



Rob McKenna
ATTORNEY GENERAL OF WASHINGTON

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November 24, 2008

VIA E-MAIL & ABC LEGAL MESSENGER

David W. Danner
Executive Director
Washington Utilities & Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: WUTC v. Avista Corporation d/b/a Avista Utilities
Docket No. UE-080416, UG-080417

Dear Mr. Danner:

Enclosed please find the original and one copy of the Redacted Revised Exhibit No. __ (MJM-9C) on behalf of Public Counsel and the Industrial Customers of Northwest Utilities (ICNU) in the above-referenced dockets.

Thank you for your assistance.

Sincerely,

Simon J. Ffitch
Senior Assistant Attorney General
Public Counsel Section
(206) 389-2055

SJf:cjw
Enclosures

cc: Service List (E-mail and Fed Exp Overnight)
Gregory Trautman and Michael Fassio (E-mail and ABC LMI)
ALJ Patricia Clark (E-mail only)

CERTIFICATE OF SERVICE
Docket Nos. UE-080416, UG-080417

I hereby certify that a true and correct copy of Redacted Exhibit No __ (MJM-9C) [Revised 11/21/08] and letter to David Danner have been sent to each of the parties of record shown on the attached Service List in sealed envelopes, via:

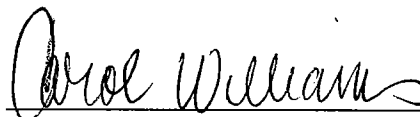
Federal Express (overnight)

Electronic Mail

ABC Legal Messenger to Gregory Trautman and Michael Fassio

UPS Two-Day Air

DATED: November 24, 2008.



Carol Williams

**Docket No. UE-080416, UG-080417
Avista GRC 2008**

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AVISTA GRC 2008

UE-080416 AND UG-080417

REVISED 11/21/08 EXHIBIT NO. ____ (MJM-9C)

REDACTED

ONLY PAGES 3 AND 12 ARE REDACTED

[REVISED 11/21/08]

Docket Nos. UE-080416 & UG-080417

Exhibit No. ___(MJM-9C)

Schedule 1(E)

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

<u>Line No.</u>	<u>Description</u>	<u>Avista</u> <u>a</u>	<u>PC</u> <u>b</u>	<u>Difference</u> <u>c=b-a</u>
1	Pro Forma Rate Base	\$ 950,944	\$ 937,231	\$ (13,713)
2	Proposed Rate of Return	8.43%	8.22%	
3	Net Operating Income Requirement	\$ 80,165	\$ 77,026	\$ (3,139)
4	Pro Forma Net Operating Income	\$ 57,393	\$ 61,339	\$ 3,946
5	Net Operating Income Deficiency	\$ 22,771	\$ 15,687	\$ (7,085)
6	Conversion Factor	0.6219013	0.63146906	
7	Revenue Requirement	\$ 36,616	\$ 24,841	\$ (11,775)
8	Total General Business Revenues	\$ 355,260	\$ 355,260	\$ -
9	Percentage Revenue Increase	10.31%	6.99%	

[REVISED 11/21/08]

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	\$ 173,500	\$ 543
2	Proposed Rate of Return	8.430%	8.22%	
3	Net Operating Income Requirement	\$ 14,580	\$ 14,259	\$ (321)
4	Pro Forma Net Operating Income	\$ 10,483	\$ 12,067	\$ 1,584
5	Net Operating Income Deficiency	\$ 4,098	\$ 2,192	\$ (1,906)
6	Conversion Factor	0.62203765	0.63160746	
7	Revenue Requirement	\$ 6,588	\$ 3,471	\$ (3,117)
8	Total General Business Revenues	\$ 197,946	\$ 197,946	\$ -
9	Percentage Revenue Increase	3.33%	1.75%	

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Docket Nos. UE-080416 & UG-080417
 Exhibit No. (MJM-9C)
 Schedule 2(E)
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CONFIDENTIAL PER PROTECTIVE ORDER IN WUTC DOCKETS
 UE-080416 AND UG-080417

