

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-080416

DOCKET NO. UG-080417

EXHIBIT NO. \_\_\_\_ (EMA-2)

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

REVISED 1/28/09

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

Line No.	DESCRIPTION	WITH PRESENT RATES			WITH PROPOSED RATES	
		Actual Per Results Report	Total Adjustments	Pro Forma Total	Proposed Revenues & Related Exp	Pro Forma Proposed Total
	a	b	c	d	e	f
<b>REVENUES</b>						
1	Total General Business	\$372,660	\$ (17,400)	\$355,260	\$36,617	\$391,877
2	Interdepartmental Sales	739		739		739
3	Sales for Resale	89,328	(42,480)	47,048		47,048
4	Total Sales of Electricity	462,927	(59,880)	403,047	36,617	439,664
5	Other Revenue	18,604	(10,500)	8,104		8,104
6	Total Electric Revenue	481,531	(70,380)	411,151	36,617	447,768
<b>EXPENSES</b>						
Production and Transmission						
7	Operating Expenses	148,644	(36,904)	111,740		111,740
8	Purchased Power	110,620	(21,501)	89,119		89,119
9	Depreciation and Amortization	22,020	8,170	30,190		30,190
10	Taxes	8,771	(147)	8,624		8,624
11	Total Production & Transmission	290,055	(50,382)	239,673	0	239,673
Distribution						
12	Operating Expenses	14,563	1,153	15,716		15,716
13	Depreciation	11,438	4,010	15,448		15,448
14	Taxes	30,938	(13,272)	17,666	1,414	19,080
15	Total Distribution	56,939	(8,109)	48,830	1,414	50,244
16	Customer Accounting	8,640	(773)	7,867	95	7,962
17	Customer Service & Information	7,472	(6,652)	820		820
18	Sales Expenses	682	24	706		706
Administrative & General						
19	Operating Expenses	35,912	1,191	37,103	73	37,176
20	Depreciation	6,739	232	6,971		6,971
21	Taxes		188	188		188
22	Total Admin. & General	42,651	1,611	44,262	73	44,335
23	Total Electric Expenses	406,439	(64,281)	342,158	1,582	343,740
24	OPERATING INCOME BEFORE FIT	75,092	(6,099)	68,993	35,035	104,028
FEDERAL INCOME TAX						
25	Current Accrual	9,917	(4,814)	5,103	12,262	17,365
26	Deferred Income Taxes	1,377	5,120	6,497		6,497
27	Amortized Investment Tax Credit					
28	SETTLEMENT EXCHANGE POWER					
29	NET OPERATING INCOME	\$63,798	(\$6,405)	\$57,393	\$22,773	\$80,166
RATE BASE						
PLANT IN SERVICE						
30	Intangible	\$20,632	\$24,774	\$45,406		\$45,406
31	Production	645,576	97,739	743,315		743,315
32	Transmission	259,532	34,962	294,494		294,494
33	Distribution	529,067	34,869	563,936		563,936
34	General	81,368	17,702	99,070		99,070
35	Total Plant in Service	1,536,175	210,046	1,746,221	0	1,746,221
36	ACCUMULATED DEPRECIATION	519,958	50,344	570,302		570,302
37	ACCUM. PROVISION FOR AMORTIZATION	6,349	55,059	61,408		61,408
38	Total Accum. Depreciation & Amort.	526,307	105,403	631,710	0	631,710
39	GAIN ON SALE OF BUILDING		(323)	(323)		(323)
40	DEFERRED TAXES		(163,244)	(163,244)		(163,244)
41	TOTAL RATE BASE	\$1,009,868	(\$58,924)	\$950,944	\$0	\$950,944
42	RATE OF RETURN	6.32%		6.04%		8.43%

**AVISTA UTILITIES**  
**Calculation of General Revenue Requirement**  
**Washington - Electric System**  
**TWELVE MONTHS ENDED DECEMBER 31, 2007**

