

Exhibit No. \_\_\_\_ (JH-2)  
Dockets UE-120436, et al.  
Witness: Joanna Huang

**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)**

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**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**

**Joanna Huang**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Electric Results of Operations and Revenue Requirement*

**September 19, 2012**

Avista Corporation  
**Electric - Results of Operations (Schedule 1.1)**  
 Twelve Months Ended December 31, 2011

(000's of Dollars)

Line No.	(a) DESCRIPTION	(b) Unadjusted Results	(c) Total Restating Adjustments	(d) Restated Results	(e) Total Pro Forma Adjustments	(f) Pro Forma Results at Present Rate	(g) Staff Proposed Before Attrition	(h) Total Staff Proposed After Attrition
	Source	EMA-2	Schedule 1.2	(b) + (c)	Schedule 1.3	(d) + (e)	Schedule 2.0, line 17	(f) + (g)
1	<b>RESULT OF OPERATIONS</b>							
2	REVENUES							
3	Total General Business	\$470,571	(\$16,286)	\$454,285	\$0	\$454,285	(\$20,378)	433,907
4	Interdepartmental Sales	820	-	820	-	820	-	820
5	Sales for Resale	76,991	-	76,991	(21,549)	55,442	-	55,442
6	Total Sales of Electricity	548,382	(16,286)	532,096	(21,549)	510,547	(20,378)	490,169
7	Other Revenue	130,741	(18)	130,723	(118,187)	12,536	-	12,536
8	Total Electric Revenue	679,123	(16,304)	662,819	(139,736)	523,083	(20,378)	502,705
9								
10	EXPENSES							
11	Production and Transmission							
12	Operating Expenses	252,926	(12,604)	240,322	(95,152)	145,170	-	145,170
13	Purchased Power	124,270	-	124,270	(39,243)	85,027	-	85,027
14	Depreciation and Amortization	25,349	(191)	25,158	(3,133)	22,025	-	22,025
15	Regulatory Amortization	403	5,701	6,104	-	6,104	-	6,104
16	Taxes	11,072	-	11,072	15	11,087	-	11,087
17	Total Production & Transmissi	414,020	(7,094)	406,926	(137,513)	269,413	-	269,413
18								
19	Distribution							
20	Operating Expenses	20,360	(1,279)	19,081	1,177	20,258	-	20,258
21	Depreciation	19,320	(80)	19,240	468	19,708	-	19,708
22	Taxes	38,604	(16,408)	22,196	28	22,224	(786)	21,438
23	Total Distribution	78,284	(17,767)	60,517	1,673	62,190	(786)	61,404
24								
25	Customer Accounting	9,960	319	10,279	546	10,825	(88)	10,737
26	Customer Service & Information	21,300	(20,111)	1,189	46	1,235	-	1,235
27	Sales Expenses	4	-	4	-	4	-	4
28	Total Customer	31,264	(19,792)	11,472	592	12,064	(88)	11,976
29	Administrative & General							
30	Operating Expenses	45,046	(1,223)	43,823	657	44,480	(41)	44,439
31	Depreciation	10,906	-	10,906	714	11,620	-	11,620
32	Taxes	-	-	-	1	1	-	1
33	Total Admin. & General	55,952	(1,223)	54,729	1,372	56,101	(41)	56,060
34								
35	Total Electric Expenses	579,520	(45,876)	533,644	(133,876)	399,768	(915)	398,853
36								
37	OPERATING INCOME BEFORE FIT	99,603	29,572	129,175	(5,860)	123,315	(19,463)	103,852
38								
39	FEDERAL INCOME TAX							
40	Current Accrual	11,899	5,369	17,268	(2,050)	15,218	(6,812)	8,406
41	Debt Interest	-	(526)	(526)	(47)	(573)	-	(573)
42	Deferred Income Taxes	11,779	3,109	14,888	-	14,888	-	14,888
43	Amortized Investment Tax Credit	(99)	(15)	(114)	-	(114)	-	(114)
44	Total Income Taxes	23,579	7,937	32,042	(2,097)	29,419	(6,812)	22,607
45								
46								
47	NET OPERATING INCOME	\$76,024	\$21,635	\$97,659	(\$3,763)	\$93,896	(12,651)	81,245
48								
49	<b>RATE BASE</b>							
50	PLANT IN SERVICE							
51	Intangible	\$84,081	-	\$84,081	\$0	\$84,081	-	84,081
52	Production	706,894	-	706,894	-	706,894	-	706,894
53	Transmission	328,012	-	328,012	5,415	333,427	-	333,427
54	Distribution	696,082	-	696,082	(896)	695,186	-	695,186
55	General	140,218	-	140,218	-	140,218	-	140,218
56	Total Plant in Service	1,955,287	-	1,955,287	4,519	1,959,806	-	1,959,806
57	Accumulated Depreciation	666,983	-	666,983	52	667,035	-	667,035
58	Accum. Provision for Amortization	-	-	-	-	-	-	-
59	Total Accum. Depreciation & Amc	666,983	-	666,983	52	667,035	-	667,035
60	Deferred Debits and Credits	18,867	(7,013)	11,854	-	11,854	-	11,854
61	Working Capital	18,188	3,744	21,932	-	21,932	-	21,932
62	Customer Deposits	-	-	-	-	-	-	-
63	Deferred FIT	(201,448)	285	(201,163)	(121)	(201,284)	-	(201,284)
64								
65								
66	TOTAL RATE BASE	1,123,911	(\$2,984)	\$1,120,927	\$4,346	\$1,125,273	-	\$1,125,273
67	RATE OF RETURN	6.76%		8.71%		8.34%		7.22%

