

THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. ____

Form 2 Approved
OMB No. 1902-0028
(Expires 6/30/2007)
Form 3-Q: Approved
OMB No. 1902-0205
(Expires 6/30/2007)

AVU-6



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FEDERAL ENERGY REGULATORY COMMISSION

FERC FINANCIAL REPORT

FERC FORM No. 2: Annual Report of Major Natural Gas Companies and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Natural Gas Act, Sections 10(a), and 16 and 18 CFR Parts 260.1 and 260.300. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of a confidential nature.

Exact Legal Name of Respondent (Company)

Avista Corporation

Year/Period of Report

End of 2006/Q4

**FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER**

IDENTIFICATION

| | | | |
|---|---|--|---|
| 01 Exact Legal Name of Respondent Avista Corporation | | 02 Year/Period of Report End of <u>2006/Q4</u> | |
| 03 Previous Name and Date of Change (if name changed during year) / / | | | |
| 04 Address of Principal Office at End of Period (Street, City, State, Zip Code) 1411 East Mission Avenue, Spokane, WA, 99202 | | | |
| 05 Name of Contact Person M. K. Malquist | | 06 Title of Contact Person Executive VP and CFO | |
| 07 Address of Contact Person (Street, City, State, Zip Code) 1411 East Mission Avenue, Spokane, WA, 99202 | | | |
| 08 Telephone of Contact Person, Including Area Code (509) 495-8000 | 09 This Report Is (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | 10 Date of Report (Mo, Da, Yr) 04/18/2007 |

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

| | | |
|----------------------------------|--|--|
| 01 Name M. K. Malquist | 03 Signature  M. K. Malquist | 04 Date Signed (Mo, Da, Yr) 04/18/2007 |
| 02 Title Executive VP and CFO | | |

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

| | | | |
|------------------------------------|---|--|------------------------------|
| Name of Respondent Avista Corp. | This report is: <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year Ending Dec. 31, 2006 |
|------------------------------------|---|--|------------------------------|

List of Schedules (Natural Gas Company)

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

| Line No. | Title of Schedule (a) | Reference Page No. (b) | Date Revised (c) | Remarks (d) |
|----------|--|---------------------------|---------------------|-----------------|
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| 14 | Gas Property and Capacity Leased from Others | 212 | | N/A |
| 15 | Gas Property and Capacity Leased to Others | 213 | | N/A |
| 16 | Gas Plant Held for Future Use | 214 | | N/A |
| 17 | Construction Work in Progress-Gas | 216 | | |
| 18 | General Description of Construction Overhead Procedure | 218 | | N/A |
| 19 | Accumulated Provision for Depreciation of Gas Utility Plant | 219 | | |
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| | BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits) | | | |
| 29 | Capital Stock | 250-251 | | |
| 30 | Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock | 252 | | N/A |
| 31 | Other Paid-in Capital | 253 | | N/A |
| 32 | Discount on Capital Stock | 254 | | N/A |
| 33 | Capital Stock Expense | 254(b) | | |
| 34 | Securities issued or Assumed and Securities Refunded or Retired During the Year | 255 | | N/A |
| 35 | Long-Term Debt | 256-257 | | |
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| | | | |
|------------------------------------|---|--|------------------------------|
| Name of Respondent Avista Corp. | This report is: <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year Ending Dec. 31, 2006 |
|------------------------------------|---|--|------------------------------|

List of Schedules (Natural Gas Company)

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

| Line No. | Title of Schedule (a) | Reference Page No. (b) | Date Revised (c) | Remarks (d) |
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| 48 | Revenues from Transportation of Gas of Others Through Transmission Facilities | 304-305 | | N/A |
| 49 | Revenues from Storage Gas of Others | 306-307 | | N/A |
| 50 | Other Gas Revenues | 308 | | N/A |
| 51 | Gas Operation and Maintenance Expenses | 320-325 | | |
| 52 | Exchange and Imbalance Transactions | 328 | | N/A |
| 53 | Gas Used in Utility Operations | 331 | | N/A |
| 54 | Transmission and Compression of Gas by Others | 332 | | N/A |
| 55 | Other Gas Supply Expenses | 334 | | |
| 56 | Miscellaneous General Expenses-Gas | 335 | | |
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| 58 | Particulars Concerning Certain Income Deduction and Interest Charges Accounts | 340 | | |
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| 63 | Gas Storage Projects | 512-513 | | |
| 64 | Transmission Lines | 514 | | |
| 65 | Transmission System Peak Deliveries | 518 | | N/A |
| 66 | Auxiliary Peaking Facilities | 519 | | |
| 67 | Gas Account-Natural Gas | 520 | | |
| 68 | System Map | 522 | | N/A |
| 69 | Footnote Reference | 551 | | shown as 450 |
| 70 | Footnote Text | 552 | | shown as 450 |
| 71 | Stockholder's Reports (check appropriate box) | | | |
| | <input checked="" type="checkbox"/> Four copies will be submitted <input type="checkbox"/> No annual report to stockholders is prepared | | | |

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|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

M. K. Malquist, Executive Vice President and Chief Financial Officer
1411 E. Mission Avenue
Spokane, WA 99202

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

State of Washington, Incorporated March 15, 1889

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not Applicable

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Electric service in the states of Washington, Idaho and Montana

Natural gas service in the states of Washington, Idaho and Oregon

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

- (1) Yes...Enter the date when such independent accountant was initially engaged:
(2) No

| | | | |
|--|---|--|---|
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|--|---|--|---|

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

Definitions

1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

| Line No. | Name of Company Controlled (a) | Kind of Business (b) | Percent Voting Stock Owned (c) | Footnote Ref. (d) |
|----------|--|--------------------------------|-----------------------------------|----------------------|
| 1 | Avista Capital, Inc. | Parent company to the | 100 | |
| 2 | | Company's subsidiaries. | | |
| 3 | | | | |
| 4 | Advantage IQ, Inc. (formerly Avista Advantage) | Provider of utility bill | 99.95 | Subsidiary of |
| 5 | | processing, payment and | | Avista Capital |
| 6 | | information services to multi | | |
| 7 | | site customers in North Amer. | | |
| 8 | | | | |
| 9 | Avista Communications, Inc. | Telecommunications | 100 | Inactive |
| 10 | | | | Subsidiary of |
| 11 | | | | Avista Capital |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | | | | |
| 16 | Avista Development, Inc. | Nonoperating company which | 100 | Subsidiary of |
| 17 | | maintains an investment | | Avista Ventures |
| 18 | | portfolio of real estate and | | |
| 19 | | other investments. | | |
| 20 | | | | |
| 21 | Avista Energy, Inc. | Wholesale electricity and | 99.9 | Subsidiary of |
| 22 | | natural gas trading, marketing | | Avista Capital |
| 23 | | and resource management. | | |
| 24 | | | | |
| 25 | Avista Laboratories, Inc. | Holds a cost based investment | 100 | |
| 26 | | in a fuel cell technology | | Inactive subsidiary |
| 27 | | company. | | of Avista Capital. |

| | | | |
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|----------|--|-------------------------------|-----------------------------------|----------------------|
| 1 | | | | |
| 2 | Avista Power, LLC | Owns non-regulated generation | 100 | Subsidiary of |
| 3 | | assets. | | Avista Capital |
| 4 | | | | |
| 5 | Avista Turbine Power, Inc. | Receives assignments of | 100 | Subsidiary of |
| 6 | | purchase power agreements. | | Avista Power |
| 7 | | | | |
| 8 | Avista Rathdrum, LLC | Owned 49 percent of Rathdrum | 100 | Subsidiary of |
| 9 | | Power, LLC (sold 10/2006) | | Avista Power |
| 10 | | | | |
| 11 | Avista Ventures, Inc. | Invests in emerging business. | 100 | Subsidiary of |
| 12 | | Parent of Avista Development | | Avista Capital |
| 13 | | and Pentzer Corporation | | |
| 14 | | | | |
| 15 | Pentzer Corporation | Parent company of Advanced | 100 | Subsidiary of |
| 16 | | Manufacturing and | | Avista Ventures |
| 17 | | Development. | | |
| 18 | | | | |
| 19 | Advanced Manufacturing and Development, Inc. | Performs custom sheet metal | 93 | Subsidiary of |
| 20 | | manufacturing of electronic | | Pentzer Corporation |
| 21 | | enclosures, parts and systems | | |
| 22 | | for the computer, telecom and | | |
| 23 | | medical industries. AM&D | | |
| 24 | | also has a wood products | | |
| 25 | | division. | | |
| 26 | | | | |
| 27 | Avista Receivables Corporation | Acquires and sells accounts | 100 | |

| | | | |
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|----------|-----------------------------------|-------------------------------|-----------------------------------|----------------------|
| 1 | | receivable of Avista Corp. | | |
| 2 | | | | |
| 3 | Avista Energy Canada, Ltd. | A wholly owned subsidiary of | 100 | Subsidiary of |
| 4 | | Avista Energy, Inc. that | | Avista Energy |
| 5 | | provides natural gas service | | |
| 6 | | to approximately 250 | | |
| 7 | | individual customers in | | |
| 8 | | British Columbia, Canada | | |
| 9 | | | | |
| 10 | Rathdrum Power, LLC | Developed and owns an | 49 (sold 10/2006) | Sold in October 2006 |
| 11 | | electric generation asset. | | |
| 12 | | | | |
| 13 | Coyote Springs 2, LLC | Inactive. | 100 | |
| 14 | | | | |
| 15 | | | | |
| 16 | | | | |
| 17 | Spokane Energy, LLC | Marketing of energy. | 100 | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| 21 | Avista Capital II | An affiliated business trust | 100 | |
| 22 | | formed by the Company. | | |
| 23 | | Issued Pref. Trust Securities | | |
| 24 | | | | |
| 25 | AVA Capital Trust III | An affiliated business trust | 100 | |
| 26 | | formed by the Company. | | |
| 27 | | Issued Pref. Trust Securities | | |

| | | | |
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| Line No. | Name of Company Controlled (a) | Kind of Business (b) | Percent Voting Stock Owned (c) | Footnote Ref. (d) |
|----------|-----------------------------------|------------------------------|-----------------------------------|-----------------------|
| 1 | | | | |
| 2 | Steam Plant Square, LLC | Commercial office and retail | 90 | Subsidiary of |
| 3 | | leasing. | | Avista Development |
| 4 | | | | |
| 5 | Courtyard Office Center | Commercial office and retail | 100 | Subsidiary of |
| 6 | | leasing. | | Avista Development |
| 7 | | | | |
| 8 | AVA Formation Corp. | Holding Company | 100 | Formed in 2006 for th |
| 9 | | | | purpose of completing |
| 10 | | | | proposed statutory |
| 11 | | | | share exchange and |
| 12 | | | | holding company |
| 13 | | | | structure. Currently |
| 14 | | | | a subsidiary of |
| 15 | | | | Avista Corp. |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
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|------------------------------------|---|--|---------------------------------|

Security Holders and Voting Powers

1. Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes that each could cast on that date if a meeting were held. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the company did not close the stock book or did not compile a list of stockholders within one year prior to the end of the year, or if since it compiled the previous list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement how such security became vested with voting rights and give other important details concerning the voting rights of such security. State whether voting rights are actual or contingent; if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish details concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants or rights. Specify the amount of such securities or assets any officer, director, associated company, or any of the 10 largest security holders is entitled to purchase. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants, or rights were issued prorata basis.

| | | |
|--|---|--|
| 1. Give date of the latest closing of the stock book prior to end of year, and in a footnote, state the purpose of such closing: November 30, 2006 to pay the December 15, 2006 dividend. | 2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy. Total: 42,419,290 By Proxy: 42,419,290 | 3. Give the date and place of such meeting: May 11, 2006 Spokane, Washington |
|--|---|--|

| Line No. | Name (Title) and Address of Security Holder (a) | VOTING SECURITIES | | | |
|---|---|-------------------|------------------|---------------------|-----------|
| | | Total Votes (b) | Common Stock (c) | Preferred Stock (d) | Other (e) |
| 4. Number of votes as of (date): 11/30/2006 | | | | | |
| 5 | TOTAL votes of all voting securities | 48,807,006 | 48,807,006 | | |
| 6 | TOTAL number of security holders | 14,270 | 14,270 | | |
| 7 | TOTAL votes of security holders listed below | 344,497 | 344,497 | | |
| 8 | | | | | |
| 9 | D&H Properties LP, Coeur d'Alene, ID | 77,646 | 77,646 | | |
| 10 | Gary Gail Ely, Liberty Lake, WA | 65,218 | 65,218 | | |
| 11 | Margaret Anne Bronson Trust, Akron, OH | 55,000 | 55,000 | | |
| 12 | Alfred C. Glassell, Jr., Houston, TX | 30,028 | 30,028 | | |
| 13 | David J. Meyer, Spokane, WA | 23,098 | 23,098 | | |
| 14 | Kay Kobayashi, Los Angeles, CA | 22,092 | 22,092 | | |
| 15 | Ernest C. Gosnay Jr. & Marie K. Gosnay TRS, Spokane, WA | 20,011 | 20,011 | | |
| 16 | Robert Eugene Young, Washougal, WA | 20,000 | 20,000 | | |
| 17 | Edmund M. Reeck Tr U/A Dtd 06/16/98, Salem, OR | 15,962 | 15,962 | | |
| 18 | Thomas A. Lowe & Kathleen B. Lowe, Satellite Beach, FL | 15,442 | 15,442 | | |
| 19 | | | | | |
| 20 | | | | | |

| | | | |
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|--|---|------------------------------|--|

IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION.

| | | | |
|---|--|----------------------------|-----------------------|
| Name of Respondent | This Report is: | Date of Report | Year/Period of Report |
| Avista Corporation | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | (Mo, Da, Yr) 04/18/2007 | 2006/Q4 |
| IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued) | | | |

1. None.
2. None.
3. None.
4. None.
5. None.

6. Avista Receivables Corporation (ARC) is a wholly owned, bankruptcy-remote subsidiary of Avista Corp. formed for the purpose of acquiring or purchasing interests in certain accounts receivable, both billed and unbilled, of the Company. On March 20, 2006, Avista Corp., ARC and a third-party financial institution amended a Receivables Purchase Agreement. The most significant amendment was to extend the termination date from March 21, 2006 to March 20, 2007. Under the Receivables Purchase Agreement, ARC can sell without recourse, on a revolving basis, up to \$85.0 million of those receivables. ARC is obligated to pay fees that approximate the purchaser's cost of issuing commercial paper equal in value to the interests in receivables sold. On a consolidated basis, the amount of such fees is included in other operating expenses of Avista Corp. At each of December 31, 2006 and 2005, \$85.0 million in accounts receivables were sold under this revolving agreement.

On April 6, 2006, the Company amended its committed line of credit agreement with various banks. The committed line of credit was originally entered into on December 17, 2004. Amendments to the committed line of credit include a reduction in the total amount of the facility to \$320.0 million from \$350.0 million and an extension of the expiration date to April 5, 2011 from December 16, 2009. The Company chose to reduce the facility based on forecasted liquidity needs. Under the amended credit agreement, the Company can request the issuance of up to \$320.0 million in letters of credit, an increase from \$150.0 million prior to the amendment. As of December 31, 2006 and December 31, 2005, the Company had \$4.0 million and \$63.0 million, respectively, of borrowings outstanding. Total letters of credit outstanding were \$77.1 million as of December 31, 2006 and \$44.1 million as of December 31, 2005. The amended committed line of credit is secured by \$320.0 million of non-transferable First Mortgage Bonds of the Company issued to the agent bank that would only become due and payable in the event, and then only to the extent, that the Company defaults on its obligations under the committed line of credit.

During December 2006, the Company issued \$150.0 million of 5.70 percent First Mortgage Bonds due in 2037. The proceeds from the issuance were used to legally defease \$150.0 million of First Mortgage Bonds that were scheduled to mature on January 1, 2007. This debt issuance was approved by the respective regulatory commissions as follows: WUTC (Docket No. UE-061688 Order No. 1); IPUC (Case No. AVU-U-06-02 Order No. 30150); and OPUC (Docket UF 4230 Order No. 06-583).

In December 2006, the Company issued 3,162,500 shares of common stock through an underwriter and received net proceeds of \$77.7 million. This issuance was approved by the respective regulatory commissions as follows: WUTC (Docket UE-060537 Order 01); OPUC (Docket UF 4225 Order No. 06-358); and IPUC (Case No. AVU-U-06-1 Order No. 30036).

Also, in December 2006, the Company entered into a sales agency agreement with a sales agent, to issue up to 2 million shares of its common stock from time to time.

7. No changes in articles of incorporation or amendments to charter. On August 16, 2006, the Bylaws of Avista Corporation were amended. Specifically, section 2 of Article III of the Bylaws of Avista Corporation has been changed with respect to the number of directors of the Corporation. Section 2 of Article III, which previously stated that "the number of directors of the Corporation shall be eleven," has been amended to state "the number of directors of the Corporation shall be no more than eleven."

On November 9, 2006, the Bylaws of Avista Corporation were amended. Specifically, section 2 of Article III of the Bylaws of Avista Corporation has been changed with respect to the number of directors of the Corporation. Section 2 of Article III, which previously stated that "the number of directors of the Corporation shall be no more than eleven," has been amended to state "the number of Directors of the Corporation shall be as fixed from time to time by resolution of the Board of Directors, but shall not be more than eleven."

8. Average annual wage increases were 2.4% during 2006 for non-exempt personnel. Average annual wage increases were 3.1% for exempt employees during 2006. Average annual wage increases were 4.0% for officers during

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|---|--|----------------------------|-----------------------|
| Name of Respondent | This Report is: | Date of Report | Year/Period of Report |
| Avista Corporation | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | (Mo, Da, Yr) 04/18/2007 | 2006/Q4 |
| IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued) | | | |

2006. Bargaining unit employees increases were 3.0%.

9. Reference is made to Note 23 of Notes to Financial Statements, page 123 of this Report.
10. None.
11. Reserved
12. See page 123 of this Report.
13. On January 6, 2006, Avista Corp. announced the appointment of Christy Burmeister-Smith as vice president and treasurer and Ann Wilson as vice president and controller. Christy Burmeister-Smith previously was vice president and controller of the Company since June 1999. Ann Wilson previously was vice president and controller of Avista Energy, Inc., a subsidiary of the Company, since January 2000.

On May 12, 2006, the Board of Directors of Avista Corp. named Scott L. Morris as president and chief operating officer of Avista Corp. Mr. Morris previously was Avista Corp. senior vice president and president of Avista Utilities. Gary G. Ely previously president of Avista Corp., will remain as chairman of the board and chief executive officer. In addition, the board named senior vice president and chief financial officer Malyn K. Malquist to the position of executive vice president and chief financial officer for the Company.

David A. Clack did not stand for re-election and retired at the annual meeting of shareholders on May 11, 2006. Mr. Clack served on the Company's Board of Directors for 18 years and retired because he reached the mandatory retirement age for directors as provided for in the Company's bylaws.

Heidi B. Stanley was elected as a director at the annual meeting of shareholders on May 11, 2006 for a three-year term to expire at the annual meeting of shareholders in 2009. Ms. Stanley has served as Director, Vice Chair and Chief Operating Officer of Sterling Savings Bank since October 2003. In her 20-year career in banking, she has held progressively responsible positions of leadership.

On June 22, 2006, Jessie J. Knight, Jr. provided written notification to Avista Corp. of his resignation from Avista Corp.'s board of directors due to the fact that Mr. Knight has accepted a position as an executive officer of another public utility company.

James M. Kensok was named Vice President and Chief Information Officer effective January 1, 2007. Mr. Kensok joined Avista in 1996 as an internal information systems auditor. He has held positions as manager and director of information systems and chief security officer, and he has been the Chief Information Officer since February 2001.

On February 9, 2007, Gary G. Ely, Chairman of the Board and Chief Executive Officer of Avista Corp., announced to the Company's board of directors, that he will retire from the Company and the board effective December 31, 2007. Following Mr. Ely's announcement, the Company's board of directors appointed Scott L. Morris, President and Chief Operating Officer of Avista Corp., to serve as a director on the board. The Company's board of directors also elected Mr. Morris to the positions of Chairman of the Board and Chief Executive Officer of Avista Corp. effective January 1, 2008.

14. Proprietary capital is not less than 30 percent.

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

| Line No. | Title of Account (a) | Ref. Page No. (b) | Current Year End of Quarter/Year Balance (c) | Prior Year End Balance 12/31 (d) |
|-----------|---|----------------------|---|---|
| 1 | UTILITY PLANT | | | |
| 2 | Utility Plant (101-106, 114) | 200-201 | 2,938,456,395 | 2,847,042,774 |
| 3 | Construction Work in Progress (107) | 200-201 | 89,177,799 | 55,887,059 |
| 4 | TOTAL Utility Plant (Enter Total of lines 2 and 3) | | 3,027,634,194 | 2,902,929,833 |
| 5 | (Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115) | 200-201 | 1,024,356,307 | 971,551,338 |
| 6 | Net Utility Plant (Enter Total of line 4 less 5) | | 2,003,277,887 | 1,931,378,495 |
| 7 | Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1) | 202-203 | 0 | 0 |
| 8 | Nuclear Fuel Materials and Assemblies-Stock Account (120.2) | | 0 | 0 |
| 9 | Nuclear Fuel Assemblies in Reactor (120.3) | | 0 | 0 |
| 10 | Spent Nuclear Fuel (120.4) | | 0 | 0 |
| 11 | Nuclear Fuel Under Capital Leases (120.6) | | 0 | 0 |
| 12 | (Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5) | 202-203 | 0 | 0 |
| 13 | Net Nuclear Fuel (Enter Total of lines 7-11 less 12) | | 0 | 0 |
| 14 | Net Utility Plant (Enter Total of lines 6 and 13) | | 2,003,277,887 | 1,931,378,495 |
| 15 | Utility Plant Adjustments (116) | 122 | 0 | 0 |
| 16 | Gas Stored Underground - Noncurrent (117) | | 0 | 0 |
| 17 | OTHER PROPERTY AND INVESTMENTS | | | |
| 18 | Nonutility Property (121) | | 4,670,391 | 4,142,727 |
| 19 | (Less) Accum. Prov. for Depr. and Amort. (122) | | 878,680 | 858,924 |
| 20 | Investments in Associated Companies (123) | | 13,903,000 | 13,903,000 |
| 21 | Investment in Subsidiary Companies (123.1) | 224-225 | 247,190,561 | 237,737,798 |
| 22 | (For Cost of Account 123.1, See Footnote Page 224, line 42) | | | |
| 23 | Noncurrent Portion of Allowances | 228-229 | 0 | 0 |
| 24 | Other Investments (124) | | 31,166,335 | 33,701,281 |
| 25 | Sinking Funds (125) | | 0 | 0 |
| 26 | Depreciation Fund (126) | | 0 | 0 |
| 27 | Amortization Fund - Federal (127) | | 0 | 0 |
| 28 | Other Special Funds (128) | | 13,360,954 | 14,049,946 |
| 29 | Special Funds (Non Major Only) (129) | | 0 | 0 |
| 30 | Long-Term Portion of Derivative Assets (175) | | 25,574,531 | 46,731,530 |
| 31 | Long-Term Portion of Derivative Assets - Hedges (176) | | 0 | 0 |
| 32 | TOTAL Other Property and Investments (Lines 18-21 and 23-31) | | 334,987,092 | 349,407,358 |
| 33 | CURRENT AND ACCRUED ASSETS | | | |
| 34 | Cash and Working Funds (Non-major Only) (130) | | 0 | 0 |
| 35 | Cash (131) | | -3,021,873 | -3,602,512 |
| 36 | Special Deposits (132-134) | | 4,042,325 | 5,408,468 |
| 37 | Working Fund (135) | | 684,345 | 726,275 |
| 38 | Temporary Cash Investments (136) | | 667,445 | 513,042 |
| 39 | Notes Receivable (141) | | 0 | 39,569 |
| 40 | Customer Accounts Receivable (142) | | 89,325,500 | 101,478,486 |
| 41 | Other Accounts Receivable (143) | | 9,714,601 | 9,041,055 |
| 42 | (Less) Accum. Prov. for Uncollectible Acct.-Credit (144) | | 2,730,352 | 3,227,916 |
| 43 | Notes Receivable from Associated Companies (145) | | 7,198,865 | 39,321,130 |
| 44 | Accounts Receivable from Assoc. Companies (146) | | 1,465,217 | 0 |
| 45 | Fuel Stock (151) | 227 | 2,121,931 | 3,773,050 |
| 46 | Fuel Stock Expenses Undistributed (152) | 227 | 0 | 0 |
| 47 | Residuals (Elec) and Extracted Products (153) | 227 | 0 | 0 |
| 48 | Plant Materials and Operating Supplies (154) | 227 | 14,019,070 | 12,006,429 |
| 49 | Merchandise (155) | 227 | 0 | 0 |
| 50 | Other Materials and Supplies (156) | 227 | 0 | 0 |
| 51 | Nuclear Materials Held for Sale (157) | 202-203/227 | 0 | 0 |
| 52 | Allowances (158.1 and 158.2) | 228-229 | 0 | 0 |

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|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

| Line No. | Title of Account (a) | Ref. Page No. (b) | Current Year End of Quarter/Year Balance (c) | Prior Year End Balance 12/31 (d) |
|----------|---|----------------------|---|---|
| 53 | (Less) Noncurrent Portion of Allowances | | 0 | 0 |
| 54 | Stores Expense Undistributed (163) | 227 | 0 | 0 |
| 55 | Gas Stored Underground - Current (164.1) | | 11,905,320 | 12,469,887 |
| 56 | Liquefied Natural Gas Stored and Held for Processing (164.2-164.3) | | 1,006,819 | 1,006,819 |
| 57 | Prepayments (165) | | 6,467,948 | 3,745,002 |
| 58 | Advances for Gas (166-167) | | 0 | 0 |
| 59 | Interest and Dividends Receivable (171) | | 4,259 | 0 |
| 60 | Rents Receivable (172) | | 327,042 | 361,071 |
| 61 | Accrued Utility Revenues (173) | | 0 | 0 |
| 62 | Miscellaneous Current and Accrued Assets (174) | | 162,032 | 1,449,358 |
| 63 | Derivative Instrument Assets (175) | | 36,402,843 | 116,224,963 |
| 64 | (Less) Long-Term Portion of Derivative Instrument Assets (175) | | 25,574,531 | 46,731,530 |
| 65 | Derivative Instrument Assets - Hedges (176) | | 0 | 0 |
| 66 | (Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176) | | 0 | 0 |
| 67 | Total Current and Accrued Assets (Lines 34 through 66) | | 154,188,806 | 254,002,646 |
| 68 | DEFERRED DEBITS | | | |
| 69 | Unamortized Debt Expenses (181) | | 17,931,388 | 15,692,385 |
| 70 | Extraordinary Property Losses (182.1) | 230 | 0 | 0 |
| 71 | Unrecovered Plant and Regulatory Study Costs (182.2) | 230 | 0 | 0 |
| 72 | Other Regulatory Assets (182.3) | 232 | 323,816,436 | 225,248,761 |
| 73 | Prelim. Survey and Investigation Charges (Electric) (183) | | 8,645,616 | 10,988,821 |
| 74 | Preliminary Natural Gas Survey and Investigation Charges 183.1) | | 0 | 0 |
| 75 | Other Preliminary Survey and Investigation Charges (183.2) | | 0 | 0 |
| 76 | Clearing Accounts (184) | | 8,046 | 0 |
| 77 | Temporary Facilities (185) | | 0 | 0 |
| 78 | Miscellaneous Deferred Debits (186) | 233 | 31,297,127 | 40,675,589 |
| 79 | Def. Losses from Disposition of Utility Plt. (187) | | 0 | 0 |
| 80 | Research, Devel. and Demonstration Expend. (188) | 352-353 | 0 | 0 |
| 81 | Unamortized Loss on Reaquired Debt (189) | | 28,622,766 | 32,829,288 |
| 82 | Accumulated Deferred Income Taxes (190) | 234 | 55,602,315 | 34,647,400 |
| 83 | Unrecovered Purchased Gas Costs (191) | | 18,275,674 | 43,444,010 |
| 84 | Total Deferred Debits (lines 69 through 83) | | 484,199,368 | 403,526,254 |
| 85 | TOTAL ASSETS (lines 14-16, 32, 67, and 84) | | 2,976,653,153 | 2,938,314,753 |

| | | | |
|--|--|--|---|
| Name of Respondent Avista Corporation | This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Rresubmission | Date of Report (mo, da, yr) 04/18/2007 | Year/Period of Report end of 2006/Q4 |
|--|--|--|---|

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

| Line No. | Title of Account (a) | Ref. Page No. (b) | Current Year End of Quarter/Year Balance (c) | Prior Year End Balance 12/31 (d) |
|----------|---|----------------------|---|---|
| 1 | PROPRIETARY CAPITAL | | | |
| 2 | Common Stock Issued (201) | 250-251 | 722,039,406 | 631,083,752 |
| 3 | Preferred Stock Issued (204) | 250-251 | 0 | 0 |
| 4 | Capital Stock Subscribed (202, 205) | 252 | 0 | 0 |
| 5 | Stock Liability for Conversion (203, 206) | 252 | 0 | 0 |
| 6 | Premium on Capital Stock (207) | 252 | 0 | 0 |
| 7 | Other Paid-In Capital (208-211) | 253 | 0 | 0 |
| 8 | Installments Received on Capital Stock (212) | 252 | 0 | 0 |
| 9 | (Less) Discount on Capital Stock (213) | 254 | 0 | 0 |
| 10 | (Less) Capital Stock Expense (214) | 254 | 6,419,099 | 10,485,244 |
| 11 | Retained Earnings (215, 215.1, 216) | 118-119 | 168,082,338 | 132,024,036 |
| 12 | Unappropriated Undistributed Subsidiary Earnings (216.1) | 118-119 | 51,109,032 | 41,804,777 |
| 13 | (Less) Reaquired Capital Stock (217) | 250-251 | 0 | 0 |
| 14 | Noncorporate Proprietorship (Non-major only) (218) | | 0 | 0 |
| 15 | Accumulated Other Comprehensive Income (219) | 122(a)(b) | -17,965,585 | -23,299,148 |
| 16 | Total Proprietary Capital (lines 2 through 15) | | 916,846,092 | 771,128,173 |
| 17 | LONG-TERM DEBT | | | |
| 18 | Bonds (221) | 256-257 | 685,196,931 | 719,082,687 |
| 19 | (Less) Reaquired Bonds (222) | 256-257 | 0 | 0 |
| 20 | Advances from Associated Companies (223) | 256-257 | 115,203,000 | 115,203,000 |
| 21 | Other Long-Term Debt (224) | 256-257 | 315,600,402 | 391,538,636 |
| 22 | Unamortized Premium on Long-Term Debt (225) | | 257,617 | 266,500 |
| 23 | (Less) Unamortized Discount on Long-Term Debt-Debit (226) | | 1,709,479 | 1,879,744 |
| 24 | Total Long-Term Debt (lines 18 through 23) | | 1,114,548,471 | 1,224,211,079 |
| 25 | OTHER NONCURRENT LIABILITIES | | | |
| 26 | Obligations Under Capital Leases - Noncurrent (227) | | 394,921 | 1,983,184 |
| 27 | Accumulated Provision for Property Insurance (228.1) | | 0 | 0 |
| 28 | Accumulated Provision for Injuries and Damages (228.2) | | 954,409 | 790,259 |
| 29 | Accumulated Provision for Pensions and Benefits (228.3) | | 83,419,511 | 47,353,587 |
| 30 | Accumulated Miscellaneous Operating Provisions (228.4) | | 0 | 0 |
| 31 | Accumulated Provision for Rate Refunds (229) | | 0 | 0 |
| 32 | Long-Term Portion of Derivative Instrument Liabilities | | 10,174,378 | 88,272 |
| 33 | Long-Term Portion of Derivative Instrument Liabilities - Hedges | | 5,144,457 | 9,956,479 |
| 34 | Asset Retirement Obligations (230) | | 4,809,738 | 4,528,823 |
| 35 | Total Other Noncurrent Liabilities (lines 26 through 34) | | 104,897,414 | 64,700,604 |
| 36 | CURRENT AND ACCRUED LIABILITIES | | | |
| 37 | Notes Payable (231) | | 0 | 0 |
| 38 | Accounts Payable (232) | | 112,367,144 | 139,804,777 |
| 39 | Notes Payable to Associated Companies (233) | | 0 | 0 |
| 40 | Accounts Payable to Associated Companies (234) | | 980,544 | 769,180 |
| 41 | Customer Deposits (235) | | 6,463,634 | 6,264,115 |
| 42 | Taxes Accrued (236) | 262-263 | -4,887,161 | -2,112,798 |
| 43 | Interest Accrued (237) | | 11,594,861 | 18,643,064 |
| 44 | Dividends Declared (238) | | 0 | 0 |
| 45 | Matured Long-Term Debt (239) | | 0 | 0 |

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| Name of Respondent Avista Corporation | This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Rresubmission | Date of Report (mo, da, yr) 04/18/2007 | Year/Period of Report end of 2006/Q4 |
|--|--|--|---|

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (continued)

| Line No. | Title of Account (a) | Ref. Page No. (b) | Current Year End of Quarter/Year Balance (c) | Prior Year End Balance 12/31 (d) |
|----------|--|----------------------|---|---|
| 46 | Matured Interest (240) | | 0 | 0 |
| 47 | Tax Collections Payable (241) | | 2,651 | 2,893 |
| 48 | Miscellaneous Current and Accrued Liabilities (242) | | 63,245,923 | 35,225,169 |
| 49 | Obligations Under Capital Leases-Current (243) | | 281,894 | 1,050,181 |
| 50 | Derivative Instrument Liabilities (244) | | 83,652,834 | 3,534,971 |
| 51 | (Less) Long-Term Portion of Derivative Instrument Liabilities | | 10,174,378 | 88,272 |
| 52 | Derivative Instrument Liabilities - Hedges (245) | | 5,144,457 | 9,956,479 |
| 53 | (Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges | | 5,144,457 | 9,956,479 |
| 54 | Total Current and Accrued Liabilities (lines 37 through 53) | | 263,527,946 | 203,093,280 |
| 55 | DEFERRED CREDITS | | | |
| 56 | Customer Advances for Construction (252) | | 1,087,069 | 820,898 |
| 57 | Accumulated Deferred Investment Tax Credits (255) | 266-267 | 472,344 | 521,652 |
| 58 | Deferred Gains from Disposition of Utility Plant (256) | | 0 | 0 |
| 59 | Other Deferred Credits (253) | 269 | 36,280,631 | 36,304,164 |
| 60 | Other Regulatory Liabilities (254) | 278 | 18,246,960 | 116,251,545 |
| 61 | Unamortized Gain on Reaquired Debt (257) | | 3,282,969 | 3,754,170 |
| 62 | Accum. Deferred Income Taxes-Accel. Amort.(281) | 272-277 | 0 | 0 |
| 63 | Accum. Deferred Income Taxes-Other Property (282) | | 305,474,214 | 289,242,025 |
| 64 | Accum. Deferred Income Taxes-Other (283) | | 211,989,043 | 228,287,163 |
| 65 | Total Deferred Credits (lines 56 through 64) | | 576,833,230 | 675,181,617 |
| 66 | TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65) | | 2,976,653,153 | 2,938,314,753 |

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| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

STATEMENT OF INCOME

Quarterly

1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year.
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in (k) the quarter to date amounts for other utility function for the prior year quarter.
4. If additional columns are needed place them in a footnote.

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.

| Line No. | Title of Account (a) | (Ref.) Page No. (b) | Total Current Year to Date Balance for Quarter/Year (c) | Total Prior Year to Date Balance for Quarter/Year (d) | Current 3 Months Ended Quarterly Only No 4th Quarter (e) | Prior 3 Months Ended Quarterly Only No 4th Quarter (f) |
|----------|--|---------------------------|---|---|--|--|
| 1 | UTILITY OPERATING INCOME | | | | | |
| 2 | Operating Revenues (400) | 300-301 | 1,319,860,703 | 1,237,767,426 | | |
| 3 | Operating Expenses | | | | | |
| 4 | Operation Expenses (401) | 320-323 | 957,162,716 | 905,198,240 | | |
| 5 | Maintenance Expenses (402) | 320-323 | 41,805,328 | 37,138,187 | | |
| 6 | Depreciation Expense (403) | 336-337 | 77,637,110 | 73,085,675 | | |
| 7 | Depreciation Expense for Asset Retirement Costs (403.1) | 336-337 | | | | |
| 8 | Amort. & Depl. of Utility Plant (404-405) | 336-337 | 6,717,177 | 8,502,043 | | |
| 9 | Amort. of Utility Plant Acq. Adj. (406) | 336-337 | 99,047 | 99,047 | | |
| 10 | Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407) | | | | | |
| 11 | Amort. of Conversion Expenses (407) | | | | | |
| 12 | Regulatory Debits (407.3) | | 1,637,368 | 184,236 | | |
| 13 | (Less) Regulatory Credits (407.4) | | 17,989,452 | 16,785,763 | | |
| 14 | Taxes Other Than Income Taxes (408.1) | 262-263 | 69,881,930 | 68,044,198 | | |
| 15 | Income Taxes - Federal (409.1) | 262-263 | 39,535,123 | 27,778,732 | | |
| 16 | - Other (409.1) | 262-263 | 1,155,970 | 2,017,492 | | |
| 17 | Provision for Deferred Income Taxes (410.1) | 234, 272-277 | 4,330,636 | 1,077,269 | | |
| 18 | (Less) Provision for Deferred Income Taxes-Cr. (411.1) | 234, 272-277 | 11,112,169 | 4,425,562 | | |
| 19 | Investment Tax Credit Adj. - Net (411.4) | 266 | -49,308 | -49,308 | | |
| 20 | (Less) Gains from Disp. of Utility Plant (411.6) | | | | | |
| 21 | Losses from Disp. of Utility Plant (411.7) | | | | | |
| 22 | (Less) Gains from Disposition of Allowances (411.8) | | | | | |
| 23 | Losses from Disposition of Allowances (411.9) | | | | | |
| 24 | Accretion Expense (411.10) | | | | | |
| 25 | TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24) | | 1,170,811,476 | 1,101,864,486 | | |
| 26 | Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27 | | 149,049,227 | 135,902,940 | | |

| | | | |
|--|---|--|---|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
- 11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

| ELECTRIC UTILITY | | GAS UTILITY | | OTHER UTILITY | | Line No. |
|---|--|---|--|---|--|----------|
| Current Year to Date (in dollars) (g) | Previous Year to Date (in dollars) (h) | Current Year to Date (in dollars) (i) | Previous Year to Date (in dollars) (j) | Current Year to Date (in dollars) (k) | Previous Year to Date (in dollars) (l) | |
| | | | | | | 1 |
| 797,555,083 | 794,551,229 | 522,305,620 | 443,216,197 | | | 2 |
| | | | | | | 3 |
| 514,013,824 | 535,268,030 | 443,148,892 | 369,930,210 | | | 4 |
| 34,489,049 | 30,159,167 | 7,316,279 | 6,979,020 | | | 5 |
| 61,477,791 | 57,591,752 | 16,159,319 | 15,493,923 | | | 6 |
| | | | | | | 7 |
| 5,912,961 | 7,285,954 | 804,216 | 1,216,089 | | | 8 |
| 99,047 | 99,047 | | | | | 9 |
| | | | | | | 10 |
| | | | | | | 11 |
| 337,368 | 184,236 | 1,300,000 | | | | 12 |
| 17,989,452 | 16,785,763 | | | | | 13 |
| 45,176,981 | 46,205,269 | 24,704,949 | 21,838,929 | | | 14 |
| 28,758,428 | 28,567,999 | 10,776,695 | -789,267 | | | 15 |
| 847,436 | 1,101,948 | 308,534 | 915,544 | | | 16 |
| 9,067,991 | -1,917,531 | -4,737,355 | 2,994,800 | | | 17 |
| 9,689,311 | 4,566,602 | 1,422,858 | -141,040 | | | 18 |
| | | -49,308 | -49,308 | | | 19 |
| | | | | | | 20 |
| | | | | | | 21 |
| | | | | | | 22 |
| | | | | | | 23 |
| | | | | | | 24 |
| 672,502,113 | 683,193,506 | 498,309,363 | 418,670,980 | | | 25 |
| 125,052,970 | 111,357,723 | 23,996,257 | 24,545,217 | | | 26 |
| | | | | | | |

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|--|---|--|---|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

STATEMENT OF INCOME FOR THE YEAR (continued)

| Line No. | Title of Account (a) | (Ref.) Page No. (b) | TOTAL | | Current 3 Months Ended Quarterly Only No 4th Quarter (e) | Prior 3 Months Ended Quarterly Only No 4th Quarter (f) |
|----------|--|---------------------------|---------------------|----------------------|--|--|
| | | | Current Year (c) | Previous Year (d) | | |
| 27 | Net Utility Operating Income (Carried forward from page 114) | | 149,049,227 | 135,902,940 | | |
| 28 | Other Income and Deductions | | | | | |
| 29 | Other Income | | | | | |
| 30 | Nonutility Operating Income | | | | | |
| 31 | Revenues From Merchandising, Jobbing and Contract Work (415) | | | | | |
| 32 | (Less) Costs and Exp. of Merchandising, Job. & Contract Work (416) | | | | | |
| 33 | Revenues From Nonutility Operations (417) | | | 20,984 | | |
| 34 | (Less) Expenses of Nonutility Operations (417.1) | | 8,756,573 | 5,052,579 | | |
| 35 | Nonoperating Rental Income (418) | | -19,127 | -5,625 | | |
| 36 | Equity in Earnings of Subsidiary Companies (418.1) | 119 | 16,839,461 | -6,611,524 | | |
| 37 | Interest and Dividend Income (419) | | 11,267,952 | 11,041,049 | | |
| 38 | Allowance for Other Funds Used During Construction (419.1) | | 2,429,542 | 1,388,777 | | |
| 39 | Miscellaneous Nonoperating Income (421) | | | | | |
| 40 | Gain on Disposition of Property (421.1) | | 237,712 | 4,398,103 | | |
| 41 | TOTAL Other Income (Enter Total of lines 31 thru 40) | | 21,998,967 | 5,179,185 | | |
| 42 | Other Income Deductions | | | | | |
| 43 | Loss on Disposition of Property (421.2) | | 138,153 | 160 | | |
| 44 | Miscellaneous Amortization (425) | 340 | 1,120,288 | 1,182,975 | | |
| 45 | Donations (426.1) | 340 | 1,368,086 | 874,169 | | |
| 46 | Life Insurance (426.2) | | 1,972,456 | 1,686,972 | | |
| 47 | Penalties (426.3) | | 5,500 | -15,530 | | |
| 48 | Exp. for Certain Civic, Political & Related Activities (426.4) | | 1,052,120 | 893,627 | | |
| 49 | Other Deductions (426.5) | | 1,059,980 | 537,552 | | |
| 50 | TOTAL Other Income Deductions (Total of lines 43 thru 49) | | 6,716,583 | 5,159,925 | | |
| 51 | Taxes Applic. to Other Income and Deductions | | | | | |
| 52 | Taxes Other Than Income Taxes (408.2) | 262-263 | 153,385 | 72,878 | | |
| 53 | Income Taxes-Federal (409.2) | 262-263 | 584,900 | 3,853,876 | | |
| 54 | Income Taxes-Other (409.2) | 262-263 | -912,325 | -376,668 | | |
| 55 | Provision for Deferred Inc. Taxes (410.2) | 234, 272-277 | 1,874,146 | 2,853,172 | | |
| 56 | (Less) Provision for Deferred Income Taxes-Cr. (411.2) | 234, 272-277 | 3,087,684 | 2,761,854 | | |
| 57 | Investment Tax Credit Adj.-Net (411.5) | | | | | |
| 58 | (Less) Investment Tax Credits (420) | | | | | |
| 59 | TOTAL Taxes on Other Income and Deductions (Total of lines 52-58) | | -1,387,578 | 3,641,404 | | |
| 60 | Net Other Income and Deductions (Total of lines 41, 50, 59) | | 16,669,962 | -3,622,144 | | |
| 61 | Interest Charges | | | | | |
| 62 | Interest on Long-Term Debt (427) | | 77,938,550 | 74,268,237 | | |
| 63 | Amort. of Debt Disc. and Expense (428) | | 1,020,316 | 1,509,307 | | |
| 64 | Amortization of Loss on Reaquired Debt (428.1) | | 6,729,883 | 6,252,219 | | |
| 65 | (Less) Amort. of Premium on Debt-Credit (429) | | 8,884 | | | |
| 66 | (Less) Amortization of Gain on Reaquired Debt-Credit (429.1) | | | | | |
| 67 | Interest on Debt to Assoc. Companies (430) | 340 | 7,116,429 | 6,202,703 | | |
| 68 | Other Interest Expense (431) | 340 | 2,724,805 | 569,331 | | |
| 69 | (Less) Allowance for Borrowed Funds Used During Construction-Cr. (432) | | 2,934,769 | 1,689,303 | | |
| 70 | Net Interest Charges (Total of lines 62 thru 69) | | 92,586,330 | 87,112,494 | | |
| 71 | Income Before Extraordinary Items (Total of lines 27, 60 and 70) | | 73,132,859 | 45,168,302 | | |
| 72 | Extraordinary Items | | | | | |
| 73 | Extraordinary Income (434) | | | | | |
| 74 | (Less) Extraordinary Deductions (435) | | | | | |
| 75 | Net Extraordinary Items (Total of line 73 less line 74) | | | | | |
| 76 | Income Taxes-Federal and Other (409.3) | 262-263 | | | | |
| 77 | Extraordinary Items After Taxes (line 75 less line 76) | | | | | |
| 78 | Net Income (Total of line 71 and 77) | | 73,132,859 | 45,168,302 | | |

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| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

| Line No. | Item (a) | Contra Primary Account Affected (b) | Current Quarter/Year Year to Date Balance (c) | Previous Quarter/Year Year to Date Balance (d) |
|----------|---|-------------------------------------|---|--|
| | UNAPPROPRIATED RETAINED EARNINGS (Account 216) | | | |
| 1 | Balance-Beginning of Period | | 130,475,915 | 90,094,170 |
| 2 | Changes | | | |
| 3 | Adjustments to Retained Earnings (Account 439) | | | |
| 4 | | | | |
| 5 | ESOP and Other Adjustment | | | 37,790 |
| 6 | Tax Benefit Received from 401(k) Dividend Reinvestment Plan | | 415,237 | |
| 7 | Dividends Received from Subsidiaries | | 5,989,256 | 15,095,863 |
| 8 | | | | |
| 9 | TOTAL Credits to Retained Earnings (Acct. 439) | | 6,404,493 | 15,133,653 |
| 10 | | | | |
| 11 | | | | |
| 12 | Stock Options Exercised | | -160,637 | (788,018) |
| 13 | | | | |
| 14 | | | | |
| 15 | TOTAL Debits to Retained Earnings (Acct. 439) | | -160,637 | (788,018) |
| 16 | Balance Transferred from Income (Account 433 less Account 418.1) | | 56,293,398 | 51,779,826 |
| 17 | Appropriations of Retained Earnings (Acct. 436) | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| 21 | | | | |
| 22 | TOTAL Appropriations of Retained Earnings (Acct. 436) | | | |
| 23 | Dividends Declared-Preferred Stock (Account 437) | | | |
| 24 | | | | |
| 25 | | | | |
| 26 | | | | |
| 27 | | | | |
| 28 | | | | |
| 29 | TOTAL Dividends Declared-Preferred Stock (Acct. 437) | | | |
| 30 | Dividends Declared-Common Stock (Account 438) | | | |
| 31 | | | -27,924,168 | (26,443,242) |
| 32 | | | | |
| 33 | | | | |
| 34 | | | | |
| 35 | | | | |
| 36 | TOTAL Dividends Declared-Common Stock (Acct. 438) | | -27,924,168 | (26,443,242) |
| 37 | Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings | | 1,445,216 | 699,526 |
| 38 | Balance - End of Period (Total 1,9,15,16,22,29,36,37) | | 166,534,217 | 130,475,915 |

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
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STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

| Line No. | Item (a) | Contra Primary Account Affected (b) | Current Quarter/Year Year to Date Balance (c) | Previous Quarter/Year Year to Date Balance (d) |
|----------|---|-------------------------------------|---|--|
| | APPROPRIATED RETAINED EARNINGS (Account 215) | | | |
| 39 | | | 1,548,121 | 1,548,121 |
| 40 | | | | |
| 41 | | | | |
| 42 | | | | |
| 43 | | | | |
| 44 | | | | |
| 45 | TOTAL Appropriated Retained Earnings (Account 215) | | 1,548,121 | 1,548,121 |
| | APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1) | | | |
| 46 | TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1) | | | |
| 47 | TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46) | | 1,548,121 | 1,548,121 |
| 48 | TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1) | | 168,082,338 | 132,024,036 |
| | UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account | | | |
| | Report only on an Annual Basis, no Quarterly | | | |
| 49 | Balance-Beginning of Year (Debit or Credit) | | 41,804,777 | 64,211,690 |
| 50 | Equity in Earnings for Year (Credit) (Account 418.1) | | 16,839,461 | (6,611,524) |
| 51 | (Less) Dividends Received (Debit) | | 5,989,256 | 15,095,863 |
| 52 | Subsidiary Expense & Misc Subs Equity Comp | | -1,545,950 | (699,526) |
| 53 | Balance-End of Year (Total lines 49 thru 52) | | 51,109,032 | 41,804,777 |

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|--|---|--|---|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

| Line No. | Description (See Instruction No. 1 for Explanation of Codes) (a) | Current Year to Date Quarter/Year (b) | Previous Year to Date Quarter/Year (c) |
|----------|---|---|--|
| 1 | Net Cash Flow from Operating Activities: | | |
| 2 | Net Income (Line 78(c) on page 117) | 73,132,859 | 45,168,302 |
| 3 | Noncash Charges (Credits) to Income: | | |
| 4 | Depreciation and Depletion | 84,354,287 | 79,158,362 |
| 5 | Amortization of deferred power and natural gas costs | 56,326,822 | 9,629,580 |
| 6 | Amortization of debt expense | 7,741,314 | 7,761,526 |
| 7 | Amortization of investment in exchange power | 2,450,031 | 2,450,031 |
| 8 | Deferred Income Taxes (Net) | -16,465,046 | 17,594,223 |
| 9 | Investment Tax Credit Adjustment (Net) | -49,308 | -49,308 |
| 10 | Net (Increase) Decrease in Receivables | 11,519,009 | -54,565,111 |
| 11 | Net (Increase) Decrease in Inventory | 203,045 | -5,674,661 |
| 12 | Net (Increase) Decrease in Allowances Inventory | | |
| 13 | Net Increase (Decrease) in Payables and Accrued Expenses | -8,118,183 | 75,447,322 |
| 14 | Net (Increase) Decrease in Other Regulatory Assets | -6,061,549 | -8,426,825 |
| 15 | Net Increase (Decrease) in Other Regulatory Liabilities | -1,175,736 | -4,618,782 |
| 16 | (Less) Allowance for Other Funds Used During Construction | 2,429,542 | 3,078,080 |
| 17 | (Less) Undistributed Earnings from Subsidiary Companies | 16,839,461 | -6,611,523 |
| 18 | Other (provide details in footnote): | -2,376,700 | -11,816,795 |
| 19 | Gain on sale of property | -99,559 | -4,398,103 |
| 20 | Net change in receivables allowance | -497,564 | 504,630 |
| 21 | Change in other noncurrent assets and liabilities | -8,672,181 | 3,269,258 |
| 22 | Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21) | 172,942,538 | 154,967,092 |
| 23 | | | |
| 24 | Cash Flows from Investment Activities: | | |
| 25 | Construction and Acquisition of Plant (including land): | | |
| 26 | Gross Additions to Utility Plant (less nuclear fuel) | -156,952,633 | -259,675,718 |
| 27 | Gross Additions to Nuclear Fuel | | |
| 28 | Gross Additions to Common Utility Plant | | |
| 29 | Gross Additions to Nonutility Plant | | |
| 30 | (Less) Allowance for Other Funds Used During Construction | | |
| 31 | Other (provide details in footnote): | | |
| 32 | | | |
| 33 | | | |
| 34 | Cash Outflows for Plant (Total of lines 26 thru 33) | -156,952,633 | -259,675,718 |
| 35 | | | |
| 36 | Acquisition of Other Noncurrent Assets (d) | | |
| 37 | Proceeds from Disposal of Noncurrent Assets (d) | 657,770 | 17,014,769 |
| 38 | | | |
| 39 | Investments in and Advances to Assoc. and Subsidiary Companies | | |
| 40 | Contributions and Advances from Assoc. and Subsidiary Companies | 36,646,304 | 18,785,415 |
| 41 | Disposition of Investments in (and Advances to) | | |
| 42 | Associated and Subsidiary Companies | | |
| 43 | | | |
| 44 | Purchase of Investment Securities (a) | | |
| 45 | Proceeds from Sales of Investment Securities (a) | | |

| | | | |
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| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

| Line No. | Description (See Instruction No. 1 for Explanation of Codes) (a) | Current Year to Date Quarter/Year (b) | Previous Year to Date Quarter/Year (c) |
|----------|---|---|--|
| 46 | Loans Made or Purchased | | |
| 47 | Collections on Loans | 15,263 | 14,678 |
| 48 | | | |
| 49 | Net (Increase) Decrease in Receivables | | |
| 50 | Net (Increase) Decrease in Inventory | | |
| 51 | Net (Increase) Decrease in Allowances Held for Speculation | | |
| 52 | Net Increase (Decrease) in Payables and Accrued Expenses | | |
| 53 | Other (provide details in footnote): | | |
| 54 | Changes in other property and investments | -763,324 | 1,540,127 |
| 55 | Proceeds from sale of utility property claim | 5,483,780 | |
| 56 | Net Cash Provided by (Used in) Investing Activities | | |
| 57 | Total of lines 34 thru 55) | -114,912,840 | -222,320,729 |
| 58 | | | |
| 59 | Cash Flows from Financing Activities: | | |
| 60 | Proceeds from Issuance of: | | |
| 61 | Long-Term Debt (b) | 149,778,000 | 149,632,500 |
| 62 | Preferred Stock | | |
| 63 | Common Stock | 88,393,784 | 1,570,795 |
| 64 | Other (provide details in footnote): | | |
| 65 | | | |
| 66 | Net Increase in Short-Term Debt (c) | | |
| 67 | Other (provide details in footnote): | | |
| 68 | Cash received in interest rate swap agreement | | 4,445,000 |
| 69 | | | |
| 70 | Cash Provided by Outside Sources (Total 61 thru 69) | 238,171,784 | 155,648,295 |
| 71 | | | |
| 72 | Payments for Retirement of: | | |
| 73 | Long-term Debt (b) | -197,231,550 | -56,440,903 |
| 74 | Preferred Stock | -1,750,000 | -1,750,000 |
| 75 | Common Stock | | |
| 76 | Premiums paid for the redemption of long-term debt | -425,996 | -826,430 |
| 77 | Long-term debt and short-term borrowing issuance costs | -5,435,618 | -2,152,802 |
| 78 | Net Decrease in Short-Term Debt (c) | -59,000,000 | -5,000,000 |
| 79 | Cash paid in interest rate swap agreement | -3,738,000 | |
| 80 | Dividends on Preferred Stock | | |
| 81 | Dividends on Common Stock | -27,927,206 | -26,443,249 |
| 82 | Net Cash Provided by (Used in) Financing Activities | | |
| 83 | (Total of lines 70 thru 81) | -57,336,586 | 63,034,911 |
| 84 | | | |
| 85 | Net Increase (Decrease) in Cash and Cash Equivalents | | |
| 86 | (Total of lines 22,57 and 83) | 693,112 | -4,318,726 |
| 87 | | | |
| 88 | Cash and Cash Equivalents at Beginning of Period | -2,363,195 | 1,955,531 |
| 89 | | | |
| 90 | Cash and Cash Equivalents at End of period | -1,670,083 | -2,363,195 |

| | | | |
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| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
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NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

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| NOTES TO FINANCIAL STATEMENTS (Continued) | | | |

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Avista Corporation (Avista Corp. or the Company) is an energy company engaged in the generation, transmission and distribution of energy as well as other energy-related businesses. Avista Corp. generates, transmits and distributes electricity in parts of eastern Washington and northern Idaho. In addition, Avista Corp. has electric generating facilities in western Montana and northern Oregon. Avista Corp. also provides natural gas distribution service in parts of eastern Washington and northern Idaho, as well as parts of northeast and southwest Oregon. Avista Capital, Inc. (Avista Capital), a wholly owned subsidiary of Avista Corp., is the parent company of all of the subsidiary companies in the non-utility business segments.

The Company's operations are exposed to risks including, but not limited to:

- price and supply of purchased power, fuel and natural gas,
- regulatory recovery of power and natural gas costs and capital investments,
- streamflow and weather conditions,
- effects of changes in legislative and governmental regulations,
- changes in regulatory requirements,
- availability of generation facilities,
- competition,
- technology, and
- availability of funding.

Also, like other utilities, the Company's facilities and operations are exposed to terrorism risks or other malicious acts. In addition, the energy business exposes the Company to the financial, liquidity, credit and price risks associated with wholesale purchases and sales of energy commodities.

Basis of Reporting

The financial statements include the assets, liabilities, revenues and expenses of the Company. As required by the Federal Energy Regulatory Commission (FERC), the Company accounts for its investment in majority-owned subsidiaries on the equity method rather than consolidating the assets, liabilities, revenues, and expenses of these subsidiaries, as required by accounting principles generally accepted in the United States of America. The accompanying financial statements include the Company's proportionate share of utility plant and related operations resulting from its interests in jointly owned plants. In addition, under the requirements of the FERC, there are differences from accounting principles generally accepted in the United States of America in the presentation of (1) current portions of long-term debt, short-term borrowings, and preferred stock, (2) assets and liabilities for cost of removal of assets, (3) assets held for sale, (4) regulatory assets and liabilities, and (5) comprehensive income.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. Significant estimates include:

- determining the market value of energy commodity assets and liabilities,
- pension and other postretirement benefit plan obligations,
- contingent liabilities,
- recoverability of regulatory assets,
- stock-based compensation, and
- unbilled revenues.

Changes in these estimates and assumptions are considered reasonably possible and may have a material effect on the financial statements and thus actual results could differ from the amounts reported and disclosed herein.

System of Accounts

The accounting records of the Company's utility operations are maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by the appropriate state regulatory commissions.

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| NOTES TO FINANCIAL STATEMENTS (Continued) | | | |

Regulation

The Company is subject to state regulation in Washington, Idaho, Montana and Oregon. The Company is also subject to federal regulation by the FERC.

Operating Revenues

Revenues related to the sale of energy are generally recorded when service is rendered or energy is delivered to customers. The determination of the energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each calendar month, the amount of energy delivered to customers since the date of the last meter reading is estimated and the corresponding unbilled revenue is estimated and recorded. Accounts receivable includes unbilled energy revenues of \$21.7 million (net of \$51.6 million of unbilled receivables sold) as of December 31, 2006 and \$13.1 million (net of \$57.1 million of unbilled receivables sold) as of December 31, 2005. See Note 3 for information related to the sale of accounts receivable.

Advertising Expenses

The Company expenses advertising costs as incurred. Advertising expenses were not a material portion of the Company's operating expenses in 2006, 2005 and 2004.

Taxes Other Than Income Taxes

Taxes other than income taxes include state excise taxes, city occupational and franchise taxes, real and personal property taxes and certain other taxes not based on net income. These taxes are generally based on revenues or the value of property. Utility related taxes collected from customers (primarily state excise taxes and city utility taxes) are recorded as operating revenue and expense and totaled \$48.3 million in 2006, \$43.1 million in 2005 and \$35.0 million in 2004.

Income Taxes

The Company and its eligible subsidiaries file consolidated federal income tax returns. Subsidiaries are charged or credited with the tax effects of their operations on a stand-alone basis. The Internal Revenue Service (IRS) has examined the Company's 2001, 2002 and 2003 federal income tax returns. Despite those tax years still remaining open, all issues have been resolved with the exception of certain indirect overhead costs (see Note 10).

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, a deferred tax asset or liability is determined based on the enacted tax rates that will be in effect when the differences between the financial statement carrying amounts and tax basis of existing assets and liabilities are expected to be reported in the Company's consolidated income tax returns. The deferred tax expense for the period is equal to the net change in the deferred tax asset and liability accounts from the beginning to the end of the period. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax liabilities and regulatory assets have been established for tax benefits flowed through to customers as prescribed by the respective regulatory commissions.

Stock-Based Compensation

Prior to January 1, 2006, the Company followed the disclosure only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, employee stock options were accounted for under Accounting Principle Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." Stock options are granted at exercise prices not less than the fair value of common stock on the date of grant. Avista Corp. has not granted any stock options since 2003. Under APB No. 25, no compensation expense was recognized pursuant to the Company's stock option plans. However, the Company recognized compensation expense related to performance-based share awards. The Company adopted SFAS No. 123R, "Share-Based Payment," on January 1, 2006, which has resulted in changes to stock compensation expense recognition. See Note 2 and Note 22 for further information. The Company adopted SFAS No. 123R using the modified prospective method and, accordingly, financial statement amounts for prior periods presented have not been restated to reflect the fair value method of recognizing compensation expense relating to share-based payments.

If compensation expense for the Company's stock-based employee compensation plans were determined consistent with SFAS No. 123, net income and earnings per common share would have been the following pro forma amounts for the years ended December 31 (prior to the adoption of SFAS No. 123R):

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| NOTES TO FINANCIAL STATEMENTS (Continued) | | | |

| | 2005 | 2004 |
|---|-----------------|-----------------|
| Net income (dollars in thousands): | | |
| As reported | \$45,168 | \$35,154 |
| Add: Total stock-based employee compensation expense included in net income, net of tax | 2,211 | - |
| Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of tax | <u>(2,911)</u> | <u>(2,033)</u> |
| Pro forma | <u>\$44,468</u> | <u>\$33,121</u> |
| Basic and diluted earnings per common share: | | |
| Basic as reported | \$0.93 | \$0.73 |
| Diluted as reported | \$0.92 | \$0.72 |
| Basic pro forma | \$0.92 | \$0.68 |
| Diluted pro forma | \$0.91 | \$0.68 |

Earnings Per Common Share

Basic earnings per common share is computed by dividing income available for common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing income available for common stock by diluted weighted average common shares outstanding during the period, including common stock equivalent shares outstanding using the treasury stock method, unless such shares are anti-dilutive. Common stock equivalent shares include shares issuable upon exercise of stock options and contingent stock awards. See Note 21 for earnings per common share calculations.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, the Company considers all temporary investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include cash deposits from counterparties. See Note 6 for further information related to cash deposits from counterparties.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts to provide for estimated and potential losses on accounts receivable. The Company determines the allowance for utility and other customer accounts receivable based on historical write-offs as compared to accounts receivable and operating revenues. Additionally, the Company establishes specific allowances for certain individual accounts. The following table presents the activity in the allowance for doubtful accounts during the years ended December 31 (dollars in thousands):

| | 2006 | 2005 | 2004 |
|---|----------------|----------------|----------------|
| Allowance as of the beginning of the year | \$3,228 | \$2,810 | \$2,281 |
| Additions expensed during the year | 2,888 | 2,752 | 3,195 |
| Net deductions | <u>(3,386)</u> | <u>(2,334)</u> | <u>(2,666)</u> |
| Allowance as of the end of the year | <u>\$2,730</u> | <u>\$3,228</u> | <u>\$2,810</u> |

Materials and Supplies, Fuel Stock and Natural Gas Stored

Inventories of materials and supplies, fuel stock and natural gas stored are recorded at the lower of cost or market, primarily using the average cost method.

Utility Plant in Service

The cost of additions to utility plant in service, including an allowance for funds used during construction and replacements of units of property and improvements, is capitalized. Costs of depreciable units of property retired plus costs of removal less salvage are charged to accumulated depreciation.

Allowance for Funds Used During Construction

The Allowance for Funds Used During Construction (AFUDC) represents the cost of both the debt and equity funds used to finance utility plant additions during the construction period. In accordance with the uniform system of accounts prescribed by regulatory authorities, AFUDC is capitalized as a part of the cost of utility plant and the debt related portion is credited currently as a non-cash

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| NOTES TO FINANCIAL STATEMENTS (Continued) | | | |

item in the Statements of Income. The Company generally is permitted, under established regulatory rate practices, to recover the capitalized AFUDC, and a fair return thereon, through its inclusion in rate base and the provision for depreciation after the related utility plant is placed in service. Cash inflow related to AFUDC generally does not occur until the related utility plant is placed in service and included in rate base. The effective AFUDC rate was 9.11 percent in 2006 and 9.72 percent for 2005 and 2004. The Company's AFUDC rates do not exceed the maximum allowable rates as determined in accordance with the requirements of regulatory authorities.

Depreciation

For utility operations, depreciation expense is estimated by a method of depreciation accounting utilizing unit rates for generation plants and composite rates for other utility plant. Such rates are designed to provide for retirements of properties at the expiration of their service lives. The rates for hydroelectric plants include annuity and interest components, in which the interest component is 9 percent. For utility operations, the ratio of depreciation provisions to average depreciable property was 2.89 percent in 2006, 2.93 percent in 2005 and 2.92 percent in 2004.

The average service lives for the following broad categories of utility property are:

- electric thermal production - 28 years,
- hydroelectric production - 77 years,
- electric transmission - 42 years,
- electric distribution - 47 years, and
- natural gas distribution property - 36 years.