Line No.	Description	(000's of Dollars)
1	Pro Forma Rate Base	\$950,944
2	Proposed Rate of Return	<u>8.43%</u>
3	Net Operating Income Requirement	\$80,165
4	Pro Forma Net Operating Income	<u>\$57,393</u>
5	Net Operating Income Deficiency	\$22,772
6	Conversion Factor	0.62190134
7	Revenue Requirement	<b>\$36,617</b>
8	Total General Business Revenues	\$355,999
9	Percentage Revenue Increase	<u><u>10.29%</u></u>

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

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

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

Line No.	DESCRIPTION	Per Results Report	Deferred FIT Rate Base	Deferred Gain on Office Building	Colstrip 3 AFUDC Elimination	Colstrip Common AFUDC	Kettle Falls Disallow.	Customer Advances
	a	b	c	d	e	f	g	h
REVENUES								
1	Total General Business	\$372,660						
2	Interdepartmental Sales	739						
3	Sales for Resale	89,528						
4	Total Sales of Electricity	462,927	0	0	0	0	0	0
5	Other Revenue	18,604						
6	Total Electric Revenue	481,531	0	0	0	0	0	0
EXPENSES								
Production and Transmission								
7	Operating Expenses	148,644						
8	Purchased Power	110,620						
9	Depreciation and Amortization	22,020			(225)			
10	Taxes	8,771						
11	Total Production & Transmission	290,055	0	0	(225)	0	0	0
Distribution								
12	Operating Expenses	14,563						
13	Depreciation	11,438						
14	Taxes	30,938						
15	Total Distribution	56,939	0	0	0	0	0	0
16	Customer Accounting	8,640						
17	Customer Service & Information	7,472						
18	Sales Expenses	682						
Administrative & General								
19	Operating Expenses	35,912						
20	Depreciation	6,739						
21	Taxes							
22	Total Admin. & General	42,651	0	0	0	0	0	0
23	Total Electric Expenses	406,439	0	0	(225)	0	0	0
24	OPERATING INCOME BEFORE FIT	75,092	0	0	225	0	0	0
FEDERAL INCOME TAX								
25	Current Accrual	9,917						
26	Deferred Income Taxes	1,377					56	
27	NET OPERATING INCOME	\$63,798	\$0	\$0	\$225	\$0	(\$56)	\$0
RATE BASE								
PLANT IN SERVICE								
28	Intangible	\$20,632						
29	Production	645,576			(7,452)	460	(5,248)	
30	Transmission	259,532						
31	Distribution	529,067						(258)
32	General	81,368						
33	Total Plant in Service	1,536,175	0	0	(7,452)	460	(5,248)	(258)
34	ACCUMULATED DEPRECIATION	519,958			(5,110)		(3,695)	
25	ACCUM. PROVISION FOR AMORTIZATION	6,349						
36	Total Accum. Depreciation & Amort.	526,307	0	0	(5,110)	0	(3,695)	0
37	GAIN ON SALE OF BUILDING			(323)				
38	DEFERRED TAXES		(139,033)	113			640	
39	TOTAL RATE BASE	\$1,009,868	(\$139,033)	(\$210)	(\$2,342)	\$460	(\$913)	(\$258)
40	RATE OF RETURN	6.32%						

