**AVISTA CORP.**

### RESPONSE TO REQUEST FOR INFORMATION

# JURISDICTION: WASHINGTON DATE PREPARED: 06/27/2012

# CASE NO: UE-120436 & UG-120437 WITNESS: Elizabeth Andrews

# REQUESTER: Public Counsel RESPONDER: Jennifer McCauley/Jeanne Pluth

# TYPE: Data Request DEPT: Corporate Accounting/State

& Federal Regulation

# REQUEST NO.: PC – 152-Revised TELEPHONE: (509) 495-2303/2204

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**REQUEST:**

Please provide total Avista consolidated, Avista electric operation’s and Avista gas operation’s stand alone federal income tax expense calculations for calendar years 2010 and 2011 (estimated if actual not yet available.) Provide a calculation that begins with net income as reported within public financial statements, adds/subtracts permanent and timing differences to arrive at current federal taxable income used in determining *current* federal income tax expense. For each book and tax difference, describe the difference, provide the amount of the difference for each year and indicate whether the difference is a “permanent” or “timing” difference. Also, for each *timing* difference state or provide the following:

1. Description of the turnaround period.
2. Show the application of the current effective federal income tax rate to the each year’s timing difference and the resulting calendar year deferred expense provision for items afforded normalization tax treatment. Alternatively please confirm that such timing difference is being afforded “flow through” rate and accounting treatment.
3. For items for which deferred taxes have been accrued in prior years, provide the turnaround amortization amount, stating or showing the federal effective tax rate utilized in the original deferral period(s).

**RESPONSE:**

Please see PC\_DR\_152-Attachment A – Revised for Avista Utilities federal income tax expense calculation for 2010 and 2011. This calculation begins with Book Income before Taxes of $138,867,063, which agrees to the reconciliation provided in PC\_DR\_228 – Attachment A (which was a reconciliation of the Company's results of operations to the Company's consolidated income statement.) This attachment also shows Schedule M adjustments, both permanent and temporary (also operating vs. non-operating) to arrive at taxable income for the utility. It should be noted, that the Company does not use this amount that is recorded in the general ledger for its results of operations (ROO) report. The Company calculates a current FIT amount, which is described below.

Please see PC\_DR\_152-Attachment B (electric) and PC\_DR\_152-Attachment C (natural gas) for a reconciliation of Schedule M adjustments detailed in Attachment A to the Schedule M adjustments used in the calculation of current FIT expense for ROO (which is the starting point of our rate case.) These Schedule M adjustments agree to the adjustments in the case, as shown in Andrews' workpapers (Page 1.00-20 and 1.00-21 for electric and 1.00-15 for natural gas), with the exception of one Schedule M adjustment. It was determined that the Schedule M adjustment for AFUDC was omitted from the ROO/case calculation. A revised current FIT calculation has been provided in PC\_DR\_152-Attachment D (electric) and PC\_DR\_152-Attachment E (natural gas.) The electric impact is approximately $312,000 reduction to FIT expense and the natural gas impact is approximately $20,000 reduction to FIT expense.

On PC\_DR\_152-Attachment B (electric) and PC\_DR\_152-Attachment C (natural gas), the Schedule M adjustments have been shown by jurisdiction and by permanent vs. temporary. The temporary adjustments are used to reconcile to the DFIT expense included in ROO/rate case. Natural gas DFIT expense in Washington reconciles to the case within $108,000. The additional plant DFIT of approximately $670,000 for Washington represents difference due to prior flow through, varying FIT rates in past years, permanent plant basis differences, etc. This is consistent with the amount from previous years.

It was noted that electric DFIT does not reconcile to DFIT expense in Washington in ROO and therefore the rate case. It was determined that there were two prior period adjustments in 2011 that should have been eliminated from ROO. The Washington impact is approximately $1.513 million reduction to DFIT expense.