

**SUBSIDIARY TRANSACTION REPORT**

**OF**

**AVISTA CORPORATION**

**d/b/a AVISTA UTILITIES**

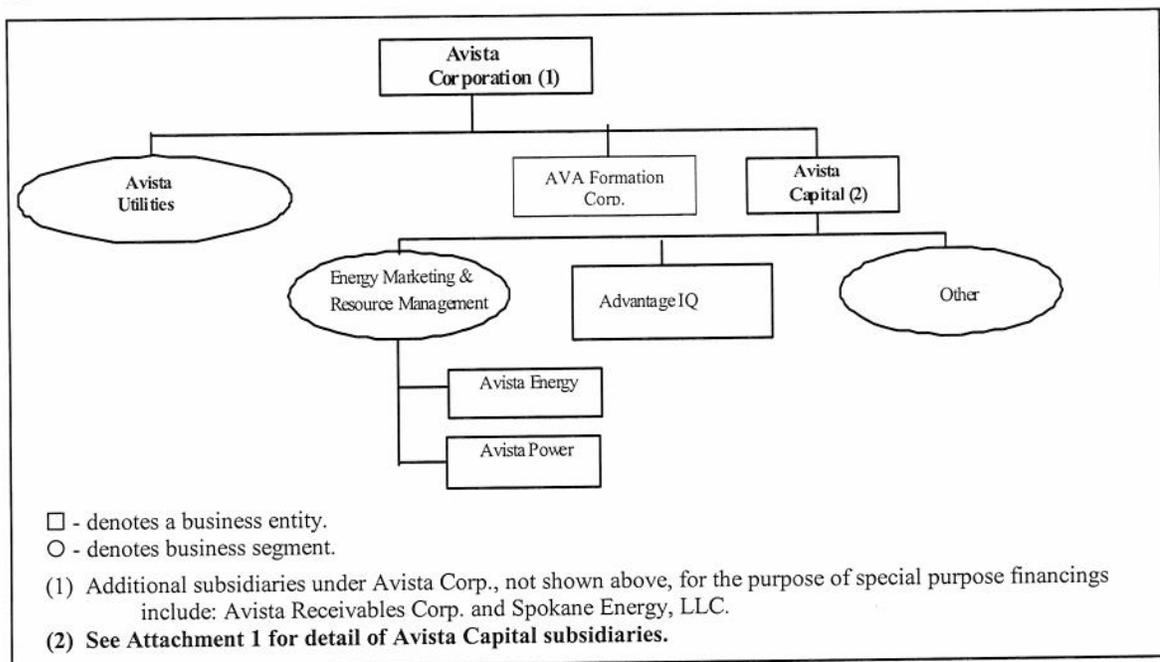
**FOR THE YEAR ENDED DECEMBER 31, 2008**

Pursuant to WAC 480-100-264 and WAC 480-90-264 Affiliated Interest and Subsidiary Transactions Report, the following report summarizes all transactions, except transactions provided at tariff rates, that occurred between Avista Corporation (hereinafter Avista or Company) and its subsidiaries. The Company operates in its utility service territories as Avista Utilities.

Avista Utilities is a combination utility that provides service to approximately 355,000 electric customers and 219,000 natural gas customers in a 26,000-square-mile area in eastern Washington and northern Idaho. Avista Utilities also serves approximately 96,000 gas customers in Oregon. The largest community served in the area is Spokane, Washington, which is the location of the corporate headquarters.

## I. ORGANIZATION INFORMATION

### 1. Organizational Chart



Included in **Attachment 1** is additional detail of Avista Capital subsidiaries.

In February 2006, Avista filed for regulatory approval of the proposed formation of a holding company (reorganization) with the Federal Energy Regulatory Commission (FERC) and the public utility commissions in Washington, Idaho, Oregon and Montana, conditioned on approval

by Shareholders. On April 18, 2006 FERC issued its “Order Authorizing Disposition of Jurisdictional Facilities” in Docket No. EC06-85-000 approving the Company’s reorganization. Shareholder approval of the reorganization was granted at Avista Corp.’s Annual Shareholder meeting May 11, 2006. On June 30, 2006, the Idaho Public Utilities Commission issued an order approving Avista’s reorganization application, based on a settlement in that state. On February 28, 2007, the Washington Utilities and Transportation Commission issued an order approving Avista’s reorganization application, based on a settlement in that state. The Montana Commission has yet to act on Avista’s Reorganization application, and the procedural schedule for consideration of the Company’s application in Oregon has been suspended by agreement of the parties to allow additional time for discussion among the parties. Included in **Attachment 2**, is an organizational chart showing a comparison of Avista before and after the proposed reorganization.

## 2. Directors and/or Officers

See **Attachment 3** for Officer and Director listings for Avista Corporation and all wholly owned subsidiaries.

## 3. Narrative Descriptions

**Avista Capital, Inc.**, is a wholly owned subsidiary of Avista Corp. and is the parent corporation of Avista Corporation’s non-regulated subsidiary investments and operations.<sup>1</sup> As of December 31, 2008, Avista Capital had the following non-utility investments:

- **Advantage IQ, Inc. (formerly Avista Advantage)** (75.11% ownership) Provides consolidated billing and resource accounting service and related services.
- **Avista Energy, Inc. and Avista Energy Canada, Ltd.** (100% ownership – no employees), were energy marketing and resource management companies. On June 30, 2007, Avista completed the sale of the operations of Avista Energy to Coral Energy Holding, L.P., and certain of its subsidiaries, a subsidiary of Shell (Coral).
- **Avista Ventures, Inc.** (100% ownership-no employees, passive income), was formed to manage and market investments.
- **Avista Development, Inc.** (100% ownership-no employees, passive income) was established to manage real estate investments including:

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<sup>1</sup> The only exceptions relate to Avista Receivables, Inc., a special purpose subsidiary formed in connection with the sale of accounts receivable, and Spokane Energy, LLC, which was formed for the purpose of implementing a long-term capacity contract between Avista Utilities and Portland General Electric Company. At present, these entities are directly owned by Avista Corporation. See page 4 for a further description of Spokane Energy, LLC.

