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UTILITIES COMMISSION

# BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	CASE NO. AVU-E-09-01
OF AVISTA CORPORATION FOR THE	. )	CASE NO. AVU-G-09-01
AUTHORITY TO INCREASE ITS RATES	)	
AND CHARGES FOR ELECTRIC AND	)	
NATURAL GAS SERVICE TO ELECTRIC	)	DIRECT TESTIMONY
AND NATURAL GAS CUSTOMERS IN THE	)	OF
STATE OF IDAHO	)	ELIZABETH M. ANDREWS
	١.	

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

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15 16			
17	Exhi	Lbit No. 10:	
18		Schedule 1 - Electric Revenue Requirement an	d
19		Results of Operations	(pgs 1-11)
20		Schedule 2 - Natural Gas Revenue Requirement	and
21		Results of Operations	(pgs 1-8)

### I. INTRODUCTION

- Q. Please state your name, business address, and
- 3 present position with Avista Corporation.
- 4 A. My name is Elizabeth M. Andrews. I am employed
- 5 by Avista Corporation as Manager of Revenue Requirements in
- 6 the State and Federal Regulation Department. My business
- 7 address is 1411 East Mission, Spokane, Washington.
- 8 Q. Would you please describe your education and
- 9 business experience?

- 10 A. I am a 1990 graduate of Eastern Washington
- 11 University with a Bachelor of Arts Degree in Business
- 12 Administration, majoring in Accounting. That same year, I
- 13 passed the November Certified Public Accountant exam,
- 14 earning my CPA License in August 1991. I worked for
- 15 Lemaster & Daniels, CPAs from 1990 to 1993, before joining
- 16 the Company in August 1993. I served in various positions
- 17 within the sections of the Finance Department, including
- 18 General Ledger Accountant and Systems Support Analyst until
- 19 2000. In 2000, I was hired into the State and Federal
- 20 Regulation Department as a Regulatory Analyst until my
- 21 promotion to Manager of Revenue Requirements in early 2007.
- 22 I have also attended several utility accounting, ratemaking
- 23 and leadership courses.
- Q. As Manager of Revenue Requirements, what are your
- 25 responsibilities?

- 1 A. As Manager of Revenue Requirements, aside from
- 2 special projects, I am responsible for the preparation of
- 3 normalized revenue requirement and pro forma studies for
- 4 the various jurisdictions in which the Company provides
- 5 utility services. During the last eight and a half years I
- 6 have assisted or lead the Company's electric and/or natural
- 7 gas general rate filings in Idaho, Washington, and Oregon.

# Q. What is the scope of your testimony in this

# 9 proceeding?

- 10 A. My testimony and exhibits in this proceeding will
- 11 generally cover accounting and financial data in support of
- 12 the Company's need for the proposed increase in rates. I
- 13 will explain pro formed operating results including expense
- 14 and rate base adjustments made to actual operating results
- 15 and rate base.
- 16 I incorporate the Idaho share of the proposed
- 17 adjustments of several witnesses in this case. For
- 18 example, Company witnesses Mr. DeFelice sponsors and
- 19 describes the Company's pro forma 2008 and 2009 capital
- 20 additions adjustments, and Mr. Storro explains other issues
- 21 impacting the Company, such as the increased generation
- 22 plant capital and operating and maintenance (O&M) expenses,
- 23 including the Colstrip mercury emissions O&M expense.
- 24 Company witness Mr. Kinney discusses the transmission net
- 25 expenses, Asset Management Program expenses, and the

- 1 transmission and distribution capital expenditures included
- 2 in Mr. DeFelice's pro forma capital adjustments. Lastly,
- 3 Company witness Mr. Johnson prepared the total system pro
- 4 forma power supply adjustment, while Ms. Knox sponsors the
- 5 revenue normalization adjustment.
- 6 Q. Are you sponsoring any exhibits to be introduced
- 7 in this proceeding?
- 8 A. Yes. I am sponsoring Exhibit No. 10, Schedule 1
- 9 (Electric) and Schedule 2 (Natural Gas), which were
- 10 prepared under my direction. These Exhibit Schedules
- 11 consist of worksheets, which show actual 2008 operating
- 12 results (twelve-month period ending September 30, 2008),
- 13 pro forma, and proposed electric and natural gas operating
- 14 results and rate base for the State of Idaho, the Company's
- 15 calculation of the general revenue requirement, the
- 16 derivation of the net operating income to gross revenue
- 17 conversion factor, and the pro forma adjustments proposed
- 18 in this filing.

- 20 II. COMBINED REVENUE REQUIREMENT SUMMARY
- 21 Q. Would you please summarize the results of the
- 22 Company's pro forma study for both the electric and natural
- 23 gas operating systems for the Idaho jurisdiction?
- 24 A. Yes. After taking into account all standard
- 25 Commission Basis adjustments, as well as additional pro

- 1 forma and normalizing adjustments, the pro forma electric
- 2 and natural gas rates of return ("ROR") for the Company's
- 3 Idaho jurisdictional operations are 5.34% and 6.87%,
- 4 respectively. Both return levels are below the Company's
- 5 requested rate of return of 8.80%. The incremental revenue
- 6 requirement for base retail rates, necessary to give the
- 7 Company an opportunity to earn its requested ROR is
- 8 \$31,233,000 for the electric operations and \$2,740,000 for
- 9 the natural gas operations. The overall base electric
- increase associated with the Company's request is 14.18%1.
- 11 However, as explained by Company witness Mr. Hirschkorn,
- 12 with the reduction of a portion of the Power cost
- 13 Adjustment (PCA) surcharge of 5.6% planned at the same time
- 14 the general rate increase will go into effect for
- 15 customers, the net impact on the residential customers'
- 16 bill is anticipated to be approximately 8.6%. The base
- 17 natural gas increase is 2.99%.
- 18 Q. What is the Company's rate of return that was
- 19 last authorized by this Commission for it's electric and
- 20 natural gas operations in Idaho?
- 21 A. The Company's currently authorized rate of return
- 22 for its Idaho operations is 8.45%, effective October 1,
- 23 2008 for both our electric and natural gas systems.

 $<sup>^{\</sup>scriptscriptstyle 1}$  Percentages reflect the proposed increase to base tariff rates, Mr. Hirschkorn describes the effect based on present  $\underline{\text{billing}}$  rates.

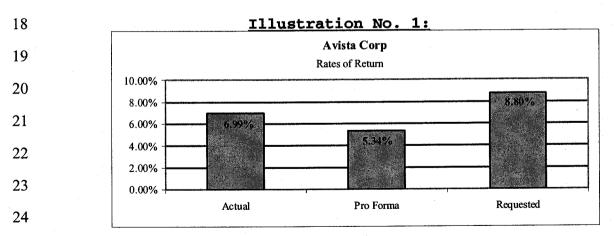
III.	ELECTRIC	SECTION

#### Changes Since the 2007 Test Period 2

- 3 On what test period is the Company basing its 4 need for additional electric revenue?
- The test period being used by the Company is the 5 Α.
- twelve-month period ending September 30, 2008, presented on 6
- a pro forma basis. Currently authorized rates are based 7
- upon the 2007 test year utilized in Case No. AVU-E-08-01, 8
- 9 adjusted on a pro forma basis.
- By way of summary, could you please explain the 10 different rates of return that you will be presenting in
- 12 your testimony?

1

- Yes. As shown in Illustration No. 1 below, there 13
- are three different rates of return that will be discussed. 14
- The actual ROR earned by the Company during the test 15
- period, the Pro Forma ROR determined in my Exhibit No.11, 16
- 17 Schedule 1, and the requested ROR.



1	Q.	What	are	the	pri	mary	fact	cors	driv	ing	the	
2	Company's	need :	for a	n elec	tric	incre	ease?					
3	Α.	Illus	tratio	on No	. 2	belo	ow, s	shows	the	pri	.mary	
4	factors d	driving	the	elect	cric	reven	ue re	equire	ment	in	this	
5	case.	Additi	onal	deta:	ils	regar	ding	these	e i	ems	are	
6	provided	later	in my	testi	.mony	•						
7 8		Prima	ry Cor			tion Electric	-	<u>:</u> ue Requ	ıirem	ent		
9												
10	Incre	ased Net Pla	nt						oductior ansmiss			
11	In	vestment <sup>1</sup> 35%							Expense			
12		on Upgrades Thermal							eased L	oads oia Purch		
13	Distributi	sion Upgrade on Tax on CS2	es					Pro	duction (	D&M - P y Abatem	lant Exp	
14	-14											
15												
16		Distribution Exper			A							
17	Dist	11% ribution Ope	o O				Hydro Relicensing & Compliance Issues 16% Spokane River Relicensing					
18	M	Iaintenance (	Costs	Expenses								
19	<sup>1</sup> Includes return on investment, depreciation and taxes, offset by the tax benefit of interest.						CDA Tribe Settlement					
20	taxes, onset by me	tax benefit of	interest.									
21	Q.	Pleas	e des	cribe	the	prima	ary f	actors	dr:	Lving	the	
22	Company's	need	for a	n elec	tric	incre	ease?					
23	A.	There	are	numero	ous f	actors	s that	t have	imp	acted	1 the	
24	Company's	Idaho	ele	ctric	resu	ılts c	of op	eratio	ns s	since	the	

last rate case. Net Operating Income ("NOI") has declined

- 1 approximately \$6 million, or 13.4%, and total rate base has
- 2 increased approximately \$47.1 million, or 8.9%. During
- 3 this same time period, the average number of customers has
- 4 increased by nearly 2%. The Company's electric request is
- 5 driven by changes in various operating cost components as
- 6 shown by the pie chart (Illustration No. 2 above),
- 7 primarily power supply costs, plant investment or rate base
- 8 growth associated with generation, transmission and
- 9 distribution plant (including pro forma capital spending
- 10 requirements during 2009) and by various hydro relicensing
- 11 efforts impacting the Utility.
- 12 Q. Please explain each of the four components or
- 13 segments shown in Chart No. 2 above.
- 14 A. The first segment, Production and Transmission
- 15 Expense increases, as explained below, comprise
- 16 approximately 35% of the overall request. The next largest
- 17 segment is Increased Net Plant Investment. As already
- 18 noted, net rate base for the Idaho jurisdiction increased
- 19 approximately \$47.1 million, or 8.9%, of which \$15.1
- 20 million comprise of additional "gross" generation plant,
- 21 both hydro and thermal, and transmission plant. In
- 22 addition, gross distribution plant increased \$26.2 million,
- 23 or 7.2%, partially due to the 2% customer growth. The
- 24 depreciation recovery, taxes associated with plant, and the
- 25 return on additional plant investment offset by the tax

- 1 benefit of interest (excluding rate base associated with
- 2 hydro relicensing efforts noted below), make up
- 3 approximately 35% of the overall Company request.
- 4 Additional plant investment relating to the hydro
- 5 relicensing and compliance efforts pro formed into this
- 6 case make up approximately 19% of the overall request, and
- 7 include the intangible net rate base and expenses
- 8 associated with the Spokane River relicensing and Coeur
- 9 d'Alene Tribe (CDA Tribe) Settlement agreement. The
- 10 majority of these charges were reviewed in the Company's
- 11 previous general electric rate case proceeding, Case No.
- 12 AVU-E-08-01, and were approved for deferral and later
- 13 recovery following completion of the agreement with the CDA
- 14 Tribe, and receipt of the new license for the Spokane
- 15 River. Specifically, the Company was allowed to defer the
- 16 amortization of these charges, including a carrying charge
- 17 on the deferrals and unamortized balance, and include
- 18 recovery of these costs in its next general rate case. (See
- 19 Order No. 30647) As explained further in my testimony,
- 20 these amounts have been included for recovery in this
- 21 general rate case filing.
- 22 The remaining cost category, Distribution and Other
- 23 Expense, which includes increases to all other operating
- 24 categories, such as distribution expenses, customer

- 1 service, and administrative and general, totals
- 2 approximately 11% of the overall request.
- 3 Q. Could you please provide additional details
- 4 related to the changes in Production and Transmission
- 5 expense?
- A. As discussed in Mr. Johnson's testimony, the
- 7 level of Idaho's share of power supply expense has
- 8 increased by approximately \$11.8 million (\$33.2 million on
- 9 a system basis) from the level <u>currently in base rates</u>.
- This increase in pro forma power supply expense over
- 11 the expense currently in base rates is based on numerous
- 12 factors, including higher retail loads, reduced hydro
- 13 generation due to the elimination of the rate mitigation
- 14 adjustment (included in the Company's last Idaho electric
- 15 general rate case in Docket No. AVU-E-08-01) and the
- 16 expiration of the Mid-Columbia (Wanapum) contract in
- 17 November 2009.
- 18 Pro forma retail loads are 22.7 aMW higher than loads
- 19 that current rates are based on. The increased loads are
- 20 due to two factors. One is the natural increase in retail
- 21 loads of approximately 14.3 aMW. The other 8.4 aMW of load
- 22 increase is due to the reduction in Potlatch generation.
- 23 Hydro generation is also lower than the level in current
- 24 base rates by a reduction of 29.8 aMW (system). Mr.

- 1 Johnson discusses these differences in detail in his
- 2 testimony.
- 3 Q. Could you please identify the main components of
- 4 the "Distribution & Other" segment shown in the chart
- 5 above?
- A. Yes. A number of expense items have increased
- 7 since 2007, which have been included in this case. For
- 8 example, employee benefits such as wages, pension and
- 9 medical insurance expenses have increased, as well as other
- 10 administrative and general expenses such as those related
- 11 to the Company's information services.
- We are utilizing a twelve-month ending September 30,
- 13 2008 test year, since that is the most recent normalized
- 14 financial information the Company has available; however,
- 15 new general electric rates resulting from this filing are
- 16 not expected to go into effect until mid-2009.
- 17 Accordingly, the Company has included a number of pro forma
- 18 adjustments to capture some of the measurable cost changes
- 19 that the Company will experience from the test year.
- 20 Q. What were the major components of the \$47.2
- 21 million increase in total rate base?
- 22 A. Looking at the changes to "gross" plant in
- 23 service shows that gross plant increased almost \$75.7
- 24 million (Idaho), or 7.9%, as compared to what is currently
- 25 included in rates. Included in this "gross" plant total is

- 1 \$28.6 million of pro forma capital recorded in intangible
- 2 plant, mainly associated with the Spokane River relicensing
- 3 and Coeur d'Alene Tribe Settlement agreement or
- 4 approximately 37.8% of the total change to "gross" plant.
- 5 To continue to meet the energy and reliability needs
- 6 of our customers, the Company has invested additional
- 7 amounts in thermal and hydro generating facilities, as well
- 8 as additional transmission investment. The total
- 9 production and transmission plant investment included in
- 10 this case (discussed later in my testimony) totaled
- 11 approximately \$15.1 million or 20% of the total change to
- 12 "gross" plant.
- The specific pro forma capital expenditures undertaken
- 14 by the Company to upgrade its generation and transmission
- 15 facilities and improve operating efficiency and
- 16 reliability, are discussed further by Mr. Storro regarding
- 17 production assets, and Mr. Kinney regarding transmission
- 18 assets. Mr. Kinney also discusses the pro forma
- 19 distribution projects.
- 20 Q. What other rate base additions are included in
- 21 Total Rate Base?
- 22 A. Distribution "gross" plant increased \$26.2
- 23 million or 7.2% above the current level included in rates,
- 24 in part due to the approximate 2% average customer growth
- 25 from 2007 through 2008, while general "gross" plant

- 1 increased \$5.7 million or 10.3% above the current level
- 2 included in rates.
- 3 Later in my testimony, I will address the Spokane
- 4 River relicensing and Coeur d'Alene Tribe Settlement
- 5 agreement pro forma adjustments, and the additional net
- 6 rate base adjustments labeled "Pro Forma Capital Additions
- 7 2008" and "Pro Forma Capital Additions 2009" included in
- 8 Exhibit No. 10, Schedule 1 pages 8 and 9. This exhibit
- 9 explains the detail behind the normalizing and pro forma
- 10 net operating income and rate base adjustments.
- 11 The figures listed above are "gross" plant investment
- 12 changes. Again, taking into account increases to
- 13 Accumulated Depreciation and Amortization and Deferred
- 14 Federal Income Tax offsets, this produces the net \$47.2
- 15 million, or 8.9% increase to Total Rate Base. Depreciation
- 16 expense, which has largely followed the 7.9% growth in
- 17 gross plant-in-service, has increased \$4.2 million.
- 18 Q. Mr. DeFelice sponsors the pro forma capital
- 19 adjustments included in this case. Could you please
- 20 briefly describe the conclusions drawn by Mr. DeFelice
- 21 regarding the increased capital investment?
- 22 A. Yes. As described in Mr. DeFelice's testimony,
- 23 the Company is making substantial levels of capital
- 24 investment in its electric and natural gas system
- 25 infrastructure to address customer growth, replacement and

- 1 maintenance of Avista's aging system, and to provide for
- 2 increased reliability and safety requirements. As soon as
- 3 this new plant is placed in service, the Company must start
- 4 depreciating the new plant and incur other costs related to
- 5 the investment. Unless this new investment is reflected in
- 6 retail rates in a timely manner, it has a negative impact
- 7 on Avista's earnings, particularly because the new plant is
- 8 typically far more costly to install than the cost of
- 9 similar plant that was embedded in rates decades earlier.
- 10 As plant is completed and is providing service to
- 11 customers, it is appropriate for the Company to receive
- 12 timely recovery of the costs associated with that plant.

## 14 Revenue Requirement

- 15 Q. Would you please explain what is shown in Exhibit
- 16 No. 10, Schedule 1?
- 17 A. Yes. Exhibit No. 10, Schedule 1 shows actual and
- 18 pro forma electric operating results and rate base for the
- 19 test period for the State of Idaho. Column (b) of page 1
- 20 of Exhibit No. 10, Schedule 1 shows 2008 (twelve-month
- 21 ending September 30, 2008) operating results and components
- of the average-of-monthly-average rate base as recorded;
- 23 column (c) is the total of all adjustments to net operating
- 24 income and rate base; and column (d) is pro forma results
- 25 of operations, all under existing rates. Column (e) shows

- 1 the revenue increase required which would allow the Company
- 2 to earn an 8.80% rate of return. Column (f) reflects pro
- 3 forma electric operating results with the requested
- 4 increase of \$31,233,000. The restating adjustments shown
- 5 in columns c through w, of pages 4 through 7 of Exhibit No.
- 6 10, Schedule 1, are consistent with the treatment reflected
- 7 in the prior Commission Orders in Case Nos. AVU-E-04-01,
- 8 AVU-E-08-01 and current regulatory principles.
- 9 Q. Would you please explain page 2 of Exhibit No.
- 10 10, Schedule 1?
- 11 A. Yes. Page 2 shows the calculation of the
- 12 \$31,233,000 revenue requirement at the requested 8.80% rate
- 13 of return.
- 14 Q. Would you now please explain page 3 of Exhibit
- 15 No. 10, Schedule 1?
- 16 A. Yes. Page 3 shows the derivation of the net
- 17 operating income to gross revenue conversion factor. The
- 18 conversion factor takes into account uncollectible accounts
- 19 receivable, Commission fees and Idaho State excise taxes.
- 20 Federal income taxes are reflected at 35%.
- 21 O. Now turning to pages 4 through 9 of your Exhibit
- 22 No. 10, Schedule 1, would you please explain what those
- pages show?
- 24 A. Yes. Page 4 begins with actual operating results
- 25 and rate base for the twelve-month period ending September

- 1 30, 2008 test period in column (b). Individual normalizing
- 2 adjustments consistent with prior regulatory treatment
- 3 (standard Commission Basis adjustments) begin in column (c)
- 4 on page 4 and continue through column (w) on page 7.
- 5 Individual pro forma and additional normalizing adjustments
- 6 begin in column (PF1) on page 7 and continue through column
- 7 (PF22) on page 11. The final column on page 11 (PFT) is
- 8 the total pro forma operating results and rate base for the
- 9 test period. Additional details related to each adjustment
- 10 described below are provided in accompanying workpapers.

