

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-12 _____

DOCKET NO. UG-12 _____

EXHIBIT NO. ____ (DBD-6)

DAVE B. DEFELICE

REPRESENTING AVISTA CORPORATION

AVISTA CORPORATION
SPOKANE, WASHINGTON

DEPRECIATION STUDY
CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO ELECTRIC, GAS AND COMMON PLANT
AT DECEMBER 31, 2010

AVISTA CORPORATION

Spokane, Washington

DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO ELECTRIC, GAS AND COMMON PLANT

AS OF DECEMBER 31, 2010

GANNETT FLEMING, INC. - VALUATION AND RATE DIVISION

Harrisburg, Pennsylvania



*Excellence Delivered **As Promised***

March 23, 2012

Avista Corporation
1411 Mission Avenue
Spokane, WA 99220-3727

Attention Ms. Christy Burmeister-Smith
Vice President and Controller

Ladies and Gentlemen:

Pursuant to your request, we have conducted a depreciation study related to the electric, gas and common plant of Avista Corporation. The study results include annual depreciation rates as of December 31, 2010. The attached report presents a description of the methods used in the estimation of depreciation, summaries of annual and accrued depreciation, the statistical support for the life and net salvage estimates and the detailed tabulations of annual and accrued depreciation.

Respectfully submitted,

GANNETT FLEMING, INC.

A handwritten signature in black ink that reads "John J. Spanos".

JOHN J. SPANOS
Vice President
Valuation and Rate Division

JJS/krm

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PART I. INTRODUCTION

AVISTA CORPORATION
DEPRECIATION STUDY

PART I. INTRODUCTION

SCOPE

This report presents the results of the depreciation study prepared for Avista Corporation (the Company) as applied to electric, gas and common plant in service as of December 31, 2010. The report relates to the concepts, methods and basic judgments which underlie recommended annual depreciation accrual rates and amounts related to current electric and gas plant in service.

The service life and net salvage estimates resulting from the study were based on informed judgment which incorporated analyses of historical plant retirement data as recorded through 2010; a review of Company practice and outlook as they relate to plant operation and retirement; and consideration of current practice in the electric and gas industry, including knowledge of service life and salvage estimates used for other electric and gas properties.

This study does not include depreciation rates for transportation or power operated equipment. Currently, a separate life and salvage analysis is being conducted to classify transportation and power operated equipment into subaccounts of similar assets. This classification has taken considerable effort due a complete system conversion and thorough review of how fleet equipment is being utilized.

PLAN OF REPORT

Part I, Introduction, includes brief statements of the scope and basis of the study. Part II presents descriptions of the methods used in the service life and net salvage studies

and the methods and procedures used in the calculation of depreciation. Part III presents the results of the study, including summary tables, survivor curve charts and life tables resulting from the retirement rate method of analysis, tabular results of the historical net salvage analyses, and detailed tabulations of the calculated remaining lives and annual accruals.

BASIS OF STUDY

Depreciation

For all accounts, the annual depreciation was calculated by the straight line method using the average service life procedure and the remaining life basis. For certain general and common plant accounts, the annual depreciation was based on amortization accounting. The calculated remaining lives and annual depreciation accrual rates were based on attained ages of plant in service and the estimated service life and salvage characteristics of each depreciable group.

Service Life Estimates

The average service life estimates were based on informed judgment which incorporated analyses of available historical service life data related to the property, a review of management's current plans and operating policies, and a general knowledge of service lives experienced and estimated in the electric and gas industries. The use of survivor curves to reflect the expected dispersion of retirements provides a consistent method of estimating depreciation for utility property. Iowa type survivor curves were used to depict the estimated survivor curves for the plant account property groups.

The procedure for estimating service lives consisted of compiling historical data for the plant accounts or depreciable groups, analyzing this history through the use of widely accepted techniques, and forecasting the survivor characteristics for each depreciable

group on the basis of interpretations of the historical data analyses and the probable future. The combination of the historical experience and the estimated future yielded estimated survivor curves from which the average service lives were derived.

The Company's service life estimates used in the depreciation calculation incorporated historical data compiled through 2010 from the property records of the Company. Such data included plant additions, retirements, transfers and other activity. Generally, retirement data for the years 1989 through 2010 were used in the actuarial life table computations which were the primary statistical support of the service life estimates.

A general understanding of the function of the plant and information with respect to the reasons for past retirements and the expected future causes of retirement was obtained through discussions with operating and management personnel conducted during the course of the service life study. Information regarding plans for the future was incorporated in the interpretation and extrapolation of the statistical analyses.

Net Salvage Estimates

The estimates of net salvage were based in part on historical data compiled for the years 1983 through 2010. Gross salvage and cost of removal as recorded to the depreciation reserve account and related to experienced retirements were used. Percentages of the cost of plant retired were calculated for each component of net salvage, on both annual and three-year moving average bases. The most recent five-year average also was calculated for consideration. The estimates of net salvage are expressed as percentages of the cost of plant retired.

II-1

PART II. METHODS USED IN
THE ESTIMATION OF DEPRECIATION

PART II. METHODS USED IN THE ESTIMATION OF DEPRECIATION

DEPRECIATION

Depreciation, in public utility regulation, is the loss in service value not restored by current repairs or covered by insurance.

Depreciation, as used in accounting, is a method of distributing fixed capital costs, less net salvage, over a period of time by allocating annual amounts to expense. Each annual amount of such depreciation expense is part of that year's total cost of providing utility service. Normally, the period of time over which the fixed capital cost is allocated to the cost of service is equal to the period of time over which an item renders service, that is, the item's service life. The most prevalent method of allocation is to distribute an equal amount of cost to each year of service life. This method is known as the straight line method of depreciation.

The calculation of annual depreciation based on the straight line method requires the estimation of average life and net salvage. These subjects are discussed in the sections which follow.

SERVICE LIFE AND NET SALVAGE ESTIMATION

Average Service Life

The use of an average service life for a property group implies that the various units in the group have different lives. Thus, the average life may be obtained by determining the separate lives of each of the units, or by constructing a survivor curve by plotting the number of units which survive at successive ages. A discussion of the general concept of survivor curves is presented. Also, the Iowa type survivor curves are reviewed.

Survivor Curves

The survivor curve graphically depicts the amount of property existing at each age throughout the life of an original group. From the survivor curve, the average life of the group, the remaining life expectancy, the probable life, and the frequency curve can be calculated. In Figure 1, a typical smooth survivor curve and the derived curves are illustrated. The average life is obtained by calculating the area under the survivor curve, from age zero to the maximum age, and dividing this area by the ordinate at age zero. The remaining life expectancy at any age can be calculated by obtaining the area under the curve, from the observation age to the maximum age, and dividing this area by the percent surviving at the observation age. For example, in Figure 1 the remaining life at age 30 years is equal to the crosshatched area under the survivor curve divided by 29.5 percent surviving at age 30. The probable life at any age is developed by adding the age and remaining life. If the probable life of the property is calculated for each year of age, the probable life curve shown in the chart can be developed. The frequency curve presents the number of units retired in each age interval and is derived by obtaining the differences between the amount of property surviving at the beginning and at the end of each interval.

Iowa Type Curves. The range of survivor characteristics usually experienced by utility and industrial properties is encompassed by a system of generalized survivor curves known as the Iowa type curves. There are four families in the Iowa system, labeled in accordance with the location of the modes of the retirements in relationship to the average life and the relative height of the modes. The left moded curves, presented in Figure 2, are those in which the greatest frequency of retirement occurs to the left of, or prior to, average service life. The symmetrical moded curves, presented in Figure 3, are those in which the