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

Line No.	DESCRIPTION	Depreciation True-up	Settlement Exchange Power	Subtotal Actual	Eliminate B & O Taxes	Property Tax	Uncollect. Expense	Regulatory Expense
	a	i	j	-	k	l	m	n
<b>REVENUES</b>								
1	Total General Business			\$372,660	\$(12,625)			
2	Interdepartmental Sales			739				
3	Sales for Resale			89,528				
4	Total Sales of Electricity	0	0	462,927	(12,625)	0	0	0
5	Other Revenue			18,604	(17)			
6	Total Electric Revenue	0	0	481,531	(12,642)	0	0	0
<b>EXPENSES</b>								
Production and Transmission								
7	Operating Expenses			148,644				
8	Purchased Power			110,620				
9	Depreciation and Amortization	(2,782)		19,013				
10	Taxes			8,771		(452)		
11	Total Production & Transmission	(2,782)	0	287,048	0	(452)	0	0
Distribution								
12	Operating Expenses			14,563				
13	Depreciation	3,344		14,782				
14	Taxes			30,938	(12,613)	(818)		
15	Total Distribution	3,344	0	60,283	(12,613)	(818)	0	0
16	Customer Accounting			8,640			(107)	
17	Customer Service & Information			7,472				
18	Sales Expenses			682				
Administrative & General								
19	Operating Expenses			35,912				19
20	Depreciation	(888)		5,851				
21	Taxes					(9)		
22	Total Admin. & General	(888)	0	41,763	0	(9)	0	19
23	Total Electric Expenses	(326)	0	405,888	(12,613)	(1,279)	(107)	19
24	OPERATING INCOME BEFORE FIT	326	0	75,643	(29)	1,279	107	(19)
FEDERAL INCOME TAX								
25	Current Accrual	114		10,031	(10)	448	37	(7)
26	Deferred Income Taxes			1,433				
27	NET OPERATING INCOME	\$212	\$0	\$64,179	(\$19)	\$831	\$70	(\$12)
<b>RATE BASE</b>								
PLANT IN SERVICE								
28	Intangible			\$20,632				
29	Production		79,626	712,962				
30	Transmission			259,532				
31	Distribution			528,809				
32	General			81,368				
33	Total Plant in Service	0	79,626	1,603,303	0	0	0	0
34	ACCUMULATED DEPRECIATION			511,153				
25	ACCUM. PROVISION FOR AMORTIZATION		54,718	61,067				
36	Total Accum. Depreciation & Amort.	0	54,718	572,220	0	0	0	0
37	GAIN ON SALE OF BUILDING			(323)				
38	DEFERRED TAXES		(4,476)	(142,756)				
39	TOTAL RATE BASE	\$0	\$20,432	\$888,004	\$0	\$0	\$0	\$0
40	RATE OF RETURN			7.23%				

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

Line No.	DESCRIPTION	Injuries and Damages	FIT	Eliminate WA Power Cost Defer	Nez Perce Settlement Adjustment	Eliminate A/R Expenses	Office Space Charges to Subsidiaries	Restate Excise Taxes
	a	o	p	q	r	s	t	u
REVENUES								
1	Total General Business			\$ (32,418)				
2	Interdepartmental Sales							
3	Sales for Resale							
4	Total Sales of Electricity	0	0	(32,418)	0	0	0	0
5	Other Revenue							
6	Total Electric Revenue	0	0	(32,418)	0	0	0	0
EXPENSES								
Production and Transmission								
7	Operating Expenses			(14,658)	9			
8	Purchased Power							
9	Depreciation and Amortization							
10	Taxes							
11	Total Production & Transmission	0	0	(14,658)	9	0	0	0
Distribution								
12	Operating Expenses							
13	Depreciation							
14	Taxes			(1,251)				(50)
15	Total Distribution	0	0	(1,251)	0	0	0	(50)
16	Customer Accounting			(103)		(913)		
17	Customer Service & Information							
18	Sales Expenses							
Administrative & General								
19	Operating Expenses	(12)		(62)			(10)	
20	Depreciation							
21	Taxes							
22	Total Admin. & General	(12)	0	(62)	0	0	(10)	0
23	Total Electric Expenses	(12)	0	(16,074)	9	(913)	(10)	(50)
24	OPERATING INCOME BEFORE FIT	12	0	(16,344)	(9)	913	10	50
FEDERAL INCOME TAX								
25	Current Accrual	4	(83)	(10,851)	(3)	320	4	18
26	Deferred Income Taxes		(66)	5,130				
27	NET OPERATING INCOME	\$8	\$149	(\$10,623)	(\$6)	\$593	\$6	\$32
RATE BASE								
PLANT IN SERVICE								
28	Intangible							
29	Production							
30	Transmission							
31	Distribution							
32	General							
33	Total Plant in Service	0	0	0	0	0	0	0
34	ACCUMULATED DEPRECIATION							
35	ACCUM. PROVISION FOR AMORTIZATION							
36	Total Accum. Depreciation & Amort.	0	0	0	0	0	0	0
37	GAIN ON SALE OF BUILDING							
38	DEFERRED TAXES							
39	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
40	RATE OF RETURN							

