

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

Line No.	Description	Avista a	PC b	Difference c=b-a
1	Pro Forma Rate Base	\$ 950,944	\$ 952,499	\$ 1,555
2	Proposed Rate of Return	<u>8.43%</u>	<u>8.22%</u>	
3	Net Operating Income Requirement	\$ 80,165	\$ 78,281	\$ (1,884)
4	Pro Forma Net Operating Income	<u>\$ 57,393</u>	<u>\$ 61,427</u>	<u>\$ 4,034</u>
5	Net Operating Income Deficiency	\$ 22,771	\$ 16,854	\$ (5,918)
6	Conversion Factor	0.6219013	0.63146906	
7	Revenue Requirement	<b>\$ 36,616</b>	<b>\$ 26,690</b>	<b>\$ (9,926)</b>
8	Total General Business Revenues	\$ 355,260	\$ 355,260	\$ -
9	Percentage Revenue Increase	<u>10.31%</u>	<u>7.51%</u>	

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

Line No.	Description	Avista a	PC b	Difference c=b-a
1	Pro Forma Rate Base	\$ 172,957	\$ 173,566	\$ 609
2	Proposed Rate of Return	<u>8.430%</u>	<u>8.22%</u>	
3	Net Operating Income Requirement	\$ 14,580	\$ 14,264	\$ (316)
4	Pro Forma Net Operating Income	<u>\$ 10,483</u>	<u>\$ 12,154</u>	\$ 1,672
5	Net Operating Income Deficiency	\$ 4,098	\$ 2,110	\$ (1,988)
6	Conversion Factor	0.62203765	0.63160746	
7	Revenue Requirement	<b>\$ 6,588</b>	<b>\$ 3,341</b>	\$ (3,247)
8	Total General Business Revenues	\$ 197,946	\$ 197,946	\$ -
9	Percentage Revenue Increase	<u>3.33%</u>	<u>1.69%</u>	

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

Line No.	DESCRIPTION	Avista Pro Forma TOTAL	Reclassify	Income	King	[BEGIN CONFIDENTIAL]	Non-Exec	Executive	Incentive	Advertising
			COR Reg. Liab.	Tax	Depreciation		Comp.	Comp.		
			1	2			5	6	7	8
REVENUES										
1	Total General Business	\$ 355,260	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
2	Interdepartmental Sales	739	-	-	-		-	-	-	-
3	Sales for Resale	47,048	-	-	-		-	-	-	-
4	Total Sales of Electricity	403,047	-	-	-		-	-	-	-
5	Other Revenue	8,104	-	-	-		-	-	-	-
6	Total Electric Revenue	411,151	-	-	-		-	-	-	-
EXPENSES										
7	Production and Transmission Operating Expenses	111,740	-	-	-		(2)	(6)	-	-
8	Purchased Power	89,119	-	-	-		-	-	-	-
9	Distribution Operating Expenses	15,716	-	-	-		(0)	-	-	-
10	Customer Accounting	7,867	-	-	-		(1)	-	-	-
11	Customer Service & Information	820	-	-	-		(0)	-	-	-
12	Sales Expenses	706	-	-	-		(0)	-	-	-
13	Admin & General Operating Expenses	37,103	-	-	-		(3)	(366)	(366)	(28)
14	Depreciation and Amortization	52,609	-	-	(3,110)		-	-	-	-
15	Taxes	26,478	-	-	-		-	-	-	-
16	Total Electric Expenses	342,158	-	-	(3,110)		(8)	(372)	(366)	(28)
17	OPERATING INCOME BEFORE FIT	68,993	-	-	3,110		8	372	366	28
FEDERAL INCOME TAX										
18	Current Accrual	5,103	-	(479)	1,057		3	126	124	9
19	Deferred Income Taxes	6,497	-	-	-		-	-	-	-
20	NET OPERATING INCOME	\$ 57,393	\$ -	\$ 479	\$ 2,053		\$ 5	\$ 246	\$ 242	\$ 18
RATE BASE										
21	Plant in Service	\$ 1,746,221	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
22	Total Accum. Depreciation & Amort.	631,710	-	-	(1,555)		-	-	-	-
23	Gain on Sale of Building	(323)	-	-	-		-	-	-	-
24	Deferred Taxes	(163,244)	-	-	-		-	-	-	-
25	TOTAL RATE BASE	\$ 950,944	\$ -	\$ -	\$ 1,555		\$ -	\$ -	\$ -	\$ -
26	Avista Rate of Return	8.43%								
27	PC Recommended Rate of Return	8.22%	8.22%	8.22%	8.22%		8.22%	8.22%	8.22%	8.22%
28	Rate Base Effect	\$ (2,012)	\$ -	\$ -	\$ 128		\$ -	\$ -	\$ -	\$ -
29	Revenue Conversion Factor	1.583609	1.583609	1.583609	1.583609		1.583609	1.583609	1.583609	1.583609
30	Incremental Revenue Requirement	\$ (3,185)	\$ -	\$ (758)	\$ (3,048)		\$ (8)	\$ (389)	\$ (383)	\$ (29)