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

Line No.	DESCRIPTION	1	2	3	4	5	6	7	8
		Reclassify COR Reg. Liab.	Income Tax	King Depreciation	Avista Pro Forma TOTAL	Non-Exec Comp.	Executive Comp.	Incentive	Advertising
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	(0)	-	-	-
14	Depreciation and Amortization	-	-	-	52,609	(3)	(366)	-	(28)
15	Taxes	-	-	-	26,478	-	-	-	-
16	Total Electric Expenses	-	-	-	342,158	(8)	(372)	(366)	(28)
17	OPERATING INCOME BEFORE FIT	-	-	-	68,993	8	372	366	28
FEDERAL INCOME TAX									
18	Current Accrual	-	(479)	-	5,103	3	126	124	9
19	Deferred Income Taxes	-	-	-	6,497	-	-	-	-
20	NET OPERATING INCOME	-	\$ 479	\$ 1,810	\$ 57,393	5	246	242	18
RATE BASE									
21	Plant in Service	-	\$	\$	\$ 1,746,221	-	-	-	-
22	Total Accum. Depreciation & Amort.	-	-	(1,371)	631,710	-	-	-	-
23	Gain on Sale of Building	-	-	-	(323)	-	-	-	-
24	Deferred Taxes	-	-	-	(163,244)	-	-	-	-
25	TOTAL RATE BASE	-	\$	\$ 1,371	\$ 950,944	-	-	-	-
26	Avista Rate of Return	8.43%	-	-	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)	\$	\$	(2,012)	-	-	-	-
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)	(3,185)	(8)	(389)	(383)	(29)

[BEGIN CONFIDENTIAL]

[END CONFIDENTIAL]

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

Line No.	DESCRIPTION	1	2	3	4	5	6	7	8	9	10
		Reclassify COB Reg. Liab.	Income Tax	King Depreciation	Non-Exec Comp.	Executive Comp.	Incentive	Advertising	Sporting Events	Dues & Membership Fees	Charitable Contributions
	REVENUES										
1	Total General Business	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2	Total Transportation										
3	Other Revenues										
4	Total Gas Revenues										
	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									
10	Underground Storage Operating Expenses				(0)	(2)					
11	Distribution Operating Expenses				(0)						
12	Customer Accounting				(1)						
13	Customer Service & Information				(0)						
14	Sales Expenses				(0)						
15	Admin. & General Operating Expenses				(1)	(95)		(30)	(65)	(38)	(8)
16	Depreciation			11,063							
17	Taxes										
18	Total Gas Expense	186,121		11,063	(2)	(97)	(95)	(30)	(65)	(38)	(8)
19	OPERATING INCOME BEFORE FIT	13,621			2	97	95	30	65	38	8
	FEDERAL INCOME TAX										
20	Current Accrual	4,611	(432)	3,955	1	33	32	10	22	13	3
21	Deferred FIT	(1,442)									
22	Amort ITC	(31)									
23	NET OPERATING INCOME	\$ 10,483	\$ 432	\$ 717	\$ 1	\$ 64	\$ 63	\$ 20	\$ 43	\$ 25	\$ 5
	RATE BASE										
24	Total Plant in Service	\$ 287,912	\$	\$	\$	\$	\$	\$	\$	\$	\$
25	Total Accum. Depreciation	101,566		(543)							
26	Deferred FIT	(29,164)									
27	Gas Inventory	15,874									
28	Gain on Sale of Building	(109)									
29	TOTAL RATE BASE	\$ 172,957	\$	\$ 543	\$	\$	\$	\$	\$	\$	\$
30	Avisia 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%
32	Rate Base Effect	(366)									
33	Revenue Conversion Factor	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)	(665)	(366)	(2)	(102)	(100)	(31)	(68)	(39)	(8)

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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
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
Underground Storage Operating Expenses						
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	-	-	-	(1,336)	6,309
17	Taxes	-	-	-	-	9,752
18	Total Gas Expense	(99)	(101)	-	(1,819)	184,562
OPERATING INCOME BEFORE FIT						
19	OPERATING INCOME BEFORE FIT	99	101	-	1,819	15,240
FEDERAL INCOME TAX						
20	Current Accrual	34	34	(84)	35	8,247
21	Deferred FIT	-	-	-	-	(1,442)
22	Amort ITC	-	-	-	-	(31)
23	NET OPERATING INCOME	65	67	84	1,884	12,067
RATE BASE						
24	Total Plant in Service	-	-	-	-	\$ 287,912
25	Total Accum. Depreciation	-	-	-	(543)	18,815
26	Deferred FIT	-	-	-	-	(29,164)
27	Gas Inventory	-	-	-	-	15,874
28	Gain on Sale of Building	-	-	-	-	(109)
29	TOTAL RATE BASE	-	-	-	543	\$ 173,500
30	Avista Rate of Return	8.22%	8.22%	8.22%	-	-
31	PC Recommended Rate of Return	-	-	-	-	-
32	Rate Base Effect	-	\$ -	\$ -	-	-
33	Revenue Conversion Factor	1.583262	1.583262	1.583262	-	-
34	Incremental Revenue Requirement	(103)	(106)	(133)	-	-

