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:

a. Description of the turnaround period.

b. 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.

c. 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.

Current Tax Accrual Reconciliation - GL vs. TAX
Account # 236000.ZZ.ZZ - TAXES ACCRUED - FEDERAL

Debit (Credit) From a P&L Perspective

2011	Description	CORP 201112 End Bal General Ledger	Operating	Non-Operating	Corp Turnaround	Current Effective Tax Rate
Book Income Before Taxes		(138,867,063)				
FIT, DFIT, DSIT, ITC		-				
Equity Earnings in Subs		-				
SIT Accrual		-				
Book Income Before Taxes		(138,867,063)				
Permanent Differences						
401(k) ESOP Dividends	Employee Stock Ownership Plan's Dividends that are reinvested by the employee	1,482,425		1,482,425		35%
Penalties	Penalties we have accrued	(281,762)		(281,762)		35%
Political Contribution	Political Contributions/lobbying expenses incurred	(1,186,022)		(1,186,022)		35%
Benefits	Tax Free Reimbursement. This was for cumulative health benefits incurred and paid for an early retiree.	432,325		432,325		35%
Officers Life Insurance - Cash Surrender Value	For book purposes, the monthly accrual is expensed. But for tax return purposes, the cash paid is deducted. This creates a timing difference and deferred tax asset.	1,270,217		1,270,217		35%
Meal Disallowances	Allowed 50% of Employee Business Meals	(460,912)	(460,912)			35%
BETC Interest	Interest on Oregon Business Energy Tax Credits	3,846		3,846		35%
BETC - Oregon Purchased Tax Credits	Oregon Business Energy Tax Credits- Adjustment for deduction 87% of purchased credits only	102,494	102,494			35%
Manufacturing Deduction	Domestic Production Activities Deduction. Businesses with "qualified production activities" can take a tax deduction of a certain % depending on the calendar year from net income.	3,000,000	3,000,000			35%
Stock Options Exercised		2,070,474		2,070,474		35%
Exchange Power Amort - WNP3	The investment in exchange power represents the Company¿s previous investment in Washington Public Power Supply System Project 3 (WNP-3), a nuclear project that was terminated prior to completion. Under a settlement agreement with the Bonneville Power Administration in 1985, Avista Utilities began receiving power in 1987, for a 32.5-year period, related to its investment in WNP-3. Through a settlement agreement with the Washington Utilities and Transportation Commission (WUTC) in the Washington jurisdiction, Avista Utilities is amortizing the recoverable portion of its investment in WNP-3 (recorded as investment in exchange power) over a 32.5 year period beginning in 1987.	(1,192,020)	(1,192,020)		Greater than 12 month	35%
Total Permanent Differences		5,241,065	1,449,562	3,791,503		
Taxable Income Before Temporary Items		(133,625,998)				
Temporary Differences						
Officers Life Insurance - Benefit Accrual	For book purposes, the monthly accrual is expensed. But for tax return purposes, the cash paid is deducted. This creates a timing difference and deferred tax asset.	17,153		17,153	Greater than 12 month	35%
Stock Options - Equity Accrued	Upon adoption of SFAS 123R, compensation expense is recorded for the unvested Performance Share Awards over the remaining vesting period. DFIT is recorded at 35%, as the expense is not deductible for the tax return until the awards are settled and cash is paid. Upon settlement of the Performance Share Awards, the temporary difference should be relieved (DR 214050) and common stock should be issued (CR 201000) for the value of the award settled. The corresponding DFIT will be reversed, and current FIT will be booked.	(3,635,159)		(3,635,159)	Greater than 12 month	35%

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Debit (Credit) From a P&L Perspective