[END CONFIDENTIAL]

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

Line No.	DESCRIPTION	Sporting Events 9	Dues & Membership Fees 10	Charitable Contributions 11	Shareholders' Services 12	D&O Insurance 13	Interest Synch. 14	Total PC Adjustments 15	PC Adjusted Results of Operations 16
REVENUES									
1	Total General Business	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 355,260
2	Interdepartmental Sales	-	-	-	-	-	-	-	739
3	Sales for Resale	-	-	-	-	-	-	-	47,048
4	Total Sales of Electricity	-	-	-	-	-	-	-	403,047
5	Other Revenue	-	-	-	-	-	-	-	8,104
6	Total Electric Revenue	-	-	-	-	-	-	-	411,151
EXPENSES									
7	Production and Transmission Operating Expenses	-	-	-	-	-	-	(8)	111,732
8	Purchased Power	-	-	-	-	-	-	-	89,119
9	Distribution Operating Expenses	-	-	-	-	-	-	(0)	15,716
10	Customer Accounting	-	-	-	-	-	-	(1)	7,866
11	Customer Service & Information	-	-	-	-	-	-	(0)	820
12	Sales Expenses	-	-	-	-	-	-	(0)	706
13	Admin & General Operating Expenses	(105)	(152)	(15)	(379)	(389)	-	(1,804)	35,299
14	Depreciation and Amortization	-	-	-	-	-	-	(3,110)	49,499
15	Taxes	-	-	-	-	-	-	-	26,478
16	Total Electric Expenses	(105)	(152)	(15)	(379)	(389)	-	(4,923)	337,235
17	OPERATING INCOME BEFORE FIT	105	152	15	379	389	-	4,923	73,916
FEDERAL INCOME TAX									
18	Current Accrual	36	52	5	129	132	(306)	889	5,992
19	Deferred Income Taxes	-	-	-	-	-	-	-	6,497
20	NET OPERATING INCOME	\$ 70	\$ 101	\$ 10	\$ 250	\$ 256	\$ 306	\$ 4,034	\$ 61,427
RATE BASE									
21	Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,746,221
22	Total Accum. Depreciation & Amort.	-	-	-	-	-	-	(1,555)	630,155
23	Gain on Sale of Building	-	-	-	-	-	-	-	(323)
24	Deferred Taxes	-	-	-	-	-	-	-	(163,244)
25	TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,555	\$ 952,499
26	Avista Rate of Return								
27	PC Recommended Rate of Return	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%		
28	Rate Base Effect	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
29	Revenue Conversion Factor	1.583609	1.583609	1.583609	1.583609	1.583609	1.583609		
30	Incremental Revenue Requirement	\$ (110)	\$ (159)	\$ (16)	\$ (396)	\$ (406)	\$ (485)		