The Company recovers certain asset retirement costs through rates charged to customers as a portion of its depreciation expense for which the Company has not recorded asset retirement obligations (see Note 8). These costs do not represent legal or contractual obligations.

Regulatory Deferred Charges and Credits

The Company prepares its financial statements in accordance with the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." The Company prepares its financial statements in accordance with SFAS No. 71 because:

- rates for regulated services are established by or subject to approval by an independent third-party regulator,
- the regulated rates are designed to recover the cost of providing the regulated services, and
- in view of demand for the regulated services and the level of competition, it is reasonable to assume that rates can be charged to and collected from customers at levels that will recover costs.

SFAS No. 71 requires the Company to reflect the impact of regulatory decisions in its financial statements. SFAS No. 71 requires that certain costs and/or obligations (such as incurred power and natural gas costs not currently recovered through rates, but expected to be recovered in the future) are reflected as deferred charges or credits on the Balance Sheets. These costs and/or obligations are not reflected in the statement of income until the period during which matching revenues are recognized.

If at some point in the future the Company determines that it no longer meets the criteria for continued application of SFAS No. 71 for all or a portion of its regulated operations, the Company could be:

- required to write off its regulatory assets, and
- precluded from the future deferral of costs not recovered through rates at the time such costs are incurred, even if the Company expected to recover such costs in the future.

The Company's primary regulatory assets include:

- power and natural gas deferrals,
- investment in exchange power,
- regulatory asset for deferred income taxes,
- unamortized debt expense,
- demand side management programs,
- conservation programs, and
- unfunded pensions and other postretirement benefits.

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| NOTES TO FINANCIAL STATEMENTS (Continued) | | | |

Regulatory liabilities include utility plant retirement costs, liabilities created when the Centralia Power Plant was sold, liabilities offsetting net utility energy commodity derivative assets (see Note 4 for further information), and the gain on the general office building sale/leaseback.

Investment in Exchange Power-Net

The investment in exchange power represents the Company's previous investment in Washington Public Power Supply System Project 3 (WNP-3), a nuclear project that was terminated prior to completion. Under a settlement agreement with the Bonneville Power Administration in 1985, Avista Corp. began receiving power in 1987, for a 32.5-year period, related to its investment in WNP-3. Through a settlement agreement with the Washington Utilities and Transportation Commission (WUTC) in the Washington jurisdiction, Avista Corp. is amortizing the recoverable portion of its investment in WNP-3 (recorded as investment in exchange power) over a 32.5 year period beginning in 1987. For the Idaho jurisdiction, Avista Corp. has fully amortized the recoverable portion of its investment in exchange power.

Unamortized Debt Expense and Unamortized Loss on Reacquired Debt

Unamortized debt expense includes debt issuance costs that are amortized over the life of the related debt, as well as premiums paid to repurchase debt, which are amortized over the average remaining maturity of outstanding debt in accordance with regulatory accounting practices under SFAS No. 71. These costs are recovered through retail rates as a component of interest expense.

Power Cost Deferrals and Recovery Mechanisms

Deferred power supply costs are recorded as a deferred charge on the Balance Sheets for future review and the opportunity for recovery through retail rates. The power supply costs deferred include certain differences between actual power supply costs incurred by Avista Corp. and the costs included in base retail rates. This difference in power supply costs primarily results from changes in:

- short-term wholesale market prices,
- the level of hydroelectric generation, and
- the level of thermal generation (including changes in fuel prices).

In Washington, the Energy Recovery Mechanism (ERM) allows Avista Corp. to increase or decrease electric rates periodically with WUTC approval to reflect changes in power supply costs. The ERM is an accounting method used to track certain differences between actual power supply costs and the amount included in base retail rates for Washington customers. The initial amount of power supply costs in excess or below the level in retail rates, which the Company either incurs the cost of, or receives the benefit from, is referred to as the deadband. Avista Corp. accrues interest on deferred power costs in the Washington jurisdiction at a rate, which is adjusted semi-annually, of 8.25 percent as of December 31, 2006. Total deferred power costs for Washington customers were \$70.2 million as of December 31, 2006 and \$96.2 million as of December 31, 2005.

In June 2006, the WUTC approved a settlement agreement between the Company, the staff of the WUTC, the Industrial Customers of Northwest Utilities and the office of Public Counsel Section of the Washington Attorney General's Office, representing all parties in the Company's ERM proceeding. The settlement agreement provides for the continuation of the ERM with certain agreed-upon modifications and is effective as of January 1, 2006. The settling parties have agreed to review the ERM after five years.

The settlement agreement modified the ERM such that the Company's annual deadband was reduced from \$9.0 million to \$4.0 million and the Company will incur the cost of, or receive the benefit from, 100 percent of this initial power supply cost variance. Annual power supply cost variances between \$4.0 million and \$10.0 million are shared equally between the Company and its customers. As such, 50 percent of the annual power supply cost variance in this range is deferred for future surcharge or rebate to the Company's customers and the remaining 50 percent is an expense of, or benefit to, the Company. Once the annual power supply cost variance from the amount included in base rates exceeds \$10.0 million, 90 percent of the cost variance is deferred for future surcharge or rebate. The remaining 10 percent of the variance beyond \$10.0 million is an expense of, or benefit to, the Company without affecting current or future customer rates. The following table summarizes the historical (prior to January 1, 2006) and modified ERM (effective January 1, 2006):

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| NOTES TO FINANCIAL STATEMENTS (Continued) | | | |

| Annual Power Supply Cost Variability | Deferred for Future Surcharge or Rebate to Customers | Expense or Benefit to the Company |
|---|--|--------------------------------------|
| Historical ERM: | | |
| +/- \$0 - \$9 million | 0% | 100% |
| +/- excess over \$9 million | 90% | 10% |
| Modified ERM: | | |
| +/- \$0 - \$4 million | 0% | 100% |
| +/- between \$4 million - \$10 million | 50% | 50% |
| +/- excess over \$10 million | 90% | 10% |

Under the ERM, Avista Corp. makes an annual filing to provide the opportunity for the WUTC and other interested parties to review the prudence of and audit the ERM deferred power cost transactions for the prior calendar year. The ERM provides for a 90-day review period for the filing; however, the period may be extended by agreement of the parties or by WUTC order. In June 2006, the WUTC issued an order, which approved the recovery of the \$4.1 million of deferred power costs incurred for 2005.

Avista Corp. has a power cost adjustment (PCA) mechanism in Idaho that allows it to modify electric rates periodically with Idaho Public Utilities Commission (IPUC) approval. Under the PCA mechanism, Avista Corp. defers 90 percent of the difference between certain actual net power supply expenses and the amount included in base retail rates for Idaho customers. Avista Corp. accrues interest on deferred power costs in the Idaho jurisdiction at a rate, which is adjusted annually, of 3.0 percent on current year deferrals and 5.0 percent on carryover balances as of December 31, 2006. Total deferred power costs for Idaho customers were \$9.4 million as of December 31, 2006 and \$8.0 million as of December 31, 2005.

Natural Gas Cost Deferrals and Recovery Mechanisms

Natural gas commodity costs in excess of, or which fall below, the amount recovered in current retail rates are deferred and recovered or refunded as a pass-through to customers in future periods, subject to applicable regulatory review and approval, through adjustments to rates. Currently, purchased gas adjustments provide for the deferral and future recovery or refund of 100 percent of the difference between actual commodity costs and the amount recovered in current retail rates in Washington and Idaho. In Oregon, Avista Corp. receives recovery of 100 percent of the cost of natural gas for which the price is fixed through hedge transactions, and included in retail rates through the annual purchased gas cost adjustment filing. With respect to the unhedged portion of customer loads in Oregon, Avista Corp. defers 90 percent of the difference between actual prices and the amount recovered in current retail rates. Total deferred natural gas costs were \$18.3 million as of December 31, 2006 and \$43.4 million as of December 31, 2005.

Reclassifications

Certain prior period amounts were reclassified to conform to current statement format. These reclassifications were made for comparative purposes and have not affected previously reported total net income or stockholders' equity.

NOTE 2. NEW ACCOUNTING STANDARDS

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which supersedes APB No. 25 and SFAS No. 123 and their related implementation guidance. This statement establishes revised standards for the accounting for transactions in which the Company exchanges its equity instruments for goods or services with a primary focus on transactions in which the Company obtains employee services in share-based payment transactions. The statement requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on the fair value of the equity or liability instruments issued. The Company implemented the provisions of this statement effective January 1, 2006 using the modified prospective method and, accordingly, financial statement amounts for prior periods presented have not been restated to reflect the fair value method of recognizing compensation expense relating to share-based payments. Under the modified prospective approach, SFAS 123R applies to all of the Company's unvested stock-based payment awards beginning January 1, 2006 and all prospective awards. For 2006, the Company recorded \$4.0 million (pre-tax) of stock-based compensation expense. As a result of implementing SFAS No. 123R, the Company's income before income taxes increased \$1.5 million and net income increased \$1.0 million as compared to the amounts that the Company would have recorded for stock-based compensation expense under prior accounting rules. The impact on basic and diluted earnings per share was an increase of \$0.02 per share. In addition, SFAS No. 123R requires the Company to classify tax benefits resulting from tax deductions in excess of stock-based compensation expense recognized as a financing activity. This amount was not significant to cash flows and is included in the line item proceeds from issuance of common stock on the Statement of Cash

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Flows. See Note 22 for further information related to stock compensation plans.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109," (FIN 48) which provides guidance for the recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires the evaluation of a tax position as a two-step process. First, the Company will be required to determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If the tax position meets the "more likely than not" recognition threshold, it is then measured and recorded at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company will be required to adopt FIN 48 in the first quarter of 2007. The Company does not expect the adoption of FIN 48 to have a material effect on its financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. This statement also expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. However, the statement does not require any new fair value measurements. This statement emphasizes that fair value is a market-based measurement and not an entity-specific measurement. Therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability. The statement establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The Company will be required to adopt SFAS No. 157 in 2008. The Company is evaluating the impact SFAS No. 157 will have on its financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132 (R)." SFAS No. 158 required the Company to recognize the overfunded or underfunded status of defined benefit postretirement plans in the Company's Balance Sheet measured as the difference between the fair value of plan assets and the benefit obligation as of December 31, 2006. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plans, the benefit obligation is the accumulated postretirement benefit obligation. Previously, the Company only recognized the underfunded status of defined benefit pension plans as the difference between the fair value of plan assets and the accumulated benefit obligation. As the Company has historically recovered and currently recovers its pension and other postretirement benefit costs related to its regulated operations in retail rates, the Company has recorded a regulatory asset for that portion of its pension and other postretirement benefit funding deficiency. As such, the underfunded status of the Company's pension and other postretirement benefit plans under SFAS No. 158 has resulted in the recognition as of December 31, 2006 of:

- a liability of \$60.1 million (associated deferred taxes of \$21.0 million) for pensions and other postretirement benefits,
- a regulatory asset of \$54.2 million (associated deferred taxes of \$19.0 million) for pensions and other postretirement benefits,
- an increase to accumulated other comprehensive loss of \$3.8 million (net of taxes of \$2.1 million), and
- the removal of the intangible pension asset of \$3.7 million (was included in other deferred charges).

As such, the total effect on the deferred income tax liability for the adoption of SFAS No. 158 was a net decrease of \$2.1 million. The adoption of this statement did not have any effect on the Company's net income.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. The adoption of SAB No. 108 in the fourth quarter of 2006 did not have any effect on the Company's results of operations or financial condition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected would be reported in net income. The Company will be required to adopt SFAS No. 159 in 2008. The Company is evaluating the impact SFAS No. 159 will have on its financial condition and results of operations.

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NOTE 3. ACCOUNTS RECEIVABLE SALE

Avista Receivables Corporation (ARC) is a wholly owned, bankruptcy-remote subsidiary of Avista Corp. formed for the purpose of acquiring or purchasing interests in certain accounts receivable, both billed and unbilled, of the Company. On March 20, 2006, Avista Corp., ARC and a third-party financial institution amended a Receivables Purchase Agreement. The most significant amendment was to extend the termination date from March 21, 2006 to March 20, 2007. Under the Receivables Purchase Agreement, ARC can sell without recourse, on a revolving basis, up to \$85.0 million of those receivables. ARC is obligated to pay fees that approximate the purchaser's cost of issuing commercial paper equal in value to the interests in receivables sold. The amount of such fees is included in other operating expenses of Avista Corp. The Receivables Purchase Agreement has financial covenants, which are substantially the same as those of Avista Corp.'s \$320.0 million committed line of credit (see Note 12). At each of December 31, 2006 and 2005, \$85.0 million in accounts receivables were sold under this revolving agreement.

NOTE 4. ENERGY COMMODITY DERIVATIVE ASSETS AND LIABILITIES

SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires the recording of all derivatives as either assets or liabilities on the balance sheet measured at estimated fair value and the recognition of the unrealized gains and losses. In certain defined conditions, a derivative may be specifically designated as a hedge for a particular exposure. The accounting for derivatives depends on the intended use of the derivatives and the resulting designation.

Avista Corp. enters into forward contracts to purchase or sell electricity and natural gas. Under these forward contracts, Avista Corp. commits to purchase or sell a specified amount of energy at a specified time, or during a specified period, in the future. Certain of these forward contracts are considered derivative instruments. Avista Corp. also records derivative commodity assets and liabilities for over-the-counter and exchange-traded derivative instruments as well as certain long-term contracts. These contracts are entered into as part of Avista Corp.'s management of its loads and resources as discussed in Note 5. In conjunction with the issuance of SFAS No. 133, the WUTC and the IPUC issued accounting orders authorizing Avista Corp. to offset any derivative assets or liabilities with a regulatory asset or liability. This accounting treatment is intended to defer the recognition of mark-to-market gains and losses on energy commodity transactions until the period of settlement. The orders provide for Avista Corp. to not recognize the unrealized gain or loss on utility derivative commodity instruments in the Statements of Income. Realized gains or losses are recognized in the period of settlement, subject to approval for recovery through retail rates. Realized gains and losses, subject to regulatory approval, result in adjustments to retail rates through purchased gas cost adjustments, the ERM and the PCA mechanism.

Substantially all forward contracts to purchase or sell power and natural gas are recorded as assets or liabilities at market value with an offsetting regulatory asset or liability. Contracts that are not considered derivatives under SFAS No. 133 are generally accounted for at cost until they are settled or realized, unless there is a decline in the fair value of the contract that is determined to be other than temporary.

NOTE 5. ENERGY COMMODITY TRADING

The Company is exposed to risks relating to, but not limited to:

- changes in certain commodity prices,
- interest rates,
- foreign currency, and
- counterparty performance.

Avista Corp. utilizes derivative instruments, such as forwards, futures, swaps and options in order to manage the various risks relating to these exposures. Avista Corp. uses a variety of techniques to manage risks for their energy resources and wholesale energy market activities. The Company has risk management policies and procedures to manage these risks, both qualitative and quantitative. The Company's Risk Management Committee establishes the Company's risk management policies and procedures and monitors compliance. The Risk Management Committee is comprised of certain Company officers and other individuals and is overseen by the Audit Committee of the Company's Board of Directors.

Avista Corp. engages in an ongoing process of resource optimization, which involves the economic selection from available resources to serve Avista Corp.'s load obligations and uses its existing resources to capture available economic value. Avista Corp. sells and purchases wholesale electric capacity and energy and fuel as part of the process of acquiring resources to serve its load obligations. These transactions range from terms of one hour up to multiple years. Avista Corp. makes continuing projections of:

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- loads at various points in time (ranging from one hour to multiple years) based on, among other things, estimates of factors such as customer usage and weather, as well as historical data and contract terms, and
- resource availability at these points in time based on, among other things, estimates of streamflows, availability of generating units, historic and forward market information and experience.

On the basis of these projections, Avista Corp. makes purchases and sales of energy to match expected resources to expected electric load requirements. Resource optimization involves generating plant dispatch and scheduling available resources and also includes transactions such as:

- purchasing fuel for generation,
- when economic, selling fuel and substituting wholesale purchases for the operation of Avista Corp.'s resources, and
- other wholesale transactions to capture the value of generation and transmission resources.

Avista Corp.'s optimization process includes entering into hedging transactions to manage risks.

As part of its resource optimization process described above, Avista Corp. manages the impact of fluctuations in electric energy prices by measuring and controlling the volume of energy imbalance between projected loads and resources and through the use of derivative commodity instruments for hedging purposes. Load/resource imbalances within a rolling 18-month planning horizon are compared against established volumetric guidelines and management determines the timing and specific actions to manage the imbalances. Management also assesses available resource decisions and actions that are appropriate for longer-term planning periods. Prior to April 1, 2005, Avista Energy was responsible for the daily management of natural gas supplies to meet the requirements of Avista Corp.'s customers in the states of Washington, Idaho and Oregon. Effective April 1, 2005, the management of natural gas procurement functions was moved from Avista Energy back to Avista Corp. This was required for Washington customers by WUTC orders issued in February 2004, and Avista Corp.'s resulting transition plan was approved by the WUTC in April 2004. The Company also elected to move these functions back to Avista Corp. for Idaho and Oregon natural gas customers. The natural gas procurement process includes entering into financial and physical hedging transactions as a means of managing risks. Avista Corp. always managed natural gas procurement for its California operations, which the Company sold in April 2005 (see Note 26).

Market Risk

Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative commodity instruments. Market risk is influenced to the extent that the performance or nonperformance by market participants of their contractual obligations and commitments affect the supply of, or demand for, the commodity. Avista Corp. manages the market risks inherent in its activities according to risk policies established by the Risk Management Committee.

Credit Risk

Credit risk relates to the risk of loss that Avista Corp. would incur as a result of non-performance by counterparties of their contractual obligations to deliver energy or make financial settlements. Avista Corp. often extends credit to counterparties and customers and is exposed to the risk that it may not be able to collect amounts owed to them. Changes in market prices may dramatically alter the size of credit risk with counterparties, even when conservative credit limits have been established. Credit risk includes the risk that a counterparty may default due to circumstances:

- relating directly to it,
- caused by market price changes, and
- relating to other market participants that have a direct or indirect relationship with such counterparty.

Should a counterparty, customer or supplier fail to perform, Avista Corp. may be required to replace existing contracts with contracts at then-current market prices or to honor the underlying commitment.

Avista Corp. seeks to mitigate credit risk by:

- applying specific eligibility criteria to existing and prospective counterparties, and
- actively monitoring current credit exposures.

These policies include an evaluation of the financial condition and credit ratings of counterparties, collateral requirements or other credit enhancements, such as letters of credit or parent company guarantees. Avista Corp. also uses standardized agreements that allow for the netting or offsetting of positive and negative exposures associated with a single counterparty.

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The Company has concentrations of suppliers and customers in the electric and natural gas industries including:

- electric utilities,
- natural gas distribution companies, and
- energy marketing and trading companies.

In addition, the Company has concentrations of credit risk related to geographic location as it operates in the western United States and western Canada. These concentrations of counterparties and concentrations of geographic location may impact the Company's overall exposure to credit risk, either positively or negatively, because the counterparties may be similarly affected by changes in conditions.

Credit risk also involves the exposure that counterparties perceive related to the ability of Corp. to perform deliveries and settlement under physical and financial energy contracts. These counterparties may seek assurances of performance in the form of:

- letters of credit,
- prepayments, and
- cash deposits

In periods of price volatility, the level of exposure can change significantly. As a result, sudden and significant demands may be made against the Company's credit facilities and cash. Avista Corp. actively monitors the exposure to possible collateral calls and take steps to minimize capital requirements.

Other Operational and Event Risks

In addition to market and credit risk, the Company is subject to operational and event risks including, among others:

- increases or decreases in load demand,
- blackouts or disruptions to transmission or transportation systems,
- fuel quality and availability,
- forced outages at generating plants,
- disruptions to information systems and other administrative tools required for normal operations, and
- weather conditions and natural disasters that can cause physical damage to property, requiring repairs to restore utility service.

Terrorism threats, both domestic and foreign, are a risk to the entire utility industry. Potential disruptions to operations or destruction of facilities from terrorism or other malicious acts are not readily determinable. The Company has taken various steps to mitigate terrorism risks and prepare contingency plans in the event that its facilities are targeted.

NOTE 6. CASH DEPOSITS FROM COUNTERPARTIES

Cash deposits from counterparties totaled \$39.4 million as of December 31, 2006 and \$9.0 million as of December 31, 2005. These funds are held by Avista Corp. to mitigate the potential impact of counterparty default risk. These amounts are subject to return if conditions warrant because of continuing portfolio value fluctuations with those parties or substitution of non-cash collateral.

As is common industry practice, Avista Corp. maintains margin agreements with certain counterparties. Margin calls are triggered when exposures exceed predetermined contractual limits or when there are changes in a counterparty's creditworthiness. Price movements in electricity and natural gas can generate exposure levels in excess of these contractual limits. From time to time, margin calls are made and/or received by Avista Corp. Negotiating for collateral in the form of cash or letters of credit is a common industry practice.

NOTE 7. JOINTLY OWNED ELECTRIC FACILITIES

The Company has a 15 percent ownership interest in a twin-unit coal-fired generating facility, the Colstrip Generating Project (Colstrip) located in southeastern Montana, and provides financing for its ownership interest in the project. The Company's share of related fuel costs as well as operating expenses for plant in service are included in the corresponding accounts in the Statements of Income. The Company's share of utility plant in service for Colstrip was \$329.0 million and accumulated depreciation was \$192.5 million as of December 31, 2006.

NOTE 8. ASSET RETIREMENT OBLIGATIONS

The Company follows SFAS No. 143, "Accounting for Asset Retirement Obligations," which requires the recording of the fair value of

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a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the associated costs of the asset retirement obligation are capitalized as part of the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the related capitalized costs are depreciated over the useful life of the related asset. Upon retirement of the asset, the Company either settles the retirement obligation for its recorded amount or incurs a gain or loss. As asset retirement costs are recovered through rates charged to customers, the Company records regulatory assets and liabilities for the difference between asset retirement costs currently recovered in rates and asset retirement obligations recorded under SFAS 143. The regulatory assets do not earn a return.

The Company adopted FIN 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143," as of December 31, 2005, which resulted in the recording of additional asset retirement obligations under SFAS No. 143. Specifically, the Company recorded liabilities for future asset retirement obligations to:

- restore ponds at Colstrip,
- remove plant and restore the land at the Coyote Springs 2 site at the termination of the land lease,
- remove asbestos at the corporate office building, and
- dispose of PCBs in certain transformers.

Due to an inability to estimate a range of settlement dates, the Company cannot estimate a liability for the:

- removal and disposal of certain transmission and distribution assets, and
- abandonment and decommissioning of certain hydroelectric generation and natural gas storage facilities.

The following table documents the changes in the Company's asset retirement obligation during the years ended December 31 (dollars in thousands):

| | 2006 | 2005 |
|--|----------------|----------------|
| Asset retirement obligation at beginning of year | \$4,529 | \$1,191 |
| New liability recognized | - | 3,243 |
| Liability settled | (51) | (28) |
| Accretion expense | <u>332</u> | <u>123</u> |
| Asset retirement obligation at end of year | <u>\$4,810</u> | <u>\$4,529</u> |

The pro forma asset retirement obligation liability balance as if FIN 47 had been adopted on January 1, 2005 (rather than December 31, 2005) is as follows (dollars in thousands):

| | |
|---|---------|
| Pro forma asset retirement obligation as of January 1, 2005 | \$4,246 |
|---|---------|

NOTE 9. PENSION PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company has a defined benefit pension plan covering substantially all regular full-time employees at Avista Corp. and Avista Energy. Individual benefits under this plan are based upon the employee's years of service and average compensation as specified in the plan. The Company's funding policy is to contribute at least the minimum amounts that are required to be funded under the Employee Retirement Income Security Act, but not more than the maximum amounts that are currently deductible for income tax purposes. The Company made \$15 million in cash contributions to the pension plan in each of 2006, 2005 and 2004. The Company expects to contribute \$15 million to the pension plan in 2007.

The Company also has a Supplemental Executive Retirement Plan (SERP) that provides additional pension benefits to executive officers of the Company. The SERP is intended to provide benefits to executive officers whose benefits under the pension plan are reduced due to the application of Section 415 of the Internal Revenue Code of 1986 and the deferral of salary under deferred compensation plans.

The Company expects that benefit payments under the pension plan and the SERP will total \$14.0 million in 2007, \$14.2 million in 2008, \$14.5 million in 2009, \$15.8 million in 2010 and \$16.4 million in 2011. For the ensuing five years (2012 through 2017), the Company expects that benefit payments under the pension plan and the SERP will total \$102.6 million.

The Finance Committee of the Company's Board of Directors:

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- establishes investment policies, objectives and strategies that seek an appropriate return for the pension plan, and
- reviews and approves changes to the investment and funding policies.

The Company has contracted with an investment consultant who is responsible for managing/monitoring the individual investment managers. The investment managers' performance and related individual fund performance is periodically reviewed by the Finance Committee to ensure compliance with investment policy objectives and strategies. Pension plan assets are invested primarily in marketable debt and equity securities. Pension plan assets may also be invested in real estate, absolute return, venture capital/private equity and commodity funds. In seeking to obtain the desired return to fund the pension plan, the Finance Committee has established investment allocation percentages by asset classes as indicated in the table in this Note.

The expected long-term rate of return on plan assets is based on past performance and economic forecasts for the types of investments held by the plan. The market-related value of pension plan assets invested in debt and equity securities was based primarily on fair value (market prices).

The market-related value of pension plan assets invested in real estate was determined based on three basic approaches:

- current cost of reproducing a property less deterioration and functional economic obsolescence,
- capitalization of the property's net earnings power, and
- value indicated by recent sales of comparable properties in the market.

The market-related value of plan assets was determined as of December 31, 2006 and 2005.

In 2006, the form of payment election assumption was analyzed based upon historical trends and future projections. The Company revised the form of payment election to assume that 5 percent of retirees and 50 percent of vested terminated participants will elect a lump sum payment, based upon the analysis. The form of payment election assumption previously assumed that 50 percent of retirees and vested terminated participants would elect a lump sum payment. The change resulted in an increase of \$13.2 million to the pension benefit obligation as of December 31, 2006. The change will also increase future years' pension costs.

As of December 31, 2006 and 2005, the pension and other postretirement benefit plans had assets with a market-related value that was less than the present value of the benefit obligation under the plans. In 2006, the Company adopted SFAS No. 158, which resulted in the recording of adjustments to the Balance Sheet as disclosed in Note 2.

The Company provides certain health care and life insurance benefits for substantially all of its retired employees. The Company accrues the estimated cost of postretirement benefit obligations during the years that employees provide services. The Company elected to amortize the transition obligation of \$34.5 million over a period of twenty years, beginning in 1993. The Company expects that benefit payments under the postretirement benefit plan will be \$2.9 million in 2007, \$2.8 million in 2008, \$2.7 million in 2009, \$2.5 million in 2010 and \$2.5 million 2011. For the ensuing five years (2012 through 2016), the Company expects that benefit payments under the postretirement benefit plan will total \$10.9 million. The Company expects to contribute \$2.9 million to the postretirement benefit plan in 2007, representing expected benefit payments to be paid during the year.

The Company established a Health Reimbursement Arrangement to provide employees with tax-advantaged funds to pay for allowable medical expenses upon retirement. The amount earned by the employee is fixed on the retirement date based on employees' years of service and the ending salary. The liability and expense of this plan are included as postretirement benefits.

The Company uses a December 31 measurement date for its pension and postretirement plans. The following table sets forth the pension and other postretirement plan disclosures as of December 31, 2006 and 2005 and the components of net periodic benefit costs for the years ended December 31, 2006, 2005 and 2004 (dollars in thousands):

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| | Pension Benefits | | Other Postretirement Benefits | |
|--|-------------------|--------------------|-------------------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Change in benefit obligation: | | | | |
| Benefit obligation as of beginning of year | \$301,746 | \$285,738 | \$28,963 | \$31,868 |
| Service cost | 9,963 | 9,480 | 544 | 566 |
| Interest cost | 17,158 | 16,228 | 1,755 | 1,652 |
| Plan amendment | - | - | - | - |
| Actuarial loss (gain) | 2,524 | 5,352 | 2,386 | (1,800) |
| Benefits paid | (15,521) | (14,932) | (3,557) | (3,293) |
| Expenses paid | (179) | (120) | (30) | (30) |
| Benefit obligation as of end of year | <u>\$315,691</u> | <u>\$301,746</u> | <u>\$30,061</u> | <u>\$28,963</u> |
| Change in plan assets: | | | | |
| Fair value of plan assets as of beginning of year | \$199,163 | \$186,579 | \$18,378 | \$16,862 |
| Actual return on plan assets | 25,737 | 11,763 | 2,530 | 1,236 |
| Employer contributions | 15,000 | 15,000 | - | 1,183 |
| Benefits paid | (14,642) | (14,059) | - | (873) |
| Expenses paid | (179) | (120) | (30) | (30) |
| Fair value of plan assets as of end of year | <u>\$225,079</u> | <u>\$199,163</u> | <u>\$20,878</u> | <u>\$18,378</u> |
| Funded status | <u>\$(90,612)</u> | <u>\$(102,583)</u> | <u>\$(9,183)</u> | <u>\$(10,585)</u> |
| Unrecognized net actuarial loss | 69,679 | 79,667 | 2,318 | 973 |
| Unrecognized prior service cost | 3,751 | 4,405 | - | - |
| Unrecognized net transition obligation/(asset) | - | - | 3,031 | 3,536 |
| Accrued benefit cost | (17,182) | (18,511) | (3,834) | (6,076) |
| Additional liability | (73,430) | (34,595) | (5,349) | - |
| Accrued benefit liability | <u>\$(90,612)</u> | <u>\$(53,106)</u> | <u>\$(9,183)</u> | <u>\$(6,076)</u> |
| Accumulated pension benefit obligation | <u>\$264,647</u> | <u>\$252,269</u> | - | - |
| Accumulated postretirement benefit obligation: | | | | |
| For retirees | | | \$18,548 | \$14,662 |
| For fully eligible employees | | | \$5,401 | \$5,980 |
| For other participants | | | \$6,112 | \$8,321 |
| Weighted-average asset allocations as of December 31: | | | | |
| Equity securities | 53% | 63% | 64% | 62% |
| Debt securities | 28% | 27% | 33% | 36% |
| Real estate | 5% | 5% | - | - |
| Other | 14% | 5% | 3% | 2% |
| Target asset allocations as of December 31: | | | | |
| Equity securities | 39-61% | 54-68% | 52-72% | 52-72% |
| Debt securities | 27-33% | 22-28% | 28-48% | 28-48% |
| Real estate | 3-7% | 3-7% | - | - |
| Other | 10-22% | 5-13% | - | - |
| Weighted average assumptions as of December 31: | | | | |
| Discount rate for benefit obligation | 6.15% | 5.75% | 6.15% | 5.75% |
| Discount rate for annual expense | 5.75% | 5.75% | 5.75% | 5.75% |
| Expected long-term return on plan assets | 8.50% | 8.50% | 8.50% | 8.50% |
| Rate of compensation increase | 4.84% | 4.84% | | |
| Medical cost trend pre-age 65 – initial | | | 9.00% | 9.00% |
| Medical cost trend pre-age 65 – ultimate | | | 5.00% | 5.00% |
| Ultimate medical cost trend year pre-age 65 | | | 2011 | 2010 |
| Medical cost trend post-age 65 – initial | | | 9.00% | 9.00% |
| Medical cost trend post-age 65 – ultimate | | | 6.00% | 6.00% |
| Ultimate medical cost trend year post-age 65 | | | 2010 | 2009 |

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| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
|---|-----------------|-----------------|-----------------|----------------|----------------|----------------|
| Components of net periodic benefit cost: | | | | | | |
| Service cost | \$9,963 | \$ 9,480 | \$ 8,914 | \$ 544 | \$ 566 | \$ 480 |
| Interest cost | 17,158 | 16,228 | 16,406 | 1,755 | 1,652 | 2,019 |
| Expected return on plan assets | (16,997) | (15,917) | (13,436) | (1,562) | (1,368) | (1,106) |
| Transition (asset)/obligation recognition | - | (499) | (1,086) | 505 | 505 | 505 |
| Amortization of prior service cost | 653 | 654 | 654 | - | - | - |
| Net loss recognition | <u>3,772</u> | <u>3,442</u> | <u>3,447</u> | <u>90</u> | <u>-</u> | <u>245</u> |
| Net periodic benefit cost | <u>\$14,549</u> | <u>\$13,388</u> | <u>\$14,899</u> | <u>\$1,332</u> | <u>\$1,355</u> | <u>\$2,143</u> |

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 2006 by \$1.4 million and the service and interest cost by \$0.1 million. A one-percentage-point decrease in the assumed health care cost trend rate for each year would decrease the accumulated postretirement benefit obligation as of December 31, 2006 by \$1.2 million and the service and interest cost by \$0.1 million.

The Company has a salary deferral 401(k) plans that is a defined contribution plan covers substantially all employees. Employees can make contributions to their respective accounts in the plans on a pre-tax basis up to the maximum amount permitted by law. The Company matches a portion of the salary deferred by each participant according to the schedule in the plan. Employer matching contributions were \$4.4 million in 2006, \$4.1 million in 2005 and \$3.9 million in 2004.

The Company has an Executive Deferral Plan. This plan allows executive officers and other key employees the opportunity to defer until the earlier of their retirement, termination, disability or death, up to 75 percent of their base salary and/or up to 100 percent of their incentive payments. Deferred compensation funds are held by the Company in a Rabbi Trust. At December 31, 2006 and 2005, there were deferred compensation assets of \$12.6 million and \$11.3 million included in other special funds and corresponding deferred compensation liabilities of \$12.6 million and \$11.3 million included in other deferred credits on the Balance Sheets.

NOTE 10. ACCOUNTING FOR INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and tax credit carryforwards.

The realization of deferred tax assets is dependent upon the ability to generate taxable income in future periods. The Company evaluated available evidence supporting the realization of its deferred tax assets and determined it is more likely than not that deferred tax assets will be realized.

In August 2005, the IRS and Treasury Department issued a revenue ruling, and related regulations that affect the tax treatment by Avista Corp. of certain indirect overhead expenses. Avista Corp. had previously made a tax election to deduct certain indirect overhead costs, starting with the 2002 tax return, that were capitalized for financial accounting purposes. This election allowed Avista Corp. to accelerate tax deductions resulting in a reduction of approximately \$40 million in current tax liabilities. The current tax benefit was deferred on the balance sheet in accordance with provisions of SFAS No. 109 and did not have an effect on net income.

Due to the revenue rulings and related regulations, the IRS has disallowed the accelerated tax deductions during their recent exam. The Company believes that the tax deductions claimed on tax returns were appropriate based on the applicable statutes and regulations in effect at the time. Avista Corp. has appealed the proposed IRS adjustment on April 19, 2006. The Company's appeal has been received, but has not yet been scheduled for review by the IRS Appeals Division. The Company repaid a portion of the accelerated tax deduction through tax payments in 2005 and 2006. There can be no assurance that the Company's position will prevail. However, it is not expected to have a significant effect on the Company's net income.

The Company had net regulatory assets of \$105.9 million as of December 31, 2006 and \$114.1 million as of December 31, 2005 related to the probable recovery of certain deferred tax liabilities from customers through future rates.

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NOTE 11. ENERGY PURCHASE CONTRACTS

Avista Corp. has contracts for the purchase of fuel for thermal generation, natural gas and various agreements for the purchase, sale or exchange of electric energy with other entities. The termination dates of the contracts range from one month to the year 2055. Total expenses for power purchased, natural gas purchased, fuel for generation and other fuel costs, which are included in operation expenses in the Statements of Income, were \$682.5 million in 2006, \$652.2 million in 2005 and \$482.2 million in 2004. The following table details Avista Corp.'s future contractual commitments for power resources (including transmission contracts) and natural gas resources (including transportation contracts) (dollars in thousands):

| | 2007 | 2008 | 2009 | 2010 | 2011 | Thereafter | Total |
|-----------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| Power resources | \$109,915 | \$103,526 | \$102,898 | \$103,003 | \$ 74,785 | \$ 463,737 | \$ 957,864 |
| Natural gas resources | <u>215,668</u> | <u>96,054</u> | <u>83,625</u> | <u>57,901</u> | <u>56,563</u> | <u>719,503</u> | <u>1,229,314</u> |
| Total | <u>\$325,583</u> | <u>\$199,580</u> | <u>\$186,523</u> | <u>\$160,904</u> | <u>\$131,348</u> | <u>\$1,183,240</u> | <u>\$2,187,178</u> |

All of the energy purchase contracts were entered into as part of Avista Corp.'s obligation to serve its retail natural gas and electric customers' energy requirements. As a result, these costs are generally recovered either through base retail rates or adjustments to retail rates as part of the power and natural gas cost deferral and recovery mechanisms.

In addition, Avista Corp. has operational agreements, settlements and other contractual obligations for its generation, transmission and distribution facilities. The expenses associated with these agreements are reflected as operation expenses and maintenance expenses in the Statements of Income.

The following table details future contractual commitments for these agreements (dollars in thousands):

| | 2007 | 2008 | 2009 | 2010 | 2011 | Thereafter | Total |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| Contractual obligations | <u>\$15,438</u> | <u>\$15,463</u> | <u>\$15,611</u> | <u>\$15,637</u> | <u>\$15,666</u> | <u>\$196,863</u> | <u>\$274,678</u> |

Avista Corp. has fixed contracts with certain Public Utility Districts (PUD) to purchase portions of the output of certain generating facilities. Although Avista Corp. has no investment in the PUD generating facilities, the fixed contracts obligate Avista Corp. to pay certain minimum amounts (based in part on the debt service requirements of the PUD) whether or not the facilities are operating. The cost of power obtained under the contracts, including payments made when a facility is not operating, is included in operation expenses in the Statements of Income. Expenses under these PUD contracts were \$13.1 million in 2006, \$9.0 million in 2005 and \$7.3 million in 2004.

Information as of December 31, 2006 pertaining to these PUD contracts is summarized in the following table (dollars in thousands):

| | Company's Current Share of | | | | | |
|-----------------------|----------------------------|------------------------|---------------------|------------------------------|----------------------|-------------------------|
| | Output | Kilowatt Capability | Annual Costs (1) | Debt Service Costs (1) | Bonds Outstanding | Expira- tion Date |
| Chelan County PUD: | | | | | | |
| Rocky Reach Project | 2.9% | 37,000 | \$ 2,031 | \$ 984 | \$ 2,179 | 2011 |
| Douglas County PUD: | | | | | | |
| Wells Project | 3.5% | 30,000 | 1,218 | 809 | 4,724 | 2018 |
| Grant County PUD: | | | | | | |
| Priest Rapids Project | 2.9% | 55,000 | 6,898 | 561 | 7,876 | 2055 |
| Wanapum Project | 8.2% | <u>75,000</u> | <u>2,932</u> | <u>1,870</u> | <u>12,938</u> | 2055 |
| Totals | | <u>197,000</u> | <u>\$13,079</u> | <u>\$4,224</u> | <u>\$27,717</u> | |

(1) The annual costs will change in proportion to the percentage of output allocated to Avista Corp. in a particular year. Amounts represent the operating costs for the year 2006. Debt service costs are included in annual costs.

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The estimated aggregate amounts of required minimum payments (Avista Corp.'s share of existing debt service costs) under these PUD contracts are as follows (dollars in thousands):

| | 2007 | 2008 | 2009 | 2010 | 2011 | Thereafter | Total |
|------------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| Minimum payments | <u>\$3,519</u> | <u>\$3,594</u> | <u>\$3,620</u> | <u>\$2,738</u> | <u>\$2,683</u> | <u>\$27,962</u> | <u>\$44,116</u> |

In addition, Avista Corp. will be required to pay its proportionate share of the variable operating expenses of these projects.

NOTE 12. COMMITTED LINE OF CREDIT

On April 6, 2006, the Company amended its committed line of credit agreement with various banks. The committed line of credit was originally entered into on December 17, 2004. Amendments to the committed line of credit include a reduction in the total amount of the facility to \$320.0 million from \$350.0 million and an extension of the expiration date to April 5, 2011 from December 16, 2009. The Company chose to reduce the facility based on forecasted liquidity needs. Under the amended credit agreement, the Company can request the issuance of up to \$320.0 million in letters of credit, an increase from \$150.0 million prior to the amendment. Total letters of credit outstanding were \$77.1 million as of December 31, 2006 and \$44.1 million as of December 31, 2005. The amended committed line of credit is secured by \$320.0 million of non-transferable First Mortgage Bonds of the Company issued to the agent bank that would only become due and payable in the event, and then only to the extent, that the Company defaults on its obligations under the committed line of credit.

The amended committed line of credit agreement contains customary covenants and default provisions, including a covenant requiring the ratio of "earnings before interest, taxes, depreciation and amortization" to "interest expense" of Avista Corp. for the preceding twelve-month period at the end of any fiscal quarter to be greater than 1.6 to 1. As of December 31, 2006, the Company was in compliance with this covenant with a ratio of 2.56 to 1. The committed line of credit agreement also has a covenant which does not permit the ratio of "consolidated total debt" to "consolidated total capitalization" of Avista Corp. to be greater than 70 percent at the end of any fiscal quarter. Under the amendment, this ratio limitation will be increased to 75 percent during the period between the completion of the proposed change in the Company's corporate organization (see Note 24) and December 31, 2007. As of December 31, 2006, the Company was in compliance with this covenant with a ratio of 53.7 percent. If the proposed change in organization becomes effective, the committed line of credit agreement will remain at Avista Corp.

Balances outstanding and interest rates of borrowings (excluding letters of credit) under the Company's revolving committed lines of credit were as follows as of and for the years ended December 31 (dollars in thousands):

| | 2006 | 2005 | 2004 |
|---|---------|----------|----------|
| Balance outstanding at end of period | \$4,000 | \$63,000 | \$68,000 |
| Maximum balance outstanding during the period | 77,000 | 167,000 | 170,000 |
| Average balance outstanding during the period | 16,740 | 61,181 | 54,858 |
| Average interest rate during the period | 6.07% | 4.45% | 3.14% |
| Average interest rate at end of period | 8.25% | 5.48% | 3.52% |

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NOTE 13. BONDS AND OTHER LONG-TERM DEBT

The following details the interest rate and maturity dates of bonds and other long-term debt outstanding as of December 31 (dollars in thousands):

| Maturity Year | Description | Interest Rate | 2006 | 2005 |
|---------------|--------------------------------|---------------|--------------------|--------------------|
| 2006 | Secured Medium-Term Notes | 7.89%-7.90% | \$ - | \$ 30,000 |
| 2007 | First Mortgage Bonds (1) | 7.75% | - | 150,000 |
| 2007 | Secured Medium-Term Notes | 5.99% | 13,850 | 13,850 |
| 2008 | Secured Medium-Term Notes | 6.06%-6.95% | 45,000 | 45,000 |
| 2010 | Secured Medium-Term Notes | 6.67%-8.02% | 35,000 | 35,000 |
| 2012 | Secured Medium-Term Notes | 7.37% | 7,000 | 7,000 |
| 2013 | First Mortgage Bonds | 6.13% | 45,000 | 45,000 |
| 2018 | Secured Medium-Term Notes | 7.39%-7.45% | 22,500 | 22,500 |
| 2019 | First Mortgage Bonds | 5.45% | 90,000 | 90,000 |
| 2023 | Secured Medium-Term Notes | 7.18%-7.54% | 13,500 | 13,500 |
| 2028 | Secured Medium-Term Notes | 6.37% | 25,000 | 25,000 |
| 2032 | Pollution Control Bonds | 5.00% | 66,700 | 66,700 |
| 2034 | Pollution Control Bonds | 5.13% | 17,000 | 17,000 |
| 2035 | First Mortgage Bonds | 6.25% | 150,000 | 150,000 |
| 2037 | First Mortgage Bonds (1) | 5.70% | <u>150,000</u> | <u>-</u> |
| | Total secured long-term debt | | <u>680,550</u> | <u>710,550</u> |
| 2006 | Unsecured Medium-Term Notes | 8.14% | - | 8,000 |
| 2007 | Unsecured Medium-Term Notes | 7.90%-7.94% | 12,000 | 12,000 |
| 2008 | Unsecured Senior Notes | 9.75% | 272,860 | 279,735 |
| 2023 | Pollution Control Bonds | 6.00% | <u>4,100</u> | <u>4,100</u> |
| | Total unsecured long-term debt | | <u>288,960</u> | <u>303,835</u> |
| | Interest rate swaps | | <u>1,037</u> | <u>5,236</u> |
| | Committed line of credit | | <u>4,000</u> | <u>63,000</u> |
| | Preferred stock | | <u>26,250</u> | <u>28,000</u> |
| | Total long-term debt | | <u>\$1,000,797</u> | <u>\$1,110,621</u> |

(1) During December 2006, the Company issued \$150.0 million of 5.70 percent First Mortgage Bonds due in 2037. The proceeds from the issuance were used to legally defease \$150.0 million of First Mortgage Bonds that were scheduled to mature on January 1, 2007.

The following table details future long-term debt maturities, not including interest rate swaps, the committed line of credit or preferred stock (dollars in thousands):

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | Thereafter | Total |
|-----------------|-----------------|------------------|-------------|-----------------|-------------|------------------|------------------|
| Debt maturities | <u>\$25,850</u> | <u>\$317,860</u> | <u>\$ -</u> | <u>\$35,000</u> | <u>\$ -</u> | <u>\$590,800</u> | <u>\$969,510</u> |

Substantially all utility properties owned by the Company are subject to the lien of the Company's various mortgage indentures. The Mortgage and Deed of Trust securing the Company's First Mortgage Bonds (including Secured Medium-Term Notes) contains limitations on the amount of First Mortgage Bonds, which may be issued based on, among other things, a 70 percent debt-to-collateral ratio, and/or retired First Mortgage Bonds, and a 2 to 1 net earnings to First Mortgage Bond interest ratio. As of December 31, 2006, the Company could issue \$429.5 million of additional First Mortgage Bonds under the Mortgage and Deed of Trust. See Note 12 for information regarding First Mortgage Bonds issued to secure the Company's obligations under its \$320.0 million committed line of credit.

NOTE 14. ADVANCES FROM ASSOCIATED COMPANIES

In 2004, the Company issued Junior Subordinated Debt Securities, with a principal amount of \$61.9 million to AVA Capital Trust III, an affiliated business trust formed by the Company. Concurrently, AVA Capital Trust III issued \$60.0 million of Preferred Trust Securities to third parties and \$1.9 million of Common Trust Securities to the Company. All of these securities have a fixed interest

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rate of 6.50 percent for five years (through March 31, 2009). Subsequent to the initial five-year fixed rate period, the securities will either have a new fixed rate or an adjustable rate. These debt securities may be redeemed by the Company on or after March 31, 2009 and will mature on April 1, 2034.

In 1997, the Company issued Floating Rate Junior Subordinated Deferrable Interest Debentures, Series B, with a principal amount of \$51.5 million to Avista Capital II, an affiliated business trust formed by the Company. Avista Capital II issued \$50.0 million of Preferred Trust Securities with a floating distribution rate of LIBOR plus 0.875 percent, calculated and reset quarterly. The annual distribution rate paid during 2006 ranged from 5.285 percent to 6.275 percent. As of December 31, 2006, the annual distribution rate was 6.244 percent. Concurrent with the issuance of the Preferred Trust Securities, Avista Capital II issued \$1.5 million of Common Trust Securities to the Company. These debt securities may be redeemed at the option of Avista Capital II on or after June 1, 2007 and mature on June 1, 2037; however, this is limited by an agreement under the Company's 9.75 percent Senior Notes that mature in 2008. In December 2000, the Company purchased \$10.0 million of these Preferred Trust Securities.

The Company has guaranteed the payment of distributions on, and redemption price and liquidation amount with respect to, the Preferred Trust Securities to the extent that AVA Capital Trust III and Avista Capital II have funds available for such payments from the respective debt securities. Upon maturity or prior redemption of such debt securities, the Preferred Trust Securities will be mandatorily redeemed.

NOTE 15. INTEREST RATE SWAP AGREEMENTS

In 2004, Avista Corp. entered into three forward-starting interest rate swap agreements, totaling \$200.0 million, to manage the risk associated with changes in interest rates and the impact on future interest payments. These interest rate swap agreements relate to the interest payments for the anticipated issuances of debt to fund debt that matures in 2007 and 2008. In 2005, the Company cash settled an interest rate swap and received \$4.4 million. In December 2006, Avista Corp. cash settled an interest rate swap agreement (totaling \$75.0 million) and paid \$3.7 million. These settlements have been deferred as regulatory items (part of long-term debt) and will be amortized over the remaining terms of the interest rate swap agreements (forecasted interest payments) in accordance with regulatory accounting practices.

Under the terms of the two remaining agreements (totaling \$125.0 million), the value of the interest rate swaps is determined based upon Avista Corp. paying a fixed rate and receiving a variable rate based on LIBOR for a term of ten years beginning in 2008.

These interest rate swap agreements are considered hedges against fluctuations in future cash flows associated with changes in interest rates in accordance with SFAS No. 133. As of December 31, 2006, Avista Corp. had a long-term derivative liability of \$5.1 million and a net unrealized loss of \$3.3 million recorded as accumulated other comprehensive loss on the Balance Sheets. The interest rate swap agreements provide for mandatory cash settlement of these contracts in 2009. The amount included in accumulated other comprehensive income or loss at the cash settlement date will be reclassified to a regulatory asset or liability (part of long-term debt) in accordance with regulatory accounting practices under SFAS No. 71. This regulatory asset or liability will be amortized as a component of interest expense over the life of the forecasted interest payments.

NOTE 16. LEASES

The Company has multiple lease arrangements involving various assets, with minimum terms ranging from one to forty-five years. Rental expense under operating leases was \$2.5 million in 2006, \$8.0 million in 2005 and \$12.0 million in 2004.

Future minimum lease payments required under operating leases having initial or remaining noncancelable lease terms in excess of one year as of December 31, 2006 were as follows (dollars in thousands):

| Year ending December 31: | 2007 | 2008 | 2009 | 2010 | 2011 | Thereafter | Total |
|---------------------------|----------------|----------------|----------------|--------------|--------------|----------------|----------------|
| Minimum payments required | <u>\$1,491</u> | <u>\$1,380</u> | <u>\$1,237</u> | <u>\$286</u> | <u>\$201</u> | <u>\$2,915</u> | <u>\$7,510</u> |

NOTE 17. GUARANTEES

The Company has guaranteed the payment of distributions on, and redemption price and liquidation amount with respect to, the Preferred Trust Securities issued by its affiliates, AVA Capital Trust III and Avista Capital II, to the extent that these entities have funds available for such payments from the respective debt securities.

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Avista Power LLC (Avista Power), through its equity investment in Rathdrum Power, LLC (RP LLC), was a 49 percent owner of the Lancaster Project, which commenced commercial operation in September 2001. In October 2006, Avista Power completed the sale of its investment in RP LLC for close to book value. Commencing with commercial operations, all of the output from the Lancaster Project is contracted to Avista Energy through 2026 under a power purchase agreement. Avista Corp. has guaranteed the power purchase agreement for the performance of Avista Energy.

NOTE 18. PREFERRED STOCK-CUMULATIVE (SUBJECT TO MANDATORY REDEMPTION)

In September 2006, 2005 and 2004, the Company made mandatory redemptions of 17,500 shares of preferred stock for \$1.75 million. The 262,500 remaining shares must be redeemed on September 15, 2007 for \$26.25 million. Upon involuntary liquidation, all preferred stock will be entitled to \$100 per share plus accrued dividends.

NOTE 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, special deposits, working funds, temporary cash investments, accounts and notes receivable, accounts payable and the committed line of credit are reasonable estimates of their fair values. Energy commodity derivative assets and liabilities, as well as derivatives related to interest rate swap agreements, are reported at estimated fair value on the Balance Sheets. The following table sets forth the estimated fair value and carrying value of the Company's bonds and other long-term debt, long-term debt to affiliated trusts (included in advances from associated companies and excluding \$3.4 million of debt that is considered common equity by the affiliated trusts) and preferred stock subject to mandatory redemption as of December 31, 2006 and 2005 (dollars in thousands):

| | 2006 | | 2005 | |
|-------------------------------------|----------------|----------------------|----------------|----------------------|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Bonds and other long-term debt | \$969,510 | \$976,548 | \$1,014,385 | \$1,063,018 |
| Long-term debt to affiliated trusts | 110,000 | 106,744 | 110,000 | 104,595 |
| Preferred stock | 26,250 | 26,622 | 28,000 | 28,636 |

These estimates of fair value were primarily based on available market information.

NOTE 20. COMMON STOCK

In November 1999, the Company adopted a shareholder rights plan pursuant to which holders of common stock outstanding on February 15, 1999, or issued thereafter, were granted one preferred share purchase right (Right) on each outstanding share of common stock. Each Right, initially evidenced by and traded with the shares of common stock, entitles the registered holder to purchase one one-hundredth of a share of preferred stock of the Company, without par value, at a purchase price of \$70, subject to certain adjustments, regulatory approval and other specified conditions. The Rights will be exercisable only if a person or group acquires 10 percent or more of the outstanding shares of common stock or commences a tender or exchange offer, the consummation of which would result in the beneficial ownership by a person or group of 10 percent or more of the outstanding shares of common stock. Upon any such acquisition, each Right will entitle its holder to purchase, at the purchase price, that number of shares of common stock or preferred stock of the Company (or, in the case of a merger of the Company into another person or group, common stock of the acquiring person or group) that has a market value at that time equal to twice the purchase price. In no event will the Rights be exercisable by a person that has acquired 10 percent or more of the Company's common stock. The Rights may be redeemed, at a redemption price of \$0.01 per Right, by the Board of Directors of the Company at any time until any person or group has acquired 10 percent or more of the common stock. In connection with the proposed statutory share exchange (see Note 24), the shareholder rights plan was amended to provide that the Rights will expire upon the earlier of the effective time of the statutory share exchange or March 31, 2009 (the originally scheduled expiration date).

The Company has a Dividend Reinvestment and Stock Purchase Plan under which the Company's shareholders may automatically reinvest their dividends and make optional cash payments for the purchase of the Company's common stock at current market value.

The payment of dividends on common stock is restricted by provisions of certain covenants applicable to preferred stock and long-term debt contained in the Company's Articles of Incorporation and various mortgage indentures. Covenants under the Company's 9.75 percent Senior Notes that mature in 2008 limit the Company's ability to increase its common stock cash dividend to no more than 5 percent over the previous quarter, unless certain conditions are met related to restricted payments. As of December 31,

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2006, the Company is meeting the conditions that would allow it to increase the common stock cash dividend in excess of 5 percent over the previous quarter.

In December 2006, the Company issued 3,162,500 shares of common stock through an underwriter and received net proceeds of \$77.7 million. Also, in December 2006, the Company entered into a sales agency agreement with a sales agent, to issue up to 2 million shares of its common stock from time to time.

NOTE 21. EARNINGS PER COMMON SHARE

The following table presents the computation of basic and diluted earnings per common share for the years ended December 31 (in thousands, except per share amounts):

| | 2006 | 2005 | 2004 |
|--|-----------------|-----------------|-----------------|
| Numerator: | | | |
| Net income before cumulative effect of accounting change | \$73,133 | \$45,168 | \$35,614 |
| Cumulative effect of accounting change | - | - | (460) |
| Net income | <u>\$73,133</u> | <u>\$45,168</u> | <u>\$35,154</u> |
| Denominator: | | | |
| Weighted-average number of common shares outstanding-basic | 49,162 | 48,523 | 48,400 |
| Effect of dilutive securities: | | | |
| Contingent stock awards | 371 | 198 | 209 |
| Stock options | <u>364</u> | <u>258</u> | <u>277</u> |
| Weighted-average number of common shares outstanding-diluted | <u>49,897</u> | <u>48,979</u> | <u>48,886</u> |
| Earnings per common share, basic: | | | |
| Earnings before cumulative effect of accounting change | \$1.49 | \$0.93 | \$0.74 |
| Loss from cumulative effect of accounting change | - | - | (0.01) |
| Total earnings per common share, basic | <u>\$1.49</u> | <u>\$0.93</u> | <u>\$0.73</u> |
| Earnings per common share, diluted: | | | |
| Earnings before cumulative effect of accounting change | \$1.47 | \$0.92 | \$0.73 |
| Loss from cumulative effect of accounting change | - | - | (0.01) |
| Total earnings per common share, diluted | <u>\$1.47</u> | <u>\$0.92</u> | <u>\$0.72</u> |

Total stock options outstanding that were not included in the calculation of diluted earnings per common share were 26,200 for 2006, 695,500 for 2005 and 730,100 for 2004. These stock options were excluded from the calculation because they were antidilutive based on the fact that the exercise price of the stock options was higher than the average market price of Avista Corp. common stock during the respective period. In addition, contingent stock awards of 318,900 were outstanding as of December 31, 2005, which were not included in basic or diluted shares because the performance conditions were not satisfied.

NOTE 22. STOCK COMPENSATION PLANS

1998 Plan

In 1998, the Company adopted, and shareholders approved, the Long-Term Incentive Plan (1998 Plan). Under the 1998 Plan, certain key employees, officers and non-employee directors of the Company and its subsidiaries may be granted stock options, stock appreciation rights, stock awards (including restricted stock) and other stock-based awards and dividend equivalent rights. The Company has available a maximum of 3.5 million shares of its common stock for grant under the 1998 Plan. As of December 31, 2006, 0.9 million shares were remaining for grant under this plan.

2000 Plan

In 2000, the Company adopted a Non-Officer Employee Long-Term Incentive Plan (2000 Plan), which was not required to be approved by shareholders. The provisions of the 2000 Plan are essentially the same as those under the 1998 Plan, except for the exclusion of non-employee directors and executive officers of the Company. The Company has available a maximum of 2.5 million shares of its common stock for grant under the 2000 Plan. However, the Company currently does not plan to issue any further options or securities under the 2000 Plan. As of December 31, 2006, 1.7 million shares were remaining for grant under this plan.

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Stock Compensation

Prior to January 1, 2006, the Company accounted for stock based compensation using APB No. 25, which required the recognition of compensation expense on the excess, if any, of the market price of the stock at the date of grant over the exercise price of the option. As the exercise price for options granted under the 1998 and 2000 Plans was equal to the market price at the date of grant, there was no compensation expense recorded by the Company. However, the Company recognized compensation expense related to performance-based share awards. For periods presented prior to January 1, 2006, the Company is required to disclose pro forma net income and earnings per common share as if the Company had adopted the fair value method of accounting for stock-based compensation.

On January 1, 2006, the Company adopted SFAS No. 123R, which supersedes APB No. 25 and SFAS No. 123 and their related implementation guidance. The statement requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on the fair value of the equity or liability instruments issued. The Company adopted SFAS No. 123R using the modified prospective method and, accordingly, financial statement amounts for prior periods presented have not been restated to reflect the fair value method of recognizing compensation expense relating to share-based payments. For 2006, the Company recorded \$4.0 million (pre-tax) of stock-based compensation expense.

Stock Options

The fair value of stock option awards was calculated using the Black Scholes option pricing model. This model requires the use of subjective assumptions, including stock price volatility, dividend yield, risk-free interest rate and expected time to exercise. See Note 1 for disclosure of pro forma net income and earnings per common share for 2005 and 2004. Avista Corp. has not granted any stock options since 2003. The following summarizes stock options activity under the 1998 Plan and the 2000 Plan for the years ended December 31:

| | 2006 | 2005 | 2004 |
|--|------------------|------------------|------------------|
| Number of shares under stock options: | | | |
| Options outstanding at beginning of year | 2,095,211 | 2,332,198 | 2,481,886 |
| Options granted | - | - | - |
| Options exercised | (504,452) | (192,377) | (99,138) |
| Options canceled | (49,714) | (44,610) | (50,550) |
| Options outstanding at end of year | <u>1,541,045</u> | <u>2,095,211</u> | <u>2,332,198</u> |
| Options exercisable at end of year | <u>1,541,045</u> | <u>1,968,629</u> | <u>1,896,648</u> |
| Weighted average exercise price: | | | |
| Options granted | \$ - | \$ - | \$ - |
| Options exercised | \$16.12 | \$13.50 | \$13.79 |
| Options canceled | \$20.77 | \$20.42 | \$18.46 |
| Options outstanding at end of year | \$15.41 | \$15.68 | \$15.58 |
| Options exercisable at end of year | \$15.41 | \$16.03 | \$16.62 |

Information for options outstanding and exercisable as of December 31, 2006 was as follows:

| Range of Exercise Prices | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Life (in years) |
|--------------------------|------------------|---------------------------------|--|
| \$10.17-\$11.68 | 388,695 | \$10.28 | 5.8 |
| \$11.69-\$14.61 | 398,375 | 11.82 | 4.9 |
| \$14.62-\$17.53 | 274,900 | 17.07 | 3.2 |
| \$17.54-\$20.45 | 155,625 | 18.75 | 2.1 |
| \$20.46-\$26.29 | 297,250 | 22.56 | 3.8 |
| \$26.30-\$28.47 | <u>26,200</u> | 27.39 | 2.6 |
| Total | <u>1,541,045</u> | \$15.41 | 4.3 |

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The aggregate intrinsic value of options outstanding and exercisable was \$15.3 million as of December 31, 2006. The aggregate intrinsic value represents the difference between Avista Corp.'s closing price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options. This is the value that would have been received by the option holders had all options holders exercised their options on December 31, 2006. The intrinsic value of options exercised during 2006 was \$3.5 million and total cash received from the exercise of stock options was \$9.9 million. At December 31, 2005, the Company had approximately 125,000 unvested stock options outstanding with a weighted average grant date fair value of \$3.28 per share. As of December 31, 2006, the Company's stock options were fully vested and expensed.

Restricted Shares

Restricted shares vest in equal thirds each year over a three-year period and are payable in Avista Corp. common stock at the end of each year if the service condition is met. In addition to the service condition, the Company must meet a return on equity target in order for the CEO's restricted shares to vest. During the vesting period, employees are entitled to dividend equivalents which are paid when dividends on the Company's common stock are declared. Restricted stock is valued at the average of the high and low market of the Company's common stock on the grant date. As of December 31, 2006, the restricted shares had unrecognized compensation expense of \$0.4 million and an intrinsic value of \$0.9 million. The intrinsic value represents the total market value of restricted shares as of December 31, 2006. The following table summarizes restricted stock activity:

| | |
|---|---------------|
| Unvested Shares at December 31, 2005 | - |
| Shares granted | 36,260 |
| Shares cancelled | (80) |
| Shares vested | - |
| Unvested Shares at December 31, 2006 | <u>36,180</u> |
| Weighted average fair value at grant date | \$21.32 |

12,073 of restricted shares vested on January 3, 2007 that were granted in 2006.

Performance Shares

Performance share grants have vesting periods of three years. Performance awards entitle the recipients to dividend equivalent rights, are subject to forfeiture under certain circumstances, and subject to meeting specific performance conditions. Based on the attainment of the performance condition, the amount of cash paid or common stock issued will range from 0 to 150 percent of the performance shares granted depending on the change in the value of the Company's common stock relative to an external benchmark. Dividend equivalent rights are accumulated and paid out only on shares that eventually vest.

Performance share awards entitle the grantee to shares of common stock or cash payable once the service condition is satisfied. Based on attainment of the performance condition, grantees may receive 0 to 150 percent of the original shares granted. The performance condition used benchmarks the Company's Total Shareholder Return (TSR) performance over a three-year period against other utilities; under SFAS 123R this is considered a market based condition. Performance shares may be settled in common stock or cash at the discretion of the Company. Historically, the company has settled these awards through issuance of stock and intends to continue this practice. These awards vest at the end of the three-year period. Under Statement SFAS 123R, performance shares are equity awards with a market based condition, which results in the compensation cost for these awards being recognized over the requisite service period, provided that the requisite service period is rendered, regardless of when, if ever, the market condition is satisfied.

The Company measured (at the grant date) the estimated fair value of performance shares granted in 2006, 2005 and 2004 in accordance with the provisions of SFAS No. 123R. The fair value of each performance share award was estimated on the date of grant using a Monte Carlo valuation model. Expected volatility was based on the historical volatility of Avista Corp. common stock over a three-year period. The expected term of the performance shares is three years based on the performance cycle. The risk-free interest rate was based on the U.S. Treasury yield at the time of grant. The compensation expense on these awards will only be adjusted for changes in forfeitures. The following summarizes the weighted average assumptions used to determine the fair value of performance shares and related compensation costs:

| | 2006 | 2005 | 2004 |
|-------------------------|-------|-------|-------|
| Risk-free interest rate | 4.6% | 3.4% | 2.4% |
| Expected life, in years | 3 | 3 | 3 |
| Expected volatility | 21.9% | 34.1% | 38.8% |
| Dividend yield | 2.9% | 3.0% | 3.4% |

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The fair value of performance shares granted was estimated to be the following in the year ended December 31:

| | 2006 | 2005 | 2004 |
|--|---------|---------|---------|
| Weighted average grant date fair value (per share) | \$18.08 | \$16.70 | \$17.16 |

The fair value includes both performance shares and dividend equivalent rights.

During 2006, the Company granted 138,340 performance shares of which 138,042 were outstanding and unvested as of December 31, 2006, to certain officers and other key employees. In 2005, the Company granted 163,600 performance shares to certain officers and other key employees, of which 162,364 awards were outstanding and unvested as of December 31, 2006.