Avista Corporation  
**Electric - Results of Operations (Schedule 1.2)**  
 Twelve Months Ended December 31, 2011

(000's of Dollars)

Line No.	(a) DESCRIPTION	(b) Total Restating Adjustments	(c) 1.01 Deferred FIT Rate Base	(d) 1.02 Deferred Debits and Credits	(e) 1.03 Working Capital	(f) 1.04 FIT Correction	(g) 2.01 Eliminate B & O Taxes	(h) 2.02 Uncollect. Expense	(i) 2.03 Regulatory Expense
<i>Source: Sum (c) thru (ah) + staff proposed</i>									
1	<b>RESULT OF OPERATIONS</b>								
2	REVENUES								
3	Total General Business	(\$16,286)	\$0				(\$16,360)		
4	Interdepartmental Sales	-	-	-	-	-	-	-	-
5	Sales for Resale	-	-	-	-	-	-	-	-
6	Total Sales of Electricity	(16,286)	-	-	-	-	(16,360)	-	-
7	Other Revenue	(18)	-	-	-	-	(\$18)	-	-
8	Total Electric Revenue	(16,304)	-	-	-	-	(16,378)	-	-
9	EXPENSES								
11	Production and Transmission								
12	Operating Expenses	(12,604)	-	176	-	-	-	-	-
13	Purchased Power	-	-	-	-	-	-	-	-
14	Depreciation and Amortization	(191)	-	(191)	-	-	-	-	-
15	Regulatory Amortization	5,701	-	-	-	-	-	-	-
16	Taxes	-	-	-	-	-	-	-	-
17	Total Production & Transmis	(7,094)	-	(15)	-	-	-	-	-
18	Distribution								
20	Operating Expenses	(1,279)	-	-	-	-	-	-	-
21	Depreciation	(80)	-	-	-	-	-	-	-
22	Taxes	(16,408)	-	-	-	-	(\$16,308)	-	-
23	Total Distribution	(17,767)	-	-	-	-	(16,308)	-	-
24	Customer Accounting	319	-	4	-	-	-	317	-
26	Customer Service & Information	(20,111)	-	-	-	-	-	-	-
27	Sales Expenses	-	-	-	-	-	-	-	-
28	Administrative & General								
30	Operating Expenses	(1,223)	-	131	-	-	-	-	48
31	Depreciation	-	-	-	-	-	-	-	-
32	Taxes	-	-	-	-	-	-	-	-
33	Total Admin. & General	(1,223)	-	131	-	-	-	-	48
34	Total Electric Expenses	(45,876)	-	120	-	-	(16,308)	317	48
35	OPERATING INCOME BEFORE FI	29,572	-	(120)	-	-	(70)	(317)	(48)
36	FEDERAL INCOME TAX								
39	Current Accrual	5,369	-	(109)	-	(312)	(25)	(111)	(17)
40	Debt Interest	(526)	(3)	76	(40)	-	-	-	-
41	Deferred Income Taxes	3,109	-	-	-	(1,514)	-	-	-
42	Amortized ITC	(15)	-	-	-	-	-	-	-
43	NET OPERATING INCOME	21,635	3	(87)	40	1,826	(45)	(206)	(31)
44	<b>RATE BASE</b>								
49	PLANT IN SERVICE								
50	Intangible	-	-	-	-	-	-	-	-
51	Production	-	-	-	-	-	-	-	-
52	Transmission	-	-	-	-	-	-	-	-
53	Distribution	-	-	-	-	-	-	-	-
54	General	-	-	-	-	-	-	-	-
55	Total Plant in Service	-	-	-	-	-	-	-	-
56	Accumulated Depreciation	-	-	-	-	-	-	-	-
57	Accum. Provision for Amortization	-	-	-	-	-	-	-	-
58	Total Accum. Depreciation & Ar	-	-	-	-	-	-	-	-
59	Gain on Sale of Building	-	-	-	-	-	-	-	-
60	Deferred Debits and Credits	(7,013)	-	(7,013)	-	-	-	-	-
61	Working Capital	3,744	-	-	3,744	-	-	-	-
62	Customer Deposits	-	-	-	-	-	-	-	-
63	Deferred FIT	285	285	-	-	-	-	-	-
64	<b>TOTAL RATE BASE</b>	(2,984)	285	(7,013)	3,744	-	-	-	-