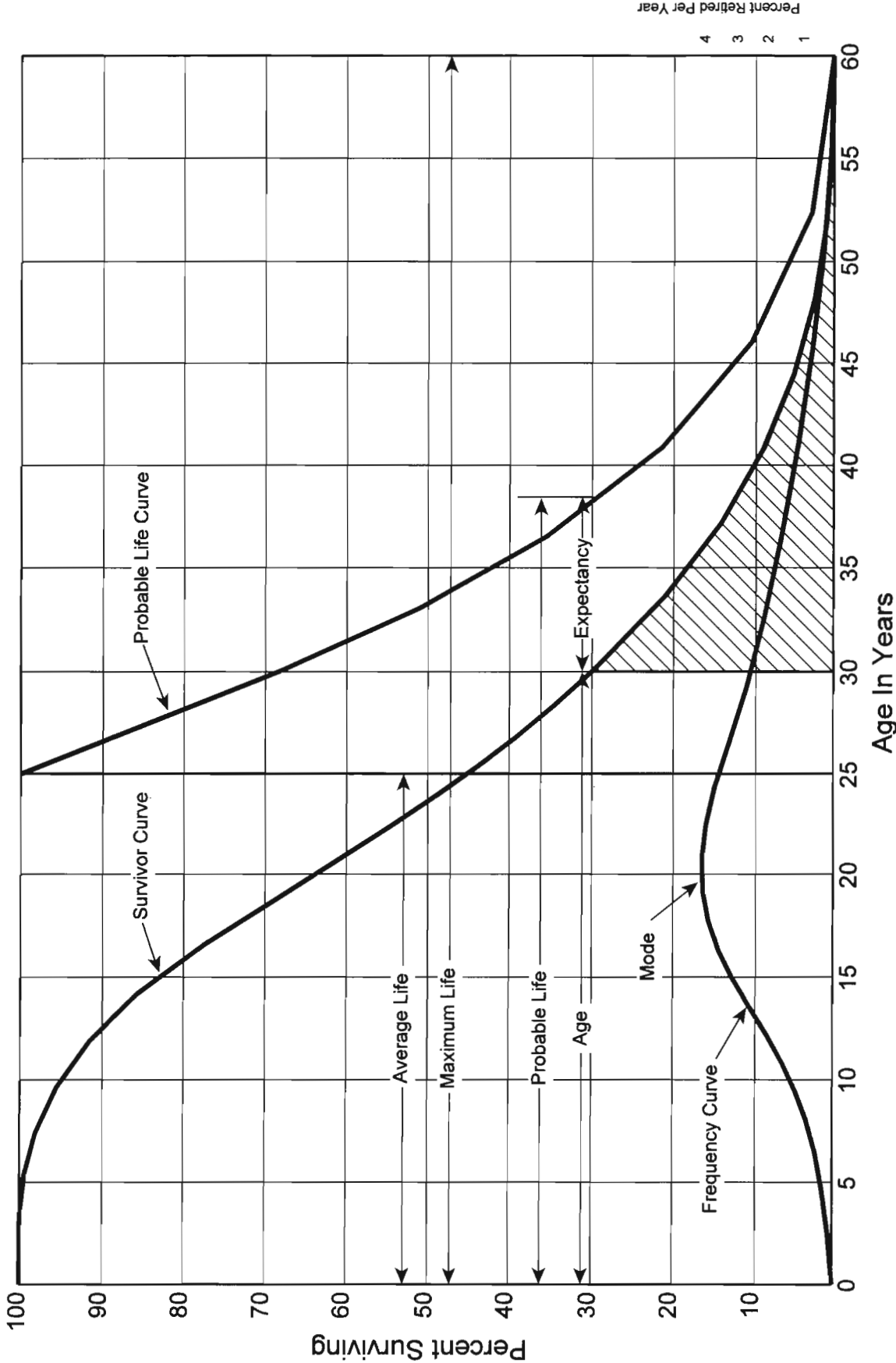


Figure 1. A Typical Survivor Curve and Derived Curves

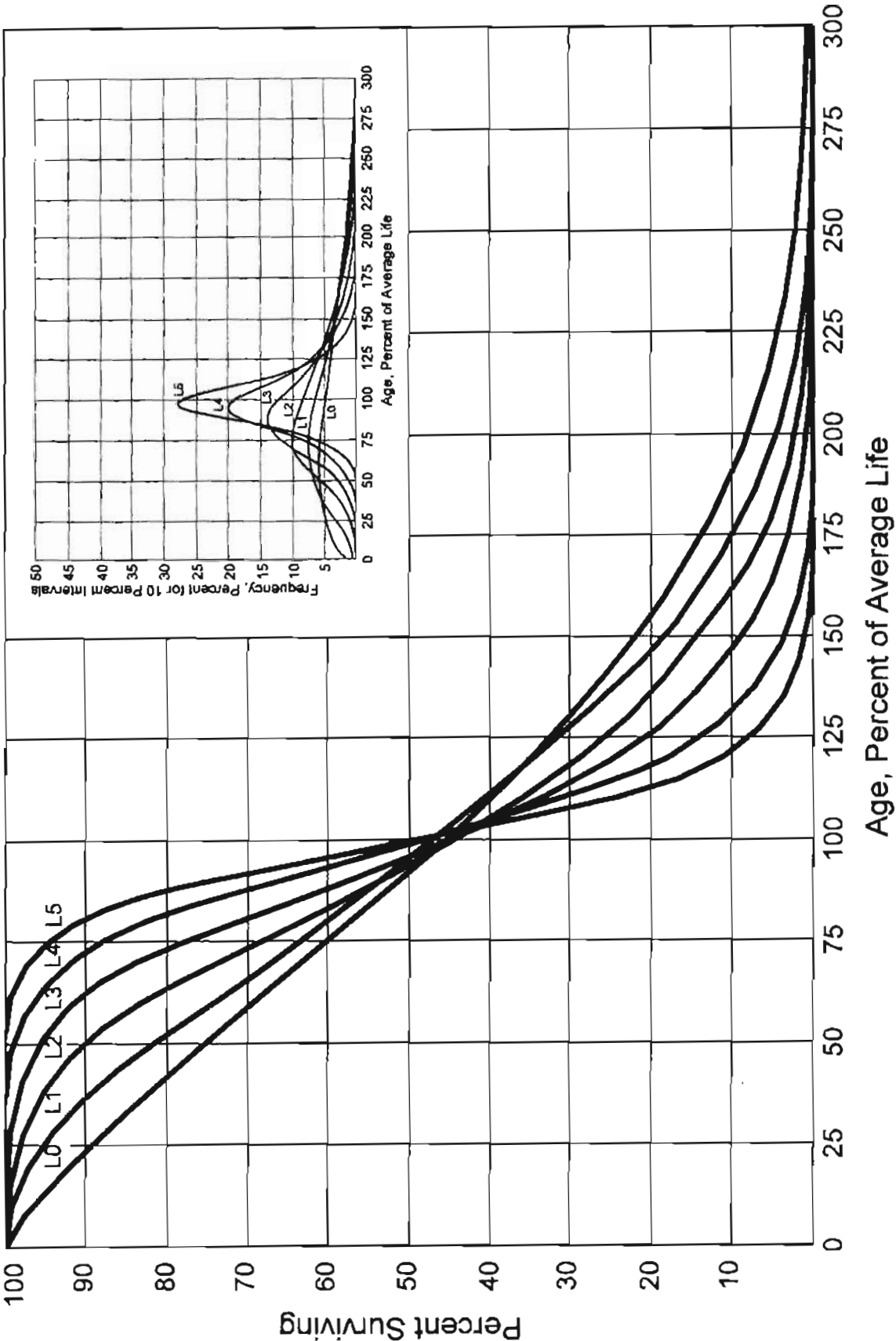


Figure 2. Left Modal or "L" lowa Type Survivor Curves

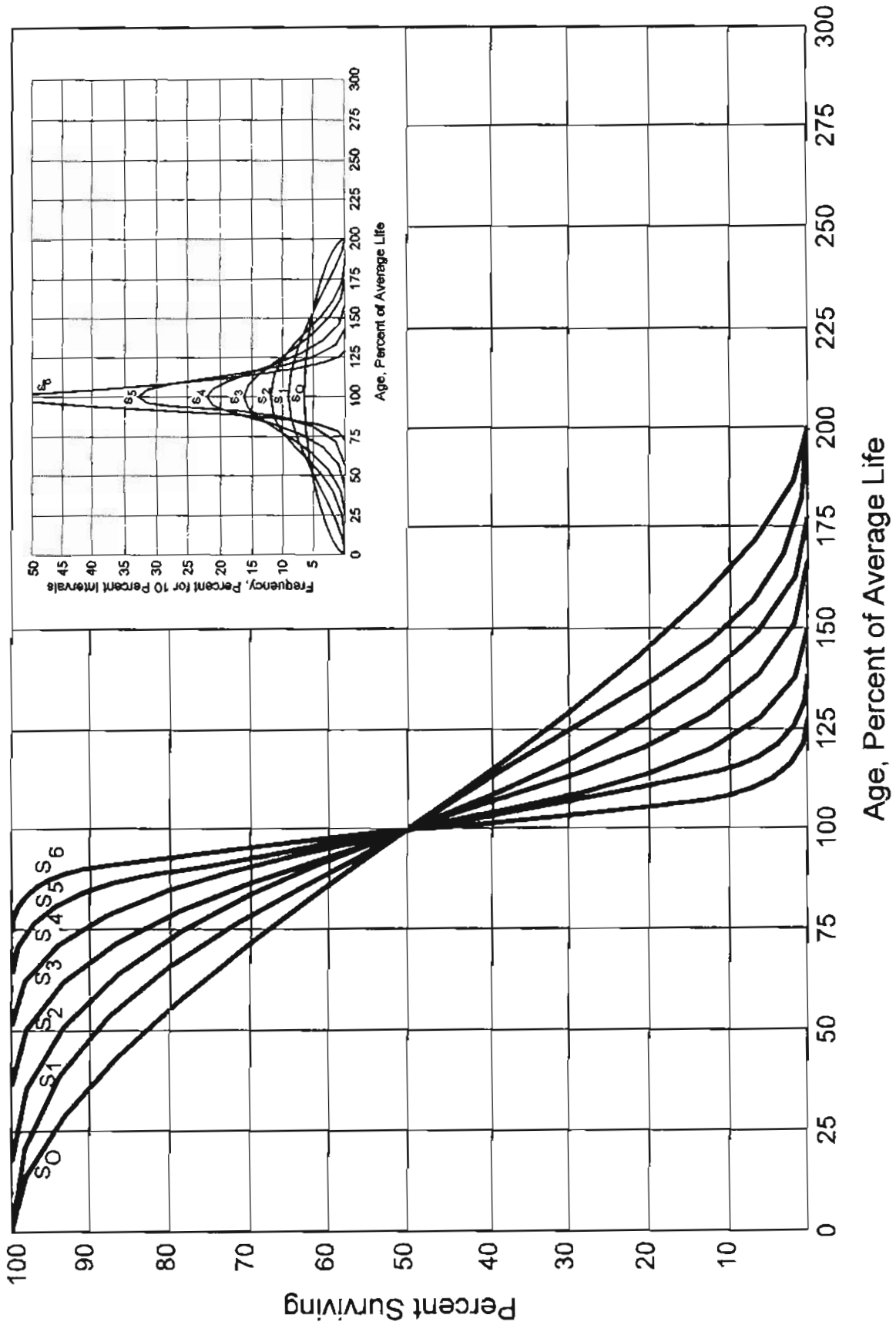


Figure 3. Symmetrical or "S" Iowa Type Survivor Curves

greatest frequency of retirement occurs at average service life. The right moded curves, presented in Figure 4, are those in which the greatest frequency occurs to the right of, or after, average service life. The origin moded curves, presented in Figure 5, are those in which the greatest frequency of retirement occurs at the origin, or immediately after age zero. The letter designation of each family of curves (L, S, R or O) represents the location of the mode of the associated frequency curve with respect to the average service life. The numerical subscripts represent the relative heights of the modes of the frequency curves within each family.

The Iowa curves were developed at the Iowa State College Engineering Experiment Station through an extensive process of observation and classification of the ages at which industrial property had been retired. A report of the study which resulted in the classification of property survivor characteristics into 18 type curves, which constitute three of the four families, was published in 1935 in the form of the Experiment Station's Bulletin 125.¹ These type curves have also been presented in subsequent Experiment Station bulletins and in the text, "Engineering Valuation and Depreciation."² In 1957, Frank V. B. Couch, Jr., an Iowa State College graduate student, submitted a thesis³ presenting his development of the fourth family consisting of the four O type survivor curves.

¹Winfrey, Robley. Statistical Analyses of Industrial Property Retirements. Iowa State College, Engineering Experiment Station, Bulletin 125. 1935.

²Marston, Anson, Robley Winfrey and Jean C. Hempstead. Engineering Valuation and Depreciation, 2nd Edition. New York, McGraw-Hill Book Company. 1953.

³Couch, Frank V. B., Jr. "Classification of Type O Retirement Characteristics of Industrial Property." Unpublished M.S. thesis (Engineering Valuation). Library, Iowa State College, Ames, Iowa. 1957.

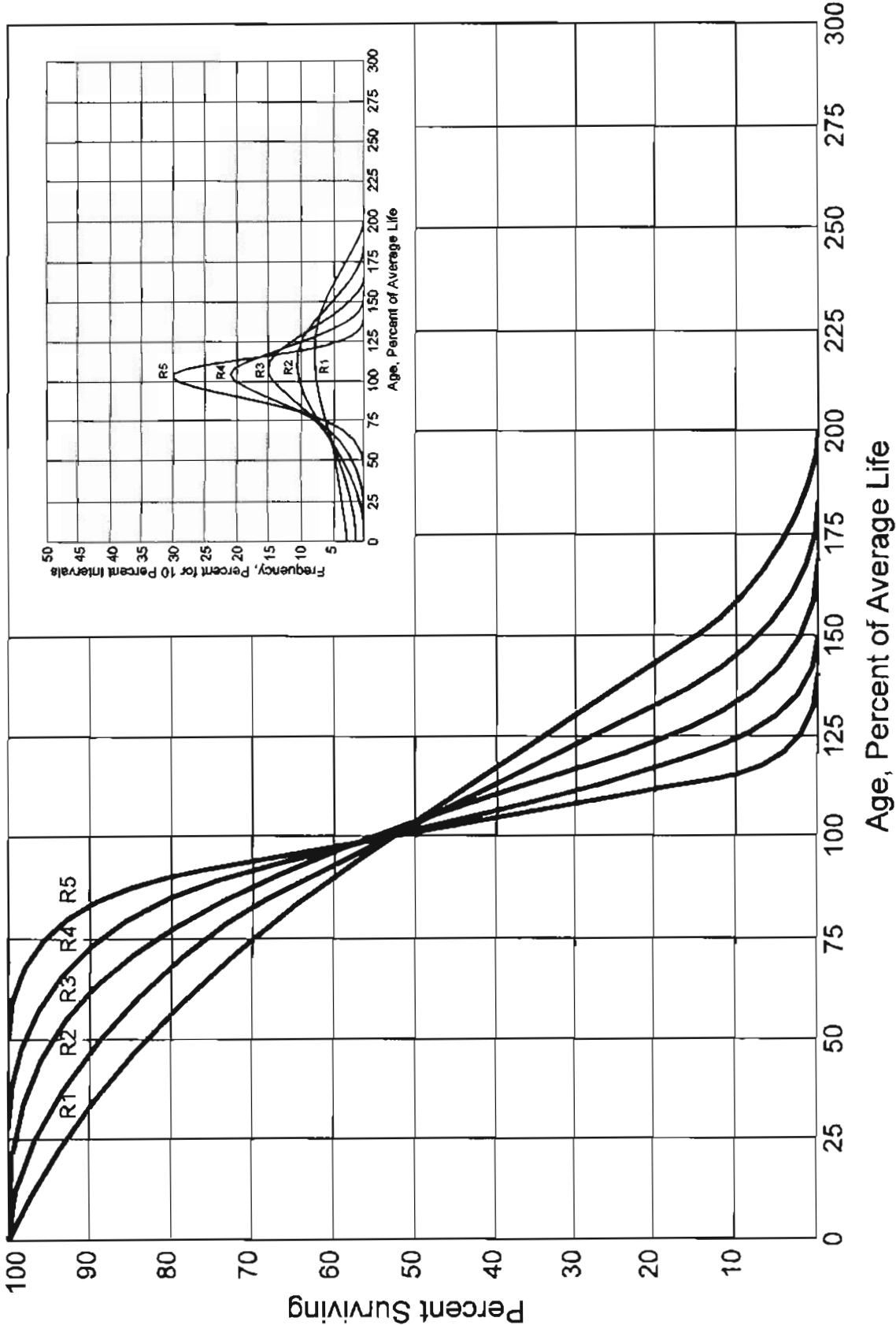


Figure 4. Right Modal or "R" Iowa Type Survivor Curves

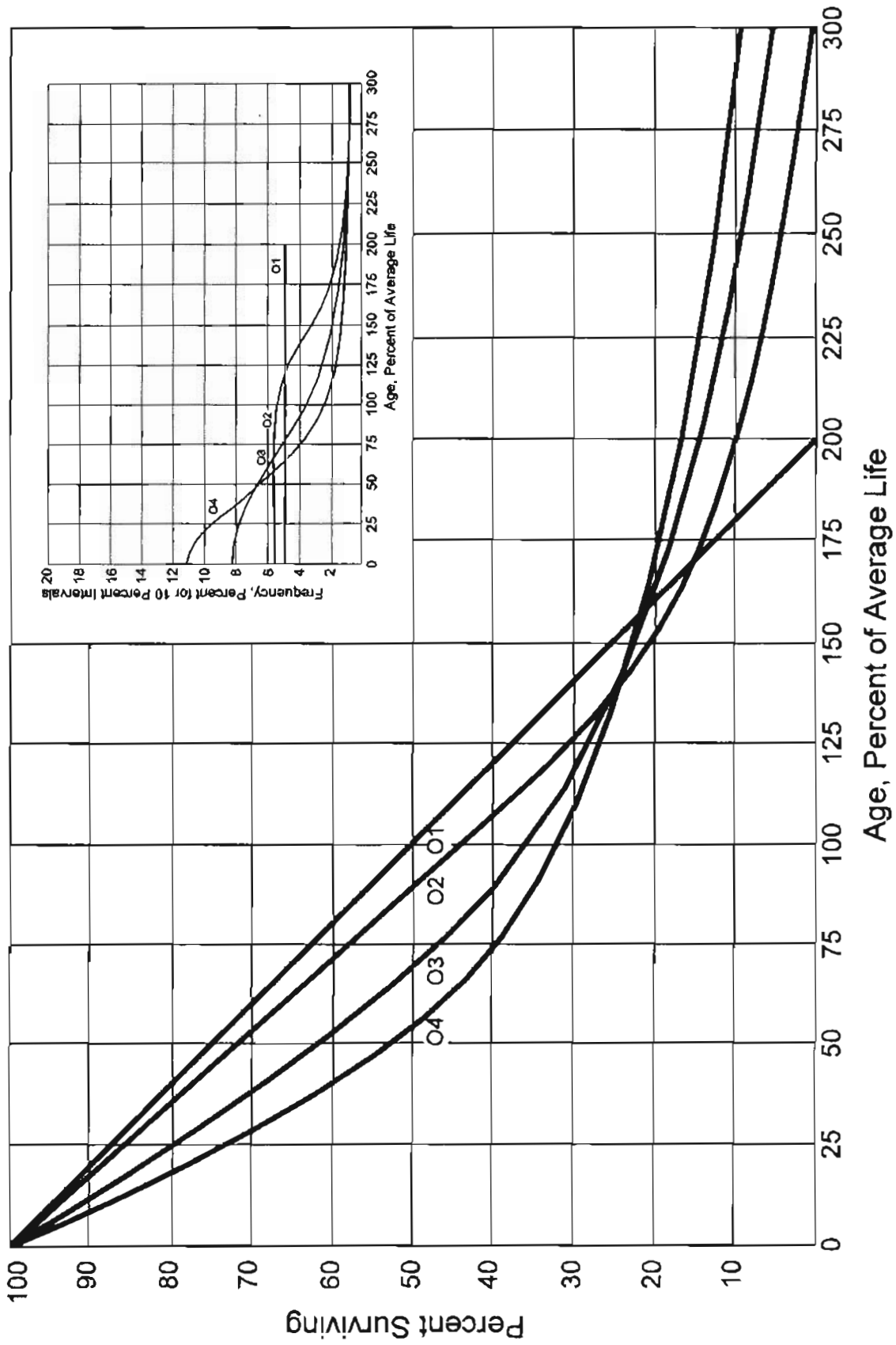


Figure 5. Origin Modal or "O" Iowa Type Survivor Curves

Retirement Rate Method of Analysis

The retirement rate method is an actuarial method of deriving survivor curves using the average rates at which property of each age group is retired. The method relates to property groups for which aged accounting experience is available or for which aged accounting experience is developed by statistically aging unaged amounts and is the method used to develop the original stub survivor curves in this study. The method (also known as the annual rate method) is illustrated through the use of an example in the following text, and is also explained in several publications, including "Statistical Analyses of Industrial Property Retirements,"⁴ "Engineering Valuation and Depreciation,"⁵ and "Depreciation Systems."⁶

The average rate of retirement used in the calculation of the percent surviving for the survivor curve (life table) requires two sets of data: first, the property retired during a period of observation, identified by the property's age at retirement; and second, the property exposed to retirement at the beginnings of the age intervals during the same period. The period of observation is referred to as the experience band, and the band of years which represent the installation dates of the property exposed to retirement during the experience band is referred to as the placement band. An example of the calculations used in the development of a life table follows. The example includes schedules of annual aged property transactions, a schedule of plant exposed to retirement, a life table, and illustrations of smoothing the stub survivor curve.