The Company granted 156,800 performance shares in 2004. Based on the Company's TSR as compared to the benchmark during the 3-year performance cycle, the Company issued 189,382 shares of common stock in January 2007 related to the performance shares granted in 2004. The Company issued 183,497 shares of common stock in the first quarter of 2006 related to the performance shares granted in 2003.

Unrecognized compensation expense for performance share awards was \$2.4 million as of December 31, 2006, of which \$1.6 million and \$0.8 million is expected to be expensed during 2007 and 2008. The aggregate intrinsic value of all performance share awards outstanding as of December 31, 2006 was \$11.5 million, which represents the total market value of all performance shares outstanding. This is the value that would have been received by the share recipients had all performance shares been vested and paid out at 100 percent on December 31, 2006.

Awards outstanding under the performance share grants include a dividend component that is paid in cash. This component of the performance share grants is accounted for as a liability award under the guidance of SFAS No. 123R. These liability awards are revalued on a quarterly basis taking into account the number of awards outstanding, historical dividend rate, and the change in the value of the Company's common stock relative to an external benchmark. Over the life of these awards, the cumulative amount of compensation expense recognized will match the actual cash paid. As of December 31, 2006, the Company had recognized compensation expense and a liability of \$0.7 million related to the dividend component of performance share grants.

NOTE 23. COMMITMENTS AND CONTINGENCIES

In the course of its business, the Company becomes involved in various claims, controversies, disputes and other contingent matters, including the items described in this Note. Some of these claims, controversies, disputes and other contingent matters involve litigation or other contested proceedings. With respect to these proceedings, the Company intends to vigorously protect and defend its interests and pursue its rights. However, no assurance can be given as to the ultimate outcome of any particular matter because litigation and other contested proceedings are inherently subject to numerous uncertainties. With respect to matters that affect Avista Corp.'s operations, the Company intends to seek, to the extent appropriate, recovery of incurred costs through the rate making process.

Federal Energy Regulatory Commission Inquiry

On April 19, 2004, the FERC issued an order approving the contested Agreement in Resolution of Section 206 Proceeding (Agreement in Resolution) reached by Avista Corp., Avista Energy and the FERC's Trial Staff with respect to an investigation into the activities of Avista Corp. and Avista Energy in western energy markets during 2000 and 2001. In the Agreement in Resolution, the FERC Trial Staff stated that its investigation found: (1) no evidence that any executives or employees of Avista Corp. or Avista Energy knowingly engaged in or facilitated any improper trading strategy; (2) no evidence that Avista Corp. or Avista Energy engaged in any efforts to manipulate the western energy markets during 2000 and 2001; and (3) that Avista Corp. and Avista Energy did not withhold relevant information from the FERC's inquiry into the western energy markets for 2000 and 2001. In April 2005 and June 2005, the California Parties and the City of Tacoma, respectively, filed petitions for review of the FERC's decisions approving the Agreement in Resolution with the United States Court of Appeals for the Ninth Circuit. Based on the FERC's order approving the Agreement in Resolution and the FERC's denial of rehearing requests, the Company does not expect that this proceeding will have any material adverse effect on its financial condition, results of operations or cash flows.

Class Action Securities Litigation

On November 10, 2005, an amended class action complaint was filed in the United States District Court for the Eastern District of Washington against Avista Corp., Thomas M. Matthews, the former Chairman of the Board, President and Chief Executive Officer of

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Avista Corp., Gary G. Ely, the current Chairman of the Board and Chief Executive Officer of Avista Corp., and Jon E. Eliassen, the former Senior Vice President and Chief Financial Officer of Avista Corp. Several class action complaints were originally filed in September through November 2002 in the same court against the same parties. In February 2003, the court issued an order, which consolidated the complaints and in August 2003, the plaintiffs filed a consolidated amended class action complaint. On June 13, 2005, the Company filed a motion for reconsideration of its earlier motion to dismiss this complaint, based, in part, on a recent United States Supreme Court decision with respect to the pleading requirements surrounding a sufficient showing of loss causation. On October 19, 2005, the Court granted the Company's motion to dismiss this complaint. The order to dismiss was issued without prejudice, which allowed the plaintiffs to amend their complaint. The amended complaint filed on November 10, 2005 alleges damages due to the decrease in the total market value of the Company's common stock during the class period, alleged to be approximately \$2.6 billion. These alleged losses stemmed from alleged violations of federal securities laws through alleged misstatements and omissions of material facts with respect to the Company's energy trading practices in western power markets. The plaintiffs assert that alleged misstatements and omissions regarding these matters were made in the Company's filings with the Securities and Exchange Commission and other information made publicly available by the Company, including press releases. The class action complaint asserts claims on behalf of all persons who purchased, converted, exchanged or otherwise acquired the Company's common stock during the period between November 23, 1999 and August 13, 2002. On January 6, 2006, the Company filed a motion to dismiss the November 10, 2005 complaint, asserting deficiencies in the amended complaint, including that the plaintiffs failed to adequately allege loss causation. On June 2, 2006, the U.S. District Court entered an order denying the Company's motion to dismiss the complaint. The U.S. District Court's order denying the Company's motion to dismiss is not a decision on the merits of the lawsuit. On September 16, 2006, the plaintiffs filed a motion for class certification. On February 13, 2007, the plaintiffs' motion for class certification was heard before the court. Also, pending before the court is defendants' motion for summary judgment seeking to dismiss plaintiffs' claims on the ground that they are barred by the applicable statute of limitations. The matter is expected to proceed in the normal course of litigation and a trial date is currently scheduled for November 13, 2007. Because the resolution of this lawsuit remains uncertain, legal counsel cannot express an opinion on the extent, if any, of the Company's liability. However, based on information currently known to the Company's management, the Company does not expect that this lawsuit will have a material adverse effect on its financial condition, results of operations or cash flows.

California Refund Proceeding

In July 2001, the FERC ordered an evidentiary hearing to determine the amount of refunds due to California energy buyers for purchases made in the spot markets operated by the California Independent System Operator (CalISO) and the California Power Exchange (CalPX) during the period from October 2, 2000 to June 20, 2001 (Refund Period) in the California spot power market. The findings of the FERC administrative law judge were largely adopted in March 2003 by the FERC. The refunds ordered are based on the development of a mitigated market clearing price methodology. If the refunds required by the formula would cause a seller to recover less than its actual costs for the refund period, the FERC has held that the seller would be allowed to document these costs and limit its refund liability commensurately. In September 2005, Avista Energy submitted its cost filing claim pursuant to the FERC's August 2005 order and demonstrated an overall revenue shortfall for sales into the California spot markets during the Refund Period after the mitigated market clearing price methodology is applied to its transactions. That filing was accepted in orders issued by the FERC in January 2006 and November 2006. In February 2007, the CalISO filed a status report at the FERC stating that it will take approximately 10 weeks to complete the financial adjustment phase related to transactions in its markets during the Refund Period. The report also stated that the CalISO intends to process Avista Energy's cost claim. The CalISO states that its efforts related to cost filing offsets will require five business weeks to complete. In January 2007, Avista Energy joined in a settlement filed at the FERC by participants in markets operated by the Automated Power Exchange (APX). The settlement, if approved by the FERC, provides for a comprehensive resolution of all disputes and other matters with respect to the APX related claims.

In 2001, Pacific Gas & Electric (PG&E) and Southern California Edison (SCE) defaulted on payment obligations to the CalPX and the CalISO. As a result, the CalPX and the CalISO failed to pay various energy sellers, including Avista Energy. Both PG&E and the CalPX declared bankruptcy in 2001. In March 2002, SCE paid its defaulted obligations to the CalPX. In April 2004, PG&E paid its defaulted obligations into an escrow fund in accordance with its bankruptcy reorganization. Funds held by the CalPX and in the PG&E escrow fund are not subject to release until the FERC issues an order directing such release in the California refund proceeding. As of December 31, 2006, Avista Energy's accounts receivable outstanding related to defaulting parties in California were fully offset by reserves for uncollected amounts and funds collected from defaulting parties.

In addition, in June 2003, the FERC issued an order to review bids above \$250 per MW made by participants in the short-term energy markets operated by the CalISO and the CalPX from May 1, 2000 to October 2, 2000. Market participants with bids above \$250 per MW during the period described above have been required to demonstrate why their bidding behavior and practices did not violate

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applicable market rules. If violations were found to exist, the FERC would require the refund of any unjust profits and could also enforce other non-monetary penalties, such as the revocation of market-based rate authority. Avista Energy was subject to this review. In May 2004, the FERC provided notice that Avista Energy was no longer subject to this investigation. In March and April 2005, the California Parties and PG&E, respectively, petitioned for review of the FERC's decision by the United States Court of Appeals for the Ninth Circuit. In addition, many of the other orders that the FERC has issued in the California refund proceedings are now on appeal before the Ninth Circuit. Some of those issues have been consolidated as a result of a case management conference conducted in September 2004. In October 2004, the Ninth Circuit ordered that briefing proceed in two rounds. The first round is limited to three issues: (1) which parties are subject to the FERC's refund jurisdiction in light of the exemption for government-owned utilities in section 201(f) of the Federal Power Act (FPA); (2) the temporal scope of refunds under section 206 of the FPA; and (3) which categories of transactions are subject to refunds. In September 2005, the Ninth Circuit held that the FERC did not have the authority to order refunds for sales made by municipal utilities in the California Refund Case. In August 2006, the Ninth Circuit upheld October 2, 2000 as the refund effective date for the FPA section 206 Refund Proceeding, but remanded to the FERC its decision not to consider a FPA section 309 remedy for tariff violations prior to October 2, 2000. The Ninth Circuit also granted California's petition for review challenging the FERC's exclusion of the energy exchange transactions as well as the FERC's exclusion of forward market transactions from the California refund proceedings. The Ninth Circuit has extended until April 29, 2007, the time for filing petitions for rehearing. It is unclear at this time what impact, if any, the Court's remand might have on Avista Energy. The second round of issues and their corresponding briefing schedules have not yet been set by the Ninth Circuit Court of Appeals.

Because the resolution of the California refund proceeding remains uncertain, legal counsel cannot express an opinion on the extent, if any, of the Company's liability. However, based on information currently known to the Company's management, the Company does not expect that the California refund proceeding will have a material adverse effect on its financial condition, results of operations or cash flows. This is primarily due to the fact that FERC orders have stated that any refunds will be netted against unpaid amounts owed to the respective parties and the Company does not believe that refunds would exceed unpaid amounts owed to the Company.

Pacific Northwest Refund Proceeding

In July 2001, the FERC initiated a preliminary evidentiary hearing to develop a factual record as to whether prices for spot market sales in the Pacific Northwest between December 25, 2000 and June 20, 2001 were just and reasonable. During the hearing, Avista Corp. and Avista Energy vigorously opposed claims that rates for spot market sales were unjust and unreasonable and that the imposition of refunds would be appropriate. In June 2003, the FERC terminated the Pacific Northwest refund proceedings, after finding that the equities do not justify the imposition of refunds. Seven petitions for review, including one filed by Puget Sound Energy, Inc. (Puget), are now pending before the United States Court of Appeals for the Ninth Circuit. Opening briefs were filed in January 2005. Petitioners other than Puget challenged the merits of the FERC's decision not to order refunds. Puget's brief is directed to the procedural flaws in the underlying docket. Puget argues that because its complaint was withdrawn as a matter of law in July 2001, the FERC erred in relying on it to serve as the basis to initiate the preliminary investigation into whether refunds for individually negotiated bilateral transactions in the Pacific Northwest were appropriate. In February 2005, intervening parties, including Avista Energy and Avista Corp., filed in support of Puget and also filed in opposition to the other six petitioners. Briefing was completed in May 2005 and oral arguments were heard on January 8, 2007. Because the resolution of the Pacific Northwest refund proceeding remains uncertain, legal counsel cannot express an opinion on the extent, if any, of the Company's liability. However, based on information currently known to the Company's management, the Company does not expect that the Pacific Northwest refund proceeding will have a material adverse effect on its financial condition, results of operations or cash flows.

California Attorney General Complaint

In May 2002, the FERC conditionally dismissed a complaint filed in March 2002 by the Attorney General of the State of California (California AG) that alleged violations of the Federal Power Act by the FERC and all sellers (including Avista Corp. and its subsidiaries) of electric power and energy into California. The complaint alleged that the FERC's adoption and implementation of market-based rate authority was flawed and, as a result, individual sellers should refund the difference between the rate charged and a just and reasonable rate. In May 2002, the FERC issued an order dismissing the complaint but directing sellers to re-file certain transaction summaries. It was not clear that Avista Corp. and its subsidiaries were subject to this directive but the Company took the conservative approach and re-filed certain transaction summaries in June and July of 2002. In July 2002, the California AG requested a rehearing on the FERC order, which request was denied in September 2002. Subsequently, the California AG filed a Petition for Review of the FERC's decision with the United States Court of Appeals for the Ninth Circuit. In September 2004, the United States Court of Appeals for the Ninth Circuit upheld the FERC's market-based rate authority, but found the requirement that all sales at market-based rates be contained in quarterly reports filed with the FERC to be integral to a market-based rate tariff. The California AG has interpreted the decision as providing authority to the FERC to order refunds in the California refund proceeding for an

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expanded refund period. The Court's decision leaves to the FERC the determination as to whether refunds are appropriate. In October 2004, Avista Energy joined with others in seeking rehearing of the Court's decision to remand the case back to the FERC for further proceedings. The Court denied the request without explanation on July 31, 2006. Based on its current schedule, the Ninth Circuit will issue the mandate on this decision on April 29, 2007, which will return the case to the FERC for further proceedings. On December 28, 2006 certain parties filed a petition for a writ of certiorari at the Supreme Court, which is currently pending. Based on information currently known to the Company's management, the Company does not expect that this matter will have a material adverse effect on its financial condition, results of operations or cash flows.

Wah Chang Complaint

In May 2004, Wah Chang, a division of TDY Industries, Inc. (a subsidiary of Allegheny Technologies, Inc.), filed a complaint in the United States District Court for the District of Oregon against numerous companies, including Avista Corp., Avista Energy and Avista Power. This complaint is similar to the Port of Seattle complaint (which has been dismissed by the United States District Court and the United States Court of Appeals for the Ninth Circuit) and seeks compensatory and treble damages for alleged violations of the Sherman Act, the Racketeer Influenced and Corrupt Organization Act, as well as violations of Oregon state law. According to the complaint, from September 1997 to September 2002, the plaintiff purchased electricity from PacifiCorp pursuant to a contract that was indexed to the spot wholesale market price of electricity. The plaintiff alleges that the defendants, acting in concert among themselves and/or with Enron Corporation and certain affiliates thereof (collectively, Enron) and others, engaged in a scheme to defraud electricity customers by transmitting false market information in interstate commerce in order to artificially increase the price of electricity provided by them, to receive payment for services not provided by them and to otherwise manipulate the market price of electricity, and by executing wash trades and other forms of market manipulation techniques and sham transactions. The plaintiff also alleges that the defendants, acting in concert among themselves and/or with Enron and others, engaged in numerous practices involving the generation, purchase, sale, exchange, scheduling and/or transmission of electricity with the purpose and effect of causing a shortage (or the appearance of a shortage) in the generation of electricity and congestion (or the appearance of congestion) in the transmission of electricity, with the ultimate purpose and effect of artificially and illegally fixing and raising the price of electricity in California and throughout the Pacific Northwest. As a result of the defendants' alleged conduct, the plaintiff allegedly suffered damages of not less than \$30 million through the payment of higher electricity prices. In September 2004, this case was transferred to the United States District Court for the Southern District of California for consolidation with other pending actions. In February 2005, the Court granted the defendants' motion to dismiss the complaint because it determined that it was without jurisdiction to hear the plaintiff's complaint, based on, among other things, the exclusive jurisdiction of the FERC and the filed-rate doctrine. In March 2005, Wah Chang filed an appeal with the United States Court of Appeals for the Ninth Circuit. The appeal of Wah Chang is still pending before the Ninth Circuit and oral argument is set for April 10, 2007. Because the resolution of this lawsuit remains uncertain, legal counsel cannot express an opinion on the extent, if any, of the Company's liability. However, based on information currently known to the Company's management, the Company does not expect that this lawsuit will have a material adverse effect on its financial condition, results of operations or cash flows.

City of Tacoma Complaint

In June 2004, the City of Tacoma, Department of Public Utilities, Light Division, a Washington municipal corporation (Tacoma Power), filed a complaint in the United States District Court for the Western District of Washington against over fifty companies, including Avista Corp., Avista Energy and Avista Power. According to the complaint, Tacoma Power distributes electricity to customers in Tacoma, and Pierce County, Washington, generates electricity at several facilities in western Washington and purchases power under supply contracts and in the Northwest spot market. Tacoma Power's complaint is similar to the Port of Seattle complaint (which has been dismissed by the United States District Court and the United States Court of Appeals for the Ninth Circuit) and seeks compensatory and treble damages from alleged violations of the Sherman Act. Tacoma Power alleges that the defendants, acting in concert, engaged in a pattern of activities that had the purpose and effect of creating the impressions that the demand for power was higher, the supply of power was lower, or both, than was in fact the case. This allegedly resulted in an artificial increase of the prices paid for power sold in California and elsewhere in the western United States during the period from May 2000 through the end of 2001. Due to the alleged unlawful conduct of the defendants, Tacoma Power allegedly paid an amount estimated to be \$175.0 million in excess of what it would have paid in the absence of such alleged conduct. In September 2004, this case was transferred to the United States District Court for the Southern District of California for consolidation with other pending actions. In February 2005, the Court granted the defendants' motion to dismiss this complaint for similar reasons to those expressed by the Court in the Wah Chang complaint described above. In March 2005, Tacoma Power filed an appeal with the United States Court of Appeals for the Ninth Circuit. The appeal of Tacoma Power is still pending before the Ninth Circuit and oral argument is set for April 10, 2007. Because the resolution of this lawsuit remains uncertain, legal counsel cannot express an opinion on the extent, if any, of the Company's liability. However, based on information currently known to the Company's management, the Company does not expect that this

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lawsuit will have a material adverse effect on its financial condition, results of operations or cash flows.

State of Montana Proceedings

In June 2003, the Attorney General of the State of Montana (Montana AG) filed a complaint in the Montana District Court on behalf of the people of Montana and the Flathead Electric Cooperative, Inc. against numerous companies, including Avista Corp. The complaint alleges that the companies illegally manipulated western electric and natural gas markets in 2000 and 2001. This case was subsequently moved to the United States District Court for the District of Montana; however, it has since been remanded back to the Montana District Court.

The Montana AG also petitioned the Montana Public Service Commission (MPSC) to fine public utilities \$1,000 a day for each day it finds they engaged in alleged "deceptive, fraudulent, anticompetitive or abusive practices" and order refunds when consumers were forced to pay more than just and reasonable rates. In February 2004, the MPSC issued an order initiating investigation of the Montana retail electricity market for the purpose of determining whether there is evidence of unlawful manipulation of that market. The Montana AG has requested specific information from Avista Energy and Avista Corp. regarding their transactions within the State of Montana during the period from January 1, 2000 through December 31, 2001.

Because the resolution of these proceedings remains uncertain, legal counsel cannot express an opinion on the extent, if any, of the Company's liability. However, based on information currently known to the Company's management, the Company does not expect that these proceedings will have a material adverse effect on its financial condition, results of operations or cash flows.

Montana Public School Trust Fund Lawsuit

In October 2003, a lawsuit was originally filed by two residents of the State of Montana in the United States District Court for the District of Montana against all private owners of hydroelectric dams in Montana, including Avista Corp. The lawsuit alleged that the hydroelectric facilities are located on state-owned riverbeds and the owners of the dams have never paid compensation to the state's public school trust fund. The lawsuit requests lease payments dating back to the construction of the respective dams and also requests damages for trespassing and unjust enrichment. In February 2004, the Company filed its motion to dismiss this lawsuit; PacifiCorp and PPL Montana, the other named defendants, also filed a motion to dismiss, or joined therein. In May 2004, the Montana AG filed a complaint on behalf of the state in the District Court to join in this lawsuit to allegedly protect and preserve state lands/school trust lands from use without compensation. In July 2004, the defendants (including Avista Corp.) filed a motion to dismiss the Montana AG's complaint. In September 2004, the motion to dismiss the Montana AG's complaint was denied, rejecting the defendants' argument, among other things, that the FERC has exclusive jurisdiction over this matter. In September 2005, the U.S. District Court issued an order vacating its prior decision based on lack of jurisdiction.

In November 2004, the defendants (including Avista Corp.) filed a petition for declaratory relief in Montana State Court requesting the resolution of the controversy that the plaintiffs raised in federal court, as discussed above, and the Montana AG filed an answer, counterclaim and motion for summary judgment. In June 2005, Avista Corp. moved for leave to amend its complaint to, inter alia, add two causes of action relating to breach of contract and negligent misrepresentation arising out of its Clark Fork Settlement Agreement that was entered into in 1999 with the State of Montana relating to the relicensing of Avista Corp.'s Noxon Rapids Hydroelectric Generating Project. On April 14, 2006, the Montana State Court granted the Montana AG's motion for summary judgment and denied Avista Corp.'s motion to amend its complaint to add its breach of contract and negligent misrepresentation claims. However, the Montana State Court granted Avista Corp.'s motion to amend its complaint to contend that the Clark Fork River is not navigable. The Company contends that if the Clark Fork River was not navigable at the time of statehood in 1889, the State of Montana never acquired ownership of the riverbeds under the equal footing doctrine. The Court determined that the Montana AG's claims for compensation were not preempted by the Federal Power Act because it was not, on its face, in conflict with Montana law, nor were they preempted by a federal navigational right for purposes of interstate commerce. The Court also rejected defenses based on estoppel, waiver, and the statute of limitations. The Court did not relieve the Montana AG, however, of its obligation to prove that the State of Montana actually owns the riverbeds or that the land is part of a school trust under the Montana Constitution. In addition, the question of whether there is federal preemption under the Federal Power Act, not on its face, but as actually applied in these circumstances, and the question of compensation, still remain open issues in the case. On May 16, 2006, the State of Montana filed a motion for summary judgment on the question of liability. On October 6, 2006, the Company filed several motions, which addressed, among other things, the question of navigability of the Clark Fork River arguing that since the Clark Fork River was not navigable at the time of statehood, the State of Montana never acquired ownership of the riverbeds under the equal footing doctrine. Oral arguments on the Company's motions were heard in December 2006. The Company expects this matter to proceed in the normal course of litigation and a trial date is currently scheduled for October 2007. Because the resolution of this lawsuit remains uncertain,

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legal counsel cannot express an opinion on the extent, if any, of the Company's liability. However, the Company intends to seek recovery, through the rate making process, of any amounts paid.

Colstrip Generating Project Complaint

In May 2003, various parties (all of which are residents or businesses of Colstrip, Montana) filed a consolidated complaint against the owners of the Colstrip Generating Project (Colstrip) in Montana District Court. Avista Corp. owns a 15 percent interest in Units 3 & 4 of Colstrip. The plaintiffs allege damages to buildings as a result of rising ground water, as well as damages from contaminated waters leaking from the lakes and ponds of Colstrip. The plaintiffs are seeking punitive damages, an order by the court to remove the lakes and ponds and the forfeiture of all profits earned from the generation of Colstrip. The owners of Colstrip have undertaken certain groundwater investigation and remediation measures to address groundwater contamination. These measures include improvements to the lakes and ponds of Colstrip. The Company intends to continue to work with the other owners of Colstrip in defense of this complaint. Because the resolution of this lawsuit remains uncertain, legal counsel cannot express an opinion on the extent, if any, of the Company's liability. However, based on information currently known to the Company's management, the Company does not expect that this lawsuit will have a material adverse effect on its financial condition, results of operations or cash flows.

Environmental Protection Agency Administrative Compliance Order

In December 2003, PPL Montana, LLC, as operator of Colstrip, received an Administrative Compliance Order (ACO) from the Environmental Protection Agency (EPA) pursuant to the Clean Air Act (CAA). In January 2006, the EPA issued a draft settlement agreement related to the ACO. The ACO alleges that Colstrip Units 3 & 4 have been in violation of the CAA permit at Colstrip since the units came on-line in the 1980s. The permit required the Colstrip project operator to submit for review and approval by the EPA an analysis and proposal for reducing emissions of nitrogen oxides to address visibility concerns if, and when, EPA promulgates Best Available Retrofit Technology requirements for nitrogen oxide emissions. The EPA is asserting that regulations it promulgated in 1980 triggered this requirement. Avista Corp. and the other owners of Colstrip believe that the ACO is unfounded. The owners of Colstrip are discussing the proposed settlement agreement with the EPA, the Department of Environmental Quality (Montana DEQ) and the Northern Cheyenne Tribe. The draft settlement agreement would resolve the potential liability related to this issue and would result in the installation of additional nitrogen oxide emissions control equipment at Colstrip. Because the resolution of this issue remains uncertain, legal counsel cannot express an opinion on the extent, if any, of the Company's liability. However, the Company intends to seek recovery, through the rate making process, of any amounts paid (including capitalized costs).

Colstrip Royalty Claim

Western Energy Company (WECO) supplies coal to the owners of Colstrip Units 3 & 4 under a Coal Supply Agreement and a Transportation Agreement. Avista Corp. owns a 15 percent interest in Colstrip Units 3 & 4. The Minerals Management Service (MMS) of the United States Department of the Interior issued an order to WECO to pay additional royalties concerning coal delivered to Colstrip Units 3 & 4 via the conveyor belt (4.46 miles long). The owners of Colstrip Units 3 & 4 take delivery of the coal at the western end (beginning) of the conveyor belt. The order asserts that additional royalties are owed MMS as a result of WECO not paying royalties in connection with revenue received by WECO from the owners of Colstrip Units 3 & 4 under the Transportation Agreement during the period October 1, 1991 through December 31, 2001. WECO's appeal to the MMS was substantially denied in March 2005; WECO has now appealed the order to the Board of Land Appeals of the U.S. Department of the Interior. The entire appeal process could take several years to resolve. The owners of Colstrip Units 3 & 4 are monitoring the appeal process between WECO and MMS. WECO has indicated to the owners of Colstrip Units 3 & 4 that if WECO is unsuccessful in the appeal process, WECO will seek reimbursement of any royalty payments by passing these costs through the Coal Supply Agreement. The owners of Colstrip Units 3 & 4 advised WECO that their position would be that these claims are not allowable costs per the Coal Supply Agreement nor the Transportation Agreement in the event the owners of Colstrip Units 3 & 4 were invoiced for these claims. Presumably, royalty and tax demands for periods of time after the years in dispute and future years will be determined by the outcome of the pending proceedings. Because the resolution of this issue remains uncertain, legal counsel cannot express an opinion on the extent, if any, of the Company's liability. Based on information currently known to the Company's management, the Company does not expect that this issue will have a material adverse effect on its financial condition, results of operations or cash flows. However, the Company would most likely seek recovery, through the rate making process, of any amounts paid.

Northeast Combustion Turbine Site

In August 2005, a diesel fuel spill occurred at the Company's Northeast Combustion Turbine generating facility (Northeast CT) located in Spokane, Washington. The Northeast CT site had fuel storage facilities that were leased to Co-op Supply, Inc., an affiliate of Cenex Cooperative (Co-op). The fuel spill occurred when Co-op made a delivery of diesel to a tank that was already nearly full causing excess fuel to overflow into a containment area. It is estimated that approximately 26,000 gallons of fuel escaped the

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containment area and leaked into the soil below it. An investigation, supervised by the DOE, determined the fuel was, for the most part, uniformly present in the soil to a depth of 30-35 feet. Groundwater below the site is at a depth of 170 feet. The Company immediately commenced remediation efforts, including the removal of contaminated soil and the related fuel storage facilities. Options to dispose of the contaminated soil are currently being evaluated. The Company accrued the estimated cleanup costs during 2005, which was not material to the Company's financial condition or results of operations. During the fourth quarter of 2005, the Company filed a complaint against Co-op and an engineering firm to recover a substantial portion of the cleanup costs. Through mediation the Company recovered a substantial portion of the cleanup costs from Co-op and the engineering firm in the fourth quarter of 2006. Because of uncertainties related to the disposal of the contaminated soil, the Company's estimate of its liability could change in future periods. Based on information currently known to the Company's management, the Company does not believe that such a change would be material to its financial condition, results of operations or cash flows.

Harbor Oil Inc. Site

Avista Corp. used Harbor Oil Inc. (Harbor Oil) for the recycling of waste oil and non-PCB transformer oil in the late 1980s and early 1990s. In June 2005, EPA Region 10 provided notification to Avista Corp., as a customer of Harbor Oil, that the EPA had determined that hazardous substances were released at the Harbor Oil site in Portland, Oregon and that Avista Corp. may be liable for investigation and cleanup of the site under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly referred to as the federal "Superfund" law. Harbor Oil's primary business was the collection and blending of used oil for sale as fuel to ships at sea. The initial indication from the EPA is that the site may be contaminated with PCBs, petroleum hydrocarbons, chlorinated solvents and heavy metals. Thirteen other companies received a similar notice, including current and former owners of the site, the Bonneville Power Administration, Portland General Electric Company, Northwestern Energy and Unocal Oil. Several meetings have been held with the EPA and certain of the Potentially Responsible Parties (PRPs) to ask questions of the EPA regarding the Harbor Oil site, as well as drafting an administrative compliance order related to conducting a remedial investigation and feasibility study for the site. Based on the review of its records related to Harbor Oil, the Company does not believe it is a major contributor to this potential environmental contamination based on the relative volume of waste oil delivered to the Harbor Oil site. However, there is currently not enough information to allow the Company to assess the probability or amount of a liability, if any, being incurred. As such, it is not possible to make an estimate of any liability at this time.

Lake Coeur d'Alene

In July 1998, the United States District Court for the District of Idaho issued its finding that the Coeur d'Alene Tribe of Idaho (Tribe) owns, among other things, portions of the bed and banks of Lake Coeur d'Alene (Lake) lying within the current boundaries of the Coeur d'Alene Reservation. This action had been brought by the United States on behalf of the Tribe against the state of Idaho. The Company was not a party to this action. The United States District Court decision was affirmed by the United States Court of Appeals for the Ninth Circuit. The United States Supreme Court affirmed this decision in June 2001. This ownership decision will result in, among other things, the Company being liable to the Tribe for compensation for the use of reservation lands under Section 10(e) of the Federal Power Act.

The Company's Post Falls Hydroelectric Generating Station (Post Falls), a facility constructed in 1906 with annual generation of 10 aMW, utilizes a dam on the Spokane River downstream of the Lake which controls the water level in the Lake for portions of the year (including portions of the lakebed owned by the Tribe). The Company has other hydroelectric facilities on the Spokane River downstream of Post Falls, but these facilities do not affect the water level in the Lake. The Company and the Tribe are engaged in discussions related to past and future compensation (which may include interest) for use of the portions of the bed and banks of the Lake, which are owned by the Tribe. If the parties cannot agree on the amount of compensation, the matter could result in litigation. The Company cannot predict the amount of compensation that it will ultimately pay or the terms of such payment. The Company intends to seek recovery, through the rate making process, of any amounts paid.

Spokane River Relicensing

The Company owns and operates six hydroelectric plants on the Spokane River, and five of these (Long Lake, Nine Mile, Upper Falls, Monroe Street and Post Falls, which have a total present capability of 155.7 MW) are under one FERC license and are referred to as the Spokane River Project. The sixth, Little Falls, is operated under separate Congressional authority and is not licensed by the FERC. The license for the Spokane River Project expires on August 1, 2007; the Company filed a Notice of Intent to Relicense in July 2002. The formal consultation process involving planning and information gathering with stakeholder groups has been underway since that time. The Company filed its new license applications with the FERC in July 2005. The Company has requested the FERC to consider a license for Post Falls, which has a present capability of 18 MW, that is separate from the other four hydroelectric plants because Post Falls presents more complex issues that may take longer to resolve than those dealing with the rest of the Spokane River Project. If

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granted, new licenses would have a term of 30 to 50 years. In the license applications, the Company proposed a number of measures intended to address the impact of the Spokane River Project and enhance resources associated with the Spokane River.

Since the Company's July 2005 filing of applications to relicense the Spokane River Project, the FERC has continued various stages of processing the applications. In May 2006, the FERC issued a notice calling for terms and conditions regarding the two license applications. In response to that notice, a number of parties (including the Coeur d'Alene Tribe, the state of Idaho, Washington State agencies, and the United States Department of Interior (DOI)) filed either recommended terms and conditions, pursuant to Sections 10(a) and 10(j) of the Federal Power Act (FPA), or mandatory conditions related to the Post Falls application, pursuant to Section 4(e) of the FPA. The Company's initial estimate of the potential cost of the conditions proposed for Post Falls total between \$400 million and \$500 million over a 50-year period. This assumes all conditions, both mandatory and recommended, as well as the Company's proposed conditions, would be included in a final license issued by the FERC, which the Company believes to be unlikely. For the rest of the Spokane River Project, which is located in Washington, the Company's initial estimate of the cost of meeting the recommended conditions, should they be included in a final license, totals between \$175 million and \$225 million over a 50-year period. These cost estimates are based on the preliminary conditions and recommendations and will be updated based on the outcome of the FERC proceedings.

The Company requested a trial-type hearing on facts in front of a (ALJ) related to the DOI's mandatory conditions for Post Falls. In January 2007, the ALJ issued his ruling regarding the Company's challenge of the facts. The Company believes that the ALJ's factual findings support, in several key areas, its analysis of the facts at hand. The ALJ's factual findings also support the DOI's analysis in certain areas as well.

The Bureau of Indian Affairs, which is part of the DOI and is charged with protecting project-related resources on the Coeur d'Alene Indian Reservation and has authority to set conditions for the Company's license, is now expected to use the ALJ's findings to formulate final mandatory conditions for the operation of Post Falls.

The broader relicensing process continues under the jurisdiction of the FERC. The FERC issued a draft environmental impact statement (DEIS) in December 2006 that is open for public review and comment until March 6, 2007. This document includes the FERC's initial analysis of the applications, along with analysis of proposed recommended and mandatory terms and conditions. While the FERC's analysis leads the Company to believe the ultimate cost of relicensing may be less than its earlier projections as disclosed above, the Company is unable to base specific new cost estimates on it.

The relicensing process also triggers review under the Endangered Species Act. The Company prepared a draft Biological Assessment in 2005. In the DEIS, the FERC analyzed potential project impacts on listed and threatened endangered species, and has determined that the proposed action and continued operation of the Post Falls and Spokane River projects, is not likely to adversely effect any threatened or endangered species. The FERC has issued a Biological Assessment and formally requested concurrence from the United States Department of Fish and Wildlife Service (USFWS). The USFWS may either concur or request formal consultation. Should they request formal consultation, additional evaluation will be required.

Following the comment period, the FERC will request final terms and conditions from agencies, the Coeur d'Alene Tribe and others. After that time, the FERC would issue a final environmental impact statement and, ultimately, license orders on Post Falls and the Spokane River Project. In addition, the Company must receive Clean Water Act Certifications from the states of Idaho and Washington for the Projects. Applications for such certification were filed last July with each state; the FERC is precluded from issuing a license order until such certification has been issued, or waived, by the states. The Company cannot predict the schedule for these final phases of relicensing.

If the FERC is unable to issue new license orders prior to the August 1, 2007 expiration of the current license, an annual license will be issued, in effect extending the current license and its conditions. The Company has no reason to believe that Spokane River Project operations would be interrupted in any manner relative to the timing of the FERC's actions.

The total annual operating and capitalized costs associated with the relicensing of the Spokane River Project will become better known and estimable as the process continues. The Company intends to seek recovery, through the rate making process, of all such operating and capitalized costs.

Clark Fork Settlement Agreement

Dissolved atmospheric gas levels exceed state of Idaho and federal water quality standards downstream of the Cabinet Gorge

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Hydroelectric Generating Project (Cabinet Gorge) during periods when excess river flows must be diverted over the spillway. Under the terms of the Clark Fork Settlement Agreement, the Company developed an abatement and mitigation strategy with the other signatories to the agreement and completed the Gas Supersaturation Control Program (GSCP). The Idaho Department of Environmental Quality and the U.S. Fish and Wildlife Service approved the GSCP in February 2004 and the FERC issued an order approving the GSCP in January 2005.

The GSCP provides for the opening and modification of one and, potentially, both of the two existing diversion tunnels built when Cabinet Gorge was originally constructed. When river flows exceed the capacity of the powerhouse turbines, the excess flows would be diverted to the tunnels rather than released over the spillway. The Company has undertaken physical and computer modeling studies to confirm the feasibility and likely effectiveness of its tunnel solution. The Company has completed its preliminary design development efforts (which include additional computer model studies, some site investigation, and preliminary engineering design) and the cost estimates have been updated. An analysis of the predicted total dissolved gas (TDG) performance indicates that it would not meet the standards anticipated in the GSCP. The costs of modifying the first tunnel are now estimated to be \$58 million (using 2006 dollars with inflation projected at 5 percent) with the majority of these costs to be incurred in 2008 through 2011, an increase from prior estimates of \$38 million and an extension of the schedule of at least one year. The calculated updated cost estimates to modify the second tunnel are \$39 million, an increase from prior estimates of \$26 million. The second tunnel would be modified only after evaluation of the performance of the first tunnel and such modifications would commence no later than 10 years following the completion of the first tunnel. The increases in costs are mainly due to inflation and large increases in materials costs, such as concrete and steel. As a result of the predicted TDG performance, the new cost estimates and extension of the schedule, the Company is meeting with stakeholders to explore possible alternatives to the construction of the tunnels. The Company intends to seek recovery, through the rate making process, of the costs to address the dissolved atmospheric gas levels, including the mitigation payments.

The U.S. Fish and Wildlife Service has listed bull trout as threatened under the Endangered Species Act. The Clark Fork Settlement Agreement describes programs intended to restore bull trout populations in the project area. Using the concept of adaptive management and working closely with the U.S. Fish and Wildlife Service, the Company is evaluating the feasibility of fish passage at Cabinet Gorge and Noxon Rapids. The results of these studies will help the Company and other parties determine the best use of funds toward continuing fish passage efforts or other bull trout population enhancement measures.

Air Quality

The Company must be in compliance with requirements under the Clean Air Act and Clean Air Act Amendments for its thermal generating plants. The Company continues to monitor legislative developments at both the state and national level for the potential of further restrictions on sulfur dioxide, nitrogen oxide, carbon dioxide (including cap and trade emission reduction programs), as well as other greenhouse gas and mercury emissions. In particular, the EPA has finalized mercury emission regulations that will affect coal-fired generation plants, including Colstrip. The new EPA regulations establish an emission trading program to take effect beginning in January 2010, with a second phase to take effect in 2018. In addition, in 2006, the Montana DEQ adopted final rules for the control of mercury emissions from coal-fired plants that are more restrictive than EPA regulations. The new rules set strict mercury emission limits by 2010, and put in place a recurring 10-year review process to ensure facilities are keeping pace with advancing technology in mercury emission control. The rules also provide for temporary alternate emission limits provided certain provisions are met, and they allocate mercury emission credits in a manner that rewards the cleanest facilities. Avista Corp. owns a 15 percent interest in Colstrip Units 3 & 4, located in Montana. Compliance with these new and proposed requirements and possible additional legislation or regulations will result in increases to capital expenditures and operating expenses for expanded emission controls at the Company's thermal generating facilities. The Company, along with the other owners of Colstrip, are in the process of computing estimates for the amount of these costs and the impact the restrictions will have on the operation of the facilities. The Company will continue to seek recovery, through the rate making process, of the costs to comply with various air quality requirements.

Other Contingencies

In the normal course of business, the Company has various other legal claims and contingent matters outstanding. The Company believes that any ultimate liability arising from these actions will not have a material adverse impact on its financial condition, results of operations or cash flows. It is possible that a change could occur in the Company's estimates of the probability or amount of a liability being incurred. Such a change, should it occur, could be significant.

The Company routinely assesses, based on in-depth studies, expert analyses and legal reviews, its contingencies, obligations and commitments for remediation of contaminated sites, including assessments of ranges and probabilities of recoveries from other responsible parties who have and have not agreed to a settlement and recoveries from insurance carriers. The Company's policy is to

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accrue and charge to current expense identified exposures related to environmental remediation sites based on estimates of investigation, cleanup and monitoring costs to be incurred.

The Company has potential liabilities under the Federal Endangered Species Act for species of fish that have either already been added to the endangered species list, been listed as "threatened" or been petitioned for listing. Thus far, measures adopted and implemented have had minimal impact on the Company.

Under the federal licenses for its hydroelectric projects, the Company is obligated to protect its property rights, including water rights. The State of Montana is examining the status of all water right claims within state boundaries. Claims within the Clark Fork River basin could potentially adversely affect the energy production of the Company's Cabinet Gorge and Noxon Rapids hydroelectric facilities. The Company is participating in this extensive adjudication process, which is unlikely to be concluded in the foreseeable future.

As of December 31, 2006, the Company's collective bargaining agreement with the International Brotherhood of Electrical Workers represented approximately 50 percent of all of Avista Corp.'s employees. The agreement with the local union in Washington and Idaho representing the majority (approximately 90 percent) of the bargaining unit employees expires in March 2009. Two local agreements in Oregon, which cover approximately 50 employees, expire in April 2010. Another local agreement in Oregon is up for negotiations in 2007.

NOTE 24: POTENTIAL HOLDING COMPANY FORMATION

At the 2006 Annual Meeting of Shareholders on May 11, 2006, the shareholders of Avista Corp. approved a proposal to proceed with a statutory share exchange, which would change the Company's organization to a holding company structure. The holding company, currently named AVA Formation Corp. (AVA), would become the parent of Avista Corp. After the contemplated dividend to AVA of the capital stock of Avista Capital now held by Avista Corp. (Avista Capital Dividend), AVA would then also be the parent of Avista Capital. The Avista Capital Dividend would effect the structural separation of Avista Corp.'s non-utility businesses from its regulated utility business. Since the company's 9.75 percent Senior Notes due June 1, 2008 contain a restriction that would prohibit the Avista Capital Dividend (but not the holding company structure), the dividend would not be distributed until the Senior Notes are retired.

Avista Corp. received approval from the FERC in April 2006 (conditioned on approval by the state regulatory agencies) and from the IPUC in June 2006. Avista Corp. also has filed for approval from the utility regulators in Washington, Oregon and Montana. The statutory share exchange is subject to the receipt of the remaining regulatory approvals and the satisfaction of other conditions. If the statutory share exchange and the implementation of the holding company structure are approved by regulators on terms acceptable to the Company, it may be completed sometime after mid-2007.

The IPUC accepted a stipulation entered into between Avista Corp. and the IPUC Staff that sets forth a variety of conditions, which would serve to segregate the Company's utility operations from the other businesses conducted by the holding company. The stipulation would require Avista Corp. to maintain certain common equity levels as part of its capital structure. Avista Corp. has committed to increase its actual utility common equity component to 35 percent by the end of 2007 and 38 percent by the end of 2008, which is consistent with provisions of the Company's Washington general rate case implemented on January 1, 2006. The calculation of the utility equity component is essentially the ratio of Avista Corp.'s total common equity to total capitalization excluding, in each case, Avista Corp.'s investment in Avista Capital. In addition, IPUC approval would be required for any dividend from Avista Corp. to the holding company that would reduce utility common equity below 25 percent of total capitalization which, for this purpose, includes long and short-term debt, capitalized lease obligations and preferred and common equity.

In January 2007, Avista Corp. entered into a similar stipulation with the WUTC staff. As of February 26, 2007, the stipulation is subject to approval by the WUTC. The stipulation would require Avista Corp. to increase its actual utility common equity component to 40 percent by June 30, 2008. In addition, WUTC approval would be required for any dividend from Avista Corp. to the holding company that would reduce utility common equity below 30 percent of total capitalization.

Pursuant to the Plan of Share Exchange, a statutory share exchange would be effected whereby each outstanding share of Avista Corp. common stock would be exchanged for one share of AVA common stock, no par value, so that holders of Avista Corp. common stock would become holders of AVA common stock and Avista Corp. would become a subsidiary of AVA. The other outstanding securities of Avista Corp. would not be affected by the statutory share exchange, with limited exceptions for stock options and other securities outstanding under equity compensation and employee benefit plans.

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NOTE 25. INFORMATION SERVICES CONTRACTS

The Company has information services contracts that expire between 2007 and 2012. Total payments under these contracts were \$12.5 million in 2006, \$12.8 million in 2005 and \$12.8 million in 2004. The majority of these costs are included in operation expenses in the Statements of Income. Minimum contractual obligations under the Company's information services contracts are \$12.2 million in 2007, \$12.6 million in 2008, \$13.0 million in 2009, \$13.4 million in 2010, \$13.8 million in 2011 and \$14.2 million in 2012. The most significant of these contracts provides for increases due to changes in the cost of living index and further provides flexibility in the annual obligation from year-to-year subject to a three-year true-up cycle.

NOTE 26. DISPOSITION OF SOUTH LAKE TAHOE PROPERTIES

In April 2005, Avista Corp. completed the sale of its South Lake Tahoe, California natural gas properties to Southwest Gas Corporation as part of Avista Corp.'s strategy to focus on its business in the northwestern United States. This was the Company's only regulated utility operation in California. The cash proceeds received during 2005 were approximately \$16.6 million. The total pre-tax gain for 2005 was \$4.1 million related to the Company's disposition of its South Lake Tahoe natural gas properties. Total revenues for 2004 from the South Lake Tahoe region were approximately \$20.3 million (or 6 percent of total natural gas revenues) and approximately 22.1 million therms (or 4 percent of total therms) were delivered to South Lake Tahoe customers.

NOTE 27. SUPPLEMENTAL CASH FLOW INFORMATION

| | 2006 | 2005 |
|---|---------------|---------------|
| Cash paid for interest | \$94,827,987 | \$81,029,276 |
| Cash paid for income taxes | \$63,361,034 | \$26,405,411 |
| Other Cash Flows from Operating Activities: | | |
| Power and natural gas deferrals | \$(6,497,199) | \$(7,451,146) |
| Change in special deposits | \$1,366,143 | \$(3,235,855) |
| Change in other current assets | \$(1,405,850) | \$(1,167,585) |
| Non-cash stock compensation | \$3,744,610 | \$ - |
| ESOP Dividends | \$415,596 | \$37,791 |

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**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (h) common function.

| Line No. | Classification (a) | Total Company for the Current Year/Quarter Ended (b) | Electric (c) |
|----------|---|--|-----------------|
| 1 | Utility Plant | | |
| 2 | In Service | | |
| 3 | Plant in Service (Classified) | 2,910,719,671 | 2,282,217,637 |
| 4 | Property Under Capital Leases | 5,525,291 | |
| 5 | Plant Purchased or Sold | | |
| 6 | Completed Construction not Classified | | |
| 7 | Experimental Plant Unclassified | | |
| 8 | Total (3 thru 7) | 2,916,244,962 | 2,282,217,637 |
| 9 | Leased to Others | | |
| 10 | Held for Future Use | | |
| 11 | Construction Work in Progress | 89,177,799 | 76,081,096 |
| 12 | Acquisition Adjustments | 22,211,433 | |
| 13 | Total Utility Plant (8 thru 12) | 3,027,634,194 | 2,358,298,733 |
| 14 | Accum Prov for Depr, Amort, & Depl | 1,024,356,307 | 778,218,995 |
| 15 | Net Utility Plant (13 less 14) | 2,003,277,887 | 1,580,079,738 |
| 16 | Detail of Accum Prov for Depr, Amort & Depl | | |
| 17 | In Service: | | |
| 18 | Depreciation | 995,281,671 | 771,231,596 |
| 19 | Amort & Depl of Producing Nat Gas Land/Land Right | | |
| 20 | Amort of Underground Storage Land/Land Rights | | |
| 21 | Amort of Other Utility Plant | 11,916,076 | 6,987,399 |
| 22 | Total In Service (18 thru 21) | 1,007,197,747 | 778,218,995 |
| 23 | Leased to Others | | |
| 24 | Depreciation | | |
| 25 | Amortization and Depletion | | |
| 26 | Total Leased to Others (24 & 25) | | |
| 27 | Held for Future Use | | |
| 28 | Depreciation | | |
| 29 | Amortization | | |
| 30 | Total Held for Future Use (28 & 29) | | |
| 31 | Abandonment of Leases (Natural Gas) | | |
| 32 | Amort of Plant Acquisition Adj | 17,158,560 | |
| 33 | Total Accum Prov (equals 14) (22,26,30,31,32) | 1,024,356,307 | 778,218,995 |

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION, AMORTIZATION AND DEPLETION

| Gas (d) | Other (Specify) (e) | Other (Specify) (f) | Other (Specify) (g) | Common (h) | Line No. |
|-------------|------------------------|------------------------|------------------------|---------------|-------------|
| | | | | | 1 |
| | | | | | 2 |
| 539,273,194 | | | | 89,228,840 | 3 |
| 1,619,845 | | | | 3,905,446 | 4 |
| | | | | | 5 |
| | | | | | 6 |
| | | | | | 7 |
| 540,893,039 | | | | 93,134,286 | 8 |
| | | | | | 9 |
| | | | | | 10 |
| 6,476,151 | | | | 6,620,552 | 11 |
| 22,211,433 | | | | | 12 |
| 569,580,623 | | | | 99,754,838 | 13 |
| 222,788,960 | | | | 23,348,352 | 14 |
| 346,791,663 | | | | 76,406,486 | 15 |
| | | | | | 16 |
| | | | | | 17 |
| 205,066,505 | | | | 18,983,570 | 18 |
| | | | | | 19 |
| | | | | | 20 |
| 563,895 | | | | 4,364,782 | 21 |
| 205,630,400 | | | | 23,348,352 | 22 |
| | | | | | 23 |
| | | | | | 24 |
| | | | | | 25 |
| | | | | | 26 |
| | | | | | 27 |
| | | | | | 28 |
| | | | | | 29 |
| | | | | | 30 |
| | | | | | 31 |
| 17,158,560 | | | | | 32 |
| 222,788,960 | | | | 23,348,352 | 33 |

| | | | |
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| Name of Respondent Avista Corp. | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year Ending Dec. 31, 2006 |
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GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts. estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d).

2. In addition to Account 101, *Gas Plant in Service (Classified)*, this page and the next include Account 102, *Gas Plant Purchased or Sold*, Account 103, *Experimental Gas Plant Unclassified*, and Account 106, *Completed Construction Not Classified-Gas*.

3. Include in column (c) and (d), as appropriate, corrections of additions and retirements for the current or preceding year.

4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.

5. Classify Account 106 according to prescribed accounts, on an

| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) |
|----------|---|----------------------------------|---------------|
| 1 | INTANGIBLE PLANT | | |
| 2 | 301 Organization | 0 | 0 |
| 3 | 302 Franchises and Consents | 0 | 0 |
| 4 | 303 Miscellaneous Intangible Plant | 1,217,422 | 120,037 |
| 5 | TOTAL Intangible Plant (Enter Total of lines 2 thru 4) | 1,217,422 | 120,037 |
| 6 | PRODUCTION PLANT | | |
| 7 | Manufactured Gas Production Plant | | |
| 8 | 304 Land and Land Rights | 7,628 | 0 |
| 9 | 305 Structures and Improvements | 0 | 0 |
| 10 | 306 Boiler Plant Equipment | 0 | 0 |
| 11 | 307 Other Power Equipment | 0 | 0 |
| 12 | 308 Coke Ovens | 0 | 0 |
| 13 | 309 Producer Gas Equipment | 0 | 0 |
| 14 | 310 Water Gas generating equipment | 0 | 0 |
| 15 | 311 Liquefied petroleum gas equipment | 67,290 | 5,730 |
| 16 | 312 Oil gas generating equipment | 0 | 0 |
| 17 | 313 Generating equipment-other processes | 0 | 0 |
| 18 | 314 Coal, coke, and ash handling equipment | 0 | 0 |
| 19 | 315 Catalytic Cracking equipment | 0 | 0 |
| 20 | 316 Other reforming equipment | 0 | 0 |
| 21 | 317 Purification equipment | 0 | 0 |
| 22 | 318 Residual refining equipment | 0 | 0 |
| 23 | 319 Gas mixing equipment | 0 | 0 |
| 24 | 320 Other Equipment | 0 | 0 |
| 25 | | | |
| 26 | TOTAL (Manufactured Gas Production Plant (Enter total of lines 8-24)) | 74,918 | 5,730 |
| 27 | PRODUCTS EXTRACTION PLANT | | |
| 28 | 340 Land and Land Rights | 0 | 0 |
| 29 | 341 Structures and Improvements | 0 | 0 |
| 30 | 342 Extraction and Refining Equipment | 0 | 0 |
| 31 | 343 Pipe Lines | 0 | 0 |
| 32 | 344 Extracted Products Storage Equipment | 0 | 0 |
| 33 | 345 Compressor Equipment | 0 | 0 |

| | | | |
|--------------------|--|--------------------------------|---------------|
| Name of Respondent | This report is: <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) | Year Ending |
| Avista Corp. | <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc.,

and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
|--------------------|--------------------|------------------|-------------------------------|-------------|
| | | | | 1 |
| 0 | 0 | 0 | 0 | 2 |
| 0 | 0 | 0 | 0 | 3 |
| 212,598 | 0 | 0 | 1,124,861 | 4 |
| 212,598 | 0 | 0 | 1,124,861 | 5 |
| | | | | 6 |
| | | | | 7 |
| 0 | 0 | 0 | 7,628 | 8 |
| 0 | 0 | 0 | 0 | 9 |
| 0 | 0 | 0 | 0 | 10 |
| 0 | 0 | 0 | 0 | 11 |
| 0 | 0 | 0 | 0 | 12 |
| 0 | 0 | 0 | 0 | 13 |
| 0 | 0 | 0 | 0 | 14 |
| 12,618 | 0 | 0 | 60,402 | 15 |
| 0 | 0 | 0 | 0 | 16 |
| 0 | 0 | 0 | 0 | 17 |
| 0 | 0 | 0 | 0 | 18 |
| 0 | 0 | 0 | 0 | 19 |
| 0 | 0 | 0 | 0 | 20 |
| 0 | 0 | 0 | 0 | 21 |
| 0 | 0 | 0 | 0 | 22 |
| 0 | 0 | 0 | 0 | 23 |
| 0 | 0 | 0 | 0 | 24 |
| | | | | 25 |
| 12,618 | 0 | 0 | 68,030 | 26 |
| | | | | 27 |
| 0 | 0 | 0 | 0 | 28 |
| 0 | 0 | 0 | 0 | 29 |
| 0 | 0 | 0 | 0 | 30 |
| 0 | 0 | 0 | 0 | 31 |
| 0 | 0 | 0 | 0 | 32 |
| 0 | 0 | 0 | 0 | 33 |

| Name of Respondent | | This report is: | Date of Report (Mo, Da, Yr) | Year Ending |
|--|---|--|--------------------------------|---------------|
| Avista Corp. | | <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 34 | 346 Gas Measuring and Regulating Equipment | 0 | 0 | |
| 35 | 347 Other Equipment | 0 | 0 | |
| 36 | TOTAL Products Extraction Plant (Enter Total of lines 28 thru 35) | 0 | 0 | |
| 37 | TOTAL Natural Gas Production Plant (Enter Total of line 36) | 0 | 0 | |
| 38 | Manufactured Gas Production Plant (Submit Supplementary Statement) | 74,918 | 5,730 | |
| 39 | TOTAL Production Plant (Enter Total of lines 37 and 38) | 74,918 | 5,730 | |
| 40 | NATURAL GAS STORAGE AND PROCESSING PLANT | | | |
| 41 | Underground Storage Plant | | | |
| 42 | 350.1 Land | 412,611 | 0 | |
| 43 | 350.2 Rights-of-Way | 23,874 | 35,938 | |
| 44 | 351 Structures and Improvements | 1,063,700 | 12,061 | |
| 45 | 352 Wells | 5,779,157 | 79,259 | |
| 46 | 352.1 Storage Leaseholds and Rights | 254,354 | 0 | |
| 47 | 352.2 Reservoirs | 203,330 | 0 | |
| 48 | 352.3 Non-recoverable Natural Gas | 5,971,926 | 0 | |
| 49 | 353 Lines | 823,423 | 0 | |
| 50 | 354 Compressor Station Equipment | 2,016,984 | (15,320) | |
| 51 | 355 Measuring and Regulating Equipment | 171,919 | 0 | |
| 52 | 356 Purification Equipment | 407,251 | 0 | |
| 53 | 357 Other Equipment | 1,675,980 | 9,931 | |
| 54 | TOTAL Underground Storage Plant (Enter Total of lines 42 thru 53) | 18,804,509 | 121,868 | |
| 55 | Other Storage Plant | | | |
| 56 | 360 Land and Land Rights | 0 | 0 | |
| 57 | 361 Structures and Improvements | 0 | 0 | |
| 58 | 362 Gas Holders | 0 | 0 | |
| 59 | 363 Purification Equipment | 0 | 0 | |
| 60 | 363.1 Liquefaction Equipment | 0 | 0 | |
| 61 | 363.2 Vaporizing Equipment | 0 | 0 | |
| 62 | 363.3 Compressor Equipment | 0 | 0 | |
| 63 | 363.4 Measuring and Regulating Equipment | 0 | 0 | |
| 64 | 363.5 Other Equipment | 0 | 0 | |
| 65 | TOTAL Other Storage Plant (Enter Total of lines 56 thru 64) | 0 | 0 | |
| 66 | Base Load Liquefied Natural Gas Terminaling and Processing Plant | | | |
| 67 | 364.1 Land and Land Rights | 0 | 0 | |
| 68 | 364.2 Structures and Improvements | 0 | 0 | |
| 69 | 364.3 LNG Processing Terminal Equipment | 0 | 0 | |
| 70 | 364.4 LNG Transportation Equipment | 0 | 0 | |
| 71 | 364.5 Measuring and Regulating Equipment | 0 | 0 | |
| 72 | 364.6 Compressor Station Equipment | 0 | 0 | |
| 73 | 364.7 Communications Equipment | 0 | 0 | |
| 74 | 364.8 Other Equipment | 0 | 0 | |
| 75 | TOTAL Base Load Liq Nat'l Gas, Terminal and Processing Plant (lines 67-74) | 0 | 0 | |
| 76 | TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 54, 65 and 75) | 18,804,509 | 121,868 | |
| 77 | TRANSMISSION PLANT | | | |
| 78 | 365.1 Land and Land Rights | 0 | 0 | |
| 79 | 365.2 Rights-of-Way | 0 | 0 | |
| 80 | 366 Structures and Improvements | 0 | 0 | |

| Name of Respondent | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) | Year Ending | |
|--------------------|--|--------------------------------|-------------------------------|-------------|
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| 0 | 0 | 0 | 0 | 34 |
| 0 | 0 | 0 | 0 | 35 |
| 0 | 0 | 0 | 0 | 36 |
| 0 | 0 | 0 | 0 | 37 |
| 12,618 | 0 | 0 | 68,030 | 38 |
| 12,618 | 0 | 0 | 68,030 | 39 |
| | | | | 40 |
| | | | | 41 |
| 0 | 0 | 0 | 412,611 | 42 |
| 0 | 0 | 0 | 59,812 | 43 |
| 0 | 0 | 0 | 1,075,761 | 44 |
| 0 | 0 | 0 | 5,858,416 | 45 |
| 0 | 0 | 0 | 254,354 | 46 |
| 0 | 0 | 0 | 203,330 | 47 |
| 0 | 0 | 0 | 5,971,926 | 48 |
| 0 | 0 | 0 | 823,423 | 49 |
| 0 | 0 | 0 | 2,001,664 | 50 |
| 0 | 0 | 0 | 171,919 | 51 |
| 0 | 0 | 0 | 407,251 | 52 |
| 0 | 0 | 0 | 1,685,911 | 53 |
| 0 | 0 | 0 | 18,926,377 | 54 |
| | | | | 55 |
| 0 | 0 | 0 | 0 | 56 |
| 0 | 0 | 0 | 0 | 57 |
| 0 | 0 | 0 | 0 | 58 |
| 0 | 0 | 0 | 0 | 59 |
| 0 | 0 | 0 | 0 | 60 |
| 0 | 0 | 0 | 0 | 61 |
| 0 | 0 | 0 | 0 | 62 |
| 0 | 0 | 0 | 0 | 63 |
| 0 | 0 | 0 | 0 | 64 |
| 0 | 0 | 0 | 0 | 65 |
| | | | | 66 |
| 0 | 0 | 0 | 0 | 67 |
| 0 | 0 | 0 | 0 | 68 |
| 0 | 0 | 0 | 0 | 69 |
| 0 | 0 | 0 | 0 | 70 |
| 0 | 0 | 0 | 0 | 71 |
| 0 | 0 | 0 | 0 | 72 |
| 0 | 0 | 0 | 0 | 73 |
| 0 | 0 | 0 | 0 | 74 |
| 0 | 0 | 0 | 0 | 75 |
| 0 | 0 | 0 | 18,926,377 | 76 |
| | | | | 77 |
| 0 | 0 | 0 | 0 | 78 |
| 0 | 0 | 0 | 0 | 79 |
| 0 | 0 | 0 | 0 | 80 |

| Name of Respondent | | This report is: [X] An Original | Date of Report (Mo, Da, Yr) | Year Ending |
|--|---|--|--------------------------------|---------------|
| Avista Corp. | | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 81 | 367 Mains | 0 | 0 | |
| 82 | 368 Compressor Station Equipment | 0 | 0 | |
| 83 | 369 Measuring and Regulating Equipment | 0 | 0 | |
| 84 | 370 Communications Equipment | 0 | 0 | |
| 85 | 371 Other Equipment | 0 | 0 | |
| 86 | TOTAL Transmission Plant (Enter Totals of lines 78 thru 85) | 0 | 0 | |
| 87 | DISTRIBUTION PLANT | | | |
| 88 | 374 Land and Land Rights | 113,224 | (4,240) | |
| 89 | 375 Structures and Improvements | 689,559 | 54,898 | |
| 90 | 376 Mains | 234,294,331 | 20,239,075 | |
| 91 | 377 Compressor Station Equipment | 0 | 0 | |
| 92 | 378 Measuring and Regulating Equipment-General | 4,443,473 | 533,726 | |
| 93 | 379 Measuring and Regulating Equipment-City Gate | 2,070,053 | 182,327 | |
| 94 | 380 Services | 166,958,877 | 6,139,927 | |
| 95 | 381 Meters | 59,990,248 | 6,223,416 | |
| 96 | 382 Meter Installations | 0 | 0 | |
| 97 | 383 House Regulators | 0 | 0 | |
| 98 | 384 House Regulator Installations | 0 | 0 | |
| 99 | 385 Industrial Measuring and Regulating Station Equipment | 3,014,219 | 74,081 | |
| 100 | 386 Other Property on Customers' Premises | 0 | 0 | |
| 101 | 386 Other Equipment | 539 | 0 | |
| 102 | TOTAL Distribution Plant (Enter Totals of lines 88 thru 101) | 471,574,523 | 33,443,211 | |
| 103 | GENERAL PLANT | | | |
| 104 | 389 Land and Land Rights | 261,685 | 0 | |
| 105 | 390 Structures and Improvements | 2,373,535 | 299,928 | |
| 106 | 391 Office Furniture and Equipment | 378,871 | 9,685 | |
| 107 | 392 Transportation Equipment | 4,160,725 | 1,341,004 | |
| 108 | 393 Stores Equipment | 99,908 | 39,537 | |
| 109 | 394 Tools, Shop, and Garage Equipment | 2,368,662 | 373,539 | |
| 110 | 395 Laboratory Equipment | 914,508 | 0 | |
| 111 | 396 Power Operated Equipment | 3,496,452 | 194,735 | |
| 112 | 397 Communication Equipment | 1,553,568 | 845,449 | |
| 113 | 398 Miscellaneous Equipment | 31,332 | 0 | |
| 114 | Subtotal (Enter Totals of lines 104 thru 113) | 15,639,246 | 3,103,877 | |
| 115 | 399 Other Tangible Property | 0 | 0 | |
| 116 | TOTAL General Plant (Enter Totals of lines 114 and 115) | 15,639,246 | 3,103,877 | |
| 117 | TOTAL (Accounts 101 and 106) | 507,310,618 | 36,794,722 | |
| 118 | Gas Plant Purchased (See Instruction 8) | 0 | 0 | |
| 119 | (Less) Gas Plant Sold (See Instruction 8) | 0 | | |
| 120 | Experimental Gas Plant Unclassified | 0 | 0 | |
| 121 | TOTAL Gas Plant in Service (Enter Totals of lines 117 thru 120) | 507,310,618 | 36,794,722 | |

| Name of Respondent | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) | Year Ending | |
|--------------------|--|--------------------------------|-------------------------------|-------------|
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| 0 | 0 | 0 | 0 | 81 |
| 0 | 0 | 0 | 0 | 82 |
| 0 | 0 | 0 | 0 | 83 |
| 0 | 0 | 0 | 0 | 84 |
| 0 | 0 | 0 | 0 | 85 |
| 0 | 0 | 0 | 0 | 86 |
| | | | | 87 |
| 6,077 | 0 | 0 | 102,907 | 88 |
| 9,864 | 0 | 0 | 734,594 | 89 |
| 881,956 | 0 | 0 | 253,651,450 | 90 |
| 0 | 0 | 0 | 0 | 91 |
| 27,265 | 0 | 0 | 4,949,934 | 92 |
| 5,208 | 0 | 0 | 2,247,173 | 93 |
| 1,363,689 | 0 | 0 | 171,735,115 | 94 |
| 483,767 | 0 | 0 | 65,729,898 | 95 |
| 0 | 0 | 0 | 0 | 96 |
| 0 | 0 | 0 | 0 | 97 |
| 0 | 0 | 0 | 0 | 98 |
| 3,237 | 0 | 0 | 3,085,063 | 99 |
| 0 | 0 | 0 | 0 | 100 |
| 0 | 0 | 0 | 539 | 101 |
| 2,781,061 | 0 | (0) | 502,236,673 | 102 |
| | | | | 103 |
| 1,554 | 0 | 0 | 260,131 | 104 |
| 7,820 | 0 | 0 | 2,665,643 | 105 |
| 0 | 0 | 0 | 388,556 | 106 |
| 66,513 | 0 | 0 | 5,435,216 | 107 |
| 0 | 0 | 0 | 139,445 | 108 |
| 27,588 | 0 | 0 | 2,714,613 | 109 |
| 487 | 0 | 0 | 914,021 | 110 |
| 0 | 0 | 0 | 3,691,187 | 111 |
| 102,062 | 0 | 0 | 2,296,955 | 112 |
| 0 | 0 | 0 | 31,332 | 113 |
| 206,025 | 0 | 0 | 18,537,098 | 114 |
| 0 | 0 | 0 | 0 | 115 |
| 206,025 | 0 | 0 | 18,537,098 | 116 |
| 3,212,302 | 0 | (0) | 540,893,038 | 117 |
| | 0 | 0 | 0 | 118 |
| 0 | 0 | 0 | 0 | 119 |
| 0 | 0 | 0 | 0 | 120 |
| 3,212,302 | 0 | (0) | 540,893,038 | 121 |

| | | | |
|--|--|--|------------------------------|
| Name of Respondent Avista Corp. | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year Ending Dec. 31, 2006 |
|--|--|--|------------------------------|

CONSTRUCTION WORK IN PROGRESS-GAS (ACCOUNT 107)

1. Report below descriptions and balances at end of year of projects in process of construction (Account 107).
 2. Show items relating to "research, development, and demonstration" projects last, under a caption Research,
 and Demonstration (see Account 107 of the Uniform System of Accounts).
 3. Minor projects (less than \$1,000,000) may be grouped.

| Line No. | Description of Project (a) | Construction Work in Progress-Gas (Account 107) (b) | Estimated Additional Cost of Project (c) |
|----------|---------------------------------------|---|--|
| 1 | STATE OF WASHINGTON | | |
| 2 | | | |
| 3 | Minor Projects (97) Under \$1,000,000 | 504,132 | 685,816 |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | STATE OF IDAHO | | |
| 8 | | | |
| 9 | Minor Projects (54) Under \$1,000,000 | 1,260,333 | 5,658 |
| 10 | | | |
| 11 | | | |
| 12 | STATE OF OREGON | | |
| 13 | | | |
| 14 | Minor Projects (77) under \$1,000,000 | 2,873,875 | 2,218,618 |
| 15 | Shady Cove HP Main extension | 1,651,239 | 2,360,982 |
| 16 | | | |
| 17 | | | |
| 18 | COMMON-WA/ID | | |
| 19 | Minor Projects (2) under \$1,000,000 | 126,737 | 14,480,765 |
| 20 | | | |
| 21 | | | |
| 22 | COMMON-WA/ID/OR | | |
| 23 | Minor Projects (2) under \$1,000,000 | 59,835 | 0 |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | | | |
| 42 | | | |
| 43 | | | |
| 44 | | | |
| 45 | TOTAL | 6,476,151 | 19,751,838 |

| | | | |
|--|---|---|-------------------------------------|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 18/Apr/07 | Year of Report December 31, 2006 |
|--|---|---|-------------------------------------|

ACCUMULATED PROVISION FOR DEPRECIATION OF GAS UTILITY PLANT (Account 108)

1. Explain in a footnote any important adjustments during year.

2. Explain in a footnote any difference between the amount for book cost of plant retired, line 11, column (c), and that reported for gas plant in service, pages 204-209, column (d), excluding retirements of non-depreciable property.