Avista Corporation  
**Electric - Results of Operations (Schedule 1.3)**  
 Twelve Months Ended December 31, 2011

(000's of Dollars)

Line No.	(a) DESCRIPTION	(b) Total Pro Forma Adjustments	(c) 3.00 Pro Forma Power Supply	(d) 3.01 Pro Forma Transmission Rev/Exp	(e) 3.02 Pro Forma Labor NonExec	(f) 3.03 Pro Forma Labor Exec
1	Source: Sum (c) thru (f)					
1	<b>RESULT OF OPERATIONS</b>					
2	REVENUES					
3	Total General Business	\$0				
4	Interdepartmental Sales	\$0				
5	Sales for Resale	(21,549)	(21,549)	-	-	-
6	Total Sales of Electricity	(21,549)	(21,549)	-	-	-
7	Other Revenue	(118,187)	(118,125)	(62)	-	-
8	Total Electric Revenue	(139,736)	(139,674)	(62)	-	-
9						
10	EXPENSES					
11	Production and Transmission					
12	Operating Expenses	(95,152)	(97,488)	747	527	(48)
13	Purchased Power	(39,243)	(39,243)			
14	Depreciation and Amortization	(3,133)				
15	Regulatory Amortization	-				
16	Taxes	15				
17	Total Production & Transmission	(137,513)	(136,731)	747	527	(48)
18						
19	Distribution					
20	Operating Expenses	1,177			392	-
21	Depreciation	468				
22	Taxes	28				
23	Total Distribution	1,673			392	-
24						
25	Customer Accounting	546			173	-
26	Customer Service & Information	46			14	-
27	Sales Expenses	-				-
28						
29	Administrative & General					
30	Operating Expenses	657			392	(632)
31	Depreciation	714				
32	Taxes	1				
33	Total Admin. & General	1,372			392	(632)
34	Total Electric Expenses	(133,876)	(136,731)	747	1,498	(680)
35						
36	OPERATING INCOME BEFORE FIT	(5,860)	(2,943)	(809)	(1,498)	680
37						
38	FEDERAL INCOME TAX					
39	Current Accrual	(2,050)	(1,030)	(283)	(524)	238
40	Debt Interest	(47)	-	-	-	-
41	Deferred Income Taxes	-				
42	Amortized ITC	-				
43						
44						
45	NET OPERATING INCOME	(\$3,763)	(\$1,913)	(\$526)	(\$974)	\$442
46						
47	<b>RATE BASE</b>					
48	PLANT IN SERVICE					
49	Intangible	\$0				
50	Production	\$0				
51	Transmission	\$5,415				
52	Distribution	(\$896)				
53	General	\$0				
54	Total Plant in Service	\$4,519				
55	Accumulated Depreciation	\$52				
56	Accum. Provision for Amortization					
57	Total Accum. Depreciation & Amort.	\$52				
58	Gain on sale of Building					
59	Deferred Debits and Credits					
60	Working Capital					
61	Customer Deposits					
62	Deferred FIT	(\$121)				
63						
64	TOTAL RATE BASE	\$4,346	\$0	\$0	\$0	\$0