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

Line No.	DESCRIPTION	Net Gains/losses	Revenue Normalization	Restate Debt Interest	Restated TOTAL	Pro Forma Power Supply	Pro Forma Prod Property Adj
	a	v	w	x	Y	PF1	PF2
<b>REVENUES</b>							
1	Total General Business		\$27,643		\$355,260		
2	Interdepartmental Sales				739		
3	Sales for Resale				89,528	(42,480)	
4	Total Sales of Electricity	0	27,643	0	445,527	(42,480)	0
5	Other Revenue		411		18,998	(8,435)	(1,595)
6	Total Electric Revenue	0	28,054	0	464,525	(50,915)	(1,595)
<b>EXPENSES</b>							
Production and Transmission							
7	Operating Expenses		11		134,006	(19,555)	(7,405)
8	Purchased Power				110,620	(21,501)	
9	Depreciation and Amortization		5,582		24,595		
10	Taxes				8,319		
11	Total Production & Transmission	0	5,593	0	277,540	(41,056)	(7,405)
Distribution							
12	Operating Expenses				14,563		
13	Depreciation	(105)			14,677		
14	Taxes		1,083		17,289		
15	Total Distribution	(105)	1,083	0	46,529	0	0
16	Customer Accounting		75		7,592		
17	Customer Service & Information		(6,668)		804		
18	Sales Expenses				682		
Administrative & General							
19	Operating Expenses		56		35,903		
20	Depreciation				5,851		
21	Taxes				(9)		
22	Total Admin. & General	0	56	0	41,745	0	0
23	Total Electric Expenses	(105)	139	0	374,892	(41,056)	(7,405)
24	OPERATING INCOME BEFORE FIT	105	27,915	0	89,633	(9,859)	5,810
FEDERAL INCOME TAX							
25	Current Accrual	37	9,770	2,612	12,327	(3,451)	2,034
26	Deferred Income Taxes				6,497		
27	NET OPERATING INCOME	\$68	\$18,145	(\$2,612)	\$70,809	(\$6,408)	\$3,776
<b>RATE BASE</b>							
PLANT IN SERVICE							
28	Intangible				\$20,632		
29	Production				712,962		(17,504)
30	Transmission				259,532		
31	Distribution				528,809		
32	General				81,368		
33	Total Plant in Service	0	0	0	1,603,303	0	(17,504)
34	ACCUMULATED DEPRECIATION				511,153		
25	ACCUM. PROVISION FOR AMORTIZATION				61,067		
36	Total Accum. Depreciation & Amort.	0	0	0	572,220	0	0
37	GAIN ON SALE OF BUILDING				(323)		
38	DEFERRED TAXES				(142,756)		
39	TOTAL RATE BASE	\$0	\$0	\$0	\$888,004	\$0	(\$17,504)
40	RATE OF RETURN				7.97%		