3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If

the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.

4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Section A. Balances and Changes During Year

| Line No. | Item (a) | Total (c+d+e) (b) | Gas Plant in Service (c) | Gas Plant Held for Future Use (d) | Gas Plant Leased to Others (e) |
|----------|--|-------------------------|--------------------------------|---|--------------------------------------|
| 1 | Balance Beginning of Year | 191,900,186 | 191,900,186 | | |
| 2 | Depreciation Provisions for Year, Charged to | | | | |
| 3 | (403) Depreciation Expense | 14,970,239 | 14,970,239 | | |
| 4 | (413) Exp. of Gas Plt. Leas. to Others | | | | |
| 5 | Transportation Expenses-Clearing | 263,360 | 263,360 | | |
| 6 | Other Clearing Accounts | | | | |
| 7 | Other Accounts (Specify): | | | | |
| 8 | Transfer to common (transportation clear) | 0 | | | |
| 9 | TOTAL Deprec. Prov. for Year (Enter Total of lines 3 thru 8) | 15,233,599 | 15,233,599 | | |
| 10 | Net Charges for Plant Retired: | | | | |
| 11 | Book Cost of Plant Retired | 2,925,588 | 2,925,588 | | |
| 12 | Cost of Removal | 240,042 | 240,042 | | |
| 13 | Salvage (Credit) | 11,993 | 11,993 | | |
| 14 | TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 11 thru 13) | 3,153,637 | 3,153,637 | | |
| 15 | Other Debit or Credit Items (Describe) | 1,086,357 | 1,086,357 | | |
| 16 | | | | | |
| 17 | Balance End of Year (Enter Total of lines 1, 9, 14, 15, and 16) | 205,066,505 | 205,066,505 | 0 | 0 |

Section B. Balances at End of Year According to Functional Classifications

| | | | | | |
|----|--|-------------|-------------|---|---|
| 18 | Production-Manufactured Gas | (79,365) | (79,365) | | |
| 19 | Prod. and Gathering-Natural Gas | | | | |
| 20 | Products Extraction-Natural Gas | | | | |
| 21 | Underground Gas Storage | 9,863,887 | 9,863,887 | | |
| 22 | Other Storage Plant | | | | |
| 23 | Base Load LNG Term and Proc. Plt. | | | | |
| 24 | Transmission | 0 | | | |
| 25 | Distribution | 187,384,072 | 187,384,072 | | |
| 26 | General | 7,897,911 | 7,897,911 | | |
| 27 | TOTAL (Enter Total of lines 18 thru 26) | 205,066,505 | 205,066,505 | 0 | 0 |

| | | | |
|--|---|--|---------------------------------|
| Name of Respondent Avista Corporation | This Report Is: <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|---------------------------------|

GAS STORED (ACCOUNT 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, AND 164.3)

- 1 If during the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.
- 2 Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas property recordable in the plant accounts.
- 3 State in a footnote the basis of segregation of inventory between current and noncurrent portions. Also state in a footnote the method used to report storage (i.e. fixed asset method or inventory method).

| Line No. | Description (a) | (Account 117.1) (b) | (Account 117.2) (c) | Noncurrent (Account 117.3) (d) | (Account 117.4) (e) | Current (Account 164.1) (f) | LNG (Account 164.2) (g) | LNG (Account 164.3) (h) | Total (i) |
|----------|------------------------------|---------------------|---------------------|--------------------------------|---------------------|-----------------------------|-------------------------|-------------------------|------------|
| 1 | Balance at Beginning of Year | | | | | 12,469,887 | 1,006,819 | | 13,476,706 |
| 2 | Gas Delivered to Storage | | | | | 10,336,898 | 0 | | 10,336,898 |
| 3 | Gas Withdrawn from Storage | | | | | 10,901,466 | 0 | | 10,901,466 |
| 4 | Other Debits and Credits | | | | | 0 | 0 | | 0 |
| 5 | Balance at End of Year | | | | | 11,905,319 | 1,006,819 | | 12,912,138 |
| 6 | Dth | | | | | 2,032,819 | 325,715 | | 2,358,534 |
| 7 | Amount Per Dekatherm | | | | | \$5.8566 | \$3.0911 | | \$5.4746 |

8 State basis of segregation of inventory between current and noncurrent portions:

Current portion is gas expected to be sold within a 24 month period. All other gas is considered non-current.

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| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1)

- Report below investments in Accounts 123.1, investments in Subsidiary Companies.
- Provide a subheading for each company and List there under the information called for below. Sub - TOTAL by company and give a TOTAL in columns (e),(f),(g) and (h)
 - Investment in Securities - List and describe each security owned. For bonds give also principal amount, date of issue, maturity and interest rate.
 - Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.
- Report separately the equity in undistributed subsidiary earnings since acquisition. The TOTAL in column (e) should equal the amount entered for Account 418.1.

| Line No. | Description of Investment (a) | Date Acquired (b) | Date Of Maturity (c) | Amount of Investment at Beginning of Year (d) |
|----------|-------------------------------------|----------------------|-------------------------|--|
| 1 | | | | |
| 2 | Avista Capital - Common Stock | 1997 | | 184,251,609 |
| 3 | Avista Capital - Equity in Earnings | | | 50,827,604 |
| 4 | OCI Investment in Subs | | | 2,658,585 |
| 5 | | | | |
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| 41 | | | | |
| 42 | Total Cost of Account 123.1 \$ | 0 | TOTAL | 237,737,798 |

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1) (Continued)

4. For any securities, notes, or accounts that were pledged designate such securities, notes, or accounts in a footnote, and state the name of pledgee and purpose of the pledge.
5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.
6. Report column (f) interest and dividend revenues from investments, including such revenues from securities disposed of during the year.
7. In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if difference from cost) and the selling price thereof, not including interest adjustment includible in column (f).
8. Report on Line 42, column (a) the TOTAL cost of Account 123.1

| Equity in Subsidiary Earnings of Year (e) | Revenues for Year (f) | Amount of Investment at End of Year (g) | Gain or Loss from Investment Disposed of (h) | Line No. |
|---|-----------------------|---|--|----------|
| | | | | 1 |
| | | 184,251,609 | | 2 |
| 16,738,728 | -5,989,256 | 61,577,075 | | 3 |
| -1,296,708 | | 1,361,877 | | 4 |
| | | | | 5 |
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| 15,442,020 | -5,989,256 | 247,190,561 | | 42 |

| | | | |
|--|---|--|----------------------------------|
| Name of Respondent Avista Corp. | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year Ending Dec. 31, 2006 |
|--|---|--|----------------------------------|

PREPAYMENTS (ACCOUNT 165)

1. Report below the particulars (details) on each prepayment.

| Line No. | Nature of Prepayment (a) | Balance at End of Year(in dollars) (b) |
|----------|-----------------------------|---|
| 1 | Prepaid Insurance | 3,908,731 |
| 2 | Prepaid Rents | - |
| 3 | Prepaid Taxes | - |
| 4 | Prepaid Interest | - |
| 5 | Miscellaneous Prepayments | 2,091,722 |
| 6 | TOTAL | 6,000,453 |

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than \$50,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

| Line No. | Description and Purpose of Other Regulatory Assets (a) | Balance at Beginning of Current Quarter/Year (b) | Debits (c) | CREDITS | | Balance at end of Current Quarter/Year (f) |
|----------|---|---|---------------|--|---|---|
| | | | | Written off During the Quarter/Year Account Charged (d) | Written off During the Period Amount (e) | |
| 1 | FAS 106 - Post Retirement Benefits (182300) | 3,309,264 | | 926400 | 472,752 | 2,836,512 |
| 2 | Amortization period is 1996-2012 | | | | | |
| 3 | FAS 158 - Post Retirement Liability (182305) | | 54,192,195 | | | 54,192,195 |
| 4 | FAS 109 (182310 & 182320) | 114,390,454 | | 283170/180 | 8,201,214 | 106,189,240 |
| 5 | Idaho AMR (182330) | 8,404,214 | 7,669,175 | | | 16,073,389 |
| 6 | RTO Deposit - Grid West (182340) | | 354,029 | | | 354,029 |
| 7 | BPA Residential Exchange (182345 & 182346) | 454,297 | 1,923,979 | | | 2,378,276 |
| 8 | WA ERM Deferral (182350) | 92,052,195 | | 557290/419 | 21,824,960 | 70,227,235 |
| 9 | WA Amortization (182360) | 342,601 | | 557162/419 | 342,601 | |
| 10 | New Generation Installation (182370) | 368,472 | | 407370 | 184,236 | 184,236 |
| 11 | Wartsilla Units (182372) | 1,271,705 | 2,378,424 | 407380 | 153,132 | 3,496,997 |
| 12 | Mark-To-Market Short-Term (182374) | | 62,650,144 | | | 62,650,144 |
| 13 | FAS 143 - ARO (182376) | 2,968,560 | 323,434 | | | 3,291,994 |
| 14 | OR DSM Lost Margin (182380) | (1,131,560) | | Various | 341,297 | -1,472,857 |
| 15 | Workers Compensation (182383) | 2,199,404 | 225,159 | | | 2,424,563 |
| 16 | CS2 Levelized Return (182384) | 619,155 | 371,328 | | | 990,483 |
| 17 | | | | | | |
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| 42 | | | | | | |
| 44 | TOTAL | 225,248,761 | 130,087,867 | | 31,520,192 | 323,816,436 |

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than \$50,000, whichever is less) may be grouped by classes.

| Line No. | Description of Miscellaneous Deferred Debits (a) | Balance at Beginning of Year (b) | Debits (c) | CREDITS | | Balance at End of Year (f) |
|----------|--|-------------------------------------|---------------|------------------------|---------------|-------------------------------|
| | | | | Account Charged (d) | Amount (e) | |
| 1 | | | | | | |
| 2 | Colstrip Common Fac. | 1,110,999 | | 406 | | 1,110,999 |
| 3 | | | | | | |
| 4 | WA Deferred Power Costs | 4,138,618 | | | 4,206,864 | -68,246 |
| 5 | WA ERM YTD Company Band | 9,000,000 | | | 6,398,336 | 2,601,664 |
| 6 | WA ERM YTD Contra Account | -9,000,000 | 6,398,336 | | | -2,601,664 |
| 7 | Regulatory Asset ROT Deposit | | 711,960 | | | 711,960 |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | Colstrip Common Fac. | 2,355,642 | | 406 | | 2,355,642 |
| 11 | | | | | | |
| 12 | ID Deferred Power | 90,403,623 | 6,019,274 | VAR | | 96,422,897 |
| 13 | ID Accumulated Surcharge Am | -82,416,882 | | 557 | 4,648,736 | -87,065,618 |
| 14 | | | | | | |
| 15 | Payroll Accrual | 938,970 | | VAR | 39,262 | 899,708 |
| 16 | Payroll Loading Clearing | -290,803 | 290,803 | | | |
| 17 | Plant Allocation of clrg jrls | | | | 2,025,687 | -2,025,687 |
| 18 | | | | | | |
| 19 | Misc Error Suspense | 93,765 | | VAR | 274,577 | -180,812 |
| 20 | | | | | | |
| 21 | | | | | | |
| 22 | | | | | | |
| 23 | Unamortized A/R Sale | 21,937 | | | 7,750 | 14,187 |
| 24 | | | | | | |
| 25 | Intangible Pension Asset | 4,404,832 | | | 4,404,832 | |
| 26 | | | | | | |
| 27 | Nez Perce Settlement | 197,233 | | 557 | 5,212 | 192,021 |
| 28 | Misc Deferred Debit Centralia | 596,927 | 26,576 | | | 623,503 |
| 29 | Centralia Mine Env Balance | | | | | |
| 30 | Opportunity Sub Sale Proceeds | 188,758 | | | 188,758 | |
| 31 | | | | | | |
| 32 | ID Panhandle Forest Use Permit | 153,881 | 28,730 | | | 182,611 |
| 33 | Metro-Sunset 115KV TE | 309,756 | 3,242 | | | 312,998 |
| 34 | Incremental trans costs | 9,129 | 374,107 | | | 383,236 |
| 35 | UPRR Permit Conv | 331,696 | 1,412 | | | 333,108 |
| 36 | Insurance Recvy CDA Lake | 118,287 | 26,803 | | | 145,090 |
| 37 | Corp reorg stk iss. costs | | 118,086 | | | 118,086 |
| 38 | | | | | | |
| 39 | | | | | | |
| 40 | | | | | | |
| 41 | Nez Perce Permit Conversion | 108,211 | 454,237 | | | 562,448 |
| 42 | | | | | | |
| 43 | | | | | | |
| 44 | Misc Work Orders <\$50,000 | 150,111 | | | 111,155 | 38,956 |
| 45 | Subsidiary Billings | 3,109,613 | 615,273 | VAR | | 3,724,886 |
| 46 | "Null" Projects directly to 186 | 208,472 | | | 587,250 | -378,778 |
| 47 | Misc. Work in Progress | | | | | |
| 48 | Deferred Regulatory Comm. Expenses (See pages 350 - 351) | | | | | |
| 49 | TOTAL | 40,675,589 | | | | 31,297,127 |

| | | | |
|--|---|--|---|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

MISCELLANEOUS DEFERRED DEBITS (Account 186)

- Report below the particulars (details) called for concerning miscellaneous deferred debits.
- For any deferred debit being amortized, show period of amortization in column (a)
- Minor item (1% of the Balance at End of Year for Account 186 or amounts less than \$50,000, whichever is less) may be grouped by classes.

| Line No. | Description of Miscellaneous Deferred Debits (a) | Balance at Beginning of Year (b) | Debits (c) | CREDITS | | Balance at End of Year (f) |
|----------|--|-------------------------------------|---------------|------------------------|---------------|-------------------------------|
| | | | | Account Charged (d) | Amount (e) | |
| 1 | Conservation | | | | | |
| 2 | Regulatory Assets Consv | 5,124,643 | | | 1,280,293 | 3,844,350 |
| 3 | Oregon Gas Comm Consvt | 25,811 | 8,573 | | | 34,384 |
| 4 | | | | | | |
| 5 | Oregon Common Gas Eff | 357,732 | 54,703 | | | 412,435 |
| 6 | WPNG HE Wtr Htrs-Oregon | 522,183 | 50,046 | | | 572,229 |
| 7 | WPNG HE Furnaces | 3,388,705 | 447,692 | | | 3,836,397 |
| 8 | | | | | | |
| 9 | WPNG OR Res Low 1 | 339,876 | 19,870 | 908 | | 359,746 |
| 10 | | | | | | |
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| 20 | | | | | | |
| 21 | | | | | | |
| 22 | Oregon DSM | 57,085 | | | 57,085 | |
| 23 | | | | | | |
| 24 | | | | | | |
| 25 | | | | | | |
| 26 | | | | | | |
| 27 | Consv. & Renewable Disco | 644,618 | | 908 | 644,618 | |
| 28 | | | | | | |
| 29 | | | | | | |
| 30 | | | | | | |
| 31 | | | | | | |
| 32 | Energy Star Homes | | 136,212 | | | 136,212 |
| 33 | Energy Star Manufactured Homes | | 7,062 | | | 7,062 |
| 34 | HE Washing Machines | | 55,312 | | | 55,312 |
| 35 | Regulatory Assets Consv | 556,983 | | | 101,144 | 455,839 |
| 36 | Regulatory Assets Consv | 1,456,849 | | | 336,413 | 1,120,436 |
| 37 | Conservation Rate Credit | | 286,095 | | | 286,095 |
| 38 | Conservation Rate Credit CRC | | 122,612 | | | 122,612 |
| 39 | Hamilton Street Bridge Site | 7,600 | | VAR | 7,600 | |
| 40 | | | | | | |
| 41 | | | | | | |
| 42 | Easy Pay Billing CS | -3,402 | 3,402 | | | |
| 43 | Lake CDA Issues | 1,142,242 | 483,835 | | | 1,626,077 |
| 44 | Shareholder Lawsuit 2002 | 63,214 | | | 48,468 | 14,746 |
| 45 | NE Oil Spill Cleanup | 748,675 | | | 748,675 | |
| 46 | | | | | | |
| 47 | Misc. Work in Progress | | | | | |
| 48 | Deferred Regulatory Comm. Expenses (See pages 350 - 351) | | | | | |
| 49 | TOTAL | 40,675,589 | | | | 31,297,127 |

| | | | |
|--------------------|---|----------------|----------------|
| Name of Respondent | This Report Is: | Date of Report | Year of Report |
| Avista Corp | (1) <input checked="" type="checkbox"/> An Original | (M, D, Y) | |
| | (2) <input type="checkbox"/> A Resubmission | 4/18/2007 | 12/31/2006 |

ACCUMULATED DEFERRED INCOME TAXES (ACCOUNT 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.
3. At lines 4 and 6, add rows as necessary to report all data. Number the additional rows in sequence 4.01, 4.02, etc. and 6.01, 6.02, etc.

| Line No. | Account Subdivisions <i>(a)</i> | Balance at Beginning of Year <i>(b)</i> | CHANGES DURING YEAR | |
|----------|---|--|--|---|
| | | | Amounts Debited to Account 410.1 <i>(c)</i> | Amounts Credited to Account 411.1 <i>(d)</i> |
| 1 | Account 190 | | | |
| 2 | Electric | 10,500,018 | 726,414 | 3,866,301 |
| 3 | Gas | 1,516,068 | 653,657 | 1,072,336 |
| 4 | Other (Define) | | | |
| 5 | Total (Total of lines 2 thru 4) | 12,016,086 | 1,380,071 | 4,938,637 |
| 6 | Other (Specify) | 22,631,314 | (3,084,074) | (2,429,128) |
| 6.01 | Revenue Agent Report True-ups | | 0 | 0 |
| 6.02 | Interest Rate Swap | | 0 | 0 |
| 6.03 | SFAS 158 | | 0 | 0 |
| 6.04 | Various | | 0 | 0 |
| 7 | TOTAL Account 190 (Total of lines 5 thru 6) | 34,647,400 | (1,704,003) | 2,509,509 |
| 8 | Classification of TOTAL | | | |
| 9 | Federal Income Tax | 34,198,468 | (2,152,935) | 2,509,509 |
| 10 | State Income Tax | 448,932 | 448,932 | |
| 11 | Local Income Tax | | | |

| | | | |
|--------------------|--|---------------------------|----------------|
| Name of Respondent | This Report Is: | Date of Report | Year of Report |
| Avista Corp | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | (Mo, Da, Yr) 4/18/2007 | 12/31/2006 |

ACCUMULATED DEFERRED INCOME TAXES (ACCOUNT 190) (Continued)

4. If more space is needed, use separate pages as required.

5. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed under "Other."

| CHANGES DURING YEAR | | ADJUSTMENTS | | | | Balance at End of Year (k) | Line No. |
|---|--|--------------------|-------------------|--------------------|------------------|-------------------------------|----------|
| Amounts Debited to Account 410.2 (e) | Amounts Credited to Account 411.2 (f) | Debits to 190 | | Credits to 190 | | | |
| | | Account No. (g) | Amount (h) | Account No. (i) | Amount (j) | | |
| | | | | | | | 1 |
| (2,510) | 0 | | | 190xxx / Var | 190,196 | 13,452,219 | 2 |
| 0 | 0 | 190xxx Reclass | 45,500 | 254180 | 26,557 | 1,953,690 | 3 |
| | | | | | | 0 | 4 |
| (2,510) | 0 | | 45,500 | | 216,753 | 15,405,909 | 5 |
| (693,839) | 284,953 | | | 190xxx Reclass | 9,117 | 24,255,935 | 6 |
| 0 | 0 | 236000 | 1,243,516 | | | 1,243,516 | 6.01 |
| 0 | 0 | | | 219000/245100 | 1,684,208 | (1,684,208) | 6.02 |
| 0 | 0 | 228.3/253.2/219.1 | 17,006,062 | | | 17,006,062 | 6.03 |
| 0 | 0 | | | Various | 624,899 | (624,899) | 6.04 |
| (696,349) | 284,953 | | 18,295,078 | | 2,534,977 | 55,602,315 | 7 |
| | | | | | | | 8 |
| (696,349) | 284,953 | | 18,295,078 | | 2,534,977 | 55,602,315 | 9 |
| | | | | | | 0 | 10 |
| | | | | | | | 11 |

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|--|---|--|---|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

CAPITAL STOCKS (Account 201 and 204)

- Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
- Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

| Line No. | Class and Series of Stock and Name of Stock Series (a) | Number of shares Authorized by Charter (b) | Par or Stated Value per share (c) | Call Price at End of Year (d) |
|----------|---|---|--|--------------------------------------|
| 1 | Account 201 - Common Stock Issued | | | |
| 2 | No Par Value | 200,000,000 | | |
| 3 | Restricted shares | | | |
| 4 | TOTAL_COM | 200,000,000 | | |
| 5 | | | | |
| 6 | | | | |
| 7 | Account 204 - Preferred Stock Issued | 10,000,000 | | |
| 8 | | | | |
| 9 | | | | |
| 10 | Cumulative | | | |
| 11 | | | | |
| 12 | | | | |
| 13 | TOTAL_PRE | 10,000,000 | | |
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| Name of Respondent Avista Corporation | This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

| OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent) | | HELD BY RESPONDENT | | | | Line No. |
|---|---------------|-----------------------------------|-------------|----------------------------|---------------|-------------|
| | | AS REACQUIRED STOCK (Account 217) | | IN SINKING AND OTHER FUNDS | | |
| Shares (e) | Amount (f) | Shares (g) | Cost (h) | Shares (i) | Amount (j) | |
| | | | | | | 1 |
| 52,550,506 | 722,039,406 | | | | | 2 |
| | | | | 36,180 | 771,358 | 3 |
| 52,550,506 | 722,039,406 | | | 36,180 | 771,358 | 4 |
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| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
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CAPITAL STOCK EXPENSE (Account 214)

1. Report the balance at end of the year of discount on capital stock for each class and series of capital stock.
 2. If any change occurred during the year in the balance in respect to any class or series of stock, attach a statement giving particulars (details) of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

| Line No. | Class and Series of Stock (a) | Balance at End of Year (b) |
|----------|----------------------------------|----------------------------|
| 1 | Common Stock - Public Issue | 5,085,094 |
| 2 | \$6.95 Preferred Stock, Series K | 1,334,005 |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | TOTAL | 6,419,099 |

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| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
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LONG-TERM DEBT (Account 221, 222, 223 and 224)

- Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
- In column (a), for new issues, give Commission authorization numbers and dates.
- For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
- For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
- For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
- In column (b) show the principal amount of bonds or other long-term debt originally issued.
- In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
- For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
- Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

| Line No. | Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a) | Principal Amount Of Debt issued (b) | Total expense, Premium or Discount (c) |
|----------|--|---|--|
| 1 | Acct. 221 - Bonds: | | |
| 2 | Secured Medium Term Notes \$1,185,000,000 | 1,023,850,000 | 10,794,892 |
| 3 | Discount | | 1,320,700 |
| 4 | (Premium) | | -266,500 |
| 5 | Pollution Control Revenue Bonds: | | |
| 6 | 6% Series due 2023 | 4,100,000 | 115,355 |
| 7 | Colstrip 1999A due 2032 | 66,700,000 | 2,700,581 |
| 8 | Discount | | 20,500 |
| 9 | Colstrip 1999B due 2034 | 17,000,000 | 954,386 |
| 10 | | | |
| 11 | | | |
| 12 | SUBTOTAL | 1,111,650,000 | 15,639,914 |
| 13 | | | |
| 14 | Acct. 222 - Reacquired Bonds | | |
| 15 | | | |
| 16 | Acct. 223 - Advances from Associated Companies-A. Advantage \$1,200k; A. Energy \$60 | 1,800,000 | |
| 17 | Long Term Debt to Affiliated Trusts-AVA Capital Trust III | 61,856,000 | 1,658,634 |
| 18 | Long Term Debt to Affiliated Trusts-Avista Capital II | 51,547,000 | 3,633,783 |
| 19 | | | |
| 20 | Acct. 224 - Other Long-term Debt | | |
| 21 | Series K Preferred Stock | 35,000,000 | 2,089,391 |
| 22 | Notes Payable - Banks (local) \$320,000,000 | | 2,406,216 |
| 23 | | | |
| 24 | Commercial Paper | | |
| 25 | | | |
| 26 | Unsecured Senior Notes | 400,000,000 | 9,128,000 |
| 27 | (Discount) | | 2,716,000 |
| 28 | | | |
| 29 | Medium Term Notes \$1,000,000,000 | 683,000,000 | 2,700,797 |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | TOTAL | 2,344,853,000 | 39,972,735 |

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| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

| Nominal Date of Issue (d) | Date of Maturity (e) | AMORTIZATION PERIOD | | Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h) | Interest for Year Amount (i) | Line No. |
|---------------------------|----------------------|---------------------|-------------|---|------------------------------|----------|
| | | Date From (f) | Date To (g) | | | |
| | | | | | | 1 |
| | | | | 597,396,931 | 41,339,181 | 2 |
| | | | | | | 3 |
| | | | | | | 4 |
| | | | | | | 5 |
| 12/18/1984 | 12/01/2023 | 12/18/1984 | 12/01/2023 | 4,100,000 | 246,000 | 6 |
| 9/01/1999 | 10/01/2032 | 9/01/1999 | 10/01/2032 | 66,700,000 | 3,335,000 | 7 |
| | | | | | | 8 |
| 9/01/1999 | 3/01/2034 | 9/01/1999 | 3/01/2034 | 17,000,000 | 871,250 | 9 |
| | | | | | | 10 |
| | | | | | | 11 |
| | | | | 685,196,931 | 45,791,431 | 12 |
| | | | | | | 13 |
| | | | | | | 14 |
| | | | | | | 15 |
| | | | | 1,800,000 | | 16 |
| 4/5/2004 | 4/1/2034 | 4/30/2004 | 3/31/2034 | 61,856,000 | 4,020,640 | 17 |
| 6/3/1997 | 6/1/2037 | 6/30/1997 | 5/31/2037 | 51,547,000 | 3,095,789 | 18 |
| | | | | | | 19 |
| | | | | | | 20 |
| 9/15/1992 | 9/15/2007 | 9/15/1992 | 9/15/2007 | 26,250,000 | 1,915,594 | 21 |
| 12/17/2004 | 3/15/2011 | 12/13/2004 | 3/15/2001 | 4,000,000 | 1,704,788 | 22 |
| | | | | | | 23 |
| | | | | | | 24 |
| | | | | | | 25 |
| 4/03/2001 | 6/01/2008 | 4/03/2001 | 6/01/2008 | 273,350,402 | 26,949,853 | 26 |
| | | | | | | 27 |
| | | | | | | 28 |
| 1/22/1992 | 1/22/2007 | 2/1/1992 | 2/1/2007 | 12,000,000 | 1,576,884 | 29 |
| | | | | | | 30 |
| | | | | | | 31 |
| | | | | | | 32 |
| | | | | 1,116,000,333 | 85,054,979 | 33 |

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RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

| Line No. | Particulars (Details) (a) | Amount (b) |
|----------|--|---------------|
| 1 | Net Income for the Year (Page 117) | 73,132,859 |
| 2 | | |
| 3 | | |
| 4 | Taxable Income Not Reported on Books | |
| 5 | | 5,826,100 |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | Deductions Recorded on Books Not Deducted for Return | |
| 10 | | 93,645,416 |
| 11 | Federal Income Tax | 39,207,698 |
| 12 | Deferred Income Tax | -7,995,071 |
| 13 | Investment Tax Credit & State Income Tax | 1,106,662 |
| 14 | Income Recorded on Books Not Included in Return | |
| 15 | | 56,617,126 |
| 16 | Equity in Sub Earnings (Income) / Loss | -16,839,461 |
| 17 | Corporate Overhead Unallocated Subs | 2,606,646 |
| 18 | | |
| 19 | Deductions on Return Not Charged Against Book Income | |
| 20 | | -110,167,057 |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | | |
| 26 | | |
| 27 | Federal Tax Net Income | |
| 28 | Show Computation of Tax: | |
| 29 | | |
| 30 | Federal Tax Net Income | 137,140,918 |
| 31 | State Tax @ 2%, Less Idaho ITC | -2,063,970 |
| 32 | Federal Tax Net Income, Less State Tax | 135,076,947 |
| 33 | | |
| 34 | Federal Tax @ 35% (\$135,076,947 * 35%) | 47,276,931 |
| 35 | 2005 10-k & Mixed Service Cost Adj. | -9,225,061 |
| 36 | 2006 Mixed Service Cost Adj. | 7,539,814 |
| 37 | Prior Years Tax Return, Revenue Agent Report & Misc True-ups | -3,183,093 |
| 38 | Kettle Falls Tax Credit | -3,200,894 |
| 39 | Total Federal Tax Expense (agrees to line 11) | 39,207,697 |
| 40 | | |
| 41 | | |
| 42 | | |
| 43 | | |
| 44 | | |

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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

| Line No. | Kind of Tax (See instruction 5) (a) | BALANCE AT BEGINNING OF YEAR | | Taxes Charged During Year (d) | Taxes Paid During Year (e) | Adjustments (f) |
|----------|---|------------------------------------|---|----------------------------------|-------------------------------|--------------------|
| | | Taxes Accrued (Account 236) (b) | Prepaid Taxes (Include in Account 165) (c) | | | |
| 1 | FEDERAL: | | | | | |
| 2 | Income Tax (2003) | 1,298,448 | | | | -1,298,448 |
| 3 | Income Tax (2004) | -25,750,020 | | -1,472,305 | | -3,253,958 |
| 4 | Income Tax (2005) | -619,962 | | -8,486,674 | | 11,841,089 |
| 5 | Income Tax (2006) | | | 51,427,073 | 47,345,130 | |
| 6 | Unemployment Ins 2003 | | | | | |
| 7 | FICA (2006) | | | 7,858,817 | 8,193,094 | 334,277 |
| 8 | Retained Earnings (2004) | -1,463,362 | | | | |
| 9 | Retained Earnings (2005) | -386,815 | | | | |
| 10 | Retained Earnings (2006) | | | -1,618,425 | | |
| 11 | Total Federal | -26,921,711 | | 47,708,486 | 55,538,224 | 7,622,960 |
| 12 | | | | | | |
| 13 | STATE OF WASHINGTON: | | | | | |
| 14 | Property Tax (2003) | 3,023 | | -3,023 | | |
| 15 | Property Tax (2004) | -26,741 | | 26,741 | | |
| 16 | Property Tax (2005) | 10,279,127 | | -977,904 | 9,242,311 | |
| 17 | Property Tax (2006) | | | 10,152,000 | | |
| 18 | Excise Tax (2002) | 202,688 | | -202,688 | | |
| 19 | Excise Tax (2004) | -40,060 | | 204,464 | 164,404 | |
| 20 | Excise Tax (2005) | 2,560,432 | | -100,595 | 2,269,952 | |
| 21 | Excise Tax (2006) | | | 20,766,337 | 18,909,992 | |
| 22 | Natural Gas Use Tax | 66,877 | | 82,736 | 128,907 | |
| 23 | Muni Utility & Occupation Tax | 2,470,945 | | 19,775,855 | 19,601,315 | |
| 24 | Sales & Use Tax (2005) | -40,333 | | | 91,697 | -9,173 |
| 25 | Sales & Use Tax (2006) | | | 1,043,048 | 956,747 | |
| 26 | Motor Vehicle (2006) | | | 12,817 | 12,817 | |
| 27 | Total Washington | 15,475,958 | | 50,779,788 | 51,378,142 | -9,173 |
| 28 | | | | | | |
| 29 | STATE OF IDAHO: | | | | | |
| 30 | Income Tax (1997-2000) | 343,399 | | -343,399 | | |
| 31 | Income Tax (2001) | -1,080,088 | | 1,102,358 | | -22,269 |
| 32 | Income Tax (2002) | 470,075 | | | 209,108 | -260,967 |
| 33 | Income Tax (2003) | 191,571 | | 27,839 | | -219,410 |
| 34 | Income Tax (2004) | 15,501 | | 4,348 | | -19,849 |
| 35 | Income Tax (2005) | 116,763 | | -258,235 | 35,689 | 522,495 |
| 36 | Income Tax (2006) | | | 815,653 | 961,000 | |
| 37 | Property Tax (2005) | 2,603,487 | | -21 | 2,593,774 | |
| 38 | Property Tax (2006) | | | 3,355,208 | 1,678,097 | |
| 39 | Excise Tax (2004) | 142 | | -142 | | |
| 40 | Motor Vehicle Ins. (2006) | | | 4,941 | 4,941 | |
| 41 | TOTAL | -2,112,797 | | 121,414,718 | 131,812,045 | 7,622,960 |

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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (i) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

| BALANCE AT END OF YEAR | | DISTRIBUTION OF TAXES CHARGED | | | | Line No. |
|---------------------------------|--|-------------------------------------|---|--|------------|----------|
| (Taxes accrued Account 236) (g) | Prepaid Taxes (Incl. in Account 165) (h) | Electric (Account 408.1, 409.1) (i) | Extraordinary Items (Account 409.3) (j) | Adjustments to Ret. Earnings (Account 439) (k) | Other (l) | |
| | | | | | | 1 |
| | | | | | | 2 |
| -30,476,283 | | | | | -1,472,305 | 3 |
| 2,734,453 | | -8,353,506 | | | -133,168 | 4 |
| 4,081,943 | | 36,704,095 | | | 14,722,978 | 5 |
| | | | | | | 6 |
| | | | | | 7,858,817 | 7 |
| -1,463,362 | | | | | | 8 |
| -386,815 | | | | | | 9 |
| -1,618,425 | | | | | -1,618,425 | 10 |
| -27,128,489 | | 28,350,589 | | | 19,357,897 | 11 |
| | | | | | | 12 |
| | | | | | | 13 |
| | | -4 | | | -3,019 | 14 |
| | | 10,595 | | | 16,147 | 15 |
| 58,913 | | -745,000 | | | -232,904 | 16 |
| 10,152,000 | | 7,896,000 | | | 2,256,000 | 17 |
| | | | | | -202,688 | 18 |
| | | -40,769 | | | 245,233 | 19 |
| 189,884 | | -26,038 | | | -74,557 | 20 |
| 1,856,345 | | 13,143,449 | | | 7,622,888 | 21 |
| 20,706 | | 11,743 | | | 70,993 | 22 |
| 2,645,486 | | 12,260,508 | | | 7,515,348 | 23 |
| -141,202 | | | | | | 24 |
| 86,301 | | | | | 1,043,045 | 25 |
| | | | | | 12,817 | 26 |
| 14,868,433 | | 32,510,484 | | | 18,269,303 | 27 |
| | | | | | | 28 |
| | | | | | | 29 |
| | | | | | -343,399 | 30 |
| | | | | | 1,102,358 | 31 |
| | | | | | | 32 |
| | | | | | 27,839 | 33 |
| | | | | | 4,348 | 34 |
| 345,334 | | | | | -258,235 | 35 |
| -145,347 | | 571,847 | | | 243,806 | 36 |
| 9,691 | | | | | -21 | 37 |
| 1,677,111 | | 2,768,000 | | | 587,208 | 38 |
| | | | | | -142 | 39 |
| | | | | | 4,941 | 40 |
| -4,887,161 | | 74,700,334 | | | 46,714,387 | 41 |

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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

| Line No. | Kind of Tax (See instruction 5) (a) | BALANCE AT BEGINNING OF YEAR | | Taxes Charged During Year (d) | Taxes Paid During Year (e) | Adjustments (f) |
|----------|---|------------------------------------|---|----------------------------------|-------------------------------|--------------------|
| | | Taxes Accrued (Account 236) (b) | Prepaid Taxes (Include in Account 165) (c) | | | |
| 1 | Sales & Use Tax (2005) | -3,666 | | | 5,084 | 9,173 |
| 2 | Sales & Use Tax (2006) | | | 223,991 | 206,023 | |
| 3 | Irrigation Credits (2002) | -333 | | 333 | | |
| 4 | Irrigation Credits (2003) | -333 | | 332 | | |
| 5 | Irrigation Credits (2004) | 83 | | -83 | | |
| 6 | Irrigation Credits (2005) | -155 | | 155 | | |
| 7 | Irrigation Credits (2006) | | | | | |
| 8 | KWH Tax (2004) | -1 | | 1 | | |
| 9 | KWH Tax (2005) | -90 | | 21,094 | 21,004 | |
| 10 | KWH Tax (2006) | | | 368,491 | 343,828 | |
| 11 | Franchise Tax (2003) | | | | | |
| 12 | Franchise Tax (2004) | | | | | |
| 13 | Franchise Tax (2005) | 1,357,511 | | | 1,357,510 | |
| 14 | Franchise Tax (2006) | | | 3,808,938 | 2,244,071 | |
| 15 | Total Idaho | 4,013,866 | | 9,131,802 | 9,660,129 | 9,173 |
| 16 | | | | | | |
| 17 | STATE OF MONTANA: | | | | | |
| 18 | Income Tax (1996-2000) | 1,184,932 | | -1,184,932 | | |
| 19 | Income Tax (2001) | -415,419 | | 676,617 | | -261,198 |
| 20 | Income Tax (2002) | 24,496 | | | | -24,496 |
| 21 | Income Tax (2003) | 134,687 | | -125,102 | 232,823 | 223,238 |
| 22 | Income Tax (2004) | 9,196 | | 156,335 | | -165,531 |
| 23 | Income Tax (2005) | 503,508 | | -106,823 | 157,723 | 227,987 |
| 24 | Income Tax (2006) | | | 797,694 | 856,000 | |
| 25 | Property Tax (2000) | -81,384 | | 81,384 | | |
| 26 | Property Tax (2001) | 166,988 | | | | -166,988 |
| 27 | Property Tax (2002) | -34,468 | | -132,520 | | 166,988 |
| 28 | Property Tax (2003) | 1,572 | | -1,572 | | |
| 29 | Property Tax (2004) | 994 | | -994 | | |
| 30 | Property Tax (2005) | 3,641,973 | | 31,447 | 3,641,973 | |
| 31 | Property Tax (2006) | | | 5,960,973 | 2,983,792 | |
| 32 | Colstrip Generation Tax | | | 4,667 | 4,667 | |
| 33 | KWH Tax (2004) | -81,483 | | 81,484 | | |
| 34 | KWH Tax (2005) | 258,214 | | | 256,938 | |
| 35 | KWH Tax (2006) | | | 1,165,439 | 903,532 | |
| 36 | Motor Vehicle (2006) | | | 3,545 | 3,545 | |
| 37 | Consumer Council Tax | 1 | | 452 | 22 | |
| 38 | Public Commission Tax | | | 10,790 | 10,288 | |
| 39 | Total Montana | 5,313,807 | | 7,418,884 | 9,051,303 | |
| 40 | | | | | | |
| 41 | TOTAL | -2,112,797 | | 121,414,718 | 131,812,045 | 7,622,960 |

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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

| BALANCE AT END OF YEAR | | DISTRIBUTION OF TAXES CHARGED | | | | Line No. |
|---------------------------------|--|-------------------------------------|---|--|------------|----------|
| (Taxes accrued Account 236) (g) | Prepaid Taxes (Incl. in Account 165) (h) | Electric (Account 408.1, 409.1) (i) | Extraordinary Items (Account 409.3) (j) | Adjustments to Ret. Earnings (Account 439) (k) | Other (l) | |
| 423 | | | | | | 1 |
| 17,968 | | | | | 223,991 | 2 |
| | | 333 | | | | 3 |
| | | 332 | | | | 4 |
| | | -83 | | | | 5 |
| | | 155 | | | | 6 |
| | | | | | | 7 |
| | | | | | 1 | 8 |
| | | 14,779 | | | 6,315 | 9 |
| 24,663 | | 373,656 | | | -5,165 | 10 |
| | | | | | | 11 |
| | | | | | | 12 |
| 1 | | | | | | 13 |
| 1,564,867 | | 2,192,415 | | | 1,616,522 | 14 |
| 3,494,711 | | 5,921,434 | | | 3,210,367 | 15 |
| | | | | | | 16 |
| | | | | | | 17 |
| | | | | | -1,184,932 | 18 |
| | | | | | 676,617 | 19 |
| | | | | | -125,102 | 20 |
| | | | | | | 21 |
| | | | | | 156,335 | 22 |
| 466,950 | | | | | -106,823 | 23 |
| -58,306 | | 500,022 | | | 297,672 | 24 |
| | | 81,384 | | | | 25 |
| | | | | | | 26 |
| | | -132,520 | | | | 27 |
| | | -1,572 | | | | 28 |
| | | -993 | | | | 29 |
| 31,447 | | 312 | | | 31,135 | 30 |
| 2,977,181 | | 5,960,973 | | | | 31 |
| | | 4,667 | | | | 32 |
| 1 | | 81,484 | | | | 33 |
| 1,276 | | 780 | | | -780 | 34 |
| 261,908 | | 1,165,439 | | | | 35 |
| | | | | | 3,545 | 36 |
| 431 | | | | | 452 | 37 |
| 503 | | 10,463 | | | 328 | 38 |
| 3,681,391 | | 7,670,439 | | | -251,553 | 39 |
| | | | | | | 40 |
| -4,887,161 | | 74,700,334 | | | 46,714,387 | 41 |

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

| Line No. | Kind of Tax (See instruction 5) (a) | BALANCE AT BEGINNING OF YEAR | | Taxes Charged During Year (d) | Taxes Paid During Year (e) | Adjustments (f) |
|----------|---|------------------------------------|---|----------------------------------|-------------------------------|--------------------|
| | | Taxes Accrued (Account 236) (b) | Prepaid Taxes (Include in Account 165) (c) | | | |
| 1 | STATE OF OREGON: | | | | | |
| 2 | Income Tax (1999 & Older) | 75,700 | | -75,700 | | |
| 3 | Income Tax (2000) | -55,621 | | 55,621 | | |
| 4 | Income Tax (2001) | -298,330 | | 148,595 | | 149,735 |
| 5 | Income Tax (2002) | 121,729 | | 254,129 | | -375,858 |
| 6 | Income Tax (2003) | -17,501 | | 30,861 | | -13,360 |
| 7 | Income Tax (2004) | 144,455 | | -70,785 | | -73,670 |
| 8 | Income Tax (2005) | 86,357 | | -135,043 | | 313,153 |
| 9 | Income Tax (2006) | | | 405,202 | 368,000 | |
| 10 | Property Tax (2003) | | | | | |
| 11 | Property Tax (2004) | 12,273 | | -12,273 | | |
| 12 | Property Tax (2005) | -475,874 | | 158,767 | 156,533 | |
| 13 | Property Tax (2006) | | | 1,315,695 | 1,524,642 | |
| 14 | Motor Vehicle (2006) | | | 4,413 | 4,413 | |
| 15 | Busn Energy Tax Credit | -431,020 | | | | |
| 16 | Busn Energy Tax Credit | -34,244 | | | | |
| 17 | Busn Energy Tax Credit | -55,790 | | | | |
| 18 | Busn Energy Tax Credit | 24,865 | | | | |
| 19 | Busn Energy Tax Credit | -44,059 | | 70,333 | | |
| 20 | Busn Energy Tax Credit | -164,041 | | 196,186 | | |
| 21 | Busn Energy Tax Credit | | | -104,808 | | |
| 22 | Franchise Tax (2004) | -67,261 | | 5,094 | | |
| 23 | Franchise Tax (2005) | 1,128,382 | | -4,198 | 1,063,999 | |
| 24 | Franchise Tax (2006) | | | 4,158,085 | 3,019,571 | |
| 25 | Total Oregon | -49,980 | | 6,400,174 | 6,137,158 | |
| 26 | | | | | | |
| 27 | STATE OF CALIFORNIA: | | | | | |
| 28 | Income Tax (1996-2000) | 55,448 | | -55,448 | | |
| 29 | Income Tax (2001) | -49,850 | | 75,684 | | -25,834 |
| 30 | Income Tax (2002) | 9,402 | | | | -9,402 |
| 31 | Income Tax (2003) | -33,400 | | -25,225 | | 58,625 |
| 32 | Income Tax (2004) | 36,326 | | -3,051 | | -33,275 |
| 33 | Income Tax (2005) | 42,137 | | -34,098 | 29,924 | 9,886 |
| 34 | Income Tax (2006) | | | | 3,200 | |
| 35 | Property Tax (2004) | | | | | |
| 36 | Property Tax (2005) | | | | | |
| 37 | Total California | 60,063 | | -42,138 | 33,124 | |
| 38 | | | | | | |
| 39 | MISCELLANEOUS STATES: | | | | | |
| 40 | Income Tax (2004 and older) | -5,057 | | 5,057 | | |
| 41 | TOTAL | -2,112,797 | | 121,414,718 | 131,812,045 | 7,622,960 |

| | | | |
|--|---|--|---|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

| BALANCE AT END OF YEAR | | DISTRIBUTION OF TAXES CHARGED | | | | Line No. |
|---------------------------------|--|-------------------------------------|---|--|------------|----------|
| (Taxes accrued Account 236) (g) | Prepaid Taxes (Incl. in Account 165) (h) | Electric (Account 408.1, 409.1) (i) | Extraordinary Items (Account 409.3) (j) | Adjustments to Ret. Earnings (Account 439) (k) | Other (l) | |
| | | | | | | 1 |
| | | | | | -75,700 | 2 |
| | | | | | 55,621 | 3 |
| | | | | | 148,595 | 4 |
| | | | | | 254,129 | 5 |
| | | | | | 30,861 | 6 |
| | | | | | -70,785 | 7 |
| 264,467 | | | | | -135,042 | 8 |
| 37,202 | | 100,894 | | | 304,308 | 9 |
| | | | | | | 10 |
| | | | | | | 11 |
| | | | | | | 12 |
| -473,640 | | 158,767 | | | | 13 |
| -208,947 | | | | | 1,315,695 | 14 |
| | | | | | 4,413 | 15 |
| -431,020 | | | | | | 16 |
| -34,244 | | | | | | 17 |
| -55,790 | | | | | | 18 |
| 24,865 | | | | | | 19 |
| 26,274 | | | | | 70,333 | 20 |
| 32,145 | | | | | 196,186 | 21 |
| -104,808 | | | | | -104,808 | 22 |
| -62,168 | | | | | 5,094 | 23 |
| 60,185 | | | | | -4,198 | 24 |
| 1,138,514 | | | | | 4,158,086 | 25 |
| 213,035 | | 247,388 | | | 6,152,788 | 26 |
| | | | | | | 27 |
| | | | | | | 28 |
| | | | | | -55,448 | 29 |
| | | | | | 75,684 | 30 |
| | | | | | | 31 |
| | | | | | -25,225 | 32 |
| | | | | | -3,051 | 33 |
| -12,000 | | | | | -34,098 | 34 |
| -3,200 | | | | | | 35 |
| | | | | | | 36 |
| -15,200 | | | | | -42,138 | 37 |
| | | | | | | 38 |
| | | | | | | 39 |
| | | | | | 5,058 | 40 |
| -4,887,161 | | 74,700,334 | | | 46,714,387 | 41 |

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.)
Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

| Line No. | Kind of Tax (See instruction 5) (a) | BALANCE AT BEGINNING OF YEAR | | Taxes Charged During Year (d) | Taxes Paid During Year (e) | Adjustments (f) |
|----------|---|---------------------------------------|--|----------------------------------|-------------------------------|--------------------|
| | | Taxes Accrued (Account 236) (b) | Prepaid Taxes (Include in Account 165) (c) | | | |
| 1 | Income Tax (2005) | -38 | | | | |
| 2 | Income Tax (2006) | | | 2,096 | 2,058 | |
| 3 | Total Misc States | -5,095 | | 7,153 | 2,058 | |
| 4 | | | | | | |
| 5 | COUNTY & MUNICIPAL | | | | | |
| 6 | Forrest Fire Protection | | | | | |
| 7 | Greenacres Irrigation | | | | | |
| 8 | City of Spokane PBIA | 1,470 | | -1,125 | 346 | |
| 9 | WA Renewable Energy | | | -1,044 | | |
| 10 | Spokane Utility Tax | | | | | |
| 11 | Columbia Irrigation | | | | | |
| 12 | Misc. | -1,175 | | 12,738 | 11,561 | |
| 13 | Total County | 295 | | 10,569 | 11,907 | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
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| 36 | | | | | | |
| 37 | | | | | | |
| 38 | | | | | | |
| 39 | | | | | | |
| 40 | | | | | | |
| 41 | TOTAL | -2,112,797 | | 121,414,718 | 131,812,045 | 7,622,960 |

| | | | |
|--|---|--|---|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

| BALANCE AT END OF YEAR | | DISTRIBUTION OF TAXES CHARGED | | | | Line No. |
|---------------------------------|--|-------------------------------------|---|--|------------|----------|
| (Taxes accrued Account 236) (g) | Prepaid Taxes (Incl. in Account 165) (h) | Electric (Account 408.1, 409.1) (i) | Extraordinary Items (Account 409.3) (j) | Adjustments to Ret. Earnings (Account 439) (k) | Other (l) | |
| | | | | | | 1 |
| | | | | | 2,096 | 2 |
| | | | | | 7,154 | 3 |
| | | | | | | 4 |
| | | | | | | 5 |
| | | | | | | 6 |
| | | | | | | 7 |
| | | | | | -1,125 | 8 |
| -1,044 | | | | | -1,044 | 9 |
| | | | | | | 10 |
| | | | | | | 11 |
| 2 | | | | | 12,738 | 12 |
| -1,042 | | | | | 10,569 | 13 |
| | | | | | | 14 |
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| | | | | | | 38 |
| | | | | | | 39 |
| | | | | | | 40 |
| -4,887,161 | | 74,700,334 | | | 46,714,387 | 41 |

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in column (g). Include in column (i) the average period over which the tax credits are amortized.

| Line No. | Account Subdivisions (a) | Balance at Beginning of Year (b) | Deferred for Year | | Allocations to Current Year's Income | | Adjustments (g) |
|----------|--|----------------------------------|-------------------|------------|--------------------------------------|------------|-----------------|
| | | | Account No. (c) | Amount (d) | Account No. (e) | Amount (f) | |
| 1 | Electric Utility | | | | | | |
| 2 | 3% | | | | | | |
| 3 | 4% | | | | | | |
| 4 | 7% | | | | | | |
| 5 | 10% | | | | | | |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | TOTAL | | | | | | |
| 9 | Other (List separately and show 3%, 4%, 7%, 10% and TOTAL) | | | | | | |
| 10 | Gas Property (100%) | 521,652 | | | 411400 | 49,308 | |
| 11 | | | | | | | |
| 12 | TOTAL PROPERTY | 521,652 | | | | 49,308 | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
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| 48 | | | | | | | |

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (continued)

| Balance at End of Year (h) | Average Period of Allocation to Income (i) | ADJUSTMENT EXPLANATION | Line No. |
|-------------------------------|---|------------------------|----------|
| | | | 1 |
| | | | 2 |
| | | | 3 |
| | | | 4 |
| | | | 5 |
| | | | 6 |
| | | | 7 |
| | | | 8 |
| | | | 9 |
| 472,344 | | | 10 |
| | | | 11 |
| 472,344 | | | 12 |
| | | | 13 |
| | | | 14 |
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| | | | 16 |
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|--|---|--|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|---|--|-------------------------------------|

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.
2. Minor items (less than \$250,000) may be grouped under appropriate title.

| Line No. | Item (a) | Balance at End of Year (b) |
|----------|---|--------------------------------------|
| 1 | Margin Call Deposit (242050) | 39,440,000 |
| 2 | | |
| 3 | Forest Use Permits (242060) | 182,081 |
| 4 | | |
| 5 | FERC Administrative Fee Accrual (242300 & 242310) | 514,740 |
| 6 | | |
| 7 | Non-monetary Power Exchange (242500) | 206,992 |
| 8 | | |
| 9 | Demand Side Mgmt Tariff Rider (242600) | (3,405,621) |
| 10 | | |
| 11 | Payroll Equalization (242700) | 11,033,845 |
| 12 | | |
| 13 | Low Income Energy Assistance (242770) | 2,824,624 |
| 14 | | |
| 15 | Workers Compensation Reg Liab (242830) | 2,424,563 |
| 16 | | |
| 17 | Accounts Payable - Inventory Accrual (242900) | 831,518 |
| 18 | | |
| 19 | Accounts Payable - Expense Accrual (242910) | 1,006,547 |
| 20 | | |
| 21 | Gas Imbalances | 467,495 |
| 22 | | |
| 23 | Customer Accounts | 7,333,026 |
| 24 | | |
| 25 | Payroll Tax Clearing | 386,113 |
| 26 | | |
| 27 | | |
| 28 | | |
| 29 | | |
| 30 | | |
| 31 | | |
| 32 | | |
| 33 | | |
| 34 | | |
| 35 | | |
| 36 | | |
| 37 | | |
| 38 | | |
| 39 | | |
| 40 | | |
| 41 | | |
| 42 | | |
| 43 | | |
| 44 | TOTAL | 63,245,923 |

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

OTHER DEFFERED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than \$10,000, whichever is greater) may be grouped by classes.

| Line No. | Description and Other Deferred Credits (a) | Balance at Beginning of Year (b) | DEBITS | | Credits (e) | Balance at End of Year (f) |
|----------|---|-------------------------------------|-----------------------|------------------|------------------|-------------------------------|
| | | | Contra Account (c) | Amount (d) | | |
| 1 | CSS Install & Interest (253000) | | 419000 | | 17,092 | 17,092 |
| 2 | | | | | | |
| 3 | Deferred Revenue Prepayment - | 32,802 | 456/143/146 | 9,372 | | 23,430 |
| 4 | Pacific Walla Walla/Enterprise | | | | | |
| 5 | Amort = 19 yrs (253080) | | | | | |
| 6 | | | | | | |
| 7 | CIT Oper Lease (253090) 9/2006 | 29,457 | 931110 | 29,457 | | |
| 8 | | | | | | |
| 9 | BPA C&RD Receipts (253100) | 319,061 | Various | 210,191 | | 108,870 |
| 10 | | | | | | |
| 11 | Trust Fund - Centralia (253110) | 913,437 | 186870 | | 22,327 | 935,764 |
| 12 | | | | | | |
| 13 | Rathdrum Refund (253120) | 476,332 | 550000 | 33,823 | | 442,509 |
| 14 | Amort =25 years, through 1/2020 | | | | | |
| 15 | | | | | | |
| 16 | NE Tank Spill (253130) | 1,000,000 | 552/186200 | 789,375 | | 210,625 |
| 17 | | | | | | |
| 18 | CS2 GE Long Term Service | 1,938,883 | 232/154 | 1,938,883 | | |
| 19 | Agreement (253150) | | | | | |
| 20 | | | | | | |
| 21 | Supplemental Executive Retire | 16,737,423 | 426290 | 3,845,324 | | 12,892,099 |
| 22 | Plan (SERP) (253290) | | | | | |
| 23 | | | | | | |
| 24 | SERP - SFAS 158 Unfunded | | Various | | 5,772,012 | 5,772,012 |
| 25 | Unfunded (253291) | | | | | |
| 26 | | | | | | |
| 27 | Gain on Sale and leaseback | 1,568,736 | 931900 | 261,456 | | 1,307,280 |
| 28 | of Building (Amortization period | | | | | |
| 29 | is 25 years) (253850) | | | | | |
| 30 | | | | | | |
| 31 | ID Clark Fork Relicense (253890) | -462,387 | 419000 | 218,831 | | -681,218 |
| 32 | | | | | | |
| 33 | Deferred Compensation | 11,870,416 | 128/431 | | 1,158,363 | 13,028,779 |
| 34 | (253900, 253910, 253920) | | | | | |
| 35 | | | | | | |
| 36 | Amort. Unbilled Revenue Add-ons | 1,880,004 | 908/557/407 | | 343,385 | 2,223,389 |
| 37 | (253990) | | | | | |
| 38 | | | | | | |
| 39 | | | | | | |
| 40 | | | | | | |
| 41 | | | | | | |
| 42 | | | | | | |
| 43 | | | | | | |
| 44 | | | | | | |
| 45 | | | | | | |
| 46 | | | | | | |
| 47 | TOTAL | 36,304,164 | | 7,336,712 | 7,313,179 | 36,280,631 |

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
2. For other (Specify), include deferrals relating to other income and deductions.

| Line No. | Account (a) | Balance at Beginning of Year (b) | CHANGES DURING YEAR | |
|----------|---|---|---|--|
| | | | Amounts Debited to Account 410.1 (c) | Amounts Credited to Account 411.1 (d) |
| 1 | Account 282 | | | |
| 2 | Electric | 225,798,912 | 15,684,084 | |
| 3 | Gas | 59,715,278 | 4,750,063 | |
| 4 | Other | 3,727,835 | 257,744 | |
| 5 | TOTAL (Enter Total of lines 2 thru 4) | 289,242,025 | 20,691,891 | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | TOTAL Account 282 (Enter Total of lines 5 thru 8) | 289,242,025 | 20,691,891 | |
| 10 | Classification of TOTAL | | | |
| 11 | Federal Income Tax | 280,628,857 | 19,163,783 | |
| 12 | State Income Tax | 8,613,168 | 1,528,108 | |
| 13 | Local Income Tax | | | |

NOTES

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

| CHANGES DURING YEAR | | ADJUSTMENTS | | | | Balance at End of Year (k) | Line No. |
|--|---|----------------------------|---------------|---------------------------|---------------|----------------------------------|-------------|
| Amounts Debited to Account 410.2 (e) | Amounts Credited to Account 411.2 (f) | Debits | | Credits | | | |
| | | Account Credited (g) | Amount (h) | Account Debited (i) | Amount (j) | | |
| | | | | | | | 1 |
| | | 236050 | 365,037 | PY Adj. | -8,522,861 | 232,595,098 | 2 |
| -130,771 | | 236050 | 82,816 | PY Adj. | -3,318,228 | 60,933,526 | 3 |
| 162,925 | | | | PY Adj. | 7,797,086 | 11,945,590 | 4 |
| 32,154 | | | 447,853 | | -4,044,003 | 305,474,214 | 5 |
| | | | | | | | 6 |
| | | | | | | | 7 |
| | | | | | | | 8 |
| 32,154 | | | 447,853 | | -4,044,003 | 305,474,214 | 9 |
| | | | | | | | 10 |
| 32,154 | | | | | -4,044,003 | 295,780,791 | 11 |
| | | | 447,853 | | | 9,693,423 | 12 |
| | | | | | | | 13 |

NOTES (Continued)

| | | | |
|--|---|--|---|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For other (Specify), include deferrals relating to other income and deductions.

| Line No. | Account (a) | Balance at Beginning of Year (b) | CHANGES DURING YEAR | |
|----------|--|-------------------------------------|---|--|
| | | | Amounts Debited to Account 410.1 (c) | Amounts Credited to Account 411.1 (d) |
| 1 | Account 283 | | | |
| 2 | Electric | | | |
| 3 | Electric | 56,564,581 | -5,222,170 | 5,046,314 |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | TOTAL Electric (Total of lines 3 thru 8) | 56,564,581 | -5,222,170 | 5,046,314 |
| 10 | Gas | | | |
| 11 | Gas | 16,575,034 | -9,343,758 | |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | | | | |
| 16 | | | | |
| 17 | TOTAL Gas (Total of lines 11 thru 16) | 16,575,034 | -9,343,758 | |
| 18 | Other | 155,147,548 | -3,601,985 | |
| 19 | TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18) | 228,287,163 | -18,167,913 | 5,046,314 |
| 20 | Classification of TOTAL | | | |
| 21 | Federal Income Tax | 224,523,245 | -14,403,995 | 5,046,314 |
| 22 | State Income Tax | 3,763,918 | -3,763,918 | |
| 23 | Local Income Tax | | | |

NOTES

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use footnotes as required.

| CHANGES DURING YEAR | | ADJUSTMENTS | | | | Balance at End of Year (k) | Line No. |
|--|---|----------------------------|---------------|---------------------------|---------------|----------------------------------|-------------|
| Amounts Debited to Account 410.2 (e) | Amounts Credited to Account 411.2 (f) | Debits | | Credits | | | |
| | | Account Credited (g) | Amount (h) | Account Debited (i) | Amount (j) | | |
| | | | | | | | 1 |
| | | | | | | | 2 |
| 1,639,101 | | 182320 | 836,673 | 190xxx | 3,589 | 47,102,114 | 3 |
| | | | | | | | 4 |
| | | | | | | | 5 |
| | | | | | | | 6 |
| | | | | | | | 7 |
| | | | | | | | 8 |
| 1,639,101 | | | 836,673 | | 3,589 | 47,102,114 | 9 |
| | | | | | | | 10 |
| 780,546 | | | | 190xxx/2 | 667,792 | 8,679,614 | 11 |
| | | | | | | | 12 |
| | | | | | | | 13 |
| | | | | | | | 14 |
| | | | | | | | 15 |
| | | | | | | | 16 |
| 780,546 | | | | | 667,792 | 8,679,614 | 17 |
| | 2,802,731 | 190/182/ | 11,502,785 | 182/219/ | 18,967,268 | 156,207,315 | 18 |
| 2,419,647 | 2,802,731 | | 12,339,458 | | 19,638,649 | 211,989,043 | 19 |
| | | | | | | | 20 |
| 2,419,647 | 2,802,731 | | 12,339,458 | | 19,638,649 | 211,989,043 | 21 |
| | | | | | | | 22 |
| | | | | | | | 23 |

NOTES (Continued)

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

OTHER REGULATORY LIABILITIES (Account 254)

- Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
- Minor items (5% of the Balance in Account 254 at end of period, or amounts less than \$50,000 which ever is less), may be grouped by classes.
- For Regulatory Liabilities being amortized, show period of amortization.

| Line No. | Description and Purpose of Other Regulatory Liabilities (a) | Balance at Beginning of Current Quarter/Year (b) | DEBITS | | Credits (e) | Balance at End of Current Quarter/Year (f) |
|----------|--|---|-------------------------|---------------|----------------|---|
| | | | Account Credited (c) | Amount (d) | | |
| 1 | Centralia Sale (254110) | 2,407,452 | 407410 | 2,407,452 | | |
| 2 | FAS109-Acctg for Inc. Taxes (254180) | 280,908 | 190180 | 26,556 | | 254,352 |
| 3 | Nez Perce - Reg Liability (254220) | 836,420 | 557200 | 22,008 | | 814,412 |
| 4 | Senate Bill 408 - Oregon (254250) | | 407330 | | 1,300,000 | 1,300,000 |
| 5 | BPA Residential Exch (254346 ED WA) | 32,406 | 182.34/407 | 32,406 | | |
| 6 | BPA Residential Exch (254346 ED ID) | 4,367 | 182.34/407 | 4,367 | | |
| 7 | OPUC Investigate Reserve (254680) | | 805680 | | 478,043 | 478,043 |
| 8 | Mark to Market FAS133 (254740) | 112,689,992 | 175.7/244.7 | 112,689,992 | | |
| 9 | Mark to Market FAS133 (254750) | | 175/244750 | | 15,400,153 | 15,400,153 |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
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| 36 | | | | | | |
| 37 | | | | | | |
| 38 | | | | | | |
| 39 | | | | | | |
| 40 | | | | | | |
| 41 | TOTAL | 116,251,545 | | 115,182,781 | 17,178,196 | 18,246,960 |

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| | | | |
|--------------------|--|--------------------------------|----------------|
| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| Avista Corporation | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS OPERATING REVENUES (Account 400)

- | | |
|---|--|
| <p>1. Report below natural gas operating revenues for each prescribed account, and manufactured gas revenues in total.</p> <p>2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.</p> <p>3. Report number of customers, columns (f) and (g), on the basis of meter, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted</p> | <p>for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.</p> <p>4. Report quantities of natural gas sold in Mcf (14.73 psia at 60 degrees F). If billings are on a term basis, give the Btu contents of the gas sold and the sales converted to Mcf.</p> <p>5. If increases or decreases from previous year (columns (c), (e) and (g), are not derived from previously</p> |
|---|--|

| Line No. | Title of Account <i>(a)</i> | OPERATING REVENUES | |
|----------|---|-------------------------------|--|
| | | Amount for Year <i>(b)</i> | Amount for Previous Year <i>(c)</i> |
| 1 | GAS SERVICE REVENUES | | |
| 2 | (480) Residential Sales | 257,752,600 | 229,736,621 |
| 3 | (481) Commercial and Industrial Sales | | |
| 4 | Small (or Comm.) (See Instr. 6) | 146,581,144 | 126,647,601 |
| 5 | Large (or Ind.) (See Instr. 6) | 11,676,035 | 11,867,199 |
| 6 | (482) Other Sales to Public Authorities | | |
| 7 | (484) Interdepartmental Sales | 491,509 | 424,720 |
| 8 | TOTAL Sales to Ultimate Consumers | 416,501,288 (1) | 368,676,141 |
| 9 | (483) Sales for Resale | 94,971,782 | 63,085,081 |
| 10 | TOTAL Nat. Gas Service Revenues | 511,473,070 | 431,761,222 |
| 11 | Revenues from Manufactured Gas | | |
| 12 | TOTAL Gas Service Revenues | 511,473,070 | 431,761,222 |
| 13 | OTHER OPERATING REVENUES | | |
| 14 | (485) Intracompany Transfers | | |
| 15 | (487) Forfeited Discounts | | |
| 16 | (488) Misc. Service Revenues | 118,750 | 203,038 |
| 17 | (489) Rev. from Trans. of Gas of Others | 6,498,720 | 7,601,297 |
| 18 | (490) Sales of Prod. Ext. from Nat. Gas | | |
| 19 | (491) Rev. from Nat. Gas Proc. by Others | | |
| 20 | (492) Incidental Gasoline and Oil Sales | | |
| 21 | (493) Rent from Gas Property | 15,060 | 15,060 |
| 22 | (494) Interdepartmental Rents | | |
| 23 | (495) Other Gas Revenues | 4,200,020 | 3,635,580 |
| 24 | TOTAL Other Operating Revenues | 10,832,550 | 11,454,975 |
| 25 | TOTAL Gas Operating Revenues | 522,305,620 | 443,216,197 |
| 26 | (Less) (496) Provision for Rate Refunds | | |
| 27 | TOTAL Gas Operating Revenues Net of Provision for Refunds | 522,305,620 | |
| 28 | Dis. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.) | 404,333,744 | |
| 29 | Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities) | 11,676,035 | |
| 30 | Sales for Resale | 94,971,782 | |
| 31 | Other Sales to Pub. Auth. (Local Dist. Only) | | |
| 32 | Interdepartmental Sales | 491,509 | |
| 33 | TOTAL (Same as Line 10, Columns (b) and (d)) | 511,473,070 | |

| | | | |
|--------------------|--|--------------------------------|----------------|
| Name of Respondent | This Report Is: (1) <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) | Year of Report |
| Avista Corporation | (2) <input type="checkbox"/> A Resubmission | April 18,2007 | Dec. 31, 2006 |

GAS OPERATING REVENUES (Account 400) (Continued)

reported figures, explain any inconsistencies in a footnote.