- \* **Steam Plant Square, LLC** (90% ownership) Manages and operates the Steam Plant Square in Spokane, Washington.
- \* **Court Yard Office Center, LP** (100% ownership) Owns and operates commercial office space rentals.
- **Pentzer Corporation** is a wholly owned private investment company that serves as parent of the non-utility businesses listed below (no employees, passive income):
  - \* **Advanced Manufacturing and Development, Inc., dba METALfx**, (82.95% ownership), located in Willits, California, is a manufacturer and turnkey assembler of electronic enclosures, parts, and systems primarily for the computer and instrumentation industries. This company is held by **Bay Area Manufacturing, Inc.** (100% ownership)
  - \* **Pentzer Venture Holdings II, Inc.** (100% ownership) Holding company for an inactive sewage treatment plant near Spokane Industrial Park.
- **Avista Laboratories, Inc.** (100% ownership-inactive), was formed for the purpose of developing alternative energy resources and/or to engage in related research and development. In 2003, Avista Corp. sold its majority interest in Avista Laboratories, Inc. The purchaser incorporated as AVLB, Inc. has now changed its name to ReliOn, Inc. Avista Laboratories was reported as discontinued operations for fiscal year ending December 31, 2003.
  - \* **ReliOn, Inc.** (6.18% ownership), was formed for the purpose of fuel cell development. Held through Avista Capital's 100% ownership in Avista Laboratories, Inc.
- **Avista Power, LLC** (100% ownership), was created to develop and own generation assets in North America. In 2001, Avista Power ceased active development of additional non-regulated generation projects. Subsidiaries of Avista Power, LLC include:
  - \* **Avista Rathdrum, LLC** (100% ownership), created to develop and own generation assets. It ceased active development of additional non-regulated generation projects.
  - \* **Coyote Springs 2, LLC** (50% ownership-inactive), created to develop and own generation assets. No current assets.
- **Avista Communications, Inc.** (100% ownership-inactive) was a competitive local exchange carrier (CLEC) in small to mid-size markets throughout the Western United States. Additionally, Avista Communications provided fiber optic cable leases. Between 2001 and 2002 Avista Communications assets were sold and the subsidiary was reported as

discontinued operations for fiscal years ending December 31, 2001 and 2002. Inactive after 2002.

- **Avista Turbine Power, Inc.** (100% ownership-ceased active development of additional projects) was created to receive assignments of power purchase agreements (PPAs). Prior to the sale of Avista Energy in 2007, it had a PPA with Rathdrum Power, LLC, which had been assigned to Avista Energy, Inc. In connection with the sale of Avista Energy's business to Coral, the PPA was terminated and in its place, an energy conversion agreement was entered into with Coral. Upon expiration of this energy conversion agreement, Avista Turbine Power will be the counterparty under the PPA until such time as the PPA is assigned to Avista Utilities on January 1, 2010. No other assignments exist.

**Spokane Energy, LLC** (Spokane Energy) is a special purpose limited liability company and has 100% of its membership owned by Avista Corp. Spokane Energy was formed on December 30, 1998 to assume ownership of a fixed rate electric capacity contract between Avista and Portland General Electric Company (PGE). Under this contract, Peaker, LLC (Peaker) purchases capacity from Avista Utilities and sells capacity to Spokane Energy. Spokane Energy sells the related capacity to PGE. Peaker acts as an intermediary to fulfill certain regulatory requirements between Spokane Energy and Avista Corp. The transaction is structured such that Spokane Energy bears full recourse risk for a loan (balance of \$80.7 million as of December 31, 2008) that matures in January 2015. Avista has no recourse related to this loan. Peaker makes monthly payments of approximately \$150,000 to Avista for its capacity purchase.

**AVA Formation Corp.** is a wholly owned subsidiary of Avista Corp. It was formed in February 2006 as a holding company for purposes of completing the proposed holding company implementation.

## II. TRANSACTIONS BETWEEN AVISTA CORPORATION AND SUBSIDIARIES

### 1. Transactions with subsidiaries totaling less than \$100,000 for the reporting period Ended December 31, 2008:

<u>Subsidiary Name</u>	<u>Account No. &amp; Description</u>	<u>Total Amount</u>
(4) Spokane Energy, LLC	456 Other Electric Revenue	\$ 50,909
(4) Spokane Energy, LLC	234 Interest Payable	\$ 96,344
(5) Steam Plant Square, LLC	931 Rents	\$ 36,136

See descriptions below, Section II.2. (b), (4) – (5), page 7.

### 2. Transactions with subsidiaries totaling or exceeding \$100,000 for the reporting period Ended December 31, 2008:

<u>Subsidiary Name</u>	<u>Account No. &amp; Description</u>	<u>Total Amount</u>
(1) Avista Capital II (Trust)	419 Interest Exp.	\$ 2,120,149
(2) AVA Capital Trust III	419 Interest Exp.	\$ 4,020,640
(3) Avista Capital, Inc. (Nucleus)	557 Amortization Exp.	\$ 228,043
(3) Avista Capital, Inc. (Nucleus)	813 Other Gas Supply Exp.	\$ 97,733
(6) Advantage IQ	146 Accts Rec.	\$ 5,240,868
(6) Avista Energy	146 Accts Rec.	\$ 290,186

See descriptions below, Section II.2. (b), (1) – (6), pages 6 - 8.

#### (a) Financial Statements:

A Balance Sheet and Income Statement for the subsidiaries listed above whose transactions exceeded \$100,000 is included as **Attachment 4**. See descriptions below in section II.2 (b).

#### CONFIDENTIALITY REQUEST

In accordance with WAC 480-07-160, Avista Corporation requests confidential treatment of all statements provided under this section of the Subsidiary Transaction Report. All such statements are marked "CONFIDENTIAL."

**(b) Description of Services or Transactions:**

**(1) Avista Capital II (Trust) Expenses**

In 1997, the Company issued Floating Rate Junior Subordinated Deferrable Interest Debentures, Series B, with principle amount of \$51.5 million to Avista Capital II, an affiliated business trust formed by the Company. Avista Capital II issued \$50.0 million of Preferred Trust Securities. The annual interest charges for the trust carried on Avista's books for 2008 totaled \$2,120,149, and was recorded in account 419 (interest expense). There are no other costs associated with this trust.

**(2) AVA Capital Trust III Expenses**

On March 12, 2004 by Commission Order No. 01, Docket No. UE-040329, the WUTC approved Avista's application to issue \$62 million of Subordinated Debentures for a term of up to 30 to 40 years. And as authorized, these Debentures were issued to a Delaware statutory trust controlled by Avista and consolidated on the Company's books. AVA Capital Trust III then issued \$60 million in Trust Preferred Securities to third-party, institutional investors and \$1.856 million in common securities to Avista. The common securities are approximately 3% equity, which reflects the minimum amount of equity that is required in these types of trusts to establish ownership of the trust.

The annual interest charges for the trust carried on Avista's books for 2008 totaled \$4,020,640, and was recorded in account 419 (interest expense). There are no other costs associated with this trust.

**(3) Avista Capital, Inc. – Nucleus Software Application**

Nucleus is a software application used to record energy transactions by Avista Utilities and Avista Energy. During 2007, Avista Utilities and Avista Energy used the Nucleus software application independent from one another with completely separate databases. Therefore, no access to data between companies was possible. After the sale of Avista Energy in 2007, Avista Utilities is the sole user of this application.

