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AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Revenue Requirement

Line No.	Description	As Proposed Per Company Adjusted (A)	As Proposed Per PC Adjusted (B)	Difference (C)	Reference (D)
1	WA Jurisdictional Rate Base	\$178,263	\$168,792	(\$9,471)	Schedule A-1
2	Overall Rate of Return	8.68%	8.25%	-0.43%	Schedule D
3	Net Operating Income Required	\$ 15,473	\$ 13,925	(\$1,548)	L 1 * L 2
4	NOI-Existing Rates	\$12,414	\$13,497	\$1,083	Schedule A-1
5	Income Deficiency (Sufficiency)	\$ 3,059	\$ 428	(\$2,631)	L 3 - L 4
6	Revenue Conversion Factor	0.622038	0.622089	0.000051	Schedule A-2
7	Revenue Deficiency (Sufficiency)	\$ 4,918	\$ 689	(\$4,229)	L 5 / L 7

PKR

AVISTA UTILITIES
 GAS RESULTS OF OPERATION
 WASHINGTON RESTATED RESULTS
 TWELVE MONTHS ENDED SEPTEMBER 30, 2008
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	
		Per Results Report	Deferred FIT Rate Base	Deferred on Office Building	Gas Inventory	Weatherization and DSM Investment	Customer Advances	Depreciation True-up	Subtotal Actual	Revenue Normalization & Gas Cost Adjust.	Eliminate B & O Taxes	Property Tax	Uncollectible Expense	Regulatory Expense Adjustment	Injuries and Damages	FIT	Net Gains/Losses	Eliminate A/R Expenses	
1	REVENUES																		
2	Total General Business	\$220,020							\$220,020	1,693	\$ (7,839)								
3	Total Transportation	3,486							3,486	(1,700)	(75)								
4	Other Revenues	135,812							135,812	(131,309)									
5	Total Gas Revenues	359,318	0	0	0	0	0	0	359,318	(131,404)	(7,914)	0	0	0	0	0	0	0	0
6	EXPENSES																		
7	Exploitation and Development Production	0							0										
8	City Gate Purchases	309,146							309,146	(131,365)									
9	Purchased Gas Expense	737							737										
10	Net Net Gas Storage Trains	(18,687)							(18,687)	18,687									
11	Total Production	291,196	0	0	0	0	0	0	291,196	(133,178)									
12	Underground Storage	408							408										
13	Operating Expenses	260							260										
14	Depreciation	113							113										
15	Taxes	781	0	0	0	0	0	(15)	766	0	0	(16)	0	0	0	0	0	0	0
16	Total Underground Storage	6,260							6,260										
17	Operating Expenses	5,659							5,606	67	(7,908)	(280)	0	0	0	0	0	0	(13)
18	Depreciation	18,282							18,282	67	(7,908)	(280)	0	0	0	0	0	0	(13)
19	Taxes	30,201	0	0	0	0	0	(53)	30,148	67	(7,908)	(280)	0	0	0	0	0	0	(13)
20	Total Distribution	4,884							4,884	5	(143)								(85)
21	Customer Accounting	5,002							5,002	(4,270)									
22	Customer Service & Information	545							545										
23	Sales Expenses	9,202							9,202	3				14	(65)				
24	Administrative & General	1,414							1,399	356									
25	Operating Expenses	33							33										
26	Depreciation	10,659	0	0	0	0	0	(13)	10,624	359	0	(1)	0	14	(65)	0	0	0	0
27	Taxes	343,288	0	0	0	0	0	(83)	343,058	(137,017)	(7,908)	(297)	(143)	14	(65)	0	0	0	(85)
28	Total Gas Expense	16,070	0	0	0	0	0	83	16,153	5,613	(6)	297	143	(14)	65	0	0	0	13
29	OPERATING INCOME BEFORE FIT	5,138							5,167	1,965	(2)	104	50	(5)	23	3	5	7	30
30	FEDERAL INCOME TAX	(1,042)							(1,042)										
31	Current Accrual	(30)							(30)										
32	Deferred FIT	\$12,004	\$0	\$0	\$0	\$0	\$0	\$54	\$12,058	\$1,648	(\$4)	\$193	\$93	(\$9)	\$42	(\$10)	\$8	\$55	
33	Amort ITC																		
34	NET OPERATING INCOME																		
35	RATE BASE: PLANT IN SERVICE																		
36	Underground Storage	13,539							13,539										
37	Distribution Plant	237,485							237,433										
38	General Plant	23,944							23,944										
39	Total Plant in Service	274,968	0	0	0	0	0	0	274,916	0	0	0	0	0	0	0	0	0	0
40	ACCUMULATED DEPRECIATION																		
41	Underground Storage	7,516							7,516										
42	Distribution Plant	80,580							80,580										
43	General Plant	8,155							8,155										
44	Total Accum. Depreciation	96,251	0	0	0	0	0	0	96,251	0	0	0	0	0	0	0	0	0	0
45	DEFERRED FIT	0	(27,674)	23	11,064				(27,651)						426				
46	GAS INVENTORY	0							11,064										
47	GAIN ON SALE OF BUILDING	0							(65)										
48	OTHER RATE BASE DEDUCTIONS																		
49	TOTAL RATE BASE	\$178,717	(\$27,674)	(\$42)	\$11,064	\$0	(\$52)	\$0	\$163,013	\$0	\$0	\$0	\$0	\$0	(\$2,16)	\$0	\$0	\$0	\$0

