

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-080416

DOCKET NO. UG-080417

EXHIBIT NO. ____ (TLK-2)

TARA L. KNOX

REPRESENTING AVISTA CORPORATION

Revised 1/28/09

AVISTA UTILITIES

Production Property Adjustment Calculation
Washington Electric
TWELVE MONTHS ENDED DECEMBER 31, 2007

Line No.	Column	Description of Adjustment	(000's)	Production/Transmission		
				Revenue	Expense	Rate Base
1	b	Per Results Report		104,996	290,055	593,535
2	c	Deferred FIT Rate Base			-	(83,855)
3	d	Deferred Gain on Office Building			-	
4	e	Colstrip 3 AFUDC Elimination		-	(225)	(2,342)
5	f	Colstrip Common AFUDC		-	-	460
6	g	Kettle Falls Disallow.		-	-	(913)
7	h	Customer Advances			-	
8	i	Depreciation True-up		-	(2,782)	-
9	j	Settlement Exchange Power		-	-	20,432
10		Actual		<u>104,996</u>	<u>287,048</u>	<u>527,317</u>
11	k	Eliminate B & O Taxes			-	
12	l	Property Tax			(452)	
13	m	Uncollect. Expense			-	
14	n	Regulatory Expense			-	
15	o	Injuries and Damages			-	
16	p	FIT			-	
17	q	Eliminate WA Power Cost Defer			(14,658)	
18	r	Nez Perce Settlement Adjustment			9	
19	s	Eliminate A/R Expenses			-	
20	t	Office Space Charges to Subsidiaries			-	
21	u	Restate Excise Taxes			-	
22	v	Net Gains/losses			-	
23	w	Revenue Normalization			5,593	
24	0	Misc Restating			-	
25	x	Restate Debt Interest			-	
26		Restated Total		<u>104,996</u>	<u>277,540</u>	<u>527,317</u>
27	PF1	Pro Forma Power Supply		(50,915)	(41,056)	-
28	PF2	Pro Forma Prod Property Adj				
29	PF3	Pro Forma Labor Non-Exec			813	
30	PF4	Pro Forma Labor Exec			38	
31	PF5	Pro Forma Transmission Rev/Exp		(864)	(114)	-
32	PF6	Pro Forma Capital Add 2007			431	22,857
33	PF7	Pro Forma Capital Add 2008			781	(6,476)
34	PF8	Pro Forma Asset Management			1,238	-
35	PF09	Pro Forma Spokane Rvr Relicensing			2,252	21,960
36	PF10	Pro Forma CDA Tribe Settlement			768	15,084
37	PF11	Pro Forma Montana Lease			3,418	3,299
38	PF12	Pro Forma Colstrip Mercury Emiss. O&M			969	-
39	PF13	Pro Forma Incentives			-	
40		Pro Forma Total		<u>53,217</u>	<u>247,078</u>	<u>584,041</u>
41		2009 WA Retail Load in Power Supply	5,580,783			
42		2007 WA Normalized Retail Load	5,413,524			
43		Production Factor	0.970029			
44		2007 Production/Transmission Costs		\$51,622	\$239,673	\$566,537
45		Production Property Adjustment		(\$1,595)	(\$7,405)	(\$17,504)

Proposed Production and Transmission Revenue Requirement
Calculation of Proposed Retail Revenue Credit Rate

		2007	2009	Debt Cost	
1	Prod/Trans	Pro Forma Rate Base	\$566,537	\$584,041	
2		Proposed Rate of Return	8.430%	8.430%	3.43%
3	Rate Base	Net Operating Income Requirement	\$47,759	\$49,235	
4	Tax Effect	Net Operating Income Requirement (Rate Base x Debt Cost x -35%)	(\$6,801)	(\$7,011)	
5	Net Expense	Net Operating Income Requirement (Expense - Revenue)	\$188,051	\$193,861	
6	Tax Effect	Net Operating Income Requirement (Net Expense x -.35%)	(\$65,818)	(\$67,851)	
7	Total Prod/Trans	Net Operating Income Requirement	\$163,191	\$168,233	
8	1 - Tax Rate	Conversion Factor (Excl. Rev. Rel. Exp.)	0.65	0.65	
9	Prod/Trans	Revenue Requirement	\$251,063	\$258,820	\$7,757
10	Prod/Trans Rev Requirement per kWh		\$ 0.04638	\$ 0.04638	7,757