Avista Corporation  
**Electric - Results of Operations (Schedule 1.3)**  
 Twelve Months Ended December 31, 2011

Exhibit No. \_\_\_\_ (JH-2)  
 Dockets UE-120436 & UG-120437  
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(000's of Dollars)

Line No.	(a) DESCRIPTION	(g) 3.04 Pro Forma Employee Benefits	(h) 3.05 Pro Forma Insurance	(i) 3.06 Pro Forma Property Tax Adj	(j) 3.07 Restate 2011 Capital	3.08	3.09	(k) (m) Attrition Adjustment		
								Pro Forma Capital Addition	Smart Grid Disallowance	4.00 Planned Capital Addition 2012
1	<i>Source:</i>									
1	<b>RESULT OF OPERATIONS</b>									
2	REVENUES									
3	Total General Business									
4	Interdepartmental Sales									
5	Sales for Resale									
6	Total Sales of Electricity	-	-	-	-	-	-	-	-	-
7	Other Revenue	-	-	-	-	-	-	-	-	-
8	Total Electric Revenue	-	-	-	-	-	-	-	-	-
9										
10	EXPENSES									
11	Production and Transmission									
12	Operating Expenses	1,110	-	-	-	-	-	-	-	-
13	Purchased Power	-	-	-	-	-	-	-	-	-
14	Depreciation and Amortization	-	-	-	-	-	109	-	-	-
15	Regulatory Amortization	-	-	-	-	-	-	-	-	-
16	Taxes	-	-	15	-	-	-	-	-	-
17	Total Production & Transmission	1,110	-	15	-	-	109	-	-	-
18										
19	Distribution									
20	Operating Expenses	785	-	-	-	-	-	-	-	-
21	Depreciation	-	-	-	-	-	-	-	-	-
22	Taxes	-	-	28	-	-	-	-	-	-
23	Total Distribution	785	-	28	-	-	-	-	-	-
24										
25	Customer Accounting	373	-	-	-	-	-	-	-	-
26	Customer Service & Information	32	-	-	-	-	-	-	-	-
27	Sales Expenses	-	-	-	-	-	-	-	-	-
28										
29	Administrative & General									
30	Operating Expenses	999	(102)	-	-	-	-	-	-	-
31	Depreciation	-	-	-	-	-	-	-	-	-
32	Taxes	-	-	1	-	-	-	-	-	-
33	Total Admin. & General	999	(102)	1	-	-	-	-	-	-
34	Total Electric Expenses	3,299	(102)	44	-	-	109	-	-	-
35										
36	OPERATING INCOME BEFORE FIT	(3,299)	102	(44)	-	-	(109)	-	-	-
37										
38	FEDERAL INCOME TAX									
39	Current Accrual	(1,155)	36	(15)	-	-	(38)	-	-	-
40	Debt Interest	-	-	-	-	-	(56)	9	-	-
41	Deferred Income Taxes	-	-	-	-	-	-	-	-	-
42	Amortized ITC	-	-	-	-	-	-	-	-	-
43										
44										
45	NET OPERATING INCOME	(\$2,144)	\$66	(\$29)	\$0	\$0	(\$15)	(\$9)	\$0	\$0
46										
47	<b>RATE BASE</b>									
48	PLANT IN SERVICE									
49	Intangible	-	-	-	\$0	-	-	-	\$0	\$0
50	Production	-	-	-	-	-	-	-	-	-
51	Transmission	-	-	-	-	-	5,415	-	-	-
52	Distribution	-	-	-	-	-	-	(896)	-	-
53	General	-	-	-	-	-	-	-	-	-
54	Total Plant in Service	-	-	-	-	-	5,415	(896)	-	-
55	Accumulated Depreciation	-	-	-	-	-	140	(88)	-	-
56	Accum. Provision for Amortization	-	-	-	-	-	-	-	-	-
57	Total Accum. Depreciation & Amort.	-	-	-	-	-	140	(88)	-	-
58	Gain on sale of Building	-	-	-	-	-	-	-	-	-
59	Deferred Debits and Credits	-	-	-	-	-	-	-	-	-
60	Working Capital	-	-	-	-	-	-	-	-	-
61	Customer Deposits	-	-	-	-	-	-	(88)	-	-
62	Deferred FIT	-	-	-	-	-	(102)	(19)	-	-
63										
64	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$5,173	(\$827)	\$0	\$0