AVISTA UTILITIES
 GAS RESULTS OF OPERATION
 WASHINGTON RESTATED RESULTS
 TWELVE MONTHS ENDED SEPTEMBER 30, 2008
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	C-7 Director Fees	C-8 Customer Deposits	C-9 AGA Dues	Total Adjustments	PC Pro Forma Total
REVENUES						
1	Total General Business	-	-	-	-	\$213,876
2	Total Transportation	-	-	-	-	\$1,711
3	Other Revenues	-	(2,561)	-	(2,561)	\$1,852
4	Total Gas Revenues	-	(2,561)	-	(2,561)	217,439
EXPENSES						
5	Exploration and Development	-	-	-	-	-
6	Production	-	-	-	-	\$157,281
7	City Gate Purchases	-	-	-	67	\$804
8	Purchased Gas Expense	-	-	-	-	-
9	Net Nat Gas Storage Trms	-	-	-	-	-
10	Total Production	-	-	-	-	158,085
11	Operating Expenses	-	-	-	1	\$409
12	Depreciation	-	-	-	155	\$400
13	Taxes	-	-	-	159	\$276
14	Total Underground Storage	-	-	-	385	1,035
15	Operating Expenses	-	-	-	494	\$6754
16	Depreciation	-	-	-	-	\$5,593
17	Taxes	-	-	-	(98)	\$10,142
18	Total Distribution	-	-	-	396	22,489
19	Customer Accounting	-	-	-	287	\$4,948
20	Customer Service & Information	-	-	-	17	\$749
21	Sales Expenses	-	-	-	26	\$571
22	Administrative & General	-	-	-	-	-
23	Operating Expenses	(75)	52	(21)	444	\$9,510
24	Depreciation	-	-	-	-	\$1,755
25	Taxes	-	-	-	-	\$32
26	Total Admin. & General	(75)	52	(21)	444	11,287
27	Total Gas Expense	(75)	52	(21)	1,522	199,166
28	OPERATING INCOME BEFORE FIT	75	(52)	21	(4,083)	\$18,275
29	FEDERAL INCOME TAX	26	(18)	8	(1,439)	\$5,845
30	Deferred FIT	-	-	-	-	\$(1,035)
31	Amort ITC	-	-	-	-	\$(39)
32	NET OPERATING INCOME	\$49	\$(14)	\$14	(2,654)	\$19,897
RATE BASE: PLANT IN SERVICE						
33	Underground Storage	-	-	-	8,614	\$22,153
34	Distribution Plant	-	-	-	-	\$377,433
35	General Plant	-	-	-	-	\$23,944
36	Total Plant in Service	-	-	-	8,614	283,530
37	Underground Storage	-	-	-	266	\$7,782
38	Distribution Plant	-	-	-	-	\$80,580
39	General Plant	-	-	-	-	\$8,155
40	Total Accum. Depreciation	-	-	-	266	96,517
41	DEFERRED FIT	-	-	-	(473)	\$(27,698)
42	GAS INVENTORY	-	-	-	1,047	\$12,111
43	GAIN ON SALE OF BUILDING	-	-	-	-	\$(65)
44	OTHER RATE BASE DEDUCTIONS	-	-	-	(1,353)	\$(2,969)
45	TOTAL RATE BASE	\$0	\$(1,353)	\$0	7,569	\$108,779

AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Conversion Factor

Line No.	Description	Per Company	Per PC
1	Revenues	<u>1.000000</u>	<u>1.000000</u>
	Expense:		
2	Uncollectibles	0.002599 [a]	0.002518 [b]
3	Commission Fees	0.002000	0.002000
4	Washington Excise Tax	0.038420 [a]	0.038423 [b]
5	Franchise Fees	-	-
6	Total Expense	<u>0.043019</u>	<u>0.042941</u>
7	Net Operating Income Before FIT	0.956981	0.957059
8	Federal Income Tax @ 35%	<u>0.334943</u>	<u>0.334971</u> L. 7 * 35%
9	Conversion Factor	<u><u>0.622038</u></u>	<u><u>0.622089</u></u> L. 7 - L. 8

Source:

[a] Exhibit No. __ (EMA-3) page 3

[b] Response to PC-025

**AVISTA UTILITIES
GAS RESULTS OF OPERATION
WASHINGTON RESTATED RESULTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(000'S OF DOLLARS)**

Line No.	DESCRIPTION	Per Results Report	Company Adjusted	PC Adjusted
RATE BASE: PLANT IN SERVICE				
1	Underground Storage	13,539	\$ 22,826	\$ 22,153
2	Distribution Plant	237,485	\$ 253,003	\$ 237,433
3	General Plant	23,944	\$ 30,580	\$ 23,944
4	Total Plant in Service	274,968	306,409	283,530
5	Accumulated Depreciation			\$ -
6	Underground Storage	7,516	\$ 8,167	\$ 7,782
7	Distribution Plant	80,580	\$ 89,619	\$ 80,580
8	General Plant	8,155	\$ 11,597	\$ 8,155
9	Total Accum. Depreciation	96,251	109,383	96,517
10	Deferred FIT	0	\$ (30,809)	\$ (27,698)
11	Gas Inventory	0	\$ 12,111	\$ 12,111
12	Gain on Sale of Building	0	\$ (65)	\$ (65)
13	Other Rate Base Deductions			\$ (2,569)
14	TOTAL RATE BASE	\$178,717	\$178,263	\$168,792

AVISTA UTILITIES
GAS RESULTS OF OPERATION
WASHINGTON RESTATED RESULTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Per Results Report	Company Adjusted	PC Adjusted
REVENUES				
1	Total General Business	\$ 220,020	\$ 213,876	\$ 213,876
2	Total Transportation	\$ 3,486	\$ 1,711	\$ 1,711
3	Other Revenues	\$ 135,812	\$ 1,852	\$ 1,852
4	Total Gas Revenues	\$ 359,318	\$ 217,439	\$ 217,439
EXPENSES				
5	Exploration and Development	\$ -	\$ -	\$ -
6	Production	\$ 291,196	\$ 158,107	\$ 158,085
7	Underground Storage	\$ 781	\$ 937	\$ 1,035
8	Distribution	\$ 30,201	\$ 22,531	\$ 22,489
9	Customer Accounting	\$ 4,884	\$ 5,053	\$ 4,948
10	Customer Service & Information	\$ 5,002	\$ 756	\$ 749
11	Sales Expenses	\$ 545	\$ 582	\$ 571
12	Administrative & General	\$ 10,639	\$ 12,982	\$ 11,287
13	Total Gas Expense	\$ 343,248	\$ 200,948	\$ 199,164
14	OPERATING INCOME BEFORE FIT	\$ 16,070	\$ 16,491	\$ 18,275
FEDERAL INCOME TAX				
15	Current Accrual	\$ 5,138	\$ 5,142	\$ 5,843
16	Deferred FIT	\$ (1,042)	\$ (1,035)	\$ (1,035)
17	Amort ITC	\$ (30)	\$ (30)	\$ (30)
18	NET OPERATING INCOME	\$ 12,004	\$ 12,414	\$ 13,497