⁴Winfrey, Robley, Supra Note 1.

⁵Marston, Anson, Robley Winfrey, and Jean C. Hempstead, Supra Note 2.

⁶Wolf, Frank K. and W. Chester Fitch. Depreciation Systems. Iowa State University Press. 1994

Schedules of Annual Transactions in Plant Records. The property group used to illustrate the retirement rate method is observed for the experience band 2001-2010 during which there were placements during the years 1996-2010. In order to illustrate the summation of the aged data by age interval, the data were compiled in the manner presented in Tables 1 and 2 on pages II-12 and II-13. In Table 1, the year of installation (year placed) and the year of retirement are shown. The age interval during which a retirement occurred is determined from this information. In the example which follows, \$10,000 of the dollars invested in 1996 were retired in 2001. The \$10,000 retirement occurred during the age interval between 4½ and 5½ years on the basis that approximately one-half of the amount of property was installed prior to and subsequent to July 1 of each year. That is, on the average, property installed during a year is placed in service at the midpoint of the year for the purpose of the analysis. All retirements also are stated as occurring at the midpoint of a one-year age interval of time, except the first age interval which encompasses only one-half year.

The total retirements occurring in each age interval in a band are determined by summing the amounts for each transaction year-installation year combination for that age interval. For example, the total of \$143,000 retired for age interval 4½-5½ is the sum of the retirements entered on Table 1 immediately above the stairstep line drawn on the table beginning with the 2001 retirements of 1996 installations and ending with the 2010 retirements of the 2005 installations. Thus, the total amount of 143 for age interval 4½-5½ equals the sum of:

$$10 + 12 + 13 + 11 + 13 + 13 + 15 + 17 + 19 + 20.$$

In Table 2, other transactions which affect the group are recorded in a similar manner. The entries illustrated include transfers and sales. The entries which are credits to the plant account are shown in parentheses. The items recorded on this schedule

TABLE 1. RETIREMENTS FOR EACH YEAR 2001-2010
SUMMARIZED BY AGE INTERVAL

Experience Band 2001-2010	Retirements, Thousands of Dollars										Placement Band 1996-2010	
	During Year										Total During	Age
Year Placed (1)	2001 (2)	2002 (3)	2003 (4)	2004 (5)	2005 (6)	2006 (7)	2007 (8)	2008 (9)	2009 (10)	2010 (11)	Age Interval (12)	Interval (13)
1996	10	11	12	13	14	16	23	24	25	26	26	13½-14½
1997	11	12	13	15	16	18	20	21	22	19	44	12½-13½
1998	11	12	13	14	16	17	19	21	22	18	64	11½-12½
1999	8	9	10	11	11	13	14	15	16	17	83	10½-11½
2000	9	10	11	12	13	14	16	17	19	20	93	9½-10½
2001	4	9	10	11	12	13	14	15	16	20	105	8½-9½
2002		5	11	12	13	14	15	16	18	20	113	7½-8½
2003			6	12	13	15	16	17	19	19	124	6½-7½
2004				6	13	15	16	17	19	19	131	5½-6½
2005					7	14	16	17	19	20	143	4½-5½
2006						8	18	20	22	23	146	3½-4½
2007							9	20	22	25	150	2½-3½
2008								11	23	25	151	1½-2½
2009									11	24	153	½-1½
2010										13	80	0-½
Total	53	68	86	106	128	157	196	231	273	308	1,606	

TABLE 2. OTHER TRANSACTIONS FOR EACH YEAR 2001-2010
SUMMARIZED BY AGE INTERVAL

Year Placed (1)	Acquisitions, Transfers and Sales, Thousands of Dollars										Placement Band 1996-2010			
	During Year										Total During Age Interval (12)	Age Interval (13)		
	2001 (2)	2002 (3)	2003 (4)	2004 (5)	2005 (6)	2006 (7)	2007 (8)	2008 (9)	2009 (10)	2010 (11)				
1996	-	-	-	-	-	-	60 ^a	-	-	-	-	-	-	13½-14½
1997	-	-	-	-	-	-	-	-	-	-	-	-	-	12½-13½
1998	-	-	-	-	-	-	-	-	-	-	-	-	-	11½-12½
1999	-	-	-	-	-	-	(5) ^b	-	-	-	-	60	-	10½-11½
2000	-	-	-	-	-	-	6 ^a	-	-	-	-	-	-	9½-10½
2001	-	-	-	-	-	-	-	-	-	-	-	(5)	-	8½-9½
2002	-	-	-	-	-	-	-	-	-	-	-	6	-	7½-8½
2003	-	-	-	-	-	-	-	-	-	-	-	-	-	6½-7½
2004	-	-	-	-	-	-	(12) ^b	-	-	-	-	-	-	5½-6½
2005	-	-	-	-	-	-	(19) ^b	22 ^a	-	-	-	-	-	4½-5½
2006	-	-	-	-	-	-	-	-	-	-	-	10	-	3½-4½
2007	-	-	-	-	-	-	-	-	-	-	-	-	-	2½-3½
2008	-	-	-	-	-	-	-	-	-	(102) ^c	-	(121)	-	1½-2½
2009	-	-	-	-	-	-	-	-	-	-	-	-	-	½-1½
2010	-	-	-	-	-	-	-	-	-	-	-	-	-	0-½
Total	=	=	=	=	=	=	(30)	22	=	(102)	=	(50)	=	

^a Transfer Affecting Exposures at Beginning of Year

^b Transfer Affecting Exposures at End of Year

^c Sale with Continued Use

Parentheses denote Credit amount.

are not totaled with the retirements but are used in developing the exposures at the beginning of each age interval.

Schedule of Plant Exposed to Retirement. The development of the amount of plant exposed to retirement at the beginning of each age interval is illustrated in Table 3 on page II-15.

The surviving plant at the beginning of each year from 2001 through 2010 is recorded by year in the portion of the table headed "Annual Survivors at the Beginning of the Year." The last amount entered in each column is the amount of new plant added to the group during the year. The amounts entered in Table 3 for each successive year following the beginning balance or addition are obtained by adding or subtracting the net entries shown on Tables 1 and 2. For the purpose of determining the plant exposed to retirement, transfers-in are considered as being exposed to retirement in this group at the beginning of the year in which they occurred, and the sales and transfers-out are considered to be removed from the plant exposed to retirement at the beginning of the following year. Thus, the amounts of plant shown at the beginning of each year are the amounts of plant from each placement year considered to be exposed to retirement at the beginning of each successive transaction year. For example, the exposures for the installation year 2006 are calculated in the following manner:

Exposures at age 0 = amount of addition	= \$750,000
Exposures at age ½ = \$750,000 - \$ 8,000	= \$742,000
Exposures at age 1½ = \$742,000 - \$18,000	= \$724,000
Exposures at age 2½ = \$724,000 - \$20,000 - \$19,000	= \$685,000
Exposures at age 3½ = \$685,000 - \$22,000	= \$663,000

For the entire experience band 2001-2010, the total exposures at the beginning of an age interval are obtained by summing diagonally in a manner similar to the summing

TABLE 3. PLANT EXPOSED TO RETIREMENT
 JANUARY 1 OF EACH YEAR 2001-2010
 SUMMARIZED BY AGE INTERVAL

Year Placed (1)	Exposures, Thousands of Dollars										Total at Beginning of Age Interval (12)	Age Interval (13)
	2001 (2)	2002 (3)	2003 (4)	2004 (5)	2005 (6)	2006 (7)	2007 (8)	2008 (9)	2009 (10)	2010 (11)		
1996	255	245	234	222	209	195	239	216	192	167	167	13½-14½
1997	279	268	256	243	228	212	194	174	153	131	323	12½-13½
1998	307	296	284	271	257	241	224	205	184	162	531	11½-12½
1999	338	330	321	311	300	289	276	262	242	226	823	10½-11½
2000	376	367	357	346	334	321	307	297	280	261	1,097	9½-10½
2001	420 ^a	416	407	397	386	374	361	347	332	316	1,503	8½-9½
2002		460 ^a	455	444	432	419	405	390	374	356	1,952	7½-8½
2003			510 ^a	504	492	479	464	448	431	412	2,463	6½-7½
2004				580 ^a	574	561	546	530	501	482	3,057	5½-6½
2005					660 ^a	653	639	623	628	609	3,789	4½-5½
2006						750 ^a	742	724	685	663	4,332	3½-4½
2007							850 ^a	841	821	799	4,955	2½-3½
2008								960 ^a	949	926	5,719	1½-2½
2009									1,080 ^a	1,069	6,579	½-1½
2010										1,220 ^a	7,490	0-½
Total	1,975	2,382	2,824	3,318	3,872	4,494	5,247	6,017	6,852	7,799	44,780	

Experience Band 2001-2010

Placement Band 1996-2010

^a Additions during the year.

of the retirements during an age interval (Table 1). For example, the figure of 3,789, shown as the total exposures at the beginning of age interval 4½-5½, is obtained by summing:

$$255 + 268 + 284 + 311 + 334 + 374 + 405 + 448 + 501 + 609.$$

Original Life Table. The original life table, illustrated in Table 4 on page II-17, is developed from the totals shown on the schedules of retirements and exposures, Tables 1 and 3, respectively. The exposures at the beginning of the age interval are obtained from the corresponding age interval of the exposure schedule, and the retirements during the age interval are obtained from the corresponding age interval of the retirement schedule. The retirement ratio is the result of dividing the retirements during the age interval by the exposures at the beginning of the age interval. The percent surviving at the beginning of each age interval is derived from survivor ratios, each of which equals one minus the retirement ratio. The percent surviving is developed by starting with 100% at age zero and successively multiplying the percent surviving at the beginning of each interval by the survivor ratio, i.e., one minus the retirement ratio for that age interval. The calculations necessary to determine the percent surviving at age 5½ are as follows:

Percent surviving at age 4½	=	88.15
Exposures at age 4½	=	3,789,000
Retirements from age 4½ to 5½	=	143,000
Retirement Ratio	=	$143,000 \div 3,789,000 = 0.0377$
Survivor Ratio	=	$1.000 - 0.0377 = 0.9623$
Percent surviving at age 5½	=	$(88.15) \times (0.9623) = 84.83$

The totals of the exposures and retirements (columns 2 and 3) are shown for the purpose of checking with the respective totals in Tables 1 and 3. The ratio of the total retirements to the total exposures, other than for each age interval, is meaningless.

TABLE 4. ORIGINAL LIFE TABLE
CALCULATED BY THE RETIREMENT RATE METHOD

Experience Band 2001-2010

Placement Band 1996-2010

(Exposure and Retirement Amounts are in Thousands of Dollars)

<u>Age at Beginning of Interval</u>	<u>Exposures at Beginning of Age Interval</u>	<u>Retirements During Age Interval</u>	<u>Retirement Ratio</u>	<u>Survivor Ratio</u>	<u>Percent Surviving at Beginning of Age Interval</u>
(1)	(2)	(3)	(4)	(5)	(6)
0.0	7,490	80	0.0107	0.9893	100.00
0.5	6,579	153	0.0233	0.9767	98.93
1.5	5,719	151	0.0264	0.9736	96.62
2.5	4,955	150	0.0303	0.9697	94.07
3.5	4,332	146	0.0337	0.9663	91.22
4.5	3,789	143	0.0377	0.9623	88.15
5.5	3,057	131	0.0429	0.9571	84.83
6.5	2,463	124	0.0503	0.9497	81.19
7.5	1,952	113	0.0579	0.9421	77.11
8.5	1,503	105	0.0699	0.9301	72.65
9.5	1,097	93	0.0848	0.9152	67.57
10.5	823	83	0.1009	0.8991	61.84
11.5	531	64	0.1205	0.8795	55.60
12.5	323	44	0.1362	0.8638	48.90
13.5	<u>167</u>	<u>26</u>	0.1557	0.8443	42.24
					35.66
Total	<u>44,780</u>	<u>1,606</u>			

Column 2 from Table 3, Column 12, Plant Exposed to Retirement.

Column 3 from Table 1, Column 12, Retirements for Each Year.

Column 4 = Column 3 Divided by Column 2.

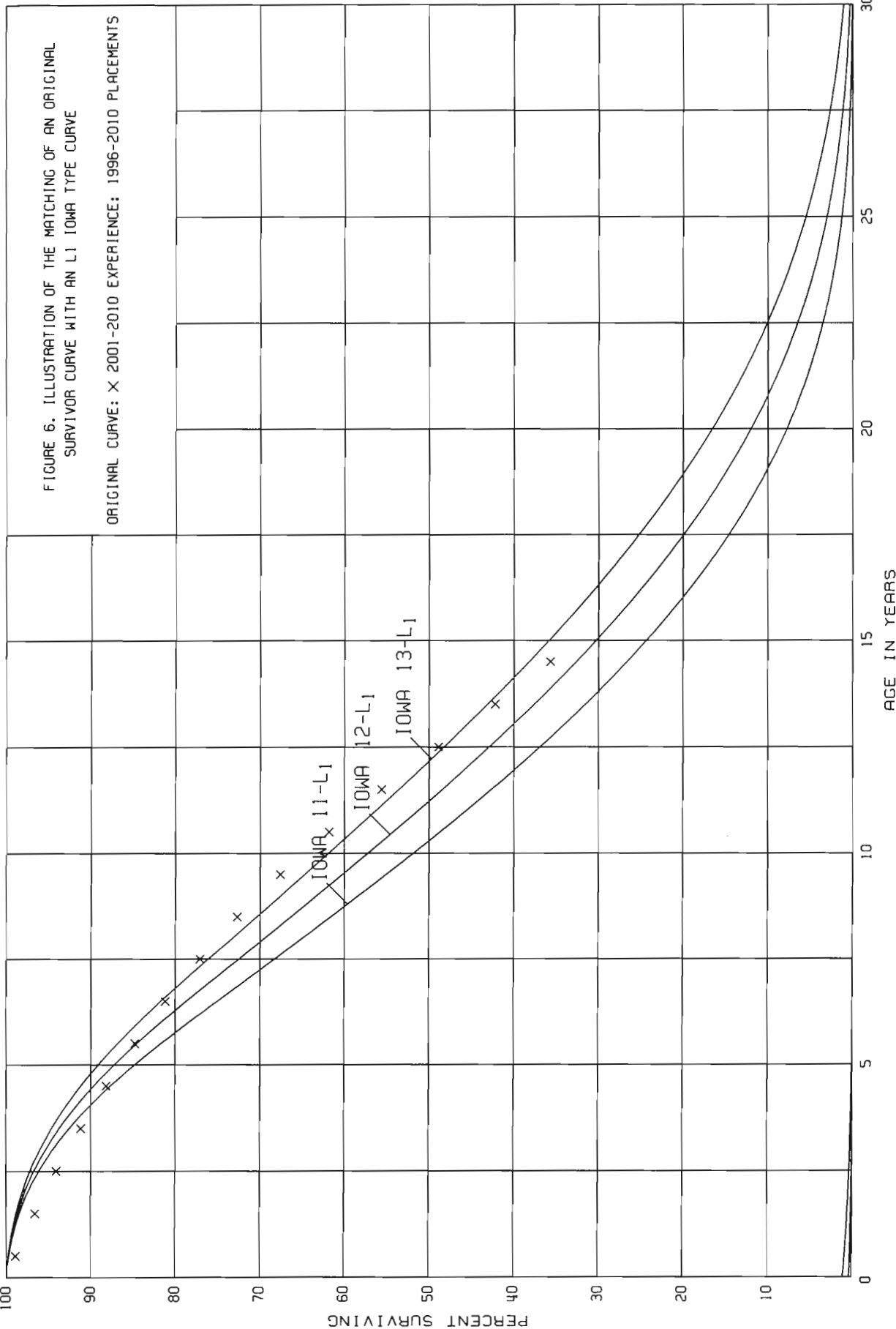
Column 5 = 1.0000 Minus Column 4.