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

Line No.	DESCRIPTION	Pro Forma Labor Non-Exec PF3	Pro Forma Labor Exec PF4	Pro Forma Transmission Rev/Exp PF5	Pro Forma Capital Add 2007 PF6	Pro Forma Capital Add 2008 PF7	Pro Forma Asset Management PF8
REVENUES							
1	Total General Business						
2	Interdepartmental Sales						
3	Sales for Resale						
4	Total Sales of Electricity	0	0	0	0	0	0
5	Other Revenue			(864)			
6	Total Electric Revenue	0	0	(864)	0	0	0
EXPENSES							
Production and Transmission							
7	Operating Expenses	813	38	(114)			1,238
8	Purchased Power						
9	Depreciation and Amortization				431	476	
10	Taxes					305	
11	Total Production & Transmission	813	38	(114)	431	781	1,238
Distribution							
12	Operating Expenses	619					534
13	Depreciation				59	712	
14	Taxes					377	
15	Total Distribution	619	0	0	59	1,089	534
16	Customer Accounting	275					
17	Customer Service & Information	16					
18	Sales Expenses	24					
Administrative & General							
19	Operating Expenses	595	208				
20	Depreciation				42	1,078	
21	Taxes					197	
22	Total Admin. & General	595	208	0	42	1,275	0
23	Total Electric Expenses	2,342	246	(114)	532	3,145	1,772
24	OPERATING INCOME BEFORE FIT	(2,342)	(246)	(750)	(532)	(3,145)	(1,772)
FEDERAL INCOME TAX							
25	Current Accrual	(820)	(86)	(263)	(186)	(1,101)	(620)
26	Deferred Income Taxes						
27	NET OPERATING INCOME	(\$1,522)	(\$160)	(\$487)	(\$346)	(\$2,044)	(\$1,152)
RATE BASE							
PLANT IN SERVICE							
28	Intangible				\$542	\$1,931	
29	Production				6,805	12,771	
30	Transmission				27,156	7,806	
31	Distribution				9,658	25,469	
32	General				5,935	11,767	
33	Total Plant in Service	0	0	0	50,096	59,744	0
34	ACCUMULATED DEPRECIATION				14,227	44,922	
25	ACCUM. PROVISION FOR AMORTIZATION						
36	Total Accum. Depreciation & Amort.	0	0	0	14,227	44,922	0
37	GAIN ON SALE OF BUILDING						
38	DEFERRED TAXES				(3,060)	(7,530)	
39	TOTAL RATE BASE	\$0	\$0	\$0	\$32,809	\$7,292	\$0
40	RATE OF RETURN						

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

Line No.	DESCRIPTION	Pro Forma Spokane Rvr Relicensing	Pro Forma CDA Tribe Settlement	Pro Forma Montana Lease	Pro Forma Colstrip Mercury Eniss. O&M	Pro Forma Incentives	Pro Forma TOTAL
	a	PF09	PF10	PF11	PF12	PF13	PFT
<b>REVENUES</b>							
1	Total General Business						\$355,260
2	Interdepartmental Sales						739
3	Sales for Resale						47,048
4	Total Sales of Electricity	0	0	0	0	0	403,047
5	Other Revenue						8,104
6	Total Electric Revenue	0	0	0	0	0	411,151
<b>EXPENSES</b>							
Production and Transmission							
7	Operating Expenses	1,750			969		111,740
8	Purchased Power						89,119
9	Depreciation and Amortization	502	768	3,418			30,190
10	Taxes						8,624
11	Total Production & Transmission	2,252	768	3,418	969	0	239,673
Distribution							
12	Operating Expenses						15,716
13	Depreciation						15,448
14	Taxes						17,666
15	Total Distribution	0	0	0	0	0	48,830
16	Customer Accounting						7,867
17	Customer Service & Information						820
18	Sales Expenses						706
Administrative & General							
19	Operating Expenses					397	37,103
20	Depreciation						6,971
21	Taxes						188
22	Total Admin. & General	0	0	0	0	397	44,262
23	Total Electric Expenses	2,252	768	3,418	969	397	342,158
24	OPERATING INCOME BEFORE FIT	(2,252)	(768)	(3,418)	(969)	(397)	68,993
FEDERAL INCOME TAX							
25	Current Accrual	(788)	(269)	(1,196)	(339)	(139)	5,103
26	Deferred Income Taxes						6,497
27	NET OPERATING INCOME	(\$1,464)	(\$499)	(\$2,222)	(\$630)	(\$258)	\$57,393
<b>RATE BASE</b>							
PLANT IN SERVICE							
28	Intangible	\$22,301					\$45,406
29	Production		23,206	5,075			743,315
30	Transmission						294,494
31	Distribution						563,936
32	General						99,070
33	Total Plant in Service	22,301	23,206	5,075	0	0	1,746,221
34	ACCUMULATED DEPRECIATION						570,302
25	ACCUM. PROVISION FOR AMORTIZATION	341					61,408
36	Total Accum. Depreciation & Amort.	341	0	0	0	0	631,710
37	GAIN ON SALE OF BUILDING						(323)
38	DEFERRED TAXES		(8,122)	(1,776)			(163,244)
39	TOTAL RATE BASE	\$21,960	\$15,084	\$3,299	\$0	\$0	\$950,944
40	RATE OF RETURN						6.04%