The Nucleus asset was transferred from Avista Energy's books to Avista Capital's books on December 31, 2003. The asset transferred was of mutual benefit to both Avista Utilities and Avista Energy. Avista Capital paid and recorded all shared costs on its books

related to the development of the application and charged a monthly amortization expense to both Avista Utilities and Avista Energy for the original asset transferred and for any development of the application. In November 2004, a software sublicense agreement was entered into between Avista Corporation dba Avista Utilities and Avista Capital, Inc., which granted Avista Utilities a non-exclusive sublicense to the Nucleus software. A copy of this agreement was provided to the WUTC in September 2004.

Avista Utilities' portion of the asset held by Capital at December 31, 2008 to be amortized totaled approximately \$2,929,373. In 2008, amortization expense of \$228,043 and \$97,733 were recorded in accounts 557 and 813, respectively. Electric and gas charges allocated to the Washington jurisdiction are allocated based on the Company's four-factor allocation methodology. *(Please refer to **Attachment 5** for the allocation factors.)*

#### **(4) Spokane Energy, LLC Transactions**

Avista acts as the servicer of Spokane Energy's commodity contracts. Annual service fees paid by Spokane Energy to Avista were approximately \$50,909 in 2008.

Spokane Energy is required to maintain in trust \$1.6 million. All funds in excess of this amount are transferred to Avista for cash management purposes. During 2008, the amount transferred was \$96,344. At December 31, 2008 Avista has a liability of \$646,789 payable to Spokane Energy for these funds.

#### **(5) Steam Plant Square, LLC Lease**

Avista Utilities leases office space from Steam Plant Square, LLC. Avista Corporation assumed the lease in May 2003 from Avista Capital, Inc. Lease payments in 2008 totaled \$36,136.

#### **(6) Non-Service Transactions**

*Avista Corporation Corporate Services:*

On a regular basis, general office employees of Avista Corporation spend time on corporate service support, such as accounting, federal income tax filing, planning, graphic services, etc. for subsidiaries. Their time is charged to suspense accounts (Deferred Debit 186), loaded for benefits and then established as a receivable (Account 146) when billed to the subsidiary. If other resources are expended during the course of this work such as travel

or consulting services, these costs are also charged to suspense accounts and billed to the subsidiary.

All corporate services provided, and costs incurred, are direct billed to subsidiaries at cost. No additional margin or profit is included and no assets are allocated. Suspense and capture of Avista Corporation employee costs, which are then billed back to the subsidiary at cost, serve to reduce the utility expenses.

Such transactions can be generally categorized as corporate support. Specific examples include labor, benefits, postage, supplies, copier and graphic services, legal, travel, lodging, and food.

**(c) Description of pricing basis or costing method for allocating costs, and amounts and accounts charged during the year:**

See individual descriptions above Section II.2, pages 5 - 8.

**(d) Inter-Company Loans:**

During 2008, Avista Corp. recorded short-term note receivables from and payables to Avista Capital, Inc. The year-end note payable amount at December 31, 2008 was \$2,854,178. During the year, the maximum note payable amount outstanding during the year, owed to Avista Capital was \$4,721,695 at September 23, 2008, and the maximum note receivable amount outstanding during the year, owed to Avista Corp. was \$1,535,646 at April 24, 2008.

This revolving short-term cash borrowing between the parties helps to reduce external cash requirements. According to the policy, investment/borrowing rates between Avista Corporation and Avista Capital are:

- a. Upon receiving appropriate approvals, excess Avista Capital cash may be invested with (loaned to) Avista Corp. at a rate equal to Avista Corp.'s avoided short-term borrowing cost, currently estimated at the one-month LIBOR plus 50 basis points. The rate will be reset monthly with the LIBOR rate in effect on the second business day of each month, as reported in the money rate section of the Wall Street Journal.

- b. Avista Capital may borrow from Avista Corp., subject to board-approved limits, at a rate equal to the Prime rate. This rate will be reset at such time as the Agent bank on the Avista Corp. Revolving Credit Agreement changes the Prime rate.<sup>2</sup>

The net associated accrued interest expense totaled \$73,856 in 2008.

**(e) Description of Parent Guaranteed Debt:**

Avista Corporation does not guarantee debt of its subsidiaries. However, there are payment guarantees as noted below in Section III. Miscellaneous Agreements, page 9.

**(f) Description of Activities of Subsidiaries:**

See Section I.3 at pages 2-4.

**(g) List of all common officers and directors:**

See Section I.2 at page 2.

### **III. MISCELLANEOUS AGREEMENTS AND TRANSACTIONS**

#### *1. Guaranty Agreement*

The Company has a “Guaranty Agreement” between Avista Corp. and Rathdrum Power, LLC. This agreement calls for Avista Corp. to act as guarantor of Avista Turbine Power, Inc.’s payment obligation to Rathdrum Power, LLC under a purchase power contract. This contract does not include the purchase or sale of goods, services or securities.

#### *2. Conveyance Agreement*

The Company has a “Conveyance Agreement” between Avista Corp. and Avista Energy that was entered into on October 5, 1998 and amended on October 30, 2002. Under this agreement, Avista conveyed for a term through October 31, 2009 its ownership interest in the Jackson Prairie Expansion Capacity and related withdrawal and injection capacity to Avista Energy. As

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<sup>2</sup> At times, Avista does not have any outstanding cash borrowings under the credit facility. When there are no outstanding cash borrowings under the credit facility, excess cash is utilized to pay down borrowings on the accounts receivable program (ARP). The avoided short-term borrowing rate on the ARP is reset on the 15th of each month. The rate received on excess cash invested with Avista (that is utilized to pay down the ARP borrowings) will be at the ARP rate plus the ARP utilization fee.

consideration, Avista Energy paid Avista's share of capital costs associated with the construction of the Jackson Prairie Expansion Capacity and pays Avista's share of operating, maintenance and general and administrative expenses associated with the Jackson Prairie Expansion Capacity. In April 2007, in conjunction with the previously discussed sale of Avista Energy, Inc., the term of the Conveyance Agreement was extended to April 30, 2011. A confidential copy of the "Agreement to Extend Agreement to Convey Ownership Interest in Jackson Prairie Storage Project Expansion" was provided to the WUTC in the 2006 Subsidiary Transaction Report.

### *3. Affiliated Interest Transaction*

Avista Corporation's Director Erik Anderson is President of WestRiver Capital, a private investment company. In mid-2007, WestRiver Capital made an investment in Ascentium, a company that designs and develops websites. Prior to the time WestRiver Capital made its investment in Ascentium, Avista had entered into a contract with Ascentium to provide web design services. Pursuant to the contract, Avista paid Ascentium \$63,000 in 2008 as final payment on the contract.