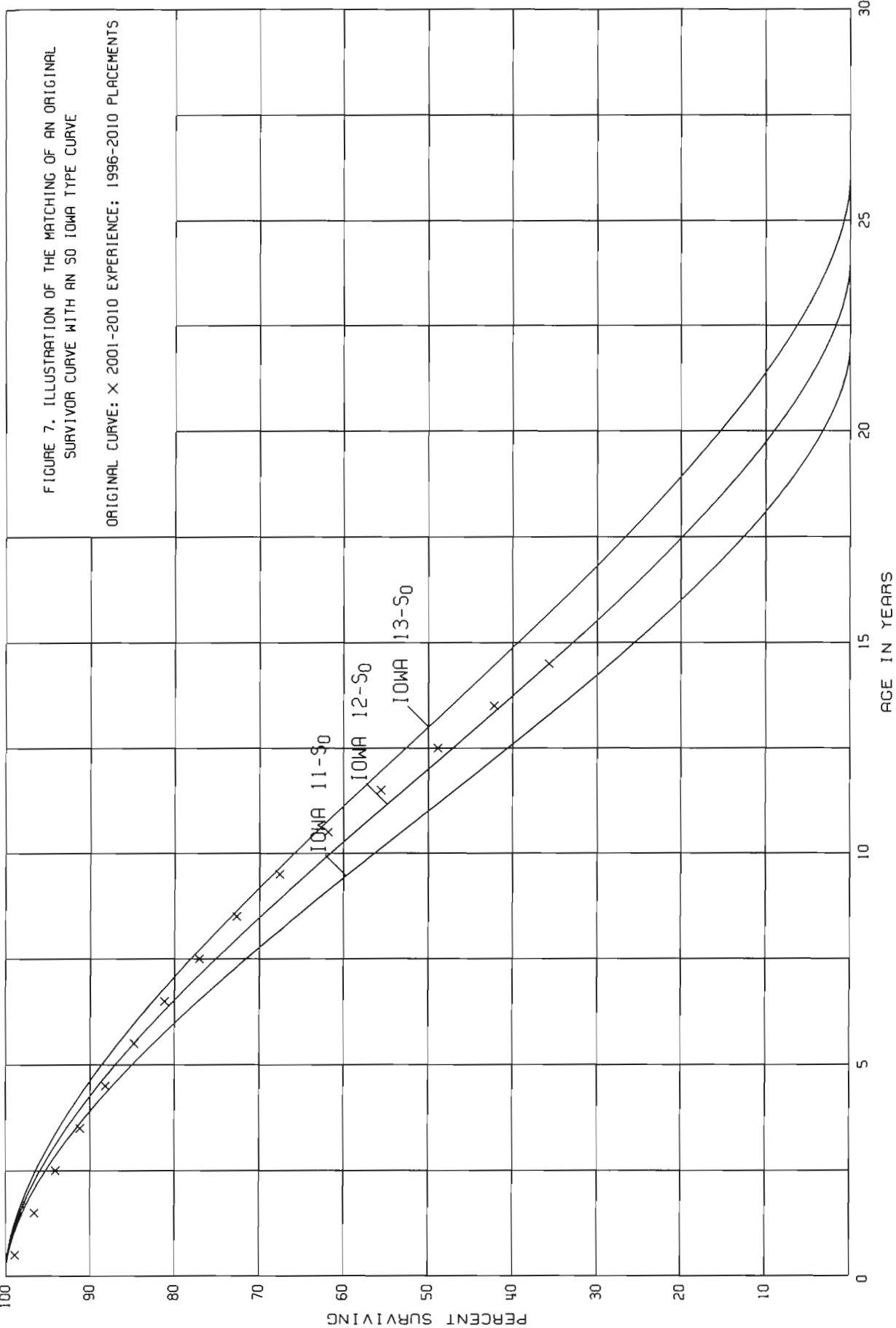
Column 6 = Column 5 Multiplied by Column 6 as of the Preceding Age Interval.

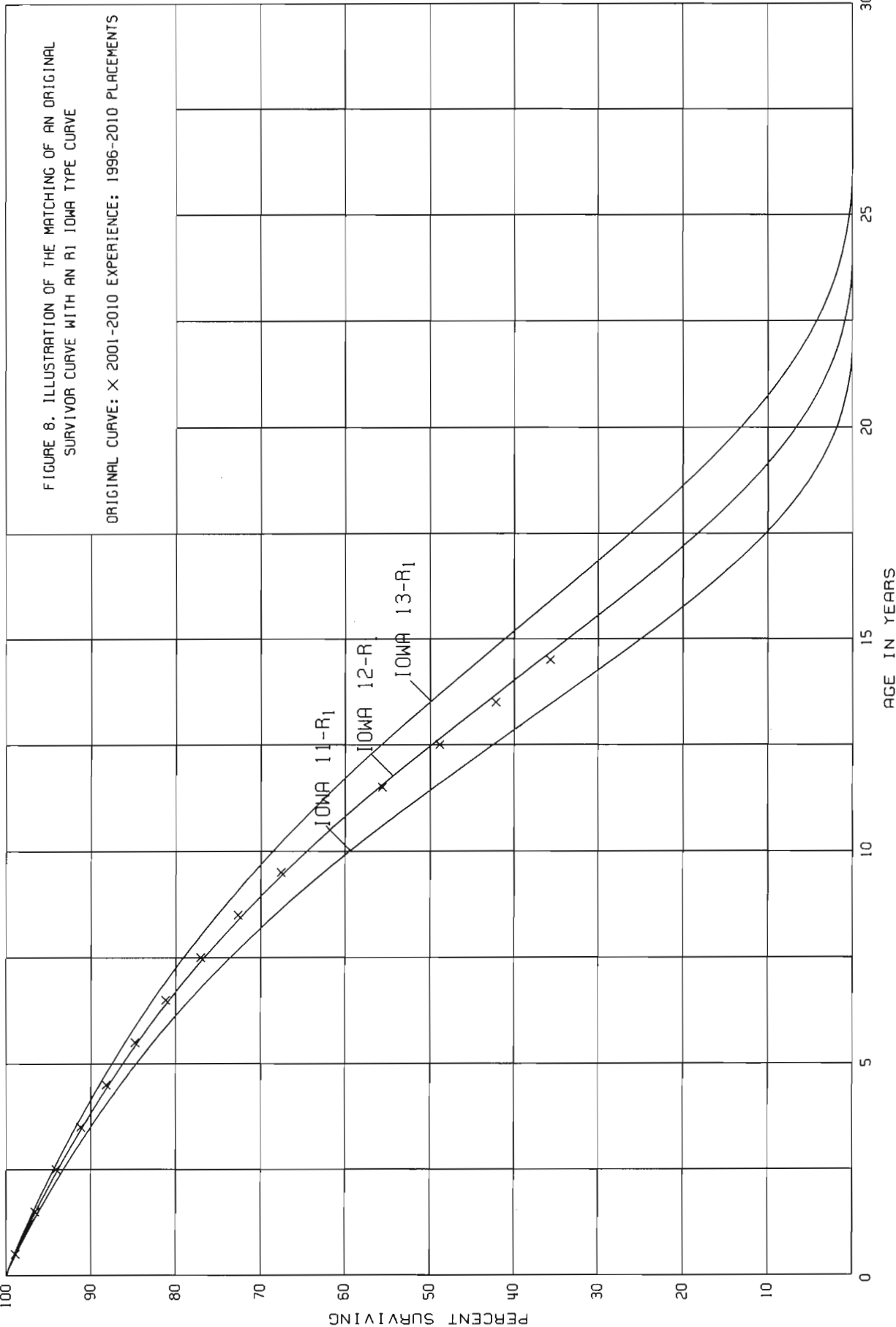
The original survivor curve is plotted from the original life table (column 6, Table 4). When the curve terminates at a percent surviving greater than zero, it is called a stub survivor curve. Survivor curves developed from retirement rate studies generally are stub curves.

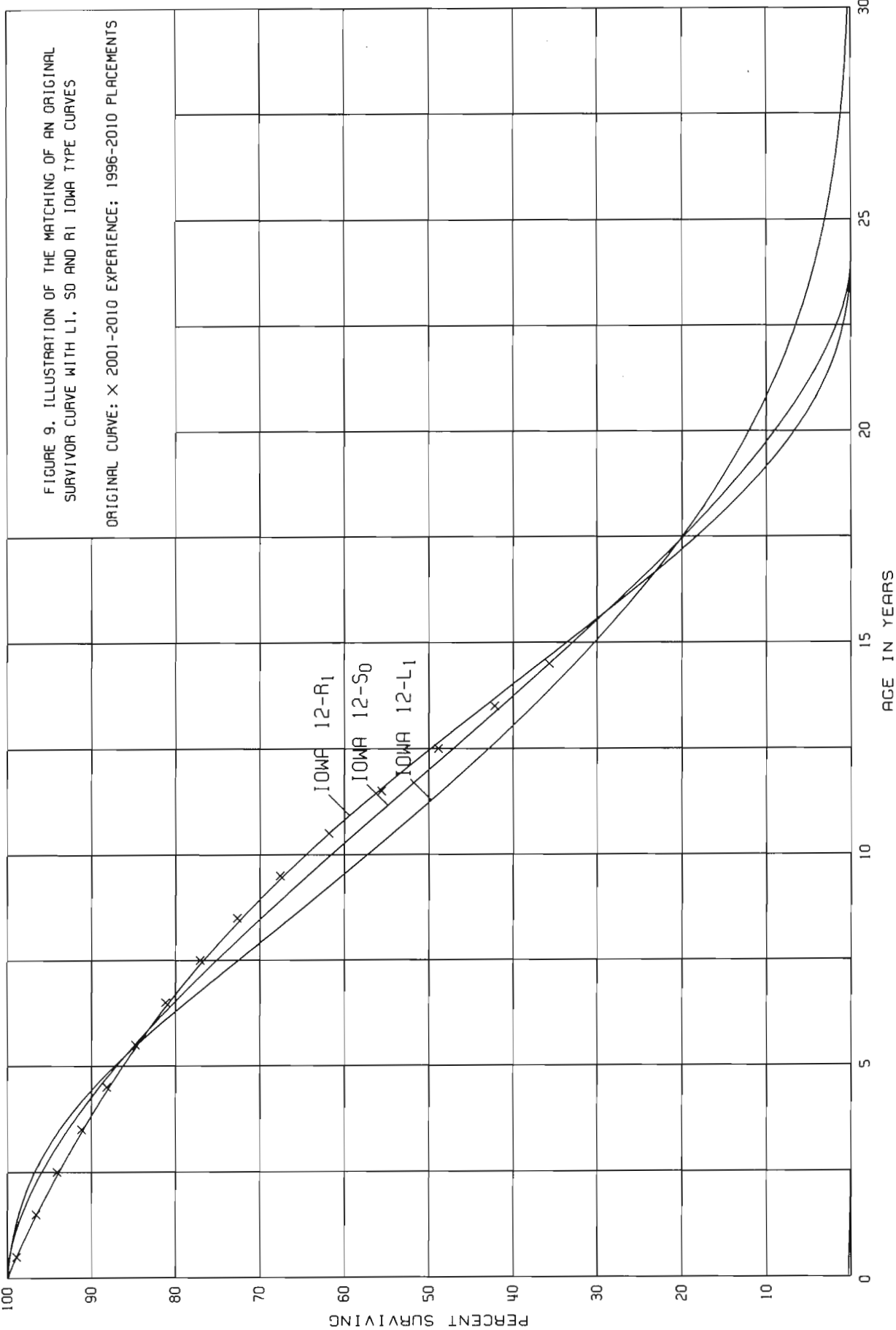
Smoothing the Original Survivor Curve. The smoothing of the original survivor curve eliminates any irregularities and serves as the basis for the preliminary extrapolation to zero percent surviving of the original stub curve. Even if the original survivor curve is complete from 100 percent to zero percent, it is desirable to eliminate any irregularities, as there is still an extrapolation for the vintages which have not yet lived to the age at which the curve reaches zero percent. In this study, the smoothing of the original curve with established type curves was used to eliminate irregularities in the original curve.

The lowa type curves are used in this study to smooth those original stub curves which are expressed as percents surviving at ages in years. Each original survivor curve was compared to the lowa curves using visual and mathematical matching in order to determine the better fitting smooth curves. In Figures 6, 7, and 8, the original curve developed in Table 4 is compared with the L, S, and R lowa type curves which most nearly fit the original survivor curve. In Figure 6, the L1 curve with an average life between 12 and 13 years appears to be the best fit. In Figure 7, the S0 type curve with a 12-year average life appears to be the best fit and appears to be better than the L1 fitting. In Figure 8, the R1 type curve with a 12-year average life appears to be the best fit and appears to be better than either the L1 or the S0. In Figure 9, the three fittings, 12-L1, 12-S0 and 12-R1 are drawn for comparison purposes. It is probable that the 12-R1 lowa curve would be selected as the most representative of the plotted survivor characteristics of the group, assuming no contrary relevant factors external to the analysis of historical data.









Service Life Considerations

The service life estimates were based on judgment which considered a number of factors. The primary factors were the statistical analyses of data; current Company policies and outlook as determined during conversations with management; and the survivor curve estimates from previous studies of this company and other electric and gas companies.

For 42 of the plant accounts and subaccounts for which survivor curves were estimated, the statistical analyses using the retirement rate method resulted in good to excellent indications of the survivor patterns experienced. These accounts represent 68 percent of depreciable plant. Generally, the information external to the statistics led to no significant departure from the indicated survivor curves for the accounts listed below. The statistical support for the service life estimates is presented in the section beginning on page III-16.