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

Electric System

Line No.	Description	Avista Factor	PC Factor
1	Revenues	1.000000	1.000000
	Expense:		
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	REVENUE CONVERSION FACTOR	<u><u>1.607972</u></u>	<u><u>1.583609</u></u>

Gas System

Line No.	Description	Avista Factor	PC Factor
1	Revenues	1.000000	1.000000
	Expense:		
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	0.956981	0.956981
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	REVENUE CONVERSION FACTOR	<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.

[REVISED 11/21/08]

AVISTA UTILITIES
 TEST YEAR ENDING DECEMBER 31, 2007

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

KING DEPRECIATION ADJUSTMENT

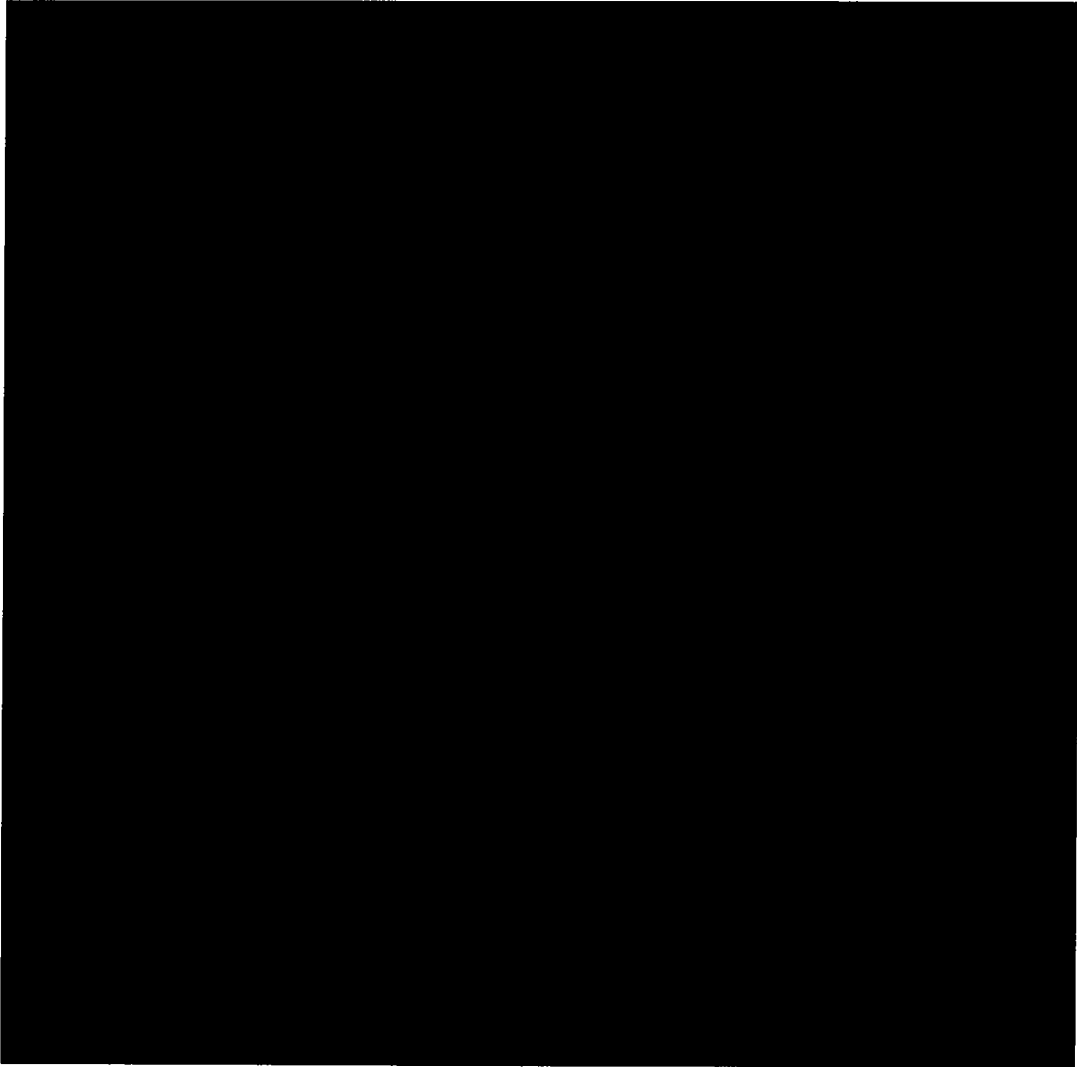
Line	Description	Avista Adjusted Amount 1/ a	PC Adjusted Amount 1/ b	Difference c=b-a	WA Allocator 2/ d	PC Adjustment Electric e=c*d	PC Adjustment Gas f=c*d
1	Depreciation Expense - Electric Transmission	\$ 8,233,982	\$ 6,881,601	\$ (1,352,381)	64.59%	\$ (873,503)	
2	Depreciation Expense - Electric Distribution	\$ 14,781,408	\$ 12,913,082	\$ (1,868,326)	100.00%	\$ (1,868,326)	
3	Total Electric Depreciation Adj.					\$ (2,741,829)	
4	Depreciation Expense - Gas Distribution	\$ 7,976,709	\$ 6,363,402	\$ (1,613,307)	67.32%		\$ (1,086,014)
5	Total Expense Adjustment - Pre Tax					\$ (2,741,829)	\$ (1,086,014)
6	Tax Rate		34.00%				
7	Tax Effect (L. 5 * L. 6)					\$ 932,222	\$ 389,245
8	Adjustment - Post Tax (L. 5+ L. 7)					\$ (1,809,607)	\$ (716,769)
9	Revenue Conversion Factor					1.583609	1.583262
10	Revenue Requirement (L. 8 * L. 9)					\$ (2,866,710)	\$ (1,134,833)
Rate Base Adjustment							
11	Adj. to Accum. Deprec. @ 50% of Dep. Exp. (L. 5)					\$ (1,370,914)	\$ (543,007)
12	Total Adj. to Rate Base					\$ (1,370,914)	\$ (543,007)