12

# Standard Commission Basis Adjustments

- 13 Q. Would you please explain each of these
- 14 adjustments, the reason for the adjustment and its effect
- on test period State of Idaho net operating income and/or
- 16 rate base?
- 17 A. Yes, but before I begin, I will note that in
- 18 addition to the explanation of adjustments provided herein,
- 19 the Company has also provided workpapers outlining
- 20 additional details related to each of the adjustments.
- 21 The first adjustment, column (c) on page 4, entitled
- 22 Deferred FIT Rate Base, reflects the rate base reduction
- 23 for Idaho's portion of deferred taxes. The adjustment
- 24 reflects the deferred tax balances arising from accelerated
- 25 tax depreciation (Accelerated Cost Recovery System, or

- 1 ACRS, and Modified Accelerated Cost Recovery, or MACRS),
- 2 bond refinancing premiums, and contributions in aid of
- 3 construction. These amounts are reflected on the average
- 4 of monthly average balance basis. The effect on Idaho rate
- 5 base is a reduction of \$82,407,000.
- 6 The adjustment in column (d), Deferred Gain on Office
- 7 Building, reflects the rate base reduction for Idaho's
- 8 portion of the net of tax, unamortized gain on the sale of
- 9 the Company's general office facility. The facility was
- 10 sold in December 1986 and leased back by the Company.
- 11 Although the Company repurchased the building in November
- 12 2005, the Company opted to continue to amortize the
- 13 deferred gain over the remaining amortization period
- 14 scheduled to end in 2011. The effect on Idaho rate base is
- 15 a reduction of \$164,000.
- The adjustment in column (e), Colstrip 3 AFUDC
- 17 Elimination, is a reallocation of rate base and
- 18 depreciation expense between jurisdictions. In Cause Nos.
- 19 U-81-15 and U-82-10, the Washington Utilities and
- 20 Transportation Commission (WUTC) allowed the Company a
- 21 return on a portion of Colstrip Unit 3 construction work in
- 22 progress ("CWIP"). A much smaller amount of Colstrip Unit
- 23 3 CWIP was allowed in rate base in Case U-1008-144 by the
- 24 IPUC. The Company eliminated the AFUDC associated with the
- 25 portion of CWIP allowed in rate base in each jurisdiction.

- 1 Since production facilities are allocated on the
- 2 Production/Transmission formula, the allocation of AFUDC is
- 3 reversed and a direct assignment is made. The rate base
- 4 adjustment reflects the average of monthly averages amount
- 5 for the test period. The effect on Idaho net operating
- 6 income is a decrease of \$202,000. The effect of the
- 7 reallocation on Idaho rate base is an increase of
- 8 \$1,956,000.
- 9 The adjustment in column (f), Colstrip Common AFUDC,
- 10 is also associated with the Colstrip plants in Montana, and
- 11 increases rate base. Differing amounts of Colstrip common
- 12 facilities were excluded from rate base by this Commission
- 13 and the WUTC until Colstrip Unit 4 was placed in service.
- 14 The Company was allowed to accrue AFUDC on the Colstrip
- 15 common facilities during the time that they were excluded
- 16 from rate base. It is necessary to directly assign the
- 17 AFUDC because of the differing amounts of common facilities
- 18 excluded from rate base by this Commission and the WUTC.
- 19 In September 1988, an entry was made to comply with a
- 20 Federal Energy Regulatory Commission ("FERC") Audit
- 21 Exception, which transferred Colstrip common AFUDC from the
- 22 plant accounts to account 186. These amounts reflect a
- 23 direct assignment of rate base for the appropriate average
- 24 of monthly averages amounts of Colstrip common AFUDC to the
- 25 Washington and Idaho jurisdictions. Amortization expense

- 1 associated with the Colstrip common AFUDC is charged
- 2 directly to the Washington and Idaho jurisdictions through
- 3 Account 406 and is a component of the actual results of
- 4 operations. The rate base adjustment reflects the average
- of monthly averages amount for the test period. The effect
- on Idaho rate base is an increase of \$925,000.
- 7 The adjustment in column (g), Kettle Falls & Boulder
- 8 Park Disallowances, decreases rate base. The amounts
- 9 reflect the Kettle Falls generating plant disallowance
- ordered by this Commission in Case No. U-1008-18-5 and the
- 11 Boulder Park plant disallowance ordered by the IPUC in case
- 12 No. AVU-E-04-1. This Commission disallowed a rate of
- 13 return on \$3,009,445 of investment in Kettle Falls, and
- 14 \$2,600,000 million of investment in Boulder Park. The
- 15 disallowed investment and related accumulated depreciation
- 16 are removed. These amounts are a component of actual
- 17 results of operations. The effect on Idaho rate base is a
- 18 decrease of \$2,233,000.
- The adjustment in column (h), Customer Advances,
- 20 decreases rate base for moneys advanced by customers for
- 21 line extensions, as they will most likely be recorded as
- 22 contributions in aid of construction at some future time.
- 23 The effect on Idaho rate base is a decrease of \$885,000.
- Q. Please turn to page 5 and explain the adjustments
- 25 shown there.

- A. Page 5 starts with the adjustment in column (i),
- 2 Weatherization and DSM Investment, which includes in rate
- 3 base balances (net of amortization) of weatherization
- 4 grants, the model conservation program costs and electric
- 5 demand side management (DSM) program costs upon which AFUCE
- 6 is no longer being accrued and full amortization was
- 7 implemented beginning August 1994. These amounts are a
- 8 component of actual results of operations. The effect on
- 9 Idaho rate base is an increase of \$1,669,000.
- 10 Q. Would you please explain how energy efficiency-
- 11 related expenditures impact the revenue requirement in this
- 12 case?
- 13 A. Yes. The unamortized balance of energy
- 14 efficiency management investment incurred prior to 1995 is
- 15 included in the results of operations and is a rate base
- 16 item in the column (i) adjustment just described. DSM
- 17 expenditures incurred after March 13, 1995 have been offset
- 18 by revenues from the Company's energy efficiency tariff
- 19 rider, Schedule 91, and are not included in the revenue
- 20 requirement.
- 21 As the Commission is aware, the Company's tariff rider
- 22 under Schedule 91 was the first non-bypassable distribution
- 23 charge in the United States to fund energy efficiency. Mr.
- 24 Folsom provides additional detail and addresses the
- 25 prudence of the expenditures under this tariff.

- Q. Please continue with your explanation of the
- 2 adjustments on page 5.
- 3 A. The next column entitled Subtotal Actual
- 4 represents actual operating results and rate base plus the
- 5 standard rate base adjustments.
- 6 The adjustment in column (j), **Depreciation True-up**,
- 7 reflects a decrease in depreciation expense due to the
- 8 utilization of new depreciation rates effective January 1,
- 9 2008 as approved by Order No. 30498 in Case No. AVU-E-07-
- 10 11. These rates became effective after the three months
- 11 (October through December 2007) included in the test
- 12 period. This adjustment annualizes the current effective
- 13 rates for the test period. This adjustment increases Idaho
- 14 net operating income by \$119,000.
- The adjustment in column (k), Eliminate B & O Taxes,
- 16 eliminates the revenues and expenses associated with local
- 17 business and occupation (B & O) taxes, which the Company is
- 18 allowed to pass through to its Idaho customers. The
- 19 adjustment eliminates any timing mismatch that exists
- 20 between the revenues and expenses by eliminating the
- 21 revenues and expenses in their entirety. B & O taxes are
- 22 passed through on a separate schedule, which is not part of
- 23 this proceeding. The effect of this adjustment is to
- decrease Idaho net operating income by \$3,000.

- 1 The adjustment in column (1), **Property Tax**, restates
- 2 the test period accrued levels of property taxes to the
- 3 most current information available and eliminates any
- 4 adjustments related to the prior year. This adjustment
- 5 includes the increase in property taxes in 2009 related to
- 6 the Company's Coyote Springs plant located in Oregon.
- 7 Previously the Company had been excluded from this property
- 8 tax assessment for five years under a tax abatement as a
- 9 result of the plant being located in the Columbia River
- 10 Enterprise Zone in Oregon. The effect of this particular
- 11 adjustment is to decrease Idaho net operating income by
- 12 \$1,171,000.
- The adjustment in column (m), Uncollectible Expense,
- 14 restates the accrued expense to the actual level of net
- 15 write-offs for the test period. The effect of this
- 16 adjustment is to increase Idaho net operating income by
- 17 \$37,000.
- The adjustment in column (n), Regulatory Expense,
- 19 restates recorded 2008 regulatory expense to reflect the
- 20 IPUC assessment rates applied to expected revenues for the
- 21 2008 period and the actual levels of FERC fees paid during
- 22 the test period. The effect of this adjustment is to
- 23 decrease Idaho net operating income by \$26,000.
- 24 Q. Please turn to page 6 and explain the adjustments
- 25 shown there.

1 adjustment in column (o), Injuries and The Α. 2 is a restating adjustment that replaces the Damages, rolling average of actual 3 with the six-vear injuries and damages payments not covered by insurance2. A method of 5 rolling average and the reserve six-vear 6 accounting for injuries and damages, net of insurance proceeds, is a practical methodology to deal with these 7 normal utility operating expenses that happen to occur on an irregular basis and differ markedly in materiality. 9 This methodology was accepted by the Idaho Commission in 10 Case No. WWP-E-98-11. The effect of this adjustment is to 11 decrease Idaho net operating income by \$15,000. 12 The adjustment in column (p), FIT, adjusts the FIT 13 calculated at 35% within Results of Operations by removing 14 the effect of certain Schedule M items, matching the 15 jurisdictional allocation of other Schedule M items to 16 related Results of Operations allocations and to adjust the 17 production tax credits for pro forma qualified generation. 18 This adjustment also reflects the proper level of deferred 19 tax expense for the test period. The net effect of this 20 adjustment, all based upon a Federal tax rate of 35%, is to 21 increase Idaho net operating income by \$454,000. 22

 $<sup>^2</sup>$  Due to the twelve months ending September 30, 2008 test period utilized in this case, the Company computed the six-year average using twelve-months ended actuals through November 2008 (most current data available at time of adjustment) for its 2008 electric and natural gas balances.

The adjustment in column (q), Idaho PCA, removes the 1 effects of the financial accounting for the Power Cost 2 3 Adjustment (PCA). The PCA normalizes and defers certain power supply costs on an ongoing basis between general rate 4 5 filings. Certain differences in actual power supply costs, compared to those included in base retail rates are 6 deferred and then surcharged or rebated to customers in a 7 future period. Revenue adjustments due to the PCA and the 8 9 power cost deferrals affect actual results of operations and need to be eliminated to produce a normal period. 10 Actual revenues and power supply costs are normalized in 11 adjustments in column (u) and column (PF1), respectively. 12 13 The effect of this adjustment is to decrease Idaho net operating income by \$9,591,000. 14 The adjustment in column (r), Nez Perce Settlement 15 Adjustment, reflects a decrease in Production operating 16 An agreement was entered into between the 17 expenses. Company and the Nez Perce Tribe to settle certain issues 18 hydroelectric 19 earlier owned and operated regarding This adjustment generating facilities of the Company. 20 directly assigns the Nez Perce Settlement expenses to the 21

Washington and Idaho jurisdictions. This is necessary due

to differing regulatory treatment in Idaho Case No. WWP-E-

98-11 and Washington Docket No. UE-991606. The effect of

22

23

- 1 this adjustment is to increase Idaho net operating income
- 2 by \$8,000.
- The adjustment in column (s), Eliminate A/R Expenses,
- 4 A/R representing Accounts Receivable, removes expenses
- 5 associated with the sale of customer accounts receivable.
- 6 The effect of this adjustment is to increase Idaho net
- 7 operating income by \$190,000.
- 8 The adjustment in column (t), Miscellaneous Restating
- 9 Adjustments, removes a number of non-operating or non-
- 10 utility expenses associated with advertising, sponsorships
- 11 and dues and donations included in error in the test period
- 12 actual results. The effect of this adjustment is to
- increase Idaho net operating income by \$73,000.
- The adjustment in column (u), Revenue Normalization,
- 15 is a 3-fold adjustment taking into account known and
- 16 measurable changes that include revenue repricing
- 17 (including the current authorized rates approved in Case
- No. AVU-E-08-01), weather normalization and a recalculation
- 19 of unbilled revenue. Schedule 91 Tariff Rider and Schedule
- 20 59 Residential Exchange are excluded from pro forma
- 21 revenues, and the related amortization expense is
- 22 eliminated as well. Ms. Knox is sponsoring this
- 23 adjustment. The effect of this particular adjustment is to
- increase Idaho net operating income by \$14,065,000.

- Q. Please continue on page 7 with your explanation of the adjustments.
- A. The adjustment in column (v), Clark Fork PM&E,
- 4 adjusts the level of amortization expense included in the
- 5 test period based on the balancing account method
- 6 previously authorized by the Commission for the Clark Fork
- 7 Protection, Mitigation, and Enhancement (PM&E) expenses, to
- 8 the Company's current authorized level of expense based on
- 9 the flow through of actual expenditures plus one-fifth of
- 10 the 5-year amortization of the remaining outstanding
- 11 balance in the balancing account at September 30, 2008, as
- 12 approved in Case No. AVU-E-08-01. This adjustment uses the
- 13 level of PM&E expenses planned for the 2009/2010 rate
- 14 period for the amount of flow through of actual
- 15 expenditures. Mr. Storro discusses in his testimony the
- 16 additional PM&E expenditures planned for the rate period.
- 17 The effect of this adjustment is to decrease Idaho net
- 18 operating income by \$649,000.
- 19 The adjustment in the column (w) Restate Debt
- 20 Interest, restates debt interest using the Company's pro
- 21 forma weighted average cost of debt, as outlined in the
- 22 testimony and exhibits of Company witness Mr. Theis, and
- 23 applied to Idaho's pro forma level of rate base, produces a
- 24 pro forma level of tax deductible interest expense. The
- 25 Federal income tax effect of the restated level of interest

- 1 for the test period decreases Idaho net operating income by
- 2 \$1,985,000.
- 3 The column entitled Restated Total, subtotals all the
- 4 preceding columns (b) through column (w), exclusive of the
- 5 previously discussed subtotal column. These totals
- 6 represent actual operating results and rate base plus the
- 7 standard normalizing adjustments that the Company includes
- 8 in its Commission Basis reports except power supply<sup>3</sup>.

10

### Pro Forma Adjustments

- 11 Q. Please explain the significance of the 22 columns
- 12 subsequent to the column entitled Restated Total that
- begins at page 7 in your Exhibit No. 10, Schedule 1.
- 14 A. The adjustments subsequent to the Restated Total
- 15 column are pro forma adjustments that recognize the
- 16 jurisdictional impacts of items that will impact the pro-
- 17 forma operating period levels for known and measurable
- 18 changes. They encompass revenue and expense items as well
- 19 as additional capital projects. These adjustments bring
- 20 the operating results and rate base to the final pro forma
- 21 level for the rate year.

 $<sup>^3</sup>$  The restated total also includes the additional property tax on CS2 required starting in 2009 included in the property tax restating adjustment column (1), and additional PM&E expenses above the test period planned for the rate period in column (v).

- Q. Please continue with your explanation of the
- 2 adjustments starting on page 7, subsequent to the Restated
- 3 Total column.
- A. The adjustment in column (PF1), Pro Forma Power
- 5 Supply, was made under the direction of Mr. Johnson and is
- 6 explained in detail in his testimony. This adjustment
- 7 includes pro forma power supply related revenue and
- 8 expenses to reflect the twelve-month period July 1, 2009
- 9 through June 30, 2010. Mr. Johnson's testimony outlines
- 10 the system level of pro forma power supply details that are
- 11 included in this adjustment. This adjustment calculates
- 12 the Idaho jurisdictional share of those figures included in
- 13 the base Results of Operations. The net effect of the
- 14 power supply adjustments decreases Idaho net operating
- 15 income by \$6,285,000.
- The adjustment in column (PF2), Pro Forma Production
- 17 Property Adjustment, adjusts pro formed production and
- 18 transmission revenues, expenses, and rate base by a factor
- 19 that reflects the ratio of 2008 Idaho test year retail load
- 20 divided by the pro forma period Idaho retail load. Capital
- 21 additions have been pro formed to December 2009 whereas the
- 22 remainder of the pro forma adjustments reflect costs for
- 23 the twelve months ended June 2010 level. Therefore a
- 24 factor reflecting 2009 calendar Idaho retail load was used
- 25 to determine the factor for pro formed capital costs and

- 1 the 2009/2010 rate year Idaho retail load was used to
- 2 determine the factor for all other pro formed production
- 3 and transmission costs. The adjustment is made to avoid
- 4 the over-recovery of pro formed production and transmission
- 5 costs, since the revenue requirement associated with those
- 6 costs is being spread to test year retail load. The use of
- 7 a production property adjustment in conjunction with pro
- 8 forma rate year loads for power supply results in a better
- 9 matching of revenues and expenses during the period that
- 10 new retail rates from the case will be in effect. The
- 11 effect of this adjustment on Idaho net operating income is
- 12 an increase of \$3,336,000. The effect on Idaho rate base
- 13 is a decrease of \$10,202,000.
- 14 The adjustment in column (PF3), Pro Forma Labor-Non-
- 15 Exec, reflects known and measurable changes to test period
- 16 union and non-union wages and salaries, excluding executive
- 17 salaries, which are handled separately in PF4. Test period
- 18 wages and salaries are restated as if the wage and salary
- 19 increase in March 2009 were in place for 8 months and the
- 20 March 2010 increase was in place for 4 months of the pro
- 21 forma period ending June 30, 2010. The methodology behind
- 22 this adjustment is consistent with that used in Case No.
- 23 AVU-E-04-01. The effect of this adjustment on Idaho net
- 24 operating income is a decrease of \$694,000.

