

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-11 \_\_\_\_\_

EXHIBIT NO. \_\_\_\_ (TLK-2)

TARA L. KNOX

REPRESENTING AVISTA CORPORATION

## AVISTA UTILITIES

**AVERAGE PRODUCTION AND TRANSMISSION COST  
WASHINGTON ELECTRIC  
TWELVE MONTHS ENDED DECEMBER 31, 2010**

Line No.	Adjustment Column	Description of Adjustment	Production and Transmission				
			Revenue	Expense	Plant	Acc Depreciation Deferred Tax	
1	b	Per Results Report	248,339	423,071	1,068,635	(381,507)	
2	c	Deferred FIT Rate Base		-	-	-	(104,718)
3	d	Deferred Gain on Office Building		-	-	-	
4	e	Colstrip 3 AFUDC Elimination		(191)	(7,325)	5,832	-
5	f	Colstrip Common AFUDC		-	365	-	-
6	g	Kettle Falls Disallow.		-	(5,248)	4,100	472
7	h	Customer Advances		-	-	-	-
8	i	Customer Deposits		-	-	-	-
9	j	Settlement Exchange Power		-	79,626	(62,068)	(3,155)
10	k	Restating CDA Settlement		54	2,498	(1,187)	(459)
11	l	Restating CDA Settlement Deferral		107	1,553	(273)	(448)
12	m	Restating CDA/SRR CDR		660	1,362	(280)	(379)
13	n	Restating Spokane River Deferral		53	743	(129)	(215)
14	o	Restating SRR PM&E Deferral		34	472	(82)	(137)
15	p	Restating Montana Lease		54	3,045	-	(1,066)
16	q	Restating Lancaster Amortization		1,246	4,646	-	(1,626)
17	r	Restating 2010 Major Capital		225	12,202	(150)	105
18	s	Working Capital		-	-	-	-
19	t	Eliminate B & O Taxes		-	-	-	-
20	u	Property Tax		614	-	-	-
21	v	Uncollect. Expense		-	-	-	-
22	w	Regulatory Expense		-	-	-	-
23	x	Injuries and Damages		-	-	-	-
24	y	FIT		-	-	-	-
25	z	Eliminate WA Power Cost Defer		429	-	-	-
26	aa	Nez Perce Settlement Adjustment		13	-	-	-
27	ab	Eliminate A/R Expenses		-	-	-	-
28	ac	Office Space Charges to Subsidiaries		-	-	-	-
29	ad	Restate Excise Taxes		-	-	-	-
30	ae	Net Gains / Losses		-	-	-	-
31	af	Revenue Normalization	337	8,984	-	-	-
32	ag	Misc Restating		(2)	-	-	-
33	ah	Restating Incentives Adj		-	-	-	-
34	ai	Remove Buck-A Block		(131)	-	-	-
35	aj	Restate Debt Interest		-	-	-	-
36	PF1	Pro Forma Power Supply	(211,766)	(181,828)	-	-	-
37	PF2	Pro Forma Load Efficiency Adj	3,178	(2,549)	-	-	-
38	PF3	Pro Forma Labor Non-Exec		691	-	-	-
39	PF4	Pro Forma Labor Exec		2	-	-	-
40	PF5	Pro Forma Transmission Rev/Exp	(665)	1,533	-	-	-
41	PF6	Pro Forma Capital Add 2011		333	20,253	(333)	(370)
42	PF7	Pro Forma Noxon Gen 2011/2012		373	9,502.0	(225.0)	(580)
43	PF8	Pro Forma Vegetation Management		-	-	-	-
44	PF9	Pro Forma Employee Benefits		198	-	-	-
45	PF10	Pro Forma Insurance		-	-	-	-
47		<b>Pro Forma Total Production and Transmission Costs</b>	<b>39,423</b>	<b>253,973</b>	<b>1,192,329</b>	<b>(436,302)</b>	<b>(112,576)</b>

**AVISTA UTILITIES**  
**AVERAGE PRODUCTION AND TRANSMISSION COST**  
**WASHINGTON ELECTRIC**  
**TWELVE MONTHS ENDED DECEMBER 31, 2010**

Proposed Production and Transmission Revenue Requirement

Calculation of Retail Revenue Credit Rate

Line No.			(\$000's)	Debt Cost
1	Prod/Trans	Pro Forma Rate Base	643,451	
2		Proposed Rate of Return	<u>8.230%</u>	2.99%
3	Rate Base	Net Operating Income Requirement	\$52,956	
4	Tax Effect	Net Operating Income Requirement (Rate Base x Debt Cost x -35%)	(\$6,734)	
5	Net Expense	Net Operating Income Requirement (Expense - Revenue)	214,550	
6	Tax Effect	Net Operating Income Requirement (Net Expense x -.35%)	(\$75,093)	
7	Total Prod/Trans	Net Operating Income Requirement	\$185,680	
8	1 - Tax Rate	Conversion Factor (Excl. Rev. Rel. Exp.)	0.65	
9	Prod/Trans	Revenue Requirement	<b>\$285,661</b>	
10	Test Year WA Normalized Retail Load MWh		5,389,282	
11	Prod/Trans Rev Requirement per kWh (Retail Revenue Credit Rate)		<b>\$ 0.05301</b>	