%	74.664%	25.336%
		Direct Labor Accts 500 - 894		11,755,376	0	8,181,894	3,573,482
		Direct Labor Accts 901 - 935		1,518,928	0	361,664	1,157,264
		Direct Labor Accts 901 - 905 (Utility 9 only)		1,158,379	0	1,158,379	XXXXXX
		Total		14,432,683	0	9,701,937	4,730,746
		Percentage		100.000%	0.000%	67.222%	32.778%
		Number of Customers at 12/31/09		316,350	0	220,748	95,602
		Percentage		100.000%	0.000%	69.780%	30.220%
		Net Direct Plant		450,456,474	0	305,689,899	144,766,575
		Percentage		100.000%	0.000%	67.862%	32.138%
		Total Percentages		400.000%	0.000%	279.528%	120.472%
8		Average (GD AA)		100.000%	0.000%	69.882%	30.118%

ELECTRIC ALLOCATION PERCENTAGES For Twelve Months Ended December 31, 2010 Average of Monthly Averages Basis	Report ID: E-ALL-12A
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Basis	Ref	Description	System	Washington	Idaho		
		Input					
		Elec/Gas North 4-Factor	01-01-2010	Total	Electric	Gas North	Oregon Gas
		Direct O&M Accts 500 - 894		49,105,060	45,988,228	3,116,832	0
		Direct O&M Accts 901 - 935		48,103,856	35,419,000	12,684,856	0
		Adjustments		0	0	0	0
		Total		97,208,916	81,407,228	15,801,688	0
		Percentage		100.000%	83.745%	16.255%	0.000%
		Direct Labor Accts 500 - 894		51,518,901	43,337,007	8,181,894	0
		Direct Labor Accts 901 - 935		4,574,397	4,212,733	361,664	0
		Total		56,093,298	47,549,740	8,543,558	0
		Percentage		100.000%	84.769%	15.231%	0.000%
		Number of Customers at 12/31/09		577,368	356,620	220,748	0
		Percentage		100.000%	61.766%	38.234%	0.000%
		Net Direct Plant		2,108,415,405	1,802,725,506	305,689,899	0
		Percentage		100.000%	85.501%	14.499%	0.000%
		Total Percentages		400.000%	315.781%	84.219%	0.000%
9		Average (CD AN/ID/WA)		100.000%	78.945%	21.055%	0.000%
10	E-PLT	Net Electric Distribution Plant Percent		730,228,592 100.000%	447,491,995 61.281%	282,736,597 38.719%	
11	E-OPS	Book Deprec (0403.XX, 0404.11 & 0406.XX) Percent		80,576,860 100.000%	51,888,618 64.396%	28,688,242 35.604%	
12	E-PLT	Net Electric Plant Percent		1,918,481,776 100.000%	1,220,888,942 63.638%	697,592,834 36.362%	
13	E-PLT	Net Electric General Plant Percent		120,327,957 100.000%	77,177,106 64.139%	43,150,851 35.861%	
14	E-SCM	Net Allocated Schedule M Percent		-88,161,925 100.000%	-56,304,163 63.864%	-31,857,762 36.136%	

ELECTRIC ALLOCATION PERCENTAGES For Twelve Months Ended December 31, 2010 Average of Monthly Averages Basis	Report ID: E-ALL-12A
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Basis	Ref	Description	System	Washington	Idaho
99	Input	Not Allocated	0.000%	0.000%	0.000%

Situs Plant by Functional Group:
(Used to functionalize R&P Property Tax on
Report E-OTX)

Input	Balance Date	Washington	Idaho	Montana	Oregon
Input	12-31-2009				
Input	Production	268,895,797	163,723,165	465,535,485	161,403,740
Input	Transmission	241,091,830	164,172,213	57,646,154	8,762,765
Input	Distribution	625,340,246	396,360,366	215,190	
Input	General	9,790,158	11,497,312		
Input	TOTAL	1,145,118,031	735,753,056	523,396,829	170,166,505

SPECIAL MANUAL ADJUSTMENTS:
Adjustments to NOI (Report E-ROR):
Colstrip 3 AFUDC Reallocation - 12/10

	12/31/10	System	Washington	Idaho
Colstrip 3 AFUDC Reallocation	ANNUALLY	0	192,732	-192,732
(Plant less Accumulated Depreciation)	12A	0	-1,493,426	1,493,426
	12E	0	-1,397,906	1,397,906