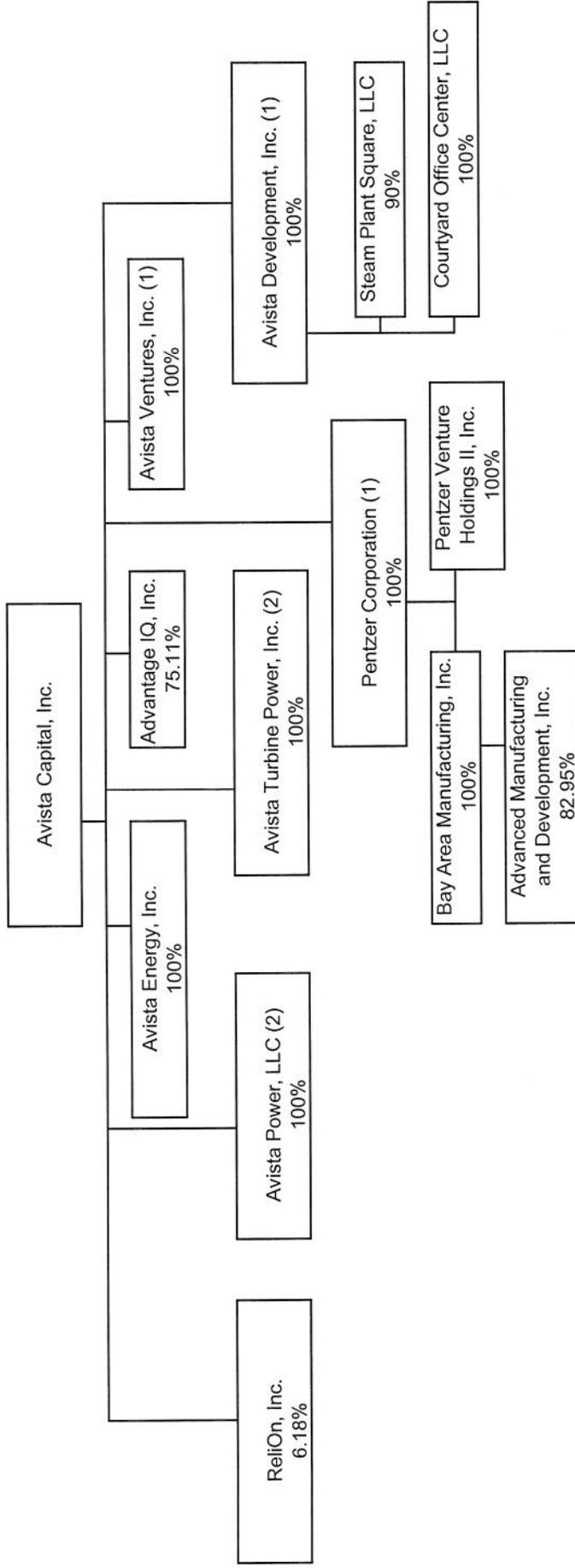
### *4. GreenVolts, Inc. Investment and Property Lease and Conditional Use Agreement*

In May 2007, Avista Development loaned \$200,000 to GreenVolts, Inc. under a convertible promissory note and executed a Property Lease and Conditional Use Agreement, by and between Avista and GreenVolts. The Agreement allows GreenVolts access to Avista's Clean Energy Test Site (CETS) on the grounds of its Rathdrum Combustion Turbine property in north Idaho. GreenVolts, a San Francisco based solar photovoltaic energy firm, will test new solar technology that is expected to deliver electricity as a cost that is potentially competitive with peak natural gas alternatives.

In November 2007, Avista Development invested \$500,000 in Series A Preferred Stock in GreenVolts and converted the \$200,000 promissory note to Series A Preferred Stock. This investment represents approximately 3% ownership in GreenVolts. Based on this, GreenVolts is not an affiliated interest of Avista, however, for informational purposes, a copy of the Property Lease and Conditional Use Agreement was provided in the 2007 Subsidiary Transaction Report.

**ATTACHMENT 1**

**Avista Capital Organizational Structure  
December 31, 2008**



(1) No employees, passive income

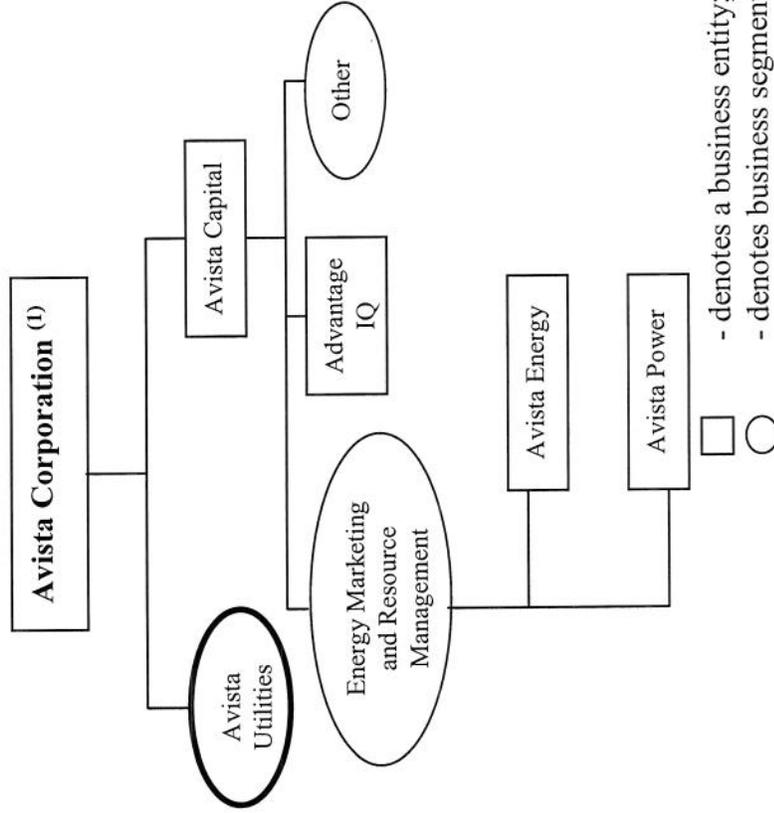
(2) Ceased active development of additional projects

Note a) Inactive Subsidiaries under Avista Capital, not shown above, include: Coyote Springs 2, LLC, Avista Communications, Inc.

