

BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

DOCKET NO. UE-991606

EXHIBIT NO. ____ (RLM-2)

WITNESS: RONALD L. MCKENZIE, AVISTA CORP.

WUTC		
DOCKET NO. <u>UE-991606</u>		
EXHIBIT # <u>449</u>		
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Avista Corporation

Assignment of Gain on Sale of 15% Share of Centralia Power Plant
State of Washington
Second Supplemental Order in Docket No. UE-991255

Line No.		Total	Assignment of Gain		
			Avista 15.00%	Washington 66.99%	
1	Plant Sale Price	\$454,698,000	\$68,204,700	45,690,329	
2	230KV Sale to Pacificorp 52.50%	120,000	34,286	22,968	
3	Transfer Pension Benefits	-1,000,000	-150,000	-100,485	
4	Retiree Benefit Plan Obligation	-1,100,000	-165,000	-110,534	
5	Reclamation Accruals	-60,472,768	-9,070,915	-6,076,606	
6	Reclamation Accrual Adjustment		6,257	4,192	
7	Coal Inventory Adjustment	-3,500,000	-525,000	-351,698	
8	Various Closing Adjustments	-819,998	-123,000	-82,398	
9	Projected Plant Sale Proceeds		58,211,328	38,995,768	
10	Projected Closing Costs		-600,000	-401,940	
11	Projected SO2 Credits Owing		-50,000	-33,495	
12	Projected Plant Additions		553,183	370,577	
13	Projected RACT Compliance Expenditures		5,518,409	3,696,782	
14	Projected RACT Interest		0	0	
15	Projected Fuel Stock Penalty		-311,778	-208,860	
16	Projected Fuel Stock - 80% of balance		1,249,535	837,063	
17	Projected Materials & Supplies Inventory		859,911	576,054	
18	Total Projected Cash Sale Proceeds		65,430,588	43,831,949	
Gross Assets Sold					
19	Plant in Service @ 5/4/00		57,457,671	38,490,894	
20	RACT Compliance Expenditures - CWIP		5,181,647	3,471,185	
21	RACT Compliance Expenditures - Advances		1,019,106	682,699	
22	Fuel Stock - Coal Inventory		1,493,142	1,000,256	
23	Materials and Supplies Inventory		859,911	576,054	
24	Total Gross Assets Sold		66,011,477	44,221,088	
Book Gain Before Income Taxes					
25	Appreciation on Assets Sold (Line 18 - Line 24)		-580,889	-389,139	-194,570
26	Reclamation Liability Reversal		8,504,232	5,696,985	2,848,493
27	Realized Gain on Reclamation Trust		2,772,174	1,857,079	928,539
28	Total appreciation		10,695,517	7,164,925	3,582,462
29	Accumulated Depreciation		40,857,618	27,370,518	27,370,518
30	Total Book Gain		51,553,135	34,535,443	30,952,980
Income Taxes					
31	Book Gain on Sale of Plant (Line 25 + Line 29)		40,276,729	26,981,379	27,175,948
32	Net Plant-Books		16,600,053	11,120,376	11,120,376
33	Net Plant-Tax		-7,317,834	-4,902,217	-4,902,217
34	Taxable Gain on Sale of Plant		49,558,948	33,199,538	33,394,107
35	Reclamation Liability Reversal		8,504,232	5,696,985	2,848,493
36	Realized Gain on Reclamation Trust		2,772,174	1,857,079	928,539
37	Total Taxable Gain		60,835,354	40,753,602	37,171,139
38	State Income Tax (see calculation)		1,231,743	337,676	307,992
39	Taxable Gain for Federal Income Tax		59,603,611	40,415,926	36,863,147
40	Federal Tax Rate		35.0%	35.0%	35.0%
41	Federal Income Tax on Gain		20,861,264	14,145,574	12,902,101
42	DFIT Expense-MACRS Reversal		-1,012,430	-678,227	-678,227
43	Total Income Tax (Lines 38+41+42)		21,080,577	13,805,023	12,531,866
44	Book Gain net of Income Tax (Line 30 - Line 43)		\$30,472,558	\$20,730,420	\$18,421,114
					\$2,309,306

Avista Corporation

Gain on Sale of 15% Share of the Centralia Power Plant
Calculation and Assignment of State Income Taxes

	Total Company	Idaho	Montana	Oregon	California
Calculation of State Income Taxes					
Taxable Gain on Sale of Plant	\$49,558,948				
Gain on Reclamation Liability Reversal	8,504,232				
Realized Gain on Reclamation Trust	2,772,174				
Total Taxable Gain	\$60,835,354				
1998 State Apportionment Factors		14.9517%	7.2925%	4.3524%	0.5277%
Apportioned Gain for State Income Tax		\$9,095,920	\$4,436,418	\$2,647,798	\$321,028
State Income Tax Rates		8.0000%	6.7500%	6.6000%	9.3000%
State Income Tax Amounts	\$1,231,743	\$727,674	\$299,458	\$174,755	\$29,856

Assignment of State Income Taxes

		Total Company	Washington	Idaho
Production/Transmission Allocation		100.00%	66.99%	33.01%
Idaho State Income Tax	Direct	\$727,674	\$0	\$727,674
Montana State Income Tax	Allocated	299,458	200,607	98,851
Oregon State Income Tax	Allocated	174,755	117,068	57,687
California State Income Tax	Allocated	29,856	20,001	9,855
Total State Income Taxes		\$1,231,743	\$337,676	\$894,067