Avista Corporation  
**Electric - Results of Operations (Schedule 1.3)**  
 Twelve Months Ended December 31, 2011

		(000's of Dollars)				
Line No.	DESCRIPTION	(a)				
		(n)				
		Attrition Adjustment				
		4.02	4.03	4.04	4.05	4.06
		DSM	Other	Retail Revenue Credit	Depreciation Study	O & M Offsets
1	<b>RESULT OF OPERATIONS</b>					
2	REVENUES					
3	Total General Business					
4	Interdepartmental Sales					
5	Sales for Resale					
6	Total Sales of Electricity					
7	Other Revenue					
8	Total Electric Revenue					
9						
10	EXPENSES					
11	Production and Transmission					
12	Operating Expenses			-		-
13	Purchased Power			-		
14	Depreciation and Amortization				(3,242)	
15	Regulatory Amortization					
16	Taxes					
17	Total Production & Transmission	-	-	-	(3,242)	-
18						
19	Distribution					
20	Operating Expenses					
21	Depreciation				468	
22	Taxes					
23	Total Distribution	-	-	-	468	-
24						
25	Customer Accounting					
26	Customer Service & Information					
27	Sales Expenses					
28						
29	Administrative & General					
30	Operating Expenses	-	-	-		-
31	Depreciation				714	
32	Taxes					
33	Total Admin. & General	-	-	-	714	-
34	Total Electric Expenses	-	-	-	(2,060)	-
35						
36	OPERATING INCOME BEFORE FIT	-	-	-	2,060	-
37						
38	FEDERAL INCOME TAX					
39	Current Accrual				721	
40	Debt Interest					
41	Deferred Income Taxes					
42	Amortized ITC					
43						
44						
45	NET OPERATING INCOME	\$0	\$0	\$0	1,339	\$0
46						
47	<b>RATE BASE</b>					
48	PLANT IN SERVICE					
49	Intangible					
50	Production					
51	Transmission					
52	Distribution					
53	General					
54	Total Plant in Service	-	-	-	-	-
55	Accumulated Depreciation					
56	Accum. Provision for Amortization					
57	Total Accum. Depreciation & Amort.	-	-	-	-	-
58	Gain on sale of Building					
59	Deferred Debits and Credits					
60	Working Capital					
61	Customer Deposits					
62	Deferred FIT					
63						
64	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0



