

Witness: J. Dittmer

Docket Nos. UE-050482 & UG-050483

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Schedule A-Gas

## AVISTA UTILITIES

Revenue Requirement Summary for Washington Retail Gas Operations

Adjusted Operations for Test Year Ending December 31, 2004

(All amounts shown in \$000's)

Line No.	Description	As Proposed By Company	Public Counsel Adjustments	As Proposed by Public Counsel
1	WA Jurisdictional Rate Base	\$ 130,718	\$ (1,050)	\$ 129,668
2	Overall Rate of Return	9.670%	-1.030%	8.64%
3	Net Operating Income Required	12,640	(1,437)	11,203
4	NOI -- Existing Rates	10,810	465	11,275
5	NOI Deficiency (Excess)	1,830	(1,902)	(71)
6	Conversion Factor (a)	0.62175	0.62175	0.62175
7	Supply Adjustment	\$ 2,944	\$ (3,058)	\$ (114)

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 Schedule B-Gas

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**AVISTA UTILITIES**  
 Rate Base Summary for Washington Retail Gas Operations  
 Adjusted Operations for Test Year Ending December 31, 2004  
 (All amounts shown in \$000's)

Description (a)	WA Jurisdictional As Adjusted by Company (b)	Customer Deposits (Sch. B-1) (c)	Reserved (Sch. B-2) (d)	Reserved (Sch. B-3) (h)	WA Jurisdictional Rate Base As Adjusted by Public Counsel (i)
Rate Base:					
Gas Plant In Service					
Underground Storage	\$ 13,632				13,632
Distribution Plant	201,198				201,198
General Plant	16,499				16,499
Total Plant in Service	<u>\$ 231,329</u>				<u>231,329</u>
Accumulated Depreciation					
Underground Storage	6,659				6,659
Distribution Plant	64,817				64,817
General Plant	6,984				6,984
Total Accum. Depre & Amort.	<u>78,460</u>				<u>78,460</u>
Net Gas Plant in Service	\$ 152,869	-	-	-	\$ 152,869
Rate Base Deductions:					
Gain on Sale of Building	(243)				(243)
Accum. Def. Income Taxes	(26,715)				(26,715)
Gas Inventory	4,807				4,807
Customer Deposits		(1,050)			(1,050)
Other (Reserved)					-
Total WA Jurisdictional Rate Base:	<u>\$ 130,718</u>	<u>\$ (1,050)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,668</u>

**AVISTA UTILITIES**

Adjusted Operations for Test Year Ending December 31, 2004

Customer Deposits Adjustment

<u>Line No.</u>	<u>Description</u>	<u>Electric</u>	<u>Total Company</u>	<u>Gas</u>	<u>Source</u>
1	Average of the Monthly Averages of				
2	WA Jurisdictional Electric & Gas				
3	Customer Deposits Balances		\$ 3,379,122		PC-94
4	TY Actual General Business Revenues	\$ 323,681		\$ 145,940	DMF-2 & 3
5	Electric/Gas Revenue Percentages	<u>68.92%</u>		<u>31.08%</u>	
6	Electric and Gas Rate Base Offset				
7	Allocated on Gen'l BusinessRevenues	<u>\$(2,329,022)</u>		<u>\$(1,050,100)</u>	L. 3 X L. 10

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**AVISTA UTILITIES**  
 Net Operating Income Summary for Washington Gas Retail Operations  
 Adjusted Operations for Test Year Ending December 31 2004  
 (All amounts shown in \$000's)