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 200,000 Mcf per year or approximately 800 Mcf

per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

7. See page 108, Important Changes During Year, for important new territory added and important rate increases or decreases.

| THERMS OF NATURAL GAS SOLD | | AVG. NO. OF NAT. GAS CUSTRS. PER MO. | | Line No. |
|--|-----------------------------------|--------------------------------------|---------------------------------|----------|
| Quantity for Year (d) | Quantity for Previous Year (e) | Number for Year (f) | Number for Previous Year (g) | |
| | | | | 1 |
| 192,832,941 | 199,433,556 | 267,345 | 265,294 | 2 |
| | | | | 3 |
| 120,988,742 | 122,980,835 | 31,746 | 31,652 | 4 |
| 11,039,977 | 13,533,925 | 295 | 306 | 5 |
| | | | | 6 |
| 442,701 | 465,790 | 51 | 52 | 7 |
| 325,304,361 (2) | 336,414,106 | 299,437 | 297,304 | 8 |
| 157,426,570 | 79,961,354 | 0 | 13 | 9 |
| 482,730,931 | 416,375,460 | 299,437 | 297,317 | 10 |
| <p align="center">NOTES</p> <p>Quantities of natural gas expressed in therms: to convert therms to MCF, divide therms by a BTU factor of 10.20</p> <p>(1) Includes \$1,737,638 unbilled revenues.</p> <p>(2) Includes 323,946 therms relating to unbilled revenues.</p> | | | | 11 |
| | | | | 12 |
| | | | | 13 |
| | | | | 14 |
| | | | | 15 |
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| 33 | | | | |

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|---|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| If the amount for previous year is not derived from previously reported figures, explain in footnotes. | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 1 | 1. PRODUCTION EXPENSES | | | |
| 2 | A. Manufactured Gas Production | - | - | |
| 3 | Manufactured Gas Production (Submit Supplemental Statement) | | | |
| 4 | B. Natural Gas Production | | | |
| 5 | B1. Natural Gas Production and Gathering | | | |
| 6 | Operation | - | - | |
| 7 | 750 Operation Supervision and Engineering | - | - | |
| 8 | 751 Production Maps and Records | - | - | |
| 9 | 752 Gas Wells Expenses | - | - | |
| 10 | 753 Field Lines Expenses | - | - | |
| 11 | 754 Field Compressor Station Expenses | - | - | |
| 12 | 755 Field Compressor Station Fuel and Power | - | - | |
| 13 | 756 Field Measuring and Regulating Station Expenses | - | - | |
| 14 | 757 Purification Expenses | - | - | |
| 15 | 758 Gas Well Royalties | - | - | |
| 16 | 759 Other Expenses | - | - | |
| 17 | 760 Rents | - | - | |
| 18 | TOTAL Operation (Enter Total of lines 7 thru 17) | - | - | |
| 19 | Maintenance | | | |
| 20 | 761 Maintenance Supervision and Engineering | - | - | |
| 21 | 762 Maintenance of Structures and Improvements | - | - | |
| 22 | 763 Maintenance of Producing Gas Wells | - | - | |
| 23 | 764 Maintenance of Field Lines | - | - | |
| 24 | 765 Maintenance of Field Compressor Station Equipment | - | - | |
| 25 | 766 Maintenance of Field Meas. and Reg. Sta. Equipment | - | - | |
| 26 | 767 Maintenance of Purification Equipment | - | - | |
| 27 | 768 Maintenance of Drilling and Cleaning Equipment | - | - | |
| 28 | 769 Maintenance of Other Equipment | - | - | |
| 29 | TOTAL Maintenance (Enter Total of lines 20 thru 28) | - | - | |
| 30 | TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29) | - | - | |
| 31 | B2. Products Extraction | | | |
| 32 | Operation | | | |
| 33 | 770 Operation Supervision and Engineering | - | - | |
| 34 | 771 Operation Labor | - | - | |
| 35 | 772 Gas Shrinkage | - | - | |
| 36 | 773 Fuel | - | - | |
| 37 | 774 Power | - | - | |
| 38 | 775 Materials | - | - | |
| 39 | 776 Operation Supplies and Expenses | - | - | |
| 40 | 777 Gas Processed by Others | - | - | |
| 41 | 778 Royalties on Products Extracted | - | - | |
| 42 | 779 Marketing Expenses | - | - | |
| 43 | 780 Products Purchased for Resale | - | - | |
| 44 | 781 Variation in Products Inventory | - | - | |
| 45 | (Less) 782 Extracted Products Used by the Utility-Credit | - | - | |
| 46 | 783 Rents | - | - | |
| 47 | TOTAL Operation (Enter Total of Lines 33 thru 46) | - | - | |

| | | | |
|--|---|--|---|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|---|--|---|

GAS OPERATION AND MAINTENANCE EXPENSES

| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) |
|--|---|-----------------------------------|------------------------------------|
| B2. Products Extraction (Continued) | | | |
| 48 | Maintenance | | |
| 49 | 784 Maintenance Supervision and Engineering | - | - |
| 50 | 785 Maintenance of Structures and Improvements | - | - |
| 51 | 786 Maintenance of Extraction and Refining Equipment | - | - |
| 52 | 787 Maintenance of Pipe Lines | - | - |
| 53 | 788 Maintenance of Extracted Products Storage Equipment | - | - |
| 54 | 789 Maintenance of Compressor Equipment | - | - |
| 55 | 790 Maintenance of Gas Measuring and Reg. Equipment | - | - |
| 56 | 791 Maintenance of Other Equipment | - | - |
| 57 | TOTAL Maintenance (Enter Total of lines 49 thru 56) | - | - |
| 58 | TOTAL Products Extraction (Enter Total of lines 47 and 57) | - | - |
| C. Exploration and Development | | | |
| 60 | Operation | | |
| 61 | 795 Delay Rentals | - | - |
| 62 | 796 Nonproductive Well Drilling | - | - |
| 63 | 797 Abandoned Leases | - | - |
| 64 | 798 Other Exploration | - | - |
| 65 | TOTAL Exploration and Development (Enter Total of lines 61 thru 64) | - | - |
| D. Other Gas Supply Expenses | | | |
| 66 | Operation | | |
| 67 | 800 Natural Gas Well Head Purchases | - | - |
| 68 | 800.1 Natural Gas Well Head Purchases, Intracompany Transfers | - | - |
| 69 | 801 Natural Gas Field Line Purchases | - | - |
| 70 | 802 Natural Gas Gasoline Plant Outlet Prurchases | - | - |
| 71 | 803 Natural Gas Transmission Line Purchases | - | - |
| 72 | 804 Natural Gas City Gate Purchases | 372,079,169 | 352,974,203 |
| 73 | 804.1 Liquefied Natural Gas Purchases | - | - |
| 74 | 805 Other Gas Purchases | 727,550 | 1,805,315 |
| 75 | (Less) 805.1 Purchased Gas Cost Adjustments | 27,947,717 | (15,502,240) |
| 76 | | | |
| 77 | TOTAL Purchased Gas (Enter Total of lines 67 to 76) | 400,754,436 | 339,277,278 |
| 78 | 806 Exchange Gas | - | - |
| 79 | Purchased Gas Expenses | | |
| 80 | 807.1 Well Expenses-Purchased Gas | - | - |
| 81 | 807.2 Operation of Purchased Gas Measuring Stations | - | - |
| 82 | 807.3 Maintenance of Purchased Gas Measuring Stations | - | - |
| 83 | 807.4 Purchased Gas Calculations Expenses | - | - |
| 84 | 807.5 Other Purchased Gas Expenses | - | - |
| 85 | TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84) | - | - |
| 86 | 808.1 Gas Withdrawn from Storage-Debit | 10,865,084 | 3,500,964 |
| 87 | (Less) 808.2 Gas Delivered to Storage-Credit | (10,300,517) | (15,883,491) |
| 88 | 809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit | - | - |
| 89 | (Less) 809.2 Deliveries of Natural Gas for Processing-Credit | - | - |
| 90 | Gas Used in Utility Operations-Credit | | |
| 91 | 810 Gas Used for Compressor Station Fuel-Credit | - | - |
| 92 | 811 Gas Used for Products Extraction-Credit | - | - |
| 93 | 812 Gas used for Other Utility Operations-Credit | - | - |
| 94 | TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93) | - | - |
| 95 | 813 Other Gas Supply Expenses | 1,387,137 | 1,353,413 |
| 96 | TOTAL Other Gas Supply Exp (Total of lines 77,78,85,86 thru 89,94,95) | 402,706,140 | 328,248,164 |
| 97 | TOTAL Production Expenses (Enter Total of lines 3,30,58,65, and 96) | 402,706,140 | 328,248,164 |

| | | | |
|--|---|--|---|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|---|--|---|

GAS OPERATION AND MAINTENANCE EXPENSES

| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) |
|----------|---|-----------------------------------|------------------------------------|
| 98 | 2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES | | |
| 99 | A. Underground Storage Expenses | | |
| 100 | Operation | | |
| 101 | 814 Operation Supervision and Engineering | 94,625 | 44,259 |
| 102 | 815 Maps and Records | - | - |
| 103 | 816 Wells Expenses | - | - |
| 104 | 817 Lines Expense | - | - |
| 105 | 818 Compressor Station Expenses | - | - |
| 106 | 819 Compressor Station Fuel and Power | - | - |
| 107 | 820 Measuring and Regulating Station Expenses | - | - |
| 108 | 821 Purification Expenses | - | - |
| 109 | 822 Exploration and Development | - | - |
| 110 | 823 Gas Losses | - | - |
| 111 | 824 Other Expenses | 249,723 | 270,603 |
| 112 | 825 Storage Well Royalties | - | - |
| 113 | 826 Rents | - | - |
| 114 | TOTAL Operation (Enter Total of lines 101 thru 113) | 344,348 | 314,862 |
| 115 | Maintenance | | |
| 116 | 830 Maintenance Supervision and Engineering | - | - |
| 117 | 831 Maintenance of Structures and Improvements | - | - |
| 118 | 832 Maintenance of Reservoirs and Wells | - | - |
| 119 | 833 Maintenance of Lines | - | - |
| 120 | 834 Maintenance of Compressor Station Equipment | - | - |
| 121 | 835 Maintenance of Measuring and Regulating Station Equipment | - | - |
| 122 | 836 Maintenance of Purification Equipment | - | - |
| 123 | 837 Maintenance of Other Equipment | 326,277 | 301,538 |
| 124 | TOTAL Maintenance (Enter Total of lines 116 thru 123) | 326,277 | 301,538 |
| 125 | TOTAL Underground Storage Expenses (Total of lines 114 and 124) | 670,625 | 616,400 |
| 126 | B. Other Storage Expenses | | |
| 127 | Operation | | |
| 128 | 840 Operation Supervision and Engineering | - | - |
| 129 | 841 Operation Labor and Expenses | - | - |
| 130 | 842 Rents | - | - |
| 131 | 842.1 Fuel | - | - |
| 132 | 842.2 Power | - | - |
| 133 | 842.3 Gas Losses | - | - |
| 134 | TOTAL Operation (Enter Total of lines 128 thru 133) | - | - |
| 135 | Maintenance | | |
| 136 | 843.1 Maintenance Supervision and Engineering | - | - |
| 137 | 843.2 Maintenance of Structures and Improvements | - | - |
| 138 | 843.3 Maintenance of Gas Holders | - | - |
| 139 | 843.4 Maintenance of Purification Equipment | - | - |
| 140 | 843.5 Maintenance of Liquefaction Equipment | - | - |
| 141 | 843.6 Maintenance of Vaporizing Equipment | - | - |
| 142 | 843.7 Maintenance of Compressor Equipment | - | - |
| 143 | 843.8 Maintenance of Measuring and Regulating Equipment | - | - |
| 144 | 843.9 Maintenance of Other Equipment | - | - |
| 145 | TOTAL Maintenance (Enter Total of lines 136 thru 144) | - | - |
| 146 | TOTAL Other Storage Expenses (Enter Total of lines 134 and 145) | - | - |

| | | | |
|--|---|--|---|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|---|--|---|

GAS OPERATION AND MAINTENANCE EXPENSES

| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) |
|----------|--|--------------------------------|---------------------------------|
| 147 | C. Liquefied Natural Gas Terminaling and Processing Expenses | | |
| 148 | Operation | | |
| 149 | 844.1 Operation Supervision and Engineering | - | - |
| 150 | 844.2 LNG Processing Terminal Labor and Expenses | - | - |
| 151 | 844.3 Liquefaction Processing Labor and Expenses | - | - |
| 152 | 844.4 Liquefaction Transportation Labor and Expenses | - | - |
| 153 | 844.5 Measuring and Regulating Labor and Expenses | - | - |
| 154 | 844.6 Compressor Station Labor and Expenses | - | - |
| 155 | 844.7 Communication System Expenses | - | - |
| 156 | 844.8 System Control and Load Dispatching | - | - |
| 157 | 845.1 Fuel | - | - |
| 158 | 845.2 Power | - | - |
| 159 | 845.3 Rents | - | - |
| 160 | 845.4 Demurrage Charges | - | - |
| 161 | (Less) 845.5 Wharfage Receipts-Credit | - | - |
| 162 | 845.6 Processing Liquefied or Vaporized Gas by Others | - | - |
| 163 | 846.1 Gas Losses | - | - |
| 164 | 846.2 Other Expenses | - | - |
| 165 | TOTAL Operation (Enter Total of lines 149 thru 164) | - | - |
| 166 | Maintenance | | |
| 167 | 847.1 Maintenance Supervision and Engineering | - | - |
| 168 | 847.2 Maintenance of Structures and Improvements | - | - |
| 169 | 847.3 Maintenance of LNG Processing Terminal Equipment | - | - |
| 170 | 847.4 Maintenance of LNG Transportation Equipment | - | - |
| 171 | 847.5 Maintenance of Measuring and Regulating Equipment | - | - |
| 172 | 847.6 Maintenance of Compressor Station Equipment | - | - |
| 173 | 847.7 Maintenance of Communication Equipment | - | - |
| 174 | 847.8 Maintenance of Other Equipment | - | - |
| 175 | TOTAL Maintenance (Enter Total of lines 167 thru 174) | - | - |
| 176 | TOTAL Liquefied Nat Gas Terminaling and Processing Exp (Lines 165 & 175) | - | - |
| 177 | TOTAL Natural Gas storage (Enter Total of lines 125, 146, and 176) | 670,625 | 616,400 |
| 178 | 3. TRANSMISSION EXPENSES | | |
| 179 | Operation | | |
| 180 | 850 Operation Supervision and Engineering | - | - |
| 181 | 851 System Control and Load Dispatching | - | - |
| 182 | 852 Communication System Expenses | - | - |
| 183 | 853 Compressor Station Labor and Expenses | - | - |
| 184 | 854 Gas for Compressor Station Fuel | - | - |
| 185 | 855 Other Fuel and Power for Compressor Stations | - | - |
| 186 | 856 Mains Expenses | - | - |
| 187 | 857 Measuring and Regulating Station Expenses | - | - |
| 188 | 858 Transmission and Compression of Gas by Others | - | - |
| 189 | 859 Other Expenses | - | - |
| 190 | 860 Rents | - | - |
| 191 | TOTAL Operation (Enter Total of lines 180 thru 190) | - | - |

| | | | |
|--|---|--|---|
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|--|---|--|---|

GAS OPERATION AND MAINTENANCE EXPENSES

| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) |
|---|---|-----------------------------------|------------------------------------|
| 3. TRANSMISSION EXPENSES (Continued) | | | |
| 192 | Maintenance | | |
| 193 | 861 Maintenance Supervision and Engineering | - | - |
| 194 | 862 Maintenance of Structures and Improvements | - | - |
| 195 | 863 Maintenance of Mains | - | - |
| 196 | 864 Maintenance of Compressor Station Equipment | - | - |
| 197 | 865 Maintenance of Measuring and Reg. Station Equipment | - | - |
| 198 | 866 Maintenance of Communication Equipment | - | - |
| 199 | 867 Maintenance of Other Equipment | - | - |
| 200 | TOTAL Maintenance (Enter Total of lines 193 thru 199) | - | - |
| 201 | TOTAL Transmission Expenses (Enter Total of lines 191 and 200) | - | - |
| 4. DISTRIBUTION EXPENSES | | | |
| 203 | Operation | | |
| 204 | 870 Operation Supervision and Engineering | 737,851 | 809,468 |
| 205 | 871 Distribution Load Dispatching | - | - |
| 206 | 872 Compressor Station Labor and Expenses | - | - |
| 207 | 873 Compressor Station Fuel and Power | - | - |
| 208 | 874 Mains and Services Expenses | 2,786,644 | 2,704,167 |
| 209 | 875 Measuring and Regulating Station Expenses-General | 227,853 | 205,208 |
| 210 | 876 Measuring and Regulating Station Expenses-Industrial | 3,022 | 2,814 |
| 211 | 877 Measuring and Regulating Station Expenses-City Gate Check Station | 114,141 | 157,945 |
| 212 | 878 Meter and House Regulator Expenses | 1,088,249 | 866,590 |
| 213 | 879 Customer Installations Expenses | 1,688,697 | 1,740,276 |
| 214 | 880 Other Expenses | 2,088,789 | 2,130,771 |
| 215 | 881 Rents | 22,706 | 25,167 |
| 216 | TOTAL Operation (Enter Total of lines 204 thru 215) | 8,757,952 | 8,642,405 |
| 217 | Maintenance | | |
| 218 | 885 Maintenance Supervision and Engineering | 261,703 | 232,841 |
| 219 | 886 Maintenance of Structures and Improvements | - | - |
| 220 | 887 Maintenance of Mains | 2,484,051 | 2,310,578 |
| 221 | 888 Maintenance of Compressor Station Equipment | - | - |
| 222 | 889 Maintenance of Meas. and Reg. Sta. Equip.-General | 243,518 | 314,981 |
| 223 | 890 Maintenance of Meas. and Reg. Sta. Equip.-Industrial | 70,835 | 133,875 |
| 224 | 891 Maintenance of Meas. and Reg. Sta. Equip.-City Gate Check Station | 50,139 | 47,378 |
| 225 | 892 Maintenance of Services | 981,794 | 936,679 |
| 226 | 893 Maintenance of Meters and House Regulators | 932,785 | 925,246 |
| 227 | 894 Maintenance of Other Equipment | 132,932 | 68,804 |
| 228 | TOTAL Maintenance (Enter Total of lines 218 thru 227) | 5,157,758 | 4,970,383 |
| 229 | TOTAL Distribution Expenses (Enter Total of lines 216 and 228) | 13,915,711 | 13,612,787 |
| 5. CUSTOMER ACCOUNTS EXPENSES | | | |
| 231 | Operation | | |
| 232 | 901 Supervision | 449,520 | 593,279 |
| 233 | 902 Meter Reading Expenses | 1,471,320 | 1,699,998 |
| 234 | 903 Customer Records and Collection Expenses | 5,777,774 | 5,492,147 |
| 235 | 904 Uncollectible Accounts | 1,350,865 | 1,291,166 |
| 236 | 905 Miscellaneous Customer Accounts Expenses | 160,003 | 458,803 |
| 237 | TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236) | 9,209,482 | 9,535,393 |

| | | | |
|--|--|--------------------------------|-------------------|
| Name of Respondent Avista Corp. | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | December 31, 2006 |

GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) |
|----------|--|-----------------------------------|------------------------------------|
| 238 | 6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES | | |
| 239 | Operation | | |
| 240 | 907 Supervision | - | - |
| 241 | 908 Customer Assistance Expenses | 5,016,323 | 4,627,742 |
| 242 | 909 Informational and Instructional Expenses | 3,470 | 12,212 |
| 243 | 910 Miscellaneous Customer Service and Informational Expenses | 64,824 | 65,160 |
| 244 | TOTAL Customer Service and Information Expenses (Lines 240 thru 243) | 5,084,617 | 4,705,113 |
| 245 | 7. SALES EXPENSES | | |
| 246 | Operation | | |
| 247 | 911 Supervision | - | - |
| 248 | 912 Demonstrating and Selling Expenses | 676,838 | 536,215 |
| 249 | 913 Advertising Expenses | 208,266 | 132,076 |
| 250 | 916 Miscellaneous Sales Expenses | 87,182 | 46,235 |
| 251 | TOTAL Sales Expenses (Enter Total of lines 247 thru 250) | 972,286 | 714,526 |
| 252 | 8. ADMINISTRATIVE AND GENERAL EXPENSES | | |
| 253 | Operation | | |
| 254 | 920 Administrative and General Salaries | 6,282,968 | 7,361,647 |
| 255 | 921 Office Supplies and Expenses | 1,589,126 | 1,606,775 |
| 256 | (Less) (922) Administrative Expenses Transferred-Cr. | (11,342) | (8,285) |
| 257 | 923 Outside Services Employed | 3,541,876 | 3,577,242 |
| 258 | 924 Property Insurance | 353,651 | 296,094 |
| 259 | 925 Injuries and Damages | 1,005,156 | 1,247,845 |
| 260 | 926 Employee Pensions and Benefits | 259,350 | 254,156 |
| 261 | 927 Franchise Requirements | - | - |
| 262 | 928 Regulatory Commission Expenses | 1,511,720 | 1,240,819 |
| 263 | (Less) (929) Duplicate Charges-Cr. | - | - |
| 264 | 930.1 General Advertising Expenses | 2,143 | (8,098) |
| 265 | 930.2 Miscellaneous General Expenses | 1,138,156 | 1,229,064 |
| 266 | 931 Rents | 401,262 | 972,489 |
| 267 | TOTAL Operation (Enter Total of lines 254 thru 266) | 16,074,067 | 17,769,748 |
| 268 | Maintenance | | |
| 269 | 935 Maintenance of General Plant | 1,832,244 | 1,707,099 |
| 270 | TOTAL Administrative and General Exp (Total of lines 267 and 269) | 17,906,311 | 19,476,847 |
| 271 | TOTAL Gas O. and M. Exp (Lines 97,177,201,229,237,244,251,and 270) | 450,465,171 | 376,909,231 |

NUMBER OF GAS DEPARTMENT EMPLOYEES

1. The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.

2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special

construction employees in a footnote.

3. The number of employees assignable to the gas department from joint function of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.

| | | | |
|--|-------------------|-----|-----|
| 1. Payroll Period Ended (Date) | December 31, 2006 | | |
| 2. Total Regular Full-Time Employees | | 193 | 361 |
| 3. Total Part-Time and Temporary Employees allocation of General Employees | | 10 | 33 |
| 4. Allocation of General Employees | | 337 | |
| 5. Total Employees | | 540 | 394 |

| | | | |
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|--|---|--|---------------------------------|

Other Gas Supply Expenses (Account 813)

1 Report other gas supply expenses by descriptive titles that clearly indicate the nature of such expenses. Show maintenance expenses, revaluation of monthly encroachments recorded in Account 117.4 and losses on settlements of imbalances and gas losses not associated with storage separately. Indicate the functional classification and purpose of property to which any expenses relate. List separately items of \$250,000 or more.

| Line No. | Description (a) | Amount (in Dollars) (b) |
|----------|---|-------------------------------|
| 1 | Gas Resource Management | |
| 2 | Labor | 540,827 |
| 3 | Other Expenses (Phone Bills, Professional Services, Gas Reports, Travel, Training Etc.) | 409,828 |
| 4 | Amortization of Gas Operations Database | 175,322 |
| 5 | Credit Exposure Reserve | -107,480 |
| 6 | | |
| 7 | Regulatory Affairs | |
| 8 | Labor | 78,757 |
| 9 | Other Expenses (Phone Bills, Professional Services, Gas Reports, Travel, Etc.) | 289,883 |
| 10 | | |
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| 14 | | |
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| 37 | | |
| 38 | | |
| 39 | TOTAL | 1,387,137 |

| | | | |
|--|---|--|-------------------------------------|
| Name of Respondent Avista Corp. | This report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|-------------------------------------|

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

1. Provide the information requested below on miscellaneous general expenses.
2. For Other Expenses, show the (a) purpose, (b) recipient and (c) amount of such itmes. List separately amounts of \$250,000 or more however, amounts less that \$250,000 may be grouped if the number of items of so group is shown.

| Line No. | Description (a) | Amount (b) |
|----------|--|------------------|
| 1 | Industry Association Dues | 259,460 |
| 2 | Experimental and General Research Expenses | 0 |
| | a. Gas Research Institute (GRI) | 0 |
| | b. Other | |
| | Publishing and Distributing Information and Reports to Stockholders; Trustee, Registrar and Transfer Agent Fees and Expenses, and Other Expenses of Servicing Outstanding Securities of the Respondent | |
| 3 | Directors Fees and Expenses | 48,928 |
| 4 | Miscellaneous General Expenses | 158,794 |
| 5 | Community Relations | 491,122 |
| 6 | Educational - Informational | 102,999 |
| 7 | Other Miscellaneous General Expenses | 6,192 |
| 8 | Other Miscellaneous Labor | 70,661 |
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| 40 | | |
| 41 | | |
| 42 | | |
| 43 | TOTAL | 1,138,156 |

| | | | |
|--|---|--|---|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|---|--|---|

**DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accounts 403, 404.1, 404.2, 404.3, 404.6, 405)
(Except Amortization of Acquisition Adjustments)**

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.
2. Report all available information called for in Section B for the report year 1971, 1974 and every fifth year thereafter. Report only annual changes in the intervals

between the report years (1971, 1974 and every fifth year thereafter).

Report in column (b) all depreciable plant balances to which rates are applied and show a composite total. (If more desirable, report by plant account, sub account or functional classifications other than those pre-printed in column (a). Indicate at the bottom of Section B the

Section A. Summary of Depreciation, Depletion, and Amortization Charges

| Line No. | Functional Classification (a) | Depreciation Expense (Account 403) (b) | Amortization and Depletion of Producing Natural Gas Land and Land Rights (Account 404.1) (c) | Amortization of Underground Storage, Land, Land Rights and Misc. Intang (Account 404.2) (d) |
|----------|--|--|---|--|
| 1 | Intangible plant | | | 6,453 |
| 2 | Production plant, manufactured gas | 1,244 | | |
| 3 | Production and gathering plant, natural gas | | | |
| 4 | Products extraction plant | | | |
| 5 | Underground gas storage plant | 419,535 | | |
| 6 | Other storage plant | | | |
| 7 | Base load LNG terminating and processing plant | | | |
| 8 | Transmission plant | 0 | | |
| 9 | Distribution plant | 13,941,699 | | |
| 10 | General plant | 607,761 | | |
| 11 | Common General plant-Allocated | 1,189,080 | | |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
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| 23 | | | | |
| 24 | | | | |
| 25 | TOTAL | 16,159,319 | 0 | 6,453 |

Section B.

1. Plant balances listed in Section C, Column b are derived at by taking the beginning plant balance plus the ending plant balance divided by two.

| | | | |
|--|---|--|---|
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|--|---|--|---|

**DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accounts 403, 404.1, 404.2, 404.3, 404.6, 405)
(Except Amortization of Acquisition Adjustments) (Continued)**

manner in which column (b) balances are obtained. If average balances, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used. Report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine

depreciation charges, show at the bottom of Section B any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of Section B the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

| Amortization of Other Limited-term Gas Plant (Account 404.3) <i>(e)</i> | Amortization of Leasehold Improvements (Account 404.6 and 404.75) <i>(f)</i> | Amortization of Other Gas Plant (Account 405) <i>(g)</i> | Total (b to g) <i>(h)</i> | Functional Classification <i>(a)</i> | Line No. |
|--|---|---|------------------------------|--|----------|
| 177,039 | | | 183,492 | Intangible plant | 1 |
| | | | 1,244 | Production plant, manufactured gas | 2 |
| | | | | Production and gathering plant, natural gas | 3 |
| | | | | Products extraction plant | 4 |
| | | | 419,535 | Underground gas storage plant | 5 |
| | | | | Other storage plant | 6 |
| | | | | Base load LNG terminating and processing plant | 7 |
| | | | 0 | Transmission plant | 8 |
| | | | 13,941,699 | Distribution plant | 9 |
| | 4,842 | | 612,603 | General plant | 10 |
| 393,168 | 222,714 | | 1,804,962 | Common general plant-Allocated | 11 |
| | | | | | 12 |
| | | | | | 13 |
| | | | | | 14 |
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| | | | | | 24 |
| 570,207 | 227,556 | 0 | 16,963,535 | TOTAL | 25 |

| | | | |
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| Name of Respondent Avista Corporation | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | complete December 31, 2006 |

Section C.

| Line No. | Functional Classification: (a) | Depreciable Plant Base (Thousands) (b) | Applied Depr. Rate(s) (Percent) (c) |
|----------|---|--|---|
| | <u>Underground Gas Storage Plant: (2)</u> | | |
| 1 | | | |
| 2 | 350 | 42 | |
| 3 | 351 | 1,070 | 1.75% |
| 4 | 352 | 5,819 | 2.00% |
| 5 | 352.2 | 203 | 2.22% |
| 6 | 352.1 (Leasehold Improvements) | 254 | |
| 7 | 352.3 | 5,972 | 2.54% |
| 8 | 353 | 823 | 2.06% |
| 9 | 354 | 2,009 | 2.32% |
| 10 | 355 | 172 | 2.66% |
| 11 | 356 | 407 | 2.97% |
| 12 | 357 | 1,681 | 2.77% |
| 13 | Total | 18,452 | |
| 14 | | | |
| 15 | <u>Production - Manufactured Gas:</u> | | |
| 16 | 2305 | 0 | 2.80% |
| 17 | 2311 | 64 | 1.80% |
| 18 | Total | 64 | |
| 19 | | | |
| 20 | <u>Distribution Plant:</u> | | |
| 21 | 375.1 | 712 | 2.19% |
| 22 | 376 | 243,973 | 2.38% |
| 23 | 378 | 4,693 | 2.13% |
| 24 | 379 | 2,163 | 2.24% |
| 25 | 380 | 169,347 | 2.67% |
| 26 | 381 | 62,860 | 1.94% |
| 27 | 385 | 3,050 | 2.43% |
| 28 | 387 | 1 | |
| 29 | Total | 486,799 | |
| 30 | | | |
| 31 | <u>General Plant:</u> | | |
| 32 | 390.1 | 2,468 | 2.61% |
| 33 | 390.2 | 52 | |
| 34 | 391 | 379 | 4.53% |
| 35 | 391.1 | 5 | 6.30% |
| 36 | 392 | 4,765 | |
| 37 | 393 | 120 | 2.51% |
| 38 | 394 | 2,542 | 4.24% |
| 39 | 395 | 914 | 3.27% |
| 40 | 396 | 3,594 | |
| 41 | 397 | 1,925 | 9.82% |
| 42 | 398 | 31 | 1.28% |
| 43 | Total | 16,795 | |
| 44 | | | |
| 45 | Total Depreciable Gas Plant | 522,110 | |

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| Name of Respondent Avista Corp. | This report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|-------------------------------------|

Particulars Concerning Certain Income Deduction and Interest Charges Accounts

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts. (a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization. (b) Miscellaneous Income Deductions-Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less the \$250,000 may be grouped by classes within the above accounts. (c) Interest on Debt to Associated Companies (Account 430)-For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

| Line No. | Description (a) | Amount (b) |
|----------|---|---------------|
| 1 | Acct. 425.00 - MISCELLANEOUS AMORTIZATIONS | |
| 2 | Gas plant acquisition adj. Applicable to purchase of CP National, | |
| 3 | Oregon & California distribution system. Contra account 115.00. | 1,120,288 |
| 4 | Total - 425.00 | 1,120,288 |
| 5 | | |
| 6 | Acct. 426.10 - DONATIONS | |
| 7 | | |
| 8 | | |
| 9 | Avista Foundation | 750,000 |
| 10 | Project Share | 217,034 |
| 11 | Items Under \$50,000 | 401,052 |
| 12 | | |
| 13 | Total 426.10 | 1,368,086 |
| 14 | | |
| 15 | Acct. 426.20 - LIFE INSURANCE | |
| 16 | Officers Life | 224,338 |
| 17 | SERP | 1,748,118 |
| 18 | Total 426.20 | 1,972,456 |
| 19 | | |
| 20 | Acct. 426.30 - PENALTIES | |
| 21 | | |
| 22 | All Items Under \$10,000 | 5,500 |
| 23 | Total 426.30 | 5,500 |
| 24 | | |
| 25 | Acct. 426.40 - EXPENDITURES FOR CERTAIN CIVIC, POLITICAL, | |
| 26 | AND RELATED ACTIVITIES | |
| 27 | | |
| 28 | | |
| 29 | Items Under \$100,000 | 1,052,120 |
| 30 | Total 426.40 | 1,052,120 |
| 31 | | |
| 32 | Acct. 426.50 - OTHER DEDUCTIONS | |
| 33 | Other | (160,044) |
| 34 | Coyote Springs 2 Reserve Amortization | (235,825) |
| 35 | Kettle Falls Reserve Amortization | (53,138) |
| 36 | Executive Deferred Compensation | 1,420,862 |
| 37 | Cash Reduction for PGE Monetization | 88,125 |
| 38 | | |
| 39 | Total 426.50 | 1,059,980 |
| 40 | | |
| 41 | | |

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| Name of Respondent Avista Corp. | This report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|---------------------------------|

Particulars Concerning Certain Income Deduction and Interest Charges Accounts

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts. (a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization. (b) Miscellaneous Income Deductions-Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less the \$250,000 may be grouped by classes within the above accounts. (c) Interest on Debt to Associated Companies (Account 430)-For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

| Line No. | Description (a) | Amount (b) |
|----------|---|---------------|
| 1 | Acct. 430.00 - INTEREST ON DEBT TO ASSOC. COMPANIES | |
| 2 | | |
| 3 | Avista Capital II (long-term debt) (variable rate ranged from 5.285 to 6.275 percent) | 3,095,789 |
| 4 | AVA Capital Trust III (interest rate of 6.5 percent) | 4,020,640 |
| 5 | | |
| 6 | Total 430.00 | 7,116,429 |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | Acct. 431.00 - OTHER INTEREST EXPENSE | |
| 16 | | |
| 17 | Interest on collateral deposits from counterparties | 2,052,325 |
| 18 | All items less than \$250,000 | 672,480 |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | | |
| 26 | | |
| 27 | Total 431.00 | 2,724,805 |
| 28 | | |
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|--|---|--|---|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of 2006/Q4 |
|--|---|--|---|

REGULATORY COMMISSION EXPENSES

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years, if being amortized) relating to format cases before a regulatory body, or cases in which such a body was a party.
2. Report in columns (b) and (c), only the current year's expenses that are not deferred and the current year's amortization of amounts deferred in previous years.

| Line No. | Description (Furnish name of regulatory commission or body the docket or case number and a description of the case) (a) | Assessed by Regulatory Commission (b) | Expenses of Utility (c) | Total Expense for Current Year (b) + (c) (d) | Deferred in Account 182.3 at Beginning of Year (e) |
|----------|---|--|----------------------------|--|---|
| 1 | Federal Energy Regulatory Commission | | | | |
| 2 | Charges include annual fee and license fees | | | | |
| 3 | for the Spokane River Project, the Cabinet | | | | |
| 4 | Gorge Project and the Noxon Rapids Project. | | | | |
| 5 | Fees assessed were a net credit for 2006 due | | | | |
| 6 | to credits from Other Federal Agencies | | | | |
| 7 | assessed by the FERC | -294,628 | 74,047 | -220,581 | |
| 8 | | | | | |
| 9 | Washington Utilities and Transportation | | | | |
| 10 | Commission: includes annual fee and various | | | | |
| 11 | other electric dockets | 624,517 | 366,355 | 990,872 | |
| 12 | | | | | |
| 13 | Includes annual fee and various other natural | | | | |
| 14 | gas dockets | 349,147 | 171,097 | 520,244 | |
| 15 | | | | | |
| 16 | Idaho Public Utilities Commission | | | | |
| 17 | Includes annual fee and various other electric | | | | |
| 18 | dockets | 465,237 | 135,612 | 600,849 | |
| 19 | | | | | |
| 20 | Includes annual fee and various other natural | | | | |
| 21 | gas dockets | 184,558 | 54,354 | 238,912 | |
| 22 | | | | | |
| 23 | Public Utility Commission of Oregon | | | | |
| 24 | Includes annual fees and various other natural | | | | |
| 25 | gas dockets | 392,282 | 174,713 | 566,995 | |
| 26 | | | | | |
| 27 | Not directly assigned electric | | 515,809 | 515,809 | |
| 28 | Not directly assigned natural gas | | 185,570 | 185,570 | |
| 29 | | | | | |
| 30 | | | | | |
| 31 | | | | | |
| 32 | | | | | |
| 33 | | | | | |
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| 43 | | | | | |
| 44 | | | | | |
| 45 | | | | | |
| 46 | TOTAL | 1,721,113 | 1,677,557 | 3,398,670 | |

REGULATORY COMMISSION EXPENSES (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
4. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.
5. Minor items (less than \$25,000) may be grouped.

| EXPENSES INCURRED DURING YEAR | | | AMORTIZED DURING YEAR | | | | Line No. |
|-------------------------------|-----------------|------------|-------------------------------|--------------------|------------|---|----------|
| CURRENTLY CHARGED TO | | | Deferred to Account 182.3 (i) | Contra Account (j) | Amount (k) | Deferred in Account 182.3 End of Year (l) | |
| Department (f) | Account No. (g) | Amount (h) | | | | | |
| | | | | | | | 1 |
| | | | | | | | 2 |
| | | | | | | | 3 |
| | | | | | | | 4 |
| | | | | | | | 5 |
| | | | | | | | 6 |
| Electric | 928 | -220,581 | | | | | 7 |
| | | | | | | | 8 |
| | | | | | | | 9 |
| | | | | | | | 10 |
| Electric | 928 | 990,872 | | | | | 11 |
| | | | | | | | 12 |
| | | | | | | | 13 |
| Gas | 928 | 520,244 | | | | | 14 |
| | | | | | | | 15 |
| | | | | | | | 16 |
| | | | | | | | 17 |
| Electric | 928 | 600,849 | | | | | 18 |
| | | | | | | | 19 |
| | | | | | | | 20 |
| Gas | 928 | 238,912 | | | | | 21 |
| | | | | | | | 22 |
| | | | | | | | 23 |
| | | | | | | | 24 |
| Gas | 928 | 566,995 | | | | | 25 |
| | | | | | | | 26 |
| Electric | 928 | 515,809 | | | | | 27 |
| Gas | 928 | 185,570 | | | | | 28 |
| | | | | | | | 29 |
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| | | | | | | | 44 |
| | | | | | | | 45 |
| | | 3,398,670 | | | | | 46 |

| | | | |
|--|---|--|--|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report End of <u>2006/Q4</u> |
|--|---|--|--|

DISTRIBUTION OF SALARIES AND WAGES (Continued)

| Line No. | Classification (a) | Direct Payroll Distribution (b) | Allocation of Payroll charged for Clearing Accounts (c) | Total (d) |
|----------|--|------------------------------------|--|--------------|
| 48 | Distribution | 2,270,624 | | |
| 49 | Administrative and General | | | |
| 50 | TOTAL Maint. (Enter Total of lines 43 thru 49) | 2,676,054 | | |
| 51 | Total Operation and Maintenance | | | |
| 52 | Production-Manufactured Gas (Enter Total of lines 31 and 43) | | | |
| 53 | Production-Natural Gas (Including Expl. and Dev.) (Total lines 32, | | | |
| 54 | Other Gas Supply (Enter Total of lines 33 and 45) | 619,584 | | |
| 55 | Storage, LNG Terminating and Processing (Total of lines 31 thru | 21,389 | | |
| 56 | Transmission (Lines 35 and 47) | 405,430 | | |
| 57 | Distribution (Lines 36 and 48) | 5,893,587 | | |
| 58 | Customer Accounts (Line 37) | 2,118,112 | | |
| 59 | Customer Service and Informational (Line 38) | 107,851 | | |
| 60 | Sales (Line 39) | 229,011 | | |
| 61 | Administrative and General (Lines 40 and 49) | 3,976,260 | | |
| 62 | TOTAL Operation and Maint. (Total of lines 52 thru 61) | 13,371,224 | 3,191,920 | 16,563,144 |
| 63 | Other Utility Departments | | | |
| 64 | Operation and Maintenance | | | |
| 65 | TOTAL All Utility Dept. (Total of lines 28, 62, and 64) | 53,783,261 | 12,896,449 | 66,679,710 |
| 66 | Utility Plant | | | |
| 67 | Construction (By Utility Departments) | | | |
| 68 | Electric Plant | 20,789,909 | 7,307,960 | 28,097,869 |
| 69 | Gas Plant | 5,810,892 | 2,042,614 | 7,853,506 |
| 70 | Other (provide details in footnote): | | | |
| 71 | TOTAL Construction (Total of lines 68 thru 70) | 26,600,801 | 9,350,574 | 35,951,375 |
| 72 | Plant Removal (By Utility Departments) | | | |
| 73 | Electric Plant | 977,111 | 231,323 | 1,208,434 |
| 74 | Gas Plant | 80,663 | 19,097 | 99,760 |
| 75 | Other (provide details in footnote): | | | |
| 76 | TOTAL Plant Removal (Total of lines 73 thru 75) | 1,057,774 | 250,420 | 1,308,194 |
| 77 | Other Accounts (Specify, provide details in footnote): | | | |
| 78 | Stores Expense (163) | 1,455,434 | -1,455,434 | |
| 79 | Regulatory assets (182) | 322,343 | | 322,343 |
| 80 | Preliminary Survey and Investigation (183) | -48,931 | | -48,931 |
| 81 | Small tools expense (184) | 1,761,334 | -1,761,334 | |
| 82 | Miscellaneous Deferred Debits (186) | 21,374,771 | | 21,374,771 |
| 83 | Non-operating expenses (417) | 782,046 | | 782,046 |
| 84 | Expenditures of Certain Civic, Political and Related Activiti | 224,544 | | 224,544 |
| 85 | Employee Incentive Plan (232380) | 6,113,207 | -6,113,207 | |
| 86 | DSM Tariff Rider and Payroll Equalization (242600, 242700) | 14,069,403 | -13,167,465 | 901,938 |
| 87 | | | | |
| 88 | | | | |
| 89 | | | | |
| 90 | | | | |
| 91 | | | | |
| 92 | | | | |
| 93 | | | | |
| 94 | | | | |
| 95 | TOTAL Other Accounts | 46,054,151 | -22,497,440 | 23,556,711 |
| 96 | TOTAL SALARIES AND WAGES | 127,495,987 | 3 | 127,495,990 |

| | | | |
|--------------------|--------------------------------------|--------------------------------|---------------|
| Name of Respondent | This report is: [X] An Original | Date of Report (Mo, Da, Yr) | Year Ending |
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered for the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than \$250,000, including payments for legislative services, except those which should be reported in Account 426.4 *Expenditures for Certain Civic, Political and Related Activities.*

(a) Name of person or organization rendering services.
(b) Total charges for the year.
2. Designate associated companies with an asterisk in column (b).

| Line No. | Description (a) | * (b) | Amount (in dollars) (c) |
|----------|-----------------------------|-------|-------------------------|
| 1 | Ascentium | | 416,552 |
| 2 | Booz Allen & Hamilton Inc | | 613,800 |
| 3 | Davis Wright Tremaine LLP | | 1,634,978 |
| 4 | Dewey Ballantine LLP | | 1,080,877 |
| 5 | Deloitte & Touchee LLP | | 1,211,400 |
| 6 | Dorsey & Whitney LLP | | 1,582,125 |
| 7 | Goldman Sachs & Co | | 314,999 |
| 8 | Harbor Fisheries Inc | | 354,650 |
| 9 | Hatch Acres Corporation | | 973,124 |
| 10 | Heller Ehrman White &... | | 2,063,482 |
| 11 | Idaho Dept of Fish & Game | | 354,145 |
| 12 | Paine Hamblen Coffin Brooke | | 1,489,181 |
| 13 | Rapidigm Inc | | 418,242 |
| 14 | Van Ness Feldman | | 360,892 |
| 15 | | | |
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| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|---|---|--|---------------------------------|

GAS STORAGE PROJECTS

1. Report injections and withdrawals of gas for all storage projects used by respondent.

| Line No. | Item (a) | Gas Belonging to Respondent (Dth) (b) | Gas Belonging to Others (Dth) (c) | Total Amount (Dth) (d) |
|----------|---|--|--------------------------------------|---------------------------|
| | STORAGE OPERATIONS (in Dth) | | | |
| 1 | Gas Delivered to Storage | | | |
| 2 | January | 0 | 0 | 0 |
| 3 | February | 0 | 0 | 0 |
| 4 | March | 0 | 0 | 0 |
| 5 | April | 14,712 | 0 | 14,712 |
| 6 | May | 301,979 | 0 | 301,979 |
| 7 | June | 457,883 | 0 | 457,883 |
| 8 | July | 375,505 | 0 | 375,505 |
| 9 | August | 294,585 | 0 | 294,585 |
| 10 | September | 310,060 | 0 | 310,060 |
| 11 | October | 0 | 0 | 0 |
| 12 | November | 33,971 | 0 | 33,971 |
| 13 | December | 0 | 0 | 0 |
| 14 | TOTAL (Enter Total of Lines 2 Thru 13) | 1,788,695 | 0 | 1,788,695 |
| 15 | Gas Withdrawn from Storage | | | |
| 16 | January | 272,152 | 0 | 272,152 |
| 17 | February | 885,366 | 0 | 885,366 |
| 18 | March | 84,194 | 0 | 84,194 |
| 19 | April | 0 | 0 | 0 |
| 20 | May | 580 | 0 | 580 |
| 21 | June | 258 | 0 | 258 |
| 22 | July | 1,748 | 0 | 1,748 |
| 23 | August | 2,368 | 0 | 2,368 |
| 24 | September | 477 | 0 | 477 |
| 25 | October | 25,662 | 0 | 25,662 |
| 26 | November | 232,603 | 0 | 232,603 |
| 27 | December | 325,118 | 0 | 325,118 |
| 28 | TOTAL (Enter Total of Lines 16 Thru 27) | 1,830,526 | 0 | 1,830,526 |
| 29 | | | | |
| 30 | | | | |
| 31 | | | | |
| 32 | | | | |
| 33 | | | | |
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| 36 | | | | |

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| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|---|---|--|---------------------------------|

GAS STORAGE PROJECTS (Continued)

1. On Line 4, enter the total storage capacity certificated by FERC.
2. Report total amount in Dth or other unit as applicable on lines 2, 3, 4, 7.
If quantity is converted from Mcf to Dth, provide conversion factor in a footnote.

| Line No. | Item | Total Amount |
|------------------------------------|--|-------------------|
| | (a) | (b) |
| Storage Operations (In Dth) | | |
| 1 | Top or Working Gas End of Year (Note) | 6,151,835 |
| 2 | Cushion Gas (Including Native Gas) | 7,321,035 |
| 3 | Total Gas in Reservoir (Enter Total of Line 1 and 2) | 13,472,870 |
| 4 | Certificated Storage Capacity | 14,814,188 |
| 5 | Number of Injection - Withdrawal Wells | 36 |
| 6 | Number of Observation Wells | 56 |
| 7 | Maximum Day's Withdrawal from Storage | 282,038 |
| 8 | Date of Maximum Days' Withdrawal | November 28, 2006 |
| 9 | LNG Terminal Companies (In Dth) (1) | |
| 10 | Number of Tanks | |
| 11 | Capacity of Tanks | |
| 12 | LNG Volumes | |
| 13 | Received at "Ship Rail" | |
| 14 | Transferred to Tanks | |
| 15 | Withdrawn from Tanks | |
| 16 | "Boil Off" Vaporization Loss | |
| 17 | Notes: | |
| 18 | | |
| 19 | The above information represents the company's one-third share of the Jackson Prairie Underground Storage Project. | |
| 20 | | |
| 21 | The factor to convert Mcf to Dth is 1.026. | |
| 22 | | |
| 23 | (1) Respondent is a participant in the facilities, not an owner and is charged a fee for demand deliverability and capacity. | |
| 24 | | |

| | | | |
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|------------------------------------|---|--|---------------------------------|

TRANSMISSION MAINS

Show particulars Called for Concerning Transmission Mains*

| Line No. | Kind of Material (a) | Diameter of Pipe, Inches (b) | Total Length in Use Beginning of Year, Feet (c) | Laid During Year, Feet (d) | Taken up or Abandoned During Year, Feet (e) | Total Length in Use End of Year, Feet (f) |
|----------|-------------------------|---------------------------------|--|-------------------------------|--|--|
| 1 | | | | | (Moved to Distribution) | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | Steel Coated | Over 4" through 10" | 723,360 | 21,120 | 744,480 | - |
| 5 | Steel Coated | 4" or Less | 21,120 | 0 | 21,120 | 0 |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
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| 42 | | | | | | |
| 43 | | | | | | |
| 44 | | | | | | |
| 45 | | | | | | |
| 46 | TOTALS | | | 21,120 | | 0 |

* Show separately and identify lines held under a title other than full ownership.

| | | | |
|--|---|--|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|-------------------------------------|

DISTRIBUTION MAINS

Show particulars Called for Concerning Distribution Mains

| Line No. | Kind of Material (a) | Diameter of Pipe, Inches (b) | Total Length in Use Beginning of Year, Feet (c) | Laid During Year, Feet (d) | Taken up or Abandoned During Year, Feet (e) | Total Length in Use End of Year, Feet (f) |
|----------|-------------------------|---------------------------------|--|-------------------------------|--|--|
| 1 | | | | | | |
| 2 | Steel Wrapped | Less than 2" | 8,801,760 | 1,499,520 | 0 | 10,301,280 |
| 3 | Steel Wrapped | 2" to 4" | 2,719,200 | 105,600 | 21,120 | 2,803,680 |
| 4 | Steel Wrapped | 4" to 8" | 2,328,480 | 564,960 | 0 | 2,893,440 |
| 5 | Steel Wrapped | 8" to 12" | 179,520 | 21,120 | 0 | 200,640 |
| 6 | Steel Wrapped | Over 12" | 52,800 | 0 | 0 | 52,800 |
| 7 | | | | | | |
| 8 | Plastic | Less than 2" | 15,612,960 | 2,180,640 | 0 | 17,793,600 |
| 9 | Plastic | 2" to 4" | 2,967,360 | 612,480 | 0 | 3,579,840 |
| 10 | Plastic | 4" to 8" | 559,680 | 174,240 | 0 | 733,920 |
| 11 | Plastic | 8" to 12" | 0 | 0 | 0 | 0 |
| 12 | Plastic | Over 12" | 0 | 0 | 0 | 0 |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | | | | | | |
| 19 | | | | | | |
| 20 | | | | | | |
| 21 | | | | | | |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | | | | | | |
| 25 | | | | | | |
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| 27 | | | | | | |
| 28 | | | | | | |
| 29 | | | | | | |
| 30 | | | | | | |
| 31 | | | | | | |
| 32 | | | | | | |
| 33 | | | | | | |
| 34 | | | | | | |
| 35 | | | | | | |
| 36 | | | | | | |
| 37 | TOTALS | | 33,221,760 | 5,158,560 | 21,120 | 38,359,200 |

Note: WP Natural Gas laid pipe is net of retirements.

| | | | |
|--|---|--|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|-------------------------------------|

SERVICE PIPES GAS

Show the particulars called for concerning the line service pipe in possession of the respondent at the close of the year.

| Line No. | Type <i>(a)</i> | Diameter in Inches <i>(b)</i> | Number at Beginning of Year <i>(c)</i> | Number Added During Year <i>(d)</i> | Number Removed or Abandoned During Year <i>(e)</i> | Number at Close of Year <i>(f)</i> | Average Length in Feet <i>(g)</i> |
|----------|--------------------|----------------------------------|---|--|---|---------------------------------------|--------------------------------------|
| 1 | | | | | | | |
| 2 | Steel Wrapped | 1' or Less | 92,086 | 4,328 | 3,071 | 93,343 | Not Available |
| 3 | Steel Wrapped | 1" thru 2" | 1,753 | 776 | 49 | 2,480 | |
| 4 | Steel Wrapped | 2" thru 4" | 92 | 111 | 0 | 203 | |
| 5 | Steel Wrapped | 4" thru 8" | 2 | 22 | 2 | 22 | |
| 6 | Steel Wrapped | Over 8" | 0 | 2 | 0 | 2 | |
| 7 | | | | | | | |
| 8 | Plastic | 1' or Less | 198,218 | 62,250 | 1,824 | 258,644 | |
| 9 | Plastic | 1" thru 2" | 2,685 | 2,075 | 0 | 4,760 | |
| 10 | Plastic | 2" thru 4" | 167 | 61 | 0 | 228 | |
| 11 | Plastic | 4" thru 8" | 4 | 7 | 0 | 11 | |
| 12 | Plastic | Over 8" | 0 | 0 | 0 | 0 | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | | | | | | | |
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| 20 | | | | | | | |
| 21 | | | | | | | |
| 22 | | | | | | | |
| 23 | | | | | | | |
| 24 | | | | | | | |
| 25 | | | | | | | |
| 26 | | | | | | | |
| 27 | TOTALS | | 295,007 | 69,632 | 4,946 | 359,693 | |

| | | | |
|------------------------------------|---|--|---------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|------------------------------------|---|--|---------------------------------|

CUSTOMER'S METERS

| Line No. | Size (a) | Type (b) | Make (c) | Capacity (d) | Owned Beginning of Year (e) | Added During Year (f) | Retired During Year (g) | Owned End of Year (h) |
|----------|-------------------------------------|-------------|-------------|-----------------|--------------------------------|--------------------------|----------------------------|--------------------------|
| 1 | Detailed information not available. | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | TOTAL | | | | 317,187 | 13,159 | 6,117 | 324,229 |

| | | | |
|--|---|--|---------------------------------|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|---------------------------------|

AUXILIARY PEAKING FACILITIES

| <p>1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum installations, gas liquefaction plants, oil gas sets, etc.</p> <p>2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is submitted. For other facilities, report the rated maximum daily delivery capacities.</p> <p>3. For column (d), include or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominant use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.</p> | | | | | | |
|---|--|--|---|--------------------------------------|---|--------|
| Line No. | Location of Facility (a) | Type of Facility (b) | Maximum Daily Delivery Capacity of Facility. Dth (c) | Cost of Facility (In dollars) (d) | Was Facility Operated on Day of Highest Transmission Peak Delivery? | |
| | | | | | Yes (e) | No (f) |
| 2 | Chehalis, Washington | Underground Natural Gas Storage Field Washington & Idaho Supply | 112,667 | 18,926,377 | X | |
| 6 | Chehalis, Washington | Underground Natural Gas Storage Field Oregon Supply | 2,654 | (1) | X | |
| 10 | Plymouth, Washington | Liquefied Natural Gas Storage Tanks Washington & Idaho Supply | 22,000 | (1) | | X |
| 14 | Plymouth, Washington | Liquefied Natural Gas Storage Tanks Oregon Supply | 19,200 | (1) | | X |
| 23 | Notes: | | | | | |
| 25 | (1) Respondent is a participant in the facilities, not an owner and is charged a fee for demand deliverability and capacity. | | | | | |
| 26 | | | | | | |
| 27 | | | | | | |
| 28 | | | | | | |
| 29 | | | | | | |
| 30 | | | | | | |
| 31 | | | | | | |
| 32 | | | | | | |
| 33 | | | | | | |
| 34 | | | | | | |
| 35 | | | | | | |
| 36 | | | | | | |
| 37 | | | | | | |

| | | | |
|--------------------|--|--------------------------------|----------------|
| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| Avista Corporation | <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS ACCOUNT - NATURAL GAS

1 The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent.

2 Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.

3 Enter in column (c) the Dth as reported in the schedules indicated for the items of receipts and deliveries.

4 Indicated in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.

5 If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose. Use copies of pages 520.

6 Also indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quantities the reporting pipeline transported or sold through its local distribution facilities or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.

7 Also indicate in a footnote (1) the system supply quantities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales, transportation, and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage quantities.

8 Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional rows as necessary to report all data, numbered 14.01, 14.02, etc.