2011	Description	CORP 201112 End Bal General Ledger	Operating	Non-Operating	Corp Turnaround	Current Effective Tax Rate
Stock Options - Liability Accrued	The awards outstanding under the performance share grants include a dividend component that is paid in cash. This component of the performance share grants is accounted for as liability award under the guidance of SFAS 123R. These liability awards are revalued on a quarterly basis taking into account the number of awards outstanding, historical dividend rate, and the change in the value of the Company¿s common stock relative to an external benchmark. Over the life of these awards, the cumulative amount of compensation expense recognized will match the actual cash paid.	(99,195)		(99,195)	12 months or less	35%
Vacation Pay Accrual / Paid Time Off	We take into account several different variables when booking, and truing-up, the DFIT on paid time off expenses: 9 ½ month payment estimate, O&M percentages, true-ups, etc. The temporary difference account is not used in its entirety; the change in the account is modified for the aforementioned variables. The tax code states that paid time off (vacation) expenses are deductible if paid within 9 ½ months following the end of the tax year. In addition, we only deduct the O&M piece of our paid time off accrual; the Capital piece is capitalized. Avista¿s O&M estimate, based on prior year¿s tax returns, is 64%	(302,437)	(302,437)		12 months or less	35%
Rathdrum Turbine Sales Tax Amort	To amortize refund for overpayment of the Rathdrum Turbine Construction's Sale Tax for a period of 2-95 thru 1-20	33,828	33,828		Greater than 12 month	ARAM
Exchange Power Amort - WNP3	The investment in exchange power represents the Company¿s previous investment in Washington Public Power Supply System Project 3 (WNP-3), a nuclear project that was terminated prior to completion. Under a settlement agreement with the Bonneville Power Administration in 1985, Avista Utilities began receiving power in 1987, for a 32.5-year period, related to its investment in WNP-3. Through a settlement agreement with the Washington Utilities and Transportation Commission (WUTC) in the Washington jurisdiction, Avista Utilities is amortizing the recoverable portion of its investment in WNP-3 (recorded as investment in exchange power) over a 32.5 year period beginning in 1987.	(1,258,011)	(1,258,011)		Greater than 12 month	35%
Bad Debts	Customer Uncollectables	(651,650)	(651,650)		12 months or less	35%
BPA Residential Exchange	The Residential Exchange Program provides access to the benefits of low-cost federal hydroelectricity to residential and small-farm customers of the region¿s investor-owned utilities. The Bonneville Power Administration (BPA) administers the Residential Exchange Program. We have executed an agreement with the BPA in settlement of each party¿s rights and obligations related to the Residential Exchange Program for the period October 1, 2001 through September 30, 2011. The benefits that we receive under the agreement with the BPA are passed through directly to our residential and small-farm customers via a credit to their monthly electric bills.	(737,644)	(737,644)		Greater than 12 month	35%
CIAC	Contributions in Aid of Construction	(3,348,453)	(3,348,453)		Greater than 12 month	ARAM
CSS Temp Service Fees	New construction/customer's temporary service fees	(238,315)	(238,315)		Greater than 12 month	ARAM
CS2 Retention	. Effective September 2004, as ordered by the Idaho Public Utilities Commission (IPUC) with order #29602, we began recording the 10 year levelized return on Coyote Springs 2 in Idaho.	(194,260)	(194,260)		Greater than 12 month	35%
Deferred Comp	The deferred compensation accrual is expensed monthly for book purposes, and not deducted on the tax return until paid. Therefore, we have generated a timing difference that must be deferred upon. Additionally, there is an unrealized G/(L) component that Corporate Accounting backs out to estimate the monthly Schedule M for deferred compensation. The unrealized G/(L) worksheet is maintained by the Treasury & Trust department.	592,652	592,652		Greater than 12 month	35%
Deferred Gas	The Purchased Gas Adjustment (PGA) records changes in the cost of natural gas purchased by Avista to serve customers. Avista files annually to increase or decrease the PGA rates.	10,683,974	11,197,092	(513,118)	12 months or less	35%

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2011	Description	CORP 201112 End Bal General Ledger	Operating	Non-Operating	Corp Turnaround	Current Effective Tax Rate
Deferred Power - Idaho PCA	The Power Cost Adjustment (PCA) is the difference between Avista's actual cost of generating and purchasing power to serve customers and the cost currently included in customer base rates. The difference is caused primarily by changes in purchase power and fuel costs and variations in hydro generations. Avista files annually to increase or decrease the PCA rates.	(19,048,989)	(19,130,656)	81,667	12 months or less	35%
WA Deferred Power Costs	Energy Recovery Mechanism (ERM) is the difference between Avista's actual cost of generating and purchasing power to serve customers and the cost currently included in customer base rates. The difference is caused primarily by changes in purchase power and fuel costs, as well as variations in hydro generation. Avista can file periodically to change the surcharge rates and deferrals. 186280,290	(12,955,462)	(12,795,395)	(160,067)	12 months or less	35%
Boulder Park Disallowance	Gas costs associated with the Boulder Park plant. As these costs were not allowed in rate base, a deferred tax asset was setup and will be amortized over 25 years.	103,282	103,282		Greater than 12 month	35%
Kettle Falls	Kettle Falls Disallowed Plant- amortization through 2018	187,516	134,591	52,925	Greater than 12 month	35%
DSM Amortization & Lost Margin	The IRS position is that costs must be capitalized and amortized for income tax purposes.	(318,331)	(394,646)	76,315	Greater than 12 month	35%
DSM Tariff	The IRS position is that costs must be capitalized and amortized for income tax purposes.	(4,422,466)	(4,422,466)		12 months or less	35%
Oregon SB 408	In September 2006, the Oregon Public Utility Commssion (OPUC) issued final rules related to Oregon SB408. SB 408 states that if the difference between income taxes collected and paid applicable to Oregon utility operations exceeds $100,000, the difference must either be surcharged or rebated to customers.	1,773,345	1,773,345		Greater than 12 month	35%
Noxon Spill	An oil spill was discovered at Noxon on Feb 26, 2009. The spill is known and measurable event since it has occurred in the past, and costs can be estimated for the environmental remediation efforts.	88,949	88,949		Greater than 12 month	35%
NE Tank Spill	During 2005, Avista had a Northeast Combustion Turbine Oil Spill, which has environmental remediation repercussions. In Sept, 2005, Avista recorded the intitial remediation accrual and related DFIT. Avista also recorded amounts in anticipation of recoveries from the spill. Since that time, the accrual has been increased, decreased, paid down, etc	16,739		16,739	Greater than 12 month	35%
FAS 87	Monthly pension accrual. The monthly accrual is deductable at 65% of the temporary difference.	14,346,114	14,346,114		Greater than 12 month	35%
FAS 106 & HRA	The temporary difference account is not used in its entirety; only the O&M piece of our medical/HRA accrual is deductible; the Capital piece is capitalized. Avista's O&M estimate, based on prior year's tax returns, is 64%. Accordingly, the monthly pension accrual is deductible at 64% of the temporary difference account.	(3,187,180)	(3,187,180)		Greater than 12 month	35%
Clark Fork PME	The Clark Fork PM&E journal records the allowed expenses of the Clark Fork Settlement Agreement expenditures for Idaho.	(263,251)	(263,251)		Greater than 12 month	35%
Tax Depreciation	A. This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts which are related to all property other than accelerated amortization property.B. This account shall be credited and accounts 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income	184,304,523	184,304,523		Greater than 12 month	ARAM

