

Exhibit No. \_\_\_ (KHB-3)  
Dockets UE-120436, et al.  
Witness: Kathryn H. Breda

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**AVISTA CORPORATION, d/b/a  
AVISTA UTILITIES,**

**Respondent.**

**DOCKETS UE-120436/UG-120437  
(consolidated)**

---

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**AVISTA CORPORATION d/b/a AVISTA  
UTILITIES,**

**Respondent.**

**DOCKETS UE-110876/UG-110877  
(consolidated)**

**EXHIBIT TO TESTIMONY OF**

**Kathryn H. Breda**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Staff Adjustment 1.04, Electric and Gas - Federal Income Tax Correction*

**September 19, 2012**

AVISTA UTILITIES  
 WASHINGTON ELECTRIC RESULTS  
 TWELVE MONTHS ENDED DECEMBER 31, 2011  
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	FIT Correction
	Adjustment Number	1.04
	REVENUES	
1	Total General Business	\$0
2	Interdepartmental Sales	-
3	Sales for Resale	-
4	Total Sales of Electricity	-
5	Other Revenue	-
6	Total Electric Revenue	-
	EXPENSES	
	Production and Transmission	
7	Operating Expenses	-
8	Purchased Power	-
9	Depreciation/Amortization	-
10	Regulatory Amortization	-
11	Taxes	-
12	Total Production & Transmission	-
	Distribution	
13	Operating Expenses	-
14	Depreciation/Amortization	-
15	Taxes	-
16	Total Distribution	-
17	Customer Accounting	-
18	Customer Service & Information	-
19	Sales Expenses	-
	Administrative & General	
20	Operating Expenses	-
21	Depreciation/Amortization	-
22	Taxes	-
23	Total Admin. & General	-
24	Total Electric Expenses	-
25	OPERATING INCOME BEFORE FIT	-
	FEDERAL INCOME TAX	
26	Current Accrual	(312)
27	Debt Interest	-
28	Deferred Income Taxes	(1,514)
29	Amortized ITC - Noxon	-
30	NET OPERATING INCOME	<u>\$1,826</u>
	RATE BASE	

This adjustment reflects corrections to federal income tax uncovered during discovery.

AVISTA UTILITIES  
WASHINGTON NATURAL GAS RESULTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	FIT Correction
	Adjustment Number	1.04
	REVENUES	
1	Total General Business	\$ -
2	Total Transportation	-
3	Other Revenues	-
4	Total Gas Revenues	<u>-</u>
	EXPENSES	
	Production Expenses	
5	City Gate Purchases	-
6	Purchased Gas Expense	-
7	Net Nat Gas Storage Trans	-
8	Total Production	<u>-</u>
	Underground Storage	
9	Operating Expenses	-
10	Depreciation/Amortization	-
11	Taxes	-
12	Total Underground Storage	<u>-</u>
	Distribution	
13	Operating Expenses	-
14	Depreciation/Amortization	-
15	Taxes	-
16	Total Distribution	<u>-</u>
17	Customer Accounting	-
18	Customer Service & Information	-
19	Sales Expenses	-
	Administrative & General	
20	Operating Expenses	-
21	Depreciation/Amortization	-
22	Regulatory Amortizations	-
23	Taxes	-
24	Total Admin. & General	<u>-</u>
25	Total Gas Expense	<u>-</u>
26	OPERATING INCOME BEFORE FIT	-
	FEDERAL INCOME TAX	
27	Current Accrual	(20)
28	Debt Interest	-
29	Deferred FIT	-
30	Amort ITC	<u>-</u>
31	NET OPERATING INCOME	<u>\$ 20</u>

This adjustment reflects corrections to federal income tax uncovered during discovery.

AVISTA UTILITIES  
 TWELVE MONTHS ENDED DECEMBER 31, 2011  
 (000'S OF DOLLARS)  
 Avista Response to Staff Data Request No. 390

	Electric		Natural Gas	
	Originally Filed	Revised	Originally Filed	Revised
<b><u>FIT Expense</u></b>				
Per Results	11,899	11,899	(591)	(591)
Adjustments:				
Injuries and Damages - Restate to Actual	(147)	(147)	18	18
Production Tax Credit Restatement	20	20		
Sch M - AFUDC (Not included in ROO in error)		(312)		(20)
Net Adjustment	(127)	(439)	18	(2)
Restated FIT Expense	11,772	11,460	(573)	(593)

	Electric		Natural Gas	
	Originally Filed	Revised	Originally Filed	Revised
<b><u>DFIT Expense</u></b>				
Per Results	11,779	11,779	5,719	5,719
Adjustments:				
Injuries and Damages - Restate to Actual	147	147	(18)	(18)
Prior Period True-Up			(10)	(10)
Removed Prior Period Adjustments (Included in ROO in error)		(1,514)		
Net Adjustment	147	(1,367)	(28)	(28)
Restated DFIT Expense	11,926	10,412	5,691	5,691

Note: There were no changes proposed to ITC, therefore, a reconciliation was not provided.