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

Line No.	DESCRIPTION	Avista Pro Forma Total	Reclassify	Income	King	Non-Exec	Executive			Sporting	Dues &	Charitable
			COR	Tax	Depreciation	Comp.	Comp.	Incentive	Advertising	Events	Membership Fees	Contributions
			1	2	3	4	5	6	7	8	9	10
REVENUES												
1	Total General Business	\$ 196,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Total Transportation	1,623	-	-	-	-	-	-	-	-	-	-
3	Other Revenues	1,796	-	-	-	-	-	-	-	-	-	-
4	Total Gas Revenues	199,742	-	-	-	-	-	-	-	-	-	-
EXPENSES												
5	Exploration and Development	-	-	-	-	-	-	-	-	-	-	-
Production												
6	City Gate Purchases	145,771	-	-	-	-	-	-	-	-	-	-
7	Purchased Gas Expense	828	-	-	-	-	-	-	-	-	-	-
8	Net Nat Gas Storage Trans	-	-	-	-	-	-	-	-	-	-	-
9	Total Production	146,599	-	-	-	(0)	(2)	-	-	-	-	-
10	Underground Storage Operating Expenses	452	-	-	-	(0)	-	-	-	-	-	-
11	Distribution Operating Expenses	6,747	-	-	-	(0)	-	-	-	-	-	-
12	Customer Accounting	4,613	-	-	-	(1)	-	-	-	-	-	-
13	Customer Service & Information	833	-	-	-	(0)	-	-	-	-	-	-
14	Sales Expenses	531	-	-	-	(0)	-	-	-	-	-	-
15	Admin. & General Operating Expenses	9,177	-	-	-	(1)	(95)	(95)	(30)	(65)	(38)	(8)
16	Depreciation	7,417	-	-	(1,218)	-	-	-	-	-	-	-
17	Taxes	9,752	-	-	-	-	-	-	-	-	-	-
18	Total Gas Expense	186,121	-	-	(1,218)	(2)	(97)	(95)	(30)	(65)	(38)	(8)
19	OPERATING INCOME BEFORE FIT	13,621	-	-	1,218	2	97	95	30	65	38	8
FEDERAL INCOME TAX												
20	Current Accrual	4,611	-	(432)	414	1	33	32	10	22	13	3
21	Deferred FIT	(1,442)	-	-	-	-	-	-	-	-	-	-
22	Amort ITC	(31)	-	-	-	-	-	-	-	-	-	-
23	NET OPERATING INCOME	\$ 10,483	\$ -	\$ 432	\$ 804	\$ 1	\$ 64	\$ 63	\$ 20	\$ 43	\$ 25	\$ 5
RATE BASE												
24	Total Plant in Service	\$ 287,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25	Total Accum. Depreciation	101,556	-	-	(609)	-	-	-	-	-	-	-
26	Deferred FIT	(29,164)	-	-	-	-	-	-	-	-	-	-
27	Gas Inventory	15,874	-	-	-	-	-	-	-	-	-	-
28	Gain on Sale of Building	(109)	-	-	-	-	-	-	-	-	-	-
29	TOTAL RATE BASE	\$ 172,957	\$ -	\$ -	\$ 609	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30	Avista Rate of Return	8.43%										
31	PC Recommended Rate of Return	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%
32	Rate Base Effect	\$ (366)	\$ -	\$ -	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Revenue Conversion Factor	1.583262	1.583262	1.583262	1.583262	1.583262	1.583262	1.583262	1.583262	1.583262	1.583262	1.583262
34	Incremental Revenue Requirement	\$ (579)	\$ -	\$ (685)	\$ (1,193)	\$ (2)	\$ (102)	\$ (100)	\$ (31)	\$ (68)	\$ (39)	\$ (8)