GAS ALLOCATION PERCENTAGES For Twelve Months Ended December 31, 2010 Average of Monthly Averages Basis		Report ID: G-ALL-12A				
Basis	Ref	Description	System	Washington	Idaho	
1	Input	System Contract Demand	11-01-2010	100.000%	69.400%	30.600%
2		Number of Customers	12-31-2010	221,274	147,064	74,210
		Percent		100.000%	66.462%	33.538%
3	G-OPS	Direct Distribution Operating Expense		8,706,293	5,786,356	2,919,937
		Percent		100.000%	66.462%	33.538%
		Jurisdictional Four Factor Allocator - Direct Method				
		Allocation Rate Calculation - Updated	12-31-2010			
		Direct O&M				
		Amount: Accounts 798 - 894		2,960,332	1,958,779	1,001,553
		Amount: Accounts 901 - 935		12,985,723	9,788,850	3,196,873
		Total		15,946,055	11,747,629	4,198,426
		Percentage		100.000%	73.671%	26.329%
		Direct Labor				
		Amount: Accounts 798 - 894		5,777,102	3,849,651	1,927,451
		Amount: Accounts 901 - 935		2,393,355	1,904,696	488,659
		Total		8,170,457	5,754,347	2,416,110
		Percentage		100.000%	70.429%	29.571%
		Total Number of Customers		223,040	148,247	74,793
		Percentage		100.000%	66.467%	33.533%
		Total Direct Plant		298,884,304	189,804,990	109,079,314
		Percentage		100.000%	63.505%	36.495%
4		Total Four Factor Allocators		400.000%	274.072%	125.928%
		Percent		100.000%	68.518%	31.482%
		Underground Storage & Dist Plant				
				System	Washington	Idaho
	G-PLT	Underground Storage		28,886,114	20,046,963	8,839,151
	G-PLT	Distribution		417,813,902	269,469,380	148,344,522
		Total Underground Storage/Dist Plant		446,700,016	289,516,343	157,183,673
5		Percent		100.000%	64.812%	35.188%
6	Input	Actual Therms Purchased	12-31-2010	235,900,540	164,699,793	71,200,747
		Percent		100.000%	69.817%	30.183%

GAS ALLOCATION PERCENTAGES For Twelve Months Ended December 31, 2010 Average of Monthly Averages Basis	Report ID: G-ALL-12A
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Input	Elec/Gas North/Oregon 4-Factor	01-01-2010	Total	Electric	Gas North	Oregon Gas	
	Direct O&M Accts 500 - 894		51,081,946	45,988,228	3,116,832	1,976,886	
	Direct O&M Accts 901 - 935		51,945,284	35,419,000	12,684,856	3,841,428	
	Direct O&M Accts 901 - 905 Utility 9 Only		3,516,695	2,172,122	1,344,573	XXXXXX	
	Adjustments		0				
	Total		106,543,925	83,579,350	17,146,261	5,818,314	
	Percentage		100.000%	78.446%	16.093%	5.461%	
	Direct Labor Accts 500 - 894		55,092,383	43,337,007	8,181,894	3,573,482	
	Direct Labor Accts 901 - 935		5,731,661	4,212,733	361,664	1,157,264	
	Direct Labor Accts 901 - 905 Utility 9 Only		3,029,709	1,871,330	1,158,379	XXXXXX	
	Total		63,853,753	49,421,070	9,701,937	4,730,746	
	Percentage		100.000%	77.397%	15.194%	7.409%	
	Number of Customers at 12/31/09		672,970	356,620	220,748	95,602	
	Percentage		100.000%	52.992%	32.802%	14.206%	
	Net Direct Plant		2,269,179,267	1,813,979,169	309,908,801	145,291,297	
	Percentage		100.000%	79.940%	13.657%	6.403%	
	Total Percentages		400.000%	288.775%	77.746%	33.479%	
7	Average (CD AA)		100.000%	72.193%	19.437%	8.370%	
	Input	Gas North/Oregon 4-Factor	01-01-2010	Total	Electric	Gas North	Oregon Gas
		Direct O&M Accts 580 - 894		5,093,718	0	3,116,832	1,976,886
		Direct O&M Accts 901 - 935		16,526,284	0	12,684,856	3,841,428
		Direct O&M Accts 901 - 905 Utility 9 Only		1,344,573	0	1,344,573	XXXXXX
		Total		22,964,575	0	17,146,261	5,818,314
		Percentage		100.000%	0.000%	74.664%	25.336%
		Direct Labor Accts 580 - 894		11,755,376	0	8,181,894	3,573,482
		Direct Labor Accts 901 - 935		1,518,928	0	361,664	1,157,264
		Direct Labor Accts 901 - 905 Utility 9 Only		1,158,379	0	1,158,379	XXXXXX
		Total		14,432,683	0	9,701,937	4,730,746
		Percentage		100.000%	0.000%	67.222%	32.778%
		Number of Customers at 12/31/09		316,350	0	220,748	95,602
		Percentage		100.000%	0.000%	69.780%	30.220%
		Net Direct Plant		450,456,474	0	305,689,899	144,766,575
		Percentage		100.000%	0.000%	67.862%	32.138%
		Total Percentages		400.000%	0.000%	279.528%	120.472%
8		Average (GD AA)		100.000%	0.000%	69.882%	30.118%

