

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	\$ 937,415	\$ (13,529)
2	Proposed Rate of Return	<u>8.43%</u>	<u>8.22%</u>	
3	Net Operating Income Requirement	\$ 80,165	\$ 77,041	\$ (3,123)
4	Pro Forma Net Operating Income	<u>\$ 57,393</u>	<u>\$ 61,585</u>	<u>\$ 4,191</u>
5	Net Operating Income Deficiency	\$ 22,771	\$ 15,457	\$ (7,315)
6	Conversion Factor	0.6219013	0.63146906	
7	Revenue Requirement	\$ 36,616	\$ 24,477	\$ (12,139)
8	Total General Business Revenues	\$ 355,260	\$ 355,260	\$ -
9	Percentage Revenue Increase	<u>10.31%</u>	<u>6.89%</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	\$ 6,588	\$ 3,341	\$ (3,247)
8	Total General Business Revenues	\$ 197,946	\$ 197,946	\$ -
9	Percentage Revenue Increase	<u>3.33%</u>	<u>1.69%</u>	

CONFIDENTIAL-PER-PROTECTIVE-ORDER-IN-WUTC-DOCKETS-
 UE-080416-AND-UG-080417
 REVISED 1/29/09

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	1 Reclassify COR Reg. Liab.	2 Income Tax	3 King Depreciation	4 [BEGIN-CONFIDENTIAL] CDA Settlement	5 Non-Exec Comp.	6 Executive Comp.	7 Incentive	8 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	-	-	(3,110)	(510)	(3)	(366)	(366)	(28)
15	Taxes	26,478	-	-	-	-	-	-	-	-
16	Total Electric Expenses	342,158	-	-	(3,110)	(510)	(8)	(372)	(366)	(28)
17	OPERATING INCOME BEFORE FIT	68,993	-	-	3,110	510	8	372	366	28
FEDERAL INCOME TAX										
18	Current Accrual	5,103	-	(479)	1,057	173	3	126	124	9
19	Deferred Income Taxes	6,497	-	-	-	-	-	-	-	-
20	NET OPERATING INCOME	\$ 57,393	\$ -	\$ 479	\$ 2,053	\$ 337	\$ 5	\$ 246	\$ 242	\$ 18
RATE BASE										
21	Plant in Service	\$ 1,746,221	\$ -	\$ -	\$ -	\$ (23,206)	\$ -	\$ -	\$ -	\$ -
22	Total Accum. Depreciation & Amort.	631,710	-	(1,555)	-	-	-	-	-	-
23	Gain on Sale of Building	(323)	-	-	-	-	-	-	-	-
24	Deferred Taxes	(163,244)	-	-	-	8,122	-	-	-	-
25	TOTAL RATE BASE	\$ 950,944	\$ -	\$ -	\$ 1,555	\$ (15,084)	\$ -	\$ -	\$ -	\$ -
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%	8.22%
28	Rate Base Effect	(2,012)	\$ -	\$ -	\$ 128	\$ (1,240)	\$ -	\$ -	\$ -	\$ -
29	Revenue Conversion Factor	1.583609	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)	\$ (2,496)	\$ (8)	\$ (389)	\$ (383)	\$ (29)

[END-CONFIDENTIAL]

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	1	2	3	4	5	6	7	8	9	10
			Reclassify COR 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	\$ 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		-	(1,218)	(1)	(95)	(30)	(30)	(65)	(38)	(8)
16	Depreciation	7,417		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
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
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
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
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
FEDERAL INCOME TAX						
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
RATE BASE						
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	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)	(134)	-	-

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>1.607972</u>	<u>1.583609</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>1.607620</u>	<u>1.583262</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

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	\$ 6,821,983	\$ (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]
REMOVE PORTIONS OF CDA SETTLEMENT

<u>Line</u>	<u>Description</u>	<u>Electric</u>
	<u>Expense Adjustment</u>	
1	Company adjustment for amortization of deferral	\$ 510,032
3	Total Expense Adjustment - Pre Tax	<u>\$ (510,032)</u>
4	Tax Rate	34.00%
5	Tax Effect (L. 3 * L. 4)	<u>173,411</u>
6	Adjustment - Post Tax (L. 3 + L. 5)	<u>\$ (336,621)</u>
7	Revenue Conversion Factor	1.583608863
8	Revenue Requirement (L. 6 * L. 7)	<u>\$ (533,076)</u>
	Rate Base Adjustment	
9	Company adjustment to rate base	23,206,479
10	Company adjustment to deferred taxes	<u>(8,122,268)</u>
11	Total Company adjustment to rate base	<u>15,084,211</u>
12	PC Rate Base Adjustment	(15,084,211)

Source:

Andrews Confidential workpapers, pp. PF 10.2 and PF 10.3.

[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) \$ (1,342)</u>
22	Revenue Conversion Factor	1.58360886 1.58326186
23	Revenue Requirement (L. 21 * L. 22)	<u>\$ (8,159) \$ (2,125)</u>

**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	937,415	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	32,771	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	\$ 7,309	\$ 979 2/	\$ 757
6	Tax Rate	35.00%	34.00%	35.00%	34.00%
7	Tax Effect (L. 5 * L. 6)	\$ 2,612	\$ 2,485	\$ 342 2/	\$ 258
8	Difference - PC Adjustment to Income Tax		\$ (127)		\$ (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