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

Line No.	DESCRIPTION	Shareholders' Services 11	D&O Insurance 12	Interest Synch. 13	Total PC Adjustments 14	PC Adjusted Results of Operations 15
<b>REVENUES</b>						
1	Total General Business	\$ -	\$ -	\$ -	\$ -	\$ 196,323
2	Total Transportation	-	-	-	-	1,623
3	Other Revenues	-	-	-	-	1,796
4	Total Gas Revenues	-	-	-	-	199,742
<b>EXPENSES</b>						
5	Exploration and Development	-	-	-	-	-
Production						
6	City Gate Purchases	-	-	-	-	145,771
7	Purchased Gas Expense	-	-	-	-	828
8	Net Nat Gas Storage Trans	-	-	-	-	-
9	Total Production	-	-	-	-	146,599
10	Underground Storage Operating Expenses	-	-	-	(0)	452
11	Distribution Operating Expenses	-	-	-	(0)	6,747
12	Customer Accounting	-	-	-	(1)	4,612
13	Customer Service & Information	-	-	-	(0)	833
14	Sales Expenses	-	-	-	(0)	531
15	Admin. & General Operating Expenses	(99)	(101)	-	(532)	8,645
16	Depreciation	-	-	-	(1,218)	6,199
17	Taxes	-	-	-	-	9,752
18	Total Gas Expense	(99)	(101)	-	(1,751)	184,370
19	OPERATING INCOME BEFORE FIT	99	101	-	1,751	15,372
<b>FEDERAL INCOME TAX</b>						
20	Current Accrual	34	34	(84)	79	4,691
21	Deferred FIT	-	-	-	-	(1,442)
22	Amort ITC	-	-	-	-	(31)
23	NET OPERATING INCOME	\$ 65	\$ 67	\$ 84	\$ 1,672	\$ 12,154
<b>RATE BASE</b>						
24	Total Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ 287,912
25	Total Accum. Depreciation	-	-	-	(609)	100,947
26	Deferred FIT	-	-	-	-	(29,164)
27	Gas Inventory	-	-	-	-	15,874
28	Gain on Sale of Building	-	-	-	-	(109)
29	TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ 609	\$ 173,566
30	Avista Rate of Return					
31	PC Recommended Rate of Return	8.22%	8.22%	8.22%		
32	Rate Base Effect	\$ -	\$ -	\$ -		
33	Revenue Conversion Factor	1.583262	1.583262	1.583262		
34	Incremental Revenue Requirement	\$ (103)	\$ (106)	\$ (134)		

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

**Electric System**

Line No.	Description	Avista Factor	PC Factor
1	<b>Revenues</b>	1.000000	1.000000
	<b>Expense:</b>		
2	Uncollectibles	0.002599	0.002599
3	Commission Fees	0.002000	0.002000
4	Washington Excise Tax	0.038629	0.038629
5	Franchise Fees	0.000000	0.000000
6	Total Expense	<u>0.043229</u>	<u>0.043229</u>
7	Net Operating Income Before FIT	0.956771	0.956771
8	Federal Income Tax @ 35%	35% <u>0.334870</u>	34% <u>0.325302</u>
9	CONVERSION FACTOR	0.621901	0.631469
10	<b>REVENUE CONVERSION FACTOR</b>	<u><u>1.607972</u></u>	<u><u>1.583609</u></u>

**Gas System**

Line No.	Description	Avista Factor	PC Factor
1	<b>Revenues</b>	1.000000	1.000000
	<b>Expense:</b>		
2	Uncollectibles	0.002599	0.002599
3	Commission Fees	0.002000	0.002000
4	Washington Excise Tax	0.038420	0.038420
5	Franchise Fees (City of Millwood Expired in 2004)	0.000000	0.000000
6	Total Expense	<u>0.043019</u>	<u>0.043019</u>
7	Net Operating Income Before FIT	<u>0.956981</u>	<u>0.956981</u>
8	Federal Income Tax @ 35%	35% <u>0.334943</u>	34% <u>0.325374</u>
9	CONVERSION FACTOR	<u>0.622038</u>	<u>0.631607</u>
9	<b>REVENUE CONVERSION FACTOR</b>	<u><u>1.607620</u></u>	<u><u>1.583262</u></u>

**AVISTA UTILITIES**

**COST OF CAPITAL**

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

Source: Settlement Agreement



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

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

**COR REGULATORY LIABILITY RECLASSIFICATION**

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

Sources:

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

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

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

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

**CONSOLIDATED TAX SAVINGS**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>	<u>Total</u>
	<u>Expense Adjustment</u>			
1	FIT per Avista	<u>\$ 5,103</u>	<u>\$ 4,611</u>	<u>\$ 9,714</u>
2	Savings	\$ (479)	\$ (432)	\$ (911) 1/
3	Revenue Conversion Factor	1.58360886	1.583261857	
4	Revenue Requirement (L. 6 * L. 7)	<u>\$ (758)</u>	<u>\$ (685)</u>	

1/ Exhibit\_\_\_\_(MJM-6), distributed based on Line 1.