Avista Corporation

Assignment of Gain on Sale of 2.5% Share of Centralia Power Plant
 State of Washington
Order Approving Sale and Distribution of Gain in Docket No. UE-000080

Line No.		Total	Avista Washington		Assignment of Gain	
			2.50%	66.99%	Ratepayers	Shareholders
1	Plant Sale Price	\$454,698,000	\$11,367,450	7,615,055		
2	230KV Sale to Pacificorp	120,000	5,714	3,828		
3	Transfer Pension Benefits	-1,000,000	-25,000	-16,748		
4	Retiree Benefit Plan Obligation	-1,100,000	-27,500	-18,422		
5	Reclamation Accruals	-54,000,000	-1,350,000	-904,365		
6	Reclamation Accrual Adjustment		0	0		
7	Coal Inventory Adjustment	-3,500,000	-87,500	-58,616		
8	Various Closing Adjustments	-819,998	-20,500	-13,733		
9	Projected Plant Sale Proceeds		9,862,664	6,606,999		
10	Projected Closing Costs		-100,000	-66,990		
11	Projected SO2 Credits Owing		0	0		
12	Projected Plant Additions		91,776	61,481		
13	Projected RACT Compliance Expenditures		919,766	616,151		
14	Projected RACT Interest		0	0		
15	Projected Fuel Stock Penalty		0	0		
16	Projected Fuel Stock - 80% of balance		99,604	66,725		
17	Projected Materials & Supplies Inventory		143,319	96,009		
18	Total Projected Cash Sale Proceeds		11,017,129	7,380,375		
Gross Assets Sold						
19	Plant in Service		4,540,627	3,041,766		
20	RACT Compliance Expenditures - CWIP		919,766	616,151		
21	RACT Compliance Expenditures - Advances		0	0		
22	Fuel Stock - Coal Inventory		99,604	66,725		
23	Materials and Supplies Inventory		143,319	96,009		
24	Total Gross Assets Sold		5,703,316	3,820,651		
Book Gain Before Income Taxes						
25	Appreciation on Assets Sold (Line 18 - Line 24)		5,313,813	3,559,724	1,779,862	1,779,862
26	Reclamation Liability Reversal		1,393,419	933,451	466,726	466,725
27	Realized Gain on Reclamation Trust		0	0	0	0
28	Total appreciation		6,707,232	4,493,175	2,246,588	2,246,587
29	Accumulated Depreciation		0	0	0	0
30	Total Book Gain		6,707,232	4,493,175	2,246,588	2,246,587
Income Taxes						
31	Book Gain on Sale of Plant (Line 25 + Line 29)		5,313,813	3,559,724	1,779,862	1,779,862
32	Net Plant-Books		4,540,627	3,041,766	3,041,766	
33	Net Plant-Tax		-4,540,627	-3,041,766	-3,041,766	
34	Taxable Gain on Sale of Plant		5,313,813	3,559,724	1,779,862	1,779,862
35	Reclamation Liability Reversal		1,393,419	933,451	466,726	466,725
36	Realized Gain on Reclamation Trust		0	0	0	0
37	Total Taxable Gain		6,707,232	4,493,175	2,246,588	2,246,587
38	State Income Tax (see calculation)		135,803	37,229	18,615	18,614
39	Taxable Gain for Federal Income Tax		6,571,429	4,455,946	2,227,973	2,227,973
40	Federal Tax Rate		35.0%	35.0%	35.0%	35.0%
41	Federal Income Tax on Gain		2,300,000	1,559,581	779,791	779,791
42	DFIT Expense-MACRS Reversal		0	0	0	0
43	Total Income Tax (Lines 38+41+42)		2,435,803	1,596,810	798,406	798,405
44	Book Gain net of Income Tax (Line 30 - Line 43)		\$4,271,429	\$2,896,365	\$1,448,182	\$1,448,182

Avista Corporation

Gain on Sale of 2.5% Share of the Centralia Power Plant
Calculation and Assignment of State Income Taxes

	<u>Total Company</u>	<u>Idaho</u>	<u>Montana</u>	<u>Oregon</u>	<u>California</u>
Calculation of State Income Taxes					
Taxable Gain on Sale of Plant	\$5,313,813				
Gain on Reclamation Liability Reversal	1,393,419				
Realized Gain on Reclamation Trust	0				
Total Taxable Gain	\$6,707,232				
1998 State Apportionment Factors		14.9517%	7.2925%	4.3524%	0.5277%
Apportioned Gain for State Income Tax		\$1,002,845	\$489,125	\$291,926	\$35,394
State Income Tax Rates		8.0000%	6.7500%	6.6000%	9.3000%
State Income Tax Amounts	\$135,803	\$80,228	\$33,016	\$19,267	\$3,292

Assignment of State Income Taxes

		<u>Total Company</u>	<u>Washington</u>	<u>Idaho</u>
Production/Transmission Allocation		100.00%	66.99%	33.01%
Idaho State Income Tax	Direct	\$80,228	\$0	\$80,228
Montana State Income Tax	Allocated	33,016	22,117	10,899
Oregon State Income Tax	Allocated	19,267	12,907	6,360
California State Income Tax	Allocated	3,292	2,205	1,087
Total State Income Taxes		\$135,803	\$37,229	\$98,574