ELECTRIC PLANT

Steam Production Plant

312.00	Boiler Plant Equipment
314.00	Turbogenerator Units
315.00	Accessory Electric Equipment
316.00	Miscellaneous Plant Equipment

Hydro Production Plant

331.00	Structures and Improvements
332.00	Reservoirs, Dams and Waterways
333.00	Turbines and Generators
334.00	Accessory Electric Equipment
335.00	Miscellaneous Plant Equipment

Other Production Plant

345.00	Accessory Electric Equipment
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Transmission Plant

352.00	Structures and Improvements
353.00	Station Equipment
355.00	Poles and Fixtures
356.00	Overhead Conductors and Devices

Distribution Plant

361.00	Structures and Improvements
362.00	Station Equipment
366.00	Underground Conduit
367.00	Underground Conductors and Devices
368.00	Line Transformers
369.10	Services - Overhead
369.20	Services - Underground Spokane Network
369.30	Services - Underground Other
370.10	Meters - Idaho Standard
370.30	Meters - Washington Standard
373.10	Street Lighting & Signal Systems - Mercury Vapor
373.20	Street Lighting & Signal Systems - Underground Conductor
373.30	Street Lighting & Signal Sys - Decorative & Metal Standards
373.40	Street Lighting & Signal Sys - High Pressure Sodium Vapor

General Plant

390.10	Structures and Improvements - Company
392.00	Transportation Equipment
396.00	Power Operated Equipment

GAS PLANT

Natural Gas Storage and Processing Plant

357.00	Other Equipment
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Distribution Plant

376.00	Mains
378.00	Measuring and Regulating Equipment - General
379.00	Compressor Station Equipment
380.00	Services
381.00	Meters

General Plant

390.10	Structures and Improvements - Company
392.00	Transportation Equipment
396.00	Power Operated Equipment

COMMON PLANT

392.00	Transportation Equipment
396.00	Power Operated Equipment

Electric Plant Account 353.00 Station Equipment, is used to illustrate the manner in which the study was conducted for the groups in the preceding list. Aged plant accounting data for the transmission plant originally owned by Avista Corporation have

been compiled for the years 1989 through 2010. These data have been coded in the course of the Company's normal record keeping according to account or property group, type of transaction, year in which the transaction took place, and year in which the electric plant was placed in service. The retirements, other plant transactions, and plant additions were analyzed by the retirement rate method.

The survivor curve estimate is based on the statistical indications for the period 1989 through 2010. The Iowa 45-R2.5 is a reasonable fit of the stub original survivor of station equipment. The 45-year service life is within the typical service life range of 35 to 55 years for station equipment. The 45-year life reflects the Company's plans to continue to upgrade equipment when necessary with expectations that some assets will be in service for a long time.

The determination of life characteristics for electric meters required additional data analysis due to the change in type of meters between Idaho and Washington. In 2008, Idaho completed the conversion of all standard meters to remote read meters. These meters have a considerably shorter life characteristic than the standard meters. Therefore, all electric meters were classified into three categories. The classifications were based on the Company inventory listing, by vintage. The assets in Account 370.1, Meters - Idaho Standard, is best represented by the 18-L0.5 survivor curve. The relatively new meters in Account 370.2, Meters - AMR Idaho, have life characteristics best estimated by the 15-S2.5 Iowa curve. In Washington, remote read meters are not planned at this time, so all meters are placed in Account 370.3, Meters - Washington - Standard and are best represented by the 30-R2.5 survivor curve. These reclassifications properly segregate meters into categories in order to reasonably match historical indications with future expectations.

The life characteristics for gas meters did not require the same reclassification, as the replacement practices between the two jurisdictions and the types of meters will be comparable. However, the gas meters were segregated by state in this study. The 36-R1.5 survivor curve is a good fit of the historical indications and future expectations.

Inasmuch as production plant consists of large generating units, the life span technique was employed in conjunction with the use of interim survivor curves which reflect interim retirements that occur prior to the ultimate retirement of the major unit. An interim survivor curve was estimated for each plant account, inasmuch as the rate of interim retirements differ from account to account. The interim survivor curves estimated for steam, hydro and other production plant related to Avista Corporation stations were based on the retirement rate method.

The life span estimates for power generating stations were the result of considering experienced life spans of similar generating units, the age of surviving units, general operating characteristics of the units, major refurbishing, and discussions with management personnel concerning the probable long-term outlook for the units. Final decisions as to date of retirement will be determined by management on a unit by unit basis.

The life span estimate for the steam, base-load units is 45 and 50 years, which is within the typical range of life spans for such units. The 80 to 154-year life span estimate applies to all the hydro units. Life spans of 26 to 40 years were estimated for the other production units. These life span estimates are typical for other production units which are used primarily as peaking units. The solar facility has a life span of 20 years.

A summary of the year in service, life span and probable retirement year for each power production unit follows:

<u>Depreciable Group</u>	<u>Year in Service</u>	<u>Probable Retirement Year</u>	<u>Life Span</u>
Steam Production Plant			
Kettle Falls	1983	2028	45
Colstrip 3	1984	2034	50
Colstrip 4	1986	2036	50
Hydro Production Plant			
Monroe Street	1992	2072	80
Little Falls	1910	2059	149
Long Falls	1915	2055	140
Spokane Upper Falls	1922	2060	138
Nine Mile	1908	2060	152
Post Falls	1906	2060	154
Cabinet Gorge	1952	2072	120
Noxon Rapids	1959	2079	120
Other Production Plant			
Kettle Falls	2002	2028	26
Northeast Turbine	1978	2018	40
Boulder Park	2002	2042	40
Coyote Springs 2	2003	2043	40
Rathdrum Turbine	1999	2034	35
Lancaster	2010	2040	30
Central Operations Facility	2009	2029	20

The survivor curve estimates for the remaining accounts were based on judgment incorporating the statistical analyses and previous studies for this and other electric and gas utilities.

Salvage Analysis

The estimates of net salvage by account were based in part on historical data compiled through 2010. Cost of removal and salvage were expressed as percents of the original cost of plant retired, both on annual and three-year moving average bases. The most recent five-year average also was calculated for consideration. The net salvage estimates by account are expressed as a percent of the original cost of plant retired.

Net Salvage Considerations

The estimates of future net salvage are expressed as percentages of surviving plant in service, i.e., all future retirements. In cases in which removal costs are expected to exceed salvage receipts, a negative net salvage percentage is estimated. The net salvage estimates were based on judgment which incorporated analyses of historical cost of removal and salvage data, expectations with respect to future removal requirements and markets for retired equipment and materials.

The analyses of historical cost of removal and salvage data are presented in the section titled "Net Salvage Statistics" for the plant accounts for which the net salvage estimate relied partially on those analyses.

Statistical analyses of historical data for the period 1983 through 2010 contributed significantly toward the net salvage estimates for 40 plant accounts, representing 81 percent of the depreciable plant, as follows:

ELECTRIC PLANT

Steam Production Plant

311.00	Structures and Improvements
312.00	Boiler Plant Equipment
314.00	Turbogenerators

Hydro Production Plant

331.00	Structures and Improvements
333.00	Turbines and Generators
334.00	Accessory Electric Equipment
335.00	Miscellaneous Power Equipment

Other Production Plant

344.00	Generators
345.00	Accessory Electric Equipment

Transmission Plant

352.00	Structures and Improvements
353.00	Station Equipment
354.00	Towers and Fixtures
355.00	Poles and Fixtures

Distribution Plant

361.00	Structures and Improvements
364.00	Poles, Towers and Fixtures
365.00	Overhead Conductors and Devices
366.00	Underground Conduit
367.00	Underground Conductors and Devices
368.00	Line Transformers
369.10	Services - Overhead
369.20	Services - Underground Spokane Network
369.30	Services - Underground Other
370.10	Meters - Idaho Standard
370.20	Meters - Idaho AMR
370.30	Meters - Washington Standard
373.10	Street Lighting & Signal Systems - Mercury Vapor
373.20	Street Lighting & Signal Systems - Underground Conductor
373.30	Street Lighting & Signal Sys - Decorative and Metal Standards
373.40	Street Lighting & Signal Sys - High Pressure Sodium Vapor

General Plant

390.10	Structures and Improvements
392.00	Transportation Equipment
396.00	Power Operated Equipment

GAS PLANT

Distribution Plant

376.00	Mains
378.00	Measuring and Regulating Equipment - General
379.00	Compressor Station Equipment
380.00	Services
381.00	Meters
385.00	Industrial Measuring and Regulating Equipment

General Plant

392.00	Transportation Equipment
396.00	Power Operated Equipment

Common Plant

390.1	Structures and Improvements - Company
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Electric Plant Account 368.00, Line Transformers, is used to illustrate the manner in which the study was conducted for the groups in the preceding list. Net salvage data for the period 1983 through 2010 were analyzed for this account. The data include cost of removal, gross salvage and net salvage amounts and each of these amounts is expressed

as a percent of the original cost of regular retirements. Three-year moving averages for the 1983-1985 through 2008-2010 periods were computed to smooth the annual amounts.

Cost of removal fluctuated during the 28-year period. The primary cause of cost of removal was the effort needed to take out the transformers. Cost of removal for the most recent five years averaged 5 percent.

Gross salvage has varied throughout the period. The most recent five-year average of 3 percent gross salvage reflects recent trends and the overall value for line transformers.

The net salvage percent based on the overall period 1983 through 2010 is 5 percent negative net salvage and based on the most recent five-year period is negative 2 percent. The range of estimates made by other electric companies for line transformers is positive 5 to negative 10 percent. The net salvage estimate for line transformers is negative 5 percent, is within the range of other estimates and reflects expectations of the future for negative net salvage.

The net salvage percents for the remaining accounts representing 19 percent of plant were based on judgment incorporating estimates of previous studies of this and other electric and gas utilities.

CALCULATION OF ANNUAL AND ACCRUED DEPRECIATION

After the survivor curve and salvage are estimated, the annual depreciation accrual rate can be calculated. In the average service life procedure, the annual accrual rate is computed by the following equation:

$$\text{Annual Accrual Rate, Percent} = \frac{(100\% \text{ Net Salvage, Percent})}{\text{Average Service Life}}$$

The calculated accrued depreciation for each depreciable property group represents that portion of the depreciable cost of the group which will not be allocated to expense through future depreciation accruals if current forecasts of life characteristics are used as a basis for straight line depreciation accounting.

The accrued depreciation calculation consists of applying an appropriate ratio to the surviving original cost of each vintage of each account, based upon the attained age and the estimated survivor curve. The accrued depreciation ratios are calculated as follows:

$$\text{Ratio} = \left(1 - \frac{\text{Average Remaining Life Expectancy}}{\text{Average Service Life}} \right) (1 - \text{Net Salvage, Percent}).$$

The application of these procedures is described for a single unit of property and a group of property units. Salvage is omitted from the description for ease of application.

Single Unit of Property

The calculation of straight line depreciation for a single unit of property is straightforward. For example, if a \$1,000 unit of property attains an age of four years and has a life expectancy of six years, the annual accrual over the total life is:

$$\frac{\$1,000}{(4 + 6)} = \$100 \text{ per year.}$$

The accrued depreciation is:

$$\$1,000 \left(1 - \frac{6}{10} \right) = \$400.$$

Group Depreciation Procedures

When more than a single item of property is under consideration, a group procedure for depreciation is appropriate because normally all of the items within a group do not have

identical service lives, but have lives that are dispersed over a range of time. There are two primary group procedures, namely, average service life and equal life group.

Remaining Life Annual Accruals. For the purpose of calculating remaining life accruals as of December 31, 2010 the depreciation reserve for each plant account is allocated among vintages in proportion to the calculated accrued depreciation for the account. Explanations of remaining life accruals and calculated accrued depreciation follow. The detailed calculations as of December 31, 2010 are set forth in the Results of Study section of the report.

Average Service Life Procedure. In the average service life procedure, the remaining life annual accrual for each vintage is determined by dividing future book accruals (original cost less book reserve) by the average remaining life of the vintage. The average remaining life is a directly weighted average derived from the estimated future survivor curve in accordance with the average service life procedure.

The calculated accrued depreciation for each depreciable property group represents that portion of the depreciable cost of the group which would not be allocated to expense through future depreciation accruals, if current forecasts of life characteristics are used as the basis for such accruals. The accrued depreciation calculation consists of applying an appropriate ratio to the surviving original cost of each vintage of each account, based upon the attained age and service life. The straight line accrued depreciation ratios are calculated as follows for the average service life procedure:

$$\text{Ratio} = 1 - \frac{\text{Average Remaining Life}}{\text{Average Service Life}}$$

CALCULATION OF ANNUAL AND ACCRUED AMORTIZATION

Amortization, as defined in the Uniform System of Accounts, is the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized. Normally, the distribution of the amount is in equal amounts to each year of the amortization period.

The calculation of annual and accrued amortization requires the selection of an amortization period. The amortization periods used in this report were based on judgment which incorporated a consideration of the period during which the assets will render most of their service, the amortization periods and service lives used by other utilities, and the service life estimates previously used for the asset under depreciation accounting.

Amortization accounting is appropriate for certain General and Common Plant accounts that represent numerous units of property, but a very small portion of depreciable electric and gas plant in service. The accounts and their amortization periods are as follows:

<u>Account</u>	<u>Amortization Period, Years</u>
ELECTRIC PLANT	
391.10 Computer Hardware	5
393.00 Stores Equipment	25
394.00 Tools, Shop and Garage Equipment	20
395.00 Laboratory Equipment	15
397.00 Communication Equipment	15
398.00 Miscellaneous Equipment	10
GAS PLANT	
391.00 Office Furniture and Equipment	15
391.10 Computer Hardware	5
393.00 Stores Equipment	25
394.00 Tools, Shop and Garage Equipment	20
395.00 Laboratory Equipment	15
397.00 Communication Equipment	15
398.00 Miscellaneous Equipment	10

<u>Account</u>	<u>Amortization Period, Years</u>
COMMON PLANT	
391.00 Office Furniture and Equipment	15
391.10 Computer Hardware	5
393.00 Stores Equipment	25
394.00 Tools, Shop and Garage Equipment	20
395.00 Laboratory Equipment	15
397.00 Communication Equipment	15
397.20 Communication Equipment - Portable	10
398.00 Miscellaneous Equipment	10

For the purpose of calculating annual amortization amounts as of December 31, 2010, the book or ratemaking book depreciation reserve for each plant account or subaccount is assigned or allocated to vintages. The reserve assigned to vintages with an age greater than the amortization period is equal to the vintage's original cost. The remaining reserve is allocated among vintages with an age less than the amortization period in proportion to the calculated accrued amortization. The calculated accrued amortization is equal to the original cost multiplied by the ratio of the vintage's age to its amortization period. The annual amortization amount is determined by dividing the future amortizations (original cost less allocated book reserve) by the remaining period of amortization for the vintage.