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

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

**KING DEPRECIATION ADJUSTMENT**

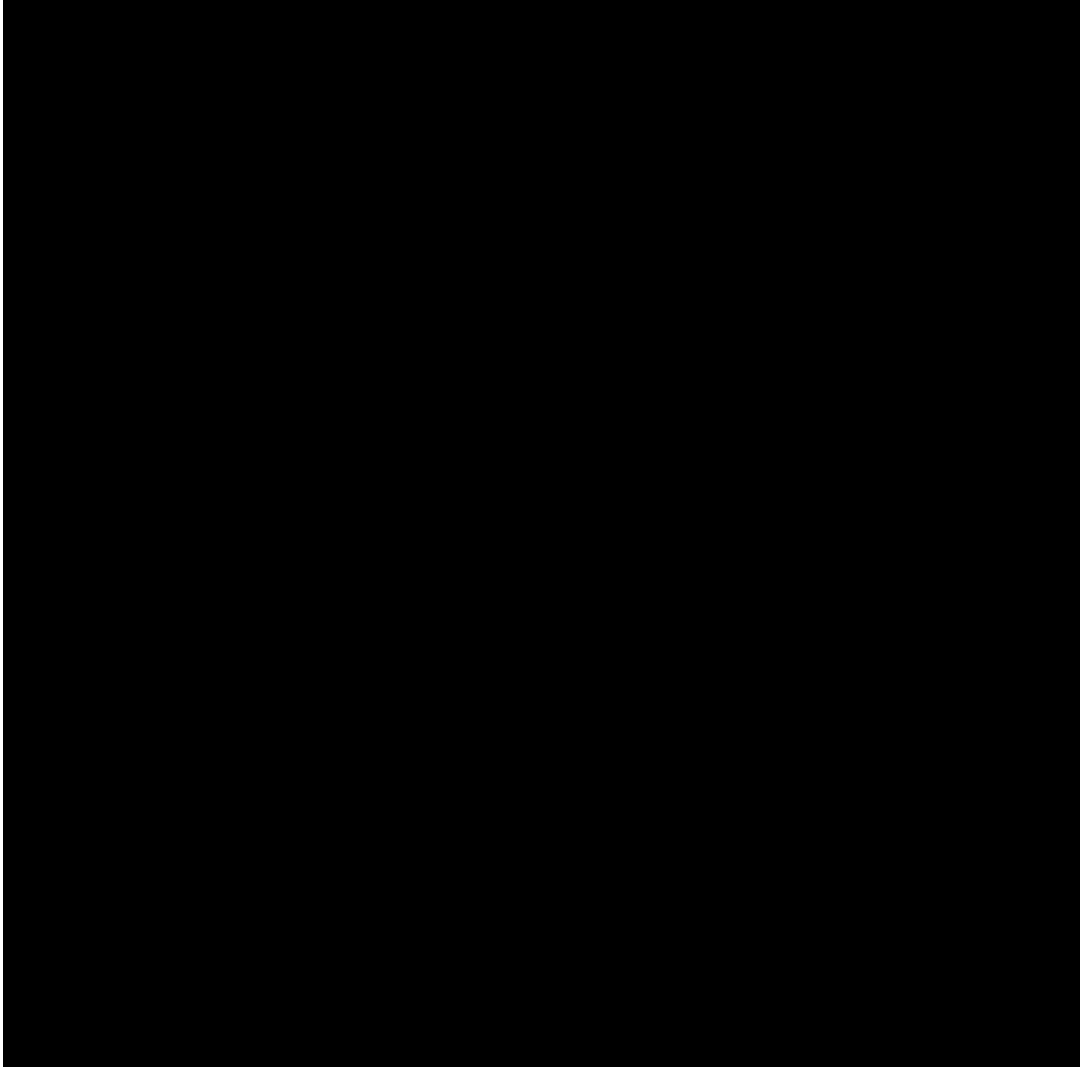
<u>Line</u>	<u>Description</u>	Avista Adjusted <u>Amount 1/</u> a	PC Adjusted <u>Amount 1/</u> b	<u>Difference</u> c=b-a	WA <u>Allocator 2/</u> d	PC Adjustment <u>Electric</u> e=c*d	PC Adjustment <u>Gas</u> f=c*d
1	Depreciation Expense - Electric Transmission	\$ 8,233,982	\$ 6,821,983	\$ (1,411,999)	64.59%	\$ (912,010)	
2	Depreciation Expense - Electric Distribution	\$ 14,781,408	\$ 12,583,526	\$ (2,197,882)	100.00%	\$ (2,197,882)	
3	Total Electric Depreciation Adj.					\$ (3,109,892)	
4	Depreciation Expense - Gas Distribution	\$ 7,976,709	\$ 6,167,980	\$ (1,808,729)	67.32%		\$ (1,217,564)
5	Total Expense Adjustment - Pre Tax					\$ (3,109,892)	\$ (1,217,564)
6	Tax Rate		34.00%				
7	Tax Effect (L. 5 * L. 6)					\$ 1,057,363	\$ 413,972
8	Adjustment - Post Tax (L. 5+ L. 7)					\$ (2,052,529)	\$ (803,592)
9	Revenue Conversion Factor					1.583609	1.583262
10	Revenue Requirement (L. 8 * L. 9)					\$ (3,250,403)	\$ (1,272,297)
<u>Rate Base Adjustment</u>							
9	Adj. to Accum. Deprec. @ 50% of Dep. Exp. (L. 5)					\$ (1,554,946)	\$ (608,782)
10	Total Adj. to Rate Base					\$ (1,554,946)	\$ (608,782)