Line No.	Description (a)	Washington Jurisdictional As Adjusted by Company (b)	Customer Deposit Interest (Sch. C-1) (c)	CA Sale - Overhead Allocations (Sch. C-2) (d)	Interest Synch. (Sch. C-3) (e)	Promotional Advertising Gains on Sales (Sch. C-4) (f)	Amortize Expiring Leases (Sch. C-5) (g)	Expiring Leases (Sch. C-6) (h)	Misc. Expenses (Sch. C-7) (i)	Page Subtotal (j)
1	Operating Revenues:									
2	General Business Revenues	159,265								159,265
3	Interdepartmental	2,842								2,842
5	Other Operating Revenues	2,168								2,168
6	Total Operating Revenues	164,275								164,275
7	Operating Expenses:									
8	Exploration and Development	-								
9	Production	-								
10	City Gate Purchases	114,371								114,371
11	Purchased Gas Expense	550								550
		114,921								114,921
7										
14	Underground Storage	382								382
15	Operating Expenses	309								309
16	Depreciation	120								120
17	Taxes	811								811
18	Total Underground Storage									
19	Distribution	6,175	11							6,186
20	Operating Expenses	4,902					(13)			4,889
21	Depreciation	8,213								8,213
22	Taxes	19,290	11				(13)			19,288
23	Total Distribution									
24	Customer Accounting	4,450								4,450
25	Cust. Svc. & Information	481								481
26	Sales Expenses	441				(55)				386
27	Total CA, CS & Sales	5,372				(55)				5,317
28	Operating Expenses	9,086		(153)				(305)		8,628
29	Depreciation	1,186		(6)						1,180
30	Taxes	24								24
31	Total Admin & General	10,296		(159)				(305)		9,832
32	Total Gas Expenses	150,690	11	(159)		(55)	(13)	(305)		150,169
32	Operating Inc. Before FIT	13,585	(11)	159		55	13	305	55	14,106
33	Federal Income Taxes									
34	Current Accrual	466	(4)	56	(126)	19	5	107	19	522
34	Deferred Income Taxes	2340								2,340
35	ITC Amortization	-31								(31)
36	Net Operating Income	10,810	(7)	103	126	36	8	198	36	11,275

**AVISTA UTILITIES**

Adjusted Operations for the Test Year Ended December 31, 2004  
 Adjustment for Customer Deposit Interest

Line No.	Description	Washington Electric	Washington Gas	Source
1	Electric and Gas Rate Base Offset			
2	Allocated on Gen'l BusinessRevenues	(2,329,022)	(1,050,100)	Sch B-1
3	Total Washington Interest Expense      36,285			PC-94
4	Allocate Total WA Interest on Basis of RB Offset	\$      25,009	\$    11,276	
5	Federal Income Tax Rate	<u>35%</u>	<u>35%</u>	
6	Decrease in Related Federal Income Tax Expense	\$      (8,753)	\$    (3,947)	L. 3 X L.5

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Schedule C-2-Gas

**AVISTA UTILITIES**

Adjusted Operations for the Test Year Ended December 31, 2004  
Reverse Company's Proforma Adjustment to Allocate Additional  
Common Overhead Cost to Washington Operations as a Result  
Of the Sale of Gas Property In California

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
1	Reverse Avista's Proforma Adjustment to Allocate		
2	Additional Common Overhead Cost to Washington		
3	Operations Resulting from the Sale of California		
4	Gas Properties		Co.'s
5	Operating Expense	\$ (153,000)	Proforma
6	Depreciation Expense	<u>(6,000)</u>	Adj. No. 11.
	Total Operating Expenses	\$ (159,000)	
7			
8	Federal Income Tax Rate	<u>35%</u>	
9	Increase in Related Washington Jurisdictional		
10	Gas Federal Income Tax Expense	<u>\$ 55,650</u>	L. 7 X L.8
11	Increase in Net Operating Income	<u>\$ 103,350</u>	L. 7 - L.10

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### AVISTA UTILITIES

Adjusted Operations for Test Year Ended December 31, 2004  
Adjust Federal Income Tax Expense for Interest Synchronization

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
1	Rate Base As Proposed by Public Counsel	\$ 129,667,900	Sch. B
2	Public Counsel Proposed Weighted Cost		
3	of Debt	<u>4.824%</u>	Sch. D
4	Annualized Interest Deduction Calculated		
5	Utilizing Public Counsel Proposed Rate		
6	Base and Weighted Cost of Debt	\$ 6,255,226	L. 1 X L. 3
7	Annualized Interest Deduction Per		
8	Company	<u>5,895,000</u>	Co.WP V
7	Proposed Tax Deductible Interest		
11	Deduction	\$ 360,226	L. 22 - L.11
12	Federal Income Tax Rate	<u>35.000%</u>	
13	Increase (decrease) in Federal		
14	Income Tax Expense	<u>\$ (126,079)</u>	L. 11 X L.12

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### AVISTA UTILITIES

Adjusted Operations for the Test Year Ended December 31, 2004

Eliminate Cost of Promotional Advertising Included

Within Test Year Operating Results

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
1	Eliminate Cost of Gas Promotional Advertisement		
2	Included Within Avista's Test Year Operating		
3	Expenses	\$ (55,000)	PC-57
4	Federal Income Tax Rate	<u>35%</u>	
5	Increase in Related Washington Jurisdictional	\$ <u>19,250</u>	L. 3 X L. 4
7	Increase in Net Operating Income	<u>\$ 35,750</u>	L. 3 - L. 6