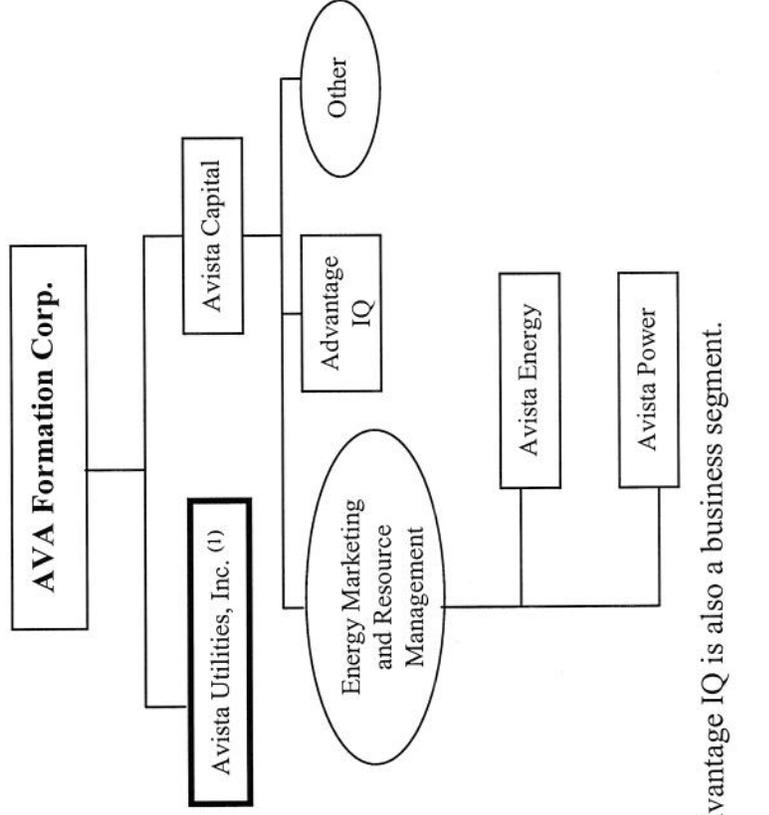
**ATTACHMENT 2**

# Avista Corporation Comparison of Organization Structures

## Current Organization Structure



## Proposed Organization Structure



(1) Additional subsidiaries under Avista Corp./ Avista Utility, not shown above, for the purpose of special purpose financings include: Avista Receivables Inc. (special purpose subsidiary formed in connection with the sale of accounts receivable, and Spokane Energy, LLC. (formed for the purpose of implementing a long-term capacity contract between Avista Utilities and Portland General Electric Company. At present these entities are directly owned by Avista Corporation, and will remain under Avista Utility after the reorganization.

(2) See Attachment 1 for detail of subsidiaries under Avista Capital.

**ATTACHMENT 3**



Corporate Secretary Department  
Current as of March 31, 2009

Annual Meeting Held in May of Each Year

**Directors:**

Erik J. Anderson	John F. Kelly
Kristianne Blake	Scott L. Morris
Brian W. Dunham	Michael L. Noël
Roy L. Eiguren	Heidi B. Stanley
Jack W. Gustavel	R. John Taylor

**Officers:**

Scott L. Morris	Chairman of the Board, President & Chief Executive Officer
Mark T. Thies	Senior Vice President & Chief Financial Officer
Marian M. Durkin	Senior Vice President, General Counsel & Chief Compliance Officer
Karen S. Feltes	Senior Vice President & Corporate Secretary
Christy M. Burmeister-Smith	Vice President, Controller & Principal Accounting Officer
James M. Kensok	Vice President & Chief Information Officer
Don F. Kopczynski	Vice President
David J. Meyer	Vice President & Chief Counsel for Regulatory & Governmental Affairs
Kelly O. Norwood	Vice President
Richard L. Storro	Vice President
Dennis P. Vermillion	Vice President & Environmental Compliance Officer
Ann M. Wilson	Vice President & Treasurer
Roger D. Woodworth	Vice President
Don M. Falkner	Assistant Treasurer
Susan Y. Fleming	Assistant Corporate Secretary
Diane C. Thoren	Assistant Treasurer

**Corporate Governance/**

**Nominating Committee**

Kristianne Blake  
Heidi B. Stanley  
R. John Taylor  
John F. Kelly – Chair

**Executive Committee**

Kristianne Blake  
Jack W. Gustavel  
R. John Taylor  
Scott L. Morris – Chair

**Audit Committee**

Michael L. Noël (financial expert)  
Heidi B. Stanley  
Kristianne Blake – Chair

**Compensation & Organization  
Committee**

John F. Kelly  
Michael L. Noël  
R. John Taylor – Chair

**Finance Committee**

Brian W. Dunham  
Jack W. Gustavel  
Erik J. Anderson – Chair

**Energy, Environmental, &  
Operations Committee**

Erik J. Anderson  
Jack W. Gustavel  
Roy L. Eiguren – Chair

All Committees are comprised of independent Board members as defined under the rules of the NYSE, with the exception of the Executive Committee (not required to be independent).

The Company was formed as The Washington Water Power Company in 1889 and changed its name to Avista Corp. on January 1, 1999.

**ADVANCED MANUFACTURING & DEVELOPMENT, INC.**

**Doing business as METAL~~fx~~**

(A Subsidiary of Bay Area Manufacturing, Inc.)

(A California Corporation)

300 East Hill Road

Willits, CA 95490

(707) 459-9451

**Directors:**

Marian M. Durkin

Scott L. Morris

Mark T. Thies

**Officers:**

Scott L. Morris

Gordon B. Short

Christy Burmeister-Smith

Karen S. Feltes

Susan Y. Fleming

Jill Porterfield

Chairman of the Board

President & Chief Executive Officer

Vice President & Treasurer

Senior Vice President & Corporate Secretary

Assistant Corporate Secretary

Assistant Corporate Secretary

**ADVANTAGE IQ, INC.**

(A Subsidiary of Avista Capital, Inc.)

1313 N. Atlantic St., 5<sup>th</sup> Floor

Spokane, WA 99201

**Directors:**

Erik J. Anderson

Kristianne Blake

John F. Kelly

Craig Levinsohn

Jeff Lieberman

Scott L. Morris

Stuart A. Stiles

**Officers:**

Scott L. Morris

Chairman of the Board

Stuart A. Stiles

President & Chief Executive Officer

Jeffrey Hart

Chief Operating Officer

Marian M. Durkin

Sr. Vice President & General Counsel

Mark T. Thies

Sr. Vice President & Chief Financial Officer

Karen S. Feltes

Sr. Vice President & Corporate Secretary

Craig Urdahl

Vice President & Treasurer

Kimmith L. Kelley

Vice President

David Porter

Vice President

Ed Schlect

Vice President

Susan Y. Fleming

Assistant Corporate Secretary

Diane C. Thoren

Assistant Treasurer

**Compensation Committee**

Scott Morris – Chair

John F. Kelly

Jeff Lieberman

**Audit Committee**

Kristianne Blake – Chair

Erik Anderson

Craig Levinsohn

The Company was formed as Altus Energy Solutions, Inc. and then changed its name to WWP Energy Solutions, Inc. before becoming Avista Advantage. The name was changed to Advantage IQ on June 29, 2006.