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2011	Description	CORP 201112 End Bal General Ledger	Operating	Non-Operating	Corp Turnaround	Current Effective Tax Rate
Book Depreciation	A. This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts which are related to all property other than accelerated amortization property.B. This account shall be credited and accounts 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income	(106,155,092)	##########	(427,094)	Greater than 12 month	ARAM
WPNG ACQ Adj Book Amort	A. This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts which are related to all property other than accelerated amortization property.B. This account shall be credited and accounts 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income	384,169		384,169	Greater than 12 month	ARAM
Basic American Food Book Amort	A. This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts which are related to all property other than accelerated amortization property.B. This account shall be credited and accounts 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income	19		19	Greater than 12 month	ARAM
Capitalized Transportation	A. This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts which are related to all property other than accelerated amortization property.B. This account shall be credited and accounts 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income	(1,556,033)	(1,556,033)		Greater than 12 month	ARAM
AFUDC	A. This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts which are related to all property other than accelerated amortization property.B. This account shall be credited and accounts 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income	1,668,652	1,668,652		Greater than 12 month	ARAM
Injuries & Damages	Claims are estimated on a monthly journal based on known differences. For Tax, claims are deducted when paid, creating a timing difference.	(551,069)	(551,069)		12 months or less	35%
Airplane	Avista owns the airplane for Tax Depreciation purposes- it is a lease for book purposes only.	(500,528)	(500,528)		Greater than 12 month	ARAM
Office Building	Avista orginally owned the corporate headquarters office building and central operating facily in Spokane Since 1958. These facilities were sold in 1986 and leased back for a term of 25 years (thru 2011). The gain on sale was deferred and amortized over the 25 year period, to correspond with the term of the lease.	261,456	261,456		Greater than 12 month	35%