Sources:

- 1/ Exhibit CWK-4C, 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	2,341,512	2,333,706	(7,806)

	<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	633,979	631,945	(2,034)

	<u>Electric</u>	<u>Gas</u>
18 Total Expense Adjustment - Pre Tax	\$ (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>

1/ Response to WUTC Data Request No. 69.

**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>\$ (69,541)</u>	<u>\$ (43,032)</u>
6	Revenue Conversion Factor	1.58360886	1.58326186
7	Revenue Requirement (L. 5 * L. 6)	<u>\$ (110,125)</u>	<u>\$ (68,131)</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/	<u>239,861</u>	<u>62,517</u>
3	Total Expense Adjustment - Pre Tax	\$ (378,506)	\$ (98,654)
4	Tax Rate	34.00%	
5	Tax Effect (L. 3 * L. 4)	<u>128,692</u>	<u>33,542</u>
6	Adjustment - Post Tax (L. 3 + L. 5)	<u>\$ (249,814)</u>	<u>\$ (65,112)</u>
7	Revenue Conversion Factor	1.58360886	1.58326186
8	Revenue Requirement (L. 6 * L. 7)	<u>\$ (395,607)</u>	<u>\$ (103,089)</u>

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>\$ (256,494)</u>	<u>\$ (66,853)</u>
7	Revenue Conversion Factor	1.58360886	1.58326186
8	Revenue Requirement (L. 6 * L. 7)	<u>\$ (406,187)</u>	<u>\$ (105,845)</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	937,231	172,957	173,500
2	Weighted Cost of Debt	3.43%	3.50%	3.43%	3.50%
3	Proforma Interest (L. 1 * L. 2)	32,617	32,764	5,932	6,065
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	\$ 7,316	\$ 979 2/	\$ 760
6	Tax Rate	35.00%	34.00%	35.00%	34.00%
7	Tax Effect (L. 5 * L. 6)	\$ 2,612	\$ 2,487	\$ 342 2/	\$ 258
8	Difference - PC Adjustment to Income Tax		\$ (125)		\$ (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