- 1 The adjustment in column (PF4), Pro Forma Labor-2 **Executive**, reflects known and measurable changes Test period wages and salaries are 3 executive compensation. restated to the 2010 expected level. This adjustment takes 4 into account changes in executive staffing made during 2008 5 and includes compensation for the planned executive team in 6 7 the pro forma period only. Compensation costs for nonutility operations are excluded as executives routinely 8 9 charge a portion of their time to non-utility operations, commensurate with the amount of time spent on such 10 activities. The current executives' salary allocations are 11 set at their expected pro forma test period utility/non-12 The methodology behind this 13 utility percentage splits. adjustment is consistent with that used in the last general 14 case. Case No. AVU-E-08-01. The impact of this adjustment 15 on Idaho net operating income is a decrease of \$83,000. 16
- Q. Please turn to page 8 and explain the adjustments shown there.
- (PF5), in column Forma 19 adjustment Α. The 20 Transmission Rev/Exp, was made under the direction of Mr. Kinney and is explained in detail in his testimony. 21 adjustment includes pro forma transmission-related revenues 22 and expenses to reflect the twelve-month period July 1, 23 2009 through June 30, 2010. The net effect of the 24

- 1 transmission revenue and expense adjustments increases
- 2 Idaho net operating income by \$5,000.
- 3 The adjustment in column (PF6), Pro Forma Capital
- 4 Additions 2008, pro forms in the capital cost and expenses
- 5 associated with adjusting the twelve-month ending September
- 6 2008 average-monthly-average plant related balances to
- 7 expected end-of-period balances for plant in service at
- 8 December 31, 2008. The capital costs have been included
- 9 for the December 31, 2008 pro forma period with the
- 10 associated depreciation expense and property tax, as well
- 11 as the appropriate accumulated depreciation and deferred
- 12 income tax rate base offsets. This adjustment was made
- 13 under the direction of Mr. DeFelice and is described
- 14 further in his testimony. This adjustment is also
- 15 consistent with that approved in the most recent Idaho
- 16 general rate case proceeding, Case No. AVU-E-08-01, which
- 17 approved the Company's expected net rate base balance as of
- 18 December 31, 2008. The production property adjustment is
- 19 also applied to the production and transmission components
- 20 of these additions as discussed further by Ms. Knox. This
- 21 adjustment decreases Idaho net operating income by \$160,000
- 22 and increases rate base by \$3,658,000.
- The adjustment in column (PF7), Pro Forma Capital
- 24 Additions 2009, pro forms in the capital cost and expenses
- 25 associated with pro forming in capital expenditures for

1 This adjustment includes projects expected to be completed and transferred to plant-in-service by December 2 2009, and thus were normalized to reflect annual 3 The capital costs have been included for the 4 amounts. with the associated 5 appropriate pro forma period depreciation expense and property tax, as well as the 6 appropriate accumulated depreciation and deferred income 7 tax rate base offsets. This adjustment also reduces the 8 2008 vintage plant net rate base (including accumulated 9 depreciation and deferred FIT) to an end of period December 10 31, 2009 adjusted balance. This adjustment was also made 11 under the direction of Mr. DeFelice and is described 12 13 in his testimony. The production property further production is also applied to the 14 adiustment transmission components of these additions as discussed 15 further by Ms. Knox. This adjustment decreases Idaho net 16 operating income by \$1,692,000 and increases rate base by 17 18 \$16,896,000. The adjustment in column (PF8), Pro Forma Information 19 Services, pro forms in the administrative and general (A&G) 20 expenses associated with incremental known and measureable 21 changes for labor and non-labor informational services 22 costs planned for 2009 above the test period. As explained 23

by Company witness Mr. Kopczynski, these expenditures are

related to 1) additional labor dollars required to support

24

- 1 applications utilized by the Company in recent years, such
- 2 as the mobile dispatch and outage management applications,
- 3 improved web application support, and additional required
- 4 security and compliance requirements; and 2) additional
- 5 non-labor dollars required for hosting fees, application
- 6 fees, software maintenance and license fees, and new and
- 7 replacement software and hardware for business
- 8 applications. This adjustment decreases Idaho net
- 9 operating income by \$448,000.
- The adjustment in column (PF9), Pro Forma Asset
- 11 Management, pro forms in the O&M expense associated with
- 12 the Asset Management Program as described further by Mr.
- 13 Kinney. This adjustment is consistent with the methodology
- 14 approved in Case No. AVU-E-08-01. This adjustment
- decreases Idaho net operating income by \$481,000.
- The adjustment in column (PF10), Pro Forma Spokane
- 17 River Relicensing, includes the costs associated with the
- 18 Company's Spokane River relicensing efforts and the CDA
- 19 Tribe settlement 4(e) relicensing conditions and accrued
- 20 interest as described further in my workpapers. These
- 21 costs include actual life-to-date expenditures from April
- 22 2001 through December 31, 2008, and 2009 pro forma
- 23 expenditures through June 30, 2009. Company witness Mr.
- 24 Storro provides additional details regarding the status of
- 25 the Spokane River Relicensing efforts and explains that the

- 1 Company anticipates a final license approved by the Federal
- 2 Energy Regulatory Commission (FERC) by June 30, 2009. The
- 3 majority of these charges were reviewed in the Company's
- 4 previous general electric rate case proceeding, Case No.
- 5 AVU-E-08-01. Through the Settlement agreement approved by
- 6 the Commission in that case, the Company was allowed to
- 7 defer the amortization of these charges, including a
- 8 carrying charge on the deferrals and unamortized balance,
- 9 and include recovery of these costs in its next general
- 10 rate case.
- 11 Subsequent to the conclusion of Case No. AVU-E-08-01,
- 12 and during review of the total current actual expenditures
- 13 to-date for the Spokane River Relicensing efforts, it was
- 14 discovered that the Company had inadvertently failed to
- 15 continue to compute and accrue AFUDC after December 31,
- 16 2004 on the certain expenditures that had been recorded for
- 17 the years 1999 to 2004. (In other words, AFUDC was not
- 18 recorded for the period January 2005 through November 2008
- 19 on amounts spent in 1999 through 2004.) This error was
- 20 discovered in December 2008 and corrected, accruing an
- 21 additional amount of approximately \$3.0 million. This
- 22 correction caused an increase in costs included in this
- 23 case, above that approved in Case No. AVU-E-08-01, of
- 24 approximately \$1.1 million (Idaho share) to accrue for the
- 25 missed AFUDC from January 2005 through November 2008 on the

- 1 1999 through 2004 balance. This adjustment, including the
- 2 AFUDC correction, decreases Idaho net operating income by
- 3 \$1,348,000 and increases rate base by \$12,184,000.
- 4 Q. Please turn to page 9 and explain the adjustments
- 5 shown there.
- A. The adjustment in column (PF11), Pro Forma Coeur
- 7 d' Alene Tribe Settlement, includes costs associated with
- 8 the Lake Coeur d' Alene Tribe (CDA Tribe) settlement
- 9 agreement. Mr. Storro describes further the final
- 10 agreement between the Company and the CDA Tribe. The
- 11 settlement includes the payment of \$25.0 million in
- 12 December 2008, \$10.0 million in 2009 and \$4.0 million in
- 13 2010 for resolution of the past trespass and §10(e)
- 14 charges. The future §10(e) payments are \$400,000 flat
- 15 annual payments for the first 21 years of the new Spokane
- 16 River license, starting in December 2008, and \$700,000 flat
- 17 annual payments for the remaining years of the license.
- 18 The agreed upon settlement and payments were reviewed in
- 19 the company's previous electric general rate case
- 20 proceeding, Case No. AVU-E-08-01. As approved by the
- 21 Commission's Order No. 30647, the Company is allowed to
- 22 defer the amortization of the initial 2008 payments,
- 23 including a carrying charge on the deferrals and
- 24 unamortized balance, and include recovery of these costs in
- 25 its next general rate case. These deferred payments,

- 1 including a return on the balance, are planned to be
- 2 amortized over the average remaining life of the Post Falls
- 3 Project, or 45 years. The pro forma adjustment includes
- 4 one year amortization of the deferred balance, and the 2009
- 5 annual payment of \$400,000. This adjustment decreases
- 6 Idaho net operating income by \$257,000 and increases rate
- 7 base by \$7,861,000.
- 8 The adjustment in column (PF12), Pro Forma Montana
- 9 Riverbed Lease, includes costs associated with the Montana
- 10 Riverbed lease settlement. In this settlement, the Company
- 11 agreed to pay the State of Montana \$4.0 million annually
- 12 beginning in 2007, with annual inflation adjustments, for a
- 13 10-year period for leasing the riverbed under the Noxon
- 14 Rapids Project and the Montana portion of the Cabinet Gorge
- 15 Project. The first two annual payments were deferred by
- 16 Avista as approved in Case No. AVU-E-07-10. In Case No.
- 17 AVU-E-08-01 (see Order No. 30647), the Commission approved
- 18 the Company's proposed accounting treatment of the deferred
- 19 payments, including accrued interest, to be amortized over
- 20 the remaining eight years of the agreement starting October
- 21 1, 2008. This adjustment includes one-eighth of the
- 22 deferred balance amortization and the annual lease payment
- 23 expense. This adjustment decreases Idaho net operating
- 24 income by \$1,231,000 and increases rate base by \$1,583,000.

- 1 The adjustment in column (PF13), Pro Forma Colstrip
- 2 Mercury Emission O&M, includes the pro forma period O&M
- 3 costs associated with the mercury control project at
- 4 Colstrip as further described by Mr. Storro. This
- 5 adjustment decreases Idaho net operating income by
- 6 \$383,000.
- 7 The adjustment in column (PF14), Pro Forma Incentives,
- 8 adjusts the test year incentive expense to the 2008
- 9 incentive expense expected to be paid in 2009 for the 2008
- 10 incentive plan. The Company's main employee incentive plan
- 11 uses Customer Satisfaction and Reliability targets as the
- 12 initial step in issuing incentive payouts. Actual payouts
- 13 are dictated by utility O&M cost savings. Since the
- 14 executive plan is slightly different than the main employee
- 15 incentive plan, this adjustment removes any part of the
- 16 2008 executive incentive payout that was "not" based on the
- 17 Customer Satisfaction and Reliability targets. This pro
- 18 forma adjustment further adjusts incentive expenses to a 6
- 19 year average. The impact of this adjustment on Idaho net
- 20 operating income is a decrease of \$189,000.
- 21 Q. Please explain how the Company computed its 6-
- 22 year average.
- 23 A. Actual incentives paid and the associated payroll
- 24 taxes accrued for years 2003 through 2007 were adjusted by
- 25 the Consumer Price Index (CPI) annual average for the

- 1 calendar year the incentives were paid, to reflect those
- 2 costs in 2008 dollars. The computed six-year average of
- 3 2003 through 2008 incentives was compared to incentive
- 4 expense included in the test period to determine the pro-
- 5 forma adjustment.
- 6 Q. Why did the Company choose to use a 6-year
- 7 average?
- 8 A. Since annual Company incentive plan payouts can
- 9 often vary year-to-year, the Company has chosen to propose
- 10 an average of annual pay outs. Often where there are
- 11 revenues or expenses that can vary significantly from year-
- 12 to-year and therefore uncertain as to the appropriate
- 13 level, the Commission has utilized or approved averages to
- 14 properly reflect a fair and reasonable level of revenue or
- 15 expense to be included in customers' rates. In 2002 the
- 16 Company changed its incentive plan to be based on Customer
- 17 Satisfaction and Reliability targets, and the requirement
- 18 that O&M savings must occur in order for there to be any
- 19 pay out. This is significantly different than the plans
- 20 prior to 2002 based on earnings targets of the Company.
- 21 Utilizing a 6-year average, using years 2003 through 2008,
- 22 includes common incentive plans that are comparable from
- 23 year-to-year, and is consistent with other average methods
- 24 utilized by this Commission.

- 1 Q. Please explain other examples where the use of an
- 2 average has been used by the Company to determine the
- 3 appropriate level of revenue or expense to include in its
- 4 general rate case filings?
- 5 A. A few examples come to mind regarding
- 6 transmission revenue adjustments. For example, the Company
- 7 uses a five-year average for OASIS wheeling revenues
- 8 because these revenues vary year to year depending on
- 9 electric energy market conditions. Avista has, in the
- 10 current and previous rate cases, used the most recent five-
- 11 year average as being representative of future expectations
- 12 unless there are known events or factors that occurred
- 13 during the period that would cause the average to not be
- 14 representative of future expectations.
- 15 A second transmission revenue example includes the
- 16 adjustment for Dry Gulch revenue. The current methodology
- 17 used to normalize Dry Gulch revenue is a five-year average
- 18 of actual revenue. A five-year average is used since the
- 19 revenue can vary from year to year. The revenue is
- 20 calculated using a 12-month rolling ratchet based on
- 21 monthly peak demands. Load peaks are very sensitive to
- 22 temperatures, which vary from year to year.
- 23 A third example, regarding injuries and damages
- 24 expense, includes the restating adjustment described
- 25 earlier in my testimony that replaces the amount accrued in

- 1 the test period with a six-year rolling average of actual
- 2 payments for injuries and damages not covered by insurance.
- 3 Q. Please continue your explanation of the
- 4 adjustment columns on page 9.
- 5 A. The adjustment in column (PF15), Pro Forma CS2
- 6 Levelized Adjustment, defers a portion of the return on
- 7 Coyote Springs 2 (CS2) in early years for recovery in later
- 8 years in order to levelize the revenue requirement on CS2
- 9 plant investment over a ten-year period. In the Company's
- 10 electric general rate case, Case No. AVU-E-04-1, this
- 11 method was approved by the IPUC in Order No. 29602. This
- 12 adjustment restates the test period amount of negative
- 13 amortization expense, inclusive of the carrying charge on
- 14 the deferred return, to the amount that will be recorded in
- 15 the rate year. The change in deferred income tax expense
- 16 from the test period to the rate period is also reflected.
- 17 In the 2009 rate year the deferred return begins to be
- 18 recovered, although the carrying cost on the deferred
- 19 return exceeds the recovery of the deferred return for that
- 20 period. The levelization adjustment is necessary, since
- 21 the CS2 net plant upon which the levelization adjustment is
- 22 based, is proformed to the rate period. Hence, the
- 23 levelization adjustment also needs to be proformed to the
- 24 rate period. This adjustment reduces net operating income
- 25 by \$129,000.

- Q. Please turn to page 10 and explain the
- 2 adjustments shown there.
- A. The adjustment in column (PF16), Pro Forma Idaho
- 4 Advanced Meter Reading (AMR), includes the capital costs
- 5 associated with the Company's Idaho AMR project. In the
- 6 IPUC's Order No. 29602, in Case No. AVU-E-04-01, the
- 7 Commission supported the Company's plans to install AMR and
- 8 authorized the Company-requested deferred accounting
- 9 treatment for its related investment. In the Company's
- 10 most recent case, Case No. AVU-E-08-01 in Order No. 30647,
- 11 the Commission reviewed and approved these deferred costs
- 12 associated with the Company's investment in AMR as prudent.
- 13 This adjustment includes the amortization of the AMR
- 14 investment, including actual life-to-date expenditures from
- 15 January 2005 through November 30, 2008 and expected charges
- 16 for December 2008. This adjustment decreases Idaho net
- 17 operating income by \$689,000 and increases rate base by
- 18 \$21,436,000.
- 19 The adjustment in column (PF17), Pro Forma O&M Plant
- 20 expense, adjusts for incremental non-labor generation plant
- 21 O&M costs planned for 2009/2010 above the test period. As
- 22 further explained by Mr. Storro, these additional
- 23 expenditures are mainly due to major O&M expenditures
- 24 planned for the Company's two thermal generation plants,
- 25 Colstrip and Kettle Falls, and its Rathdrum CT peaking

- 1 generation plant. This adjustment decreases Idaho net
- operating income by \$899,000.
- The adjustment in column (PF18), Pro Forma Employee
- 4 Benefits, adjusts for changes in both the Company's pension
- 5 and medical insurance expense and decreases Idaho net
- 6 operating income by \$944,000.
- 7 Q. Please describe the pension expense portion of
- 8 the Employee Benefits adjustment and Idaho's share of this
- 9 expense.
- 10 A. The Company's pension expense portion of this
- 11 adjustment is determined in accordance with Financial
- 12 Accounting Standard 87 ("FAS-87"), and has increased on a
- 13 system basis from \$12.1 million for the actual test year
- 14 costs for the twelve months ended September 30, 2008, to
- 15 \$18.4 million for 2009. At this time the amounts included
- 16 in this case are estimated with the most current available
- 17 data as of December 2008. Preliminary Pension expense is
- 18 determined by an outside actuarial firm, in accordance with
- 19 FAS-87, and provided to the Company late in the first
- 20 quarter of each year. These calculations and assumptions
- 21 are reviewed by the Company's outside accounting firm
- 22 annually for reasonableness and comparability to other
- 23 companies. Due to the timing of this report, additional
- 24 information may become known during the course of these

- 1 proceedings that may require a modification to this
- 2 adjustment.
- 3 As explained by Company witness Mr. Thies, the
- 4 increase in pension expense is due primarily to the
- 5 investment performance of plan assets during the major
- 6 downturn in the financial markets experienced during the
- 7 past year. In addition, the Pension Protection Act (PPA)
- 8 of 2006 requires companies to annually increase the funding
- 9 level of their pension plans in order to eventually achieve
- 10 a fully funded plan.
- 11 As explained by Mr. Thies, Avista is very disciplined
- 12 in its plan asset allocation and believes that its approach
- 13 has helped to arrest what could have been an even greater
- 14 decline in plan assets value. Many companies with Defined
- 15 Benefit Pension Plans have experienced similar asset value
- 16 declines and increased funding levels as a result of
- 17 general market conditions, as discussed by Mr. Thies.
- The pension levels noted above are for the Company as
- 19 a whole. Pension expense, as with other employee benefits,
- 20 is "loaded" onto actual labor costs, which are then
- 21 assigned to various functional expense categories and
- 22 accounts through the payroll process. Historically,
- 23 approximately 60% of labor is recorded as O&M expense and
- 24 40% is recorded as capital. In our adjustment, a detailed
- 25 analysis of labor charges was performed to more accurately

- 1 determine the Idaho O&M percentage of overall labor. Based
- 2 on this analysis, Idaho's share of the electric pension
- 3 expense (pre-tax) amount included in this adjustment is
- 4 approximately \$940,000.
- 5 Q. Please now describe the medical insurance expense
- 6 portion of the Employee Benefits adjustment and Idaho's
- 7 share of this expense.
- 8 A. The Company's medical insurance expense portion
- 9 of this adjustment adjusts for the medical insurance costs
- 10 planned for 2009 above the test period. Medical insurance
- 11 expense has increased on a system basis from \$14.3 million
- 12 for the actual test year costs for the twelve months ended
- 13 September 30, 2008 to \$17.9 million projected for 2009.
- 14 This increased cost is mainly due to increased large claims
- 15 activity driven by various diagnostic categories such as
- 16 cancer and heart disease, and an increase in the average
- 17 age of our membership.
- 18 Avista has taken measures to decrease its self-funded
- 19 plan costs. These measures include increasing the stop
- 20 loss insurance reimbursement level, which decreases the
- 21 premium expense with Avista's third party administrator.
- 22 Avista also negotiated a new contract with its prescription
- 23 benefit administrator and its third party administrator
- 24 (TPA) to pass through the drug manufacturer rebates (in the
- 25 past these rebates were left with the TPA). Also, Avista

- 1 is converting to a Preferred Provider Organization (PPO)
- 2 program for its dental plan that provides savings to the
- 3 participant, similar to medical plans with a PPO program.
- 4 In addition to these current measures, Avista has made
- 5 changes to co-pay levels and out of pocket maximums over
- 6 the past five years to help reduce plan costs.
- 7 Again, as with other employee benefits, medical
- 8 insurance expense is "loaded" onto actual labor costs,
- 9 which are then assigned to various functional expense
- 10 categories and accounts through the payroll process.
- 11 Historically, approximately 60% of labor is recorded as O&M
- 12 expense and 40% is recorded as capital. Idaho's share of
- 13 the electric medical insurance expense (pre-tax) amount
- 14 included in this adjustment is approximately \$530,000.
- 15 Q. Please continue your explanation of the
- 16 adjustment columns on page 10.
- 17 The adjustment in Column (PF19), Pro Forma Insurance,
- 18 adjusts the test period insurance expense for general
- 19 liability, directors and officers ("D&O") liability, and
- 20 property to the actual cost of insurance policies that are
- 21 in effect for 2009. Costs of system-wide insurance
- 22 policies for 2009 varied from 2008, mainly for General
- 23 Liability and Property insurance cost, which increased
- 24 approximately \$730,000 (system expense), due to increased
- 25 coverage, Avista's growth, and higher premium rates.