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2011	Description	CORP 201112 End Bal General Ledger	Operating	Non-Operating	Corp Turnaround	Current Effective Tax Rate
Nez Perce	The tribe sued because they alleged the dams were damaging fish runs. Per the settlement, Avista set up a regulatory liability and agreement dictating the accounting treatment. WA & ID have different treatments.	16,796	16,796		Greater than 12 month	35%
Non-Monetary Power Purchases	Non Monetary exchanges and storage of energy	(58,978)	(58,978)		Greater than 12 month	35%
PGE - Spokane Energy	Contract Amortization between Spokane Energy/PGE and Avista	(12,559,050)		(12,559,050)	Greater than 12 month	35%
Amort of Interest Rate Swaps	The Interest Rate Swap Amortizations originate as interest rate settlements, and are amortized over the life of the issued debt. Swaps will be amortized over a 10 year period.	9,677,428	9,677,428		12 months or less	35%
Reacquired Debt	The DFIT on FMB & MTN Debt is generated through debt reacquisition, unamortized issuance costs, and/or any premiums paid on debt. These items are deductible for tax, and are fully deferred on. The PCB DFIT is a fixed amount based on a schedule from Damien Lysiak, Treasury & Trust. The amount is expected to change in January 2009. The amount rarely changes, but period inquiry should occur	(2,245,858)	(2,245,858)		Greater than 12 month	35%
SERP	The supplemental executive retirement plan benefit accrual is made on a monthly basis, with estimates received from Watson Wyatt, our plan administrator. The deferred arises because the actual for book purposes and the tax deduction (cash basis) create timing differences.	(916,836)		(916,836)	Greater than 12 month	35%
Decoupling Mechanism	Decoupling is a mechanism allowing Avista to separate in rates its fixed costs from the costs of purchasing natural gas to serve customers. Decoupling allows the company to recover a portion of fixed costs not recovered because of reduced energy usage by customers.	(256,453)	(256,453)		Greater than 12 month	35%
Montana Settlement	In October 2007, we entered into a settlement with the State of Montana regarding the use of the Noxon Rapids and Cabinet Gorge hydroelectric projects located on the Clark Fork River. The terms of the settlement require us to make rental payments. These items are being treated as deferred items because Avista has approved deferred accounting treatment with the WUTC & IPUC.	(1,037,316)	(1,037,316)		Greater than 12 month	35%
Chicago Climate Exchange (Carbon Credits)	In December 2007, Avista became a member of the Chicago Climate Exchange (CCX). The initial membership fee of $200,000 was paid in December 2007; annual membership fees of $35,000 thereafter. Idaho included the credits in the 2008 rate case, stipulating that the proceeds be amortized over two years. The Idaho portion is 35.41%. Determination of the Washington piece (64.59%)	-	-		Greater than 12 month	35%
Wartsila Units	In January, 2006 per docket UE-050482, the Wartsila Units had an unrecovered balance in WA of $1,531,344.25. The unrecovered balance is being straight line amortized over the next 10 years.	(337,788)	(337,788)		Greater than 12 month	35%
Unbilled Revenue	Unbilled revenues are generated because the billing cycle does not always coincide with the calendar month. Avista's Resource Accounting department takes billed revenues, applies a calculation and estimates calandar revenues. The estimated piece of calendar reveunues is the ubilled revenue piece.	1,464,868	1,464,868		12 months or less	35%
Grid West / RTO	Regional Transmission Organization Deposits. FERC Order No. 2000 required all utilities subject to FERC regulation to file a proposal form to a Regional Transmission Organization (RTO), or a description of efforts to participate in a RTO, and any existing obstacles to RTO participation. Avista has been participating in discussions with utilities and others in the Pacific Northwest to develop the structure of an independently-governed transmission organization for the region. The costs associated with this are deferred.	(149,913)	(149,913)		Greater than 12 month	35%

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CDA Lake Settlement	An encompassing settlement was reached with the Coeur D Alene Tribe on 12/16/2008 associated with past and ongoing storage of water on Tribal lands (South lake CDA-Post Falls Dam).	(1,593,594)	(1,593,594)		Greater than 12 month	35%
Spokane River Relicense	The parties have agreed to defer as a regulatory asset Idaho & Washington¿s share of the depreciation/amortization associated with the relicensing costs and related protection, mitigation or enhancement expenditures in regards to the Spokane River settlement.	(152,048)	(152,048)		Greater than 12 month	35%
Lancaster Deferral Op	Lancaster Generation. The company will recognize monthly, the net cost of Lancaster based on daily and long term transactions, tracking both the net costs and benefits of operating the plant. This account is specific to the Lancaster Power Purchase Agreement (PPA).	(1,360,000)	(1,360,000)		Greater than 12 month	35%
CNC Transmission	Effective October 2011, pursuant to Order No. 32371, Avista began amortizing ID's portion of the CNC expenses in equal amounts over 36 months.	735,906	735,906		Greater than 12 month	35%
Def CS2 & Colstrip	The Washington Utilities and Transportation Commission (UTC) approved the Settlement Stipulation (Docket UE-110876) filed by the parties with an effective date of January 1, 2012, approving amortization of the Washington portion of the CNC expenses in equal amounts over 36 months beginning January 1, 2012.	(373,025)	(373,025)		Greater than 12 month	35%
Noxon Amortization	Renewable energy production credit for efficiency improvements. The improvements are due to the replacement of a unit runner at the Noxon Rapids development.	-	-		Greater than 12 month	35%
Idaho DSIT Amort	Avista agreed to credit DSIT to electric customers over two years to help offset the rate impact, and for one year to help offset a portion year natural gas rate increase. The deferral will be amortized as the refunds are passed on to customers	11,001,058	11,001,058		Greater than 12 month	35%
Lidar O&M Reg Def	With the settlement of the WA Rate Case on December 16th, 2011 detailing deferral accounting treatment for transmission related NERC compliance costs, the company intends to apply ASC Topic 980. Amortization of the deferred balance began in January 2012 with approximately 1/36 per month of the total dollars to be spent for 36 months until this treatment is superseded, suspended, or cancelled by regulatory order. The ID portion of the TLRC plan costs, based on the production transmission ratio, will be recorded and expensed as incurred	337,879	337,879		Greater than 12 month	35%
Smart Grid	A. This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts which are related to all property other than accelerated amortization property.B. This account shall be credited and accounts 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income	(350,000)	(350,000)		Greater than 12 month	ARAM
Oregon Reg Fee	The regulatory fee was reset from .25 percent to .15 percent. Each electric and natural gas public utility must defer the difference between the fees payment calculated at .25 percent and .15 percent. By July 1, 2010 each electric and gas utility must submit a proposal and request to amortize all or a portion of the deferral.	116,888	116,888		Greater than 12 month	35%
Roseburg/Medford	The Roseburg Reinforcement Project improves the delivery pressure and capacity of natural gas supplies into central and east Roseburg by extending a high pressure natural gas supply.	142,470	142,470		Greater than 12 month	35%
Total Temporary Differences		57,141,280	74,822,812	(17,681,532)		