01 NAME OF SYSTEM

| Line No. | Item (a) | Ref. Page No. (b) | Amount of Dth (1) (c) |
|----------|--|----------------------|--------------------------|
| 2 | GAS RECEIVED | | |
| 3 | Gas Purchases (Accounts 800-805) | | 49,212,568 |
| 4 | Gas of Others Received for Gathering (Account 489.1) | 303 | |
| 5 | Gas of Others Received for Transmission (489.2) | 305 | |
| 6 | Gas of Others Received for Distribution (Account 489.3) | 301 | 14,971,733 |
| 7 | Gas of Others Received for Contract Storage (Account 489.4) | 307 | |
| 8 | Exchanged Gas Received from Others (Account 806) | 328 | |
| 9 | Gas Received as Imbalances (Account 806) | 328 | |
| 10 | Receipts of Respondent's Gas Transported by Others (Account 858) | 332 | |
| 11 | Other Gas Withdrawn from Storage (Explain) | | |
| 12 | Gas Received from Shippers as compressor Station Fuel | | |
| 13 | Gas Received from Shippers as Lost and Unaccounted for | | |
| 14 | Other Receipts (Specify): | | |
| 15 | Total Receipts (Total lines 3 thru 14.?) | | 64,184,301 |
| 16 | GAS DELIVERED | | |
| 17 | Gas Sales (Accounts 480 - 484) | | 32,530,437 |
| 18 | Deliveries of Gas Gathered for Others (Account 489.1) | 303 | |
| 19 | Deliveries of Gas Transported for Others (Account 489.2) | 305 | |
| 20 | Deliveries of Gas Distributed for Others (Account 489.3) | 301 | 14,971,733 |
| 21 | Deliveries of Contract Storage Gas (Account 489.4) | 307 | |
| 22 | Exchange Gas Delivered to Others (Account 806) | 328 | |
| 23 | Gas Delivered as Imbalances (Account 806) | 328 | |
| 24 | Deliveries of Gas to Others for Transportation (Account 858) | 332 | |
| 25 | Other Gas Delivered to Storage (Explain) | | |
| 26 | Gas Used for Compressor Station Fuel | 509 | |
| 27 | Other Deliveries (Specify): Sales for Resale | | 15,742,657 |
| 28 | Total Deliveries (Total lines 17 thru 27.?) | | 63,244,827 |
| 29 | GAS UNACCOUNTED FOR | | |
| 30 | Production System Losses | | |
| 31 | Gathering System Losses | | |
| 32 | Transmission System Losses | | |
| 33 | Distribution System Losses | | 939,474 |
| 34 | Storage System Losses | | |
| 35 | Other Losses (Specify) | | |
| 36 | Total Unaccounted For (Total lines 30 thru 35) | | 939,474 |
| 37 | Total Deliveries & Unaccounted For (Total lines 28 thru 36) | | 64,184,301 |

| | | | |
|--|---|--|----------------------------------|
| Name of Respondent Avista Corporation | This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report 2006/Q4 |
| FOOTNOTE DATA | | | |

Schedule Page: 103.2 Line No.: 13 Column: b
All assets owned by Coyote Springs 2, LLC were transferred to Avista Utilities during 2006.

| | | | |
|--|---|--|----------------------------------|
| Name of Respondent Avista Corporation | This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report 2006/Q4 |
| FOOTNOTE DATA | | | |

Schedule Page: 104 Line No.: 5 Column: a

Effective January 6, 2006 named Senior Vice President and Chief Financial Officer

Schedule Page: 104 Line No.: 22 Column: a

On January 6, 2006 named Vice President and Treasurer. Ann Wilson was named Vice President and Controller.

| | | | |
|--|---|--|----------------------------------|
| Name of Respondent Avista Corporation | This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report 2006/Q4 |
| FOOTNOTE DATA | | | |

Schedule Page: 118 Line No.: 52 Column: a

Line 52 - Subsidiary Expense & Misc Subs Equity Comp Consists of:

| | |
|---------------------|---|
| (\$1,445,216) | Transfers from Account #216150 related to Subsidiary Expenses (agrees to line 37) |
| <u>(\$ 100,734)</u> | Subsidiary (Avista Advantage) Equity Compensation booked to #216150 |
| (\$1,545,950) | Line 52 - Subsidiary Expense & Misc Subs Equity Comp |

| Name of Respondent | This Report is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|--------------------|--|--------------------------------|-----------------------|
| Avista Corporation | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | 04/17/2006 | 2006/Q4 |
| FOOTNOTE DATA | | | |

Schedule Page: 219 Line No.:15 Column: c

Includes: Reverse 2005 Removal Work in Progress - \$175,761, 2006 Removal Work in Progress - <\$99,910>;
Correction 2005 software retire from 108000 to 111000 - \$1,000,821;
Add back depreciation on OR asset retired prematurely - \$9,685

| | | | |
|--|---|--|----------------------------------|
| Name of Respondent Avista Corporation | This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report 2006/Q4 |
| FOOTNOTE DATA | | | |

Schedule Page: 224 Line No.: 3 Column: e

Line 2 - Avista Capital - Equity in Earnings Consists of:

| | |
|---------------------|---|
| \$16,839,462 | Avista Capital YTD Net Income |
| (\$ 100,734) | Subsidiary (Avista Advantage) Equity Compensation booked to #123120 |
| <u>\$16,738,728</u> | Line 2 - Avista Capital - Equity in Earnings |

Schedule Page: 224 Line No.: 4 Column: e

Line 4 - OCI Investment in Subs:

Represents the change in accumulated other comprehensive loss for subsidiary companies. Amount is not included in account 418.1. Offsetting amount is reflected in account 219.

| | | | |
|--|---|--|----------------------------------|
| Name of Respondent Avista Corporation | This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report 2006/Q4 |
| FOOTNOTE DATA | | | |

Schedule Page: 233.1 Line No.: 2 Column: b

With the implementation of a new financial system the following lines were combined to equal to the balance on line 2 page 233.1: lines 10,11,12,13,15,16,20,21,23,28,& 31

Schedule Page: 233.1 Line No.: 35 Column: b

Footnote Linked. See note on 233.1, Row: 2, col/item:

Schedule Page: 233.1 Line No.: 36 Column: b

With the implementation of a new financial system Conservation program balances for lines 14,17,18,19,24 and 25 were combined to equal balances on lines 35 & 36.

| | | | |
|--------------------|--|----------------------------|-----------------------|
| Name of Respondent | This Report is: | Date of Report | Year/Period of Report |
| Avista Corporation | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | (Mo, Da, Yr) 04/18/2007 | 2006/Q4 |
| FOOTNOTE DATA | | | |

Schedule Page: 250 Line No.: 4 Column: i

Restricted Shares

Restricted shares vest in equal thirds each year over a three-year period and are payable in Avista Corp. common stock at the end of each year if the service condition is met. In addition to the service condition, the Company must meet a return on equity target in order for the CEO's restricted shares to vest. During the vesting period, employees are entitled to dividend equivalents which are paid when dividends on the Company's common stock are declared. Restricted stock is valued at the average of the high and low market of the Company's common stock on the grant date. As of December 31, 2006, the restricted shares had unrecognized compensation expense of \$0.4 million and an intrinsic value of \$0.9 million. The intrinsic value represents the total market value of restricted shares as of December 31, 2006. The following table summarizes restricted stock activity:

| | |
|---|---------------|
| Unvested Shares at December 31, 2005 | - |
| Shares granted | 36,260 |
| Shares cancelled | (80) |
| Shares vested | - |
| Unvested Shares at December 31, 2006 | <u>36,180</u> |
| Weighted average fair value at grant date | \$21.32 |

Schedule Page: 250 Line No.: 4 Column: j

Restricted Shares

Restricted shares vest in equal thirds each year over a three-year period and are payable in Avista Corp. common stock at the end of each year if the service condition is met. In addition to the service condition, the Company must meet a return on equity target in order for the CEO's restricted shares to vest. During the vesting period, employees are entitled to dividend equivalents which are paid when dividends on the Company's common stock are declared. Restricted stock is valued at the average of the high and low market of the Company's common stock on the grant date. As of December 31, 2006, the restricted shares had unrecognized compensation expense of \$0.4 million and an intrinsic value of \$0.9 million. The intrinsic value represents the total market value of restricted shares as of December 31, 2006. The following table summarizes restricted stock activity:

| | |
|---|---------------|
| Unvested Shares at December 31, 2005 | - |
| Shares granted | 36,260 |
| Shares cancelled | (80) |
| Shares vested | - |
| Unvested Shares at December 31, 2006 | <u>36,180</u> |
| Weighted average fair value at grant date | \$21.32 |

| | | | |
|--|---|--|----------------------------------|
| Name of Respondent Avista Corporation | This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) 04/18/2007 | Year/Period of Report 2006/Q4 |
| FOOTNOTE DATA | | | |

Schedule Page: 261 Line No.: 5 Column: b

Taxable Income Not Reported on Books:

| | |
|--|------------------|
| BETC Interest - Perm Diff | (10,792) |
| BPA C&RD Receipts | (210,191) |
| Contributions in Aid of Construction (CIACs) | 5,801,597 |
| CSS Temp Service Fees | 225,122 |
| Customer Uncollectibles - Sales for Resale | (339,277) |
| Customer Uncollectibles | (158,285) |
| Transportation Tax Depreciation Capitalized | 517,926 |
| TOTAL | 5,826,100 |

Schedule Page: 261 Line No.: 10 Column: b

Deductions Recorded on Books Not Deducted for Return:

| | |
|---|-------------------|
| Airplane Lease Payments | 272,353 |
| Amortization of Centralia Gain | (2,407,452) |
| Book Depreciation | 82,003,303 |
| CIT Operating Lease | (39,276) |
| DSM - Old Program Amortization | 1,717,848 |
| FAS106 & HRA (68.6% O&M only) 228300 ZZ ZZ & 228330 ZZ ZZ | (1,361,703) |
| FASB 106-Def Amort-Postretirement Benefits | 394,920 |
| Hamilton Street Bridge | (247,187) |
| Meal Disallowances - Perm Diff | 329,217 |
| Non-monetary Purchased Power | 1,386,545 |
| Paid Time Off Equalization | 246,025 |
| Political Contributions - Perm Diff | 1,052,120 |
| Preferred Dividend Requirement - Perm Diff | 1,915,594 |
| Rathdrum Turbine Sales Tax Refund | (33,815) |
| Redemption Expense Amortization | 3,735,325 |
| SERP-Supplemental Executive Retirement Plan | 814,154 |
| Transportation Book Depreciation | 1,417,417 |
| WNP3 - Investment Exchange Power | 2,450,028 |
| TOTAL | 93,645,416 |

Schedule Page: 261 Line No.: 15 Column: b

Income Recorded on Books Not Included in Return:

| | |
|---|-------------|
| AFUDC | (1,460,893) |
| Boulder Park Disallowance IPUC Order October 2004 | (103,656) |
| Clark Fork PMEs | (218,832) |
| CS2 Retention | (371,328) |
| Deferred Compensation | 1,875,785 |
| ID Deferred Gas Costs & Interest | 7,714,760 |
| WA Deferred Gas Costs & Interest | 12,672,197 |
| Equity Stock Comp | 3,092,122 |
| FASB 87 (68.6% O&M) | (1,476,124) |
| Gain General Office Building | (261,456) |
| Grid West/RTO Funding - ED ID & WA | (1,065,989) |
| Idaho PCA & Interest | (1,186,302) |
| Injury & Damages | 164,148 |
| Kettle Falls Disallowance | (323,401) |

| | | | |
|--------------------|--|----------------------------|-----------------------|
| Name of Respondent | This Report is: | Date of Report | Year/Period of Report |
| Avista Corporation | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | (Mo, Da, Yr) 04/18/2007 | 2006/Q4 |
| FOOTNOTE DATA | | | |

| | |
|---|-------------------|
| Liability Stock Comp | 652,489 |
| NE Tank Spill | (45,700) |
| Nez Perce Settlement ED ID & WA | (16,796) |
| Officers Life Insurance - Perm Diff | (706,105) |
| OR Deferred Gas & Interest | 4,317,142 |
| OR DSM Deferred & Interest | (713,714) |
| Oregon Senate Bill 408 (SB 408) | 1,300,000 |
| PGE Monetization (Contract Amort & Spokane Energy Net Income) | 8,007,807 |
| Section 199 Manufacturing Deduction - Perm Diff | (2,100,000) |
| Unbilled Revenue Add-ons | 343,385 |
| WA Deferred Power Costs & Interest | 26,374,425 |
| Wartsilla Units | 153,162 |
| TOTAL | 56,617,126 |

Schedule Page: 261 Line No.: 20 Column: b

Deductions on Return Not Charged Against Book Income:

| | |
|---------------------------------------|----------------------|
| Basic American Foods - Non-Utility | 7,788 |
| BPA Residential Exchange - ED ID & WA | (1,960,752) |
| DSM Tariff Rider | (2,957,346) |
| Removal/Salvage | (967,967) |
| Tax Depreciation - Common | (105,409,069) |
| WPNG Acquisition OR | 1,120,289 |
| TOTAL | (110,167,057) |

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2007 MAY -6 AM 9:09

INDIANAPOLIS
PUBLIC UTILITIES COMMISSION

AVU-6

Avista Corp.

**2006 Form 2
State Supplements**

WASHINGTON

| | | | |
|---------------------------------------|---|---|-------------------------------------|
| Name of Respondent Avista Corp | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) Apr. 18, 2007 | Year of Report Dec. 31, 2006 |
|---------------------------------------|---|---|-------------------------------------|

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,k,m,o) in a similar manner to a utility department. Spread the amount(s) over lines 01 thru 20 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

3. Report data for lines 7, 9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2.

4. Use page 122 for important notes regarding the statement of income or any account thereof.

5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effect of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.

6. Give concise explanations concerning significant amounts of any refunds made or received during the year

| Line No. | Account (a) | (Ref.) Page No. (b) | TOTAL | |
|----------|---|---------------------------|---------------------|----------------------|
| | | | Current Year (c) | Previous Year (d) |
| 1 | UTILITY OPERATING INCOME | | | |
| 2 | Operating Revenues (400) | 300-301 | \$830,746,352 | \$724,016,704 |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 320-325 | | |
| 5 | Maintenance Expenses (402) | 320-325 | | |
| 6 | Depreciation Expense (403) | 336-338 | | |
| 7 | Amort. & Depl. of Utility Plant (404-405) | 336-338 | | |
| 8 | Amort. of Utility Plant Acq. Adj. (406) | 336-338 | | |
| 9 | Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407) | | | |
| 10 | Amort. of Conversion Expenses (407) | | | |
| 11 | Regulatory Debits (407.3) | | | |
| 12 | (Less Regulatory Credits (407.4) | | | |
| 13 | Taxes Other Than Income Taxes (408.1) | 262-263 | | |
| 14 | Income Taxes - Federal (409.1) | 262-263 | | |
| 15 | - Other (409.1) | 262-263 | | |
| 16 | Provision for Deferred Income Taxes (410.1) | 234,272-277 | | |
| 17 | (Less) Provision for Deferred Income Taxes -Cr. (411.1) | 234,272-277 | | |
| 18 | Investment Tax Credit Adj. - Net (411.4) | 266 | | |
| 19 | (Less) Gains from Disp. of Utility Plant (411.6) | | | |
| 20 | Losses from Disp. of Utility Plant (411.7) | | | |
| 21 | (Less) Gains from Disposition of Allowances (411.8) | | | |
| 22 | Losses from Disposition of Allowances (411.9) | | | |
| 23 | TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22) | | | |
| 24 | Net Utility Operating Income (Enter Total of line 2 less 23) (Carry forward to page 117, line 25) | | \$830,746,352 | \$724,016,704 |

| | | | |
|---------------------------------------|--|--------------------------------|----------------|
| Name of Respondent Avista Corp | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Apr. 18, 2007 | Dec. 31, 2006 |

STATEMENT OF INCOME FOR THE YEAR

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be attached at page 122.

8. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which

had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 1 to 19, and report the information in the blank space on page 122 or in a supplemental statement.

| ELECTRIC UTILITY | | GAS UTILITY | | OTHER UTILITY | | Line No. |
|------------------|---------------|---------------|---------------|---------------|---------------|----------|
| Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | |
| (e) | (f) | (g) | (h) | (i) | (j) | |
| | | | | | | 1 |
| \$564,491,589 | \$509,490,290 | \$266,254,763 | \$214,526,414 | | | 2 |
| | | | | | | 3 |
| | | | | | | 4 |
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| | | | | | | 10 |
| | | | | | | 11 |
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| | | | | | | 14 |
| | | | | | | 15 |
| | | | | | | 16 |
| | | | | | | 17 |
| | | | | | | 18 |
| | | | | | | 19 |
| \$564,491,589 | \$509,490,290 | \$266,254,763 | \$214,526,414 | | \$0 | 20 |

| | | | |
|--------------------|--------------------------------------|--------------------------------|---------------|
| Name of Respondent | This report is: [X] An Original | Date of Report (Mo, Da, Yr) | Year Ending |
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts.
2. In addition to Account 101, *Gas Plant in Service (Classified)*, this page and the next include Account 102, *Gas Plant Purchased or Sold*, Account 103, *Experimental Gas Plant Unclassified*, and Account 106, *Completed Construction Not Classified-Gas*.
3. Include in column (c) and (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.
5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d).

| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) |
|----------|--|----------------------------------|---------------|
| 1 | INTANGIBLE PLANT | | |
| 2 | 301 Organization | 0 | |
| 3 | 302 Franchises and Consents | 0 | |
| 4 | 303 Miscellaneous Intangible Plant | 274,934 | (25,484) |
| 5 | TOTAL Intangible Plant (Enter Total of lines 2 thru 4) | 274,934 | (25,484) |
| 6 | PRODUCTION PLANT | | |
| 7 | Manufactured Gas Production Plant | | |
| 8 | 304 Land and Land Rights | 0 | |
| 9 | 305 Structures and Improvements | 0 | |
| 10 | 306 Boiler Plant Equipment | 0 | |
| 11 | 307 Other Power Equipment | 0 | |
| 12 | 308 Coke Ovens | 0 | |
| 13 | 309 Producer gas equipment | 0 | |
| 14 | 310 Water Gas Generating Equipment | 0 | |
| 15 | 311 Liquefied Petroleum Gas Equipment | 0 | |
| 16 | 312 Oil Gas Generating Equipment | 0 | |
| 17 | 313 Generating Equipment-Other Processes | 0 | |
| 18 | 314 Coal, Coke, and ash handling equipment | 0 | |
| 19 | 315 Catalytic Cracking Equipment | 0 | |
| 20 | 316 Other reforming equipment | 0 | |
| 21 | 317 Purification equipment | 0 | |
| 22 | 318 Residual refining equipment | 0 | |
| 23 | 319 Gas mixing equipment | 0 | |
| 24 | 320 Other Equipment | 0 | |
| 25 | | | |
| 26 | TOTAL Manufactured Gas Production Plant (Enter Total of lines 8 thru 24) | 0 | 0 |
| 27 | PRODUCTS EXTRACTION PLANT | | |
| 28 | 340 Land and Land Rights | 0 | |
| 29 | 341 Structures and Improvements | 0 | |
| 30 | 342 Extraction and Refining Equipment | 0 | |
| 31 | 343 Pipe Lines | 0 | |
| 32 | 344 Extracted Products Storage Equipment | 0 | |
| 33 | 345 Compressor Equipment | 0 | |

| | | | |
|--------------------|--------------------------------------|--------------------------------|---------------|
| Name of Respondent | This report is: [X] An Original | Date of Report (Mo, Da, Yr) | Year Ending |
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
|--------------------|--------------------|------------------|-------------------------------|-------------|
| | | | | 1 |
| | | | 0 | 2 |
| | | | 0 | 3 |
| | | | 249,450 | 4 |
| 0 | 0 | 0 | 249,450 | 5 |
| | | | | 6 |
| | | | | 7 |
| | | | 0 | 8 |
| | | | 0 | 9 |
| | | | 0 | 10 |
| | | | 0 | 11 |
| | | | 0 | 12 |
| | | | 0 | 13 |
| | | | 0 | 14 |
| | | | 0 | 15 |
| | | | 0 | 16 |
| | | | 0 | 17 |
| | | | 0 | 18 |
| | | | 0 | 19 |
| | | | 0 | 20 |
| | | | 0 | 21 |
| | | | 0 | 22 |
| | | | 0 | 23 |
| | | | 0 | 24 |
| | | | 0 | 25 |
| 0 | 0 | 0 | 0 | 26 |
| | | | | 27 |
| | | | 0 | 28 |
| | | | 0 | 29 |
| | | | 0 | 30 |
| | | | 0 | 31 |
| | | | 0 | 32 |
| | | | 0 | 33 |

| Name of Respondent | | This report is: | Date of Report | Year Ending |
|---|---|---|--------------------------------|---------------|
| Avista Corp. | | [X] An Original [] A Resubmission | (Mo, Da, Yr) April 18, 2007 | Dec. 31, 2006 |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 34 | 346 Gas Measuring and Regulating Equipment | 0 | | |
| 35 | 347 Other Equipment | 0 | | |
| 36 | TOTAL Products Extraction Plant (Enter Total of lines 28 thru 35) | 0 | 0 | |
| 37 | TOTAL Natural Gas Production Plant (Enter Total of lines 26 and 36) | 0 | 0 | |
| 38 | Manufactured Gas Production Plant (Submit Supplementary Statement) | 0 | | |
| 39 | TOTAL Production Plant (Enter Total of lines 37 and 38) | 0 | 0 | |
| 40 | NATURAL GAS STORAGE AND PROCESSING PLANT | | | |
| 41 | Underground Storage Plant | | | |
| 42 | 350.1 Land | 412,611 | | |
| 43 | 350.2 Rights-of-Way | 23,874 | 35,938 | |
| 44 | 351 Structures and Improvements | 1,063,700 | 12,061 | |
| 45 | 352 Wells | 5,779,157 | 79,259 | |
| 46 | 352.1 Storage Leaseholds and Rights | 254,354 | | |
| 47 | 352.2 Reservoirs | 203,330 | | |
| 48 | 352.3 Non-recoverable Natural Gas | 5,971,926 | | |
| 49 | 353 Lines | 823,423 | | |
| 50 | 354 Compressor Station Equipment | 2,016,984 | (15,320) | |
| 51 | 355 Measuring and Regulating Equipment | 171,919 | | |
| 52 | 356 Purification Equipment | 407,251 | | |
| 53 | 357 Other Equipment | 1,675,980 | 9,931 | |
| 54 | TOTAL Underground Storage Plant (Enter Total of lines 42 thru 53) | 18,804,509 | 121,868 | |
| 55 | Other Storage Plant | | | |
| 56 | 360 Land and Land Rights | 0 | | |
| 57 | 361 Structures and Improvements | 0 | | |
| 58 | 362 Gas Holders | 0 | | |
| 59 | 363 Purification Equipment | 0 | | |
| 60 | 363.1 Liquefaction Equipment | 0 | | |
| 61 | 363.2 Vaporizing Equipment | 0 | | |
| 62 | 363.3 Compressor Equipment | 0 | | |
| 63 | 363.4 Measuring and Regulating Equipment | 0 | | |
| 64 | 363.5 Other Equipment | 0 | | |
| 65 | TOTAL Other Storage Plant (Enter Total of lines 56 thru 64) | 0 | 0 | |
| 66 | Base Load Liquefied Natural Gas Terminaling and Processing Plant | | | |
| 67 | 364.1 Land and Land Rights | 0 | | |
| 68 | 364.2 Structures and Improvements | 0 | | |
| 69 | 364.3 LNG Processing Terminal Equipment | 0 | | |
| 70 | 364.4 LNG Transportation Equipment | 0 | | |
| 71 | 364.5 Measuring and Regulating Equipment | 0 | | |
| 72 | 364.6 Compressor Station Equipment | 0 | | |
| 73 | 364.7 Communications Equipment | 0 | | |
| 74 | 364.8 Other Equipment | 0 | | |
| 75 | TOTAL Base Load Liq Nat'l Gas, Terminal and Processing Plant (lines 67-74) | 0 | 0 | |
| 76 | TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 54, 65 and 75) | 18,804,509 | 121,868 | |
| 77 | TRANSMISSION PLANT | | | |
| 78 | 365.1 Land and Land Rights | 0 | | |
| 79 | 365.2 Rights-of-Way | 0 | | |
| 80 | 366 Structures and Improvements | 0 | | |

| Name of Respondent | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) | Year Ending | Line No. |
|---|--|--------------------------------|-------------------------------|----------|
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 | |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| | | | 0 | 34 |
| | | | 0 | 35 |
| 0 | 0 | 0 | 0 | 36 |
| 0 | 0 | 0 | 0 | 37 |
| | | | 0 | 38 |
| 0 | 0 | 0 | 0 | 39 |
| | | | | 40 |
| | | | | 41 |
| | | | 412,611 | 42 |
| | | | 59,812 | 43 |
| | | | 1,075,761 | 44 |
| | | | 5,858,416 | 45 |
| | | | 254,354 | 46 |
| | | | 203,330 | 47 |
| | | | 5,971,926 | 48 |
| | | | 823,423 | 49 |
| | | | 2,001,664 | 50 |
| | | | 171,919 | 51 |
| | | | 407,251 | 52 |
| | | | 1,685,911 | 53 |
| 0 | 0 | 0 | 18,926,377 | 54 |
| | | | | 55 |
| | | | 0 | 56 |
| | | | 0 | 57 |
| | | | 0 | 58 |
| | | | 0 | 59 |
| | | | 0 | 60 |
| | | | 0 | 61 |
| | | | 0 | 62 |
| | | | 0 | 63 |
| | | | 0 | 64 |
| 0 | 0 | 0 | 0 | 65 |
| | | | | 66 |
| | | | 0 | 67 |
| | | | 0 | 68 |
| | | | 0 | 69 |
| | | | 0 | 70 |
| | | | 0 | 71 |
| | | | 0 | 72 |
| | | | 0 | 73 |
| | | | 0 | 74 |
| 0 | 0 | 0 | 0 | 75 |
| 0 | 0 | 0 | 18,926,377 | 76 |
| | | | | 77 |
| | | | 0 | 78 |
| | | | 0 | 79 |
| | | | 0 | 80 |

| Name of Respondent | | This report is: | Date of Report (Mo, Da, Yr) | Year Ending |
|---|---|---|--------------------------------|---------------|
| Avista Corp. | | [X] An Original [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 81 | 367 Mains | 0 | | |
| 82 | 368 Compressor Station Equipment | 0 | | |
| 83 | 369 Measuring and Regulating Equipment | 0 | | |
| 84 | 370 Communications Equipment | 0 | | |
| 85 | 371 Other Equipment | 0 | | |
| 86 | TOTAL Transmission Plant (Enter Totals of lines 78 thru 85) | 0 | 0 | |
| 87 | DISTRIBUTION PLANT | | | |
| 88 | 374 Land and Land Rights | 60,300 | | |
| 89 | 375 Structures and Improvements | 386,221 | 14,358 | |
| 90 | 376 Mains | 105,770,169 | 6,003,613 | |
| 91 | 377 Compressor Station Equipment | 0 | | |
| 92 | 378 Measuring and Regulating Equipment-General | 2,331,863 | 117,745 | |
| 93 | 379 Measuring and Regulating Equipment-City Gate | 720,941 | 6,604 | |
| 94 | 380 Services | 78,271,376 | 2,128,441 | |
| 95 | 381 Meters | 26,638,212 | 3,060,356 | |
| 96 | 382 Meter Installations | 0 | | |
| 97 | 383 House Regulators | 0 | | |
| 98 | 384 House Regulator Installations | 0 | | |
| 99 | 385 Industrial Measuring and Regulating Station Equipment | 1,766,487 | 33,553 | |
| 100 | 386 Other Property on Customers' Premises | 0 | | |
| 101 | 386 Other Equipment | 0 | | |
| 102 | TOTAL Distribution Plant (Enter Totals of lines 88 thru 101) | 215,945,569 | 11,364,669 | |
| 103 | GENERAL PLANT | | | |
| 104 | 389 Land and Land Rights | 0 | | |
| 105 | 390 Structures and Improvements | 594,709 | 162,333 | |
| 106 | 391 Office Furniture and Equipment | 0 | | |
| 107 | 392 Transportation Equipment | 1,830,186 | 746,031 | |
| 108 | 393 Stores Equipment | 44,735 | 39,537 | |
| 109 | 394 Tools, Shop, and Garage Equipment | 776,312 | (8,293) | |
| 110 | 395 Laboratory Equipment | 180,237 | | |
| 111 | 396 Power Operated Equipment | 2,399,014 | 153,169 | |
| 112 | 397 Communication Equipment | 434,986 | 151,127 | |
| 113 | 398 Miscellaneous Equipment | 0 | | |
| 114 | Subtotal (Enter Totals of lines 104 thru 113) | 6,260,179 | 1,243,903 | |
| 115 | 399 Other Tangible Property | 0 | | |
| 116 | TOTAL General Plant (Enter Totals of lines 114 and 115) | 6,260,179 | 1,243,903 | |
| 117 | TOTAL (Accounts 101 and 106) | 241,285,191 | 12,704,956 | |
| 118 | Gas Plant Purchased (See Instruction 8) | 0 | | |
| 119 | (Less) Gas Plant Sold (See Instruction 8) | 0 | | |
| 120 | Experimental Gas Plant Unclassified | 0 | | |
| 121 | TOTAL Gas Plant in Service (Enter Totals of lines 117 thru 120) | 241,285,191 | 12,704,956 | |

| Name of Respondent | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) | Year Ending | |
|--|--|--------------------------------|-------------------------------|-------------|
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 | |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| | | | 0 | 81 |
| | | | 0 | 82 |
| | | | 0 | 83 |
| | | | 0 | 84 |
| | | | 0 | 85 |
| 0 | 0 | 0 | 0 | 86 |
| | | | | 87 |
| 28 | | | 60,272 | 88 |
| 774 | | | 399,805 | 89 |
| 329,991 | | 85,501 | 111,529,291 | 90 |
| | | | 0 | 91 |
| 27,021 | | 1,582 | 2,424,169 | 92 |
| 3,275 | | | 724,270 | 93 |
| 1,035,855 | | | 79,363,962 | 94 |
| 133,320 | | 5,160 | 29,570,408 | 95 |
| | | | 0 | 96 |
| | | | 0 | 97 |
| | | | 0 | 98 |
| 2,580 | | | 1,797,460 | 99 |
| | | | 0 | 100 |
| | | | 0 | 101 |
| 1,532,844 | 0 | 92,243 | 225,869,636 | 102 |
| | | | | 103 |
| | | | 0 | 104 |
| | | | 757,042 | 105 |
| | | | 0 | 106 |
| 21,070 | | | 2,555,147 | 107 |
| | | | 84,272 | 108 |
| 8,992 | | | 759,026 | 109 |
| 159 | | | 180,078 | 110 |
| | | | 2,552,183 | 111 |
| 11,712 | | | 574,401 | 112 |
| | | | 0 | 113 |
| 41,933 | 0 | 0 | 7,462,149 | 114 |
| | | | 0 | 115 |
| 41,933 | 0 | 0 | 7,462,149 | 116 |
| 1,574,777 | 0 | 92,243 | 252,507,612 | 117 |
| | | | | 118 |
| | | | 0 | 119 |
| | | | 0 | 120 |
| 1,574,777 | 0 | 92,243 | 252,507,612 | 121 |

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| | | | |
|--|--|--------------------------------|----------------|
| Name of Respondent Avista Corporation | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS STORED (ACCOUNT 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, AND 164.3)

- 1 If during the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.
- 2 Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas property recordable in the plant accounts.
- 3 State in a footnote the basis of segregation of inventory between current and noncurrent portions. Also state in a footnote the method used to report storage (i.e. fixed asset method or inventory method).

| Line No. | Description (a) | (Account 117.1) (b) | (Account 117.2) (c) | Noncurrent (Account 117.3) (d) | (Account 117.4) (e) | Current (Account 164.1) (f) | LNG (Account 164.2) (g) | LNG (Account 164.3) (h) | Total (i) |
|----------|------------------------------|---------------------|---------------------|--------------------------------|---------------------|-----------------------------|-------------------------|-------------------------|-----------|
| 1 | Balance at Beginning of Year | | | | | 8,572,455 | 336,884 | | 8,909,339 |
| 2 | Gas Delivered to Storage | | | | | 6,884,747 | | | 6,884,747 |
| 3 | Gas Withdrawn from Storage | | | | | 7,379,673 | 0 | | 7,379,673 |
| 4 | Other Debits and Credits | | | | | 0 | 1,337 | | 1,337 |
| 5 | Balance at End of Year | | | | | 8,077,529 | 338,221 | | 8,415,750 |
| 6 | Dth | | | | | 1,395,020 | 112,457 | | 1,507,477 |
| 7 | Amount Per Dekatherm | | | | | \$5.7903 | \$3.0076 | | \$5.5827 |

8 State basis of segregation of inventory between current and noncurrent portions:

Current portion is gas expected to be sold within a 24 month period. All other gas is considered non-current.

| | | | |
|--|--|--------------------------------|----------------|
| Name of Respondent Avista Corporation | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account, and manufactured gas revenues in total for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.

2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.

3. Report number of customers, columns (f) and (g), on the basis of meter, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted.

4. Report quantities of natural gas sold in Mcf (14.73 psia at 60 degrees F). If billings are on a therm basis, give the Btu contents of the gas sold and the sales converted to Mcf.

5. If increases or decreases from previous year (columns (c), (e) and (g), are not derived from previously

| Line No. | Title of Account (a) | OPERATING REVENUES | |
|----------|---|------------------------|---------------------------------|
| | | Amount for Year (b) | Amount for Previous Year (c) |
| 1 | GAS SERVICE REVENUES | | |
| 2 | (480) Residential Sales | 129,424,936 | 112,489,326 |
| 3 | (481) Commercial and Industrial Sales | | |
| 4 | Small (or Comm.) (See Instr. 6) | 74,973,137 | 63,339,411 |
| 5 | Large (or Ind.) (See Instr. 6) | 4,143,795 | 3,995,813 |
| 6 | (482) Other Sales to Public Authorities | | |
| 7 | (484) Interdepartmental Sales | 420,604 | 364,959 |
| 8 | TOTAL Sales to Ultimate Consumers | 208,962,472 (1) | 180,189,509 |
| 9 | (483) Sales for Resale | 50,986,936 | 28,031,362 |
| 10 | TOTAL Nat. Gas Service Revenues | 259,949,408 | 208,220,871 |
| 11 | Revenues from Manufactured Gas | | |
| 12 | TOTAL Gas Service Revenues | 259,949,408 | 208,220,871 |
| 13 | OTHER OPERATING REVENUES | | |
| 14 | (485) Intracompany Transfers | | |
| 15 | (487) Forfeited Discounts | | |
| 16 | (488) Misc. Service Revenues | 11,127 | 73,980 |
| 17 | (489) Rev. from Trans. of Gas of Others | 3,085,653 (1) | 3,521,509 |
| 18 | (490) Sales of Prod. Ext. from Nat. Gas | | |
| 19 | (491) Rev. from Nat. Gas Proc. by Others | | |
| 20 | (492) Incidental Gasoline and Oil Sales | | |
| 21 | (493) Rent from Gas Property | | |
| 22 | (494) Interdepartmental Rents | | |
| 23 | (495) Other Gas Revenues | 3,208,575 | 2,710,054 |
| 24 | TOTAL Other Operating Revenues | 6,305,355 | 6,305,543 |
| 25 | TOTAL Gas Operating Revenues | 266,254,763 | 214,526,414 |
| 26 | (Less) (496) Provision for Rate Refunds | | |
| 27 | TOTAL Gas Operating Revenues Net of Provision for Refunds | 266,254,763 | |
| 28 | Dis. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.) | 204,398,073 | |
| 29 | Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities) | 4,143,795 | |
| 30 | Sales for Resale | 50,986,936 | |
| 31 | Other Sales to Pub. Auth. (Local Dist. Only) | | |
| 32 | Interdepartmental Sales | 420,604 | |
| 33 | TOTAL (Same as Line 10, Columns (b) and (d)) | 259,949,408 | |

| | | | |
|--|--|--|-------------------------------------|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
| | (2) <input type="checkbox"/> A Resubmission | | |

GAS OPERATING REVENUES (Account 400) (Continued)

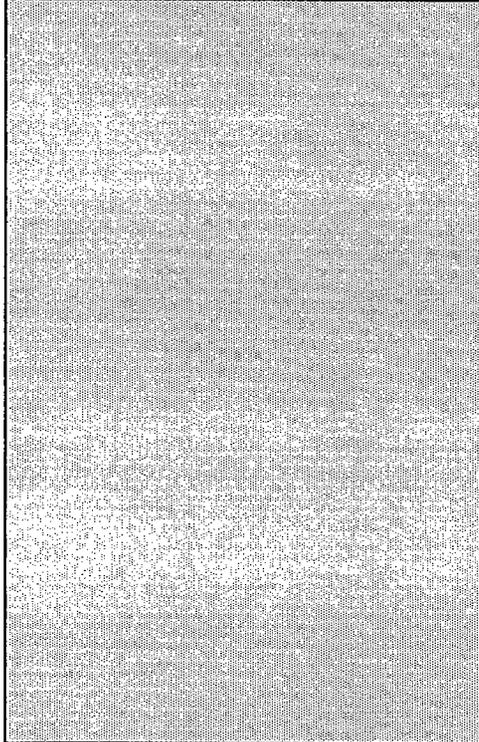
reported figures, explain any inconsistencies in a footnote.

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 200,000 Mcf per year or approximately 800 Mcf

per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

7. See page 108, Important Changes During Year, for important new territory added and important rate increases or decreases.

| THERMS OF NATURAL GAS SOLD | | AVG. NO. OF NAT. GAS CUSTRS. PER MO. | | | Line No. |
|----------------------------|-----------------------------------|--------------------------------------|---------------------------------|---------|----------|
| Quantity for Year (d) | Quantity for Previous Year (e) | Number for Year (f) | Number for Previous Year (g) | | |
| | | | | | 1 |
| 100,085,153 | | 101,323,534 | 125,230 | 121,859 | 2 |
| | | | | | 3 |
| 63,868,710 | | 63,953,081 | 13,238 | 13,064 | 4 |
| 3,866,679 | | 4,383,186 | 145 | 155 | 5 |
| | | | | | 6 |
| 382,804 | | 405,848 | 31 | 30 | 7 |
| 168,203,346 (2) | | 170,065,649 | 138,644 | 135,108 | 8 |
| 88,020,723 | | 35,513,928 | | 4 | 9 |
| 256,224,069 | | 205,579,577 | 138,644 | 135,112 | 10 |



NOTES

(1) Includes \$295,780 unbilled revenues.

(2) Includes (310,491) therms relating to unbilled revenues.

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| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|---|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| If the amount for previous year is not derived from previously reported figures, explain in footnotes. | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 1 | 1. PRODUCTION EXPENSES | | | |
| 2 | A. Manufactured Gas Production | - | - | |
| 3 | Manufactured Gas Production (Submit Supplemental Statement) | | | |
| 4 | B. Natural Gas Production | | | |
| 5 | B1. Natural Gas Production and Gathering | | | |
| 6 | Operation | - | - | |
| 7 | 750 Operation Supervision and Engineering | - | - | |
| 8 | 751 Production Maps and Records | - | - | |
| 9 | 752 Gas Wells Expenses | - | - | |
| 10 | 753 Field Lines Expenses | - | - | |
| 11 | 754 Field Compressor Station Expenses | - | - | |
| 12 | 755 Field Compressor Station Fuel and Power | - | - | |
| 13 | 756 Field Measuring and Regulating Station Expenses | - | - | |
| 14 | 757 Purification Expenses | - | - | |
| 15 | 758 Gas Well Royalties | - | - | |
| 16 | 759 Other Expenses | - | - | |
| 17 | 760 Rents | - | - | |
| 18 | TOTAL Operation (Enter Total of lines 7 thru 17) | - | - | |
| 19 | Maintenance | | | |
| 20 | 761 Maintenance Supervision and Engineering | - | - | |
| 21 | 762 Maintenance of Structures and Improvements | - | - | |
| 22 | 763 Maintenance of Producing Gas Wells | - | - | |
| 23 | 764 Maintenance of Field Lines | - | - | |
| 24 | 765 Maintenance of Field Compressor Station Equipment | - | - | |
| 25 | 766 Maintenance of Field Meas. and Reg. Sta. Equipment | - | - | |
| 26 | 767 Maintenance of Purification Equipment | - | - | |
| 27 | 768 Maintenance of Drilling and Cleaning Equipment | - | - | |
| 28 | 769 Maintenance of Other Equipment | - | - | |
| 29 | TOTAL Maintenance (Enter Total of lines 20 thru 28) | - | - | |
| 30 | TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29) | - | - | |
| 31 | B2. Products Extraction | | | |
| 32 | Operation | | | |
| 33 | 770 Operation Supervision and Engineering | - | - | |
| 34 | 771 Operation Labor | - | - | |
| 35 | 772 Gas Shrinkage | - | - | |
| 36 | 773 Fuel | - | - | |
| 37 | 774 Power | - | - | |
| 38 | 775 Materials | - | - | |
| 39 | 776 Operation Supplies and Expenses | - | - | |
| 40 | 777 Gas Processed by Others | - | - | |
| 41 | 778 Royalties on Products Extracted | - | - | |
| 42 | 779 Marketing Expenses | - | - | |
| 43 | 780 Products Purchased for Resale | - | - | |
| 44 | 781 Variation in Products Inventory | - | - | |
| 45 | (Less) 782 Extracted Products Used by the Utility-Credit | - | - | |
| 46 | 783 Rents | - | - | |
| 47 | TOTAL Operation (Enter Total of Lines 33 thru 46) | - | - | |

| Name of Respondent | | This Report Is: | Date of Report | Year of Report |
|---|---|--|------------------------------------|-------------------|
| Avista Corp. | | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | (Mo, Da, Yr) April 18, 2007 | December 31, 2006 |
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| B2. Products Extraction (Continued) | | | | |
| 48 | Maintenance | | | |
| 49 | 784 Maintenance Supervision and Engineering | - | - | |
| 50 | 785 Maintenance of Structures and Improvements | - | - | |
| 51 | 786 Maintenance of Extraction and Refining Equipment | - | - | |
| 52 | 787 Maintenance of Pipe Lines | - | - | |
| 53 | 788 Maintenance of Extracted Products Storage Equipment | - | - | |
| 54 | 789 Maintenance of Compressor Equipment | - | - | |
| 55 | 790 Maintenance of Gas Measuring and Reg. Equipment | - | - | |
| 56 | 791 Maintenance of Other Equipment | - | - | |
| 57 | TOTAL Maintenance (Enter Total of lines 49 thru 56) | - | - | |
| 58 | TOTAL Products Extraction (Enter Total of lines 47 and 57) | - | - | |
| C. Exploration and Development | | | | |
| 60 | Operation | | | |
| 61 | 795 Delay Rentals | - | - | |
| 62 | 796 Nonproductive Well Drilling | - | - | |
| 63 | 797 Abandoned Leases | - | - | |
| 64 | 798 Other Exploration | - | - | |
| 65 | TOTAL Exploration and Development (Enter Total of lines 61 thru 64) | - | - | |
| D. Other Gas Supply Expenses | | | | |
| 66 | Operation | | | |
| 67 | 800 Natural Gas Well Head Purchases | - | - | |
| 68 | 800.1 Natural Gas Well Head Purchases, Intracompany Transfers | - | - | |
| 69 | 801 Natural Gas Field Line Purchases | - | - | |
| 70 | 802 Natural Gas Gasoline Plant Outlet Purchases | - | - | |
| 71 | 803 Natural Gas Transmission Line Purchases | - | - | |
| 72 | 804 Natural Gas City Gate Purchases | 173,074,085 | 175,191,246 | |
| 73 | 804.1 Liquefied Natural Gas Purchases | - | - | |
| 74 | 805 Other Gas Purchases | - | 1,070,886 | |
| 75 | (Less) 805.1 Purchased Gas Cost Adjustments | 13,874,833 | (12,590,980) | |
| 76 | TOTAL Purchased Gas (Enter Total of lines 67 to 76) | 186,948,918 | 163,671,152 | |
| 78 | 806 Exchange Gas | - | - | |
| 79 | Purchased Gas Expenses | | | |
| 80 | 807.1 Well Expenses-Purchased Gas | - | - | |
| 81 | 807.2 Operation of Purchased Gas Measuring Stations | - | - | |
| 82 | 807.3 Maintenance of Purchased Gas Measuring Stations | - | - | |
| 83 | 807.4 Purchased Gas Calculations Expenses | - | 0 | |
| 84 | 807.5 Other Purchased Gas Expenses | - | - | |
| 85 | TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84) | - | 0 | |
| 86 | 808.1 Gas Withdrawn from Storage-Debit | 7,353,178 | 2,408,307 | |
| 87 | (Less) 808.2 Gas Delivered to Storage-Credit | -6,955,129 | -10,880,761 | |
| 88 | 809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit | - | - | |
| 89 | (Less) 809.2 Deliveries of Natural Gas for Processing-Credit | - | - | |
| 90 | Gas Used in Utility Operations-Credit | | | |
| 91 | 810 Gas Used for Compressor Station Fuel-Credit | - | - | |
| 92 | 811 Gas Used for Products Extraction-Credit | - | - | |
| 93 | 812 Gas used for Other Utility Operations-Credit | - | - | |
| 94 | TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93) | - | - | |
| 95 | 813 Other Gas Supply Expenses | 652,979 | 627,144 | |
| 96 | TOTAL Other Gas Supply Exp (Total of lines 77,78,85,86 thru 89,94,95) | 187,999,945 | 155,825,842 | |
| 97 | TOTAL Production Expenses (Enter Total of lines 3,30,58,65, and 96) | 187,999,945 | 155,825,842 | |

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|---|---|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 98 | 2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES | | | |
| 99 | A. Underground Storage Expenses | | | |
| 100 | Operation | | | |
| 101 | 814 Operation Supervision and Engineering | 69,408 | 32,274 | |
| 102 | 815 Maps and Records | - | - | |
| 103 | 816 Wells Expenses | - | - | |
| 104 | 817 Lines Expense | - | - | |
| 105 | 818 Compressor Station Expenses | - | - | |
| 106 | 819 Compressor Station Fuel and Power | - | - | |
| 107 | 820 Measuring and Regulating Station Expenses | - | - | |
| 108 | 821 Purification Expenses | - | - | |
| 109 | 822 Exploration and Development | - | - | |
| 110 | 823 Gas Losses | - | - | |
| 111 | 824 Other Expenses | 183,172 | 197,323 | |
| 112 | 825 Storage Well Royalties | - | - | |
| 113 | 826 Rents | - | - | |
| 114 | TOTAL Operation (Enter Total of lines 101 thru 113) | 252,579 | 229,597 | |
| 115 | Maintenance | | | |
| 116 | 830 Maintenance Supervision and Engineering | - | - | |
| 117 | 831 Maintenance of Structures and Improvements | - | - | |
| 118 | 832 Maintenance of Reservoirs and Wells | - | - | |
| 119 | 833 Maintenance of Lines | - | - | |
| 120 | 834 Maintenance of Compressor Station Equipment | - | - | |
| 121 | 835 Maintenance of Measuring and Regulating Station Equipment | - | - | |
| 122 | 836 Maintenance of Purification Equipment | - | - | |
| 123 | 837 Maintenance of Other Equipment | 239,324 | 219,881 | |
| 124 | TOTAL Maintenance (Enter Total of lines 116 thru 123) | 239,324 | 219,881 | |
| 125 | TOTAL Underground Storage Expenses (Total of lines 114 and 124) | 491,904 | 449,479 | |
| 126 | B. Other Storage Expenses | | | |
| 127 | Operation | | | |
| 128 | 840 Operation Supervision and Engineering | - | - | |
| 129 | 841 Operation Labor and Expenses | - | - | |
| 130 | 842 Rents | - | - | |
| 131 | 842.1 Fuel | - | - | |
| 132 | 842.2 Power | - | - | |
| 133 | 842.3 Gas Losses | - | - | |
| 134 | TOTAL Operation (Enter Total of lines 128 thru 133) | - | - | |
| 135 | Maintenance | | | |
| 136 | 843.1 Maintenance Supervision and Engineering | - | - | |
| 137 | 843.2 Maintenance of Structures and Improvements | - | - | |
| 138 | 843.3 Maintenance of Gas Holders | - | - | |
| 139 | 843.4 Maintenance of Purification Equipment | - | - | |
| 140 | 843.5 Maintenance of Liquefaction Equipment | - | - | |
| 141 | 843.6 Maintenance of Vaporizing Equipment | - | - | |
| 142 | 843.7 Maintenance of Compressor Equipment | - | - | |
| 143 | 843.8 Maintenance of Measuring and Regulating Equipment | - | - | |
| 144 | 843.9 Maintenance of Other Equipment | - | - | |
| 145 | TOTAL Maintenance (Enter Total of lines 136 thru 144) | - | - | |
| 146 | TOTAL Other Storage Expenses (Enter Total of lines 134 and 145) | - | - | |

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|---|--|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 147 | C. Liquefied Natural Gas Terminaling and Processing Expenses | | | |
| 148 | Operation | | | |
| 149 | 844.1 Operation Supervision and Engineering | - | - | |
| 150 | 844.2 LNG Processing Terminal Labor and Expenses | - | - | |
| 151 | 844.3 Liquefaction Processing Labor and Expenses | - | - | |
| 152 | 844.4 Liquefaction Transportation Labor and Expenses | - | - | |
| 153 | 844.5 Measuring and Regulating Labor and Expenses | - | - | |
| 154 | 844.6 Compressor Station Labor and Expenses | - | - | |
| 155 | 844.7 Communication System Expenses | - | - | |
| 156 | 844.8 System Control and Load Dispatching | - | - | |
| 157 | 845.1 Fuel | - | - | |
| 158 | 845.2 Power | - | - | |
| 159 | 845.3 Rents | - | - | |
| 160 | 845.4 Demurrage Charges | - | - | |
| 161 | (Less) 845.5 Wharfage Receipts-Credit | - | - | |
| 162 | 845.6 Processing Liquefied or Vaporized Gas by Others | - | - | |
| 163 | 846.1 Gas Losses | - | - | |
| 164 | 846.2 Other Expenses | - | - | |
| 165 | TOTAL Operation (Enter Total of lines 149 thru 164) | - | - | |
| 166 | Maintenance | | | |
| 167 | 847.1 Maintenance Supervision and Engineering | - | - | |
| 168 | 847.2 Maintenance of Structures and Improvements | - | - | |
| 169 | 847.3 Maintenance of LNG Processing Terminal Equipment | - | - | |
| 170 | 847.4 Maintenance of LNG Transportation Equipment | - | - | |
| 171 | 847.5 Maintenance of Measuring and Regulating Equipment | - | - | |
| 172 | 847.6 Maintenance of Compressor Station Equipment | - | - | |
| 173 | 847.7 Maintenance of Communication Equipment | - | - | |
| 174 | 847.8 Maintenance of Other Equipment | - | - | |
| 175 | TOTAL Maintenance (Enter Total of lines 167 thru 174) | - | - | |
| 176 | TOTAL Liquefied Nat Gas Terminaling and Processing Exp (Lines 165 & 175) | - | - | |
| 177 | TOTAL Natural Gas storage (Enter Total of lines 125, 146, and 176) | 491,904 | 449,478.79 | |
| 178 | 3. TRANSMISSION EXPENSES | | | |
| 179 | Operation | | | |
| 180 | 850 Operation Supervision and Engineering | - | - | |
| 181 | 851 System Control and Load Dispatching | - | - | |
| 182 | 852 Communication System Expenses | - | - | |
| 183 | 853 Compressor Station Labor and Expenses | - | - | |
| 184 | 854 Gas for Compressor Station Fuel | - | - | |
| 185 | 855 Other Fuel and Power for Compressor Stations | - | - | |
| 186 | 856 Mains Expenses | - | - | |
| 187 | 857 Measuring and Regulating Station Expenses | - | - | |
| 188 | 858 Transmission and Compression of Gas by Others | - | - | |
| 189 | 859 Other Expenses | - | - | |
| 190 | 860 Rents | - | - | |
| 191 | TOTAL Operation (Enter Total of lines 180 thru 190) | - | - | |

| Name of Respondent | | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
|---|---|--|------------------------------------|-------------------|
| Avista Corp. | | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | December 31, 2006 |
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 3. TRANSMISSION EXPENSES (Continued) | | | | |
| 192 | Maintenance | | | |
| 193 | 861 Maintenance Supervision and Engineering | - | - | |
| 194 | 862 Maintenance of Structures and Improvements | - | - | |
| 195 | 863 Maintenance of Mains | - | - | |
| 196 | 864 Maintenance of Compressor Station Equipment | - | - | |
| 197 | 865 Maintenance of Measuring and Reg. Station Equipment | - | - | |
| 198 | 866 Maintenance of Communication Equipment | - | - | |
| 199 | 867 Maintenance of Other Equipment | - | - | |
| 200 | TOTAL Maintenance (Enter Total of lines 193 thru 199) | - | - | |
| 201 | TOTAL Transmission Expenses (Enter Total of lines 191 and 200) | - | - | |
| 4. DISTRIBUTION EXPENSES | | | | |
| 203 | Operation | | | |
| 204 | 870 Operation Supervision and Engineering | 281,883 | 353,098 | |
| 205 | 871 Distribution Load Dispatching | - | 0 | |
| 206 | 872 Compressor Station Labor and Expenses | - | - | |
| 207 | 873 Compressor Station Fuel and Power | - | - | |
| 208 | 874 Mains and Services Expenses | 1,412,731 | 1,198,467 | |
| 209 | 875 Measuring and Regulating Station Expenses-General | 69,298 | 75,327 | |
| 210 | 876 Measuring and Regulating Station Expenses-Industrial | 584 | 2,259 | |
| 211 | 877 Measuring and Regulating Station Expenses-City Gate Check Station | 77,064 | 99,563 | |
| 212 | 878 Meter and House Regulator Expenses | 424,929 | 313,870 | |
| 213 | 879 Customer Installations Expenses | 645,396 | 689,942 | |
| 214 | 880 Other Expenses | 989,892 | 1,034,944 | |
| 215 | 881 Rents | 10,676 | 11,863 | |
| 216 | TOTAL Operation (Enter Total of lines 204 thru 215) | 3,912,454 | 3,779,332 | |
| 217 | Maintenance | | | |
| 218 | 885 Maintenance Supervision and Engineering | 101,779 | 63,746.05 | |
| 219 | 886 Maintenance of Structures and Improvements | - | 0 | |
| 220 | 887 Maintenance of Mains | 1,261,429 | 1,114,543 | |
| 221 | 888 Maintenance of Compressor Station Equipment | - | - | |
| 222 | 889 Maintenance of Meas. and Reg. Sta. Equip.-General | 97,477 | 118,365 | |
| 223 | 890 Maintenance of Meas. and Reg. Sta. Equip.-Industrial | 26,372 | 48,236 | |
| 224 | 891 Maintenance of Meas. and Reg. Sta. Equip.-City Gate Check Station | 25,808 | 29,471 | |
| 225 | 892 Maintenance of Services | 441,785 | 506,047 | |
| 226 | 893 Maintenance of Meters and House Regulators | 473,086 | 430,406 | |
| 227 | 894 Maintenance of Other Equipment | 18,622 | 14,196.93 | |
| 228 | TOTAL Maintenance (Enter Total of lines 218 thru 227) | 2,446,358 | 2,325,011 | |
| 229 | TOTAL Distribution Expenses (Enter Total of lines 216 and 228) | 6,358,812 | 6,104,343 | |
| 5. CUSTOMER ACCOUNTS EXPENSES | | | | |
| 230 | Operation | | | |
| 231 | 901 Supervision | 207,194 | 271,992 | |
| 232 | 902 Meter Reading Expenses | 1,004,946 | 995,842 | |
| 233 | 903 Customer Records and Collection Expenses | 2,652,228 | 2,526,692 | |
| 234 | 904 Uncollectible Accounts | 622,645 | 589,713 | |
| 235 | 905 Miscellaneous Customer Accounts Expenses | 73,749 | 209,156 | |
| 236 | TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236) | 4,560,764 | 4,593,395 | |

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|--|---|--|-------------------------------------|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| If the amount for previous year is not derived from previously reported figures, explain in footnotes. | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 238 | 6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES | | | |
| 239 | Operation | | | |
| 240 | 907 Supervision | - | | - |
| 241 | 908 Customer Assistance Expenses | 3,214,244 | | 3,473,086 |
| 242 | 909 Informational and Instructional Expenses | 1,850 | | 7,546 |
| 243 | 910 Miscellaneous Customer Service and Informational Expenses | 43,354 | | 43,137 |
| 244 | TOTAL Customer Service and Information Expenses (Lines 240 thru 243) | 3,259,448 | | 3,523,768 |
| 245 | 7. SALES EXPENSES | | | |
| 246 | Operation | | | |
| 247 | 911 Supervision | - | | - |
| 248 | 912 Demonstrating and Selling Expenses | 298,842 | | 218,332 |
| 249 | 913 Advertising Expenses | 109,727 | | 55,349 |
| 250 | 916 Miscellaneous Sales Expenses | 87,182 | | 46,235 |
| 251 | TOTAL Sales Expenses (Enter Total of lines 247 thru 250) | 495,751 | | 319,916 |
| 252 | 8. ADMINISTRATIVE AND GENERAL EXPENSES | | | |
| 253 | Operation | | | |
| 254 | 920 Administrative and General Salaries | 2,885,529 | | 3,344,492 |
| 255 | 921 Office Supplies and Expenses | 683,783 | | 691,066 |
| 256 | (Less) (922) Administrative Expenses Transferred-Cr. | -7,672 | | (5,576) |
| 257 | 923 Outside Services Employed | 1,664,966 | | 1,669,687 |
| 258 | 924 Property Insurance | 166,226 | | 148,303 |
| 259 | 925 Injuries and Damages | 440,042 | | 490,941 |
| 260 | 926 Employee Pensions and Benefits | 149,718 | | 147,780 |
| 261 | 927 Franchise Requirements | - | | - |
| 262 | 928 Regulatory Commission Expenses | 607,459 | | 536,818 |
| 263 | (Less) (929) Duplicate Charges-Cr. | - | | - |
| 264 | 930.1 General Advertising Expenses | 2,143 | | (2,921.21) |
| 265 | 930.2 Miscellaneous General Expenses | 575,660 | | 602,911 |
| 266 | 931 Rents | 181,138 | | 447,369 |
| 267 | TOTAL Operation (Enter Total of lines 254 thru 266) | 7,348,992 | | 8,070,870 |
| 268 | Maintenance | | | |
| 269 | 935 Maintenance of General Plant | 829,170 | | 766,140 |
| 270 | TOTAL Administrative and General Exp (Total of lines 267 and 269) | 8,178,161 | | 8,837,010 |
| 271 | TOTAL Gas O. and M. Exp (Lines 97,177,201,229,237,244,251, and 270) | 211,344,784 | | 179,653,752 |

| | | |
|---------------------|-------------|-------------|
| Operations Expense | 207,829,933 | 176,342,720 |
| Maintenance Expense | 3,514,852 | 3,311,032 |
| | 211,344,784 | 179,653,752 |

| NUMBER OF GAS DEPARTMENT EMPLOYEES | | | |
|---|-------------------|--|-----|
| 1. The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31. | | construction employees in a footnote. | |
| 2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special | | 3. The number of employees assignable to the gas department from joint function of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions. | |
| 1. Payroll Period Ended (Date) | December 31, 2006 | | |
| 2. Total Regular Full-Time Employees | | 100 | 180 |
| 3. Total Part-Time and Temporary Employees allocation of General Employees | | 5 | 12 |
| 4. Total Employees | | 105 | 192 |

| | | | |
|--|--|--|---------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
| | (2) <input type="checkbox"/> A Resubmission | | |

TRANSMISSION MAINS

Show particulars Called for Concerning Transmission Mains*

| Line No. | Kind of Material (a) | Diameter of Pipe, Inches (b) | Total Length in Use Beginning of Year, Feet (c) | Laid During Year, Feet (d) | Taken up or Abandoned During Year, Feet (e) | Total Length in Use End of Year, Feet (f) |
|----------|-------------------------|---------------------------------|--|-------------------------------|--|--|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | Steel | 4" or Less | | | | |
| 5 | Steel | 4" to 10" | 390,720 | | 390,720 | 0 |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
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| 44 | | | | | | |
| 45 | | | | | | |
| 46 | TOTALS | | | 0 | | 0 |

(Moved to Distribution)

* Show separately and identify lines held under a title other than full ownership.

| | | | |
|--------------------|---|----------------|----------------|
| Name of Respondent | This Report Is: | Date of Report | Year of Report |
| Avista Corp. | (1) <input checked="" type="checkbox"/> An Original | (Mo, Da, Yr) | |
| | (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

DISTRIBUTION MAINS

Show particulars Called for Concerning Distribution Mains

| Line No. | Kind of Material (a) | Diameter of Pipe, Inches (b) | Total Length in Use Beginning of Year, Feet (c) | Laid During Year, Feet (d) | Taken up or Abandoned During Year, Feet (e) | Total Length in Use End of Year, Feet (f) |
|----------|-------------------------|---------------------------------|--|-------------------------------|--|--|
| 1 | Steel Wrapped | Less than 2" | 4,408,800 | 1,235,520 | | 5,644,320 |
| 2 | Steel Wrapped | 2" to 4" | 1,272,480 | 52,800 | | 1,325,280 |
| 3 | Steel Wrapped | 4" to 8" | 1,224,960 | 475,200 | | 1,700,160 |
| 4 | Steel Wrapped | 8" to 12" | 158,400 | 21,120 | | 179,520 |
| 5 | Steel Wrapped | Over 12" | 52,800 | | | 52,800 |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | Plastic | Less than 2" | 6,309,600 | 1,119,360 | | 7,428,960 |
| 9 | Plastic | 2" to 4" | 1,024,320 | 390,720 | | 1,415,040 |
| 10 | Plastic | 4" to 8" | 216,480 | 105,600 | | 322,080 |
| 11 | Plastic | 8" to 12" | 0 | | | 0 |
| 12 | Plastic | Over 12" | 0 | | | 0 |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
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| 20 | | | | | | |
| 21 | | | | | | |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | | | | | | |
| 25 | | | | | | |
| 26 | TOTALS | | 14,667,840 | 3,400,320 | 0 | 18,068,160 |

| | | | |
|--|---|--|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|-------------------------------------|

SERVICE PIPES GAS

Show the particulars called for concerning the line service pipe in possession of the respondent at the close of

| Line No. | Type (a) | Diameter in Inches (b) | Number at Beginning of Year (c) | Number Added During Year (d) | Number Remove or Abandoned During Year (e) | Number at Close of Year (f) | Average Length in Feet (g) |
|----------|---------------|---------------------------|------------------------------------|---------------------------------|---|--------------------------------|-------------------------------|
| 1 | Steel Wrapped | 1' or Less | * 43,827 | 4,292 | | 48,119 | Not Available |
| 2 | Steel Wrapped | 1" thru 2" | 1,081 | 546 | | 1,627 | |
| 3 | Steel Wrapped | 2" thru 4" | 71 | 97 | | 168 | |
| 4 | Steel Wrapped | 4" thru 8" | 0 | 22 | | 22 | |
| 5 | Steel Wrapped | Over 8" | 0 | 2 | | 2 | |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | Plastic | 1' or Less | 81,237 | 45,317 | 0 | 126,554 | |
| 9 | Plastic | 1" thru 2" | 700 | 1,812 | | 2,512 | |
| 10 | Plastic | 2" thru 4" | 90 | 41 | | 131 | |
| 11 | Plastic | 4" thru 8" | 0 | 6 | | 6 | |
| 12 | Plastic | Over 8" | 0 | | | 0 | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | TOTALS | | 127,006 | 52,135 | 0 | 179,141 | |

In 1996 40,000 1" services were dropped from the report.

| | | | |
|--|---|---|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report <i>(Mo, Da, Yr)</i> April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|---|-------------------------------------|

CUSTOMER'S METERS

| Line No. | Size <i>(a)</i> | Type <i>(b)</i> | Make <i>(c)</i> | Capacity <i>(d)</i> | Owned Beginning of Year <i>(e)</i> | Added During Year <i>(f)</i> | Retired During Year <i>(g)</i> | Owned End of Year <i>(h)</i> |
|----------|-------------------------------------|--------------------|--------------------|------------------------|---------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| 1 | Detailed information not available. | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | TOTAL | | | | 143,519 | 6,370 | 2,394 | 147,495 |

| | | | |
|--|--|--------------------------------|----------------|
| Name of Respondent Avista Corporation | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS ACCOUNT - NATURAL GAS

1 The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent.

2 Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.

3 Enter in column (c) the Dth as reported in the schedules indicated for the items of receipts and deliveries.

4 Indicated in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.

5 If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose. Use copies of pages 520.

6 Also indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quantities the reporting pipeline transported or sold through its local distribution facilities

or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.

7 Also indicate in a footnote (1) the system supply quantities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales, transportation, and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage quantities.

8 Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional rows as necessary to report all data, numbered 14.01, 14.02, etc.

01 NAME OF SYSTEM

| Line No. | Item (a) | Ref. Page No. (b) | Amount of Dth (1) (c) |
|----------------------------|--|-------------------|-----------------------|
| GAS RECEIVED | | | |
| 2 | Gas Purchases (Accounts 800-805) | | 23,537,520 |
| 3 | Gas of Others Received for Gathering (Account 489.1) | 303 | |
| 4 | Gas of Others Received for Transmission (489.2) | 305 | |
| 5 | Gas of Others Received for Distribution (Account 489.3) | 301 | 6,646,429 |
| 6 | Gas of Others Received for Contract Storage (Account 489.4) | 307 | |
| 7 | Exchanged Gas Received from Others (Account 806) | 328 | |
| 8 | Gas Received as Imbalances (Account 806) | 328 | |
| 9 | Receipts of Respondent's Gas Transported by Others (Account 858) | 332 | |
| 10 | Other Gas Withdrawn from Storage (Explain) | | |
| 11 | Gas Received from Shippers as compressor Station Fuel | | |
| 12 | Gas Received from Shippers as Lost and Unaccounted for | | |
| 13 | Other Receipts (Specify): | | |
| 14 | Total Receipts (Total lines 3 thru 14.?) | | 30,183,949 |
| GAS DELIVERED | | | |
| 15 | Gas Sales (Accounts 480 - 484) | | 16,820,335 |
| 16 | Deliveries of Gas Gathered for Others (Account 489.1) | 303 | |
| 17 | Deliveries of Gas Transported for Others (Account 489.2) | 305 | |
| 18 | Deliveries of Gas Distributed for Others (Account 489.3) | 301 | 6,646,429 |
| 19 | Deliveries of Contract Storage Gas (Account 489.4) | 307 | |
| 20 | Exchange Gas Delivered to Others (Account 806) | 328 | |
| 21 | Gas Delivered as Imbalances (Account 806) | 328 | |
| 22 | Deliveries of Gas to Others for Transportation (Account 858) | 332 | |
| 23 | Other Gas Delivered to Storage (Explain) | | |
| 24 | Gas Used for Compressor Station Fuel | 509 | |
| 25 | Other Deliveries (Specify): Sales for Resale | | 6,164,882 |
| 26 | Total Deliveries (Total lines 17 thru 27.?) | | 29,631,646 |
| GAS UNACCOUNTED FOR | | | |
| 27 | Production System Losses | | |
| 28 | Gathering System Losses | | |
| 29 | Transmission System Losses | | |
| 30 | Distribution System Losses | | 552,303 |
| 31 | Storage System Losses | | |
| 32 | Other Losses (Specify) | | |
| 33 | Total Unaccounted For (Total lines 30 thru 35) | | 552,303 |
| 34 | Total Deliveries & Unaccounted For (Total lines 28 thru 36) | | 30,183,949 |

Data Request for Statistics Report - 2006

| Line No | | Total Company Operations | | Washington Operations | |
|---------|---|--------------------------|-------------|-----------------------|-------------|
| | | 2006 | 2005 | 2006 | 2005 |
| 1 | GAS SERVICE REVENUES | | | | |
| 2 | | | | | |
| 3 | RESIDENTIAL SALES | 257,752,600 | 229,736,621 | 129,424,936 | 112,489,326 |
| 4 | COMMERCIAL SALES | 146,581,144 | 126,647,601 | 74,973,137 | 63,339,411 |
| 5 | INDUSTRIAL SALES | 11,676,035 | 11,867,199 | 4,143,795 | 3,995,813 |
| 6 | OTHER SALES | 491,509 | 424,720 | 420,604 | 364,959 |
| 7 | SALES FOR RESALE | 94,971,782 | 63,085,081 | 50,986,936 | 28,031,362 |
| 8 | TRANSPORTATION OF GAS OF OTHERS | 6,498,720 | 7,601,297 | 3,085,653 | 3,521,509 |
| 9 | OTHER OPERATING REVENUES | 4,333,830 | 3,853,678 | 3,219,702 | 2,784,034 |
| 10 | | | | | |
| 11 | TOTAL GAS SERVICE REVENUES | 522,305,620 | 443,216,197 | 266,254,763 | 214,526,414 |
| 12 | | | | | |
| 13 | THERMS OF GAS SOLD-TRANSPORTED | | | | |
| 14 | | | | | |
| 15 | RESIDENTIAL SALES | 192,832,941 | 199,433,556 | 100,085,153 | 101,323,534 |
| 16 | COMMERCIAL SALES | 120,988,742 | 122,980,835 | 63,868,710 | 63,953,081 |
| 17 | INDUSTRIAL SALES | 11,039,977 | 13,533,925 | 3,866,679 | 4,383,186 |
| 18 | OTHER SALES | 442,701 | 465,790 | 382,804 | 405,848 |
| 19 | SALES FOR RESALE | 157,426,570 | 79,961,354 | 88,020,723 | 35,513,928 |
| 20 | TRANSPORTATION OF GAS OF OTHERS | 149,717,330 | 169,024,680 | 66,464,290 | 67,526,230 |
| 21 | | | | | |
| 22 | TOTAL THERMS OF GAS SOLD-TRANSPORTED | 632,448,261 | 585,400,140 | 322,688,359 | 273,105,807 |
| 23 | | | | | |
| 24 | AVERAGE NUMBER OF GAS CUSTOMERS PER MONTH | | | | |
| 25 | | | | | |
| 26 | RESIDENTIAL SALES | 267,345 | 265,294 | 125,230 | 121,859 |
| 27 | COMMERCIAL SALES | 31,746 | 31,652 | 13,238 | 13,064 |
| 28 | INDUSTRIAL SALES | 295 | 306 | 145 | 155 |
| 29 | OTHER SALES | 51 | 52 | 31 | 30 |
| 31 | TRANSPORTATION OF GAS OF OTHERS | 81 | 77 | 34 | 30 |
| 32 | | | | | |
| 33 | | | | | |
| 34 | TRANS. & DISTRN. MAINS - FEET (END OF YEAR) | 38,359,200 | 33,221,760 | 18,068,160 | 14,667,840 |
| 35 | NO. OF METERS IN SERV. & HELD IN RESERVE (AVE.) | 324,229 | 317,187 | 147,495 | 143,519 |
| 36 | AVERAGE B.T.U. CONTENT PER CU. FT. | 1,031 | 1,027 | 1,026 | 1,024 |

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IDAHO

| | | | |
|---------------------------------------|---|---|-------------------------------------|
| Name of Respondent Avista Corp | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) Apr. 18, 2007 | Year of Report Dec. 31, 2006 |
|---------------------------------------|---|---|-------------------------------------|

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,k,m,o) in a similar manner to a utility department. Spread the amount(s) over lines 01 thru 20 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

3. Report data for lines 7, 9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2.

4. Use page 122 for important notes regarding the statement of income or any account thereof.

5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.