- 1 Property insurance rates were volatile because of extensive
- 2 energy industry property damage in 2008 and adverse
- 3 investment returns at insurance companies. Insurance costs
- 4 that are properly charged to non-utility operations have
- 5 been excluded from this adjustment. This adjustment
- 6 decreases Idaho net operating income by \$97,000.
- 7 The adjustment in Column (PF20), Pro Forma Chicago
- 8 Climate Exchange, adjusts other revenue for Idaho's share
- 9 of the revenues, net of expenses, from the sales of Carbon
- 10 Financial Instruments (CFIs) on the Chicago Climate
- 11 Exchange. In Order No. 30647 (Case No. AVU-E-08-01), the
- 12 Commission approved the amortization of the net revenues
- 13 over a two-year period beginning in October 2008. This
- 14 adjustment increases Idaho net operating income by
- 15 \$273,000.
- 16 Q. Please turn to page 11 and explain the
- 17 adjustments shown there.
- 18 A. The adjustment in column (PF21), Pro Forma
- 19 Wartsila Amortization, reflects a five-year amortization of
- 20 the estimated unrecovered investment in two 4 MW
- 21 reciprocating engine generators originally planned to be
- 22 installed at Boulder Park, a small natural gas-fired
- 23 generating facility. During the period December 2004
- 24 through February 2005 Avista and Commission Staff discussed
- 25 possible accounting treatment related to the planned sale

- 1 of the Wartsila units. In February 2005 the Staff
- 2 indicated by letter that it would support a five-year
- 3 amortization of the unrecovered costs, with no return on
- 4 the unamortized balance, and that the inclusion of the
- 5 amortization expense in rates would be addressed in a
- 6 future proceeding.
- 7 In 2008 a buyer agreed to purchase the units for net
- 8 proceeds to the Company of \$1 million, as compared to the
- 9 book value of \$3.65 million. However, the buyer defaulted
- 10 and only one unit was delivered with net proceeds to the
- 11 Company of \$670,000. The second unit remains unsold. The
- 12 buyer is trying to raise the remaining \$330,000 to purchase
- 13 the second unit. The amortization amount in the adjustment
- 14 assumes that the second unit will be sold for the \$330,000.
- 15 Additional information may become known during the course
- 16 of these proceedings that may require a modification to the
- 17 adjustment. This adjustment decreases Idaho net operating
- 18 income by \$120,000.
- 19 The adjustment in column (PF22), Pro Forma Colstrip
- 20 Lawsuit Settlement, reflects a two-year amortization of the
- 21 Company's share of the lawsuit settlement amount. On May
- 22 22, 2008, the Company filed an application seeking an
- 23 accounting order to defer the settlement payment. On
- 24 September 12, 2008, the Commission authorized deferred
- 25 accounting treatment in Order No. 30638, Case No. AVU-E-08-

- 1 03. Staff's recommendation No. 4 on page 3 of the Order
- 2 recommends delaying any recovery for the amount of the
- 3 deferral until the next general rate case or other
- 4 proceeding as the Commission deems appropriate.
- 5 Avista may recover a portion of the settlement amount
- 6 under relevant insurance policies. The amount and timing
- 7 of any insurance proceeds is not known at this time. The
- 8 adjustment can be revised as additional information
- 9 regarding insurance proceeds becomes known. This
- 10 adjustment decreases Idaho net operating income by
- 11 \$240,000.
- The last column, Pro Forma Total, reflects total pro
- 13 forma results of operations and rate base consisting of
- 14 test period actual results (twelve-months ending September
- 15 30, 2008) and the total of all adjustments.
- Q. Referring back to page 1, line 42, of Exhibit No.
- 17 10, Schedule 1, what was the actual and pro forma electric
- 18 rate of return realized by the Company during the test
- 19 period?
- 20 A. For the State of Idaho, the actual test period
- 21 rate of return was 6.99%. The pro forma rate of return is
- 22 5.34% under present rates. Thus, the Company does not, on
- 23 a pro forma basis for the test period, realize the 8.80%
- 24 rate of return requested by the Company in this case.

1	0	How much	additional	net	operating	income	would	be
1	v.	HOW MINCH	additional	TIEC	Oberering	TITCOME	WOULU	T) C

- 2 required for the State of Idaho electric operations to
- 3 allow the Company an opportunity to earn its proposed 8.80%
- 4 rate of return on a pro forma basis?
- 5 A. The net operating income deficiency amounts to
- 6 \$19,951,000, as shown on line 5, page 2 of Exhibit No. 10,
- 7 Schedule 1. The resulting revenue requirement is shown on
- 8 line 7 and amounts to \$31,233,000, or an increase of 14.18%
- 9 over pro forma general business revenues.

10

11

## IV. NATURAL GAS SECTION

- 12 Q. On what test period is the Company basing its
- 13 need for additional natural gas revenue?
- 14 A. The test period being used by the Company is the
- twelve-month period ending September 30, 2008, presented on
- 16 a pro forma basis. Currently authorized rates are based
- 17 upon the 2007 test year utilized in case No. AVU-G-08-01,
- 18 as adjusted on a pro forma basis.
- 19 Q. Could you please explain the different rates of
- 20 return shown in your natural gas results presented in your
- 21 testimony?
- 22 A. Yes. As discussed previously in the Electric
- 23 Section, there are three different rates of return
- 24 calculated. The actual ROR earned by the Company during
- 25 the test period, the Pro Forma ROR determined in my Exhibit

- 1 No. 10, Schedule 2, and the requested ROR. For convenience
- 2 of comparison, please refer to Illustration No. 3 below
- 3 depicting these results for the Natural Gas Section:

4

6

7

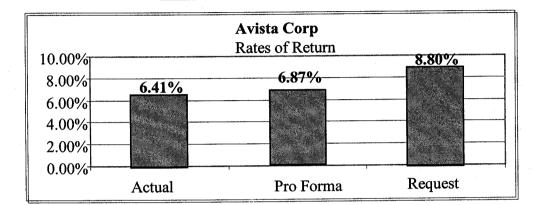
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#### Illustration No. 3:



12

13

14

# Q. What are the primary factors driving the Company's need for additional natural gas revenues?

The Company's natural gas request is driven by 15 in various operating cost components, 16 changes distribution operation and maintenance and administrative 17 This causes an increase in the and general expenditures. 18 fixed costs of providing gas service to customers. 19 describe the pro forma adjustments included in this case 20 21 later in my testimony.

22

23

## Revenue Requirement

- Q. Would you please explain what is shown in Exhibit
- 25 No. 10, Schedule 2?

- 1 A. Exhibit No. 10, Schedule 2 shows actual and pro
- 2 forma gas operating results and rate base for the test
- 3 period for the State of Idaho. Column (b) of page 1 of
- 4 Exhibit No. 10, Schedule 2 shows test period operating
- 5 results (twelve-months ended September 30, 2008) and
- 6 components of the average-monthly-average rate base as
- 7 recorded; column (c) is the total of all adjustments to net
- 8 operating income and rate base; and column (d) is pro forma
- 9 results of operations, all under existing rates. Column
- 10 (e) shows the revenue increase required which would allow
- 11 the Company to earn an 8.80% rate of return. Column (f)
- 12 reflects pro forma gas operating results with the requested
- 13 increase of \$2,740,000.
- Q. Would you please explain page 2 of Exhibit No.
- 15 **10, Schedule 2?**
- 16 A. Yes. Page 2 shows the calculation of the
- 17 \$2,740,000 revenue requirement at the requested 8.80% rate
- 18 of return.
- 19 Q. Would you now please explain page 3 of Exhibit
- 20 No. 10. Schedule 2?
- 21 A. Yes. Page 3 shows the derivation of the net
- 22 operating income to gross revenue conversion factor. The
- 23 conversion factor takes into account uncollectible accounts
- 24 receivable, Commission fees and Idaho State excise taxes.
- 25 Federal income taxes are reflected at 35%.

- 1 Q. Now turning to pages 4 through 8 of your Exhibit
- 2 No. 10, Schedule 2, would you please explain what those
- 3 pages show?
- A. Yes. Page 4 begins with actual operating results
- 5 and rate base for the test period (twelve-months ending
- 6 September 30, 2008) in column (b). Individual normalizing
- 7 adjustments consistent with prior regulatory treatment
- 8 (standard Commission Basis adjustments) begin in column (c)
- 9 on page 4 and continue through column (r) on page 6.
- 10 Individual pro forma and additional normalizing adjustments
- 11 begin in column (PF1) on page 6 and continue through column
- 12 (PF10) on page 8. The final column on page 8 is the total
- 13 pro forma operating results and rate base for the test
- 14 period. Additional details related to each adjustment
- 15 described below are provided in accompanying work papers.

16

17

## Standard Commission Basis Adjustments

- 18 Q. Would you please explain each of these
- 19 adjustments, the reason for the adjustment and its effect
- 20 on test period State of Idaho net operating income and/or
- 21 rate base?
- 22 A. Yes, the restating adjustments shown in columns c
- 23 through r are consistent with methodologies employed in our
- 24 prior cases and current regulatory principles.

- 1 The first adjustment, column (c) on page 4, entitled
- 2 Deferred FIT Rate Base, reflects the rate base reduction
- 3 for Idaho's portion of deferred taxes. The adjustment
- 4 reflects the deferred tax balances arising from accelerated
- 5 tax depreciation (Accelerated Cost Recovery System, or
- 6 ACRS, and Modified Accelerated Cost Recovery, or MACRS),
- 7 bond refinancing premiums, and contributions in aid of
- 8 construction. These amounts are reflected on the average
- 9 of monthly average balance basis. The effect on Idaho rate
- 10 base is a reduction of \$14,220,000.
- 11 The adjustment in column (d), Deferred Gain on Office
- 12 Building, reflects the rate base reduction for Idaho's
- 13 portion of the net of tax, unamortized gain on the sale of
- 14 the Company's general office facility. The facility was
- 15 sold in December 1986 and leased back by the Company.
- 16 Although the Company repurchased the building in November
- 17 2005, the Company opted to continue to amortize the
- 18 deferred gain over the remaining amortization period
- 19 scheduled to end in 2011. The effect on Idaho rate base is
- 20 a reduction of \$53,000.
- 21 The adjustment in column (e), Gas Inventory, reflects
- 22 the adjustment to rate base for the average of monthly
- 23 average value of gas stored at the Company's Jackson
- 24 Prairie underground storage facility through the test

- 1 period. The effect on Idaho rate base is an increase of
- 2 \$4,535,000.
- The adjustment in column (f), Weatherization and DSM
- 4 Investment, includes in rate base the balance (net of
- 5 amortization) of company investments in natural gas demand
- 6 side management (DSM) program costs. These amounts are a
- 7 component of actual results of operations. The effect of
- 8 this adjustment is to increase Idaho rate base by \$279,000.
- 9 The adjustment in column (g), entitled Customer
- 10 Advances, decreases rate base for funds advanced by
- 11 customers for line extensions, as they are generally
- 12 recorded as contributions in aid of construction at some
- 13 future time. The effect of this adjustment on Idaho rate
- 14 base is a decrease of \$73,000.
- The column labeled **Subtotal Actual**, is a subtotal of
- 16 columns (b) through (g) and reflects the standard rate base
- 17 adjustments.
- 18 O. Please turn to page 5 and explain the adjustments
- 19 shown there.
- 20 A. The first adjustment on page 5 in column (h),
- 21 entitled Depreciation True-up, reflects a decrease in
- 22 depreciation expense due to the utilization of new
- 23 depreciation rates effective January 1, 2008 as approved in
- 24 Order No. 30498 in Case No. AVU-G-07-03. These rates
- 25 became effective after the three months October through

- 1 December 2007 included in the test period. This adjustment
- 2 annualizes the current effective rates for the test period.
- 3 This adjustment increases Idaho net operating income by
- 4 \$25,000.
- 5 The adjustment in column (i), entitled Weather
- 6 Normalization & Gas Cost Adjustment, is a 3-fold adjustment
- 7 taking into account known and measurable changes that
- 8 include revenue normalization (including the current
- 9 authorized rates approved in Case No. AVU-G-08-01), which
- 10 reprices customer usage under presently effective rates, as
- 11 well as weather normalization and an unbilled revenue
- 12 calculation. Associated gas costs are replaced with gas
- 13 costs computed using normalized volumes at the currently
- 14 effective "weighted average cost of gas," or WACOG rates.
- 15 Revenues associated with the temporary Gas Rate Adjustment
- 16 Schedule 155 and Schedule 191 Tariff Rider are excluded
- 17 from pro forma revenues, and the related amortization
- 18 expenses are eliminated as well. The January 6, 2009 gas
- 19 cost reduction to customer charges was accomplished through
- 20 Schedule 155, which is excluded from base revenues. Ms.
- 21 Knox is sponsoring this adjustment. The effect of this
- 22 particular adjustment is to increase Idaho net operating
- 23 income by \$2,359,000.
- 24 The adjustment in column (j), Eliminate B & O Taxes,
- 25 eliminates the revenues and expenses associated with local

- 1 business and occupation taxes, which the Company passes
- 2 through to customers. The adjustment eliminates any timing
- 3 mismatch that exists between the revenues and expenses by
- 4 eliminating the revenues and expenses in their entirety.
- 5 B & O Taxes are passed through on a separate schedule,
- 6 which is not part of this proceeding. The effect of this
- 7 adjustment is zero to Idaho net operating income.
- 8 The adjustment in column (k), **Property Tax**, restates
- 9 the test period accrued levels of property taxes to the
- 10 most current information available and eliminates any
- 11 adjustments related to the prior year. The effect of this
- 12 particular adjustment is to decrease Idaho net operating
- 13 income by \$104,000.
- The adjustment in column (1), Uncollectible Expense,
- 15 restates the accrued expense to the actual level of net
- 16 write-offs for the test period. The effect of this
- 17 adjustment is to increase Idaho net operating income by
- 18 \$81,000.
- The adjustment in column (m), entitled Regulatory
- 20 Expense Adjustment, restates recorded 2008 regulatory
- 21 expense to reflect the IPUC assessment rates applied to
- 22 revenues for the test period. The effect of this
- 23 adjustment is to decrease Idaho net operating income by
- 24 \$8,000.

- Q. Please turn to page 6 and explain the adjustments shown there.
- 3 A. The first adjustment on page 6 in column (n),
- 4 entitled Injuries and Damages, is a restating adjustment
- 5 that replaces the accrual with the six-year rolling average
- 6 of actual injuries and damages payments not covered by
- 7 insurance<sup>4</sup>. This methodology was accepted by the Idaho
- 8 Commission in Case No. WWP-E-98-11. The effect of this
- 9 adjustment is to increase Idaho net operating income by
- 10 \$1,000.
- The adjustment in column (o), entitled **FIT**, adjusts
- 12 the FIT calculated at 35% within Results of Operations by
- 13 removing the effect of certain Schedule M items and matches
- 14 the jurisdictional allocation of other Schedule M items to
- 15 related Results of Operations allocations. This adjustment
- 16 also reflects the proper level of deferred tax expense for
- 17 the test period. The effect of this adjustment, all based
- 18 upon a Federal tax rate of 35%, is to increase Idaho net
- operating income by \$10,000.
- The adjustment in column (p), Eliminate A/R Expenses,
- 21 A/R representing Accounts Receivable, removes expenses
- 22 associated with the sale of customer accounts receivable.

<sup>&</sup>lt;sup>4</sup> Due to the twelve months ending September 30, 2008 test period utilized in this case, the Company computed the six-year average using twelve-months ended actuals through November 2008 (most current data available at time of adjustment) for its 2008 balance.

- 1 The effect of this adjustment is to increase Idaho net
- 2 operating income by \$27,000.
- 3 The adjustment in column (q), Miscellaneous Restating
- 4 Adjustment, removes a number of non-operating or non-
- 5 utility expenses associated with advertising, sponsorships
- 6 and dues and donations included in error in the test period
- 7 actual results. The effect of this adjustment is to
- 8 increase Idaho net operating income by \$31,000.
- 9 The adjustment in column (r), Restate Debt Interest,
- 10 restates debt interest using the Company's pro forma
- 11 weighted average cost of debt, as outlined in the testimony
- 12 and exhibits of Mr. Thies, and applied to Idaho's pro forma
- 13 level of rate base, produces a pro forma level of tax
- 14 deductible interest expense. The federal income tax effect
- 15 of the restated level of interest for the test period
- decreases Idaho net operating income by \$292,000.
- 17 The next column on page 6, entitled Restated Total,
- 18 subtotals all the preceding columns (b) through column (r),
- 19 exclusive of the previously discussed subtotal column.
- 20 These totals represent actual operating results and rate
- 21 base plus the standard normalizing adjustments.

## 1 Pro Forma Adjustments

- 2 Q. Please explain the significance of the 10 columns
- 3 subsequent to the Restated Total column on pages 6 through
- 4 8 of your Exhibit No. 10, Schedule 2.
- 5 A. The adjustments starting on page 6 are pro forma
- 6 adjustments to reflect known and measurable changes between
- 7 the test period and the pro forma period. In this case,
- 8 they encompass revenue and expense items, and natural gas
- 9 capital projects. These adjustments bring the operating
- 10 results and rate base to the final pro forma level for the
- 11 test year.
- 12 Q. Please continue with your explanation of the
- 13 adjustments on page 6.
- 14 A. The adjustment in column (PF1), Pro Forma Labor-
- 15 Non-Exec, reflects known and measurable changes to test
- 16 period union and non-union wages and salaries, excluding
- 17 executive salaries, which are handled separately in PF2.
- 18 Test period wages and salaries are restated as if the wage
- 19 and salary increase in March 2009 were in place for 8
- 20 months and the March 2010 increase was in place for 4
- 21 months of the pro forma period ending June 30, 2010. The
- 22 methodology behind this adjustment is consistent with that
- 23 used in Case No. AVU-G-08-1. The effect of this adjustment
- on Idaho net operating income is a decrease of \$179,000.

- Q. Please turn to page 7 and explain the adjustments
- 2 shown there.
- A. The first adjustment on page 7, in column (PF2)
- 4 is Pro Forma Labor-Executive, which reflects known and
- 5 measurable changes to executive compensation. Test period
- 6 wages and salaries are restated to the 2010 expected level.
- 7 This adjustment takes into account changes in executive
- 8 staffing made during 2008 and includes compensation for the
- 9 planned executive team in the pro forma period only.
- 10 Compensation costs for non-utility operations are excluded
- 11 as executives routinely charge a portion of their time to
- 12 non-utility operations, commensurate with the amount of
- 13 time spent on such activities. The current executives'
- 14 salary allocations are set at their expected pro forma test
- 15 period utility/non-utility percentage splits. The impact
- 16 of this adjustment on Idaho net operating income is a
- 17 decrease of \$21,000.
- The adjustment in column (PF3), Pro Forma Capital
- 19 Additions 2008, pro forms in the capital cost and expenses
- 20 associated with adjusting the test period average-monthly-
- 21 average plant related balances at September 30, 2008, to
- 22 actual end-of-period balances for plant in service at
- 23 December 31, 2008. The capital costs have been included
- 24 for December 31, 2008 pro forma period with the associated
- 25 depreciation expense and property tax, as well as the

- 1 appropriate accumulated depreciation and deferred income
- 2 tax rate base offsets. This adjustment was made under the
- 3 direction of Mr. DeFelice and is described further in his
- 4 testimony. This adjustment increases Idaho net operating
- 5 income by \$71,000 and increases rate base by \$445,000.
- 6 The adjustment in column (PF4), Pro Forma Capital
- 7 Additions 2009, pro forms in the capital cost and expenses
- 8 associated with pro forming in capital expenditures for
- 9 2009. This adjustment includes projects completed during
- 10 2009, and thus were normalized to reflect annual amounts,
- 11 and projects expected to be completed and transferred to
- 12 plant-in-service by December 31, 2009. The capital costs
- 13 have been included for their appropriate pro forma period
- 14 with the associated depreciation expense and property tax,
- 15 as well as the appropriate accumulated depreciation and
- 16 deferred income tax rate base offsets. This adjustment
- 17 also reduces the 2008 vintage plant net rate base
- 18 (including accumulated depreciation and deferred FIT) to an
- 19 end of period December 31, 2009 adjusted balance. This
- 20 adjustment was also made under the direction of Mr.
- 21 DeFelice and is described further in his testimony. This
- 22 adjustment decreases Idaho net operating income by \$198,000
- and decreases rate base by \$691,000.
- 24 The adjustment in column (PF5), entitled Pro Forma
- 25 Information Services, pro forms in the administrative and

- 1 general (A&G) expenses associated with incremental known
- 2 and measureable changes for labor and non-labor
- 3 informational services costs planned for 2009 above the
- 4 test period, as further explained in the Electric Section.
- 5 The impact of this adjustment on Idaho net operating income
- 6 is a decrease of \$101,000.
- 7 The adjustment in column (PF6), entitled Pro Forma
- 8 Incentives, adjusts the test year incentive expense to the
- 9 2008 incentive expense expected to be paid in 2009 for the
- 10 2008 (as further explained in the Electric Section). This
- 11 adjustment also pro forms in a 6 year average (as further
- 12 explained in the Electric Section). The impact of this
- 13 adjustment on Idaho net operating income is a decrease of
- 14 \$47,000.
- The adjustment in column (PF7), Pro Forma JP Storage,
- 16 pro forms revenues, expenses, capital investment and
- 17 inventory for the increased storage capacity and
- 18 deliverability associated with the Jackson Prairie (JP)
- 19 Storage facility that was approved by the Commission in
- 20 Order No. 30647 (Case No. AVU-G-08-01). In 2008, Avista
- 21 ended its natural gas storage release contract with Terasen
- 22 Gas. The revenues of \$1,060,000 from the release of this
- 23 contract have been eliminated from the test period. Gas
- 24 inventory has been increased by \$289,000, due to the
- 25 recouped storage. In addition, a multi-year expansion