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2011	Description	CORP 201112 End Bal General Ledger	Operating	Non-Operating	Corp Turnaround	Current Effective Tax Rate
Total Schedule M Adjustments		62,382,345	76,272,374	(13,890,029)		
Tax Rate - Federal		35.00%				
Taxable (Income) Loss before State Income Taxes		(76,484,718)				
Deduction for State Income Taxes		2,149,361				
Idaho Investment Tax Credit		(821,946)				
Oregon Generated BETC Credit		(108,143)				
Oregon Purchased BETC Credit						
Federal Taxable (Income) Loss		(75,265,446)				

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Income Tax Provision Before Credits @ 35%	(26,342,906)				
Noxon ITC	2,672,495				
Cabinet Gorge Tax Credit	200,441				
Deduction for excercised stock options	-				
Sub To Corp	585,694				
Federal Income Tax Provision	(22,884,276)				
2010 Tax Refund Applied to 2011	11,718,723				
2011 Estimates Paid in 2011	18,311,502				
Misc Tax Adjustments	934,691				
Net Federal (Payable) Receivable Current Year	8,080,640				
Prior Vintages Outstanding:					
2006 Vintage	2,700,913				
2007 Vintage	742,349				
2008 Vintage	507,293				
2009 Vintage	1,436,898				
2010 Vintage	1,163,409				
Other	3,254				
Net Federal (Payable) Receivable Expected	14,634,756				
Net Federal (Payable) Receivable per Books (at 12/31/2010	14,634,756				
Delta	0				