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AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Reduce Company's Pro forma Adjustment for Non-Executive Labor

Line No.	Description	Amount	
	Production		
1	City Gate Purchases		
2	Purchased Gas Expense	\$ 14	Col. G, L.4
3	Net Nat Gas Storage Trans		
4	Total Production	<u>\$ 14</u>	
	Underground Storage		
5	Operating Expenses	\$ 0	Col. G, L.7
6	Depreciation		
7	Taxes		
8	Total Underground Storage	<u>\$ 0</u>	
	Distribution		
9	Operating Expenses	\$ 190	Col G, L. 26
10	Depreciation		
11	Taxes		
12	Total Distribution	<u>\$ 190</u>	
13	Customer Accounting	\$ 100	Col G, L. 31
14	Customer Service & Information	\$ 5	Col. G, L. 35
15	Sales Expenses	\$ 8	Col. G, L. 40
	Administrative & General		
16	Operating Expenses	\$ 81	Col. G, L. 49
17	Depreciation		
18	Taxes		
19	Total Admin. & General	<u>\$ 81</u>	
20	Total Gas Expenses	<u>\$ 399</u>	
21	Federal Income Tax Rate	<u>35.000%</u>	
22	Decrease in Federal Income Tax Expense	<u>\$ (140)</u>	
23	Decrease in Net Operating Income	<u><u>\$ (259)</u></u>	

Source:

C-1.1

AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008

Line No.	(A) Total WA	(B) Remove Executives	(C) Adjusted Total WA	(D) 2008 Increase		(E) Adjusted for 2008 Increase	(F) Approved Increase		(G) 2008 & 2009 Increases	(H) Add Back Executives	(I) Total
				1.519%	1.698%		2.500%	4.000%			
			Col. A + Col. B	Col. C + Col. D		Col. D + Col. F		Col. C + G + H			
Production											
1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	\$ 383,809	\$ (27,295)	\$ 356,514	\$ 5,415	\$ 5,415	\$ 361,929	\$ 9,048	\$ 14,463	\$ 27,710	\$ 398,687	\$ 398,687
4	\$ 383,809	\$ (27,295)	\$ 356,514	\$ 5,415	\$ 5,415	\$ 361,929	\$ 9,048	\$ 14,463	\$ 27,710	\$ 398,687	\$ 398,687
Underground Storage											
5	\$ 6,811	\$ -	\$ 6,811	\$ 103	\$ 103	\$ 6,914	\$ 173	\$ 276	\$ -	\$ 7,087	\$ 7,087
6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	\$ 6,811	\$ -	\$ 6,811	\$ 103	\$ 103	\$ 6,914	\$ 173	\$ 276	\$ -	\$ 7,087	\$ 7,087
Distribution											
8	\$ 270,437	\$ -	\$ 270,437	\$ 4,108	\$ 4,108	\$ 274,545	\$ 6,864	\$ 10,972	\$ -	\$ 281,409	\$ 281,409
9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	\$ 563,374	\$ -	\$ 563,374	\$ 9,566	\$ 9,566	\$ 572,940	\$ 22,918	\$ 32,484	\$ -	\$ 595,858	\$ 595,858
11	\$ 32,650	\$ -	\$ 32,650	\$ 554	\$ 554	\$ 33,204	\$ 1,328	\$ 1,882	\$ -	\$ 34,532	\$ 34,532
12	\$ 3,253	\$ -	\$ 3,253	\$ 55	\$ 55	\$ 3,308	\$ 132	\$ 187	\$ -	\$ 3,440	\$ 3,440
13	\$ 33,186	\$ -	\$ 33,186	\$ 563	\$ 563	\$ 33,749	\$ 1,350	\$ 1,913	\$ -	\$ 35,099	\$ 35,099
14	\$ 331,556	\$ -	\$ 331,556	\$ 5,630	\$ 5,630	\$ 337,186	\$ 13,487	\$ 19,117	\$ -	\$ 350,673	\$ 350,673
15	\$ 416,487	\$ -	\$ 416,487	\$ 7,072	\$ 7,072	\$ 423,559	\$ 16,942	\$ 24,014	\$ -	\$ 440,501	\$ 440,501
16	\$ 568,799	\$ -	\$ 568,799	\$ 9,658	\$ 9,658	\$ 578,457	\$ 23,138	\$ 32,796	\$ -	\$ 601,595	\$ 601,595
17	\$ 60,094	\$ -	\$ 60,094	\$ 1,020	\$ 1,020	\$ 61,114	\$ 2,445	\$ 3,465	\$ -	\$ 63,559	\$ 63,559
18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	\$ 449,493	\$ -	\$ 449,493	\$ 7,632	\$ 7,632	\$ 457,125	\$ 18,285	\$ 25,917	\$ -	\$ 475,410	\$ 475,410
20	\$ 44,427	\$ -	\$ 44,427	\$ 754	\$ 754	\$ 45,181	\$ 1,807	\$ 2,561	\$ -	\$ 46,988	\$ 46,988
21	\$ 72,127	\$ -	\$ 72,127	\$ 1,225	\$ 1,225	\$ 73,352	\$ 2,934	\$ 4,159	\$ -	\$ 76,286	\$ 76,286
22	\$ 10,338	\$ -	\$ 10,338	\$ 176	\$ 176	\$ 10,514	\$ 421	\$ 597	\$ -	\$ 10,935	\$ 10,935
23	\$ 246,018	\$ -	\$ 246,018	\$ 4,177	\$ 4,177	\$ 250,195	\$ 10,008	\$ 14,185	\$ -	\$ 260,203	\$ 260,203
24	\$ 263,936	\$ -	\$ 263,936	\$ 4,482	\$ 4,482	\$ 268,418	\$ 10,737	\$ 15,219	\$ -	\$ 279,155	\$ 279,155
25	\$ 6,089	\$ -	\$ 6,089	\$ 103	\$ 103	\$ 6,192	\$ 248	\$ 351	\$ -	\$ 6,440	\$ 6,440
26	\$ 3,372,264	\$ -	\$ 3,372,264	\$ 56,775	\$ 56,775	\$ 3,429,039	\$ 133,043	\$ 189,818	\$ -	\$ 3,562,082	\$ 3,562,082
Customer Accounts											
27	\$ 136,815	\$ -	\$ 136,815	\$ 2,078	\$ 2,078	\$ 138,893	\$ 3,472	\$ 5,550	\$ -	\$ 142,365	\$ 142,365
28	\$ 742,416	\$ -	\$ 742,416	\$ 12,606	\$ 12,606	\$ 755,022	\$ 30,201	\$ 42,807	\$ -	\$ 785,223	\$ 785,223

AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008

Line	(A)	(B)	(C)	(D)	(E)	(F)		(G)	(H)	(I)
						Remove Executives	Approved 2009 Increase			
	Total WA	Adjusted Total WA	Adjusted Total WA	2008 Increase 1.519% 1.698%	Adjusted for 2008 Increase	2009 Increase 2.500%	2008 & 2009 Increase 4.000%	Add Back Executives	Total	
29	\$ 1,235,082	\$ 1,235,082	\$ 1,235,082	\$ 18,761	\$ 1,253,843	\$ 31,346	\$ 50,107	\$ -	\$ 1,285,189	
30	\$ 36,622	\$ 36,622	\$ 36,622	\$ 556	\$ 37,178	\$ 929	\$ 1,485	\$ -	\$ 38,107	
31	\$ 2,150,935	\$ 2,150,935	\$ 2,150,935	\$ 34,001	\$ 2,184,936	\$ 65,949	\$ 99,950	\$ -	\$ 2,250,885	
Cust Service & Info										
32	\$ 123,032	\$ 123,032	\$ 123,032	\$ 1,869	\$ 124,901	\$ 3,123	\$ 4,992	\$ -	\$ 128,024	
33	\$ 6,578	\$ 6,578	\$ 6,578	\$ 100	\$ 6,678	\$ 167	\$ 267	\$ -	\$ 6,845	
34	\$ 54	\$ 54	\$ 54	\$ 1	\$ 55	\$ 1	\$ 2	\$ -	\$ 56	
35	\$ 129,664	\$ 129,664	\$ 129,664	\$ 1,970	\$ 131,634	\$ 3,291	\$ 5,261	\$ -	\$ 134,925	
Sales										
36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
37	\$ 111,401	\$ 111,401	\$ 111,401	\$ 1,692	\$ 113,093	\$ 2,827	\$ 4,519	\$ -	\$ 115,920	
38	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
39	\$ 89,414	\$ 89,414	\$ 89,414	\$ 1,358	\$ 90,772	\$ 2,269	\$ 3,627	\$ -	\$ 93,041	
40	\$ 200,815	\$ 200,815	\$ 200,815	\$ 3,050	\$ 203,865	\$ 5,097	\$ 8,147	\$ -	\$ 208,962	
Admin & General										
41	\$ 1,904,927	\$ (359,641)	\$ 1,545,286	\$ 23,473	\$ 1,568,759	\$ 39,219	\$ 62,692	\$ 365,104	\$ 1,973,082	
42	\$ 3,340	\$ 3,340	\$ 3,340	\$ 57	\$ 3,397	\$ 136	\$ 193	\$ -	\$ 3,533	
43	\$ 368	\$ 368	\$ 368	\$ 6	\$ 374	\$ 9	\$ 15	\$ -	\$ 383	
44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
45	\$ 32,270	\$ 32,270	\$ 32,270	\$ 490	\$ 32,760	\$ 819	\$ 1,309	\$ -	\$ 33,579	
46	\$ 182,180	\$ 182,180	\$ 182,180	\$ 2,767	\$ 184,947	\$ 4,624	\$ 7,391	\$ -	\$ 189,571	
47	\$ 65,522	\$ 65,522	\$ 65,522	\$ 995	\$ 66,517	\$ 1,663	\$ 2,658	\$ -	\$ 68,180	
48	\$ 163,525	\$ 163,525	\$ 163,525	\$ 2,777	\$ 166,302	\$ 4,158	\$ 6,935	\$ -	\$ 170,460	
49	\$ 2,352,132	\$ (359,641)	\$ 1,992,491	\$ 30,565	\$ 2,023,056	\$ 50,627	\$ 81,192	\$ 365,104	\$ 2,438,787	
50	\$ 8,596,430	\$ (386,936)	\$ 8,209,494	\$ 131,879	\$ 8,341,373	\$ 267,228	\$ 399,107	\$ 392,814	\$ 9,001,415	

Source:

PFI Workpapers

AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008

Reduce Company's Pro Forma Adjustment for Executive Labor Expense

Line No.	Description	Amount	Source
1	Avista's Pro Forma Increase for Executive Labor	\$ 66,560	[A]
2	PC's Recommended Reduction to Executive Labor	<u>\$ (60,682)</u>	
3	PC's Pro Forma Increase for Executive Labor	<u>\$ 5,878</u>	[B]
4	Federal Income Tax Rate	<u>35.000%</u>	
5	Decrease in Federal Income Tax Expense	<u>\$ (2,057)</u>	L. 3 * L. 4
6	Decrease in Net Operating Income	<u><u>\$ (3,820)</u></u>	L. 3 - L. 5

[A] Exhibit No. __ (EMA-2) Workpaper PF3 4

[B]	Executive Compensation Included in Test Year	\$ 386,936	[C]
	Administrative Increase March 2008	<u>1.519%</u>	[D]
	PC Recommended Increase to Executive Comp.	\$ 5,878	

[C] Exhibit No. __ (EMA-3) PF3 1

[D] Exhibit No. __ (EMA-3) PF3 2

AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008

Reduce Incentive Compensation		Total	Adjust 2008	Adjust 2008
Line No.	Description	Adjustment	To Actual	to 6-Year Average
1	Pro Forma Incentive Adjustment Per Company	\$ 152,143	\$ (4,814)	\$ 156,957 [A]
2	Recommended Reduction to Pro Forma Incentives	<u>\$ (156,957)</u>		<u>\$ (156,957)</u>
3	Pro Forma Incentive Adjustment Per PC	\$ (4,814)	\$ (4,814)	
4	Federal Income Tax Rate	<u>35.000%</u>		
5	Increase in Federal Income Tax Expense	<u>\$ 1,685</u>	L. 3 * L. 4	
6	Increase in Net Operating Income	<u>\$ 3,129</u>	L. 3 - L. 5	