III-1

PART III. RESULTS OF STUDY

PART III. RESULTS OF STUDY

QUALIFICATION OF RESULTS

The calculated annual depreciation accrual amounts and rates are the principal results of the study. Continued surveillance and periodic revisions are normally required to maintain continued use of appropriate annual depreciation accrual rates. An assumption that accrual rates can remain unchanged over a long period of time implies a disregard for the inherent variability in service lives and salvage and for the change of the composition of property in service. The annual accrual rates were calculated in accordance with the straight line remaining life method of depreciation using the average service life procedure based on estimates which reflect considerations of current historical evidence and expected future conditions.

There are some asset classes not included in this study which require a depreciation accrual rate prior to the next depreciation study. The assets relate to the new Customer Information System (CIS), The Work and Asset Management System (WAMS) and fleet assets. The new CIS and WAMS will be installed in 2013 and/or 2014 with an expected life of 15 years and depreciable rate of 6.67 percent. These type of assets are generally amortized over their useful life which, in this case, is best represented by 15 years.

Additionally, the Company plans to convert their fleet assets from unit depreciation to group depreciation. The assets will be categorized into five subaccounts of Transportation Equipment and three subaccounts for Power Operated Equipment. The groups will be established as autos, various types of trucks and other equipment. The average service lives will range from 6 to 15 years. The depreciable rate for each subaccount is set forth on page III-15 of this report.

The annual depreciation accrual rates are applicable specifically to the electric, gas and common plant in service as of December 31, 2010. For most plant accounts, the

application of such rates to future balances that reflect additions subsequent to December 31, 2010, is reasonable for a period of three to five years.

DESCRIPTION OF STATISTICAL SUPPORT

The service life and salvage estimates were based on judgment which incorporated statistical analyses of retirement data, discussions with management and consideration of estimates made for other electric and gas utility companies. The results of the statistical analyses of service life are presented in the section titled "Service Life Statistics".

The estimated survivor curves for each account are presented in graphical form. The charts depict the estimated smooth survivor curve and original survivor curve(s), when applicable, related to each specific group. For groups where the original survivor curve was plotted, the calculation of the original life table is also presented.

The analyses of salvage data are presented in the section titled, "Net Salvage Statistics". The tabulations present annual cost of removal and salvage data, three-year moving averages and the most recent five-year average. Data are shown in dollars and as percentages of the original cost retired.

DESCRIPTION OF DEPRECIATION TABULATIONS

Summaries of the results of the study, as applied to the original cost of electric, gas and common plant as of December 31, 2010, are presented on pages III-4 through III-15 of this report. The schedule sets forth the original cost, the book reserve, future accruals, the calculated annual depreciation rate and amount, and the composite remaining life related to electric and gas plant.

The tables of the calculated annual depreciation accruals are presented in account sequence in the section titled "Depreciation Calculations." The tables indicate the estimated survivor curve and salvage percent for the account and set forth, for each installation year, the original cost, the calculated accrued depreciation, the allocated book reserve, future accruals, the remaining life and the calculated annual accrual amount.

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Annual Accrual Amount (7)	Calculated Annual Accrual Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
ELECTRIC PLANT									
Steam Production Plant									
310.3	Removing Other Property Kettle Falls	SQUARE	0	138,174.50	102,161	36,014	2,001	1.45	18.0
310.4	Easements, Permits Kettle Falls	SQUARE	0	10,000.00	7,393	2,607	145	1.45	18.0
311	Structures and Improvements Kettle Falls	70-S1.5	(10)	21,315,323.55	17,936,912	5,509,944	322,766	1.51	17.1
	Colstrip 3 and Common	70-S1.5	(10)	50,516,933.72	38,168,152	17,400,475	788,447	1.56	22.1
	Colstrip 4	70-S1.5	(10)	49,668,109.24	34,741,047	19,893,873	832,044	1.68	23.9
	Total Account 311			121,500,366.51	90,846,111	42,804,292	1,943,257	1.60	22.0
311.1	Structures and Improvements - Landfill Kettle Falls	50-S3	0	3,640,093.42	1,869,207	1,770,886	101,626	2.79	17.4
312	Boiler Plant Equipment Kettle Falls	60-R1	(10)	41,358,059.22	32,203,534	13,290,331	796,369	1.93	16.7
	Colstrip 3 and Common	60-R1	(10)	76,878,225.48	52,651,773	31,914,275	1,485,133	1.93	21.5
	Colstrip 4	60-R1	(10)	50,136,356.66	29,501,075	25,648,917	1,101,277	2.20	23.3
	Total Account 312			168,372,641.36	114,356,382	70,853,523	3,382,779	2.01	20.9
314	Turbogenerators Kettle Falls	40-R0.5	(5)	13,308,186.93	9,766,718	4,206,878	282,296	2.12	14.9
	Colstrip 3 and Common	40-R0.5	(5)	18,668,655.13	9,494,826	10,107,262	520,099	2.79	19.4
	Colstrip 4	40-R0.5	(5)	16,304,242.97	7,335,549	9,783,906	468,814	2.88	20.9
	Total Account 314			48,281,085.03	26,597,093	24,098,046	1,271,209	2.63	19.0
315	Accessory Electric Equipment Kettle Falls	50-R3	0	10,837,723.31	8,067,494	2,770,229	168,992	1.56	16.4
	Colstrip 3 and Common	50-R3	0	9,389,493.95	5,982,553	3,406,941	162,222	1.73	21.0
	Colstrip 4	50-R3	0	6,706,342.53	3,822,531	2,883,812	125,858	1.88	22.9
	Total Account 315			26,933,559.79	17,872,578	9,060,982	457,072	1.70	19.8
316	Miscellaneous Power Plant Equipment Kettle Falls	53-R2	0	2,603,732.97	1,843,191	760,542	45,222	1.74	16.8
	Colstrip 3 and Common	53-R2	0	8,338,752.22	6,142,329	2,896,423	128,890	1.46	20.9
	Colstrip 4	53-R2	0	4,212,496.61	2,666,044	1,546,453	68,228	1.62	22.7
	Total Account 316			15,654,981.80	10,651,564	5,003,418	242,340	1.55	20.6
	Total Steam Production Plant			384,530,902.41	262,302,489	153,629,768	7,400,429	1.92	

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Annual Accrual Amount (7)	Calculated Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
Hydro Production Plant									
330.1	Asset Agreement - Settlement Little Falls	50-SQ	0	4,200,000.00	1,200,425	2,999,575	83,095	1.98	36.1
330.3	Removing Property of Others								
	Little Falls	100-R4	0	13,633.60	2,473	11,161	457	3.35	24.4
	Long Lake	100-R4	0	171,079.55	25,510	145,570	4,043	2.36	36.0
	Spokane Upper Falls	100-R4	0	63,563.76	11,849	51,715	2,328	3.66	22.2
	Nine Mile	100-R4	0	9,936.75	1,105	8,832	246	2.48	35.9
	Post Falls	100-R4	0	23,166.89	3,820	19,347	933	4.03	20.7
	Cabinet Gorge	100-R4	0	6,783,236.89	909,902	5,873,335	135,988	2.00	43.2
	Noxon Rapids	100-R4	0	29,413,621.64	3,579,808	25,833,814	529,362	1.80	48.8
	Total Account 330.3			36,478,239.08	4,534,467	31,943,774	673,357	1.85	47.4
330.31	Twin Creek Channel Restoration								
	Cabinet Gorge	100-R4	0	242,033.02	16,492	225,541	3,694	1.53	61.1
330.4	Land Easements								
	Little Falls	75-R3	0	3,626.67	2,007	1,620	203	5.60	8.0
	Long Lake	75-R3	0	246,562.25	126,656	119,906	10,903	4.42	11.0
	Nine Mile	75-R3	0	979.50	522	458	42	4.29	10.9
	Post Falls	75-R3	0	2,708,437.11	784,439	1,923,998	76,225	2.81	25.2
	Cabinet Gorge	75-R3	0	365,924.35	149,818	216,106	8,518	2.33	25.4
	Noxon Rapids	75-R3	0	10,607.41	3,954	6,653	221	2.08	30.1
	Total Account 330.4			3,336,137.29	1,067,396	2,268,741	96,112	2.88	23.6
330.41	Land Easements - Conservation - Habitat								
	Cabinet Gorge	75-R3	0	333,906.35	27,123	306,783	5,436	1.63	56.4
	Noxon Rapids	75-R3	0	550,000.00	61,219	488,781	8,254	1.50	59.2
	Total Account 330.41			883,906.35	88,342	795,564	13,690	1.55	58.1
331	Structures and Improvements								
	Monroe Street	110-R2	(20)	7,935,872.16	1,816,609	7,706,438	135,333	1.71	56.9
	Little Falls	110-R2	(20)	1,184,973.99	450,268	971,701	22,977	1.94	42.3
	Long Lake	110-R2	(20)	1,924,658.36	820,845	1,488,745	38,256	1.99	38.9
	Spokane Upper Falls	110-R2	(20)	552,828.89	261,662	401,733	9,785	1.77	41.1
	Nine Mile	110-R2	(20)	3,943,109.90	1,104,855	3,626,877	77,930	1.98	46.5
	Post Falls	110-R2	(20)	1,231,528.17	302,659	1,175,175	25,785	2.09	45.6
	Cabinet Gorge	110-R2	(20)	9,846,516.03	4,217,211	7,598,608	147,680	1.50	51.5
	Noxon Rapids	110-R2	(20)	12,789,369.09	4,285,458	11,061,785	189,405	1.48	58.4
	Total Account 331			39,408,856.59	13,259,567	34,031,062	647,151	1.64	52.6
331.1	Structures and Improvements - Fish and Wildlife Conservation								
	Monroe Street	50-S2.5	0	205.59	153	53	2	0.97	26.5
	Long Lake	50-S2.5	0	64,872.23	52,577	12,295	392	0.60	31.4

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	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated		Composite Remaining Life (9)=(6)/(7)
							Annual Amount (7)	Rate (8)=(7)/(4)	
	Total Account 331.1			188,751.78	80,801	107,951	2,521	1.34	42.8
331.2	Structures and Improvements - Recreation								
	Montroe Street	50-S0.5 *	(5)	507,701.37	241,146	291,940	8,539	1.68	34.2
	Long Lake	50-S0.5 *	(5)	205,233.75	49,989	165,506	4,665	2.27	35.5
	Spokane Upper Falls	50-S0.5 *	(5)	31,387.01	16,407	16,549	518	1.65	31.9
	Post Falls	50-S0.5 *	(5)	111,361.53	18,437	98,493	2,549	2.29	38.6
	Cabinet Gorge	50-S0.5 *	(5)	775,829.98	167,758	646,863	15,729	2.03	41.1
	Noxon Rapids	50-S0.5 *	(5)	1,036,722.05	175,883	912,675	20,997	2.03	43.5
	Total Account 331.2			2,668,235.69	669,620	2,132,026	52,997	1.99	40.2
331.26	Structures and Improvements - Recreation Information and Education								
	Cabinet Gorge	45-R2.5 *	0	24,242.30	11,781	12,461	321	1.32	38.8
	Noxon Rapids	45-R2.5 *	0	11,358.62	5,812	5,847	150	1.32	39.0
	Total Account 331.26			35,600.92	17,293	18,308	471	1.32	38.9
332	Reservoirs, Dams and Waterways								
	Montroe Street	100-R1 *	0	8,047,295.90	2,089,930	5,957,366	112,066	1.39	53.2
	Little Falls	100-R1 *	0	5,051,135.86	1,267,322	3,783,814	86,784	1.72	43.6
	Long Lake	100-R1 *	0	16,532,311.79	5,598,539	10,933,773	273,468	1.65	40.0
	Spokane Upper Falls	100-R1 *	0	7,064,524.81	1,149,295	5,915,230	130,948	1.85	45.2
	Nine Mile	100-R1 *	0	13,253,784.93	2,340,766	10,913,019	241,983	1.83	45.1
	Post Falls	100-R1 *	0	6,032,693.39	1,414,510	4,618,183	103,427	1.71	44.7
	Cabinet Gorge	100-R1 *	0	17,577,980.37	8,110,439	9,467,541	198,365	1.13	47.7
	Noxon Rapids	100-R1 *	0	30,381,947.02	12,504,552	17,877,395	340,192	1.12	52.6
	Total Account 332			103,941,674.07	34,475,353	69,466,321	1,487,233	1.43	46.7
332.1	Reservoirs, Dams and Waterways - Fish and Wildlife Conservation								
	Nine Mile	60-S1 *	0	3,534.58	670	2,865	72	2.04	39.8
	Post Falls	60-S1 *	0	16,133.11	4,087	12,046	318	1.97	37.9
	Cabinet Gorge	60-S1 *	0	12,445,558.38	1,019,519	11,426,039	236,660	1.90	48.3
	Noxon Rapids	60-S1 *	0	1,337,205.46	141,970	1,195,235	24,139	1.81	49.5
	Total Account 332.1			13,802,431.53	1,166,246	12,636,185	261,189	1.89	48.4
332.15	Reservoirs, Dams and Waterways - Fish and Wildlife Conservation								
	Cabinet Gorge	60-S1 *	0	1,003,258.85	140,178	863,081	18,095	1.80	47.7
	Noxon Rapids	60-S1 *	0	481,128.48	78,266	402,862	8,230	1.71	49.0
	Total Account 332.15			1,484,387.33	218,444	1,265,943	26,325	1.77	48.1