- 1 project at the facility was in service in October 2008,
- 2 which increased deliverability, increasing depreciation and
- 3 property taxes expense by approximately \$117,000, and
- 4 increasing net rate base by \$3,302,000. The total net
- 5 impact of these adjustments decreases Idaho net operating
- 6 income by \$752,000 and increases rate base by \$3,591,000.
- 7 Q. Please turn to page 8 and explain the adjustments
- 8 shown there.
- 9 A. The first adjustment on page 8, in column (PF8)
- 10 is Pro Forma Idaho Advanced Meter Reading (AMR), includes
- 11 the capital costs associated with the Company's Idaho AMR
- 12 project. These costs include actual life-to-date
- 13 expenditures from January 2005 through December 31, 2008
- 14 (as explained further in the Electric Section). This
- 15 adjustment decreases Idaho net operating income by \$229,000
- and increases rate base by \$6,142,000.
- 17 The adjustment in column (PF9), Pro Forma Employee
- 18 Benefits, adjusts for changes in both the Company's pension
- 19 and medical insurance expense planned for 2009 as further
- 20 explained in the Electric Section above. This adjustment
- 21 decreases Idaho net operating income by \$242,000
- The adjustment in column (PF10), Pro Forma Insurance,
- 23 updates the test period insurance expense for general
- 24 liability, directors and officer ("D&O") liability,
- 25 property and other policies, to the actual cost of

- 1 insurance policies planned for 2009 as described further in
- 2 the Electric Section above. This adjustment decreases
- 3 Idaho net operating income by \$25,000
- 4 The last column on page 8, Pro Forma Total, reflects
- 5 total pro forma results of operations and rate base
- 6 consisting of twelve-months ended September 30, 2008 actual
- 7 results and the total of all normalizing and pro forma
- 8 adjustments.
- 9 O. Referring back to page 1, line 43, of Exhibit No.
- 10 10, Schedule 2, what was the actual and pro forma gas rate
- of return realized by the Company during the test period?
- 12 A. For the State of Idaho, the actual test period
- 13 rate of return was 6.41%. The pro forma rate of return is
- 14 6.87% under present rates. Thus, the Company does not, on
- a pro forma basis for the test period, realize the 8.80%
- 16 rate of return requested by the Company in this case.
- 17 Q. How much additional net operating income would be
- 18 required for the State of Idaho gas operations to allow the
- 19 Company an opportunity to earn its proposed 8.80% rate of
- 20 return on a pro forma basis?
- 21 A. The net operating income deficiency amounts to
- 22 \$1,750,000, as shown on line 5, page 2 of Exhibit No. 10,
- 23 Schedule 2. The resulting revenue requirement is shown on
- 24 line 7 and amounts to \$2,740,000, or an increase of 2.99%

1	over pro forma general business and transportation
2	revenues.
3	
4	V. ALLOCATION PROCEDURES
5	Q. Have there been any changes to the Company's
6	system and jurisdictional procedures since the Company's
7	last general electric and natural gas cases, Case Nos. AVU-
8	E-08-01 and AVU-G-08-01?
9	A. No. For ratemaking purposes, the Company
10	allocates revenues, expenses and rate base between electric
11	and gas services and between Washington, Idaho, and Oregon
12	jurisdictions where electric and/or gas service is
13	provided. The current methodology was implemented in 1994
14	and has not changed. The allocation factors used in this
15	case have been provided with my workpapers.
16	
17	VI. OTHER
18	Q. Please address the filing requirements as
19	required in Order No. 29962.
20	A. In Order No. 29962 (Case Nos. AVU-E-05-9 and AVU-
21	G-05-3), the Commission directed the Company to record
22	regulatory assets or liabilities associated with the
23	implementation of Statement of Financial Accounting
24	Standards (SFAS) 143. As a result of the Order, the

- 1 rate case filing, all journal entries made under the
- 2 requirements of SFAS 143. These ARO transactions have been
- 3 removed from the test year (twelve months ended September
- 4 30, 2008) Results of Operations and have no impact on the
- 5 Company's earnings or rate request in this case. The
- 6 journal entries for the calendar year 2008 will be filed
- 7 with the Commission in our upcoming compliance filing.
- 8 Q. Does that conclude your pre-filed direct
- 9 testimony?
- 10 A. Yes, it does.

RECEIVED

DAVID J. MEYER
VICE PRESIDENT AND CHIEF COUNSEL OF
REGULATORY & GOVERNMENTAL AFFAIRS
AVISTA CORPORATION

2009 JAN 23 PM 12: 44

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UTILITIES COMMISSION

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#### BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION ) CASE NO. AVU-E-09-01 OF AVISTA CORPORATION FOR THE ) CASE NO. AVU-G-09-01 AUTHORITY TO INCREASE ITS RATES ) AND CHARGES FOR ELECTRIC AND ) NATURAL GAS SERVICE TO ELECTRIC ) EXHIBIT NO. 10 AND NATURAL GAS CUSTOMERS IN THE ) STATE OF IDAHO ) ELIZABETH M. ANDREWS

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

	OF DOLLARS)	WI	H PRESENT RAT	WITH PROPOSED RATES		
Line No.	DESCRIPTION	Actual Per Results Report	Total Adjustments	Pro Forma Total	Proposed Revenues & Related Exp	Pro Forma Proposed Total
	a	b	С	d	e	f
	DIMENUES					
1	REVENUES Total General Business	\$210,968	\$9,139	\$220,107	\$31,233	\$251,340
2	Interdepartmental Sales	\$210,908 145	\$9,139	145	Ψ31,233	145
3	Sales for Resale	69,340	(41,730)	27,610		27,610
4	Total Sales of Electricity	280,453	(32,591)	247,862	31,233	279,095
5	Other Revenue	19,754	(14,456)	5,298	31,233	5,298
6	Total Electric Revenue	300,207	(47,047)	253,160	31,233	284,393
	EXPENSES					
	Production and Transmission					
7	Operating Expenses	80,859	(16,459)	64,401		64,401
8	Purchased Power	99,071	(24,407)	74,664		74,664
9	Depreciation and Amortization	11,374	5,260	16,634		16,634
10	Taxes	4,898	1,225	6,123		6,123
11	Total Production & Transmission	196,202	(34,381)	161,822	0	161,822
	Distribution					
12	Operating Expenses	8,580	1,047	9,627		9,627
13	Depreciation	8,351	1,697	10,048		10,048
14	Taxes	4,167	(1,181)	2,986	381	3,367
15	Total Distribution	21,098	1,563	22,661	381	23,042
16	Customer Accounting	3,643	(159)	3,484	79	3,563
17	Customer Service & Information	3,960	(2,414)	1,546		1,546
18	Sales Expenses	261	13	274		274
	Administrative & General					
19	Operating Expenses	19,261	2,296	21,557	78	21,635
20	Depreciation	3,860	1,007	4,867		4,867
21	Taxes		135	135	, <u>.</u>	135
22	Total Admin. & General	23,121	3,438	26,559	78	26,637
23	Total Electric Expenses	248,285	(31,940)	216,345	538	216,883
24	OPERATING INCOME BEFORE FIT	51,922	(15,107)	36,815	30,695	67,510
	FEDERAL INCOME TAX					
25	Current Accrual	2,030	(1,451)	579	10,743	11,322
26	Deferred Income Taxes	7,578	(2,205)	5,373		5,373
27	Amortized Investment Tax Credit					
28	SETTLEMENT EXCHANGE POWER					
		A10.011	(011.451)	\$20.072	\$10.053	¢\$0.91\$
29	NET OPERATING INCOME	\$42,314	(\$11,451)	\$30,863	\$19,952	\$50,815
	RATE BASE					
	PLANT IN SERVICE					
30	Intangible	\$12,083	\$28,661	\$40,744		\$40,744
31	Production	359,680	11,718	371,398		371,398
32	Transmission	156,662	8,995	165,657		165,657
33	Distribution	341,133	49,000	390,133		390,133
34	General	49,818	11,360	61,178		61,178
35	Total Plant in Service	919,376	109,734	1,029,110	. 0	1,029,110
36	ACCUMULATED DEPRECIATION	310,555	42,120	352,675		352,675
37	ACCUM. PROVISION FOR AMORTIZATION	3,664	808	4,472		4,472
38	Total Accum. Depreciation & Amort.	314,219	42,928	357,147	0	357,147
39	GAIN ON SALE OF BUILDING		(252)	(252)		(252)
40	DEFERRED TAXES		(94,277)	(94,277)		(94,277)
41	TOTAL RATE BASE	\$605,157	(\$27,723)	\$577,434	\$0	\$577,434 8.80%
	RATE OF RETURN	6.99%		5.34%		

Exhibit No. 10 Case No. AVU-E-09-01 and AVU-G-09-01 E. Andrews, Avista Schedule 1, p. 1 of 11

#### **AVISTA UTILITIES**

## Calculation of General Revenue Requirement

## IDAHO - Electric System

## TWELVE MONTHS ENDED SEPTEMBER 30, 2008

Line No.	Description	(000's of Dollars)
1	Pro Forma Rate Base	\$577,434
2	Proposed Rate of Return	8.80%
3	Net Operating Income Requirement	\$50,814
4	Pro Forma Net Operating Income	\$30,863
5	Net Operating Income Deficiency	\$19,951
6	Conversion Factor	0.63878685
7	Revenue Requirement	\$31,233
8	Total General Business Revenues	\$220,252
9	Percentage Revenue Increase	14.18%

# AVISTA UTILITIES CALCULATION OF CONVERSION FACTOR: IDAHO ELECTRIC TWELVE MONTHS ENDED SEPTEMBER 30, 2008

Revenue:	1.000000
Expense:	
Uncollectibles (1)	0.002528
Commission Fees (2)	0.002507
Idaho Income Tax (3)	0.012216
Total Expense	0.017251
Net Operating Income Before FIT	0.982749
Federal Incon 0.35	0.343962
REVENUE CONVERSION FACTOR	0.638787

Line		Per Results	Deferred FIT	Deferred Gain on Office	Colstrip 3 AFUDC	Colstrip Common	Kettle Falls & Boulder Park	Customer
No.	DESCRIPTION a	Report b	Rate Base	Building d	Elimination e	AFUDC f	Disallow.	Advances h
	G.	U	C	u	ŭ	•	6	
	REVENUES							
1	Total General Business	\$210,968						
2	Interdepartmental Sales	145						
3	Sales for Resale	69,340	,					
4	Total Sales of Electricity	280,453	0	0	0	0	0	0
5 6	Other Revenue Total Electric Revenue	19,754 300,207	0	0	0	0	0	0
	EXPENSES							
	Production and Transmission							
7	Operating Expenses	80,859						
8	Purchased Power	99,071						
9	Depreciation and Amortization	11,374			202			
10	Taxes	4,898						
11	Total Production & Transmission	196,202	0	0	202	0	0	0
	Distribution							
12	Operating Expenses	8,580						
13	Depreciation	8,351						
14	Taxes	4,167						0
15	Total Distribution	21,098	0	0	0	0	0	U
16	Customer Accounting	3,643						
17	Customer Service & Information	3,960						
18	Sales Expenses	261						
	Administrative & General							
19	Operating Expenses	19,261						
20	Depreciation	3,860						
21 22	Taxes Total Admin. & General	23,121	0	0	0	0	0	0
23	Total Electric Expenses	248,285	0	. 0	202	.0	0	0
24	OPERATING INCOME BEFORE FIT	51,922	0	0	(202)	0	0	0
۵.		31,722	•	v	(202)	•		
	FEDERAL INCOME TAX							
25	Current Accrual	2,030						
26	Deferred Income Taxes	7,578						
27	NET OPERATING INCOME	\$42,314	\$0	\$0	(\$202)	\$0	\$0	\$0
	RATE BASE							
	PLANT IN SERVICE							
28	Intangible	\$12,083						
29	Production	359,680			7,452	925	(5,609)	
30	Transmission	156,662						
31	Distribution	341,133						(885)
32	General	49,818				225	18 500	1905
33	Total Plant in Service	919,376	0	0	7,452	925	(5,609)	(885)
34	ACCUMULATED DEPRECIATION	310,555			5,496		(2,693)	
35	ACCUM. PROVISION FOR AMORTIZATION	3,664						
36	Total Accum. Depreciation & Amort.	314,219	0	0		0	(2,693)	0
37	GAIN ON SALE OF BUILDING			(252)				
38	DEFERRED TAXES		(82,407)	88			683	, dharaman
39	TOTAL RATE BASE	\$605,157	(\$82,407)	(\$164)	\$1,956	\$925	(\$2,233)	(\$885)
40	RATE OF RETURN	6.99%						

REVENUES   Total General Business   \$210,968   \$(2,515)   \$   \$   \$   \$   \$   \$   \$   \$   \$	Line		Weatherizn and DSM	Subtotal	Depreciation	Eliminate B & O	Property	Uncollect.	Regulatory
REVINUES   1   Total General Business   S210,968   S (2,515)	No.	DESCRIPTION	Investment	Actual	True-up				Expense
Total General Basiness   \$20,0988   \$2,2515   \$   \$   \$   \$   \$   \$   \$   \$   \$		а	i	•	j	k	1	m	n
Total General Business   \$20,048   \$1,050   \$1		REVENUES							
Section   Sect	1			\$210.968		\$ (2.515)			
Solic for Resale									
Total Sales of Electricity									
19.754   19.754   19.754   19.754   19.754   19.754   19.754   19.754   19.754   19.755   1	4	Total Sales of Electricity	0		0	(2,515)	0	0	0
EXPENSES   Production and Transmission   Purchased Flower   Purchase	5								
Production and Transmission	6	Total Electric Revenue	0	300,207	0	(2,515)	0	0	0
Communication   Communicatio		EXPENSES							
Purchased Power   99,071   1,576   377   1,576   377   1   1   1,576   377   1   1,576   377   1   1,576   377   1   1,576   377   1   1,576   377   377		Production and Transmission							
Depreciation and Amortization   11,576   377   143   143   10   144   150   145	7	Operating Expenses		80,859					
Taxes				99,071					
Total Production & Transmission   0   196,404   (377)   0   1,143   0	9	Depreciation and Amortization		11,576	(377)				
Distribution   Coperating Expenses   S,580   S   S   S   S   S   S   S   S   S	10	Taxes							
Coperating Expenses	11	Total Production & Transmission	0	196,404	(377)	0	1,143	0	0
3									
Tixes									
Total Distribution		•							
16   Customer Accounting   3,643   (58)     17   Customer Service & Information   3,960     18   Sales Expenses   261     20									
17   Customer Service & Information   3,960   261	15	Total Distribution	0	21,098	319	(2,510)	656	1	0
17   Customer Service & Information   3,960   261	16	Customer Accounting		3.643				. (58)	
Administrative & General    Operating Expenses								` ,	
19   Operating Expenses   19,261   3,860   (125)   2   Taxes   2   2   Taxes   2   2   Total Admin. & General   0   23,121   (125)   0   2   0   0   2   0   0   2   0   0									
19   Operating Expenses   19,261   20   Depreciation   3,860   (125)   20   20   20   20   20   20   20   2		Administrative & General							
Depreciation   3,860   (125)   2	19			19.261					40
Taxes					(125)				
Total Admin. & General   0   23,121   (125)   0   2   0		<del>-</del>		5,000	(120)		2		
24 OPERATING INCOME BEFORE FIT 0 51,720 183 (5) (1,801) 57  FEDERAL INCOME TAX 25 Current Accrual 2,030 64 (2) (630) 20  26 Deferred Income Taxes 7,578   NET OPERATING INCOME \$0 \$42,112 \$119 (\$3) (\$1,171) \$37   RATE BASE PLANT IN SERVICE 28 Intangible \$12,083 29 Production 1,669 364,117 30 Transmission 156,662 31 Distribution 340,248 32 General 49,818 33 Total Plant in Service 1,669 922,928 0 0 0 0 0  4 ACCUMULATED DEPRECIATION 313,358 35 ACCUM, PROVISION FOR AMORTIZATION 3,664 36 Total Accum. Depreciation & Amort. 0 317,022 0 0 0 0 0  37 GAIN ON SALE OF BUILDING (252) 38 DEFERRED TAXES (81,636)  39 TOTAL RATE BASE \$1,669 \$524,018 \$0 \$0 \$0 \$0 \$0			0	23,121	(125)	0		0	40
FEDERAL INCOME TAX  25 Current Accrual 2,030 64 (2) (630) 20  26 Deferred Income Taxes  7,578  27 NET OPERATING INCOME  \$0 \$42,112 \$119 (\$3) (\$1,171) \$37   RATE BASE PLANT IN SERVICE  28 Intangible \$12,083 29 Production 1,669 364,117 30 Transmission 156,662 31 Distribution 340,248 32 General 49,818 33 Total Plant in Service 1,669 922,928 0 0 0 0 0  34 ACCUMULATED DEFRECIATION 313,358 35 ACCUM, PROVISION FOR AMORTIZATION 36 Total Accum, Depreciation & Amort. 0 317,022 0 0 0 0  37 GAIN ON SALE OF BUILDING (252) 38 DEFERRED TAXES (81,636)	23	Total Electric Expenses	0	248,487	(183)	(2,510)	1,801	(57)	40
2,030   64   (2)   (630)   20	24	OPERATING INCOME BEFORE FIT	0	51,720	183	(5)	(1,801)	57	(40)
Deferred Income Taxes   7,578		FEDERAL INCOME TAX							
NET OPERATING INCOME   \$0 \$42,112 \$119 \$ (\$3) \$ (\$1,171) \$37	25	Current Accrual		2,030	64	(2)	(630)	20	(14)
RATE BASE PLANT IN SERVICE  Intangible \$12,083  Production 1,669 364,117  Distribution 340,248  General 49,818  Total Plant in Service 1,669 922,928 0 0 0 0 0  ACCUMULATED DEPRECIATION 313,358  ACCUM. PROVISION FOR AMORTIZATION 3,664  Total Accum. Depreciation & Amort. 0 317,022 0 0 0 0  GAIN ON SALE OF BUILDING (252)  BEFERRED TAXES (81,636)	26	Deferred Income Taxes		7,578					
RATE BASE PLANT IN SERVICE  Intangible \$12,083  Production \$1,669 364,117  Transmission \$156,662  Total Plant in Service \$1,669 922,928 0 0 0 0 0  ACCUMULATED DEPRECIATION \$133,358  ACCUM, PROVISION FOR AMORTIZATION \$3,664  Total Accum, Depreciation & Amort. 0 317,022 0 0 0 0 0  ACCUMULATED DEPRECIATION \$2,664  Total Accum, Depreciation & Amort. 0 317,022 0 0 0 0 0  TOTAL RATE BASE \$1,669 \$524,018 \$0 \$0 \$0 \$0 \$0  TOTAL RATE BASE \$1,669 \$524,018 \$0 \$0 \$0 \$0 \$0	27	NICT ODED ATING INCOME	<b>*</b> 0	\$42.112	\$110	(\$3)	(\$1.171)	\$37	(\$26)
PLANT IN SERVICE         28       Intangible       \$12,083         29       Production       1,669       364,117         30       Transmission       156,662         31       Distribution       340,248         32       General       49,818         33       Total Plant in Service       1,669       922,928       0       0       0       0         34       ACCUMULATED DEPRECIATION       313,358       3       3       ACCUM. PROVISION FOR AMORTIZATION       3,664       5       5       Color of the col	21	NET OF EXAMING INCOME		Φ42,112	\$119	(43)	(φ1,1/1)	Ψ57	(ψ2ο)
Intangible   \$12,083									
29       Production       1,669       364,117         30       Transmission       156,662         31       Distribution       340,248         32       General       49,818         33       Total Plant in Service       1,669       922,928       0       0       0       0         34       ACCUMULATED DEPRECIATION       313,358       3       3       3       3       ACCUM. PROVISION FOR AMORTIZATION       3,664       5       0 </td <td>20</td> <td></td> <td></td> <td>¢13.003</td> <td></td> <td></td> <td></td> <td></td> <td></td>	20			¢13.003					
Transmission   156,662			1 660						
31   Distribution   340,248			1,009						
32     General     49,818       33     Total Plant in Service     1,669     922,928     0     0     0     0       34     ACCUMULATED DEPRECIATION     313,358       35     ACCUM. PROVISION FOR AMORTIZATION     3,664       36     Total Accum. Depreciation & Amort.     0     317,022     0     0     0       37     GAIN ON SALE OF BUILDING     (252)       38     DEFERRED TAXES     (81,636)       39     TOTAL RATE BASE     \$1,669     \$524,018     \$0     \$0     \$0									
33       Total Plant in Service       1,669       922,928       0       0       0       0         34       ACCUMULATED DEPRECIATION       313,358         35       ACCUM. PROVISION FOR AMORTIZATION       3,664         36       Total Accum. Depreciation & Amort.       0       317,022       0       0       0       0         37       GAIN ON SALE OF BUILDING       (252)       0       0       0       0       0         38       DEFERRED TAXES       (81,636)       80       \$0       \$0       \$0									
34       ACCUMULATED DEPRECIATION       313,358         35       ACCUM. PROVISION FOR AMORTIZATION       3,664         36       Total Accum. Depreciation & Amort.       0 317,022 0 0 0 0 0         37       GAIN ON SALE OF BUILDING       (252)         38       DEFERRED TAXES       (81,636)         39       TOTAL RATE BASE       \$1,669       \$524,018       \$0       \$0       \$0       \$0			1.669		0	0	0	0	0
35       ACCUM. PROVISION FOR AMORTIZATION       3,664         36       Total Accum. Depreciation & Amort.       0       317,022       0       0       0       0         37       GAIN ON SALE OF BUILDING       (252)       (252)       0 <t< td=""><td></td><td></td><td>1,007</td><td></td><td>v</td><td>·</td><td>·</td><td></td><td></td></t<>			1,007		v	·	·		
36     Total Accum. Depreciation & Amort.     0     317,022     0     0     0     0       37     GAIN ON SALE OF BUILDING     (252)       38     DEFERRED TAXES     (81,636)       39     TOTAL RATE BASE     \$1,669     \$524,018     \$0     \$0     \$0									
37 GAIN ON SALE OF BUILDING     (252)       38 DEFERRED TAXES     (81,636)       39 TOTAL RATE BASE     \$1,669     \$524,018     \$0     \$0     \$0			<u> </u>		0	0	0	0	0
38 DEFERRED TAXES         (81,636)           39 TOTAL RATE BASE         \$1,669         \$524,018         \$0         \$0         \$0			V			v	v	v	
	39	TOTAL RATE BASE	\$1,669	\$524,018	\$0	\$0	\$0	\$0	\$0
	40	RATE OF RETURN		8.04%					