Source:

PF7 2

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AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008

Reduce Insurance Expense

Line No.	Description	Amount
1	Avista's Original Pro Forma Increase for Insurance	\$ 78,284 [A]
2	PC's Recommended Reduction to Pro Forma Adj	<u>\$ (17,886) [B]</u>
3	PC's Pro Forma Increase for Insurance	\$ 60,398
4	Federal Income Tax Rate	<u>35.00%</u>
5	Decrease in Federal Income Tax Expense	<u>\$ (21,139)</u>
6	Decrease in Net Operating Income	<u><u>\$ (39,259)</u></u>

Source:

PF10 [A]	PC-142 [B]	Difference
Adjust Insurance to 2009 Pro Forma (Filed)	Adjust Insurance to 2009 Pro Forma (Revised)	
\$ 78,284	\$ 60,398	\$ (17,886)

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Remove D&O Insurance Expense

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
1	Washington Gas D&O Insurance Expense in Test Year	\$ 217,168	PC-212
2	PC Recommended Disallowance %	<u>-50.000%</u>	
3	PC Recommended Reduction of D&O Insurance Expense	\$ (108,584)	L. 1 * L. 2
4	Federal Income Tax Rate	<u>35.000%</u>	
5	Increase in Federal Income Tax Expense	<u>\$ 38,004</u>	L. 3 * L. 4
6	Increase in Net Operating Income	<u>\$ 70,580</u>	L. 3 - L. 5

AVISTA UTILITIES
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Reduce Board of Directors Meeting Costs

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
1	System Board of Director Meeting Costs in Test Year	\$ 96,553	PC-155
2	Gas Operations Allocation Factor	<u>19.180%</u>	PC-328
3	Amount Allocated to Gas Operations	\$ 18,519	L. 1 * L. 2
4	Washington Gas Operations Allocation Factor	<u>67.505%</u>	PC-328
5	Amount allocated to WA Gas Operations	\$ 12,501	L. 3 * L.4
6	PC Recommended Disallowance %	<u>-50.000%</u>	
7	PC Recommended Reduction of Director Meeting Costs	\$ (6,251)	L. 5 * L. 6
8	Federal Income Tax Rate	<u>35.000%</u>	
9	Increase in Federal Income Tax Expense	<u>\$ 2,188</u>	L. 7 * L. 8
10	Increase in Net Operating Income	<u><u>\$ 4,063</u></u>	L. 7 - L. 9

AVISTA UTILITIES
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Reduce Board of Director Fees

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
1	System Director Fees in Test Year	\$ 1,162,018	PC-328
2	Gas Operations Allocation Factor	<u>19.180%</u>	PC-328
3	Amount Allocated to Gas Operations	\$ 222,875	L. 1 * L. 2
4	Washington Gas Operations Allocation Factor	<u>67.505%</u>	PC-328
5	Amount allocated to WA Gas Operations	\$ 150,452	L. 3 * L. 4
6	PC Recommended Disallowance %	<u>-50.000%</u>	
7	PC Recommended Reduction of Director Fees	\$ (75,226)	L. 5 * L. 6
8	Federal Income Tax Rate	<u>35.000%</u>	
9	Increase in Federal Income Tax Expense	<u>\$ 26,329</u>	L. 7 * L. 8
10	Increase in Net Operating Income	<u><u>\$ 48,897</u></u>	L. 7 - L. 9

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Remove Customer Deposits From Rate Base