		ELECTRIC			System				Washington			
		Washington	Idaho	Jurisdiction Total	Perm	Plant	Other		Perm	Plant	Other	
	Book Depreciation & Amortization	55,574,931	29,735,853	85,310,784		85,310,784				55,574,931		
997001	Contributions In Aid of Construction	1,576,326	868,045	2,444,371		2,444,371				1,576,326		
997002	Injuries and Damages	410,958	215,111	626,069			626,069				410,958	
997004	Boulder Park Write Off		(103,282)	(103,282)			(103,282)					
997005	FAS106 Current Retiree Medical Accrual	1,354,739	666,385	2,021,124			2,021,124				1,354,739	
997007	Idaho PCA		19,130,656	19,130,656			19,130,656					
997009	Rathdrum Turbine Lease	(22,069)	(11,759)	(33,828)		(33,828)				(22,069)		
997015	Airplane Lease Payments	242,844	119,453	362,297		362,297				242,844		
997016	Redemption Expense Amortization	1,084,830	597,390	1,682,220			1,682,220				1,084,830	
997017	Amort - Invest in Exch Pwr (405.92,.93,.95,.98)	2,450,031		2,450,031	1,192,020		1,258,011		1,192,020		1,258,011	
997018	DSM Tariff Rider	(19,009)	439,584	420,575			420,575				(19,009)	
997019	CSS Temporary Service Fees	45,270	193,045	238,315			238,315				45,270	
997020	FAS87 Current Pension Accrual	(6,960,391)	(3,423,757)	(10,384,148)			(10,384,148)				(6,960,391)	
997021	Wartsilla Generators Amortization	153,132	184,656	337,788			337,788				153,132	
997024	Kettle Falls Disallowance	(134,592)		(134,592)			(134,592)				(134,592)	
997028	RTO Funding Amortization	79,107	70,806	149,913			149,913				79,107	
997029	FAS106 Post Retirement Benefits	250,574	88,782	339,356			339,356				250,574	
997032	Interest Rate Swaps	(4,517,264)	(2,487,549)	(7,004,813)			(7,004,813)				(4,517,264)	
997033	BPA Residential Exchange	603,835	133,809	737,644			737,644				603,835	
997034	Montana Hydro Settlement	676,632	360,684	1,037,316			1,037,316				676,632	
997041	Rathdrum Turbine Lease, Tax	(258,714)	(137,844)	(396,558)		(396,558)				(258,714)		
997043	Washington Deferred Power Costs	12,795,395		12,795,395			12,795,395				12,795,395	
997044	Non-Monetary Power Costs	38,477	20,501	58,978			58,978				38,477	
997045	Section 199 Manufacturing Deduction	(1,957,199)	(1,042,800)	(2,999,999)	(2,999,999)				(1,957,199)			
997046	Nez Perce Settlement	(22,008)	5,212	(16,796)			(16,796)				(22,008)	
997047	Clark Fork Preventive Maint. Exp (PME's)		263,251	263,251			263,251					
997049	Tax Depreciation	(93,693,325)	(50,679,026)	(144,372,351)		(144,372,351)				(93,693,325)		
997050	CS2 Levelized Return		194,260	194,260			194,260					
997051	Wind Generation AFUDC - ID		(118,664)	(118,664)			(118,664)					
997052	Noxon Spill	(58,030)	(30,919)	(88,949)			(88,949)				(58,030)	
997054	Spokane River Relicensing	72,939	5,797	78,736			78,736				72,939	
997059	Spokane River Relicensing PME	46,316	26,996	73,312			73,312				46,316	
997061	CDA Fund Settlement	11,065		11,065			11,065				11,065	
997061	CDA Fund Settlement	130,480	69,520	200,000			200,000				130,480	
997062	Gain on Sale of Office Bldg	(131,439)	(64,653)	(196,092)			(196,092)				(131,439)	
997063	CDA Lake Settlement	152,118	30,975	183,093			183,093				152,118	
997063	CDA Lake Settlement	782,512	416,924	1,199,436			1,199,436				782,512	
997065	Amortization - Unbilled Revenue Add-Ins	(444,603)	(499,247)	(943,850)			(943,850)				(444,603)	
997069	Lancaster Deferral	1,360,000		1,360,000			1,360,000				1,360,000	
997073	DSIT Amortization - ID		(10,631,168)	(10,631,168)			(10,631,168)					
997080	Book Transportation Depreciation	670,825	362,851	1,033,676		1,033,676				670,825		
997081	Deferred Compensation	(287,540)	(141,439)	(428,979)			(428,979)				(287,540)	
997082	Meal Disallowances	223,623	109,999	333,622	333,622				223,623			
997083	Paid Time Off	146,735	72,178	218,913			218,913				146,735	
997084	Customer Uncollectibles	309,532	162,021	471,553			471,553				309,532	
997088	Deferred O&M Colstrip & CS2	516,251	(143,226)	373,025			373,025				516,251	
997089	CNC Transmission	(493,855)	(242,051)	(735,906)			(735,906)				(493,855)	
997091	LIDAR O&M Reg Def DFIT	(337,879)		(337,879)			(337,879)				(337,879)	
997092	Smart Grid	350,000		350,000		350,000				350,000		
	TOTAL ELECTRIC SCHEDULE M ADJUSTMENTS-PER ROO	(27,228,440)	(15,212,640)	(42,441,080)	(1,474,357)	(55,301,609)	14,334,886		(541,556)	(35,559,182)	8,872,298	
997048	AFUDC (Excluded from ROO in error)	(892,299)	(485,897)	(1,378,196)		(1,378,196)				(892,299)		
	TOTAL ELECTRIC SCHEDULE M ADJUSTMENTS	(28,120,739)	(15,698,537)	(43,819,276)	(1,474,357)	(56,679,805)	14,334,886		(541,556)	(36,451,481)	8,872,298	
						-35%	-35%			-35%	-35%	
			Calculated DFIT Exp using Ms			19,837,932	(5,017,210)	14,820,722		12,758,018	(3,105,304)	9,652,714
			Additional Plant DFIT			1,062,449		1,062,449		690,592		690,592
			Total DFIT			20,900,381	(5,017,210)	15,883,171		13,448,610	(3,105,304)	10,343,306
			Per ROO					18,200,734				11,779,223
			Adjustment					(1,400,000)				(910,000)
			Adjustment					(929,000)				(603,850)
			Restated					15,871,734				10,265,373
			Immaterial Difference					11,437				77,933