Line		Injuries and		Idaho	Nez Perce Settlement	Eliminate A/R	Misc Restating	Revenue Normalization
No.	DESCRIPTION	Damages	FIT	PCA	Adjustment	Expenses	Adjs	Adjustment
	a	0	p	q	r	8	t	u
	REVENUES							
1	Total General Business			\$ (9,206)				\$20,860
2	Interdepartmental Sales							
3	Sales for Resale							
4	Total Sales of Electricity	0	0	(9,206)	0	0	0	20,860
5	Other Revenue							83
6	Total Electric Revenue	0	0	(9,206)	0	0	0	20,943
	EXPENSES							
	Production and Transmission							
7	Operating Expenses			5,603	(12)			(157)
8	Purchased Power							
9	Depreciation and Amortization							1,515
10	Taxes							
11	Total Production & Transmission	0	0	5,603	(12)	0	0	1,358
	Distribution							
12	Operating Expenses							
13	Depreciation							
14	Taxes					\$4	1	268
15	Total Distribution	0	0	0	0	4	1	268
16	Customer Accounting			(29)		\$ (296)		53
17	Customer Service & Information							(2,427)
18	Sales Expenses							
	Administrative & General							
19	Operating Expenses	23		(24)			(114)	53
20	Depreciation			` ,				
21	Taxes							
22	Total Admin. & General	23	0	(24)	0	0	(114)	53
23	Total Electric Expenses	23	0	5,550	(12)	(292)	(113)	(695
24	OPERATING INCOME BEFORE FIT	(23)	0	(14,756)	12	292	113	21,638
	FEDERAL INCOME TAX							
25	Current Accrual	(8)	(474)	(3,204)	4	\$102	40	7,573
26	Deferred Income Taxes	(-)	20	(1,961)				
							and the second second	
27	NET OPERATING INCOME	(\$15)	\$454	(\$9,591)	\$8	\$190	\$73	\$14,065
	RATE BASE							
	PLANT IN SERVICE							
28	Intangible							
29	Production							
30	Transmission							
31	Distribution							
32	General							· · · · · · · · · · · · · · · · · · ·
33	Total Plant in Service	0	0	0	0	0	0	0
34	ACCUMULATED DEPRECIATION							
35	ACCUM, PROVISION FOR AMORTIZATION							
36	Total Accum. Depreciation & Amort.	0	0	0	0	0	0	0
37	GAIN ON SALE OF BUILDING							
38	DEFERRED TAXES							
39	TOTAL RATE BASE	\$0	\$0	. \$0	\$0	\$0	\$0	\$0
33								

Line		Clark Fork	Restate Debt	Restated	Pro Forma Power	Pro Forma Production	Pro Forma Labor	Pro Forma Labor
No.	DESCRIPTION	PM&E	Interest	TOTAL	Supply	Property Adj PF2	Non-Exec PF3	Exec PF4
	а	• •	w	-	PF1	PF2	rrs	EF4
	REVENUES							
1	Total General Business			\$220,107				
2	Interdepartmental Sales			145				
3	Sales for Resale			69,340	(40,557)	(1,173)		
4	Total Sales of Electricity	0	0	289,592	(40,557)	(1,173)	0	0
5	Other Revenue			19,837	(14,818)	(159)		
6	Total Electric Revenue	0	0	309,429	(55,375)	(1,332)	0	0
	EXPENSES							
	Production and Transmission							
7	Operating Expenses	\$1,010		87,303	(24,350)	(2,628)	399	5
8	Purchased Power			99,071	(21,235)	(3,172)		
9	Depreciation and Amortization			12,714		(549)		
10	Taxes			6,041		(179)		
11	Total Production & Transmission	1,010	0	205,129	(45,585)	(6,528)	399	5
	Distribution							
12	Operating Expenses			8,580			294	
13	Depreciation			8,668				
14	Taxes	\$ (12)		2,577	(120)	63	(13)	(2)
15	Total Distribution	(12)	0	19,825	(120)	63	281	(2)
16	Customer Accounting			3,313			93	
17	Customer Service & Information			1,533			7	
18	Sales Expenses			261			7	
10	Administrative & General			19,239			280	124
19 20	Operating Expenses Depreciation			3,735			200	124
21	Taxes			3,733				
22	Total Admin. & General	0	0	22,976	0	0	280	124
23	Total Electric Expenses	998	0	253,037	(45,705)	(6,465)	1,067	127
	•		····					
24	OPERATING INCOME BEFORE FIT	(998)	0	56,392	(9,670)	5,133	(1,067)	(127)
	FEDERAL INCOME TAX							
25	Current Accrual	\$ (349)	1,985	7,137	(3,385)	1,797	(373)	(44)
26	Deferred Income Taxes			5,637				
27	NUCL OBED ATBAC BACON III	(\$640)	(61 09E)	\$42.619	(\$6,285)	\$3,336	(\$694)	(\$83)
27	NET OPERATING INCOME	(\$649)	(\$1,985)	\$43,618	(\$0,283)	\$3,330	(4054)	(463)
	RATE BASE							
	PLANT IN SERVICE							
28	Intangible			\$12,083				
29	Production			364,117		(18,691)		
30	Transmission			156,662				
31	Distribution			340,248				
32 33	General Total Plant in Service	0	0	49,818 922,928	0	(18,691)	0	. 0
		U	v		U	, , ,	V	. •
34	ACCUMULATED DEPRECIATION			313,358		(6,608)		
35	ACCUM. PROVISION FOR AMORTIZATION	0	0	3,664 317,022	0	(6,608)	0	0
36	Total Accum. Depreciation & Amort.	U	Ü		U	(0,008)	U	. 0
37 38	GAIN ON SALE OF BUILDING DEFERRED TAXES			(252) (81,636)		1,881		
					ФО.	(610 202)	\$0	\$0
39	TOTAL RATE BASE	\$0	<b>\$</b> 0	\$524,018	\$0	(\$10,202)	300	JOU JOU

Line		Pro Forma Transmission	Pro Forma Capital Add	Pro Forma Capital Add	Pro Forma Information	Pro Forma Asset	Pro Forma Spokane Rvr
No.	DESCRIPTION	Rev/Exp	2008	2009	Services	Management PF9	Relicensing PF10
	a	PF5	PF6	PF7	PF8	rry	PFIU
	REVENUES						
1	Total General Business						
2	Interdepartmental Sales						
3	Sales for Resale						
4	Total Sales of Electricity	0	0	0	0	0	. 0
5	Other Revenue	13					
6	Total Electric Revenue	13	0	0	0	0	0
	EXPENSES						
	Production and Transmission						1.000
7	Operating Expenses	5				240	1,063
8	Purchased Power						
9	Depreciation and Amortization		(39)	400			1,037
10	Taxes			261			
11	Total Production & Transmission	5	(39)	661	0	240	2,100
	Distribution						
12	Operating Expenses					510	
13	Depreciation		116	572			
14	Taxes		(3)	277	(9)	(9)	(26
15	Total Distribution	0	113	849	(9)	501	(26
16	Customer Accounting						
17 18	Customer Service & Information Sales Expenses						
	Administrative & General						
19					698		
	Operating Expenses		172	960	070		
20 21	Depreciation Taxes		1/2	133			
22	Total Admin. & General	0	172	1,093	698	0	0
23	Total Electric Expenses	5	246	2,603	689	740	2,074
24	OPERATING INCOME BEFORE FIT	8	(246)	(2,603)	(689)	(740)	(2,074
24	OF EXAMENO INCOMES DESPONDE TH	0	(240)	(2,003)	(0.5)	()	
	FEDERAL INCOME TAX						
25	Current Accrual	3	(86)	(911)	(241)	(259)	(726
26	Deferred Income Taxes						
27	NET OPERATING INCOME	\$5	(\$160)	(\$1,692)	(\$448)	(\$481)	(\$1,348
						<del></del>	
	RATE BASE						
	PLANT IN SERVICE						***
28	Intangible		\$187	\$2,948			\$13,596
29	Production		9,927	13,610			
30	Transmission		5,023	3,972			
31	Distribution		7,078	20,555			
32	General		4,998	6,362			
33	Total Plant in Service	0	27,213	47,447	0	0 -	13,596
34	ACCUMULATED DEPRECIATION		19,393	26,313			
35	ACCUM. PROVISION FOR AMORTIZATION						145
36	Total Accum. Depreciation & Amort.	0	19,393	26,313	0	0	145
37	GAIN ON SALE OF BUILDING						
38	DEFERRED TAXES		(4,162)	(4,238)			(1,267

REVENUES   Total General Business   Total Safes of Electricity   O	Line No.	DESCRIPTION	Pro Forma CDA Tribe Settlement	Pro Forma Montana Lease	Pro Forma Colstrip Mercury Emiss. O&M	Pro Forma Incentives	Pro Forma CS2 Levelized Adj
Total General Businese	110.					PF14	
Total General Businese							
2	1						
Select for Resale							
Total Sales of Electricity		-					
Section   Control Recense			0	0	0	0	0
Total Electric Revenue			•				
Production and Transmission			0	0	0	0	0
Poperating Expenses   596							
Purchased Power   199							
Depreciation and Amortization   401   1,917   596   0   199					596		
Total Production & Transmission							100
Total Production & Transmission		•	401	1,917			199
Coperating Expenses   Coperating Expenses   Coperating Expenses   Coperating Expenses   Coperating   Copera			401	1,917	596	0	199
12   Operating Exponses   1   Operating Exponses   295							
13							
Taxes							
Total Distribution   (5) (23) (7) (4)   (4)			(5)	(02)	(7)	(4)	
Customer Accounting   Customer Service & Information							0
17   Customer Service & Information	13	Total Distribution	(3)	(23)	(7)	. (7	•
Administrative & General  19	16	Customer Accounting					
Administrative & General 19 Operating Expenses 20 Depreciation 21 Taxes 22 Total Admin. & General 23 Total Electric Expenses 396 1,894 589 291 19 24 OPERATING INCOME BEFORE FIT 396 (1,894) (589) (291) (19  EDERAL INCOME TAX 25 Current Accrual 26 Deferred Income Taxes 27 NET OPERATING INCOME 28 Intengible 29 Production 20 Transmission 30 Transmission 31 Distribution 32 General 33 Total Plant in Service 34 ACCUMULATED DEPRECIATION 35 ACCUM. PROVISION FOR AMORITZATION 36 TACUM. PROVISION FOR AMORITZATION 37 GAIN ON SALE OF BUILDING 38 DEFERRED TAXES 39 TOTAL RATE BASE 41,530 (852) 42 43,53 50 TOTAL RATE BASE 57,861 \$1,583 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	17	Customer Service & Information					
19	18	Sales Expenses					
19		Administrative & General					
Depreciation   Taxes   Total Admin. & General   0 0 0 0 0 295	10					295	
Taxes						<del></del> -	
Total Admin. & General   0							
24 OPERATING INCOME BEFORE FIT  (396) (1,894) (589) (291) (19  FEDERAL INCOME TAX  25 Current Accrual (139) (663) (206) (102)  26 Deferred Income Taxes (70  27 NET OPERATING INCOME (\$257) (\$1,231) (\$383) (\$189) (\$12  RATE BASE PLANT IN SERVICE  28 Intangible \$11,930 29 Production 2,435  30 Transmission 31 Distribution 32 General 33 Total Plant in Service 11,930 2,435  ACCUMULATED DEPRECIATION 219  35 ACCUM PROVISION FOR AMORTIZATION 70  36 Total Accum. Depreciation & Amort. 219 0 0 0 0  37 GAIN ON SALE OF BUILDING 70  38 DEFERRED TAXES (3,850) (852)  39 TOTAL RATE BASE \$7,861 \$1,583 \$0 \$0 \$0			0	0	0	295	0
## FEDERAL INCOME TAX    Current Accrual   (139)	23	Total Electric Expenses	396	1,894	589	291	199
Current Accrual   Company   Compan	24	OPERATING INCOME BEFORE FIT	(396)	(1,894)	(589)	(291)	(199)
Column   C		FEDERAL INCOME TAX					
27 NET OPERATING INCOME  RATE BASE PLANT IN SERVICE  28 Intangible \$11,930 29 Production 2,435 30 Transmission 31 Distribution 32 General 33 Total Plant in Service 11,930 2,435 0 0  34 ACCUMULATED DEPRECIATION 219 35 ACCUM. PROVISION FOR AMORTIZATION 219 36 GAIN ON SALE OF BUILDING 37 GAIN ON SALE OF BUILDING 38 DEFERRED TAXES (3,850) (852)  39 TOTAL RATE BASE \$7,861 \$1,583 \$0 \$0 \$0	25	Current Accrual	(139)	(663)	(206)	(102)	
RATE BASE PLANT IN SERVICE  28 Intangible \$11,930 29 Production 2,435  30 Transmission 31 Distribution 32 General 33 Total Plant in Service \$11,930 2,435 0 0  34 ACCUMULATED DEPRECIATION 219 35 ACCUM, PROVISION FOR AMORTIZATION 36 Total Accum, Depreciation & Amort. 219 0 0 0  37 GAIN ON SALE OF BUILDING 38 DEFERRED TAXES (3,850) (852)  39 TOTAL RATE BASE \$7,861 \$1,583 \$0 \$0 \$0	26	Deferred Income Taxes					(70)
RATE BASE PLANT IN SERVICE  28 Intangible \$11,930 29 Production 2,435  30 Transmission 31 Distribution 32 General 33 Total Plant in Service \$11,930 2,435 0 0  34 ACCUMULATED DEPRECIATION 219 35 ACCUM, PROVISION FOR AMORTIZATION 36 Total Accum, Depreciation & Amort. 219 0 0 0  37 GAIN ON SALE OF BUILDING 38 DEFERRED TAXES (3,850) (852)  39 TOTAL RATE BASE \$7,861 \$1,583 \$0 \$0 \$0	27	NITE ONED ATING DIGONATE	(\$257)	(\$1.221)	(\$383)	(\$180)	(\$129)
PLANT IN SERVICE           28 Intangible         \$11,930           29 Production         2,435           30 Transmission         31 Distribution           32 General         32 Total Plant in Service           33 Total Plant in Service         11,930         2,435         0         0           34 ACCUMULATED DEPRECIATION         219         ACCUM, PROVISION FOR AMORTIZATION         219         0         0         0           36 Total Accum, Depreciation & Amort.         219         0         0         0         0           37 GAIN ON SALE OF BUILDING         38 DEFERRED TAXES         (3,850)         (852)         80         \$0         \$0           39 TOTAL RATE BASE         \$7,861         \$1,583         \$0         \$0         \$0	21	NEI OPERATING INCOME	(\$237)	(\$1,231)	(\$383)	(\$107)	(\$125)
Intangible   \$11,930   2,435							
29       Production       2,435         30       Transmission         31       Distribution         32       General         33       Total Plant in Service       11,930       2,435       0       0         34       ACCUMULATED DEPRECIATION       219         35       ACCUM. PROVISION FOR AMORTIZATION         36       Total Accum. Depreciation & Amort.       219       0       0       0         37       GAIN ON SALE OF BUILDING         38       DEFERRED TAXES       (3,850)       (852)         39       TOTAL RATE BASE       \$7,861       \$1,583       \$0       \$0       \$							
Transmission   Distribution			\$11,930				
Distribution   32   General				2,435			
32   General							
Total Plant in Service   11,930   2,435   0   0							
34       ACCUMULATED DEPRECIATION       219         35       ACCUM. PROVISION FOR AMORTIZATION         36       Total Accum. Depreciation & Amort.       219       0       0       0         37       GAIN ON SALE OF BUILDING         38       DEFERRED TAXES       (3,850)       (852)         39       TOTAL RATE BASE       \$7,861       \$1,583       \$0       \$0       \$			11 030	2 435	0	0	0
36       Total Accum. Depreciation & Amort.       219       0       0       0         37       GAIN ON SALE OF BUILDING       (3,850)       (852)         39       TOTAL RATE BASE       \$7,861       \$1,583       \$0       \$0       \$0				2,433	v	v	v
37 GAIN ON SALE OF BUILDING 38 DEFERRED TAXES (3,850) (852)  39 TOTAL RATE BASE \$7,861 \$1,583 \$0 \$0 \$		ACCUM. PROVISION FOR AMORTIZATION					0
38 DEFERED TAXES         (3,850)         (852)           39 TOTAL RATE BASE         \$7,861         \$1,583         \$0         \$0         \$			219	U	U	. 0	· ·
of the state of th			(3,850)	(852)		·	
of total Kill District Control of the Control of th	30	TOTAL RATE BASE	\$7.861	\$1.583	\$0	\$0	\$0
40 RATE OF RETURN		RATE OF RETURN	47,001	41,000			