Line No.	Description	Amount
1	WA AMA Amount of Customer Deposits	\$ 3,825,972
2	WA Gas Allocation Factor	<u>35.36%</u>
3	WA Gas Customer Deposits	<u>\$ (1,352,864)</u>
4	WA Deposit Interest Paid	\$ 148,151
5	WA Gas Allocation Factor	<u>35.36%</u>
6	WA Gas Interest on Customer Deposits Paid	<u>\$ 52,386</u>
7	Federal Income Tax Rate	<u>35%</u>
8	Decrease in Federal Income Tax Expense	<u>\$ (18,335)</u>
9	Decrease in Net Operating Income	<u>\$ (34,051)</u>

Source:

Response to Public Counsel Data Request 326

AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

AGA Dues Adjustment

Line No.	Description	Amount (A)	Source (B)
1	Test Year WA Gas Operations AGA Dues	\$ 64,958	A
2	Recommended WA Gas Operations AGA Dues	\$ 43,527	B
3	Recommended disallowance	<u>\$ (21,431)</u>	
4	Federal Income Tax Rate	<u>35.000%</u>	
5	Increase in Federal Income Tax Expense	<u>\$ 7,501</u>	L. 3 * L. 4
6	Increase in Net Operating Income	<u>\$ 13,930</u>	L. 3 - L. 5

Notes and Source

A: Response to PC-333

B:	2008 AGA Dues	\$ 147,067	C
	Amount Removed by Company	<u>\$ (5,883)</u>	D
	System amount of dues in test year	\$ 141,184	
	Recommended Disallowance %	<u>33%</u>	E
	Recommended Disallowance	\$ (46,591)	
	System amount of dues in test year	\$ 141,184	
	Recommended Disallowance	<u>\$ (46,591)</u>	
	System Recommended AGA dues in test year	\$ 94,593	
	Gas North Factor	<u>68.16%</u>	
		\$ 64,475	
	Washington Jurisdictional Factor	<u>67.51%</u>	
	Recommended WA Gas Operations AGA Dues	\$ 43,527	

C: Response to PC-333, 335

D: Responses to PC-022

E:	Amount of dues related to advocacy, advertising, etc	40%
	Amount of dues removed from test year by Company	<u>4%</u>
		36%

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Remove Injuries & Damages Reserve from Rate Base

<u>Date</u>	<u>Balance</u>
Sep-07	\$ 1,107,175
Oct-07	\$ 1,108,257
Nov-07	\$ 1,146,431
Dec-08	\$ 1,202,233
Jan-08	\$ 1,202,233
Feb-08	\$ 1,210,355
Mar-08	\$ 1,242,833
Apr-08	\$ 1,247,670
May-08	\$ 1,248,876
Jun-08	\$ 1,250,151
Jul-08	\$ 1,251,694
Aug-08	\$ 1,283,120
Sep-08	\$ 1,286,203
(Sept. 2007 + Sept. 2008) / 2	<u>\$ 1,196,689</u>
WA Gas AMA	<u>\$ 1,215,879</u>
Federal Income Tax Rate	<u>35%</u>
ADIT Associated with Injuries & Damages	<u>\$ 425,557</u>

Source:
Response to Public Counsel Data Request 210

AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

Interest Synchronization Adjustment

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
1	Rate Base, per PC	\$168,792	Sch. A-1
2	PC Proposed Weighted Cost of Debt	3.51%	Sch D
3	Interest Deduction	\$ 5,925	L 1 * L 2
4	Interest Deduction Per Company	\$ 5,724	[A]
5	Difference	\$ 201	L 3 - L 4
6	Federal Income Tax Rate	35.00%	[A]
7	Increase (Decrease) to Income Tax Expense	\$ (70)	L 5 * L 6

Source:

[A] Exhibit No. __ (EMA-3)WP B11

AVISTA UTILITIES
Washington Gas System
Test Year Twelve Months Ended September 30, 2008
(\$000's of Dollars)

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Overall Cost of Capital, per PC

<u>Line No.</u>	<u>Description</u>	<u>Capital Structure</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
1	Total debt	\$ 1,190,915,751	53.5%	6.57%	3.51%
2	Common Equity	\$ 996,883,374	46.5%	10.20%	4.74%
3	Total Capital Structure	\$ 2,187,799,125	100.00%		8.25%

Source/Reference:

The above cost rate amounts are sponsored by PC's witness Mike Gorman and are provided here for ease of reference.