**Avista Corporation**  
**Electric - Summary of Adjustments (Schedule 1.4)**  
**Twelve Months Ended December 31, 2011 (AMA)**

Exhibit No. \_\_\_\_ (XXX-2)  
(000's of Dollars)

Line No.		(b)		(c)		(d)		(e)		(f)		(h)
		NOI	Net Rate Base	NOI	Rate Base	RR Impact	NOI	Rate Base	NOI	Rate Base	Staff / Settlement Adjusted Rate Base	
Restating Adjustments												
1	Deferred FIT Rate Base	3	285	(5)	38	33	3	285	(5)	38	33	-
2	Deferred Debits and Credits	(84)	(7,013)	135	(932)	(797)	(87)	(7,013)	140	(797)	140	5
3	Working Capital	142	13,689	(229)	1,819	1,590	40	3,744	(64)	488	433	(1,157)
4	FIT Correction						1,828		(2,941)		72	(2,941)
5	Eliminate B & O Taxes	(46)		74		74	(46)				332	(2)
6	Uncollected Expense	(206)		332		332	(206)				50	
7	Regulatory Expense	(31)		50		50	(31)				240	
8	Injuries and Damages	150		(242)		(242)	149				8	2
9	FIT/DFIT/TC/PTC EXPENSE	(5)		8		8	(5)				(13,389)	
10	Eliminate WA Power Cost Defer	8,312		(13,389)		(13,389)	8,312				14	
11	Net Perce Settlement Adjustment	(9)		14		14	(9)				(2)	
12	Eliminate A/R Expense	1		(2)		(2)	1				(5)	
13	Office Space Charges to Subsidiaries	3		(5)		(5)	3				(108)	
14	Restate Excise Taxes	67		(108)		(108)	67				(16,295)	
15	Restate Excise Taxes	67		(108)		(108)	67				(309)	
16	Net Gain / Losses	10,116		(16,295)		(16,295)	52				(84)	
17	Revenue Normalization			(95)		(95)	192				(309)	(214)
18	Misc Restating	59		(892)		(892)	831				(1,339)	(446)
19	PCB Transformer restating	554		(784)		(784)	831				255	(530)
20	Restating Incentives Adj	(487)		784		784	(487)				1,142	
21	Colstrip / CS2 Maintenance	(638)		1,028		1,028	(709)				142	114
22	Restate Debt Interest	126		(203)		(203)	559				(600)	(687)
23	Restate Non-Recurring Expense						734				(1,182)	(1,182)
24	Total Restating Adjustments	18,079	8,861	(28,121)	925	(28,196)	21,635	(2,884)	(34,349)	(397)	(35,246)	(7,046)
25												
26	Restated	94,103	1,130,872	(151,579)	150,280	(1,299)	97,660	1,120,927	(157,307)	148,959	149,355	(8,346)
27												
28												
29	Pro Forma Adjustments											
30	Power Supply	(5,238)		8,437		8,437	(1,913)		3,081		3,081	(5,356)
31	Transmission Rev/Exp	(526)		847		847	(526)		847		847	
32	Labor NonExec	(1,370)		2,207		2,207	(975)		1,571		1,571	(696)
33	Labor Exec	8		(13)		(13)	442		(712)		(712)	
34	Employee Benefits	(2,144)		3,453		3,453	(2,144)		3,453		3,453	(699)
35	Insurance	66		(106)		(106)	66		(106)		(106)	
36	Prod Property Adj	(1,303)		2,099		2,099	(29)		47		47	(2,052)
37	Restate 2011 Capital	(779)		1,255		4,108	(15)	5,173	24		24	(5,363)
38	Pro Forma Capital Addition						(9)		14		14	
39	Smart Grid Disallowance	(3,968)		6,392		14,824						(14,824)
40	Capital Additions 2012	(1,098)		1,759		1,421						(1,421)
41	Capital Additions 2013	(2,585)		4,164		4,164						(4,164)
42	DSM	(65)		105		105						(105)
43	Other	(2,255)		3,632		3,632						(3,632)
44	Retail Revenue Credit	1,944		(3,131)		(3,131)	1,339		(2,157)		(2,157)	
45	Depreciation Study	634		(1,021)		(1,021)						1,021
46	O & M Offsets											
47	Total Restating Adjustments	(19,679)	91,753	30,098	12,193	42,281	(3,761)	5,173	6,053	687	675	(35,530)
48												
49	Pro Forma Results	75,424	1,222,625	(121,491)	162,473	40,882	93,699	1,126,100	(151,244)	149,646	149,355	(42,578)
50												
51												
52	Revenue Requirement											(18,780)
53												(61,355)
54												(61,355)
55												