Line No.	DESCRIPTION	Pro Forma ID AMR	Pro Forma O&M Plant Expense	Pro Forma Employee Benefits	Pro Forma Insurance	Pro Forma Chicago Climate (CCX)
No.	DESCRIPTION a	PF16	PF17	PF18	PF19	PF20
	REVENUES					
1	Total General Business					
2	Interdepartmental Sales Sales for Resale					
4	Total Sales of Electricity	0	0	0	0	0
5	Other Revenue	v	v	•		425
6	Total Electric Revenue	0	0	0	0	425
	EXPENSES					
_	Production and Transmission		1 100	2/0		
7	Operating Expenses		1,400	368		
8	Purchased Power					
9	Depreciation and Amortization Taxes					
10 11	Total Production & Transmission	0	1,400	368	0	0
11	Total Troduction & Transmission	v	1,400		. •	
	Distribution					
12	Operating Expenses			243		
13	Depreciation	692				
14	Taxes	322	(17)	(18)	(2)	
15	Total Distribution	1,014	(17)	225	(2)	5
				78		
16	Customer Accounting			6		
17	Customer Service & Information			6		
18	Sales Expenses			v		
	Administrative & General					
19	Operating Expenses			769	152	
20	Depreciation					
21	Taxes					
22	Total Admin. & General	0	0	769	152	0
23	Total Electric Expenses	1,014	1,383	1,452	150	5
23	Total Elevision Emperiore		-,			
24	OPERATING INCOME BEFORE FIT	(1,014)	(1,383)	(1,452)	(150)	420
	FEDERAL INCOME TAX				(50)	1.45
25	Current Accrual	(325)	(484)	(508)	(53)	147
26	Deferred Income Taxes					
27	NET OPERATING INCOME	(\$689)	(\$899)	(\$944)	(\$97)	\$273
	RATE BASE					
	PLANT IN SERVICE					
28	Intangible					
29	Production					
30	Transmission					
31	Distribution	22,252				
32	General			0	0	0
33	Total Plant in Service	22,252	0		. 0	0
34	ACCUMULATED DEPRECIATION					
35	ACCUM. PROVISION FOR AMORTIZATION	663				
36	Total Accum. Depreciation & Amort.	663	0	0	0	0
37	GAIN ON SALE OF BUILDING					
38	DEFERRED TAXES	(153)				
39	TOTAL RATE BASE	\$21,436	\$0	\$0	\$0	\$0
33	to tur IVIII DUND	φ21,730	40	30		

Inter    No.   DESCRIPTION			Dea Farma	Pro Forma	
No.   PECENTRION	Line				Pro Forma
REVENUES   1   Total General Business   \$220,107		DESCRIPTION	1		
Total General Business   \$220,107		<u> </u>	PF21		PFT
Total General Business   \$220,107					
Interdepartmental Sales   145   27,610   3   3ales for Resale   27,610   4   Total Sales of Electricity   0   0   247,862   5   Other Revenue   0   0   253,160					#220 10 <b>7</b>
3   Sales for Resale   27,610					
Total Sales of Electricity 0 0 247,862 5 Other Revenue 0 0 253,160  EXPENSES Production and Transmission 7 Operating Expenses 64,401 7 Total Production & Transmission 185 369 16,132 11 Total Production & Transmission 185 369 16,132  Distribution 12 Operating Expenses 9,627 13 Depreciation 19,048 14 Taxes 9,9,627 15 Total Distribution 0 0 0 22,661 16 Castomer Accounting 3,484 17 Customer Service & Information 1,346 18 Sales Expenses 2,2,986 19 Operating Expenses 2,2,555 20 Depreciation 1,346 21 Taxes 1,346 22 Total Admin. & General 0 0 0 26,559 23 Total Electric Expenses 185 369 216,345 24 OPERATING NCOME BEFORE FIT (185) (369) 36,815  FEDERAL INCOME TAX 25 Current Accrual (55) (129) 5,373 27 NET OPERATING NCOME BEFORE FIT (185) (369) 36,815 28 Transmission 1,346 31 Distribution 390,133 31 Distribution 390,133 32 General 61,373 33 Total Plant in Service 0 0 1,023,116 34 ACCUMULATIED DEPRECIATION 352,673 35 ACCUM, PROVISION FOR AMORTIZATION 4,477 36 TOTAL RATE BASE (42,77) 37 GANO NS ALE OF BUILDING (24,77) 38 DEFERRED TAXES (94,77) 39 TOTAL RATE BASE (94,77) 30 TOTAL RATE BASE (94,77) 30 TOTAL RATE BASE (94,77)		<del>-</del>			
Solution   Color   C			0	0	
EXPENSES   Production and Transmission   7   Operating Expenses   64,401   7   74,664   9   Depreciation and Amortization   185   369   16,734   17   17   17   18   18   18   18   18					5,298
Production and Transmission	6	Total Electric Revenue	0	0	253,160
Production and Transmission					
Operating Expenses					
Purchased Power	_				
Depreciation and Amortization   185   369   16,634     Taxes					
Taxes			195	360	
Distribution			105	507	
Distribution   12			185	369	161,822
12   Operating Expenses   9,827     13					
13   Depreciation   10,048     14   Taxes   2,286     15   Total Distribution   0   0   0     16   Customer Accounting   3,484     17   Customer Service & Information   1,546     18   Sales Expenses   274     Administrative & General		Distribution			
Taxes					9,627
Total Distribution   0   0   22,661		=			
16   Customer Accounting   3,484     17   Customer Service & Information   1,546     18   Sales Expenses   274     274     274     274     275     276   Administrative & General     19   Operating Expenses   21,557     20   Depreciation   4,867     21   Taxes   0   0   0     22,559     22   Total Admin, & General   0   0   0     25,559     23   Total Electric Expenses   185   369   216,345     24   OPERATING INCOME BEFORE FIT   (185)   (369)   36,815     25   EDERAL INCOME TAX				0	
1.546   1.54	15	Iotal Distribution	U	U	22,001
17   Customer Service & Information   1,546     18   Sales Expenses   274     Administrative & General     19   Operating Expenses   21,557     20   Depreciation   4,867     21   Taxes   133     22   Total Admin. & General   0   0   26,559     23   Total Electric Expenses   185   369   216,345     24   OPERATING INCOME BEFORE FIT   (185)   (369)   36,815     FEDERAL INCOME TAX   579     25   Deferred Income Taxes   (65)   (129)   5,373     27   NET OPERATING INCOME   (\$120)   (\$240)   \$30,863     RATE BASE   PLANT IN SERVICE   28   Intangible   \$40,744     29   Production   371,398     30   Transmission   516,565     31   Distribution   390,133     32   General   61,178     33   Total Plant in Service   0   0   0,29,110     34   ACCUMULATED DEPRECIATION   4,477     35   Total Accum. Depreciation & Amort.   0   0   357,147     36   Total Accum. Depreciation & Amort.   0   0   357,147     37   GAIN ON SALE OF BUILDING   (5252     38   DEFERRED TAXES   \$0   \$50   \$577,438     57   TOTAL RATE BASE   \$0   \$50   \$577,438     57   TOTAL RATE BASE   \$0   \$50   \$577,438     58   TOTAL RATE BASE   \$0   \$50   \$577,438     57   TOTAL RATE BASE   \$0   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50     57   TOTAL RATE BASE   \$0   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$50   \$5	16	Customer Accounting			3 484
Administrative & General  19					1,546
Administrative & General  19					274
19		•			
Depreciation   4,867		Administrative & General			
Taxes					21,557
22         Total Admin. & General         0         0         26,559           23         Total Electric Expenses         185         369         216,345           24         OPERATING INCOME BEFORE FIT         (185)         (369)         36,815           FEDERAL INCOME TAX         25         Current Accrual         579           26         Deferred Income Taxes         (65)         (129)         5,373           27         NET OPERATING INCOME         (\$120)         (\$240)         \$30,863           RATE BASE PLANT IN SERVICE         28         Intangible         \$40,744           29         Production         371,398           30         Transmission         165,657           31         Distribution         390,133           32         General         61,178           33         Total Plant in Service         0         0         1,029,110           34         ACCUMULATED DEPRECIATION         352,675           35         ACCUM, PROVISION FOR AMORTIZATION         4,477           36         Total Accum. Depreciation & Amort.         0         0         357,147           37         GAN ON SALE OF BUILDING <t< td=""><td></td><td></td><td></td><td></td><td></td></t<>					
Total Electric Expenses   185   369   216,345					
24 OPERATING INCOME BEFORE FIT         (185)         (369)         36,815           FEDERAL INCOME TAX           25 Current Accrual         579           26 Deferred Income Taxes         (65)         (129)         5,373           27 NET OPERATING INCOME         (\$120)         (\$240)         \$30,863           RATE BASE PLANT IN SERVICE         \$40,744           28 Intangible         \$40,744           29 Production         371,398           30 Transmission         165,657           31 Distribution         390,133           32 General         61,178           33 Total Plant in Service         0         0         1,029,110           34 ACCUMULATED DEPRECIATION         352,673           35 ACCUM, PROVISION FOR AMORTIZATION         4,472           36 Total Accum, Depreciation & Amort.         0         0         357,147           37 GAIN ON SALE OF BUILDING         (252           38 DEFERRED TAXES         (94,277           39 TOTAL RATE BASE         \$0         \$0         \$577,434		Total Adillili. & General	· · · · · · · · · · · · · · · · · · ·		
FEDERAL INCOME TAX 25 Current Accrual 579 26 Deferred Income Taxes (65) (129) 5,373  27 NET OPERATING INCOME (\$120) (\$240) \$30,863  RATE BASE PLANT IN SERVICE 28 Intangible \$40,744 29 Production 371,398 30 Transmission 165,657 31 Distribution 390,133 32 General 61,178 33 Total Plant in Service 0 0 0 1,029,110  34 ACCUMULATED DEPRECIATION 352,675 35 ACCUM. PROVISION FOR AMORTIZATION 4,477 36 Total Accum. Depreciation & Amort. 0 0 357,147 37 GAIN ON SALE OF BUILDING (252 38 DEFERRED TAXES 50 \$0 \$577,437	23	Total Electric Expenses	185	369	216,345
FEDERAL INCOME TAX  25 Current Accrual 579 26 Deferred Income Taxes (65) (129) 5,373  27 NET OPERATING INCOME (\$120) (\$240) \$30,863  RATE BASE PLANT IN SERVICE  28 Intangible \$40,744 29 Production 371,398 30 Transmission 165,657 31 Distribution 390,133 32 General 61,178 33 Total Plant in Service 0 0 0 1,029,110  34 ACCUMULATED DEPRECIATION 352,675 35 ACCUM, PROVISION FOR AMORTIZATION 4,477 36 Total Accum. Depreciation & Amort. 0 0 357,147 37 GAIN ON SALE OF BUILDING (252 38 DEFERRED TAXES 50 \$0 \$577,437	24	ODED ATING INCOME DECODE ETT	(105)	(260)	26 915
25   Current Accrual   579	24	OPERATING INCOME BEFORE FIT	(183)	(309)	30,613
25   Current Accrual   579		FEDERAL INCOME TAX			
27 NET OPERATING INCOME (\$120) (\$240) \$30,863  RATE BASE PLANT IN SERVICE  28 Intangible \$40,744 29 Production 371,398 30 Transmission 165,657 31 Distribution 390,133 32 General 61,178 33 Total Plant in Service 0 0 1,029,110 34 ACCUMULATED DEPRECIATION 352,675 35 ACCUM. PROVISION FOR AMORTIZATION 4,477 36 Total Accum. Depreciation & Amort. 0 0 357,147 37 GAIN ON SALE OF BUILDING (252 38 DEFERRED TAXES (94,277 39 TOTAL RATE BASE \$0 \$0 \$577,434	25				579
RATE BASE PLANT IN SERVICE  28 Intangible \$40,744 29 Production 371,398 30 Transmission 165,657 31 Distribution 390,133 32 General 61,178 33 Total Plant in Service 0 0 0 1,029,110 34 ACCUMULATED DEPRECIATION 352,675 35 ACCUM, PROVISION FOR AMORTIZATION 4,477 36 Total Accum. Depreciation & Amort. 0 0 357,147 37 GAIN ON SALE OF BUILDING (252 38 DEFERRED TAXES (94,277) 39 TOTAL RATE BASE \$0 \$0 \$577,436	26	Deferred Income Taxes	(65)	(129)	5,373
RATE BASE PLANT IN SERVICE  28 Intangible \$40,744 29 Production 371,398 30 Transmission 165,657 31 Distribution 390,133 32 General 61,178 33 Total Plant in Service 0 0 0 1,029,110 34 ACCUMULATED DEPRECIATION 352,675 35 ACCUM, PROVISION FOR AMORTIZATION 4,477 36 Total Accum. Depreciation & Amort. 0 0 357,147 37 GAIN ON SALE OF BUILDING (252 38 DEFERRED TAXES (94,277) 39 TOTAL RATE BASE \$0 \$0 \$577,436					
RATE BASE PLANT IN SERVICE  28 Intangible \$40,744 29 Production 371,398 30 Transmission 165,657 31 Distribution 390,133 32 General 61,178 33 Total Plant in Service 0 0 0 1,029,110 34 ACCUMULATED DEPRECIATION 352,675 35 ACCUM, PROVISION FOR AMORTIZATION 4,477 36 Total Accum. Depreciation & Amort. 0 0 357,147 37 GAIN ON SALE OF BUILDING (252 38 DEFERRED TAXES (94,277) 39 TOTAL RATE BASE \$0 \$0 \$577,436				(00.40)	#20.062
PLANT IN SERVICE           28         Intangible         \$40,744           29         Production         371,395           30         Transmission         165,657           31         Distribution         390,133           32         General         61,178           33         Total Plant in Service         0         0         1,029,110           34         ACCUMULATED DEPRECIATION         352,675           35         ACCUM, PROVISION FOR AMORTIZATION         4,472           36         Total Accum, Depreciation & Amort.         0         0         357,147           37         GAIN ON SALE OF BUILDING         (252           38         DEFERRED TAXES         (94,277           39         TOTAL RATE BASE         \$0         \$577,434	27	NET OPERATING INCOME	(\$120)	(\$240)	\$30,863
PLANT IN SERVICE           28         Intangible         \$40,744           29         Production         371,395           30         Transmission         165,657           31         Distribution         390,133           32         General         61,178           33         Total Plant in Service         0         0         1,029,110           34         ACCUMULATED DEPRECIATION         352,675           35         ACCUM, PROVISION FOR AMORTIZATION         4,472           36         Total Accum, Depreciation & Amort.         0         0         357,147           37         GAIN ON SALE OF BUILDING         (252           38         DEFERRED TAXES         (94,277           39         TOTAL RATE BASE         \$0         \$577,434		DATE DAGE			
28         Intangible         \$40,744           29         Production         371,398           30         Transmission         165,657           31         Distribution         390,133           32         General         61,178           33         Total Plant in Service         0         0         1,029,110           34         ACCUMULATED DEPRECIATION         352,675           35         ACCUM, PROVISION FOR AMORTIZATION         4,472           36         Total Accum, Depreciation & Amort.         0         0         357,147           37         GAIN ON SALE OF BUILDING         (252           38         DEFERRED TAXES         (94,277           39         TOTAL RATE BASE         \$0         \$577,434					
29       Production       371,398         30       Transmission       165,657         31       Distribution       390,133         32       General       61,178         33       Total Plant in Service       0       0       1,029,110         34       ACCUMULATED DEPRECIATION       352,675         35       ACCUM. PROVISION FOR AMORTIZATION       4,472         36       Total Accum. Depreciation & Amort.       0       0       357,147         37       GAIN ON SALE OF BUILDING       (252         38       DEFERRED TAXES       (94,277         39       TOTAL RATE BASE       \$0       \$0       \$577,434	20				\$40.744
30         Transmission         165,657           31         Distribution         390,133           32         General         61,178           33         Total Plant in Service         0         0         1,029,110           34         ACCUMULATED DEPRECIATION         352,675           35         ACCUM. PROVISION FOR AMORTIZATION         4,472           36         Total Accum. Depreciation & Amort.         0         0         357,147           37         GAIN ON SALE OF BUILDING         (252           38         DEFERRED TAXES         (94,277           39         TOTAL RATE BASE         \$0         \$577,434					
31         Distribution         390,133           32         General         61,178           33         Total Plant in Service         0         0         1,029,110           34         ACCUMULATED DEPRECIATION         352,675           35         ACCUM. PROVISION FOR AMORTIZATION         4,472           36         Total Accum. Depreciation & Amort.         0         0         357,147           37         GAIN ON SALE OF BUILDING         (252           38         DEFERRED TAXES         (94,277           39         TOTAL RATE BASE         \$0         \$577,434					
32         General         61,178           33         Total Plant in Service         0         0         1,029,110           34         ACCUMULATED DEPRECIATION         352,675           35         ACCUM, PROVISION FOR AMORTIZATION         4,472           36         Total Accum, Depreciation & Amort.         0         0         357,147           37         GAIN ON SALE OF BUILDING         (252           38         DEFERRED TAXES         (94,277           39         TOTAL RATE BASE         \$0         \$0         \$577,434					
33       Total Plant in Service       0       0       1,029,110         34       ACCUMULATED DEPRECIATION       352,675         35       ACCUM, PROVISION FOR AMORTIZATION       4,472         36       Total Accum, Depreciation & Amort.       0       0       357,147         37       GAIN ON SALE OF BUILDING       (252         38       DEFERRED TAXES       (94,277         39       TOTAL RATE BASE       \$0       \$0       \$577,434					61,178
35         ACCUM. PROVISION FOR AMORTIZATION         4,472           36         Total Accum. Depreciation & Amort.         0         0         357,147           37         GAIN ON SALE OF BUILDING         (252           38         DEFERRED TAXES         (94,277           39         TOTAL RATE BASE         \$0         \$577,434			0	0	1,029,110
35         ACCUM. PROVISION FOR AMORTIZATION         4,472           36         Total Accum. Depreciation & Amort.         0         0         357,147           37         GAIN ON SALE OF BUILDING         (252           38         DEFERRED TAXES         (94,277           39         TOTAL RATE BASE         \$0         \$577,434					
36       Total Accum. Depreciation & Amort.       0       0       357,147         37       GAIN ON SALE OF BUILDING       (252         38       DEFERRED TAXES       (94,277         39       TOTAL RATE BASE       \$0       \$577,434					4,472
37 GAIN ON SALE OF BUILDING       (252)         38 DEFERRED TAXES       (94,277)         39 TOTAL RATE BASE       \$0       \$0       \$577,434			0	n n	357,147
38 DEFERRED TAXES (94,277) 39 TOTAL RATE BASE \$0 \$0 \$577,434			O .		(252)
39 TOTAL RATE BASE \$0 \$0 \$577,434					(94,277)
					0
40 RATE OF RETURN 5.349	39	TOTAL RATE BASE	\$0	\$0	\$577,434
	40	RATE OF RETURN	_		5.34%