Current as of March 31, 2009

**AVA FORMATION CORP.**

(A Subsidiary of Avista Corporation)

1411 E. Mission Ave.

Spokane, WA 99202

Directors:

Marian M. Durkin

Scott L. Morris

Mark T. Thies

Officers:

Scott L. Morris

Marian M. Durkin

Mark T. Thies

President

Vice President and Corporate Secretary

Vice President and Chief Financial Officer

Current as of March 31, 2009

**AVISTA CAPITAL, INC.**

(A Subsidiary of Avista Corporation)  
1411 E. Mission Ave.  
Spokane, WA 99202

**Directors:**

Marian M. Durkin  
Scott L. Morris  
Mark T. Thies

**Officers:**

Scott L. Morris  
Mark T. Thies  
Christy Burmeister-Smith  
Karen S. Feltes  
Susan Y. Fleming  
Diane C. Thoren

Chairman of the Board, President & CEO  
Senior Vice President & Chief Financial Officer  
Vice President & Treasurer  
Senior Vice President & Corporate Secretary  
Assistant Corporate Secretary  
Assistant Treasurer

The Company was formed as Avista Corp. before changing its name to Avista Capital on August 17, 1998.

Current as of March 31, 2009

**AVISTA DEVELOPMENT, INC.**

(A Subsidiary of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane, WA 99202

**Directors:**

Marian M. Durkin

Scott L. Morris

Mark T. Thies

**Officers:**

Scott L. Morris

Mark T. Thies

Marian M. Durkin

Karen S. Feltes

Roger D. Woodworth

Susan Y. Fleming

Diane C. Thoren

Chairman of the Board, President and CEO

Senior Vice President, Chief Financial Officer & Treasurer

Senior Vice President & Environmental Compliance Officer

Senior Vice President & Corporate Secretary

Vice President

Assistant Corporate Secretary

Assistant Treasurer

The Company was formed as WP Finance Co. before changing its name to Avista Development. Pentzer Development, Inc. and Washington Irrigation & Development Company merged into Avista Development in October 1998.

Current as of March 31, 2009

**AVISTA ENERGY, INC.**

(A Subsidiary of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane WA 99202

**Directors:**

Marian M. Durkin

Scott L. Morris

Mark T. Thies

**Officers:**

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Tracy Van Orden

Susan Y. Fleming

Diane C. Thoren

Chairman of the Board, President & Chief Executive Officer

Senior Vice President, Chief Financial Officer & Treasurer

Sr. Vice President & Corporate Secretary

Controller

Assistant Corporate Secretary

Assistant Treasurer

The Company was formed as WWP Resource Services, Inc., before becoming Avista Energy.

Current as of March 31, 2009

**AVISTA RECEIVABLES CORP.**

(A Subsidiary of Avista Corporation)

1411 E. Mission Ave.

Spokane, WA 99202

**Directors:**

Russell B. Jones

Mark T. Thies

Diane C. Thoren

**Officers:**

Scott L. Morris

Mark T. Thies

Diane C. Thoren

Karen S. Feltes

Susan Y. Fleming

Chairman of the Board & President

Senior Vice President, Chief Financial Officer & Treasurer

Vice President

Senior Vice President & Corporate Secretary

Assistant Corporate Secretary

Current as of April 9, 2009

**AVISTA TURBINE POWER, INC.**

(A Subsidiary of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane, WA 99202

**Directors:**

Marian M. Durkin

Scott L. Morris

Mark T. Thies

**Officers:**

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Susan Y. Fleming

Diane C. Thoren

Chairman of the Board, President & Chief Executive Officer

Senior Vice President, Chief Financial Officer & Treasurer

Senior Vice President & Corporate Secretary

Assistant Corporate Secretary

Assistant Treasurer

Current as of March 31, 2009

**AVISTA VENTURES, INC.**

(A Subsidiary of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane, WA 99202

**Directors:**

Scott L. Morris

Mark T. Thies

Ann M. Wilson

Roger D. Woodworth

**Officers:**

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Susan Y. Fleming

Diane C. Thoren

Chairman of the Board, President & Chief Executive Officer

Senior Vice President, Chief Financial Officer & Treasurer

Senior Vice President & Corporate Secretary

Assistant Corporate Secretary

Assistant Treasurer

Current as of March 31, 2009

**BAY AREA MANUFACTURING, INC.**

(A Subsidiary of Pentzer Corporation)

1411 E. Mission Ave.

Spokane, WA 99202

**Directors:**

Marian M. Durkin

Scott L. Morris

Mark T. Thies

**Officers:**

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Susan Y. Fleming

Diane C. Thoren

Chairman of the Board, President & Chief Executive Officer

Senior Vice President, Chief Financial Officer & Treasurer

Senior Vice President & Corporate Secretary

Assistant Corporate Secretary

Assistant Treasurer

Current as of March 31, 2009

**PENTZER CORPORATION**

(A Subsidiary of Avista Capital, Inc.)

1411 E. Mission Ave.

Spokane, WA 99202

**Directors:**

Scott L. Morris

Mark T. Thies

Ann M. Wilson

**Officers:**

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Susan Y. Fleming

Diane C. Thoren

Chairman of the Board, President & Chief Executive Officer

Senior Vice President, Chief Financial Officer & Treasurer

Senior Vice President & Corporate Secretary

Assistant Corporate Secretary

Assistant Treasurer

Current as of March 31, 2009

**PENTZER VENTURE HOLDINGS II**

(A Subsidiary of Pentzer Corporation)

