

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION DBA AVISTA) CASE NOS. AVU-E-07-11
UTILITIES FOR AN ORDER) AVU-G-07-03
AUTHORIZING A CHANGE IN)
DEPRECIATION RATES FOR GAS AND) ORDER NO. 30498
ELECTRIC PLANT)**

On November 1, 2007, Avista Corporation dba Avista Utilities filed an Application requesting that the Commission approve changes to the Company's depreciation rates for electric and natural gas property. Avista serves customers in Washington, Idaho and a small portion of Oregon. Avista requested that the Commission synchronize depreciation rates so that its Idaho rates would become effective with new Washington depreciation rates recently approved by the Washington Utilities and Transportation Commission (WUTC). The Company requested that its proposed changes to its depreciation rates become effective January 1, 2008.

On November 26, 2007, the Commission issued a Notice of Application and established a deadline for intervention. No person moved to intervene in the case. On February 1, 2008, Avista and Commission Staff filed a Stipulation agreeing upon changes to Avista's depreciation rates. The parties urge the Commission to approve the new depreciation rates retroactively as of January 1, 2008. Based upon our review of the Application and the settlement Stipulation, we approve the parties' stipulated depreciation rates.

BACKGROUND

In April 2007, Avista filed a general rate case application with the WUTC to increase its rates for electric and natural gas service in Washington. As part of its rate case, the Company proposed to change its depreciation rates based upon a new depreciation study completed by Gannett Fleming, Inc. The depreciation study was based upon depreciable electric, gas and common plant in-service as of December 31, 2004. Application at 2. In October 2007, Avista, the WUTC staff, and other intervenors in the Washington case agreed to accept the depreciation rates proposed in the depreciation study with four exceptions proposed by the WUTC staff. The WUTC staff proposed reductions in negative net salvage values in four electric accounts. The four accounts include: Account 311 (Structures & Improvements); Account 312 (Boiler Plant Equipment); Account 356 (Overhead Conductor and Devices); and Account 369 (Services). If

approved, the recommended changes in these four accounts would result in lower depreciation accrual rates than originally proposed by the Company. On October 29, 2007, the parties in the Washington case agreed to settle all issues in the general rate case and recommended a proposed effective date of January 1, 2008. On December 19, 2007, the WUTC approved the settlement stipulation including Staff's adjustments to the four depreciation accounts.

THE IDAHO APPLICATION

Avista's depreciation Application in Idaho updated the Company's depreciation study based upon all plant in-service as of December 31, 2006. Based upon the depreciation settlement in Washington, Avista asserted the annual depreciation expenses for electric property in Idaho should be increased by approximately \$128,000 and decreased by approximately \$132,000 for its natural gas property. Application at 4. The Company maintained that approval of the new depreciation rates would be for accounting purposes only and the Company did not seek a change in customer service rates at this time. If approved, the new depreciation rates would become effective January 1, 2008 and the net change in depreciation rates "would be reflected in Avista's next general rate case." *Id.* at 4-5; Order No. 30467 at 2.¹

THE SETTLEMENT STIPULATION

Given the lack of any intervenors, Avista and Staff met to discuss the proposed depreciation rates. Following these discussions, Avista and Staff agreed that to maintain uniform utility accounts, the depreciation rates for "system-allocated plant (i.e., production, transmission, and certain general plant) must be uniform and consistent among the Company's Idaho and Washington regulatory jurisdictions." Stipulation at ¶ 8. The Staff and the Company also agreed to extend the remaining service life for Idaho Account 367 (Underground Conductor and Devices). *See* Atch. B, p. 5 of 7. This Idaho jurisdictional change in the depreciation rate results in an annual reduction in electric depreciation expense of approximately \$668,000. The parties agreed to the proposed depreciation expense for gas plant contained in Avista's Idaho Application. If approved, the change in the lives for gas plant would result in an annual decrease in gas depreciation expense for Idaho of approximately \$132,000. Finally, the parties agreed that the changes in depreciation rates contained in the Stipulation should become effective as of January 1, 2008.

¹ On January 17, 2008, Avista notified the Idaho Commission that it intends to file a general rate case on or about April 1, 2008.