Sources:

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

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

**PC ADJUSTMENT NO. 4(E)  
[BEGIN CONFIDENTIAL]**



**[END CONFIDENTIAL]**

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

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

**ADJUST NON-EXECUTIVE COMPENSATION**

<u>Line</u>	<u>Description</u>	<u>Washington Electric</u> Non-Exec 2007 to 2009 Pro Forma Increase		
		<u>Avista 1/</u>	<u>PC</u>	<u>Difference</u>
1	Total Production	631,545	630,048	(1,497)
2	Total Transmission	<u>181,602</u>	<u>180,731</u>	<u>(871)</u>
3	Total Production & Transmission	813,147	810,779	(2,368)
4	Total Distribution	618,681	618,238	(443)
5	Customer Accounts	274,928	273,692	(1,236)
6	Cust Service & Info	16,185	16,078	(107)
7	Sales & Marketing	24,115	23,954	(161)
8	Total Admin & General	<u>594,456</u>	<u>590,965</u>	<u>(3,491)</u>
9	Total WA Electric Expense	<u>2,341,512</u>	<u>2,333,706</u>	<u>(7,806)</u>
		<u>Washington Gas</u> Non-Exec 2007 to 2009 Pro Forma Increase		
		<u>Avista 1/</u>	<u>PC</u>	<u>Difference</u>
10	Total Production	24,314	24,151	(163)
11	Total Underground Storage	862	856	(6)
12	Total Distribution	280,206	280,096	(110)
13	Customer Accounts	160,039	159,323	(716)
14	Cust Service & Info	9,999	9,932	(67)
15	Sales & Marketing	14,807	14,709	(98)
16	Total Admin & General	<u>143,752</u>	<u>142,878</u>	<u>(874)</u>
17	Total WA Gas Expense	<u>633,979</u>	<u>631,945</u>	<u>(2,034)</u>
18	Total Expense Adjustment - Pre Tax		<u>Electric</u>	<u>Gas</u>
			\$ (7,806)	\$ (2,034)
19	Tax Rate	34.00%		
20	Tax Effect (L. 18 * L. 19)		<u>2,654</u>	<u>692</u>
21	Adjustment - Post Tax (L. 18 + L. 20)		<u>\$ (5,152)</u>	<u>\$ (1,342)</u>
22	Revenue Conversion Factor		1.58360886	1.58326186
23	Revenue Requirement (L. 21 * L. 22)		<u>\$ (8,159)</u>	<u>\$ (2,125)</u>