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332.2	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Annual Accrual Amount (7)	Calculated Annual Accrual Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
	Reservoirs, Dams and Waterways - Recreation								
	Little Falls	60-S1 *	0	14,365.60	4,766	9,600	266	1.85	36.1
	Long Lake	60-S1 *	0	105,639.43	45,508	60,131	1,919	1.82	31.3
	Spokane Upper Falls	60-S1 *	0	61,643.84	42,111	19,533	1,140	1.85	36.9
	Nine Mile	60-S1 *	0	92,744.40	28,389	64,355	1,728	1.86	37.2
	Post Falls	60-S1 *	0	268,669.62	106,464	162,206	4,783	1.78	33.9
	Cabinet Gorge	60-S1 *	0	107,152.79	34,059	73,094	1,851	1.73	39.5
	Noxon Rapids	60-S1 *	0	97,935.99	33,611	64,325	1,663	1.70	38.7
	Total Account 332.2			748,151.67	272,330	475,822	13,350	1.78	35.6
333	Turbines and Generators								
	Monroe Street	65-R1.5 *	(10)	11,030,835.12	2,373,043	9,760,876	214,664	1.95	45.5
	Little Falls	65-R1.5 *	(10)	3,971,075.62	1,162,942	3,205,241	95,338	2.40	33.6
	Long Lake	65-R1.5 *	(10)	8,823,605.08	2,492,802	7,213,164	216,908	2.46	33.3
	Spokane Upper Falls	65-R1.5 *	(10)	1,186,151.30	404,339	900,427	30,062	2.53	30.0
	Nine Mile	65-R1.5 *	(10)	9,627,201.18	2,163,317	8,426,604	208,854	2.17	40.3
	Post Falls	65-R1.5 *	(10)	2,233,650.87	854,174	1,602,842	54,072	2.42	29.6
	Cabinet Gorge	65-R1.5 *	(10)	37,440,635.41	7,573,312	33,611,387	765,416	2.04	43.9
	Noxon Rapids	65-R1.5 *	(10)	75,262,907.26	12,234,142	70,555,056	1,486,926	1.98	47.5
	Total Account 333			149,576,061.84	29,258,071	135,275,597	3,072,240	2.05	44.0
334	Accessory Electric Equipment								
	Monroe Street	38-R2.5 *	(5)	1,679,385.33	654,943	1,108,412	47,318	2.82	23.4
	Little Falls	38-R2.5 *	(5)	2,027,138.53	895,178	1,233,317	55,565	2.74	22.2
	Long Lake	38-R2.5 *	(5)	2,823,133.72	1,289,645	1,674,645	74,349	2.63	22.5
	Spokane Upper Falls	38-R2.5 *	(5)	4,268,226.44	282,128	4,199,510	119,809	2.81	35.1
	Nine Mile	38-R2.5 *	(5)	2,636,793.96	1,105,641	1,662,993	73,957	2.80	22.5
	Post Falls	38-R2.5 *	(5)	715,555.29	389,099	362,234	19,896	2.78	18.2
	Cabinet Gorge	38-R2.5 *	(5)	5,457,367.57	2,524,545	3,205,691	162,337	2.97	19.7
	Noxon Rapids	38-R2.5 *	(5)	14,201,208.10	3,222,663	11,688,606	396,089	2.79	29.5
	Total Account 334			33,808,808.94	10,363,842	25,135,408	949,320	2.81	26.5
335	Miscellaneous Power Plant Equipment								
	Monroe Street	65-R1.5 *	0	33,563.70	14,302	19,262	399	1.19	48.3
	Little Falls	65-R1.5 *	0	144,436.85	103,857	40,580	999	0.69	40.6
	Long Lake	65-R1.5 *	0	529,440.48	274,853	254,587	6,455	1.22	39.4
	Spokane Upper Falls	65-R1.5 *	0	106,857.48	60,508	46,349	1,126	1.05	41.2
	Nine Mile	65-R1.5 *	0	296,788.36	189,805	106,983	2,599	0.88	41.2
	Post Falls	65-R1.5 *	0	222,773.24	114,725	108,048	2,566	1.15	42.1
	Cabinet Gorge	65-R1.5 *	0	2,498,837.66	470,203	470,203	9,426	0.38	49.9
	Noxon Rapids	65-R1.5 *	0	3,003,969.21	1,716,604	1,287,365	24,018	0.80	53.6
	Total Account 335			6,836,666.98	4,503,289	2,333,377	47,588	0.70	49.0

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	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated Annual Accrual Amount (7)	Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
335.1	Miscellaneous Equipment - Fish and Wildlife Conservation								
	Cabinet Gorge	40-R3 *	0	105,242.14	58,318	46,924	1,343	1.28	34.9
	Noxon Rapids	40-R3 *	0	355,980.02	275,889	80,291	2,617	0.74	30.7
	Total Account 335.1			461,222.16	334,007	127,215	3,960	0.86	32.1
335.2	Miscellaneous Equipment - Recreation								
	Cabinet Gorge	40-R3 *	0	21,108.60	14,430	6,679	202	0.96	33.1
	Noxon Rapids	40-R3 *	0	17,558.56	7,514	10,045	282	1.61	35.6
	Total Account 335.2			38,667.16	21,944	16,724	484	1.25	34.6
336	Roads, Railroads and Bridges								
	Monroe Street	55-S2 *	0	50,448.44	16,094	34,354	938	1.86	36.6
	Nine Mile	55-S2 *	0	625,181.31	187,256	437,925	12,093	1.93	36.2
	Cabinet Gorge	55-S2 *	0	1,098,564.01	689,410	409,154	21,549	1.96	19.0
	Noxon Rapids	55-S2 *	0	225,368.74	89,044	136,325	4,257	1.89	32.0
	Total Account 336			1,999,562.50	981,804	1,017,758	38,837	1.94	26.2
	Total Hydro Production Plant			400,139,394.90	102,529,733	322,272,892	7,473,614	1.87	
	Other Production Plant								
341	Structures and Improvements								
	Northeast Turbine	55-S4 *	0	365,279.55	317,307	47,973	5,997	1.64	8.0
	Boulder Park	55-S4 *	0	1,163,930.34	220,935	942,995	29,604	2.54	31.9
	Rathdrum Turbine	55-S4 *	0	3,258,386.42	820,480	2,437,906	101,620	3.12	24.0
	Coyote Springs 2	55-S4 *	0	11,348,798.75	2,652,029	8,696,770	265,238	2.34	32.8
	Total Account 341			16,136,395.06	4,010,751	12,125,644	402,459	2.49	30.1
342	Fuel Holders, Producers and Accessories								
	Kettle Falls	55-R3 *	(10)	89,232.19	40,364	57,791	3,265	3.66	17.7
	Northeast Turbine	55-R3 *	(10)	31,460.00	27,276	7,330	921	2.93	8.0
	Boulder Park	55-R3 *	(10)	115,969.66	35,178	92,389	3,044	2.62	30.4
	Rathdrum Turbine	55-R3 *	(10)	1,695,808.40	444,975	1,420,414	60,463	3.57	23.5
	Lancaster	55-R3 *	(10)	91,977.92	21,160	99,016	3,372	3.67	29.4
	Coyote Springs 2	55-R3 *	(10)	19,127,874.62	4,717,459	16,323,203	519,568	2.72	31.4
	Total Account 342			21,152,322.79	5,267,412	18,000,143	590,633	2.79	30.5
343	Prime Movers								
	Kettle Falls	55-S2.5 *	0	9,071,493.38	3,821,755	5,249,738	294,103	3.24	17.8
	Northeast Turbine	55-S2.5 *	0	9,089,742.72	8,502,065	567,678	73,552	0.81	8.0
	Boulder Park	55-S2.5 *	0	57,216.28	12,627	44,589	1,441	2.52	30.9
	Rathdrum Turbine	55-S2.5 *	0	3,658,328.03	1,274,077	2,384,251	101,265	2.77	23.5
	Total Account 343			21,876,780.41	13,610,524	8,266,256	470,361	2.15	17.6

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344	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated Annual Accrual Amount (7)	Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
	Generators	45-R1	0	3,718.22	1,199	2,519	152	4.09	16.6
	Kettle Falls	45-R1	0	2,605,231.80	2,123,628	481,604	65,082	2.50	7.4
	Northeast Turbine	45-R1	0	30,610,885.13	6,354,332	24,256,553	900,172	2.94	26.9
	Boulder Park	45-R1	0	48,858,107.18	9,160,332	39,697,775	1,840,677	3.77	21.6
	Rathdrum Turbine	45-R1	0	208,505.82	3,410	205,096	7,719	3.70	26.6
	Lancaster	45-R1	0	116,984,016.85	18,962,753	98,021,264	3,514,381	3.00	27.9
	Coyote Springs 2	45-R1	0	199,270,465.00	36,605,654	162,664,811	6,328,183	3.18	25.7
	Total Account 344			63,328.00	3,298	60,030	3,356	5.30	17.9
344.01	Generators - Solar	25-S2.5	0	4,893.78	1,401	3,737	327	6.68	11.4
	Central Operations Facility	20-S2	(5)	1,158,405.64	67,842	1,148,484	144,714	12.49	7.9
	Accessory Electric Equipment	20-S2	(5)	345,181.77	64,378	298,063	20,827	6.03	14.3
	Kettle Falls	20-S2	(5)	2,567,151.03	391,197	2,304,312	151,146	5.89	15.2
	Northeast Turbine	20-S2	(5)	12,701,072.60	2,863,214	10,472,912	780,035	6.14	13.4
	Boulder Park	20-S2	(5)	16,776,704.82	3,388,032	14,227,508	1,097,049	6.54	13.0
	Rathdrum Turbine	20-S2	(5)	300,214.80	241,636	58,579	7,544	2.51	7.8
	Coyote Springs 2	35-R3	0	7,200.33	1,768	5,432	207	2.87	26.2
	Total Account 345	35-R3	0	1,271,476.80	245,443	1,026,034	37,475	2.95	27.4
	Miscellaneous Power Plant Equipment			1,578,891.93	488,847	1,090,045	45,226	2.86	24.1
346	Total Account 346			276,854,888.01	63,374,518	216,434,437	8,937,267	3.23	
	Total Other Production Plant								
	Transmission Plant								
350.3	Removing Property of Others	75-R4	0	1,487,565.91	611,982	875,584	18,389	1.24	47.6
350.4	Land Rights	75-R4	0	13,798,944.94	3,598,135	10,200,810	179,721	1.30	56.8
352	Structures and Improvements	60-S2	(5)	16,585,557.68	4,312,369	13,102,447	272,841	1.65	48.0
353	Station Equipment	45-R2.5	(10)	192,799,947.51	63,117,488	148,962,454	4,496,363	2.33	33.1
354	Towers and Fixtures	70-R4	(15)	17,120,820.11	7,018,574	12,670,369	308,670	1.80	41.0
355	Poles and Fixtures	65-R2.5	(15)	135,112,530.36	52,947,521	102,431,889	1,870,988	1.38	54.7
356	Overhead Conductors and Devices	65-R2.5	(10)	108,159,785.76	32,733,505	86,242,259	1,716,881	1.59	50.2
357	Underground Conduit	60-R4	0	2,605,487.58	393,315	2,212,173	42,750	1.64	51.7
358	Underground Conductors and Devices	50-S2	0	2,330,071.82	662,450	1,667,622	47,070	2.02	35.4
359	Roads and Trails	65-R4	0	1,872,245.99	636,340	1,235,906	31,160	1.66	39.7
	Total Transmission Plant			491,872,957.66	166,031,699	379,601,513	8,984,833	1.83	
	Distribution Plant								
360.4	Land - Easements	75-R4	0	1,025,699.61	4,017	1,021,683	13,724	1.34	74.4
361	Structures and Improvements	60-R2.5	(10)	14,521,648.54	4,812,293	11,161,520	235,862	1.62	47.3
362	Station Equipment	45-R1.5	0	97,095,752.27	31,626,546	65,469,206	1,913,573	1.97	34.2

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	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated		Composite Remaining Life (9)=(6)/(7)
							Annual Amount (7)	Rate (8)=(7)/(4)	
364	Poles, Towers and Fixtures	55-R2.5	(25)	229,311,309.05	69,440,760	217,198,376	5,287,267	2.31	41.1
365	Overhead Conductors and Devices	50-R3	(20)	151,716,380.29	42,097,227	139,962,429	4,273,771	2.82	32.7
366	Underground Conduit	50-S2	(20)	77,764,058.52	17,999,504	79,205,569	2,106,872	2.71	37.6
367	Underground Conductors and Devices	28-S2	(20)	129,764,214.80	32,847,809	122,869,249	7,300,691	5.63	16.8
368	Line Transformers	44-R2	(5)	178,517,768.64	62,891,935	124,551,722	3,772,581	2.11	33.0
	Services								
369.1	Overhead	55-R4	(40)	45,088,691.07	18,909,284	44,214,883	1,315,958	2.92	33.6
369.2	Underground - Spokane Network	55-R4	(40)	2,631,376.00	453,258	3,230,668	71,765	2.73	45.0
369.3	Underground - Other	55-R4	(40)	72,456,704.63	24,280,768	77,158,618	1,859,964	2.57	41.5
	Total Account 369			120,176,771.70	43,643,310	124,604,169	3,247,687	2.70	
	Meters								
370.1	Idaho Standard	18-L0.5	0	2,857.88	1,080	1,778	210	7.35	8.5
370.2	Idaho AMR	15-S2.5	0	20,404,846.22	833,728	19,571,118	1,560,379	7.65	12.5
370.3	Washington Standard	35-S0	0	25,647,306.26	5,079,605	20,567,701	869,885	3.39	23.6
	Total Account 370			46,055,010.36	5,914,413	40,140,597	2,430,474	5.28	
	Street Lighting and Signal Systems								
373.1	Mercury Vapor	35-R2.5	(25)	4,787,175.94	4,443,393	1,540,577	64,986	1.36	23.7
373.2	Underground Conductor	35-R2.5	(25)	2,866,363.03	2,110,541	1,472,413	54,734	1.91	26.9
373.3	Decorative and Metal Standards	35-R2.5	(25)	7,752,829.79	4,153,970	5,537,067	189,870	2.45	29.2
373.4	High Pressure Sodium Vapor	35-R2.5	(30)	16,361,180.15	5,999,687	15,269,847	569,249	3.48	26.8
	Total Account 373			31,767,548.91	16,707,591	23,819,904	878,839	2.77	
	Total Distribution Plant			1,077,716,162.69	327,985,405	950,004,424	31,461,341	2.92	
	General Plant								
390.1	Structures and Improvements - Company	48-S2	(5)	3,588,758.74	1,422,202	2,345,995	60,098	1.67	38.0
	Office Furniture and Equipment								
391.1	Computer Hardware	5-SQ	0	1,990,856.72	590,019	1,400,838	423,640	21.28	3.3
	Transportation Equipment - Class 7 and 8								
392	Stores Equipment	15-L2.5	20	2,738,493.24	1,503,277	687,518	50,198	1.83	13.7
393	Tools, Shop and Garage Equipment	25-SQ	0	390,377.08	43,004	347,373	17,893	4.58	19.4
394	Laboratory Equipment	20-SQ	0	3,257,563.21	1,668,931	1,588,632	155,793	4.78	10.2
395	Power Operated Equipment	15-SQ	0	1,127,659.68	508,659	619,001	154,830	13.73	4.0
396	Communication Equipment	16-S0.5	5	2,266,434.18	603,642	1,549,470	131,305	5.79	11.8
397	Miscellaneous Equipment	15-SQ	0	41,361,518.25	27,706,405	13,655,113	1,163,846	2.81	11.7
398		10-SQ	0	8,466.99	528	7,939	1,127	13.31	7.0
	Total General Plant			56,730,128.09	34,046,667	22,201,879	2,159,730	3.81	
	TOTAL DEPRECIABLE ELECTRIC PLANT			2,687,844,433.76	956,270,511	2,044,144,913	66,416,214	2.47	