AVISTA UTILITIES
SCHEDULE M ADJUSTMENTS/DFIT EXPENSE

		NATURAL GAS					Gas North				Washington			
		Washington	Idaho	North Subtotal	Oregon	System Total	Perm	Plant	Other		Perm	Plant	Other	
	Book Depreciation & Amortization	9,782,406	5,074,537	14,856,943	5,461,228	20,318,171		14,856,943				9,782,406		
997001	Contributions In Aid of Construction	412,942	223,264	636,206	267,876	904,082		636,206						
997002	Injuries and Damages	(49,832)	(25,169)	(75,001)		(75,001)			(75,001)				(49,832)	
997005	FAS106 Current Retiree Medical Accrual	367,571	176,278	543,849		543,849			543,849				367,571	
997008	DSM Book Amortization	35,644	15,619	51,263		51,263			51,263				35,644	
997008	Oregon DSM - Direct - Gas South				343,384	343,384								
997010	Deferred Gas Credit and Refunds	(6,367,081)	(2,308,138)	(8,675,219)	(1,771,913)	(10,447,132)			(8,675,219)				(6,367,081)	
997012	Transportation Dep - Direct - Gas South				127,968	127,968								
997015	Airplane Lease Payments	65,889	31,599	97,488	40,743	138,231		97,488				65,889		
997016	Redemption Expense Amortization	258,011	139,497	397,508		397,508			397,508				258,011	
997020	FAS87 Current Pension Accrual	(1,888,511)	(905,682)	(2,794,193)		(2,794,193)			(2,794,193)				(1,888,511)	
997027	Uncollectibles - Direct - Gas South				53,083	53,083								
997029	FAS106 Post Retirement Benefits	55,561		55,561		55,561			55,561				55,561	
997030	Senate Bill 408 - Direct - Gas South				(1,773,345)	(1,773,345)								
997031	Decoupling Mechanism	256,453		256,453		256,453			256,453				256,453	
997032	Interest Rate Swaps	(1,223,415)	(661,458)	(1,884,873)	(787,743)	(2,672,616)			(1,884,873)				(1,223,415)	
997033	DSM Tariff Rider	2,198,569	1,803,322	4,001,891		4,001,891			4,001,891				2,198,569	
997035	Business Energy Tax Credit (BETC) - Gas South				(102,494)	(102,494)								
997049	Tax Depreciation	(16,873,758)	(8,850,395)	(25,724,153)	(13,811,461)	(39,535,614)		(25,724,153)				(16,873,758)		
997055	Deferred Gas Exchange	(521,822)	(228,138)	(749,960)		(749,960)			(749,960)				(521,822)	
997062	Gain on Sale of Office Bldg	(44,178)	(21,186)	(65,364)		(65,364)			(65,364)				(44,178)	
997065	Amortization - Unbilled Revenue Add-Ins	(420,879)	(39,372)	(460,251)	(60,767)	(521,018)			(460,251)				(420,879)	
997071	OR Regulatory Fee - Direct - Gas South				(116,888)	(116,888)								
997073	DSIT Amortization - ID		(369,890)	(369,890)		(369,890)			(369,890)					
997080	Book Transportation Depreciation	258,699	135,690	394,389		394,389		394,389				258,699		
997081	Deferred Compensation	(78,016)	(37,415)	(115,431)	(48,242)	(163,673)			(115,431)				(78,016)	
997082	Meal Disallowances	60,674	29,098	89,772	37,518	127,290	89,772				60,674			
997083	Paid Time Off	39,813	19,093	58,906	24,618	83,524			58,906				39,813	
997084	Customer Uncollectibles	84,391	42,623	127,014		127,014			127,014				84,391	
997085	FAS106 Post Retirement - Direct - Gas South				227,290	227,290								
997086	FAS87 Pension Benefits - Direct - Gas South				(1,167,774)	(1,167,774)								
997087	Redemption Expense Amortization - Gas South				166,130	166,130								
997090	Roseburg/Medford Deferral - Gas South				(142,470)	(142,470)								
	TOTAL GAS SCHEDULE M ADJUSTMENTS PER ROO	(13,590,869)	(5,756,223)	(19,347,092)	(13,033,259)	(32,380,351)	89,772	(9,739,127)	(9,697,737)		60,674	(6,766,764)	(7,297,721)	
997048	AFUDC (Excluded from ROO in error)	(57,740)	(29,930)	(87,670)	(84,122)	(171,792)		(87,670)				(57,740)		
	TOTAL ELECTRIC SCHEDULE M ADJUSTMENTS	(13,648,609)	(5,786,153)	(19,434,762)	(13,117,381)	(32,552,143)	89,772	(9,826,797)	(9,697,737)		60,674	(6,824,504)	(7,297,721)	
								-35%	-35%			-35%	-35%	
					Calculated DFIT Exp using Ms			3,439,379	3,394,208	6,833,587		2,388,577	2,554,202	4,942,779
					Additional Plant DFIT			1,399,119				667,373		
					Total DFIT			4,838,498	3,394,208	8,232,706		3,055,950	2,554,202	5,610,152
					Per ROO					8,247,870				5,719,049
					Immaterial Difference					(15,164)				(108,897)

AVISTA UTILITIES
SCHEDULE M ADJUSTMENTS/DFIT EXPENSE

Adjustment No. _______

AVISTA UTILITIES
Electric FIT Adjustment
For the Twelve Months Ended December 31, 2011