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

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

**ADJUST EXECUTIVE COMPENSATION**

<u>Line</u>	<u>Description</u>	<u>Washington Electric</u> Net 2009 Executive Pro Forma Adjustment		
		<u>Avista 1/</u>	<u>PC</u>	<u>Difference</u>
1	Total Production	38,142	32,407	(5,735)
2	Total Transmission	-	-	-
3	Total Production & Transmission	38,142	32,407	(5,735)
4	Total Distribution	-	-	-
5	Customer Accounts	-	-	-
6	Cust Service & Info	-	-	-
7	Sales & Marketing	-	-	-
8	Total Admin & General	208,309	(157,974)	(366,283)
9	Total WA Electric Expense	246,451	(125,567)	(372,018)
		<u>Washington Gas</u> Net 2009 Executive Pro Forma Adjustment		
		<u>Avista 1/</u>	<u>PC</u>	<u>Difference</u>
10	Total Production	12,029	10,228	(1,801)
11	Total Underground Storage	-	-	-
12	Total Distribution	-	-	-
13	Customer Accounts	-	-	-
14	Cust Service & Info	-	-	-
15	Sales & Marketing	-	-	-
16	Total Admin & General	54,294	(41,174)	(95,468)
17	Total WA Gas Expense	66,323	(30,946)	(97,269)
			<u>Electric</u>	<u>Gas</u>
18	Total Expense Adjustment - Pre Tax		\$ (372,018)	\$ (97,269)
19	Tax Rate	34.00%		
20	Tax Effect (L. 18 * L. 19)		126,486	33,071
21	Adjustment - Post Tax (L. 18 + L. 20)		\$ (245,532)	\$ (64,198)
22	Revenue Conversion Factor		1.583608863	1.58326186
23	Revenue Requirement (L. 21 * L. 22)		\$ (388,826)	\$ (101,642)

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

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

**REVERSE INCENTIVE ADJUSTMENT**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Company incentive adjustment related to 6-year average 1/	\$ 366,047	\$ 95,407
2	Total Expense Adjustment - Pre Tax	<u>\$ (366,047)</u>	<u>\$ (95,407)</u>
3	Tax Rate	34.00%	
4	Tax Effect (L. 2 * L. 3)	<u>124,456</u>	<u>32,438</u>
5	Adjustment - Post Tax (L. 2 + L. 4)	<u>\$ (241,591)</u>	<u>\$ (62,969)</u>
6	Revenue Conversion Factor	1.583608863	1.58326186
7	Revenue Requirement (L. 5 * L. 6)	<u>\$ (382,586)</u>	<u>\$ (99,696)</u>

1/ Andrews Workpaper, p. PF 13.2.

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

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

**REMOVE ADVERTISING EXPENSES**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Advertising expenses	\$ 27,912	\$ 30,080
2	Total Expense Adjustment - Pre Tax	<u>\$ (27,912)</u>	<u>\$ (30,080)</u>
3	Tax Rate	34.00%	
4	Tax Effect (L. 2 * L. 3)	<u>9,490</u>	<u>10,227</u>
5	Adjustment - Post Tax (L. 2 + L. 4)	<u>\$ 18,422</u>	<u>\$ 19,853</u>
6	Revenue Conversion Factor	1.58360886	1.58326186
7	Revenue Requirement (L. 5 * L. 6)	<u>\$ (29,173)</u>	<u>\$ (31,432)</u>

1/ See response to WUTC 43.



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

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

**REMOVE SPORTING AND ENTERTAINMENT EXPENSES**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Sporting and entertainment expenses 1/	\$ 105,365	\$ 65,200
2	Total Expense Adjustment - Pre Tax	<u>\$ (105,365)</u>	<u>\$ (65,200)</u>
3	Tax Rate	34.00%	
4	Tax Effect (L. 2 * L. 3)	<u>35,824</u>	<u>22,168</u>
5	Adjustment - Post Tax (L. 2 + L. 4)	<u><u>\$ (69,541)</u></u>	<u><u>\$ (43,032)</u></u>
6	Revenue Conversion Factor	1.58360886	1.58326186
7	Revenue Requirement (L. 5 * L. 6)	<u><u>\$ (110,125)</u></u>	<u><u>\$ (68,131)</u></u>

1/ See response to WUTC 43.