Avista Filed Capital Structure		Staff Adjusted Capital Structure	
Percent of Total	Cost	Percent of Total	Weighted Cost
51.60%	5,760%	54.00%	5.700%
48.40%	10.900%	46.00%	0.00%
100.00%	8.25%	100.00%	9.000%
			7.22%

**Revenue Requirement Impact of adjustments based on company filed Weighted Cost of Capital**  
**\*\* Pro Forma Debt is computed using Staff proposed debt rates and Staff Pro Forma Rate Base**

Impact of Δ in Weighted COC: 93,699; 1,126,100; (151,244); 149,646; (42,578); (18,780); (20,378); (61,355); (61,355)

(000's of Dollars)

Line No.			At Pro Forma Results
1	<b>Revenue Requirement Computation</b>		
2			
3			
4			
5			
6			
7	<b>Total Pro Forma Average Rate Base</b>		\$ 1,125,273
8	<b>Weighted Cost of Capital</b>		7.22%
9	<b>Operating Income Requirement</b>	Ln 7 x Ln 8	<u>81,245</u>
10			
11	<b>Pro Forma Net Operating Income (Loss)</b>		\$93,896
12			
13	<b>Operating Income Deficiency</b>	Ln 9 - Ln 11	(12,651)
14			
15	<b>Revenue Conversion Factor</b>		62.0820%
16			
17	<b>Additional Revenue Requirement</b>	Ln 13 / Ln 15	<u>(20,378)</u>
18			
19	<b>Amount filed</b>		<u>40,982</u>
20	<b>Difference</b>	Ln 17 - Ln 19	<u><u>(61,360)</u></u>
21			
22			
23			
24			
25			
26			
27			
28			

(000's of Dollars)

**Line  
 No.**

**Revenue Conversion Factor Computation**

1			
2			
3			
4	<b>Revenues</b>		100.0000%
5			
6	<b>WUTC Regulatory Fee</b>		0.2000%
7	<b>Utility Revenue Tax</b>		3.8562%
8	<b>Uncollectibles</b>		0.4338%
9	<b>Total Revenue Sensitive Items</b>	Ln 6 thru 8	<u>4.4900%</u>
10			
11	<b>Net Operating Income before FIT</b>	Ln 4 - Ln 9	95.5100%
12			
13	<b>Effective Income Tax Rate at 35%</b>	35% x Ln 11	<u>33.4285%</u>
14	<b>Total adjustments</b>	Ln 9 + Ln 13	<u>37.9185%</u>
15			
16	<b>Revenue Conversion Factor</b>	1 - (Ln 14 / Ln 4)	<u>62.0820%</u>
17			
18			
19			
20			
21			

(000's of Dollars)

**Line  
 No.**

**Pro Forma Cost of Capital**

**Weighted Cost of Capital**

1  
 2  
 3  
 4  
 5  
 6  
 7  
 8  
 9  
 10  
 11  
 12  
 13  
 14  
 15  
 16  
 17  
 18  
 19  
 20  
 21

	Percent of Total	Cost	Weighted Cost
<b>Total Debt</b>	54.00%	5.700%	3.08%
<b>Preferred Trust</b>	0.00%	0.000%	0.00%
<b>Common</b>	46.00%	9.000%	4.14%
<b>Total</b>	<u>100.0%</u>		<u>7.22%</u>