(0005	OF DOLLARS)	Win	'H PRESENT RA	TES	WITH PROP	OSED RATES
Γ		Actual Per			Proposed	Pro Forma
Line		Results	Total	Pro Forma	Revenues &	Proposed
No.	DESCRIPTION	Report	Adjustments	Total	Related Exp	Total
	a DEVIENTUES	b	c	d	e	f
1	REVENUES Total General Business	\$88,848	\$2,599	\$91,447	\$2,740	\$94,187
2	Total Transportation	529	(209)	391,447	\$2,740	320
3	Other Revenues	59,962	(59,815)	147		147
4	Total Gas Revenues	149,339	(57,425)		2,740	94,654
	EXPENSES					
5	Exploration and Development					
•	Production					
6	City Gate Purchases	132,107	(65,859)	66,248		66,248
7	Purchased Gas Expense	356	33	389		389
8	Net Nat Gas Storage Trans	(8,926)	8,926	-		0
9	<b>Total Production</b>	123,537	(56,900)	66,637	0	66,637
	Underground Storage					
10	Operating Expenses	167	0	167		167
11	Depreciation	107	29	136		136
12	Taxes	46	.47	93		93
13	Total Underground Storage	320	76	396	0	396
	Distribution					
14	Operating Expenses	3,833	254	4,087		4,087
15	Depreciation	2,807	23	2,830	22	2,830
16 17	Taxes Total Distribution	2,396 9,036	(1,279)	1,117 8,034	33	1,150 8,067
		,,030	(1,002)	0,05 1		•
18	Customer Accounting	1,937	(68)	1,869	7	1,876
19	Customer Service & Information	1,788	(1,538)	250		250
20	Sales Expenses	213	7	220		220
	Administrative & General	4 471			-	5 000
21	Operating Expenses	4,471	531	5,002	7	5,009
22 23	Depreciation Taxes	816 11	359 30	1,175 41		1,175 41
24	Total Admin. & General	5,298	920	6,218	7	6,225
25	Total Gas Expense	142,129	(58,505)	83,624	47	83,671
	10m, 5m 2mp1200		(50,505)	03,021		
26	OPERATING INCOME BEFORE FIT	7,210	1,080	8,290	2,693	10,983
	FEDERAL INCOME TAX					
27	Current Accrual	1,089	670	1,759	943	2,702
28	Deferred FIT	334	3	337		337
29	Amort ITC	(19)	0	(19)	·	(19)
**	NET OPEN ATRIC PLOOP ET		440	(010	<b>A1 760</b>	07.062
30	NET OPERATING INCOME	5,806	\$407	6,213	\$1,750	\$7,963
	RATE BASE: PLANT IN SERVICE					
31	Underground Storage	5,549	3,540	9,089		9,089
32	Distribution Plant	120,449	10,109	130,558		130,558
33	General Plant	11,067	3,175	14,242		14,242
34	Total Plant in Service	137,065	16,824	153,889	0	153,889
	ACCUMULATED DEPRECIATION					
35	Underground Storage	3,080	92	3,172		3,172
36	Distribution Plant	39,978	4,802	44,780		44,780
37	General Plant	3,471	1,665	5,136		5,136
38	Total Accum. Depreciation	46,529	6,559	53,088	0	53,088
39	DEFERRED FIT	0	(15,052)	(15,052)		(15,052)
40	GAS INVENTORY	0	4,824	4,824		4,824
41	GAIN ON SALE OF BUILDING	0	(82)	(82)		(82)
42	TOTAL RATE BASE	90,536	(\$45)	90,491	\$0	\$90,491
43	RATE OF RETURN	6.41%		6.87%		8.80%

#### **AVISTA UTILITIES**

#### ${\bf Calculation\ of\ General\ Revenue\ Requirement}$

#### Idaho - Gas

Line No.	Description	IDAHO
1 .	Pro Forma Rate Base	\$90,491
2	Proposed Rate of Return	8.800%
3	Net Operating Income Requirement	\$7,963
4	Pro Forma Net Operating Income	\$6,213
5	Net Operating Income Deficiency	\$1,750
6	Conversion Factor	0.63878685
7	Revenue Requirement	\$2,740
8	Total General Business Revenues	\$91,767
9	Percentage Revenue Increase	2.99%

#### AVISTA UTILITIES CALCULATION OF CONVERSION FACTOR: IDAHO GAS TWELVE MONTHS ENDED SEPTEMBER 30, 2008

Revenues	1.000000
Expense:	
Uncollectibles (1)	0.002528
Commission Fees (2)	0.002507
Idaho Income Tax (3)	0.012216
Total Expense	0.017251
Net Operating Income Before FIT	0.982749
Federal Inc 35.00%	0.343962
REVENUE CONVERSION FACTOR	0.638787

#### AVISTA UTILITIES GAS RESULTS OF OPERATION IDAHO RESTATED RESULTS

Line		Per Results	Deferred FIT	Deferred Gain on Office	Gas	Weatherization and DSM	Customer	Subtotal
No.	DESCRIPTION a	Report b	Rate Base c	Building d	Inventory e	Investment f	Advances g	Actual -
	•	ŭ	· ·	_	•	-	Ü	
	REVENUES							***
1	Total General Business	\$88,848						\$88,848
2	Total Transportation	529						529
3	Other Revenues	59,962				0	0	59,962 149,339
4	Total Gas Revenues	149,339	0	0	0	. 0	U	149,339
	EXPENSES							
5	Exploration and Development	0						0
	Production							
6	City Gate Purchases	132,107						132,107
7	Purchased Gas Expense	356						356
8.	Net Nat Gas Storage Trans	(8,926)						(8,926
9	Total Production	123,537	0	0	0	0	0	123,537
	Underground Storage							
10	Operating Expenses	167						167
11	Depreciation	107						107
12	Taxes	46						46
13	Total Underground Storage	320	0	0	0	0	0	320
	Distribution							
14	Operating Expenses	3,833						3,833
15	Depreciation	2,807						2,807
16	Taxes	2,396						2,396
17	Total Distribution	9,036	0	0	0	0	0	9,036
10					^	0		1,937
18	Customer Accounting	1,937			. 0	U		1,788
19	Customer Service & Information	1,788						213
20	Sales Expenses	213						213
٠.	Administrative & General	4 451						4,471
21	Operating Expenses	4,471						816
22	Depreciation	816						11
23	Taxes	11				0	0	5,298
24	Total Admin. & General	5,298	0	0	0	0	0	142,129
25	Total Gas Expense	142,129	0_	U	U	V.	· · · · · · · · · · · · · · · · · · ·	142,123
26	OPERATING INCOME BEFORE FIT	7,210	0	0	0	0	0	7,210
	FEDERAL INCOME TAX	.,	_	•				
27	Current Accrual	1,089						1,089
28	Deferred FIT	334						334
29	Amort ITC	(19)						(19
	·							
30	NET OPERATING INCOME	\$5,806	\$0	\$0	\$0	\$0	\$0	\$5,800
	RATE BASE: PLANT IN SERVICE							
31	Underground Storage	5,549						5,549
32	Distribution Plant	120,449				279	(73)	120,655
33	General Plant	11,067					()	11.067
34	Total Plant in Service	137,065	0	0	0	279	(73)	137,271
54	ACCUMULATED DEPRECIATION	137,003	Ū	v	ŭ		(,0)	,
35	Underground Storage	3,080						3,080
36	Distribution Plant	39,978						39,978
37	General Plant	3,471						3,47
38	Total Accum. Depreciation	46,529	0	0	0.	0	0	46,529
39	DEFERRED FIT	0	(14,220)	29				(14,19)
40	GAS INVENTORY	0			4,535			4,535
41	GAIN ON SALE OF BUILDING	0	····	(82)	)			(82
42	TOTAL RATE BASE	\$90,536	(\$14,220)	(\$53)	\$4,535	\$279	(\$73)	\$81,004
43	RATE OF RETURN							7.1

No.   A	Line		Depreciation	Weather Normalization &	Eliminate B & O	Property	Uncollectible	Regulatory Expense
REVENUES		DESCRIPTION			Taxes		Expense	Adjustment
Total Central Basiness		a		i	j	k	1	m
Total Ceneral Business		REVENUES						
Total Gas Revenues	1			\$4,171	\$ (1,572)			
Total Gas Revenues	2	Total Transportation		(200)	(9)			
EXPENSES  Exploration and Development Production  City Gate Purchases  Net Nat Gas Storage Trans  Total Production  Underground Storage  Operating Expenses  Depreciation  Application  Capacity Capacity  Distribution  Lide Operating Expenses  Distribution  Lide Operating Expenses  Depreciation  Capacity Capacity  Depreciation  Capacity Capacity  Lide Operating Expenses  Depreciation  Capacity Capacity  Capacity Capacity  Lide Operating Expenses  Lide Operating Expenses  Sales Expenses  Administrative & General  Operating Expenses  Administrative & General  Operating Expenses  Administrative & General  Operating Expenses  Capacity Capacity  Depreciation  Capacity Capacity  Capacity Cap		Other Revenues						
Exploration and Development   Production	4	Total Gas Revenues	0	(54,784)	(1,581)	0	0	0
Production		EXPENSES						
City Gate Purchases   (65,859)   For Purchased Gas Expense   Security   Sec	5							
Purchased Gas Expense								
Net Nat Gas Storage Trans				(65,859)				
Total Production				0.007				
Underground Storage							0	0
10	9		U	(30,933)	U	U		
11	10							
Taxes			(6)					
Total Underground Storage		•	(0)			(7)		
Distribution   14   Operating Expenses   15   Depreciation   (26)   45   (1,581)   168   168   17   Total Distribution   (26)   45   (1,581)   168   18   Customer Accounting   10   0   0   0   0   0   0   0   0		· · · · · · · · · · · · · · · · · · ·	(6)	0	0		0	0
14   Operating Expenses   15   Depreciation   (26)			(-)	_		( )		
15	14							
16	15		(26)					
10	16	Taxes		45	(1,581)		2	
Customer Service & Information	17	Total Distribution	(26)	45	(1,581)	168	2	0
Customer Service & Information	18	Customer Accounting		10	0		(127)	. 0
Sales Expenses								
11   22   Depreciation   (6)   (7)   (1)   (1)   (2)   (2)   (38)   (38,413)   (1,581)   (1,58								
Depreciation   (6)   (1)		Administrative & General						
Taxes	21	Operating Expenses		11				13
Total Admin. & General   (6)	22	Depreciation	(6)					
25 Total Gas Expense   (38) (58,413) (1,581)   160	23	Taxes						ing a through the same
26 OPERATING INCOME BEFORE FIT   38   3,629   0   (160)   FEDERAL INCOME TAX   27   Current Accrual   13   1,270   (56)   28   Deferred FIT   29   Amort ITC							0	13
FEDERAL INCOME TAX  27	25	Total Gas Expense	(38)	(58,413)	(1,581)	160	(125)	13
FEDERAL INCOME TAX  27	26	OPERATING INCOME BEFORE FIT	38	3.629	0	(160)	125	(13)
13				-,		` ′		
Deferred FIT	27		13	1,270		(56)	44	(5)
RATE BASE: PLANT IN SERVICE	28	Deferred FIT						
RATE BASE: PLANT IN SERVICE  31	29	Amort ITC	· · · · · · · · · · · · · · · · · · ·					
31	30	NET OPERATING INCOME	\$25	\$2,359	\$0	(\$104)	\$81	(\$8)
31		RATE BASE: PLANT IN SERVICE						
Distribution Plant   General Plant	31							
33   General Plant   Total Plant in Service   0   0   0   0   0								
Total Plant in Service   0   0   0   0								
ACCUMULATED DEPRECIATION  35			0	0	0	0	0	. 0
36 Distribution Plant  37 General Plant  38 Total Accum. Depreciation 0 0 0 0 0  39 DEFERRED FIT  40 GAS INVENTORY  41 GAIN ON SALE OF BUILDING								
37 General Plant 38 Total Accum. Depreciation 0 0 0 0 39 DEFERRED FIT 40 GAS INVENTORY 41 GAIN ON SALE OF BUILDING	35	Underground Storage						
38         Total Accum. Depreciation         0         0         0         0           39         DEFERRED FIT         40         GAS INVENTORY         41         GAIN ON SALE OF BUILDING         41         GAIN ON	36	Distribution Plant						
38         Total Accum. Depreciation         0         0         0         0           39         DEFERRED FIT         40         GAS INVENTORY         41         GAIN ON SALE OF BUILDING         41         GAIN ON	37	General Plant						
39 DEFERRED FIT 40 GAS INVENTORY 41 GAIN ON SALE OF BUILDING			0	0	0	0	0	0
41 GAIN ON SALE OF BUILDING		DEFERRED FIT						
	40							
42 TOTAL RATE BASE \$0 \$0 \$0 \$0	41	GAIN ON SALE OF BUILDING				·		
	42	TOTAL PATE BASE	¢ስ	¢n.	\$0	<b>\$</b> ∩	\$0	\$0
43 RATE OF RETURN					ΨΟ			

Line		Injuries and		Eliminate A/R	Misc. Restating	Restate Debt	Restated	Pro Forma Labor
No.	DESCRIPTION	Damages	FIT	Expenses	Adjs	Interest	Total	Non-Exec
	а	n	o	p	q	r	•	PF1
	REVENUES							
1	Total General Business						\$91,447	
2	Total Transportation						320	
3	Other Revenues				-		1,207	
4	Total Gas Revenues	0	0	0	0	0	92,974	0
	EXPENSES							
5	Exploration and Development Production						0	
6	City Gate Purchases						66,248	
7	Purchased Gas Expense						356	12
8	Net Nat Gas Storage Trans						0	
9	Total Production	0	0	0	0	0	66,604	12
	Underground Storage							
10	Operating Expenses						167	
. 11	Depreciation						101	
12	Taxes						39	
13	Total Underground Storage Distribution	0	0	0	0	0	307	
14	Operating Expenses						3,833	139
15	Depreciation						2,781	
16	Taxes			1	1		1,032	(3
17	Total Distribution	0	0	i	i	0	7,646	136
18	Customer Accounting			(43)			1,777	52
19	Customer Service & Information			(43)			242	4
20	Sales Expenses						213	4
	Administrative & General							
21	Operating Expenses	(1)			(48)		4,446	67
22	Depreciation						810	
23	Taxes						10	
24	Total Admin. & General	(1)	0	0	(48)	0	5,266	67
25	Total Gas Expense	(1)	0	(42)	(47)	0	82,055	275
26	OPERATING INCOME BEFORE FIT FEDERAL INCOME TAX	1	0	42	47	0	10,919	(275
27	Current Accrual		(13)	15	16	292	2,665	(96
28	Deferred FIT		3				337	
29	Amort ITC						(19)	
30	NET OPERATING INCOME	\$1	\$10	\$27	\$31	(\$292)	\$7,936	(\$179
	RATE BASE: PLANT IN SERVICE							
31	Underground Storage						5,549	
32	Distribution Plant						120,655	
33	General Plant						11,067	
34	Total Plant in Service	0	0	0	0	0	137,271	. (
2.5	ACCUMULATED DEPRECIATION						3,080	
35 36	Underground Storage Distribution Plant						39,978	
							2.471	
37	General Plant						3,471	
38	Total Accum. Depreciation	0	0	0	0	0	46,529	
39	DEFERRED FIT						(14,191)	
40	GAS INVENTORY						4,535	
41	GAIN ON SALE OF BUILDING	<del> </del>					(82)	
42	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$81,004	\$(

# AVISTA UTILITIES GAS RESULTS OF OPERATION IDAHO RESTATED RESULTS

Line No.	DESCRIPTION	Pro Forma Labor Exec	Pro Forma Capital Add 2008	Pro Forma Capital Add 2009	Pro Forma Information Services	Pro Forma Incentives	Pro Forma JP Storage
140.	a DESCRIPTION	PF2	PF3	PF4	PF5	PF6	PF7
	<u>.</u>	***	•••				
	REVENUES						
1	Total General Business						
2	Total Transportation						(1,060)
3 4	Other Revenues Total Gas Revenues	0	0	0	0	0	(1,060)
4	Total Gas Revenues	U	U	v	V	Ü	(1,000)
	EXPENSES						
5	Exploration and Development						
	Production						
6	City Gate Purchases						
7	Purchased Gas Expense	1					
8	Net Nat Gas Storage Trans				0	0	0
9	Total Production	1	0	0	U	. 0	v
10	Underground Storage Operating Expenses						
11	Depreciation		(33)	4			64
12	Taxes		(33)	1			53
13	Total Underground Storage	0	(33)	5	0	0	117
	Distribution		` ,				
14	Operating Expenses						
15	Depreciation		(222)	32			
16	Taxes		1	17	\$ (2)	(1)	(14)
17	Total Distribution	0	(221)	49	(2)	(1)	(14)
10	Contamon Associating						(3)
18 19	Customer Accounting Customer Service & Information						(3)
20	Sales Expenses						
20	Administrative & General						
21	Operating Expenses	31			\$157	73	(3)
22	Depreciation		145	220			
23	Taxes			31			
24	Total Admin. & General	31	145	251	157	. 73	(3)
25	Total Gas Expense	32	(109)	305	155	72	97
26	ODED ATDIO DIGONE DEFONE FIT	(22)	100	(205)	(155)	(72)	(1,157)
26	OPERATING INCOME BEFORE FIT	(32)	109	(305)	(155)	(72)	(1,157)
27	FEDERAL INCOME TAX Current Accrual	(11)	38	(107)	\$ (54)	(25)	(405)
28	Deferred FIT	(11)	36	(107)	\$ (34)	(25)	(100)
29	Amort ITC						
		******					
30	NET OPERATING INCOME	(\$21)	\$71	(\$198)	(\$101)	(\$47)	(\$752)
	RATE BASE: PLANT IN SERVICE						#2 #20
31	Underground Storage		\$ (67)	\$77			\$3,530
32	Distribution Plant		2,068	1,428			
33	General Plant		996	2,179	0	0	3,530
34	Total Plant in Service	0	2,997	3,684	U	U	3,330
25	ACCUMULATED DEPRECIATION		(85)	70			77
35 36	Underground Storage Distribution Plant		(55) 1,995	2,578			,,
30	Distribution Flant						
37	General Plant		605	1,060			
38	Total Accum. Depreciation	0	2,545	3,708	0	0	77
39	DEFERRED FIT		(7)	(667)			(151)
40	GAS INVENTORY						289
41	GAIN ON SALE OF BUILDING						
						,	
42	TOTAL RATE BASE	\$0	\$445	(\$691)	\$0	\$0	\$3,591
43	RATE OF RETURN						

Line		Pro Forma ID AMR	Pro Forma Employee	Pro Forma Insurance	Pro Forma
No.	DESCRIPTION a	PF8	Benefits PF9	PF10	Total -
	<b>.</b>	110	117	1110	
	REVENUES				
1	Total General Business				\$91,447
2	Total Transportation				320
3 .	Other Revenues	0	0	0	91,914
4	Total Gas Revenues	U	U	Ū	91,914
	EXPENSES				
5	Exploration and Development				. 0
	Production				
6	City Gate Purchases				66,248
7	Purchased Gas Expense		20		389
8	Net Nat Gas Storage Trans				0
9	Total Production	0	20	0	66,637
	Underground Storage				167
10	Operating Expenses				136
11	Depreciation				93
12	Taxes	0	0	0	396
13	Total Underground Storage Distribution	U	U	U	
14	Operating Expenses		115		4.087
15	Depreciation	239	110		2,830
16	Taxes	92	(5)		1,117
17	Total Distribution	331	110	0	8,034
18	Customer Accounting		43		1,869
19	Customer Service & Information		4		250
20	Sales Expenses		3		220
	Administrative & General				
21	Operating Expenses		193	38	5,002
22	Depreciation				1,175
23	Taxes				41
24	Total Admin. & General	0_	193	38	6,218
25	Total Gas Expense	331	373	38	83,624
26	ODED ATING INCOME DESCRIPTION	(221)	(272)	(38)	8,290
26	OPERATING INCOME BEFORE FIT FEDERAL INCOME TAX	(331)	(373)	(36)	0,270
27	Current Accrual	(102)	(131)	(13)	1,759
28	Deferred FIT	(102)	(131)	(10)	337
29	Amort ITC				(19)
					······································
. 30	NET OPERATING INCOME	(\$229)	(\$242)	(\$25)	\$6,213
	RATE BASE: PLANT IN SERVICE				0.000
31	Underground Storage	/ 40=			9,089 130,558
32	Distribution Plant	6,407			
33	General Plant	6 407	0	0	14,242 153,889
34	Total Plant in Service ACCUMULATED DEPRECIATION	6,407	U	V	133,667
35	Underground Storage				3,172
36	Distribution Plant	229			44,780
					•
37	General Plant				5,136
38	Total Accum. Depreciation	229	0	0	53,088
39	DEFERRED FIT	(36)			(15,052)
40	GAS INVENTORY				4,824
41	GAIN ON SALE OF BUILDING				(82)
			,		***
42	TOTAL RATE BASE	\$6,142	\$0	\$0	\$90,491
43	RATE OF RETURN				6.87%