6. Give concise explanations concerning significant amounts of any refunds made or received during the year

| Line No. | Account (a) | (Ref.) Page No. (b) | TOTAL | |
|----------|---|---------------------------|---------------------|----------------------|
| | | | Current Year (c) | Previous Year (d) |
| 1 | UTILITY OPERATING INCOME | | | |
| 2 | Operating Revenues (400) | 300-301 | \$285,679,270 | \$280,597,321 |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 320-325 | | |
| 5 | Maintenance Expenses (402) | 320-325 | | |
| 6 | Depreciation Expense (403) | 336-338 | | |
| 7 | Amort. & Depl. of Utility Plant (404-405) | 336-338 | | |
| 8 | Amort. of Utility Plant Acq. Adj. (406) | 336-338 | | |
| 9 | Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407) | | | |
| 10 | Amort. of Conversion Expenses (407) | | | |
| 11 | Regulatory Debits (407.3) | | | |
| 12 | (Less Regulatory Credits (407.4) | | | |
| 13 | Taxes Other Than Income Taxes (408.1) | 262-263 | | |
| 14 | Income Taxes - Federal (409.1) | 262-263 | | |
| 15 | - Other (409.1) | 262-263 | | |
| 16 | Provision for Deferred Income Taxes (410.1) | 234,272-277 | | |
| 17 | (Less) Provision for Deferred Income Taxes -Cr. (411.1) | 234,272-277 | | |
| 18 | Investment Tax Credit Adj. - Net (411.4) | 266 | | |
| 19 | (Less) Gains from Disp. of Utility Plant (411.6) | | | |
| 20 | Losses from Disp. of Utility Plant (411.7) | | | |
| 21 | (Less) Gains from Disposition of Allowances (411.8) | | | |
| 22 | Losses from Disposition of Allowances (411.9) | | | |
| 23 | TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22) | | | |
| 24 | Net Utility Operating Income (Enter Total of line 2 less 23) (Carry forward to page 117, line 25) | | \$285,679,270 | \$280,597,321 |

| | | | |
|---------------------------------------|--|--------------------------------|----------------|
| Name of Respondent Avista Corp | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Apr. 18, 2007 | Dec. 31, 2006 |

STATEMENT OF INCOME FOR THE YEAR

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be attached at page 122.

8. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which

had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 1 to 19, and report the information in the blank space on page 122 or in a supplemental statement.

| ELECTRIC UTILITY | | GAS UTILITY | | OTHER UTILITY | | Line No. |
|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------|
| Current Year (e) | Previous Year (f) | Current Year (g) | Previous Year (h) | Current Year (i) | Previous Year (j) | |
| | | | | | | 1 |
| \$199,286,135 | \$194,621,447 | \$86,393,135 | \$85,975,874 | | | 2 |
| | | | | | | 3 |
| | | | | | | 4 |
| | | | | | | 5 |
| | | | | | | 6 |
| | | | | | | 7 |
| | | | | | | 8 |
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| | | | | | | 13 |
| | | | | | | 14 |
| | | | | | | 15 |
| | | | | | | 16 |
| | | | | | | 17 |
| | | | | | | 18 |
| | | | | | | 19 |
| \$199,286,135 | \$194,621,447 | \$86,393,135 | \$85,975,874 | | \$0 | 20 |

| Name of Respondent Avista Corporation | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|---|---|---|--|-------------------------------------|
| SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION | | | | |
| Line No. | Item (a) | Total (b) | Electric (c) | |
| 1 | UTILITY PLANT | | | |
| 2 | In Service | | | |
| 3 | Plant in Service (Classified) | 742,055,194 | 628,051,134 | |
| 4 | Property Under Capital Leases | 1,654,635 | | |
| 5 | Plant Purchased or Sold | | | |
| 6 | Completed Construction not Classified | | | |
| 7 | Investment in Kettle Falls | | | |
| 8 | TOTAL (Enter Total of lines 3 thru 7) | 743,709,829 | 628,051,134 | |
| 9 | Leased to Others | | | |
| 10 | Held for Future Use | | | |
| 11 | Construction Work in Progress | 8,827,584 | 7,329,879 | |
| 12 | Acquisition Adjustments | 0 | 0 | |
| 13 | TOTAL Utility Plant (Enter Total of lines 8 thru 12) | 752,537,413 | 635,381,013 | |
| 14 | Accum. Prov. for Depr., Amort., & Depl. | 0 | 0 | |
| 15 | Net Utility Plant (Enter total of line 13 less 14) | 752,537,413 | 635,381,013 | |
| 16 | DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION | | | |
| 17 | In Service: | | | |
| 18 | Depreciation | | | |
| 19 | Amort. and Depl. of Producing Nat. Gas Land and Land Rights | | | |
| 20 | Accumulated Depreciation - Kettle Falls | | | |
| 21 | Amort. of Other Utility Plant | | | |
| 22 | TOTAL in Service (Enter Total of lines 18 thru 21) | | | |
| 23 | Leased to Others | | | |
| 24 | Depreciation | | | |
| 25 | Amortization and Depletion | | | |
| 26 | TOTAL Leased to Others (Enter Total of lines 24 and 25) | | | |
| 27 | Held for Future Use | | | |
| 28 | Depreciation | | | |
| 29 | Amortization | | | |
| 30 | TOTAL Held for Future Use (Ent. Tot. of lines 28 and 29) | | | |
| 31 | Abandonment of Leases (Natural Gas) | | | |
| 32 | Amort. of Plant Acquisition Adjustment | 0 | 0 | |
| 33 | TOTAL Accumulated Provisions (Should agree with line 14 above) (Enter Total of lines 22, 26, 30, 31, and 32) | 0 | 0 | |

| | | | |
|--|---|----------------------------------|-------------------------------------|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report April 18, 2007 | Year of Report December 31, 2006 |
|--|---|----------------------------------|-------------------------------------|

**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION, AMORTIZATION AND DEPLETION (Continued)**

| Gas (d) | Other (Specify) (e) | Other (Specify) (f) | Other (Specify) (g) | Common (h) | Line No. |
|-------------|------------------------|------------------------|------------------------|---------------|----------|
| | | | | | 1 |
| | | | | | 2 |
| 108,866,401 | | | | 5,137,659 | 3 |
| 403,189 | | | | 1,251,446 | 4 |
| | | | | | 5 |
| | | | | | 6 |
| | | | | | 7 |
| 109,269,590 | | | | 6,389,105 | 8 |
| | | | | | 9 |
| | | | | | 10 |
| 1,334,933 | | | | 162,772 | 11 |
| | | | | | 12 |
| 110,604,523 | | | | 6,551,877 | 13 |
| 0 | | | | | 14 |
| 110,604,523 | | | | 6,551,877 | 15 |
| | | | | | 16 |
| | | | | | 17 |
| | | | | | 18 |
| | | | | | 19 |
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| | | | | | 27 |
| | | | | | 28 |
| | | | | | 29 |
| | | | | | 30 |
| | | | | | 31 |
| | | | | | 32 |
| 0 | | | | 0 | 33 |

| | | | |
|--------------------|--------------------------------------|--------------------------------|---------------|
| Name of Respondent | This report is: [X] An Original | Date of Report (Mo, Da, Yr) | Year Ending |
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts. estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d).
2. In addition to Account 101, *Gas Plant in Service (Classified)*, this page and the next include Account 102, *Gas Plant Purchased or Sold*; Account 103, *Experimental Gas Plant Unclassified*, and Account 106, *Completed Construction Not Classified-Gas*.
3. Include in column (c) and (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.
5. Classify Account 106 according to prescribed accounts, on an

| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) |
|----------|--|----------------------------------|---------------|
| 1 | INTANGIBLE PLANT | | |
| 2 | 301 Organization | 0 | |
| 3 | 302 Franchises and Consents | 0 | |
| 4 | 303 Miscellaneous Intangible Plant | 103,362 | |
| 5 | TOTAL Intangible Plant (Enter Total of lines 2 thru 4) | 103,362 | 0 |
| 6 | PRODUCTION PLANT | | |
| 7 | Manufactured Gas Production Plant | | |
| 8 | 304 Land and Land Rights | 0 | |
| 9 | 305 Structures and Improvements | 0 | |
| 10 | 306 Boiler Plant Equipment | 0 | |
| 11 | 307 Other Power Equipment | 0 | |
| 12 | 308 Coke Ovens | 0 | |
| 13 | 309 Producer gas equipment | 0 | |
| 14 | 310 Water Gas Generating Equipment | 0 | |
| 15 | 311 Liquefied Petroleum Gas Equipment | 0 | |
| 16 | 312 Oil Gas Generating Equipment | 0 | |
| 17 | 313 Generating Equipment-Other Processes | 0 | |
| 18 | 314 Coal, Coke, and ash handling equipment | 0 | |
| 19 | 315 Catalytic Cracking Equipment | 0 | |
| 20 | 316 Other reforming equipment | 0 | |
| 21 | 317 Purification equipment | 0 | |
| 22 | 318 Residual refining equipment | 0 | |
| 23 | 319 Gas mixing equipment | 0 | |
| 24 | 320 Other Equipment | 0 | |
| 25 | | | |
| 26 | TOTAL Manufactured Gas Production Plant (Enter Total of lines 8 thru 24) | 0 | 0 |
| 27 | PRODUCTS EXTRACTION PLANT | | |
| 28 | 340 Land and Land Rights | 0 | |
| 29 | 341 Structures and Improvements | 0 | |
| 30 | 342 Extraction and Refining Equipment | 0 | |
| 31 | 343 Pipe Lines | 0 | |
| 32 | 344 Extracted Products Storage Equipment | 0 | |
| 33 | 345 Compressor Equipment | 0 | |

| | | | |
|--------------------|--|--------------------------------|---------------|
| Name of Respondent | This report is: <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) | Year Ending |
| Avista Corp. | <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
|--------------------|--------------------|------------------|-------------------------------|-------------|
| | | | | 1 |
| | | | 0 | 2 |
| | | | 0 | 3 |
| | | | 103,362 | 4 |
| 0 | 0 | 0 | 103,362 | 5 |
| | | | | 6 |
| | | | | 7 |
| | | | 0 | 8 |
| | | | 0 | 9 |
| | | | 0 | 10 |
| | | | 0 | 11 |
| | | | 0 | 12 |
| | | | 0 | 13 |
| | | | 0 | 14 |
| | | | 0 | 15 |
| | | | 0 | 16 |
| | | | 0 | 17 |
| | | | 0 | 18 |
| | | | 0 | 19 |
| | | | 0 | 20 |
| | | | 0 | 21 |
| | | | 0 | 22 |
| | | | 0 | 23 |
| | | | 0 | 24 |
| | | | 0 | 25 |
| 0 | 0 | 0 | 0 | 26 |
| | | | | 27 |
| | | | 0 | 28 |
| | | | 0 | 29 |
| | | | 0 | 30 |
| | | | 0 | 31 |
| | | | 0 | 32 |
| | | | 0 | 33 |

| Name of Respondent | | This report is: | Date of Report (Mo, Da, Yr) | Year Ending |
|---|---|---|--------------------------------|---------------|
| Avista Corp. | | [X] An Original [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 34 | 346 Gas Measuring and Regulating Equipment | 0 | | |
| 35 | 347 Other Equipment | 0 | | |
| 36 | TOTAL Products Extraction Plant (Enter Total of lines 28 thru 35) | 0 | 0 | |
| 37 | TOTAL Natural Gas Production Plant (Enter Total of lines 26 and 36) | 0 | 0 | |
| 38 | Manufactured Gas Production Plant (Submit Supplementary Statement) | 0 | | |
| 39 | TOTAL Production Plant (Enter Total of lines 37 and 38) | 0 | 0 | |
| 40 | NATURAL GAS STORAGE AND PROCESSING PLANT | | | |
| 41 | Underground Storage Plant | | | |
| 42 | 350.1 Land | 0 | | |
| 43 | 350.2 Rights-of-Way | 0 | | |
| 44 | 351 Structures and Improvements | 0 | | |
| 45 | 352 Wells | 0 | | |
| 46 | 352.1 Storage Leaseholds and Rights | 0 | | |
| 47 | 352.2 Reservoirs | 0 | | |
| 48 | 352.3 Non-recoverable Natural Gas | 0 | | |
| 49 | 353 Lines | 0 | | |
| 50 | 354 Compressor Station Equipment | 0 | | |
| 51 | 355 Measuring and Regulating Equipment | 0 | | |
| 52 | 356 Purification Equipment | 0 | | |
| 53 | 357 Other Equipment | 0 | | |
| 54 | TOTAL Underground Storage Plant (Enter Total of lines 42 thru 53) | 0 | 0 | |
| 55 | Other Storage Plant | | | |
| 56 | 360 Land and Land Rights | 0 | | |
| 57 | 361 Structures and Improvements | 0 | | |
| 58 | 362 Gas Holders | 0 | | |
| 59 | 363 Purification Equipment | 0 | | |
| 60 | 363.1 Liquefaction Equipment | 0 | | |
| 61 | 363.2 Vaporizing Equipment | 0 | | |
| 62 | 363.3 Compressor Equipment | 0 | | |
| 63 | 363.4 Measuring and Regulating Equipment | 0 | | |
| 64 | 363.5 Other Equipment | 0 | | |
| 65 | TOTAL Other Storage Plant (Enter Total of lines 56 thru 64) | 0 | 0 | |
| 66 | Base Load Liquefied Natural Gas Terminating and Processing Plant | | | |
| 67 | 364.1 Land and Land Rights | 0 | | |
| 68 | 364.2 Structures and Improvements | 0 | | |
| 69 | 364.3 LNG Processing Terminal Equipment | 0 | | |
| 70 | 364.4 LNG Transportation Equipment | 0 | | |
| 71 | 364.5 Measuring and Regulating Equipment | 0 | | |
| 72 | 364.6 Compressor Station Equipment | 0 | | |
| 73 | 364.7 Communications Equipment | 0 | | |
| 74 | 364.8 Other Equipment | 0 | | |
| 75 | TOTAL Base Load Liq Nat'l Gas, Terminal and Processing Plant (lines 67-74) | 0 | 0 | |
| 76 | TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 54, 65 and 75) | 0 | 0 | |
| 77 | TRANSMISSION PLANT | | | |
| 78 | 365.1 Land and Land Rights | 0 | | |
| 79 | 365.2 Rights-of-Way | 0 | | |
| 80 | 366 Structures and Improvements | 0 | | |

| Name of Respondent | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) | Year Ending | |
|--|--|--------------------------------|-------------------------------|-------------|
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 | |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| | | | 0 | 34 |
| | | | 0 | 35 |
| 0 | 0 | 0 | 0 | 36 |
| 0 | 0 | 0 | 0 | 37 |
| | | | 0 | 38 |
| 0 | 0 | 0 | 0 | 39 |
| | | | | 40 |
| | | | | 41 |
| | | | 0 | 42 |
| | | | 0 | 43 |
| | | | 0 | 44 |
| | | | 0 | 45 |
| | | | 0 | 46 |
| | | | 0 | 47 |
| | | | 0 | 48 |
| | | | 0 | 49 |
| | | | 0 | 50 |
| | | | 0 | 51 |
| | | | 0 | 52 |
| | | | 0 | 53 |
| 0 | 0 | 0 | 0 | 54 |
| | | | | 55 |
| | | | 0 | 56 |
| | | | 0 | 57 |
| | | | 0 | 58 |
| | | | 0 | 59 |
| | | | 0 | 60 |
| | | | 0 | 61 |
| | | | 0 | 62 |
| | | | 0 | 63 |
| | | | 0 | 64 |
| 0 | 0 | 0 | 0 | 65 |
| | | | | 66 |
| | | | 0 | 67 |
| | | | 0 | 68 |
| | | | 0 | 69 |
| | | | 0 | 70 |
| | | | 0 | 71 |
| | | | 0 | 72 |
| | | | 0 | 73 |
| | | | 0 | 74 |
| 0 | 0 | 0 | 0 | 75 |
| 0 | 0 | 0 | 0 | 76 |
| | | | | 77 |
| | | | 0 | 78 |
| | | | 0 | 79 |
| | | | 0 | 80 |

| Name of Respondent | | This report is: | Date of Report (Mo, Da, Yr) | Year Ending |
|---|---|---|--------------------------------|---------------|
| Avista Corp. | | [X] An Original [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 81 | 367 Mains | 0 | | |
| 82 | 368 Compressor Station Equipment | 0 | | |
| 83 | 369 Measuring and Regulating Equipment | 0 | | |
| 84 | 370 Communications Equipment | 0 | | |
| 85 | 371 Other Equipment | 0 | | |
| 86 | TOTAL Transmission Plant (Enter Totals of lines 78 thru 85) | 0 | 0 | |
| 87 | DISTRIBUTION PLANT | | | |
| 88 | 374 Land and Land Rights | 29,392 | | |
| 89 | 375 Structures and Improvements | 125,248 | 5,788 | |
| 90 | 376 Mains | 50,542,197 | 7,128,268 | |
| 91 | 377 Compressor Station Equipment | 0 | | |
| 92 | 378 Measuring and Regulating Equipment-General | 1,117,708 | 36,866 | |
| 93 | 379 Measuring and Regulating Equipment-City Gate | 769,288 | 570 | |
| 94 | 380 Services | 38,081,863 | 1,828,955 | |
| 95 | 381 Meters | 8,496,582 | 863,957 | |
| 96 | 382 Meter Installations | 0 | | |
| 97 | 383 House Regulators | 0 | | |
| 98 | 384 House Regulator Installations | 0 | | |
| 99 | 385 Industrial Measuring and Regulating Station Equipment | 489,324 | | |
| 100 | 386 Other Property on Customers' Premises | 0 | | |
| 101 | 386 Other Equipment | 0 | | |
| 102 | TOTAL Distribution Plant (Enter Totals of lines 88 thru 101) | 99,651,602 | 9,864,404 | |
| 103 | GENERAL PLANT | | | |
| 104 | 389 Land and Land Rights | 0 | | |
| 105 | 390 Structures and Improvements | 0 | | |
| | 391 Office Furniture and Equipment | 0 | | |
| 107 | 392 Transportation Equipment | 726,924 | 88,395 | |
| 108 | 393 Stores Equipment | 0 | | |
| 109 | 394 Tools, Shop, and Garage Equipment | 370,729 | 22,408 | |
| 110 | 395 Laboratory Equipment | 58,782 | | |
| 111 | 396 Power Operated Equipment | 723,979 | 3,047 | |
| 112 | 397 Communication Equipment | 272,468 | 93,328 | |
| 113 | 398 Miscellaneous Equipment | 0 | | |
| 114 | Subtotal (Enter Totals of lines 104 thru 113) | 2,152,882 | 207,177 | |
| 115 | 399 Other Tangible Property | 0 | | |
| 116 | TOTAL General Plant (Enter Totals of lines 114 and 115) | 2,152,882 | 207,177 | |
| 117 | TOTAL (Accounts 101 and 106) | 101,907,846 | 10,071,581 | |
| 118 | Gas Plant Purchased (See Instruction 8) | 0 | | |
| 119 | (Less) Gas Plant Sold (See Instruction 8) | 0 | | |
| 120 | Experimental Gas Plant Unclassified | 0 | | |
| 121 | TOTAL Gas Plant in Service (Enter Totals of lines 117 thru 120) | 101,907,846 | 10,071,581 | |

| Name of Respondent | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) | Year Ending | |
|--|--|--------------------------------|-------------------------------|-------------|
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 | |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| | | | 0 | 81 |
| | | | 0 | 82 |
| | | | 0 | 83 |
| | | | 0 | 84 |
| | | | 0 | 85 |
| 0 | 0 | 0 | 0 | 86 |
| | | | | 87 |
| 4,722 | | | 24,670 | 88 |
| | | | 131,036 | 89 |
| 347,086 | | (2,239,170) | 55,084,209 | 90 |
| | | | 0 | 91 |
| | | | 1,154,574 | 92 |
| | | | 769,858 | 93 |
| 111,387 | | | 39,799,432 | 94 |
| | | | 9,360,539 | 95 |
| | | | 0 | 96 |
| | | | 0 | 97 |
| | | | 0 | 98 |
| | | | 489,324 | 99 |
| | | | 0 | 100 |
| | | | 0 | 101 |
| 463,194 | 0 | (2,239,170) | 106,813,642 | 102 |
| | | | | 103 |
| | | | 0 | 104 |
| | | | 0 | 105 |
| | | | 0 | 106 |
| | | | 815,319 | 107 |
| | | | 0 | 108 |
| 3,999 | | | 389,137 | 109 |
| 52 | | | 58,730 | 110 |
| | | | 727,026 | 111 |
| 3,422 | | | 362,374 | 112 |
| | | | 0 | 113 |
| 7,473 | 0 | 0 | 2,352,587 | 114 |
| | | | 0 | 115 |
| 7,473 | 0 | 0 | 2,352,587 | 116 |
| 470,667 | 0 | (2,239,170) | 109,269,591 | 117 |
| | | | | 118 |
| | | | 0 | 119 |
| | | | 0 | 120 |
| 470,667 | 0 | (2,239,170) | 109,269,591 | 121 |

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| | | | |
|--|--|--|---------------------------------|
| Name of Respondent Avista Corporation | This Report Is: <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
| | <input type="checkbox"/> A Resubmission | | |

GAS STORED (ACCOUNT 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, AND 164.3)

- 1 If during the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.
- 2 Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas property recordable in the plant accounts.
- 3 State in a footnote the basis of segregation of inventory between current and noncurrent portions. Also state in a footnote the method used to report storage (i.e. fixed asset method or inventory method).

| Line No. | Description (a) | (Account 117.1) (b) | (Account 117.2) (c) | Noncurrent (Account 117.3) (d) | (Account 117.4) (e) | Current (Account 164.1) (f) | LNG (Account 164.2) (g) | LNG (Account 164.3) (h) | Total (i) |
|----------|------------------------------|---------------------|---------------------|--------------------------------|---------------------|-----------------------------|-------------------------|-------------------------|-----------|
| 1 | Balance at Beginning of Year | | | | | 3,320,879 | 124,221 | | 3,445,100 |
| 2 | Gas Delivered to Storage | | | | | 2,909,521 | 0 | | 2,909,521 |
| 3 | Gas Withdrawn from Storage | | | | | 2,973,049 | 0 | | 2,973,049 |
| 4 | Other Debits and Credits | | | | | 0 | (1,336) | | (1,336) |
| 5 | Balance at End of Year | | | | | 3,257,351 | 122,885 | | 3,380,236 |
| 6 | Dth | | | | | 550,196 | 40,858 | | 591,054 |
| 7 | Amount Per Dekatherm | | | | | \$5.9203 | \$3.0076 | | \$5.7190 |

8 State basis of segregation of inventory between current and noncurrent portions:

Current portion is gas expected to be sold within a 24 month period. All other gas is considered non-current.

| | | | |
|--|--|--------------------------------|----------------|
| Name of Respondent Avista Corporation | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account, and manufactured gas revenues in total.

2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.

3. Report number of customers, columns (f) and (g), on the basis of meter, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted

for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.

4. Report quantities of natural gas sold in Mcf (14.73 psia at 60 degrees F). If billings are on a therm basis, give the Btu contents of the gas sold and the sales converted to Mcf.

5. If increases or decreases from previous year (columns (c), (e) and (g), are not derived from previously

| Line No. | Title of Account (a) | OPERATING REVENUES | |
|----------|---|------------------------|---------------------------------|
| | | Amount for Year (b) | Amount for Previous Year (c) |
| 1 | GAS SERVICE REVENUES | | |
| 2 | (480) Residential Sales | 54,183,029 | 46,814,255 |
| 3 | (481) Commercial and Industrial Sales | | |
| 4 | Small (or Comm.) (See Instr. 6) | 28,804,772 | 24,303,913 |
| 5 | Large (or Ind.) (See Instr. 6) | 2,474,958 | 2,150,723 |
| 6 | (482) Other Sales to Public Authorities | | |
| 7 | (484) Interdepartmental Sales | 47,300 | 37,010 |
| 8 | TOTAL Sales to Ultimate Consumers | 85,510,059 (1) | 73,305,901 |
| 9 | (483) Sales for Resale | | 11,432,755 |
| 10 | TOTAL Nat. Gas Service Revenues | 85,510,059 | 84,738,656 |
| 11 | Revenues from Manufactured Gas | | |
| 12 | TOTAL Gas Service Revenues | 85,510,059 | 84,738,656 |
| 13 | OTHER OPERATING REVENUES | | |
| 14 | (485) Intracompany Transfers | | |
| 15 | (487) Forfeited Discounts | | |
| 16 | (488) Misc. Service Revenues | 9,673 | 7,254 |
| 17 | (489) Rev. from Trans. of Gas of Others | 863,512 (1) | 925,944 |
| 18 | (490) Sales of Prod. Ext. from Nat. Gas | | |
| 19 | (491) Rev. from Nat. Gas Proc. by Others | | |
| 20 | (492) Incidental Gasoline and Oil Sales | | |
| 21 | (493) Rent from Gas Property | | |
| 22 | (494) Interdepartmental Rents | | |
| 23 | (495) Other Gas Revenues | 9,891 | 304,020 |
| 24 | TOTAL Other Operating Revenues | 883,076 | 1,237,218 |
| 25 | TOTAL Gas Operating Revenues | 86,393,135 | 85,975,874 |
| 26 | (Less) (496) Provision for Rate Refunds | | |
| 27 | TOTAL Gas Operating Revenues Net of Provision for Refunds | 86,393,135 | |
| 28 | Dis. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.) | 82,987,801 | |
| 29 | Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities) | 2,474,958 | |
| 30 | Sales for Resale | 0 | |
| 31 | Other Sales to Pub. Auth. (Local Dist. Only) | | |
| 32 | Interdepartmental Sales | 47,300 | |
| 33 | TOTAL (Same as Line 10, Columns (b) and (d)) | 85,510,059 | |

| | | | |
|--|--|---|-------------------------------------|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) April 18,2007 | Year of Report Dec. 31, 2006 |
| | (2) <input type="checkbox"/> A Resubmission | | |

GAS OPERATING REVENUES (Account 400) (Continued)

reported figures, explain any inconsistencies in a footnote.

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 200,000 Mcf per year or approximately 800 Mcf

per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

7. See page 108, Important Changes During Year, for important new territory added and important rate increases or decreases.

| THERMS OF NATURAL GAS SOLD | | AVG. NO. OF NAT. GAS CUSTRS. PER MO. | | Line No. |
|----------------------------|-----------------------------------|--------------------------------------|---------------------------------|----------|
| Quantity for Year (d) | Quantity for Previous Year (e) | Number for Year (f) | Number for Previous Year (g) | |
| | | | | 1 |
| 43,125,248 | | 60,668 | 58,161 | 2 |
| | 42,654,929 | | | 3 |
| 24,879,096 | | 7,648 | 7,408 | 4 |
| 2,324,647 | | 102 | 104 | 5 |
| | | | | 6 |
| 42,307 | | 5 | | 7 |
| 70,371,298 (2) | | 68,423 | 65,679 | 8 |
| | 14,484,563 | | 2 | 9 |
| 70,371,298 | | 68,423 | 65,681 | 10 |
| | | | | 11 |
| | | | | 12 |
| | | | | 13 |
| | | | | 14 |
| | | | | 15 |
| | | | | 16 |
| | | | | 17 |
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| | | | | 29 |
| | | | | 30 |
| | | | | 31 |
| | | | | 32 |
| | | | | 33 |

NOTES

(1) Includes \$27,648 unbilled revenues.

(2) Includes 177,332 therms relating to unbilled revenues.

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|---|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| If the amount for previous year is not derived from previously reported figures, explain in footnotes. | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 1 | 1. PRODUCTION EXPENSES | | | |
| 2 | A. Manufactured Gas Production | - | - | |
| 3 | Manufactured Gas Production (Submit Supplemental Statement) | | | |
| 4 | B. Natural Gas Production | | | |
| 5 | B1. Natural Gas Production and Gathering | | | |
| 6 | Operation | - | - | |
| 7 | 750 Operation Supervision and Engineering | - | - | |
| 8 | 751 Production Maps and Records | - | - | |
| 9 | 752 Gas Wells Expenses | - | - | |
| 10 | 753 Field Lines Expenses | - | - | |
| 11 | 754 Field Compressor Station Expenses | - | - | |
| 12 | 755 Field Compressor Station Fuel and Power | - | - | |
| 13 | 756 Field Measuring and Regulating Station Expenses | - | - | |
| 14 | 757 Purification Expenses | - | - | |
| 15 | 758 Gas Well Royalties | - | - | |
| 16 | 759 Other Expenses | - | - | |
| 17 | 760 Rents | - | - | |
| 18 | TOTAL Operation (Enter Total of lines 7 thru 17) | - | - | |
| 19 | Maintenance | | | |
| 20 | 761 Maintenance Supervision and Engineering | - | - | |
| 21 | 762 Maintenance of Structures and Improvements | - | - | |
| 22 | 763 Maintenance of Producing Gas Wells | - | - | |
| 23 | 764 Maintenance of Field Lines | - | - | |
| 24 | 765 Maintenance of Field Compressor Station Equipment | - | - | |
| 25 | 766 Maintenance of Field Meas. and Reg. Sta. Equipment | - | - | |
| 26 | 767 Maintenance of Purification Equipment | - | - | |
| 27 | 768 Maintenance of Drilling and Cleaning Equipment | - | - | |
| 28 | 769 Maintenance of Other Equipment | - | - | |
| 29 | TOTAL Maintenance (Enter Total of lines 20 thru 28) | - | - | |
| 30 | TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29) | - | - | |
| 31 | B2. Products Extraction | | | |
| 32 | Operation | | | |
| 33 | 770 Operation Supervision and Engineering | - | - | |
| 34 | 771 Operation Labor | - | - | |
| 35 | 772 Gas Shrinkage | - | - | |
| 36 | 773 Fuel | - | - | |
| 37 | 774 Power | - | - | |
| 38 | 775 Materials | - | - | |
| 39 | 776 Operation Supplies and Expenses | - | - | |
| 40 | 777 Gas Processed by Others | - | - | |
| 41 | 778 Royalties on Products Extracted | - | - | |
| 42 | 779 Marketing Expenses | - | - | |
| 43 | 780 Products Purchased for Resale | - | - | |
| 44 | 781 Variation in Products Inventory | - | - | |
| 45 | (Less) 782 Extracted Products Used by the Utility-Credit | - | - | |
| 46 | 783 Rents | - | - | |
| 47 | TOTAL Operation (Enter Total of Lines 33 thru 46) | - | - | |

| Name of Respondent | | This Report Is: | Date of Report | Year of Report |
|---|---|--|------------------------------------|-------------------|
| Avista Corp. | | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | (Mo, Da, Yr) April 18, 2007 | December 31, 2006 |
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| B2. Products Extraction (Continued) | | | | |
| 48 | Maintenance | | | |
| 49 | 784 Maintenance Supervision and Engineering | - | - | |
| 50 | 785 Maintenance of Structures and Improvements | - | - | |
| 51 | 786 Maintenance of Extraction and Refining Equipment | - | - | |
| 52 | 787 Maintenance of Pipe Lines | - | - | |
| 53 | 788 Maintenance of Extracted Products Storage Equipment | - | - | |
| 54 | 789 Maintenance of Compressor Equipment | - | - | |
| 55 | 790 Maintenance of Gas Measuring and Reg. Equipment | - | - | |
| 56 | 791 Maintenance of Other Equipment | - | - | |
| 57 | TOTAL Maintenance (Enter Total of lines 49 thru 56) | - | - | |
| 58 | TOTAL Products Extraction (Enter Total of lines 47 and 57) | - | - | |
| C. Exploration and Development | | | | |
| 60 | Operation | | | |
| 61 | 795 Delay Rentals | - | - | |
| 62 | 796 Nonproductive Well Drilling | - | - | |
| 63 | 797 Abandoned Leases | - | - | |
| 64 | 798 Other Exploration | - | - | |
| 65 | TOTAL Exploration and Development (Enter Total of lines 61 thru 64) | - | - | |
| D. Other Gas Supply Expenses | | | | |
| 66 | Operation | | | |
| 67 | 800 Natural Gas Well Head Purchases | - | - | |
| 68 | 800.1 Natural Gas Well Head Purchases, Intracompany Transfers | - | - | |
| 69 | 801 Natural Gas Field Line Purchases | - | - | |
| 70 | 802 Natural Gas Gasoline Plant Outlet Purchases | - | - | |
| 71 | 803 Natural Gas Transmission Line Purchases | - | - | |
| 72 | 804 Natural Gas City Gate Purchases | 72,199,682 | 71,116,666 | |
| 73 | 804.1 Liquefied Natural Gas Purchases | - | - | |
| 74 | 805 Other Gas Purchases | - | 175,575 | |
| 75 | (Less) 805.1 Purchased Gas Cost Adjustments | 7,850,652 | (3,821,083) | |
| 76 | | | | |
| 77 | TOTAL Purchased Gas (Enter Total of lines 67 to 76) | 80,050,334 | 67,471,158 | |
| 78 | 806 Exchange Gas | - | - | |
| 79 | Purchased Gas Expenses | | | |
| 80 | 807.1 Well Expenses-Purchased Gas | - | - | |
| 81 | 807.2 Operation of Purchased Gas Measuring Stations | - | - | |
| 82 | 807.3 Maintenance of Purchased Gas Measuring Stations | - | - | |
| 83 | 807.4 Purchased Gas Calculations Expenses | - | - | |
| 84 | 807.5 Other Purchased Gas Expenses | - | - | |
| 85 | TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84) | - | - | |
| 86 | 808.1 Gas Withdrawn from Storage-Debit | 2,963,162 | 972,390 | |
| 87 | (Less) 808.2 Gas Delivered to Storage-Credit | (2,802,758) | (4,393,269) | |
| 88 | 809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit | - | - | |
| 89 | (Less) 809.2 Deliveries of Natural Gas for Processing-Credit | - | - | |
| 90 | Gas Used in Utility Operations-Credit | | | |
| 91 | 810 Gas Used for Compressor Station Fuel-Credit | - | - | |
| 92 | 811 Gas Used for Products Extraction-Credit | - | - | |
| 93 | 812 Gas used for Other Utility Operations-Credit | - | - | |
| 94 | TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93) | - | - | |
| 95 | 813 Other Gas Supply Expenses | 316,422 | 328,853 | |
| 96 | TOTAL Other Gas Supply Exp (Total of lines 77,78,85,86 thru 89,94,95) | 80,527,160 | 64,379,132 | |
| 97 | TOTAL Production Expenses (Enter Total of lines 3,30,58,65, and 96) | 80,527,160 | 64,379,132 | |

| Name of Respondent | | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
|---|---|--|------------------------------------|-------------------|
| Avista Corp. | | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | December 31, 2006 |
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 98 | 2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES | | | |
| 99 | A. Underground Storage Expenses | | | |
| 100 | Operation | | | |
| 101 | 814 Operation Supervision and Engineering | 25,218 | 11,985 | |
| 102 | 815 Maps and Records | - | - | |
| 103 | 816 Wells Expenses | - | - | |
| 104 | 817 Lines Expense | - | - | |
| 105 | 818 Compressor Station Expenses | - | - | |
| 106 | 819 Compressor Station Fuel and Power | - | - | |
| 107 | 820 Measuring and Regulating Station Expenses | - | - | |
| 108 | 821 Purification Expenses | - | - | |
| 109 | 822 Exploration and Development | - | - | |
| 110 | 823 Gas Losses | - | - | |
| 111 | 824 Other Expenses | 66,551 | 73,279 | |
| 112 | 825 Storage Well Royalties | - | - | |
| 113 | 826 Rents | - | - | |
| 114 | TOTAL Operation (Enter Total of lines 101 thru 113) | 91,769 | 85,265 | |
| 115 | Maintenance | | | |
| 116 | 830 Maintenance Supervision and Engineering | - | - | |
| 117 | 831 Maintenance of Structures and Improvements | - | - | |
| 118 | 832 Maintenance of Reservoirs and Wells | - | - | |
| 119 | 833 Maintenance of Lines | - | - | |
| 120 | 834 Maintenance of Compressor Station Equipment | - | - | |
| 121 | 835 Maintenance of Measuring and Regulating Station Equipment | - | - | |
| 122 | 836 Maintenance of Purification Equipment | - | - | |
| 123 | 837 Maintenance of Other Equipment | 86,953 | 81,656 | |
| 124 | TOTAL Maintenance (Enter Total of lines 116 thru 123) | 86,953 | 81,656 | |
| 125 | TOTAL Underground Storage Expenses (Total of lines 114 and 124) | 178,722 | 166,921 | |
| 126 | B. Other Storage Expenses | | | |
| 127 | Operation | | | |
| 128 | 840 Operation Supervision and Engineering | - | - | |
| 129 | 841 Operation Labor and Expenses | - | - | |
| 130 | 842 Rents | - | - | |
| 131 | 842.1 Fuel | - | - | |
| 132 | 842.2 Power | - | - | |
| 133 | 842.3 Gas Losses | - | - | |
| 134 | TOTAL Operation (Enter Total of lines 128 thru 133) | - | - | |
| 135 | Maintenance | | | |
| 136 | 843.1 Maintenance Supervision and Engineering | - | - | |
| 137 | 843.2 Maintenance of Structures and Improvements | - | - | |
| 138 | 843.3 Maintenance of Gas Holders | - | - | |
| 139 | 843.4 Maintenance of Purification Equipment | - | - | |
| 140 | 843.5 Maintenance of Liquefaction Equipment | - | - | |
| 141 | 843.6 Maintenance of Vaporizing Equipment | - | - | |
| 142 | 843.7 Maintenance of Compressor Equipment | - | - | |
| 143 | 843.8 Maintenance of Measuring and Regulating Equipment | - | - | |
| 144 | 843.9 Maintenance of Other Equipment | - | - | |
| 145 | TOTAL Maintenance (Enter Total of lines 136 thru 144) | - | - | |
| 146 | TOTAL Other Storage Expenses (Enter Total of lines 134 and 145) | - | - | |

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|---|--|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 147 | C. Liquefied Natural Gas Terminaling and Processing Expenses | | | |
| 148 | Operation | | | |
| 149 | 844.1 Operation Supervision and Engineering | - | - | - |
| 150 | 844.2 LNG Processing Terminal Labor and Expenses | - | - | - |
| 151 | 844.3 Liquefaction Processing Labor and Expenses | - | - | - |
| 152 | 844.4 Liquefaction Transportation Labor and Expenses | - | - | - |
| 153 | 844.5 Measuring and Regulating Labor and Expenses | - | - | - |
| 154 | 844.6 Compressor Station Labor and Expenses | - | - | - |
| 155 | 844.7 Communication System Expenses | - | - | - |
| 156 | 844.8 System Control and Load Dispatching | - | - | - |
| 157 | 845.1 Fuel | - | - | - |
| 158 | 845.2 Power | - | - | - |
| 159 | 845.3 Rents | - | - | - |
| 160 | 845.4 Demurrage Charges | - | - | - |
| 161 | (Less) 845.5 Wharfage Receipts-Credit | - | - | - |
| 162 | 845.6 Processing Liquefied or Vaporized Gas by Others | - | - | - |
| 163 | 846.1 Gas Losses | - | - | - |
| 164 | 846.2 Other Expenses | - | - | - |
| 165 | TOTAL Operation (Enter Total of lines 149 thru 164) | - | - | - |
| 166 | Maintenance | | | |
| 167 | 847.1 Maintenance Supervision and Engineering | - | - | - |
| 168 | 847.2 Maintenance of Structures and Improvements | - | - | - |
| 169 | 847.3 Maintenance of LNG Processing Terminal Equipment | - | - | - |
| 170 | 847.4 Maintenance of LNG Transportation Equipment | - | - | - |
| 171 | 847.5 Maintenance of Measuring and Regulating Equipment | - | - | - |
| 172 | 847.6 Maintenance of Compressor Station Equipment | - | - | - |
| 173 | 847.7 Maintenance of Communication Equipment | - | - | - |
| 174 | 847.8 Maintenance of Other Equipment | - | - | - |
| 175 | TOTAL Maintenance (Enter Total of lines 167 thru 174) | - | - | - |
| 176 | TOTAL Liquefied Nat Gas Terminaling and Processing Exp (Lines 165 & 175) | - | - | - |
| 177 | TOTAL Natural Gas storage (Enter Total of lines 125, 146, and 176) | 178,722 | 166,921 | |
| 178 | 3. TRANSMISSION EXPENSES | | | |
| 179 | Operation | | | |
| 180 | 850 Operation Supervision and Engineering | - | - | - |
| 181 | 851 System Control and Load Dispatching | - | - | - |
| 182 | 852 Communication System Expenses | - | - | - |
| 183 | 853 Compressor Station Labor and Expenses | - | - | - |
| 184 | 854 Gas for Compressor Station Fuel | - | - | - |
| 185 | 855 Other Fuel and Power for Compressor Stations | - | - | - |
| 186 | 856 Mains Expenses | - | - | - |
| 187 | 857 Measuring and Regulating Station Expenses | - | - | - |
| 188 | 858 Transmission and Compression of Gas by Others | - | - | - |
| 189 | 859 Other Expenses | - | - | - |
| 190 | 860 Rents | - | - | - |
| 191 | TOTAL Operation (Enter Total of lines 180 thru 190) | - | - | - |

| | | | | |
|---|---|---|--|---|
| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 3. TRANSMISSION EXPENSES (Continued) | | | | |
| 192 | Maintenance | | | |
| 193 | 861 Maintenance Supervision and Engineering | - | - | |
| 194 | 862 Maintenance of Structures and Improvements | - | - | |
| 195 | 863 Maintenance of Mains | - | - | |
| 196 | 864 Maintenance of Compressor Station Equipment | - | - | |
| 197 | 865 Maintenance of Measuring and Reg. Station Equipment | - | - | |
| 198 | 866 Maintenance of Communication Equipment | - | - | |
| 199 | 867 Maintenance of Other Equipment | - | - | |
| 200 | TOTAL Maintenance (Enter Total of lines 193 thru 199) | - | - | |
| 201 | TOTAL Transmission Expenses (Enter Total of lines 191 and 200) | - | - | |
| 4. DISTRIBUTION EXPENSES | | | | |
| 203 | Operation | | | |
| 204 | 870 Operation Supervision and Engineering | 129,321 | 121,297 | |
| 205 | 871 Distribution Load Dispatching | - | - | |
| 206 | 872 Compressor Station Labor and Expenses | - | - | |
| 207 | 873 Compressor Station Fuel and Power | - | - | |
| 208 | 874 Mains and Services Expenses | 573,922 | 606,551 | |
| 209 | 875 Measuring and Regulating Station Expenses-General | 66,847 | 34,922 | |
| 210 | 876 Measuring and Regulating Station Expenses-Industrial | 1,458 | (16) | |
| 211 | 877 Measuring and Regulating Station Expenses-City Gate Check Station | 35,171 | 57,942 | |
| 212 | 878 Meter and House Regulator Expenses | 262,001 | 153,940 | |
| 213 | 879 Customer Installations Expenses | 359,225 | 399,925 | |
| 214 | 880 Other Expenses | 453,729 | 462,908 | |
| 215 | 881 Rents | 4,618 | 5,977 | |
| 216 | TOTAL Operation (Enter Total of lines 204 thru 215) | 1,886,290 | 1,843,445 | |
| 217 | Maintenance | | | |
| 218 | 885 Maintenance Supervision and Engineering | 8,629 | 14,424 | |
| 219 | 886 Maintenance of Structures and Improvements | - | - | |
| 220 | 887 Maintenance of Mains | 347,794 | 341,354 | |
| 221 | 888 Maintenance of Compressor Station Equipment | - | - | |
| 222 | 889 Maintenance of Meas. and Reg. Sta. Equip.-General | 54,742 | 73,253 | |
| 223 | 890 Maintenance of Meas. and Reg. Sta. Equip.-Industrial | 33,418 | 60,139 | |
| 224 | 891 Maintenance of Meas. and Reg. Sta. Equip.-City Gate Check Station | 17,922 | 8,270 | |
| 225 | 892 Maintenance of Services | 220,776 | 200,289 | |
| 226 | 893 Maintenance of Meters and House Regulators | 188,187 | 144,604 | |
| 227 | 894 Maintenance of Other Equipment | 8,409 | 6,064 | |
| 228 | TOTAL Maintenance (Enter Total of lines 218 thru 227) | 879,876 | 848,396 | |
| 229 | TOTAL Distribution Expenses (Enter Total of lines 216 and 228) | 2,766,166 | 2,691,841 | |
| 5. CUSTOMER ACCOUNTS EXPENSES | | | | |
| 230 | Operation | | | |
| 231 | 901 Supervision | 102,606 | 131,713 | |
| 232 | 902 Meter Reading Expenses | 287,295 | 412,132 | |
| 233 | 903 Customer Records and Collection Expenses | 1,273,653 | 1,175,169 | |
| 234 | 904 Uncollectible Accounts | 308,344 | 285,570 | |
| 235 | 905 Miscellaneous Customer Accounts Expenses | 36,522 | 101,284 | |
| 236 | TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236) | 2,008,420 | 2,105,868 | |

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|---|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| If the amount for previous year is not derived from previously reported figures, explain in footnotes. | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 238 | 6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES | | | |
| 239 | Operation | | | |
| 240 | 907 Supervision | - | - | |
| 241 | 908 Customer Assistance Expenses | 819,914 | 514,672 | |
| 242 | 909 Informational and Instructional Expenses | 916 | 3,726 | |
| 243 | 910 Miscellaneous Customer Service and Informational Expenses | 21,470 | 20,889 | |
| 244 | TOTAL Customer Service and Information Expenses (Lines 240 thru 243) | 842,300 | 539,287 | |
| 245 | 7. SALES EXPENSES | | | |
| 246 | Operation | | | |
| 247 | 911 Supervision | - | - | |
| 248 | 912 Demonstrating and Selling Expenses | 157,279 | 115,355 | |
| 249 | 913 Advertising Expenses | 51,089 | 26,678 | |
| 250 | 916 Miscellaneous Sales Expenses | - | - | |
| 251 | TOTAL Sales Expenses (Enter Total of lines 247 thru 250) | 208,368 | 142,033 | |
| 252 | 8. ADMINISTRATIVE AND GENERAL EXPENSES | | | |
| 253 | Operation | | | |
| 254 | 920 Administrative and General Salaries | 1,400,472 | 1,647,795 | |
| 255 | 921 Office Supplies and Expenses | 327,329 | 336,377 | |
| 256 | (Less) (922) Administrative Expenses Transferred-Cr. | (3,670) | (2,709) | |
| 257 | 923 Outside Services Employed | 796,494 | 813,038 | |
| 258 | 924 Property Insurance | 79,520 | 81,542 | |
| 259 | 925 Injuries and Damages | 210,509 | 238,488 | |
| 260 | 926 Employee Pensions and Benefits | 45,043 | 44,697 | |
| 261 | 927 Franchise Requirements | - | - | |
| 262 | 928 Regulatory Commission Expenses | 280,634 | 226,191 | |
| 263 | (Less) (929) Duplicate Charges-Cr. | - | - | |
| 264 | 930.1 General Advertising Expenses | - | (2,121) | |
| 265 | 930.2 Miscellaneous General Expenses | 249,726 | 278,108 | |
| 266 | 931 Rents | 86,305 | 217,170 | |
| 267 | TOTAL Operation (Enter Total of lines 254 thru 266) | 3,472,361 | 3,878,576 | |
| 268 | Maintenance | | | |
| 269 | 935 Maintenance of General Plant | 408,503 | 390,311 | |
| 270 | TOTAL Administrative and General Exp (Total of lines 267 and 269) | 3,880,865 | 4,268,886 | |
| 271 | TOTAL Gas O. and M. Exp (Lines 97,177,201,229,237,244,251, and 270) | 90,412,000 | 74,293,968 | |

| NUMBER OF GAS DEPARTMENT EMPLOYEES | | | |
|---|-------------------|--|----|
| 1. The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31. | | construction employees in a footnote. | |
| 2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special | | 3. The number of employees assignable to the gas department from joint function of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions. | |
| 1. Payroll Period Ended (Date) | December 31, 2006 | | |
| 2. Total Regular Full-Time Employees | | 23 | 48 |
| 3. Total Part-Time and Temporary Employees allocation of General Employees | | 2 | 0 |
| 4. Total Employees | | 25 | 48 |

| | | | |
|--|--|--|---------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
| | (2) <input type="checkbox"/> A Resubmission | | |

TRANSMISSION MAINS

Show particulars Called for Concerning Transmission Mains*

| Line No. | Kind of Material (a) | Diameter of Pipe, Inches (b) | Total Length in Use Beginning of Year, Feet (c) | Laid During Year, Feet (d) | Taken up or Abandoned During Year, Feet (e) | Total Length in Use End of Year, Feet (f) |
|----------|-------------------------|---------------------------------|--|-------------------------------|--|--|
| 1 | None | | | | | |
| 2 | | | | | | |
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| 42 | | | | | | |
| 43 | | | | | | |
| 44 | | | | | | |
| 45 | | | | | | |
| 46 | TOTALS | | | 0 | | 0 |

* Show separately and identify lines held under a title other than full ownership.

| | | | |
|--|--|--------------------------------|----------------|
| Name of Respondent Avista Corp. | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

DISTRIBUTION MAINS

Show Particulars Called for Concerning Distribution Mains

| Line No. | Kind of Material <i>(a)</i> | Diameter of Pipe, Inches <i>(b)</i> | Total Length in Use Beginning of Year, Feet <i>(c)</i> | Laid During Year, Feet <i>(d)</i> | Taken up or Abandoned During Year, Feet <i>(e)</i> | Total Length in Use End of Year, Feet <i>(f)</i> |
|----------|--------------------------------|--|---|--------------------------------------|---|---|
| 1 | Steel Wrapped | Less than 2" | 1,652,640 | 258,720 | | 1,911,360 |
| 2 | Steel Wrapped | 2" to 4" | 601,920 | 52,800 | | 654,720 |
| 3 | Steel Wrapped | 4" to 8" | 332,640 | 31,680 | | 364,320 |
| 4 | Steel Wrapped | 8" to 12" | 5,280 | | | 5,280 |
| 5 | Steel Wrapped | Over 12" | 0 | | | 0 |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | Plastic | Less than 2" | 4,334,880 | 797,280 | | 5,132,160 |
| 9 | Plastic | 2" to 4" | 1,166,880 | 174,240 | | 1,341,120 |
| 10 | Plastic | 4" to 8" | 279,840 | 58,080 | | 337,920 |
| 11 | Plastic | 8" to 12" | 0 | | | 0 |
| 12 | Plastic | Over 12" | 0 | | | 0 |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | | | | | | |
| 19 | | | | | | |
| 20 | | | | | | |
| 21 | | | | | | |
| 22 | | | | | | |
| 23 | TOTALS | | 8,374,080 | 1,372,800 | 0 | 9,746,880 |

| | | | |
|--|---|--|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|-------------------------------------|

SERVICE PIPES GAS

Show the particulars called for concerning the line service pipe in possession of the respondent at the close of

| Line No. | Type (a) | Diameter in Inches (b) | Number at Beginning of Year (c) | Number Added During Year (d) | Number Removed or Abandoned During Year (e) | Number at Close of Year (f) | Average Length in Feet (g) |
|----------|---------------|---------------------------|------------------------------------|---------------------------------|--|--------------------------------|-------------------------------|
| 1 | Steel Wrapped | 1' or Less | 16,136 | | 2,957 | 13,179 | Not Available |
| 2 | Steel Wrapped | 1" thru 2" | 34 | 230 | | 264 | |
| 3 | Steel Wrapped | 2" thru 4" | 0 | 14 | | 14 | |
| 4 | Steel Wrapped | 4" thru 8" | 0 | | | 0 | |
| 5 | Steel Wrapped | Over 8" | 0 | | | 0 | |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | Plastic | 1' or Less | 49,112 | 16,933 | | 66,045 | |
| 9 | Plastic | 1" thru 2" | 167 | 250 | | 417 | |
| 10 | Plastic | 2" thru 4" | 3 | 19 | | 22 | |
| 11 | Plastic | 4" thru 8" | 0 | 1 | | 1 | |
| 12 | Plastic | Over 8" | 0 | | | 0 | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | TOTALS | | 65,452 | 17,447 | 2,957 | 79,942 | |

| | | | |
|--|---|--|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|-------------------------------------|

CUSTOMER'S METERS

| Line No. | Size (a) | Type (b) | Make (c) | Capacity (d) | Owned Beginning of Year (e) | Added During Year (f) | Retired During Year (g) | Owned End of Year (h) |
|----------|-------------------------------------|-------------|-------------|-----------------|--------------------------------|--------------------------|----------------------------|--------------------------|
| 1 | Detailed information not available. | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | TOTAL | | | | 67,814 | 2,195 | | 70,009 |

| | | | |
|--|--|--------------------------------|----------------|
| Name of Respondent Avista Corporation | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS ACCOUNT - NATURAL GAS

1 The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent. or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.

2 Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.

3 Enter in column (c) the Dth as reported in the schedules indicated for the items of receipts and deliveries.

4 Indicated in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.

5 If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose. Use copies of pages 520.

6 Also indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quantities the reporting pipeline transported or sold through its local distribution facilities

7 Also indicate in a footnote (1) the system supply quantities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales, transportation, and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage quantities.

8 Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional rows as necessary to report all data, numbered 14.01, 14.02, etc.

01 NAME OF SYSTEM

| Line No. | Item (a) | Ref. Page No. (b) | Amount of Dth (1) (c) |
|----------|--|----------------------|--------------------------|
| 2 | GAS RECEIVED | | |
| 3 | Gas Purchases (Accounts 800-805) | | 9,693,484 |
| 4 | Gas of Others Received for Gathering (Account 489.1) | 303 | |
| 5 | Gas of Others Received for Transmission (489.2) | 305 | |
| 6 | Gas of Others Received for Distribution (Account 489.3) | 301 | 4,496,941 |
| 7 | Gas of Others Received for Contract Storage (Account 489.4) | 307 | |
| 8 | Exchanged Gas Received from Others (Account 806) | 328 | |
| 9 | Gas Received as Imbalances (Account 806) | 328 | |
| 10 | Receipts of Respondent's Gas Transported by Others (Account 858) | 332 | |
| 11 | Other Gas Withdrawn from Storage (Explain) | | |
| 12 | Gas Received from Shippers as compressor Station Fuel | | |
| 13 | Gas Received from Shippers as Lost and Unaccounted for | | |
| 14 | Other Receipts (Specify): | | |
| 15 | Total Receipts (Total lines 3 thru 14.?) | | 14,190,425 |
| 16 | GAS DELIVERED | | |
| 17 | Gas Sales (Accounts 480 - 484) | | 7,037,130 |
| 18 | Deliveries of Gas Gathered for Others (Account 489.1) | 303 | |
| 19 | Deliveries of Gas Transported for Others (Account 489.2) | 305 | |
| 20 | Deliveries of Gas Distributed for Others (Account 489.3) | 301 | 4,496,941 |
| 21 | Deliveries of Contract Storage Gas (Account 489.4) | 307 | |
| 22 | Exchange Gas Delivered to Others (Account 806) | 328 | |
| 23 | Gas Delivered as Imbalances (Account 806) | 328 | |
| 24 | Deliveries of Gas to Others for Transportation (Account 858) | 332 | |
| 25 | Other Gas Delivered to Storage (Explain) | | |
| 26 | Gas Used for Compressor Station Fuel | 509 | |
| 27 | Other Deliveries (Specify): Sales for Resale | | 2,538,890 |
| 28 | Total Deliveries (Total lines 17 thru 27.?) | | 14,072,961 |
| 29 | GAS UNACCOUNTED FOR | | |
| 30 | Production System Losses | | |
| 31 | Gathering System Losses | | |
| 32 | Transmission System Losses | | |
| 33 | Distribution System Losses | | 117,464 |
| 34 | Storage System Losses | | |
| 35 | Other Losses (Specify) | | |
| 36 | Total Unaccounted For (Total lines 30 thru 35) | | 117,464 |
| 37 | Total Deliveries & Unaccounted For (Total lines 28 thru 36) | | 14,190,425 |

OREGON

| | | | |
|--------------------|--|--------------------------------|----------------|
| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| Avista Corp | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Apr. 18, 2007 | Dec. 31, 2006 |

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,k,m,o) in a similar manner to a utility department. Spread the amount(s) over lines 01 thru 20 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

3. Report data for lines 7, 9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2.

4. Use page 122 for important notes regarding the statement of income or any account thereof.

5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.

6. Give concise explanations concerning significant amounts of any refunds made or received during the year

| Line No. | Account (a) | (Ref.) Page No. (b) | TOTAL | |
|----------|---|---------------------------|---------------------|----------------------|
| | | | Current Year (c) | Previous Year (d) |
| 1 | UTILITY OPERATING INCOME | | | |
| 2 | Operating Revenues (400) Note (1) | 300-301 | \$188,675,613 | \$212,417,865 |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 320-325 | | |
| 5 | Maintenance Expenses (402) | 320-325 | | |
| 6 | Depreciation Expense (403) | 336-338 | | |
| 7 | Amort. & Depl. of Utility Plant (404-405) | 336-338 | | |
| 8 | Amort. of Utility Plant Acq. Adj. (406) | 336-338 | | |
| 9 | Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407) | | | |
| 10 | Amort. of Conversion Expenses (407) | | | |
| 11 | Taxes Other Than Income Taxes (408.1) | 262-263 | | |
| 12 | Income Taxes - Federal (409.1) | 262-263 | | |
| 13 | - Other (409.1) | 262-263 | | |
| 14 | Provision for Deferred Income Taxes (410.1) | 234,272-277 | | |
| 15 | (Less) Provision for Deferred Income Taxes - Cr. (411) | 234,272-277 | | |
| 16 | Investment Tax Credit Adj. - Net (411.4) | 266 | | |
| 17 | (Less) Gains from Disp. of Utility Plant (411.7) | | | |
| 18 | Losses from Disp. of Utility Plant (411.7) | | | |
| 19 | TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 18) | | | |
| 20 | Net Utility Operating Income (Enter Total of line 2 less 19) (Carry forward to page 117, line 21) | | \$188,675,613 | \$212,417,865 |

Note: (1) Information other than operating revenue not available by state.

| | | | |
|---------------------------------------|--|--------------------------------|----------------|
| Name of Respondent Avista Corp | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Apr. 18, 2007 | Dec. 31, 2006 |

STATEMENT OF INCOME FOR THE YEAR

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be attached at page 122.

8. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which

had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 1 to 19, and report the information in the blank space on page 122 or in a supplemental statement.

| ELECTRIC UTILITY | | GAS UTILITY | | OTHER UTILITY | | Line No. |
|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------|
| Current Year (e) | Previous Year (f) | Current Year (g) | Previous Year (h) | Current Year (i) | Previous Year (j) | |
| | | | | | | 1 |
| \$19,017,891 | \$79,561,725 | \$169,657,722 | \$132,856,140 | | | 2 |
| | | | | | | 3 |
| | | | | | | 4 |
| | | | | | | 5 |
| | | | | | | 6 |
| | | | | | | 7 |
| | | | | | | 8 |
| | | | | | | 9 |
| | | | | | | 10 |
| | | | | | | 11 |
| | | | | | | 12 |
| | | | | | | 13 |
| | | | | | | 14 |
| | | | | | | 15 |
| | | | | | | 16 |
| | | | | | | 17 |
| | | | | | | 18 |
| | | | | | | 19 |
| | | \$169,657,722 | \$132,856,140 | | | 20 |

| | | | |
|--------------------|--------------------------------------|--------------------------------|---------------|
| Name of Respondent | This report is: [X] An Original | Date of Report (Mo, Da, Yr) | Year Ending |
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts. estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d).
2. In addition to Account 101, *Gas Plant in Service (Classified)*, this page and the next include Account 102, *Gas Plant Purchased or Sold*, Account 103, *Experimental Gas Plant Unclassified*, and Account 106, *Completed Construction Not Classified-Gas*.
3. Include in column (c) and (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.
5. Classify Account 106 according to prescribed accounts, on an

| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) |
|----------|--|----------------------------------|---------------|
| 1 | INTANGIBLE PLANT | | |
| 2 | 301 Organization | 0 | |
| 3 | 302 Franchises and Consents | 0 | |
| 4 | 303 Miscellaneous Intangible Plant | 196,631 | 16,722 |
| 5 | TOTAL Intangible Plant (Enter Total of lines 2 thru 4) | 196,631 | 16,722 |
| 6 | PRODUCTION PLANT | | |
| 7 | Manufactured Gas Production Plant | | |
| 8 | 304 Land and Land Rights | 7,628 | |
| 9 | 305 Structures and Improvements | 0 | |
| 10 | 306 Boiler Plant Equipment | 0 | |
| 11 | 307 Other Power Equipment | 0 | |
| 12 | 308 Coke Ovens | 0 | |
| 13 | 309 Producer gas equipment | 0 | |
| 14 | 310 Water Gas Generating Equipment | 0 | |
| 15 | 311 Liquefied Petroleum Gas Equipment | 67,290 | 5,730 |
| | 312 Oil Gas Generating Equipment | 0 | |
| 17 | 313 Generating Equipment-Other Processes | 0 | |
| 18 | 314 Coal, Coke, and ash handling equipment | 0 | |
| 19 | 315 Catalytic Cracking Equipment | 0 | |
| 20 | 316 Other reforming equipment | 0 | |
| 21 | 317 Purification equipment | 0 | |
| 22 | 318 Residual refining equipment | 0 | |
| 23 | 319 Gas mixing equipment | 0 | |
| 24 | 320 Other Equipment | 0 | |
| 25 | | | |
| 26 | TOTAL Manufactured Gas Production Plant (Enter Total of lines 8 thru 24) | 74,918 | 5,730 |
| 27 | PRODUCTS EXTRACTION PLANT | | |
| 28 | 340 Land and Land Rights | 0 | |
| 29 | 341 Structures and Improvements | 0 | |
| 30 | 342 Extraction and Refining Equipment | 0 | |
| 31 | 343 Pipe Lines | 0 | |
| 32 | 344 Extracted Products Storage Equipment | 0 | |
| 33 | 345 Compressor Equipment | 0 | |

| | | | |
|--------------------|--------------------------------------|--------------------------------|---------------|
| Name of Respondent | This report is: [X] An Original | Date of Report (Mo, Da, Yr) | Year Ending |
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc.,

and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
|--------------------|--------------------|------------------|-------------------------------|-------------|
| | | | | 1 |
| | | | 0 | 2 |
| | | | 0 | 3 |
| 164,554 | | | 48,799 | 4 |
| 164,554 | 0 | 0 | 48,799 | 5 |
| | | | | 6 |
| | | | | 7 |
| | | | 7,628 | 8 |
| | | | 0 | 9 |
| | | | 0 | 10 |
| | | | 0 | 11 |
| | | | 0 | 12 |
| | | | 0 | 13 |
| | | | 0 | 14 |
| 12,618 | | | 60,402 | 15 |
| | | | 0 | 16 |
| | | | 0 | 17 |
| | | | 0 | 18 |
| | | | 0 | 19 |
| | | | 0 | 20 |
| | | | 0 | 21 |
| | | | 0 | 22 |
| | | | 0 | 23 |
| | | | 0 | 24 |
| | | | | 25 |
| 12,618 | 0 | 0 | 68,030 | 26 |
| | | | | 27 |
| | | | 0 | 28 |
| | | | 0 | 29 |
| | | | 0 | 30 |
| | | | 0 | 31 |
| | | | 0 | 32 |
| | | | 0 | 33 |

| Name of Respondent | | This report is: | Date of Report (Mo, Da, Yr) | Year Ending |
|---|---|---|--------------------------------|---------------|
| Avista Corp. | | [X] An Original [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 34 | 346 Gas Measuring and Regulating Equipment | 0 | | |
| 35 | 347 Other Equipment | 0 | | |
| 36 | TOTAL Products Extraction Plant (Enter Total of lines 28 thru 35) | 0 | 0 | |
| 37 | TOTAL Natural Gas Production Plant (Enter Total of lines 26 and 36) | 0 | 0 | |
| 38 | Manufactured Gas Production Plant (Submit Supplementary Statement) | 74,918 | 5,730 | |
| 39 | TOTAL Production Plant (Enter Total of lines 37 and 38) | 74,918 | 5,730 | |
| 40 | NATURAL GAS STORAGE AND PROCESSING PLANT | | | |
| 41 | Underground Storage Plant | | | |
| 42 | 350.1 Land | 0 | | |
| 43 | 350.2 Rights-of-Way | 0 | | |
| 44 | 351 Structures and Improvements | 0 | | |
| 45 | 352 Wells | 0 | | |
| 46 | 352.1 Storage Leaseholds and Rights | 0 | | |
| 47 | 352.2 Reservoirs | 0 | | |
| 48 | 352.3 Non-recoverable Natural Gas | 0 | | |
| 49 | 353 Lines | 0 | | |
| 50 | 354 Compressor Station Equipment | 0 | | |
| 51 | 355 Measuring and Regulating Equipment | 0 | | |
| 52 | 356 Purification Equipment | 0 | | |
| 53 | 357 Other Equipment | 0 | | |
| 54 | TOTAL Underground Storage Plant (Enter Total of lines 42 thru 53) | 0 | 0 | |
| 55 | Other Storage Plant | | | |
| 56 | 360 Land and Land Rights | 0 | | |
| 57 | 361 Structures and Improvements | 0 | | |
| 58 | 362 Gas Holders | 0 | | |
| 59 | 363 Purification Equipment | 0 | | |
| 60 | 363.1 Liquefaction Equipment | 0 | | |
| 61 | 363.2 Vaporizing Equipment | 0 | | |
| 62 | 363.3 Compressor Equipment | 0 | | |
| 63 | 363.4 Measuring and Regulating Equipment | 0 | | |
| 64 | 363.5 Other Equipment | 0 | | |
| 65 | TOTAL Other Storage Plant (Enter Total of lines 56 thru 64) | 0 | 0 | |
| 66 | Base Load Liquefied Natural Gas Terminating and Processing Plant | | | |
| 67 | 364.1 Land and Land Rights | 0 | | |
| 68 | 364.2 Structures and Improvements | 0 | | |
| 69 | 364.3 LNG Processing Terminal Equipment | 0 | | |
| 70 | 364.4 LNG Transportation Equipment | 0 | | |
| 71 | 364.5 Measuring and Regulating Equipment | 0 | | |
| 72 | 364.6 Compressor Station Equipment | 0 | | |
| 73 | 364.7 Communications Equipment | 0 | | |
| 74 | 364.8 Other Equipment | 0 | | |
| 75 | TOTAL Base Load Liq Nat'l Gas, Terminal and Processing Plant (lines 67-74) | 0 | 0 | |
| 76 | TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 54, 65 and 75) | 0 | 0 | |
| 77 | TRANSMISSION PLANT | | | |
| 78 | 365.1 Land and Land Rights | 0 | | |
| 79 | 365.2 Rights-of-Way | 0 | | |
| 80 | 366 Structures and Improvements | 0 | | |

| Name of Respondent | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) | Year Ending | |
|--|--|--------------------------------|-------------------------------|-------------|
| Avista Corp. | | April 18, 2007 | Dec. 31, 2006 | |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| | | | 0 | 34 |
| | | | 0 | 35 |
| 0 | 0 | 0 | 0 | 36 |
| 12,618 | 0 | 0 | 0 | 37 |
| 0 | | | 68,030 | 38 |
| 12,618 | 0 | 0 | 68,030 | 39 |
| | | | | 40 |
| | | | | 41 |
| | | | 0 | 42 |
| | | | 0 | 43 |
| | | | 0 | 44 |
| | | | 0 | 45 |
| | | | 0 | 46 |
| | | | 0 | 47 |
| | | | 0 | 48 |
| | | | 0 | 49 |
| | | | 0 | 50 |
| | | | 0 | 51 |
| | | | 0 | 52 |
| | | | 0 | 53 |
| 0 | 0 | 0 | 0 | 54 |
| | | | | 55 |
| | | | 0 | 56 |
| | | | 0 | 57 |
| | | | 0 | 58 |
| | | | 0 | 59 |
| | | | 0 | 60 |
| | | | 0 | 61 |
| | | | 0 | 62 |
| | | | 0 | 63 |
| | | | 0 | 64 |
| 0 | 0 | 0 | 0 | 65 |
| | | | | 66 |
| | | | 0 | 67 |
| | | | 0 | 68 |
| | | | 0 | 69 |
| | | | 0 | 70 |
| | | | 0 | 71 |
| | | | 0 | 72 |
| | | | 0 | 73 |
| | | | 0 | 74 |
| 0 | 0 | 0 | 0 | 75 |
| 0 | 0 | 0 | 0 | 76 |
| | | | | 77 |
| | | | 0 | 78 |
| | | | 0 | 79 |
| | | | 0 | 80 |

| Name of Respondent | | This report is: | Date of Report (Mo, Da, Yr) | Year Ending |
|---|---|---|--------------------------------|---------------|
| Avista Corp. | | [X] An Original [] A Resubmission | April 18, 2007 | Dec. 31, 2006 |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 81 | 367 Mains | 0 | 0 | |
| 82 | 368 Compressor Station Equipment | 0 | | |
| 83 | 369 Measuring and Regulating Equipment | 0 | | |
| 84 | 370 Communications Equipment | 0 | | |
| 85 | 371 Other Equipment | 0 | | |
| 86 | TOTAL Transmission Plant (Enter Totals of lines 78 thru 85) | 0 | 0 | |
| 87 | DISTRIBUTION PLANT | | | |
| 88 | 374 Land and Land Rights | 23,532 | (4,240) | |
| 89 | 375 Structures and Improvements | 178,090 | 34,752 | |
| 90 | 376 Mains | 77,981,965 | 7,107,195 | |
| 91 | 377 Compressor Station Equipment | 0 | | |
| 92 | 378 Measuring and Regulating Equipment-General | 993,902 | 379,115 | |
| 93 | 379 Measuring and Regulating Equipment-City Gate | 579,824 | 175,154 | |
| 94 | 380 Services | 50,605,638 | 2,182,531 | |
| 95 | 381 Meters | 24,855,454 | 2,299,104 | |
| 96 | 382 Meter Installations | 0 | | |
| 97 | 383 House Regulators | 0 | | |
| 98 | 384 House Regulator Installations | 0 | | |
| 99 | 385 Industrial Measuring and Regulating Station Equipment | 758,408 | 40,528 | |
| 100 | 386 Other Property on Customers' Premises | 0 | | |
| 101 | 387 Other Equipment | 539 | | |
| 102 | TOTAL Distribution Plant (Enter Totals of lines 88 thru 101) | 155,977,352 | 12,214,138 | |
| 103 | GENERAL PLANT | | | |
| 104 | 389 Land and Land Rights | 261,685 | | |
| 105 | 390 Structures and Improvements | 1,778,826 | 4,226 | |
| 106 | 391 Office Furniture and Equipment | 0 | 9,685 | |
| 107 | 392 Transportation Equipment | 1,158,023 | 504,757 | |
| 108 | 393 Stores Equipment | 55,173 | | |
| 109 | 394 Tools, Shop, and Garage Equipment | 741,798 | 110,217 | |
| 110 | 395 Laboratory Equipment | 343,390 | | |
| 111 | 396 Power Operated Equipment | 5,315 | 38,519 | |
| 112 | 397 Communication Equipment | 140,197 | 356,789 | |
| 113 | 398 Miscellaneous Equipment | 0 | | |
| 114 | Subtotal (Enter Totals of lines 104 thru 113) | 4,484,407 | 1,024,192 | |
| 115 | 399 Other Tangible Property | 0 | | |
| 116 | TOTAL General Plant (Enter Totals of lines 114 and 115) | 4,484,407 | 1,024,192 | |
| 117 | TOTAL (Accounts 101 and 106) | 160,733,308 | 13,260,781 | |
| 118 | Gas Plant Purchased (See Instruction 8) | 0 | | |
| 119 | (Less) Gas Plant Sold (See Instruction 8) | 0 | | |
| 120 | Experimental Gas Plant Unclassified | 0 | | |
| 121 | TOTAL Gas Plant in Service (Enter Totals of lines 117 thru 120) | 160,733,308 | 13,260,781 | |

| Name of Respondent | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) | Year Ending | |
|--|--|--------------------------------|-------------------------------|-------------|
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 | |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| | | 0 | 0 | 81 |
| | | | 0 | 82 |
| 0 | | | 0 | 83 |
| | | | 0 | 84 |
| | | | 0 | 85 |
| 0 | 0 | | 0 | 86 |
| | | | | |
| 1,327 | | | 17,965 | 88 |
| 9,089 | | | 203,753 | 89 |
| 204,879 | | 2,153,669 | 87,037,949 | 90 |
| | | | 0 | 91 |
| 244 | | (1,582) | 1,371,191 | 92 |
| 1,933 | | | 753,045 | 93 |
| 216,447 | | | 52,571,722 | 94 |
| 350,446 | | (5,160) | 26,798,952 | 95 |
| | | | 0 | 96 |
| | | | 0 | 97 |
| | | | 0 | 98 |
| 657 | | | 798,279 | 99 |
| | | | 0 | 100 |
| | | | 539 | 101 |
| 785,022 | 0 | 2,146,927 | 169,553,394 | 102 |
| | | | | |
| 1,554 | | | 260,131 | 104 |
| 7,820 | | | 1,775,232 | 105 |
| | | | 9,685 | 106 |
| 22,706 | | | 1,640,074 | 107 |
| | | | 55,173 | 108 |
| 10,825 | | | 841,190 | 109 |
| | | | 343,390 | 110 |
| | | | 43,834 | 111 |
| 33,754 | | | 463,232 | 112 |
| | | | 0 | 113 |
| 76,660 | 0 | 0 | 5,431,939 | 114 |
| | | | 0 | 115 |
| 76,660 | 0 | 0 | 5,431,939 | 116 |
| 1,038,854 | 0 | 2,146,927 | 175,102,161 | 117 |
| | | | | |
| | | | 0 | 118 |
| | | | 0 | 119 |
| | | | 0 | 120 |
| 1,038,854 | 0 | 2,146,927 | 175,102,161 | 121 |

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| | | | |
|--|--|--|---------------------------------|
| Name of Respondent Avista Corporation | This Report Is: <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
| | <input type="checkbox"/> A Resubmission | | |

GAS STORED (ACCOUNT 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, AND 164.3)

- 1 If during the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.
- 2 Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas property recordable in the plant accounts.
- 3 State in a footnote the basis of segregation of inventory between current and noncurrent portions. Also state in a footnote the method used to report storage (i.e. fixed asset method or inventory method).

| Line No. | Description (a) | (Account 117.1) (b) | (Account 117.2) (c) | Noncurrent (Account 117.3) (d) | (Account 117.4) (e) | Current (Account 164.1) (f) | LNG (Account 164.2) (g) | LNG (Account 164.3) (h) | Total (i) |
|----------|------------------------------|---------------------|---------------------|--------------------------------|---------------------|-----------------------------|-------------------------|-------------------------|-----------|
| 1 | Balance at Beginning of Year | | | | | 576,553 | 545,714 | | 1,122,267 |
| 2 | Gas Delivered to Storage | | | | | 542,630 | 0 | | 542,630 |
| 3 | Gas Withdrawn from Storage | | | | | 548,744 | 0 | | 548,744 |
| 4 | Other Debits and Credits | | | | | | 0 | | 0 |
| 5 | Balance at End of Year | | | | | 570,439 | 545,714 | | 1,116,153 |
| 6 | Dth | | | | | 87,603 | 172,400 | | 260,003 |
| 7 | Amount Per Dekatherm | | | | | \$6.5116 | \$3.1654 | | \$4.2928 |

8 State basis of segregation of inventory between current and noncurrent portions:

Current portion is gas expected to be sold within a 24 month period. All other gas is considered non-current.

| | | | |
|--------------------|--|--------------------------------|----------------|
| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| Avista Corporation | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each for each group of meters added. The average number of prescribed account, and manufactured gas revenues in total customers means the average of twelve figures at the close of each month.

2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.

3. Report number of customers, columns (f) and (g), on the basis of meter, in addition to the number of flat rate accounts of the gas sold and the sales converted to Mcf. counts; except that where separate meter readings are added for billing purposes, one customer should be counted in columns (c), (e) and (g), are not derived from previously

4. Report quantities of natural gas sold in Mcf (14.73 psia at 60 degrees F). If billings are on a therm basis, give the Btu content of the gas sold and the sales converted to Mcf.

5. If increases or decreases from previous year (collected for billing purposes, one customer should be counted in columns (c), (e) and (g), are not derived from previously

| Line No. | Title of Account (a) | OPERATING REVENUES | |
|----------|---|------------------------|---------------------------------|
| | | Amount for Year (b) | Amount for Previous Year (c) |
| 1 | GAS SERVICE REVENUES | | |
| 2 | (480) Residential Sales | 74,144,635 | 63,497,866 |
| 3 | (481) Commercial and Industrial Sales | | |
| 4 | Small (or Comm.) (See Instr. 6) | 42,803,235 | 36,245,803 |
| 5 | Large (or Ind.) (See Instr. 6) | 5,057,282 | 5,720,663 |
| 6 | (482) Other Sales to Public Authorities | | |
| 7 | (484) Interdepartmental Sales | 23,605 | 19,206 |
| 8 | TOTAL Sales to Ultimate Consumers | 122,028,757 (1) | 105,483,538 |
| 9 | (483) Sales for Resale | 43,984,846 | 23,506,946 |
| 10 | TOTAL Nat. Gas Service Revenues | 166,013,603 | 128,990,484 |
| 11 | Revenues from Manufactured Gas | | |
| 12 | TOTAL Gas Service Revenues | 166,013,603 | 128,990,484 |
| 13 | OTHER OPERATING REVENUES | | |
| 14 | (485) Intracompany Transfers | | |
| 15 | (487) Forfeited Discounts | | |
| 16 | (488) Misc. Service Revenues | 97,950 | 87,362 |
| 17 | (489) Rev. from Trans. of Gas of Others | 2,549,555 (1) | 3,053,653 |
| 18 | (490) Sales of Prod. Ext. from Nat. Gas | | |
| 19 | (491) Rev. from Nat. Gas Proc. by Others | | |
| 20 | (492) Incidental Gasoline and Oil Sales | | |
| 21 | (493) Rent from Gas Property | 15,060 | 15,060 |
| 22 | (494) Interdepartmental Rents | | |
| 23 | (495) Other Gas Revenues | 981,554 | 709,580 |
| 24 | TOTAL Other Operating Revenues | 3,644,119 | 3,865,655 |
| 25 | TOTAL Gas Operating Revenues | 169,657,722 | 132,856,139 |
| 26 | (Less) (496) Provision for Rate Refunds | | |
| 27 | TOTAL Gas Operating Revenues Net of Provision for Refunds | 169,657,722 | |
| 28 | Dis. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.) | 116,947,870 | |
| 29 | Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities) | 5,057,282 | |
| 30 | Sales for Resale | 43,984,846 | |
| 31 | Other Sales to Pub. Auth. (Local Dist. Only) | | |
| 32 | Interdepartmental Sales | 23,605 | |
| 33 | TOTAL (Same as Line 10, Columns (b) and (d)) | 166,013,603 | |

| | | | |
|--|--|--|-------------------------------------|
| Name of Respondent Avista Corporation | This Report Is: (1) <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
| | (2) <input type="checkbox"/> A Resubmission | | |

GAS OPERATING REVENUES (Account 400) (Continued)

reported figures, explain any inconsistencies in a footnote.

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 200,000 Mcf per year or approximately 800 Mcf

per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

7. See page 108, Important Changes During Year, for important new territory added and important rate increases or decreases.

| THERMS OF NATURAL GAS SOLD | | AVG. NO. OF NAT. GAS CUSTRS. PER MO. | | Line No. |
|----------------------------|-----------------------------------|--------------------------------------|---------------------------------|----------|
| Quantity for Year (d) | Quantity for Previous Year (e) | Number for Year (f) | Number for Previous Year (g) | |

| Quantity for Year (d) | Quantity for Previous Year (e) | Number for Year (f) | Number for Previous Year (g) | Line No. |
|--------------------------|-----------------------------------|------------------------|---------------------------------|----------|
| | | | | 1 |
| 49,622,540 | | 49,274,176 | 81,447 | 2 |
| | | | | 3 |
| 32,240,936 | | 32,180,692 | 10,860 | 4 |
| 4,848,651 | | 6,775,275 | 48 | 5 |
| | | | | 6 |
| 17,590 | | 16,996 | 15 | 7 |
| 86,729,717 (2) | | 88,247,139 | 92,370 | 8 |
| 69,405,847 | | 29,762,863 | 7 | 9 |
| 156,135,564 | | 118,010,002 | 92,370 | 10 |



NOTES

(1) Includes \$1,414,210 unbilled revenues.

(2) Includes 457,105 therms relating to unbilled revenues.

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| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|---|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| If the amount for previous year is not derived from previously reported figures, explain in footnotes. | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 1 | 1. PRODUCTION EXPENSES | | | |
| 2 | A. Manufactured Gas Production | - | - | |
| 3 | Manufactured Gas Production (Submit Supplemental Statement) | | | |
| 4 | B. Natural Gas Production | | | |
| 5 | B1. Natural Gas Production and Gathering | | | |
| 6 | Operation | - | - | |
| 7 | 750 Operation Supervision and Engineering | - | - | |
| 8 | 751 Production Maps and Records | - | - | |
| 9 | 752 Gas Wells Expenses | - | - | |
| 10 | 753 Field Lines Expenses | - | - | |
| 11 | 754 Field Compressor Station Expenses | - | - | |
| 12 | 755 Field Compressor Station Fuel and Power | - | - | |
| 13 | 756 Field Measuring and Regulating Station Expenses | - | - | |
| 14 | 757 Purification Expenses | - | - | |
| 15 | 758 Gas Well Royalties | - | - | |
| 16 | 759 Other Expenses | - | - | |
| 17 | 760 Rents | - | - | |
| 18 | TOTAL Operation (Enter Total of lines 7 thru 17) | - | - | |
| 19 | Maintenance | | | |
| 20 | 761 Maintenance Supervision and Engineering | - | - | |
| 21 | 762 Maintenance of Structures and Improvements | - | - | |
| 22 | 763 Maintenance of Producing Gas Wells | - | - | |
| 23 | 764 Maintenance of Field Lines | - | - | |
| 24 | 765 Maintenance of Field Compressor Station Equipment | - | - | |
| 25 | 766 Maintenance of Field Meas. and Reg. Sta. Equipment | - | - | |
| 26 | 767 Maintenance of Purification Equipment | - | - | |
| 27 | 768 Maintenance of Drilling and Cleaning Equipment | - | - | |
| 28 | 769 Maintenance of Other Equipment | - | - | |
| 29 | TOTAL Maintenance (Enter Total of lines 20 thru 28) | - | - | |
| 30 | TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29) | - | - | |
| 31 | B2. Products Extraction | | | |
| 32 | Operation | | | |
| 33 | 770 Operation Supervision and Engineering | - | - | |
| 34 | 771 Operation Labor | - | - | |
| 35 | 772 Gas Shrinkage | - | - | |
| 36 | 773 Fuel | - | - | |
| 37 | 774 Power | - | - | |
| 38 | 775 Materials | - | - | |
| 39 | 776 Operation Supplies and Expenses | - | - | |
| 40 | 777 Gas Processed by Others | - | - | |
| 41 | 778 Royalties on Products Extracted | - | - | |
| 42 | 779 Marketing Expenses | - | - | |
| 43 | 780 Products Purchased for Resale | - | - | |
| 44 | 781 Variation in Products Inventory | - | - | |
| 45 | (Less) 782 Extracted Products Used by the Utility-Credit | - | - | |
| 46 | 783 Rents | - | - | |
| 47 | TOTAL Operation (Enter Total of Lines 33 thru 46) | - | - | |

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|---|---|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| B2. Products Extraction (Continued) | | | | |
| 48 | Maintenance | | | |
| 49 | 784 Maintenance Supervision and Engineering | - | - | |
| 50 | 785 Maintenance of Structures and Improvements | - | - | |
| 51 | 786 Maintenance of Extraction and Refining Equipment | - | - | |
| 52 | 787 Maintenance of Pipe Lines | - | - | |
| 53 | 788 Maintenance of Extracted Products Storage Equipment | - | - | |
| 54 | 789 Maintenance of Compressor Equipment | - | - | |
| 55 | 790 Maintenance of Gas Measuring and Reg. Equipment | - | - | |
| 56 | 791 Maintenance of Other Equipment | - | - | |
| 57 | TOTAL Maintenance (Enter Total of lines 49 thru 56) | - | - | |
| 58 | TOTAL Products Extraction (Enter Total of lines 47 and 57) | - | - | |
| 59 | C. Exploration and Development | | | |
| 60 | Operation | | | |
| 61 | 795 Delay Rentals | - | - | |
| 62 | 796 Nonproductive Well Drilling | - | - | |
| 63 | 797 Abandoned Leases | - | - | |
| 64 | 798 Other Exploration | - | - | |
| 65 | TOTAL Exploration and Development (Enter Total of lines 61 thru 64) | - | - | |
| D. Other Gas Supply Expenses | | | | |
| 66 | Operation | | | |
| 67 | 800 Natural Gas Well Head Purchases | - | - | |
| 68 | 800.1 Natural Gas Well Head Purchases, Intracompany Transfers | - | - | |
| 69 | 801 Natural Gas Field Line Purchases | - | - | |
| 70 | 802 Natural Gas Gasoline Plant Outlet Purchases | - | - | |
| 71 | 803 Natural Gas Transmission Line Purchases | - | - | |
| 72 | 804 Natural Gas City Gate Purchases | 126,805,403 | 98,970,263 | |
| 73 | 804.1 Liquefied Natural Gas Purchases | - | - | |
| 74 | 805 Other Gas Purchases | 727,550 | 498,520 | |
| 75 | (Less) 805.1 Purchased Gas Cost Adjustments | 6,222,232 | (709,947) | |
| 76 | TOTAL Purchased Gas (Enter Total of lines 67 to 76) | 133,755,185 | 98,758,836 | |
| 78 | 806 Exchange Gas | - | - | |
| 79 | Purchased Gas Expenses | | | |
| 80 | 807.1 Well Expenses-Purchased Gas | - | - | |
| 81 | 807.2 Operation of Purchased Gas Measuring Stations | - | - | |
| 82 | 807.3 Maintenance of Purchased Gas Measuring Stations | - | - | |
| 83 | 807.4 Purchased Gas Calculations Expenses | - | - | |
| 84 | 807.5 Other Purchased Gas Expenses | - | - | |
| 85 | TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84) | - | - | |
| 86 | 808.1 Gas Withdrawn from Storage-Debit | 548,744 | - | |
| 87 | (Less) 808.2 Gas Delivered to Storage-Credit | (542,630) | (576,553) | |
| 88 | 809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit | - | - | |
| 89 | (Less) 809.2 Deliveries of Natural Gas for Processing-Credit | - | - | |
| 90 | Gas Used in Utility Operations-Credit | | | |
| 91 | 810 Gas Used for Compressor Station Fuel-Credit | - | - | |
| 92 | 811 Gas Used for Products Extraction-Credit | - | - | |
| 93 | 812 Gas used for Other Utility Operations-Credit | - | - | |
| 94 | TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93) | - | - | |
| 95 | 813 Other Gas Supply Expenses | 417,736 | 397,416 | |
| 96 | TOTAL Other Gas Supply Exp (Total of lines 77,78,85,86 thru 89,94,95) | 134,179,035 | 98,579,700 | |
| 97 | TOTAL Production Expenses (Enter Total of lines 3,30,58,65, and 96) | 134,179,035 | 98,579,700 | |

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|---|---|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 98 | 2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES | | | |
| 99 | A. Underground Storage Expenses | | | |
| 100 | Operation | | | |
| 101 | 814 Operation Supervision and Engineering | - | - | |
| 102 | 815 Maps and Records | - | - | |
| 103 | 816 Wells Expenses | - | - | |
| 104 | 817 Lines Expense | - | - | |
| 105 | 818 Compressor Station Expenses | - | - | |
| 106 | 819 Compressor Station Fuel and Power | - | - | |
| 107 | 820 Measuring and Regulating Station Expenses | - | - | |
| 108 | 821 Purification Expenses | - | - | |
| 109 | 822 Exploration and Development | - | - | |
| 110 | 823 Gas Losses | - | - | |
| 111 | 824 Other Expenses | - | - | |
| 112 | 825 Storage Well Royalties | - | - | |
| 113 | 826 Rents | - | - | |
| 114 | TOTAL Operation (Enter Total of lines 101 thru 113) | - | - | |
| 115 | Maintenance | | | |
| 116 | 830 Maintenance Supervision and Engineering | - | - | |
| 117 | 831 Maintenance of Structures and Improvements | - | - | |
| 118 | 832 Maintenance of Reservoirs and Wells | - | - | |
| 119 | 833 Maintenance of Lines | - | - | |
| 120 | 834 Maintenance of Compressor Station Equipment | - | - | |
| 121 | 835 Maintenance of Measuring and Regulating Station Equipment | - | - | |
| 122 | 836 Maintenance of Purification Equipment | - | - | |
| 123 | 837 Maintenance of Other Equipment | - | - | |
| 124 | TOTAL Maintenance (Enter Total of lines 116 thru 123) | - | - | |
| 125 | TOTAL Underground Storage Expenses (Total of lines 114 and 124) | - | - | |
| 126 | B. Other Storage Expenses | | | |
| 127 | Operation | | | |
| 128 | 840 Operation Supervision and Engineering | - | - | |
| 129 | 841 Operation Labor and Expenses | - | - | |
| 130 | 842 Rents | - | - | |
| 131 | 842.1 Fuel | - | - | |
| 132 | 842.2 Power | - | - | |
| 133 | 842.3 Gas Losses | - | - | |
| 134 | TOTAL Operation (Enter Total of lines 128 thru 133) | - | - | |
| 135 | Maintenance | | | |
| 136 | 843.1 Maintenance Supervision and Engineering | - | - | |
| 137 | 843.2 Maintenance of Structures and Improvements | - | - | |
| 138 | 843.3 Maintenance of Gas Holders | - | - | |
| 139 | 843.4 Maintenance of Purification Equipment | - | - | |
| 140 | 843.5 Maintenance of Liquefaction Equipment | - | - | |
| 141 | 843.6 Maintenance of Vaporizing Equipment | - | - | |
| 142 | 843.7 Maintenance of Compressor Equipment | - | - | |
| 143 | 843.8 Maintenance of Measuring and Regulating Equipment | - | - | |
| 144 | 843.9 Maintenance of Other Equipment | - | - | |
| 145 | TOTAL Maintenance (Enter Total of lines 136 thru 144) | - | - | |
| 146 | TOTAL Other Storage Expenses (Enter Total of lines 134 and 145) | - | - | |

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|---|--|---|--|---|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 147 | C. Liquefied Natural Gas Terminating and Processing Expenses | | | |
| 148 | Operation | | | |
| 149 | 844.1 Operation Supervision and Engineering | - | - | |
| 150 | 844.2 LNG Processing Terminal Labor and Expenses | - | - | |
| 151 | 844.3 Liquefaction Processing Labor and Expenses | - | - | |
| 152 | 844.4 Liquefaction Transportation Labor and Expenses | - | - | |
| 153 | 844.5 Measuring and Regulating Labor and Expenses | - | - | |
| 154 | 844.6 Compressor Station Labor and Expenses | - | - | |
| 155 | 844.7 Communication System Expenses | - | - | |
| 156 | 844.8 System Control and Load Dispatching | - | - | |
| 157 | 845.1 Fuel | - | - | |
| 158 | 845.2 Power | - | - | |
| 159 | 845.3 Rents | - | - | |
| 160 | 845.4 Demurrage Charges | - | - | |
| 161 | (Less) 845.5 Wharfage Receipts-Credit | - | - | |
| 162 | 845.6 Processing Liquefied or Vaporized Gas by Others | - | - | |
| 163 | 846.1 Gas Losses | - | - | |
| 164 | 846.2 Other Expenses | - | - | |
| 165 | TOTAL Operation (Enter Total of lines 149 thru 164) | - | - | |
| 166 | Maintenance | | | |
| 167 | 847.1 Maintenance Supervision and Engineering | - | - | |
| 168 | 847.2 Maintenance of Structures and Improvements | - | - | |
| 169 | 847.3 Maintenance of LNG Processing Terminal Equipment | - | - | |
| 170 | 847.4 Maintenance of LNG Transportation Equipment | - | - | |
| 171 | 847.5 Maintenance of Measuring and Regulating Equipment | - | - | |
| 172 | 847.6 Maintenance of Compressor Station Equipment | - | - | |
| 173 | 847.7 Maintenance of Communication Equipment | - | - | |
| 174 | 847.8 Maintenance of Other Equipment | - | - | |
| 175 | TOTAL Maintenance (Enter Total of lines 167 thru 174) | - | - | |
| 176 | TOTAL Liquefied Nat Gas Terminating and Processing Exp (Lines 165 & 175) | - | - | |
| 177 | TOTAL Natural Gas storage (Enter Total of lines 125, 146, and 176) | - | - | |
| 178 | 3. TRANSMISSION EXPENSES | | | |
| 179 | Operation | | | |
| 180 | 850 Operation Supervision and Engineering | - | - | |
| 181 | 851 System Control and Load Dispatching | - | - | |
| 182 | 852 Communication System Expenses | - | - | |
| 183 | 853 Compressor Station Labor and Expenses | - | - | |
| 184 | 854 Gas for Compressor Station Fuel | - | - | |
| 185 | 855 Other Fuel and Power for Compressor Stations | - | - | |
| 186 | 856 Mains Expenses | - | - | |
| 187 | 857 Measuring and Regulating Station Expenses | - | - | |
| 188 | 858 Transmission and Compression of Gas by Others | - | - | |
| 189 | 859 Other Expenses | - | - | |
| 190 | 860 Rents | - | - | |
| 191 | TOTAL Operation (Enter Total of lines 180 thru 190) | - | - | |

| Name of Respondent | | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
|---|---|--|------------------------------------|-------------------|
| Avista Corp. | | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | April 18, 2007 | December 31, 2006 |
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 3. TRANSMISSION EXPENSES (Continued) | | | | |
| 192 | Maintenance | | | |
| 193 | 861 Maintenance Supervision and Engineering | - | - | |
| 194 | 862 Maintenance of Structures and Improvements | - | - | |
| 195 | 863 Maintenance of Mains | - | - | |
| 196 | 864 Maintenance of Compressor Station Equipment | - | - | |
| 197 | 865 Maintenance of Measuring and Reg. Station Equipment | - | - | |
| 198 | 866 Maintenance of Communication Equipment | - | - | |
| 199 | 867 Maintenance of Other Equipment | - | - | |
| 200 | TOTAL Maintenance (Enter Total of lines 193 thru 199) | - | - | |
| 201 | TOTAL Transmission Expenses (Enter Total of lines 191 and 200) | - | - | |
| 4. DISTRIBUTION EXPENSES | | | | |
| 203 | Operation | | | |
| 204 | 870 Operation Supervision and Engineering | 326,647 | 327,856 | |
| 205 | 871 Distribution Load Dispatching | - | - | |
| 206 | 872 Compressor Station Labor and Expenses | - | - | |
| 207 | 873 Compressor Station Fuel and Power | - | - | |
| 208 | 874 Mains and Services Expenses | 799,991 | 880,732 | |
| 209 | 875 Measuring and Regulating Station Expenses-General | 91,708 | 90,308 | |
| 210 | 876 Measuring and Regulating Station Expenses-Industrial | 981 | 570 | |
| 211 | 877 Measuring and Regulating Station Expenses-City Gate Check Station | 1,906 | 453 | |
| 212 | 878 Meter and House Regulator Expenses | 401,319 | 379,517 | |
| 213 | 879 Customer Installations Expenses | 684,077 | 618,026 | |
| 214 | 880 Other Expenses | 645,169 | 605,119 | |
| 215 | 881 Rents | 7,411 | 7,327 | |
| 216 | TOTAL Operation (Enter Total of lines 204 thru 215) | 2,959,208 | 2,909,909 | |
| 217 | Maintenance | | | |
| 218 | 885 Maintenance Supervision and Engineering | 151,295 | 154,960 | |
| 219 | 886 Maintenance of Structures and Improvements | - | - | |
| 220 | 887 Maintenance of Mains | 874,829 | 852,708 | |
| 221 | 888 Maintenance of Compressor Station Equipment | - | - | |
| 222 | 889 Maintenance of Meas. and Reg. Sta. Equip.-General | 91,298 | 123,234 | |
| 223 | 890 Maintenance of Meas. and Reg. Sta. Equip.-Industrial | 11,045 | 25,544 | |
| 224 | 891 Maintenance of Meas. and Reg. Sta. Equip.-City Gate Check Station | 6,410 | 9,651 | |
| 225 | 892 Maintenance of Services | 319,233 | 228,760 | |
| 226 | 893 Maintenance of Meters and House Regulators | 271,512 | 342,233 | |
| 227 | 894 Maintenance of Other Equipment | 105,901 | 48,685 | |
| 228 | TOTAL Maintenance (Enter Total of lines 218 thru 227) | 1,831,524 | 1,785,776 | |
| 229 | TOTAL Distribution Expenses (Enter Total of lines 216 and 228) | 4,790,732 | 4,695,685 | |
| 5. CUSTOMER ACCOUNTS EXPENSES | | | | |
| 230 | Operation | | | |
| 231 | 901 Supervision | 139,720 | 189,574 | |
| 232 | 902 Meter Reading Expenses | 179,078 | 251,939 | |
| 233 | 903 Customer Records and Collection Expenses | 1,851,892 | 1,777,724 | |
| 234 | 904 Uncollectible Accounts | 419,876 | 415,884 | |
| 235 | 905 Miscellaneous Customer Accounts Expenses | 49,732 | 148,363 | |
| 236 | TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236) | 2,640,299 | 2,783,484 | |

| Name of Respondent Avista Corp. | | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report December 31, 2006 |
|--|--|---|--|-------------------------------------|
| GAS OPERATION AND MAINTENANCE EXPENSES | | | | |
| If the amount for previous year is not derived from previously reported figures, explain in footnotes. | | | | |
| Line No. | Amount (a) | Amount for Current Year (b) | Amount for Previous Year (c) | |
| 238 | 6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES | | | |
| 239 | Operation | | | |
| 240 | 907 Supervision | - | - | |
| 241 | 908 Customer Assistance Expenses | 982,166 | 640,319 | |
| 242 | 909 Informational and Instructional Expenses | 703 | 940 | |
| 243 | 910 Miscellaneous Customer Service and Informational Expenses | - | 1,134 | |
| 244 | TOTAL Customer Service and Information Expenses (Lines 240 thru 243) | 982,869 | 642,394 | |
| 245 | 7. SALES EXPENSES | | | |
| 246 | Operation | | | |
| 247 | 911 Supervision | - | - | |
| 248 | 912 Demonstrating and Selling Expenses | 220,717 | 202,529 | |
| 249 | 913 Advertising Expenses | 47,450 | 50,049 | |
| 250 | 916 Miscellaneous Sales Expenses | - | - | |
| 251 | TOTAL Sales Expenses (Enter Total of lines 247 thru 250) | 268,167 | 252,578 | |
| 252 | 8. ADMINISTRATIVE AND GENERAL EXPENSES | | | |
| 253 | Operation | | | |
| 254 | 920 Administrative and General Salaries | 1,996,967 | 2,369,620 | |
| 255 | 921 Office Supplies and Expenses | 578,014 | 579,317 | |
| 256 | (Less) (922) Administrative Expenses Transferred-Cr. | - | - | |
| 257 | 923 Outside Services Employed | 1,080,415 | 1,087,049 | |
| 258 | 924 Property Insurance | 107,906 | 66,249 | |
| 259 | 925 Injuries and Damages | 354,605 | 469,485 | |
| 260 | 926 Employee Pensions and Benefits | 64,589 | 61,388 | |
| 261 | 927 Franchise Requirements | - | - | |
| 262 | 928 Regulatory Commission Expenses | 623,639 | 448,222 | |
| 263 | (Less) (929) Duplicate Charges-Cr. | - | - | |
| 264 | 930.1 General Advertising Expenses | - | (3,046) | |
| 265 | 930.2 Miscellaneous General Expenses | 312,771 | 348,045 | |
| 266 | 931 Rents | 133,819 | 307,951 | |
| 267 | TOTAL Operation (Enter Total of lines 254 thru 266) | 5,252,726 | 5,734,279 | |
| 268 | Maintenance | | | |
| 269 | 935 Maintenance of General Plant | 594,588 | 544,176 | |
| 270 | TOTAL Administrative and General Exp (Total of lines 267 and 269) | 5,847,314 | 6,278,454 | |
| 271 | TOTAL Gas O. and M. Exp (Lines 97,177,201,229,237,244,251, and 270) | 148,708,415 | 113,232,294 | |

| NUMBER OF GAS DEPARTMENT EMPLOYEES | | | |
|---|-------------------|--|-----|
| 1. The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31. | | construction employees in a footnote. | |
| 2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special | | 3. The number of employees assignable to the gas department from joint function of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions. | |
| 1. Payroll Period Ended (Date) | December 31, 2006 | | |
| 2. Total Regular Full-Time Employees | | 70 | 133 |
| 3. Total Part-Time and Temporary Employees allocation of General Employees | | 3 | 21 |
| 4. Total Employees | | 73 | 154 |

| | | | |
|--|---|--|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|-------------------------------------|

TRANSMISSION MAINS

Show particulars Called for Concerning Transmission Mains*

| Line No. | Kind of Material (a) | Diameter of Pipe, Inches (b) | Total Length in Use Beginning of Year, Feet (c) | Laid During Year, Feet (d) | Taken up or Abandoned During Year, Feet (e) | Total Length in Use End of Year, Feet (f) |
|----------|-------------------------|---------------------------------|--|-------------------------------|--|--|
| 1 | | | | | (Moved to Distribution) | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | Steel Coated | Over 4" through 10" | 332,640 | 21,120 | 353,760 | - |
| 6 | Steel Coated | 4" or Less | 21,120 | | 21120 | - |
| 7 | | | | | | - |
| 8 | | | | | | - |
| 9 | | | | | | - |
| 10 | | | | | | - |
| 11 | | | | | | - |
| 12 | | | | | | - |
| 13 | | | | | | - |
| 14 | | | | | | - |
| 15 | | | | | | - |
| 16 | | | | | | - |
| 17 | | | | | | - |
| 18 | | | | | | - |
| 19 | | | | | | - |
| 20 | | | | | | - |
| 21 | | | | | | - |
| 22 | | | | | | - |
| 23 | | | | | | - |
| 24 | | | | | | - |
| 25 | | | | | | - |
| 26 | | | | | | - |
| 27 | | | | | | - |
| 28 | | | | | | - |
| 29 | | | | | | - |
| 30 | | | | | | - |
| 31 | | | | | | - |
| 32 | | | | | | - |
| 33 | | | | | | - |
| 34 | | | | | | - |
| 35 | | | | | | - |
| 36 | | | | | | - |
| 37 | | | | | | - |
| 38 | | | | | | - |
| 39 | | | | | | - |
| 40 | | | | | | - |
| 41 | | | | | | - |
| 42 | | | | | | - |
| 43 | | | | | | - |
| 44 | | | | | | - |
| 45 | | | | | | - |
| 46 | TOTALS | | 353,760 | 21,120 | | 0 |

* Show separately and identify lines held under a title other than full ownership.

| | | | |
|--|---|--|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|-------------------------------------|

DISTRIBUTION MAINS

Show Particulars Called for Concerning Distribution Mains

| Line No. | Kind of Material (a) | Diameter of Pipe, Inches (b) | Total Length in Use Beginning of Year, Feet (c) | Laid During Year, Feet (d) | Taken up or Abandoned During Year, Feet (e) | Total Length in Use End of Year, Feet (f) |
|----------|--|---------------------------------|--|-------------------------------|--|--|
| 1 | Steel Wrapped | Less than 2" | 2,740,320 | 5,280 | | 2,745,600 |
| 2 | Steel Wrapped | 2" to 4" | 844,800 | | 21,120 | 823,680 |
| 3 | Steel Wrapped | 4" to 8" | 770,880 | 58,080 | | 828,960 |
| 4 | Steel Wrapped | 8" to 12" | 15,840 | | | 15,840 |
| 5 | Steel Wrapped | Over 12" | 0 | | | 0 |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | Plastic | Less than 2" | 4,968,480 | 264,000 | | 5,232,480 |
| 9 | Plastic | 2" to 4" | 776,160 | 47,520 | | 823,680 |
| 10 | Plastic | 4" to 8" | 63,360 | 10,560 | | 73,920 |
| 11 | Plastic | 8" to 12" | 0 | | | 0 |
| 12 | Plastic | Over 12" | 0 | | | 0 |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | | | | | | |
| 19 | Change in footage reflects additions net of retirements. | | | | | |
| 20 | | | | | | |
| 21 | | | | | | |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | TOTALS | | 10,179,840 | 385,440 | 21,120 | 10,544,160 |

| | | | |
|--|---|---|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18,2007 | Year of Report Dec. 31, 2006 |
|--|---|---|-------------------------------------|

SERVICE PIPES GAS

Show the particulars called for concerning the line service pipe in possession of the respondent at the close of the y

| Line No. | Type (a) | Diameter in Inches (b) | Number at Beginning of Year (c) | Number Added During Year (d) | Number Removed or Abandoned During Year (e) | Number at Close of Year (f) | Average Length in Feet (g) |
|----------|------------------------------------|---------------------------|------------------------------------|---------------------------------|--|--------------------------------|-------------------------------|
| 1 | Steel Wrapped | 1' or Less | 32,123 | 36 | 114 | 32,045 | Not Available |
| 2 | Steel Wrapped | 1" thru 2" | 638 | 0 | 49 | 589 | |
| 3 | Steel Wrapped | 2" thru 4" | 21 | | | 21 | |
| 4 | Steel Wrapped | 4" thru 8" | 2 | | 2 | 0 | |
| 5 | Steel Wrapped | Over 8" | 0 | | | 0 | |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | Plastic | 1' or Less | 67,869 | | 1,824 | 66,045 | |
| 9 | Plastic | 1" thru 2" | 1,818 | 13 | | 1,831 | |
| 10 | Plastic | 2" thru 4" | 74 | 1 | | 75 | |
| 11 | Plastic | 4" thru 8" | 4 | | | 4 | |
| 12 | Plastic | Over 8" | 0 | | | 0 | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | Number added is net of retirements | | | | | | |
| 16 | | | | | | | |
| 17 | TOTALS | | 102,549 | 50 | 1,989 | 100,610 | |

| | | | |
|--|---|--|-------------------------------------|
| Name of Respondent Avista Corp. | This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) April 18, 2007 | Year of Report Dec. 31, 2006 |
|--|---|--|-------------------------------------|

CUSTOMER'S METERS

| Line No. | Size (a) | Type (b) | Make (c) | Capacity (d) | Owned Beginning of Year (e) | Added During Year (f) | Retired During Year (g) | Owned End of Year (h) |
|----------|-------------------------------------|-------------|-------------|-----------------|--------------------------------|--------------------------|----------------------------|--------------------------|
| 1 | Detailed information not available. | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | TOTAL | | | | 105,854 | 4,594 | 3,723 | 106,725 |

| | | | |
|--|--|--------------------------------|----------------|
| Name of Respondent Avista Corporation | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS ACCOUNT - NATURAL GAS

1 The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent.

2 Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.

3 Enter in column (c) the Dth as reported in the schedules indicated for the items of receipts and deliveries.

4 Indicated in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.

5 If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose. Use copies of pages 520.

6 Also indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quantities the reporting pipeline transported or sold through its local distribution facilities

or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.

7 Also indicate in a footnote (1) the system supply quantities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales, transportation, and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage quantities.

8 Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional rows as necessary to report all data, numbered 14.01, 14.02, etc.

01 NAME OF SYSTEM

| Line No. | Item (a) | Ref. Page No. (b) | Amount of Dth (1) (c) |
|---------------------|--|-------------------|-----------------------|
| GAS RECEIVED | | | |
| 2 | Gas Purchases (Accounts 800-805) | | 15,981,564 |
| 3 | Gas of Others Received for Gathering (Account 489.1) | 303 | |
| 4 | Gas of Others Received for Transmission (489.2) | 305 | |
| 5 | Gas of Others Received for Distribution (Account 489.3) | 301 | 3,828,363 |
| 6 | Gas of Others Received for Contract Storage (Account 489.4) | 307 | |
| 7 | Exchanged Gas Received from Others (Account 806) | 328 | |
| 8 | Gas Received as Imbalances (Account 806) | 328 | |
| 9 | Receipts of Respondent's Gas Transported by Others (Account 858) | 332 | |
| 10 | Other Gas Withdrawn from Storage (Explain) | | |
| 11 | Gas Received from Shippers as compressor Station Fuel | | |
| 12 | Gas Received from Shippers as Lost and Unaccounted for | | |
| 13 | Other Receipts (Specify): | | |
| 14 | Total Receipts (Total lines 3 thru 14.?) | | 19,809,927 |
| 15 | GAS DELIVERED | | |
| 16 | Gas Sales (Accounts 480 - 484) | | 8,672,972 |
| 17 | Deliveries of Gas Gathered for Others (Account 489.1) | 303 | |
| 18 | Deliveries of Gas Transported for Others (Account 489.2) | 305 | |
| 19 | Deliveries of Gas Distributed for Others (Account 489.3) | 301 | 3,828,363 |
| 20 | Deliveries of Contract Storage Gas (Account 489.4) | 307 | |
| 21 | Exchange Gas Delivered to Others (Account 806) | 328 | |
| 22 | Gas Delivered as Imbalances (Account 806) | 328 | |
| 23 | Deliveries of Gas to Others for Transportation (Account 858) | 332 | |
| 24 | Other Gas Delivered to Storage (Explain) | | |
| 25 | Gas Used for Compressor Station Fuel | 509 | |
| 26 | Other Deliveries (Specify): Sales for Resale | | 7,038,885 |
| 27 | Total Deliveries (Total lines 17 thru 27.?) | | 19,540,220 |
| 28 | GAS UNACCOUNTED FOR | | |
| 29 | Production System Losses | | |
| 30 | Gathering System Losses | | |
| 31 | Transmission System Losses | | |
| 32 | Distribution System Losses | | 269,707 |
| 33 | Storage System Losses | | |
| 34 | Other Losses (Specify) | | |
| 35 | Total Unaccounted For (Total lines 30 thru 35) | | 269,707 |
| 36 | Total Deliveries & Unaccounted For (Total lines 28 thru 36) | | 19,809,927 |

MONTANA

| | | | |
|--------------------|--|-------------------------------|----------------|
| Name of Respondent | This Report Is: | Date of Report | Year of Report |
| Avista Corp | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | (Mo, Da, Yr) Apr. 18, 2007 | Dec. 31, 2006 |

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,k,m,o) in a similar manner to a utility department. Spread the amount(s) over lines 01 thru 20 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

3. Report data for lines 7, 9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2.

4. Use page 122 for important notes regarding the statement of income or any account thereof.

5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.

6. Give concise explanations concerning significant amounts of any refunds made or received during the year

| Line No. | Account (a) | (Ref.) Page No. (b) | TOTAL | |
|----------|---|---------------------------|---------------------|----------------------|
| | | | Current Year (c) | Previous Year (d) |
| 1 | UTILITY OPERATING INCOME | | | |
| 2 | Operating Revenues (400) | 300-301 | \$14,759,468 | \$10,877,767 |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 320-325 | | |
| 5 | Maintenance Expenses (402) | 320-325 | | |
| 6 | Depreciation Expense (403) | 336-338 | | |
| 7 | Amort. & Depl. of Utility Plant (404-405) | 336-338 | | |
| 8 | Amort. of Utility Plant Acq. Adj. (406) | 336-338 | | |
| 9 | Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407) | | | |
| 10 | Amort. of Conversion Expenses (407) | | | |
| 11 | Regulatory Debits (407.3) | | | |
| 12 | (Less Regulatory Credits (407.4) | | | |
| 13 | Taxes Other Than Income Taxes (408.1) | 262-263 | | |
| 14 | Income Taxes - Federal (409.1) | 262-263 | | |
| 15 | - Other (409.1) | 262-263 | | |
| 16 | Provision for Deferred Income Taxes (410.1) | 234,272-277 | | |
| 17 | (Less) Provision for Deferred Income Taxes -Cr. (411.1) | 234,272-277 | | |
| 18 | Investment Tax Credit Adj. - Net (411.4) | 266 | | |
| 19 | (Less) Gains from Disp. of Utility Plant (411.6) | | | |
| 20 | Losses from Disp. of Utility Plant (411.7) | | | |
| 21 | (Less) Gains from Disposition of Allowances (411.8) | | | |
| 22 | Losses from Disposition of Allowances (411.9) | | | |
| 23 | TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22) | | | |
| 24 | Net Utility Operating Income (Enter Total of line 2 less 23) (Carry forward to page 117, line 25) | | \$14,759,468 | \$10,877,767 |

| | | | |
|---------------------------------------|--|--------------------------------|----------------|
| Name of Respondent Avista Corp | This Report Is: | Date of Report (Mo, Da, Yr) | Year of Report |
| | (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Apr. 18, 2007 | Dec. 31, 2006 |

STATEMENT OF INCOME FOR THE YEAR

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be attached at page 122.

8. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which

had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 1 to 19, and report the information in the blank space on page 122 or in a supplemental statement.

| ELECTRIC UTILITY | | GAS UTILITY | | OTHER UTILITY | | Line No. |
|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------|
| Current Year (e) | Previous Year (f) | Current Year (g) | Previous Year (h) | Current Year (i) | Previous Year (j) | |
| | | | | | | 1 |
| \$14,759,468 | \$10,877,767 | | | | | 2 |
| | | | | | | 3 |
| | | | | | | 4 |
| | | | | | | 5 |
| | | | | | | 6 |
| | | | | | | 7 |
| | | | | | | 8 |
| | | | | | | 9 |
| | | | | | | 10 |
| | | | | | | 11 |
| | | | | | | 12 |
| | | | | | | 13 |
| | | | | | | 14 |
| | | | | | | 15 |
| | | | | | | 16 |
| | | | | | | 17 |
| | | | | | | 18 |
| | | | | | | 19 |
| \$14,759,468 | \$10,877,767 | \$0 | \$0 | | \$0 | 20 |

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**NOT DIRECTLY ASSIGNED
TO STATES**

| | | | |
|--------------------|--|--------------------------------|---------------|
| Name of Respondent | This report is: | Date of Report (Mo, Da, Yr) | Year Ending |
| Avista Corp. | <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts.
2. In addition to Account 101, *Gas Plant in Service (Classified)*, this page and the next include Account 102, *Gas Plant Purchased or Sold*, Account 103, *Experimental Gas Plant Unclassified*, and Account 106, *Completed Construction Not Classified-Gas*.
3. Include in column (c) and (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.
5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d).

| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) |
|----------|--|----------------------------------|---------------|
| 1 | INTANGIBLE PLANT | | |
| 2 | 301 Organization | 0 | |
| 3 | 302 Franchises and Consents | 0 | |
| 4 | 303 Miscellaneous Intangible Plant | 642,495 | 128,799 |
| 5 | TOTAL Intangible Plant (Enter Total of lines 2 thru 4) | 642,495 | 128,799 |
| 6 | PRODUCTION PLANT | | |
| 7 | Manufactured Gas Production Plant | | |
| 8 | 304 Land and Land Rights | 0 | |
| 9 | 305 Structures and Improvements | 0 | |
| 10 | 306 Boiler Plant Equipment | 0 | |
| 11 | 307 Other Power Equipment | 0 | |
| 12 | 308 Coke Ovens | 0 | |
| 13 | 309 Producer gas equipment | 0 | |
| 14 | 310 Water Gas Generating Equipment | 0 | |
| 15 | 311 Liquefied Petroleum Gas Equipment | 0 | |
| 16 | 312 Oil Gas Generating Equipment | 0 | |
| 17 | 313 Generating Equipment-Other Processes | 0 | |
| 18 | 314 Coal, Coke, and ash handling equipment | 0 | |
| 19 | 315 Catalytic Cracking Equipment | 0 | |
| 20 | 316 Other reforming equipment | 0 | |
| 21 | 317 Purification equipment | 0 | |
| 22 | 318 Residual refining equipment | 0 | |
| 23 | 319 Gas mixing equipment | 0 | |
| 24 | 320 Other Equipment | 0 | |
| 25 | | | |
| 26 | TOTAL Manufactured Gas Production Plant (Enter Total of lines 8 thru 24) | 0 | 0 |
| 27 | PRODUCTS EXTRACTION PLANT | | |
| 28 | 340 Land and Land Rights | 0 | |
| 29 | 341 Structures and Improvements | 0 | |
| 30 | 342 Extraction and Refining Equipment | 0 | |
| 31 | 343 Pipe Lines | 0 | |
| 32 | 344 Extracted Products Storage Equipment | 0 | |
| 33 | 345 Compressor Equipment | 0 | |

| | | | |
|--------------------|--|--------------------------------|---------------|
| Name of Respondent | This report is: <input checked="" type="checkbox"/> An Original | Date of Report (Mo, Da, Yr) | Year Ending |
| Avista Corp. | <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
|--------------------|--------------------|------------------|-------------------------------|-------------|
| | | | | 1 |
| | | | 0 | 2 |
| | | | 0 | 3 |
| 48,044 | | | 723,251 | 4 |
| 48,044 | 0 | 0 | 723,251 | 5 |
| | | | | 6 |
| | | | | 7 |
| | | | 0 | 8 |
| | | | 0 | 9 |
| | | | 0 | 10 |
| | | | 0 | 11 |
| | | | 0 | 12 |
| | | | 0 | 13 |
| | | | 0 | 14 |
| | | | 0 | 15 |
| | | | 0 | 16 |
| | | | 0 | 17 |
| | | | 0 | 18 |
| | | | 0 | 19 |
| | | | 0 | 20 |
| | | | 0 | 21 |
| | | | 0 | 22 |
| | | | 0 | 23 |
| | | | 0 | 24 |
| 0 | 0 | 0 | 0 | 26 |
| | | | | 27 |
| | | | 0 | 28 |
| | | | 0 | 29 |
| | | | 0 | 30 |
| | | | 0 | 31 |
| | | | 0 | 32 |
| | | | 0 | 33 |

| Name of Respondent | | This report is: | Date of Report (Mo, Da, Yr) | Year Ending |
|---|---|--|--------------------------------|---------------|
| Avista Corp. | | <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 34 | 346 Gas Measuring and Regulating Equipment | 0 | | |
| 35 | 347 Other Equipment | 0 | | |
| 36 | TOTAL Products Extraction Plant (Enter Total of lines 28 thru 35) | 0 | 0 | |
| 37 | TOTAL Natural Gas Production Plant (Enter Total of lines 26 and 36) | 0 | 0 | |
| 38 | Manufactured Gas Production Plant (Submit Supplementary Statement) | 0 | | |
| 39 | TOTAL Production Plant (Enter Total of lines 37 and 38) | 0 | 0 | |
| 40 | NATURAL GAS STORAGE AND PROCESSING PLANT | | | |
| 41 | Underground Storage Plant | | | |
| 42 | 350.1 Land | | | |
| 43 | 350.2 Rights-of-Way | 0 | | |
| 44 | 351 Structures and Improvements | 0 | | |
| 45 | 352 Wells | 0 | | |
| 46 | 352.1 Storage Leaseholds and Rights | 0 | | |
| 47 | 352.2 Reservoirs | 0 | | |
| 48 | 352.3 Non-recoverable Natural Gas | 0 | | |
| 49 | 353 Lines | 0 | | |
| 50 | 354 Compressor Station Equipment | 0 | | |
| 51 | 355 Measuring and Regulating Equipment | 0 | | |
| 52 | 356 Purification Equipment | 0 | | |
| 53 | 357 Other Equipment | 0 | | |
| 54 | TOTAL Underground Storage Plant (Enter Total of lines 42 thru 53) | 0 | 0 | |
| 55 | Other Storage Plant | | | |
| 56 | 360 Land and Land Rights | 0 | | |
| 57 | 361 Structures and Improvements | 0 | | |
| 58 | 362 Gas Holders | 0 | | |
| 59 | 363 Purification Equipment | 0 | | |
| 60 | 363.1 Liquefaction Equipment | 0 | | |
| 61 | 363.2 Vaporizing Equipment | 0 | | |
| 62 | 363.3 Compressor Equipment | 0 | | |
| 63 | 363.4 Measuring and Regulating Equipment | 0 | | |
| 64 | 363.5 Other Equipment | 0 | | |
| 65 | TOTAL Other Storage Plant (Enter Total of lines 56 thru 64) | 0 | 0 | |
| 66 | Base Load Liquefied Natural Gas Terminating and Processing Plant | | | |
| 67 | 364.1 Land and Land Rights | 0 | | |
| 68 | 364.2 Structures and Improvements | 0 | | |
| 69 | 364.3 LNG Processing Terminal Equipment | 0 | | |
| 70 | 364.4 LNG Transportation Equipment | 0 | | |
| 71 | 364.5 Measuring and Regulating Equipment | 0 | | |
| 72 | 364.6 Compressor Station Equipment | 0 | | |
| 73 | 364.7 Communications Equipment | 0 | | |
| 74 | 364.8 Other Equipment | 0 | | |
| 75 | TOTAL Base Load Liq Nat'l Gas, Terminal and Processing Plant (lines 67-74) | 0 | 0 | |
| 76 | TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 54, 65 and 75) | 0 | 0 | |
| 77 | TRANSMISSION PLANT | | | |
| 78 | 365.1 Land and Land Rights | 0 | | |
| 79 | 365.2 Rights-of-Way | 0 | | |
| 80 | 366 Structures and Improvements | 0 | | |

| Name of Respondent | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) | Year Ending | |
|--|--|--------------------------------|-------------------------------|-------------|
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 | |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| | | | 0 | 34 |
| | | | 0 | 35 |
| 0 | 0 | 0 | 0 | 36 |
| 0 | 0 | 0 | 0 | 37 |
| | | | 0 | 38 |
| 0 | 0 | 0 | 0 | 39 |
| | | | | 40 |
| | | | | 41 |
| | | | 0 | 42 |
| | | | 0 | 43 |
| | | | 0 | 44 |
| | | | 0 | 45 |
| | | | 0 | 46 |
| | | | 0 | 47 |
| | | | 0 | 48 |
| | | | 0 | 49 |
| | | | 0 | 50 |
| | | | 0 | 51 |
| | | | 0 | 52 |
| | | | 0 | 53 |
| 0 | 0 | 0 | 0 | 54 |
| | | | | 55 |
| | | | 0 | 56 |
| | | | 0 | 57 |
| | | | 0 | 58 |
| | | | 0 | 59 |
| | | | 0 | 60 |
| | | | 0 | 61 |
| | | | 0 | 62 |
| | | | 0 | 63 |
| | | | 0 | 64 |
| 0 | 0 | 0 | 0 | 65 |
| | | | | 66 |
| | | | 0 | 67 |
| | | | 0 | 68 |
| | | | 0 | 69 |
| | | | 0 | 70 |
| | | | 0 | 71 |
| | | | 0 | 72 |
| | | | 0 | 73 |
| | | | 0 | 74 |
| 0 | 0 | 0 | 0 | 75 |
| 0 | 0 | 0 | 0 | 76 |
| | | | | 77 |
| | | | 0 | 78 |
| | | | 0 | 79 |
| | | | 0 | 80 |

| Name of Respondent | | This report is: | Date of Report (Mo, Da, Yr) | Year Ending |
|---|---|--|--------------------------------|---------------|
| Avista Corp. | | <input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | April 18, 2007 | Dec. 31, 2006 |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 81 | 367 Mains | 0 | | |
| 82 | 368 Compressor Station Equipment | 0 | | |
| 83 | 369 Measuring and Regulating Equipment | 0 | | |
| 84 | 370 Communications Equipment | 0 | | |
| 85 | 371 Other Equipment | 0 | | |
| 86 | TOTAL Transmission Plant (Enter Totals of lines 78 thru 85) | 0 | 0 | |
| 87 | DISTRIBUTION PLANT | | | |
| 88 | 374 Land and Land Rights | 0 | | |
| 89 | 375 Structures and Improvements | 0 | | |
| 90 | 376 Mains | 0 | | |
| 91 | 377 Compressor Station Equipment | 0 | | |
| 92 | 378 Measuring and Regulating Equipment-General | 0 | | |
| 93 | 379 Measuring and Regulating Equipment-City Gate | 0 | | |
| 94 | 380 Services | 0 | | |
| 95 | 381 Meters | 0 | | |
| 96 | 382 Meter Installations | 0 | | |
| 97 | 383 House Regulators | 0 | | |
| 98 | 384 House Regulator Installations | 0 | | |
| 99 | 385 Industrial Measuring and Regulating Station Equipment | 0 | | |
| 100 | 386 Other Property on Customers' Premises | 0 | | |
| 101 | 386 Other Equipment | 0 | | |
| 102 | TOTAL Distribution Plant (Enter Totals of lines 88 thru 101) | 0 | 0 | |
| 103 | GENERAL PLANT | | | |
| 104 | 389 Land and Land Rights | 0 | | |
| 105 | 390 Structures and Improvements | 0 | 133,370 | |
| 106 | 391 Office Furniture and Equipment | 378,871 | | |
| 107 | 392 Transportation Equipment | 445,592 | 1,821 | |
| 108 | 393 Stores Equipment | 0 | | |
| 109 | 394 Tools, Shop, and Garage Equipment | 479,823 | 249,208 | |
| 110 | 395 Laboratory Equipment | 332,099 | | |
| 111 | 396 Power Operated Equipment | 368,144 | | |
| 112 | 397 Communication Equipment | 705,917 | 244,206 | |
| 113 | 398 Miscellaneous Equipment | 31,332 | | |
| 114 | Subtotal (Enter Totals of lines 104 thru 113) | 2,741,778 | 628,605 | |
| 115 | 399 Other Tangible Property | 0 | | |
| 116 | TOTAL General Plant (Enter Totals of lines 114 and 115) | 2,741,778 | 628,605 | |
| 117 | TOTAL (Accounts 101 and 106) | 3,384,273 | 757,404 | |
| 118 | Gas Plant Purchased (See Instruction 8) | 0 | | |
| 119 | (Less) Gas Plant Sold (See Instruction 8) | 0 | | |
| 120 | Experimental Gas Plant Unclassified | 0 | | |
| 121 | TOTAL Gas Plant in Service (Enter Totals of lines 117 thru 120) | 3,384,273 | 757,404 | |

| Name of Respondent | This report is: [X] An Original [] A Resubmission | Date of Report (Mo, Da, Yr) | Year Ending | |
|---|--|--------------------------------|-------------------------------|-------------|
| Avista Corp. | [] A Resubmission | April 18, 2007 | Dec. 31, 2006 | |
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| | | | 0 | 81 |
| | | | 0 | 82 |
| | | | 0 | 83 |
| | | | 0 | 84 |
| | | | 0 | 85 |
| 0 | 0 | 0 | 0 | 86 |
| | | | | 87 |
| | | | 0 | 88 |
| | | | 0 | 89 |
| | | | 0 | 90 |
| | | | 0 | 91 |
| | | | 0 | 92 |
| | | | 0 | 93 |
| | | | 0 | 94 |
| | | | 0 | 95 |
| | | | 0 | 96 |
| | | | 0 | 97 |
| | | | 0 | 98 |
| | | | 0 | 99 |
| | | | 0 | 100 |
| | | | 0 | 101 |
| 0 | 0 | 0 | 0 | 102 |
| | | | | 103 |
| | | | 0 | 104 |
| | | | 133,370 | 105 |
| | | | 378,871 | 106 |
| 22,737 | | | 424,676 | 107 |
| | | | 0 | 108 |
| 3,772 | | | 725,260 | 109 |
| 277 | | | 331,822 | 110 |
| | | | 368,144 | 111 |
| 53,174 | | | 896,948 | 112 |
| | | | 31,332 | 113 |
| 79,959 | 0 | 0 | 3,290,423 | 114 |
| | | | 0 | 115 |
| 79,959 | 0 | 0 | 3,290,423 | 116 |
| 128,003 | 0 | 0 | 4,013,674 | 117 |
| | | | | 118 |
| | | | 0 | 119 |
| | | | 0 | 120 |
| 128,003 | 0 | 0 | 4,013,674 | 121 |

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