Workpaper Ref. E-FIT-revised

	System	Washington	Idaho
Taxable NOI per Results (Per E-FIT-12A)	74,294,723	39,353,482	34,941,241
Schedule M Reallocations and Adjustments			
(1) **Injuries and Damages** Elim Orig Alloc	(626,069)	(419,648)	(206,421)
(2) **AFUDC** Omitted from ROO in error	(1,378,196)	(892,299)	(485,897)
Reallocated Taxable NOI	72,290,458	38,041,535	34,248,923
FIT Normal Accrual per Results (Per E-FIT-12A)	26,003,153	13,773,719	12,229,434
Adjusted FIT Normal Accrual	25,301,660	13,314,536	11,987,123
Total Current FIT Adjustment	**(701,493)**	**(459,183)**	**(242,311)**

	System	Washington	Idaho
Deferred FIT Adjustment			
(1) **Injuries and Damages** Elim Orig Alloc	218,759	146,632	72,127
Total Deferred FIT Adjustment	**218,759**	**146,632**	**72,127**

Adjustment No. _______

AVISTA UTILITIES
Electric FIT Adjustment
For the Twelve Months Ended December 31, 2011

Workpaper Ref. E-FIT-revised

Amortized Investment Tax Credit Adjustment

ITC Normal Amortization per Results	(152,268)	(99,340)	(52,928)
(Per E-FIT-12A, 6 months amort allowed)			
Adjusted ITC Normal Accrual (annualized)	(151,124)	(113,868)	(60,669)
Amortized Investment Tax Credit - Noxon	**1,144**	**(14,528)**	**(7,741)**
Effective Tax Rate Test			
Net Operating Income Before FIT	168,192,768	99,602,347	68,590,421
Less: Allocated Interest Charges	51,456,966	33,020,425	18,436,541
	116,735,802	66,581,922	50,153,880
Current FIT per ROO	26,003,153	13,773,719	12,229,434
Deferred FIT per ROO	18,200,734	11,779,223	6,421,511
Investment Tax Credit - Noxon	(2,672,495)	(1,743,536)	(928,959)
Adjustment to Tax Expense	(334,940)	(327,079)	(7,861)
Adjusted FIT Expense	41,196,452	23,482,327	17,714,125
Effective Tax Rate	35.29%	35.27%	35.32%
Adj for WNP3 tax effect on WA		417,207	
		34.64%	
Net FIT/DFIT/ITC Adjustment	**(481,590)**	**(327,079)**	**(177,925)**
FIT Adjustment for Production Tax Credit	**30,839**	**20,119**	**10,720**
Net Tax Adjustment - Revised	**(450,751)**	**(306,960)**	**(167,205)**
Net Tax Adjustment - Original	31,618	5,345	2,859
Difference	**(482,369)**	**(312,305)**	**(170,064)**

Adjustment No. ________

AVISTA UTILITIES
Gas FIT Adjustment
For the Twelve Months Ended December 31, 2011

Workpaper Ref. G-FIT-1 Revised

	System	Washington	Idaho
Taxable NOI per Results (Per G-FIT-12A)	564,536	(1,687,525)	2,252,061
Schedule M Reallocations and Adjustments			
(1) **Injuries and Damages**			
Elim Orig Sch M	75,001	50,691	24,310
(2) **AFUDC**	(87,670)	(57,740)	(29,930)
Omitted from ROO in error			
Reallocated Taxable NOI	551,867	(1,694,574)	2,246,441
FIT Normal Accrual per Results (Per G-FIT-12A)	197,587	(590,634)	788,221
Adjusted FIT Normal Accrual	193,153	(593,101)	786,254
Current FIT Adjustment	**(4,434)**	**(2,467)**	**(1,967)**

	System	Washington	Idaho
Deferred FIT Adjustment			
(1) **Injuries and Damages**			
Elim Orig Alloc	(26,250)	(17,742)	(8,508)
(2) **Prior Period Tax True Up**			
Elmin Orig Alloc	(15,124)	(10,222)	(4,902)
Reallocated Taxable NOI	(41,374)	(27,964)	(13,410)
Total Deferred FIT Adjustment	**(41,374)**	**(27,964)**	**(13,410)**
Effective Tax Rate Test			
Net Operating Income Before FIT	28,928,284	17,678,831	11,249,453
Less: Allocated Interest Charges	9,016,656	5,775,487	3,241,169
	19,911,628	11,903,344	8,008,284
Current FIT per ROO	197,587	(590,634)	788,221
Deferred FIT per ROO	8,247,870	5,719,049	2,528,821
Adjustment to FIT	(45,808)	(30,431)	(15,377)
Adjusted FIT Expense	8,399,649	5,097,984	3,301,665
Effective Tax Rate	42.18%	42.83%	41.23%
Net FIT/DFIT Adj - Revised	**(45,808)**	**(30,431)**	**(15,377)**
Net FIT/DFIT Adj - Original	(15,123)	(10,222)	(4,901)
Difference	**(30,685)**	**(20,209)**	**(10,475)**