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

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

**REMOVE DUES AND MEMBERSHIP FEES**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Dues and membership fees related civic / charitable and Board of Directors' activities	\$ 152,331	\$ 37,530
2	Total Expense Adjustment - Pre Tax	\$ (152,331)	\$ (37,530)
3	Tax Rate	34.00%	
4	Tax Effect (L. 2 * L. 3)	51,793	12,760
5	Adjustment - Post Tax (L. 2 + L. 5)	\$ (100,539)	\$ (24,770)
6	Revenue Conversion Factor	1.58360886	1.58326186
7	Revenue Requirement (L. 5 * L. 6)	\$ (159,214)	\$ (39,217)

**AVISTA UTILITIES  
 TEST YEAR ENDING DECEMBER 31, 2007  
 PC ADJUSTMENT NOS. 11(E) AND 10(G)  
 REMOVE CHARITABLE CONTRIBUTIONS**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Allocated charitable contributions per PC DR 271	\$ 14,993	\$ 7,927
2	Total Expense Adjustment - Pre Tax	<u>\$ (14,993)</u>	<u>\$ (7,927)</u>
3	Tax Rate	34.00%	
4	Tax Effect (L. 2 * L. 3)	<u>5,098</u>	<u>2,695</u>
5	Adjustment - Post Tax (L. 2 + L. 4)	<u>\$ (9,895)</u>	<u>\$ (5,232)</u>
6	Revenue Conversion Factor	1.58360886	1.58326186
7	Revenue Requirement (L. 5 * L. 6)	<u>\$ (15,670)</u>	<u>\$ (8,283)</u>

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

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

**REMOVE EXPENSES RELATED TO SHAREHOLDERS' SERVICES**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	Expenses related to shareholders' services 1/	\$ 138,645	\$ 36,136
2	50 percent Board of Directors' Fees 1/	239,861	62,517
3	Total Expense Adjustment - Pre Tax	\$ (378,506)	\$ (98,654)
4	Tax Rate	34.00%	
5	Tax Effect (L. 3 * L. 4)	128,692	33,542
6	Adjustment - Post Tax (L. 3 + L. 5)	\$ (249,814)	\$ (65,112)
7	Revenue Conversion Factor	1.58360886	1.58326186
8	Revenue Requirement (L. 6 * L. 7)	\$ (395,607)	\$ (103,089)

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

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

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

**REMOVE PORTION OF D&O INSURANCE**

<u>Line</u>	<u>Description</u>	<u>Electric</u>	<u>Gas</u>
	<u>Expense Adjustment</u>		
1	D&O Insurance in WA revenue requirement 1/	\$ 777,256	\$ 202,584
2	Remove 50% shareholder portion	<u>(388,628)</u>	<u>(101,292)</u>
3	Total Expense Adjustment - Pre Tax	\$ (388,628)	\$ (101,292)
4	Tax Rate	34.00%	
5	Tax Effect (L. 3 * L. 4)	<u>132,134</u>	<u>34,439</u>
6	Adjustment - Post Tax (L. 3 + L. 5)	<u><u>\$ (256,494)</u></u>	<u><u>\$ (66,853)</u></u>
7	Revenue Conversion Factor	1.58360886	1.58326186
8	Revenue Requirement (L. 6 * L. 7)	<u><u>\$ (406,187)</u></u>	<u><u>\$ (105,845)</u></u>

1/ Avista response to PC 278.

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

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

**INTEREST SYNCHRONIZATION**

<u>Line</u>	<u>Description</u>	<u>Electric</u>		<u>Gas</u>	
		<u>Avista 1/</u>	<u>PC</u>	<u>Avista 1/</u>	<u>PC</u>
1	Net Rate Base	950,944	952,499	172,957	173,566
2	Weighted Cost of Debt	3.43%	3.50%	3.43%	3.50%
3	Proforma Interest (L. 1 * L. 2)	32,617	33,298	5,932	6,068
4	Interest Charged to Expense in Test Year	<u>40,080</u>	<u>40,080</u>	<u>6,825</u>	<u>6,825</u>
5	Change to Income (L. 4 - L. 3)	\$ 7,463	\$ 6,782	\$ 979 2/	\$ 757
6	Tax Rate	35.00%	34.00%	35.00%	34.00%
7	Tax Effect (L. 5 * L. 6)	\$ 2,612	\$ 2,306	\$ 342 2/	\$ 258
8	Difference - PC Adjustment to Income Tax		\$ (306)		\$ (84)

Sources:

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

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