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated		Composite Remaining Life (9)=(8)/(7)
							Annual Accrual Amount (7)	Rate (8)=(7)/(4)	
GAS PLANT - WASHINGTON AND IDAHO									
Natural Gas Storage and Processing Plant									
350.2	Rights of Way	50-R3	0	59,811.72	19,201	40,611	1,109	1.85	36.6
Structures and Improvements									
351.1	Structures and Improvements	55-S2.5	(5)	793,767.13	388,051	445,404	12,010	1.51	37.1
351.2	Compressor Station	55-S2.5	(5)	282,649.34	178,614	118,063	3,900	1.38	30.3
351.3	Measuring and Regulating Station	55-S2.5	(5)	52,850.07	33,765	21,728	725	1.37	30.0
351.4	Office	55-S2.5	(5)	110,236.38	46,843	68,905	1,761	1.60	39.1
351.41	Pump House	55-S2.5	(5)	61,655.69	39,390	25,348	847	1.37	29.9
				<i>Total Account 351</i>	686,663	679,448	19,243	1.48	
Wells									
352	Storage Wells	50-R3	0	8,135,247.04	4,448,188	3,687,059	93,889	1.15	39.3
352.2	Reservoirs	45-R4	0	203,330.47	49,533	153,797	4,806	2.36	32.0
352.3	Non-Recoverable Gas	50-R4	0	4,101,161.47	3,434,611	666,550	17,382	0.42	38.3
				<i>Total Account 352</i>	7,932,332	4,507,406	116,077	0.93	
Lines									
353	Compressor Station Equipment	55-S2.5	0	1,044,477.12	449,113	595,364	15,805	1.51	37.7
354	Measuring and Regulating Equipment	50-S2.5	0	11,227,511.13	1,749,334	9,478,177	209,772	1.87	45.2
355	Purification Equipment	35-R3	0	173,783.82	(429,323)	603,107	48,162	27.71	12.5
356	Other Equipment	30-S3	0	407,617.44	345,926	61,691	5,546	1.36	11.1
357		40-R2	0	1,453,687.75	647,571	806,117	31,930	2.20	25.2
				<i>Total Natural Gas Storage and Processing Plant</i>	11,400,817	16,771,921	447,644	1.59	
Distribution Plant									
374.4	Land - Easements	50-R3	0	64,232.41	1,603	62,629	1,291	2.01	48.5
375	Structures and Improvements	50-R2.5	0	743,264.41	205,504	537,760	13,579	1.83	39.6
376	Mains	55-R2.5	(30)	214,835,280.03	69,422,257	209,863,607	5,137,474	2.39	40.8
378	Measuring and Regulating Equipment - General	35-R1.5	(15)	5,017,641.37	826,887	4,943,401	179,432	3.58	27.6
379	Compressor Station Equipment	40-S0.5	(15)	5,908,215.95	775,128	6,019,320	169,584	2.87	35.5
380	Services	45-R2.5	(20)	138,010,054.54	57,223,580	108,388,485	3,334,270	2.42	32.5
381	Meters	36-R1.5	(2)	12,766,025.87	3,987,792	9,033,554	352,509	2.76	25.6
	Idaho	36-R1.5	(2)	46,490,452.81	8,626,962	38,793,400	1,508,213	3.24	25.7
	Washington								
385	Industrial Measuring and Regulating Equipment	50-R2	(15)	59,256,478.68	12,614,654	47,826,954	1,860,722	3.14	41.8
				<i>Total Distribution Plant</i>	1,008,646	2,159,282	51,671	1.88	
				<i>Total Distribution Plant</i>	142,078,259	379,801,438	10,748,023	2.52	
General Plant									
390.1	Structures and Improvements - Company	30-S1	0	937,997.02	158,564	779,433	33,154	3.53	23.5
392	Transportation Equipment - Class 7 and 8	15-L2.5	10	472,239.61	183,929	241,087	20,515	4.34	11.8

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND
CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Annual Accrual Amount (7)	Calculated Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
393	Stores Equipment	25-SQ	0	84,271.45	20,430	63,841	3,919	4.65	16.3
394	Tools, Shop and Garage Equipment	20-SQ	0	1,876,851.37	967,953	908,898	75,053	4.00	12.1
395	Laboratory Equipment	15-SQ	0	236,462.92	123,188	113,275	39,593	16.74	2.9
396	Power Operated Equipment	16-SO.5	20	1,529,421.18	916,805	306,732	19,868	1.30	15.4
397	Communication Equipment	15-SQ	0	801,000.19	516,716	284,284	22,906	2.86	12.4
	Total General Plant			5,938,243.74	2,887,585	2,697,550	215,008	3.62	
	TOTAL GAS PLANT - WASHINGTON AND IDAHO			460,635,818.08	156,366,661	399,270,909	11,410,675	2.48	
	GAS PLANT - ALLOCATED ALL								
	General Plant								
391	Office Furniture and Equipment	15-SQ	0	378,871.41	194,442	184,429	24,591	6.49	7.5
391.1	Computer Hardware	5-SQ	0	17,942.09	2,188	15,754	3,875	21.60	4.1
	<i>Total Account 391</i>			396,813.50	196,630	200,183	28,466	7.17	
394	Tools, Shop and Garage Equipment	20-SQ	0	1,092,853.76	150,815	942,039	55,252	5.06	17.0
395	Laboratory Equipment	15-SQ	0	77,286.38	4,074	73,212	5,529	7.15	13.2
397	Communication Equipment	15-SQ	0	926,079.41	648,184	277,895	35,518	3.84	7.8
	Total General Plant			2,493,033.05	999,703	1,493,329	124,765	5.00	
	TOTAL GAS PLANT - ALLOCATED ALL			2,493,033.05	999,703	1,493,329	124,765	5.00	
	GAS PLANT - OREGON AND ALLOCATED SOUTH								
	Natural Gas Storage and Processing Plant								
351.2	Structures and Improvements	55-S2.5	(5)	1,043.51	33	1,063	20	1.92	53.2
351.4	Compressor Station	55-S2.5	(5)	11,304.09	197	11,672	218	1.93	53.5
	<i>Total Account 351</i>			12,347.60	230	12,735	238	1.93	
	Wells								
352	Storage Wells	50-R3	0	885,565.70	34,259	851,307	17,903	2.02	47.6
352.2	Reservoirs	45-R4	0	41,848.67	2,716	39,133	926	2.21	42.3
352.3	Non-Recoverable Gas	50-R4	0	269,761.05	40,144	229,617	4,865	1.80	47.2
	<i>Total Account 352</i>			1,197,175.42	77,119	1,120,057	23,694	1.98	
353	Lines	55-S2.5	0	62,303.99	3,251	59,053	1,124	1.80	52.5
354	Compressor Station Equipment	50-S2.5	0	2,876,673.76	117,287	2,759,387	58,090	2.02	47.5
357	Other Equipment	40-R2	0	4,615.85	119	4,497	114	2.47	39.4
	Total Natural Gas Storage and Processing Plant			4,153,116.62	198,006	3,955,729	83,260	2.00	

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated		Composite Remaining Life (9)=(6)/(7)
							Annual Amount (7)	Rate (8)=(7)/(4)	
Distribution Plant									
374.4	Land - Easements	50-R3	0	96,478.00	2,300	94,178	1,939	2.01	48.6
375	Structures and Improvements	50-R2.5	0	291,875.82	115,003	176,873	5,395	1.85	32.8
376	Mains	55-R2.5	(30)	130,326,659.60	45,742,426	123,682,231	2,705,212	2.08	45.7
378	Measuring and Regulating Equipment - General	35-R1.5	(15)	3,195,636.01	690,853	2,984,128	95,052	2.97	31.4
379	Compressor Station Equipment	40-50.5	(15)	1,656,656.60	356,390	1,548,765	45,787	2.76	33.8
380	Services	45-R2.5	(20)	56,987,729.53	31,921,328	36,463,947	1,041,548	1.83	35.0
381	Meters	36-R1.5	(2)	32,434,693.27	4,466,491	28,616,896	1,070,391	3.30	26.7
385	Industrial Measuring and Regulating Equipment	50-R2	(15)	1,207,391.03	663,149	725,351	15,635	1.29	46.4
387	Other Equipment	12-S3	0	539.29	539	0	0	-	-
Total Distribution Plant							4,980,959	2.20	
General Plant									
390.1	Structures and Improvements - Company	30-S1	0	3,227,131.72	1,675,611	1,551,521	55,424	1.72	28.0
392	Transportation Equipment - Class 7 & 8	15-L2.5	10	32,132.07	25,193	3,726	257	0.80	14.5
393	Stores Equipment	25-SQ	0	57,226.52	29,309	27,918	2,801	4.89	10.0
394	Tools, Shop and Garage Equipment	20-SQ	0	897,816.59	350,567	547,250	48,058	5.35	11.4
395	Laboratory Equipment	15-SQ	0	229,575.11	115,503	114,072	40,480	17.63	2.8
396	Power Operated Equipment	16-SQ.5	20	43,833.95	16,138	18,929	1,559	3.56	12.1
397	Communication Equipment	15-SQ	0	724,685.78	174,952	549,734	48,605	6.71	11.3
398	Miscellaneous Equipment	10-SQ	0	2,367.16	29	2,338	246	10.39	9.5
Total General Plant							197,430	3.79	
TOTAL GAS PLANT - OREGON AND ALLOCATED SOUTH							5,261,649	2.23	
TOTAL DEPRECIABLE GAS PLANT							16,797,089	2.40	
COMMON PLANT									
389.3	Land and Land Rights	65-R4	0	1,878,143.80	47,543	1,830,601	29,351	1.56	62.4
389.4	Removing Property of Others	65-R4	0	39,786.75	34,141	5,646	157	0.39	36.0
Total Account 389							29,508	1.54	
390.1	Structures and Improvements - Company	55-R1.5	(5)	58,938,847.06	5,135,894	56,749,895	1,177,206	2.00	48.2
391	Office Furniture and Equipment	15-SQ	0	7,566,125.45	213,123	7,353,002	1,334,191	17.63	5.5
391.1	Computer Hardware	5-SQ	0	28,289,483.67	10,331,168	17,958,316	6,703,443	23.70	2.7
Total Account 391							8,037,634	22.42	
392	Transportation Equipment - Class 7 and 8	15-L2.5	10	475,195.16	219,665	208,011	24,603	5.18	8.5
393	Stores Equipment	25-SQ	0	1,480,700.59	465,830	1,014,871	64,051	4.33	15.8
394	Tools, Shop and Garage Equipment	20-SQ	0	4,664,596.34	724,064	3,940,532	229,898	4.93	17.1

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND
CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated		Composite Remaining Life (9)=(6)/(7)
							Annual Amount (7)	Rate (8)=(7)/(4)	
395	Laboratory Equipment	15-SQ	0	573,783.87	106,962	466,822	81,967	14.29	5.7
396	Power Operated Equipment	16-SO.5	10	2,041,872.60	970,792	866,893	66,384	3.25	13.1
397	Communication Equipment	15-SQ	0	19,557,271.22	11,987,288	7,569,983	665,438	3.40	11.4
397.2	Portable	10-SQ	0	2,064,294.19	445,496	1,618,798	246,654	11.95	6.6
	Total Account 397			21,621,565.41	12,432,784	9,188,781	912,092	4.22	
398	Miscellaneous Equipment	10-SQ	0	412,287.37	(118,475)	530,762	166,878	40.48	3.2
	TOTAL DEPRECIABLE COMMON PLANT			127,982,388.07	30,563,491	100,114,132	10,790,221	8.43	
AMORTIZABLE AND LAND - ELECTRIC PLANT									
302	Franchises & Consents			44,630,382.78					
303	Misc. Intangible Plant			2,386,200.89					
303.1	Misc. Intangible Plant - Software			945,078.46					
303.11	Misc. Intangible Plant - PC Software			256,845.99					
	Total Amortizable and Land - Electric Plant			48,218,508.12					
AMORTIZABLE AND LAND - GAS PLANT - WASHINGTON AND IDAHO									
303	Miscellaneous Intangible Plant			1,138,289.88					
303.11	Misc. Intangible Plant - PC Software			19,337.45					
390.2	Structures and Improvements - Leasehold			1,862.53					
	Total Amortizable and Land - Gas Plant - Washington and Idaho			1,159,489.86					
AMORTIZABLE AND LAND - GAS PLANT - ALLOCATED ALL									
303	Miscellaneous Intangible Plant			1,147,057.39					
303.11	Misc. Intangible Plant - PC Software			89,628.41					
	Total Amortizable and Land - Gas Plant - Allocated All			1,236,685.80					
AMORTIZABLE AND LAND - GAS PLANT - OREGON AND ALLOCATED SOUTH									
303	Miscellaneous Intangible Plant			410,125.67					
303.1	Misc. Intangible Plant - Software			46,439.85					
303.11	Misc. Intangible Plant - PC Software			1,231.09					
390.2	Structures and Improvements - Leasehold			58,403.92					
	Total Amortizable and Land - Gas Plant - Oregon and Allocated South			516,200.53					

AVISTA CORPORATION

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CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated Annual Accrual Amount (7)	Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
AMORTIZABLE AND LAND - COMMON PLANT								
303 Miscellaneous Intangible Plant			194,057.94					
303.1 Misc. Intangible Plant - Software			30,482,180.48					
303.11 Misc. Intangible Plant - PC Software			2,412,521.47					
390.2 Structures and Improvements - Leasehold			143,735.76					
<i>Total Amortizable and Land - Common Plant</i>			33,038,437.71					
TOTAL ELECTRIC, GAS AND COMMON PLANT			3,598,690,539.65	1,230,744,153	2,746,086,869	94,003,524		

* Life Span Procedure was used. Curve Shown is Interim Survivor Curve.

Note: Accrual rate for the new CIS and WAMS installed during 2013 and/or 2014 will be 6.67%

Accrual rates for fleet assets which will be converted to group depreciation will be as follows:

Account	Description	Rate
392.10	Transportation Equipment - Autos	16.39%
392.20	Transportation Equipment - Light Trucks	10.48%
392.30	Transportation Equipment - Medium Trucks	8.87%
392.40	Transportation Equipment - Heavy Trucks	5.43%
392.50	Transportation Equipment - Other	6.17%
396.30	Power Operated Equipment - Medium Trucks	7.21%
396.40	Power Operated Equipment - Heavy Trucks	8.46%
396.50	Power Operated Equipment - Other	6.27%

Pages 59- 616 are not provided here,
but are provided in part two
of DeFelice workpapers.