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**AVISTA UTILITIES**

Adjusted Operations for the Test Year Ended December 31, 2004

Amortize Gains on Sale of Real Property

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
1	Gains on Sales of Utility Property 1998 - 2004	128,846	PC-218
2	Amortization Period	<u>10</u>	
3	Amortize Deferred Gains on Sales Over 10 Year	12,885	L. 1 / L. 2
4	Federal Income Tax Rate	<u>35.00%</u>	
5	Increase in Federal Income Tax Expense	<u>\$ 4,510</u>	L.3 X L.4
6	Increase in Net Operating Income	<u><u>\$ 8,375</u></u>	L. 3 - L. 5

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**AVISTA UTILITIES**

Adjusted Operations for the Test Year Ended December 31, 2004  
Eliminate Expiring Computer System Leases

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
1	Eliminate costs of expiring computer system leases	\$ (305,077)	Staff - 136c
4	Federal Income Tax Rate	<u>35.00%</u>	
5	Increase in Federal Income Tax Expense	<u>\$ 106,777</u>	L.5 X L.6
6	Increase in Net Operating Income	<u>\$ (198,300)</u>	L. 5 - L. 7

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**AVISTA UTILITIES**

Adjusted Operations for the Test Year Ended December 31, 2004

Miscellaneous Below-the-Line Expense Adjustments

Line No.	Description	Amount	Source
1	Acct No.		
2	WSU Athletics 991300	10,000	PC-218
3	Brett Sports & Entertai 991300	75,600	PC-218
4	Spokane Indians		
5	Interspace Airport Adv 991300	22,804	PC-218
6	Misc Dues, Donations, 993022	<u>82,291</u>	PC-218
7	Total Company Below-the-line adjustment	<u>190,695</u>	Sum Lns 2 - 6
8	Gas Percentage	20.258%	PC-218
9	Total Gas Disallowance	38,631	L. 7 * L. 8
10	Washington Percentage	<u>68.735%</u>	PC-218
11	Washington Gas Adjustment	\$ 26,553	L. 9 * L. 10
12	American Gas Association	61,507	PC-218
13	Disallowed % (Determined from review of		
14	Summary of Expenses prepared by the Staff		
15	Subcommitte on Utility Association Oversight	<u>31.19%</u>	PC-218
16	AGA WA Gas Disallowance	19,184	L. 12 - L. 15
17	Total Edison Electric Institute Dues	18,411	
18	Disallowed % (Determined from review of		
19	Summary of Expenses prepared by the Staff		
20	Subcommitte on Utility Association Oversight	<u>52.35%</u>	
21	EEl WA Gas Disallowance	<u>9,638</u>	
22	Total WA Gas Below-the-Line Adjustment	(55,375)	L. 11 + L. 41
23	Federal Income Tax Rate	<u>35.00%</u>	
24	Increase in Related Current Income Tax Expense	<u>19,381</u>	L. 17 * L. 18
25	Adjustment to Net Operating Income	<u>(35,994)</u>	L. 17 + L. 20

Schedule D-Gas

**AVISTA UTILITIES  
OVERALL COST OF CAPITAL**

**As Proposed by Avista**

<u>Line No.</u>	<u>Type of Capital</u>	<u>Capital Components</u>	<u>PERCENT</u>	<u>COST RATE</u>	<u>WT. AVG. COST RATE</u>
1	Common Equity	848,797,691	\$ 0	11.50%	5.06%
2	Trust Preferred	100,000,000	5.18%	6.60%	0.34%
3	Preferred Stock	27,300,000	1.42%	7.39%	0.10%
4	Long-term Debt	<u>953,122,557</u>	<u>49.40%</u>	8.44%	<u>4.17%</u>
5	TOTAL CAPITAL	<u>1,929,220,248</u>	<u>100.00%</u>		<u>9.67%</u>

**As Proposed by Public Counsel**

7

<u>Line No.</u>	<u>Type of Capital</u>	<u>Capital Components</u>	<u>PERCENT</u>	<u>COST RATE</u>	<u>WT. AVG. COST RATE</u>
6	Common Equity		40.00%	9.25%	3.70%
7	Trust Preferred		5.84%	6.60%	0.39%
8	Preferred Stock		1.57%	7.39%	0.12%
9	Long-term Debt	<u>                        </u>	<u>52.59%</u>	8.44%	<u>4.44%</u>
10	TOTAL CAPITAL	<u>                        </u>	<u>100.00%</u>		<u>8.64%</u>