1411 E. Mission Ave.

Spokane, WA 99202

**Directors:**

Malyn K. Malquist

Mark T. Thies

Ann M. Wilson

**Officers:**

Scott L. Morris

Mark T. Thies

Karen S. Feltes

Susan Y. Fleming

Diane C. Thoren

Chairman of the Board, President & Chief Executive Officer

Senior Vice President, Chief Financial Officer & Treasurer

Senior Vice President & Corporate Secretary

Assistant Corporate Secretary

Assistant Treasurer

**ATTACHMENT 4**

**(REDACTED)**

**Avista Capital Balance Sheet  
as of  
December 31, 2008**

**REDACTED**

**CONFIDENTIAL per WAC 480-07-160**

**Avista Capital Balance Sheet  
as of  
December 31, 2008**

**REDACTED**

**CONFIDENTIAL per WAC 480-07-160**

**Avista Capital Income Statement**  
**Year to Date**  
**200812**

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**REDACTED**

**CONFIDENTIAL per WAC 480-07-160**

**ATTACHMENT 5**

ELECTRIC ALLOCATION PERCENTAGES For Twelve Months Ended December 31, 2008 Average of Monthly Averages Basis	Report ID: E-ALL-12A
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Basis	Ref	Description	Production/Transmission Ratio	12/31/2008	System	Washington	Idaho
1	Input	Production/Transmission Ratio			100.000%	64.420%	35.580%
2	Input	Number of Customers Percent		12/31/2008	352,352 100.000%	231,554 65.717%	120,798 34.283%
3	E-OPS	Direct Distribution Operating Expense Percent			20,192,873 100.000%	13,509,542 66.903%	6,683,331 33.097%
	Input	Jurisdictional 4-Factor Ratio		12/31/2008			
		Direct O & M Accts 500 - 598			14,403,963	9,616,346	4,787,617
		Direct O & M Accts 901 - 935			4,987,613	3,376,346	1,611,267
		Total Percentage			19,391,576 100.000%	12,992,692 67.002%	6,398,884 32.998%
		Direct Labor Accts 500 - 598			8,589,586	5,794,987	2,794,599
		Direct Labor Accts 901 - 935			2,645,059	2,011,391	633,668
		Total Percentage			11,234,645 100.000%	7,806,378 69.485%	3,428,267 30.515%
		Number of Customers Percentage			354,732 100.000%	233,087 65.708%	121,645 34.292%
		Net Direct Plant Percentage			664,541,627 100.000%	402,643,453 60.590%	261,898,174 39.410%
4		Total Percentages Percent			400.000% 100.000%	262.785% 65.696%	137.215% 34.304%

**ELECTRIC ALLOCATION PERCENTAGES**  
 For Twelve Months Ended December 31, 2008  
 Average of Monthly Averages Basis

Report ID:  
 E-ALL-12A

Basis	Ref	Description	System		Idaho	
			Washington	Idaho		
	Input	Elec/Gas North/Oregon 4-Factor	Total	Electric	Gas North	Oregon Gas
		Direct O & M Accts 500 - 894	37,750,013	32,765,739	3,167,680	1,816,594
		Direct O & M Accts 901 - 935	26,326,798	16,546,598	6,717,604	3,062,596
		Accts 901 - 905 Utility 9 Only	2,365,645	1,467,102	898,543	XXXXXXX
		Adjustments	0			
		Total	66,442,456	50,779,439	10,783,827	4,879,190
		Percentage	100.000%	76.427%	16.230%	7.343%
		Direct Labor Accts 500 - 894	47,780,988	37,381,233	7,014,016	3,385,739
		Direct Labor Accts 901 - 935	4,605,385	3,347,484	292,232	965,669
		Accts 901 - 905 Utility 9 Only	2,564,972	1,590,719	974,253	XXXXXXX
		Total	54,951,345	42,319,436	8,280,501	4,351,408
		Percentage	100.000%	77.012%	15.069%	7.919%
		Number of Customers at 12/31/07	662,260	351,585	215,336	95,339
		Percentage	100.000%	53.089%	32.515%	14.396%
		Net Direct Plant	1,973,206,694	1,604,463,392	254,636,776	114,106,526
		Percentage	100.000%	81.312%	12.905%	5.783%
7		Total Percentages	400,000%	287.840%	76.719%	35.441%
		Average (CD AA)	100,000%	71.960%	19.180%	8.860%
	Input	Gas North/Oregon 4-Factor	Total	Electric	Gas North	Oregon Gas
		Direct O & M Accts 500 - 894	4,984,274	0	3,167,680	1,816,594
		Direct O & M Accts 901 - 935	9,780,200	0	6,717,604	3,062,596
		Less: Direct O & M Accts 901 - 905	898,543	0	898,543	XXXXXXX
		Total	15,663,017	0	10,783,827	4,879,190
		Percentage	100.000%	0.000%	68.849%	31.151%
		Direct Labor Accts 500 - 894	10,399,755	0	7,014,016	3,385,739
		Direct Labor Accts 901 - 935	1,257,901	0	292,232	965,669
		Less: Direct O & M Accts 901 - 905	974,253	0	974,253	XXXXXXX
		Total	12,631,909	0	8,280,501	4,351,408
		Percentage	100.000%	0.000%	65.552%	34.448%
		Number of Customers at 12/31/07	310,675	0	215,336	95,339
		Percentage	100.000%	0.000%	69.312%	30.688%
		Net Direct Plant	365,638,826	0.000%	251,988,153	113,650,673
		Percentage	100.000%	0.000%	68.917%	31.083%
		Total Percentages	400,000%	0.000%	272.630%	127.370%
		Average (GD AA)	100,000%	0.000%	68.157%	31.843%

**ELECTRIC ALLOCATION PERCENTAGES**  
 For Twelve Months Ended December 31, 2008  
 Average of Monthly Averages Basis

Report ID:  
 E-ALL-12A

Basis	Ref	Description	System	Washington	Idaho
Input		Elec/Gas North 4-Factor	Total	Electric	Gas North
		Direct O & M Accts 500 - 894	35,933,419	32,765,739	3,167,680
		Direct O & M Accts 901 - 935	23,264,202	16,546,598	6,717,604
		Adjustments	0	0	0
		Total	59,197,621	49,312,337	9,885,284
		Percentage	100.000%	83.301%	16.699%
		Direct Labor Accts 500 - 894	44,395,249	37,381,233	7,014,016
		Direct Labor Accts 901 - 935	3,639,716	3,347,484	292,232
		Total	48,034,965	40,728,717	7,306,248
		Percentage	100.000%	84.790%	15.210%
		Number of Customers at 12/31/07	566,921	351,585	215,336
		Percentage	100.000%	62.017%	37.983%
		Net Direct Plant	1,850,111,655	1,598,123,502	251,988,153
		Percentage	100.000%	86.380%	13.620%
9		Total Percentages Average (CD AN/ID/WA)	400,000%	316,488%	83,512%
			100.000%	79.122%	20.878%
10	E-PLT	Net Electric Distribution Plant	629,201,240	389,222,047	239,979,193
		Percent	100.000%	61.860%	38.140%
11	E-OPS	Book Deprec (0403.XX, 0404.11 & 0406.XX)	71,378,507	45,928,408	25,450,099
		Percent	100.000%	64.345%	35.655%
12	E-PLT	Net Electric Plant	1,677,951,332	1,064,749,022	613,202,310
		Percent	100.000%	63.455%	36.545%
13	E-PLT	Net Electric General Plant	79,731,146	51,136,493	28,594,653
		Percent	100.000%	64.136%	35.864%
14	E-SCM	Net Allocated Schedule M's	-144,042,640	-93,131,695	-50,910,945
		Percent	100.000%	64.656%	35.344%

GAS ALLOCATION PERCENTAGES  
 For Twelve Months Ended December 31, 2008  
 Average of Monthly Averages Basis

Report ID:  
 G-ALL-12A

Basis	Ref	Description	System	Washington	Idaho
1	Input	System Contract Demand	100.000%	70.930%	29.070%
2		Number of Customers	216,486	144,214	72,272
		Percent	100.000%	66.616%	33.384%
3	G-OPS	Direct Distribution Operating Expense	7,921,510	4,973,301	2,948,209
		Percent	100.000%	62.782%	37.218%
Jurisdictional Four Factor Allocator - Direct Method Allocation Rate Calculation - Updated 12/31/2008 Direct O & M Amount: Accounts 798 - 894 1,529,649 Amount: Accounts 901 - 935 563,999 Total 2,093,648 Percentage 67.498% 32.502%					
Direct Labor Amount: Accounts 798 - 894 1,418,560 Amount: Accounts 901 - 935 268,828 Total 1,687,388 Percentage 67.041% 32.959%					
Total Number of Customers Percentage 218,921 145,664 73,257 100.000% 66.537% 33.463%					
Total Direct Plant Percentage 270,603,379 172,560,521 98,042,858 100.000% 63.769% 36.231%					
Total Four Factor Allocators Percent 400,000% 264,845% 135,155% 100.000% 66.211% 33.789%					
Underground Storage & Dist Plant					
G-PLT		Underground Storage	21,513,637	15,259,624	6,254,013
G-PLT		Distribution	364,876,321	240,777,704	124,098,617
		Total Underground Storage/Dist Plant	386,389,958	256,037,328	130,352,630
		Percent	100.000%	66.264%	33.736%
6	Input	Actual Terms Purchased	268,483,677	188,246,873	80,236,804
		Percent	100.000%	70.115%	29.885%

GAS ALLOCATION PERCENTAGES		Report ID:
For Twelve Months Ended December 31, 2008		G-ALL-12A
Average of Monthly Averages Basis		

Input	Elec\Gas North\Oregon 4-Factor	1/1/2008	Total	Electric	Gas North	Oregon Gas
Direct O & M Accts 500 - 894			37,750,013	32,765,739	3,167,680	1,816,594
Direct O & M Accts 901 - 935			26,326,798	16,546,598	6,717,604	3,062,596
Direct O & M Accts 901 - 905 Utility 9 Only			2,365,645	1,467,102	898,543	XXXXXX
Adjustments			0			
Total			66,442,456	50,779,439	10,783,827	4,879,190
Percentage			100.000%	76.427%	16.230%	7.343%
Direct Labor Accts 500 - 894			47,780,988	37,381,233	7,014,016	3,385,739
Direct Labor Accts 901 - 935			4,605,385	3,347,484	292,232	965,669
Direct O & M Accts 901 - 905 Utility 9 Only			2,564,972	1,590,719	974,253	XXXXXX
Total			54,951,345	42,319,436	8,280,501	4,351,408
Percentage			100.000%	77.012%	15.069%	7.919%
Number of Customers at 12/31/07			662,260	351,585	215,336	95,339
Percentage			100.000%	53.089%	32.515%	14.396%
Net Direct Plant			1,973,206,694	1,604,463,392	254,636,776	114,106,526
Percentage			100.000%	81.312%	12.905%	5.783%
Total Percentages			400.000%	287.840%	76.719%	35.441%
Average (CD AA)			100.000%	71.960%	19.180%	8.860%

7

Input	Gas North\Oregon 4-Factor	1/1/2008	Total	Electric	Gas North	Oregon Gas
Direct O & M Accts 580 - 894			4,984,274	0	3,167,680	1,816,594
Direct O & M Accts 901 - 935			9,780,200	0	6,717,604	3,062,596
Direct O & M Accts 901 - 905 Utility 9 Only			898,543	0	898,543	XXXXXX
Total			15,663,017	0	10,783,827	4,879,190
Percentage			100.000%	0.000%	68.849%	31.151%
Direct Labor Accts 580 - 894			10,399,755	0	7,014,016	3,385,739
Direct Labor Accts 901 - 935			1,257,901	0	292,232	965,669
Direct O & M Accts 901 - 905 Utility 9 Only			974,253	0	974,253	XXXXXX
Total			12,631,909	0	8,280,501	4,351,408
Percentage			100.000%	0.000%	65.552%	34.448%
Number of Customers at 12/31/07			310,675	0	215,336	95,339
Percentage			100.000%	0.000%	69.312%	30.688%
Net Direct Plant			365,638,826	0	251,988,153	113,650,673
Percentage			100.000%	0.000%	68.917%	31.083%
Total Percentages			400.000%	0.000%	272.630%	127.370%
Average (GD AA)			100.000%	0.000%	68.157%	31.843%

8

GAS ALLOCATION PERCENTAGES For Twelve Months Ended December 31, 2008 Average of Monthly Averages Basis	Report ID: G-ALL-12A
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Input	1/1/2008	Electric	Gas North	Oregon Gas
Input Elec/Gas North 4-Factor				
Direct O & M Accts 580 - 894	35,933,419	32,765,739	3,167,680	0
Direct O & M Accts 901 - 935	23,264,202	16,546,598	6,717,604	0
Adjustments	0	0	0	0
Total	59,197,621	49,312,337	9,885,284	0
Percentage	100.000%	83.301%	16.699%	0.000%
Direct Labor Accts 580 - 894	44,395,249	37,381,233	7,014,016	0
Direct Labor Accts 901 - 935	3,639,716	3,347,484	292,232	0
Total	48,034,965	40,728,717	7,306,248	0
Percentage	100.000%	84.790%	15.210%	0.000%
Number of Customers at 12/31/07	566,921	351,585	215,336	0
Percentage	100.000%	62.017%	37.983%	0.000%
Net Direct Plant	1,850,111,655	1,598,123,502	251,988,153	0
Percentage	100.000%	86.380%	13.620%	0.000%
Total Percentages	400,000%	316.488%	83.512%	0.000%
Average (CD AN/D/WA)	100.000%	79.122%	20.878%	0.000%
System	Washington	Idaho		
Actual Annual Throughput	382,838,600	257,552,440	125,486,160	
Percent	100.000%	67.222%	32.778%	
G-OPS Book Depreciation	10,628,562	7,113,377	3,515,185	
Percent	100.000%	66.927%	33.073%	
G-PLT Net Gas Plant	277,231,612	182,998,774	94,232,838	
Percent	100.000%	66.009%	33.991%	
G-PLT Net Gas General Plant	20,825,295	13,863,065	6,962,230	
Percent	100.000%	66.568%	33.432%	
G-SCM Net Allocated Schedule M's	-31,994,502	-21,274,335	-10,720,167	
Percent	100.000%	66.494%	33.506%	
Input Not Allocated	0.000%	0.000%	0.000%	
Situs Plant by Functional Group:				
(Used to functionalize R&P Property Tax on Report G-OTX)				
Input Underground Storage	Washington	Idaho		
Input Distribution	34,463,930			
Input General	250,850,463	140,104,069		
Input TOTAL	2,959,052	2,642,344		
	288,273,445	142,746,413		