The parties asserted that the proposed depreciation rates contained in the Stipulation are in the public interest and that the proposed depreciation rates are fair, just and reasonable. Stipulation at ¶ 17. The parties urged the Commission to accept the Stipulation. The Staff and the Company were the only parties in the case. They insisted the changes encompassed in the Stipulation decrease annual depreciation expenses and are a benefit to Idaho ratepayers. Accordingly, the parties asked that the Commission approve the Stipulation and adopt the terms and conditions without further proceedings.

COMMISSION FINDINGS

After reviewing the depreciation Application and the settlement Stipulation, we find it is reasonable to approve the Stipulation. As indicated above, based on plant in-service as of December 31, 2006, the Stipulation results in a decrease of approximately \$668,000 in Avista's annual electric depreciation expense and a decrease of approximately \$132,000 in its annual gas depreciation expense for its Idaho jurisdictional operations. *See* Atch. A. The parties proposed and we authorize uniform utility depreciation rates for system-allocated plant between the Company's Idaho and Washington regulatory jurisdictions. Pursuant to our authority in *Idaho Code* § 61-525, we find the depreciation rates contained in the Stipulation for both electric and gas plant are fair, just and reasonable.

Consistent with our procedural Rule 274, we find it is appropriate for the Commission to summarily accept the settlement of these depreciation rates. IDAPA 31.01.01.274. Based upon the lack of intervenors and our review of this matter, we find that an evidentiary hearing in this matter is not necessary. In conclusion, the Commission finds the depreciation rates embodied in the Stipulation are fair, just and reasonable, and in the public interest. We further find the new depreciation rates contained in the Stipulation shall become effective as of January 1, 2008.

ORDER

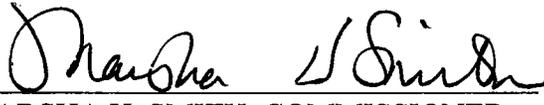
IT IS HEREBY ORDERED that the Stipulation dated February 1, 2008, between Avista Corporation dba Avista Utilities and Commission Staff is approved. Avista's depreciation rates for Idaho electric and gas properties set out in the parties' Stipulation are approved for the Idaho jurisdiction. The approved depreciation rates are contained in the Attachments to this Order.

IT IS FURTHER ORDERED that the stipulated depreciation rates shall be effective as of January 1, 2008.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case Nos. AVU-E-07-11 and AVU-G-07-03 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in these cases. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

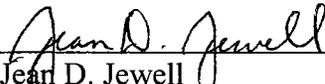
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 6th day of February 2008.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

b1s/O:AVU-E-07-11_AVU-G-07-03_dh2

ATTACHMENT A

AVISTA UTILITIES
 Depreciation Expense - Electric
 For the Year Ended December 31, 2006

	2006 Deprec. at Existing Rate	2006 Deprec. at Proposed Rate	Change	WA Allocation	ID Allocation
Production Plant:					
Steam Production Plant	11,388,515	10,174,951	(1,213,564)	(798,889)	(414,675)
Hydraulic Production Plant	6,208,522	6,629,652	421,130	277,230	143,900
Other Production Plant	10,625,177	8,796,613	(1,828,564)	(1,203,743)	(624,820)
Total Production Plant	28,222,214	25,601,216	(2,620,998)	(1,725,402)	(895,595)
P/T Ratio				65.830%	34.170%
Transmission Plant	9,049,748	7,614,061	(1,435,687)	(945,113)	(490,574)
P/T Ratio				65.830%	34.170%
Distribution Plant	17,457,435	21,689,392	4,231,958	3,120,428	1,111,530
Depreciable Plant-ADP-12A					
General Plant-See Allocation WS	6,693,473	5,530,438	(1,163,035)	(770,045)	(392,990)
Depreciable Plant-ADP-12A				66.210%	33.790%
TOTAL ELECTRIC PLANT	61,422,870	60,435,107	(987,762)	(320,132)	(667,629)
DEFERRED TAX IMPACT @ 35%				(112,046)	(233,670)

ID Accumulated Depreciation/Deferred Tax Impact:

	Accumulated Depeciation Balance	Deferred FIT Balance
Dec-05	0	0
Jan-06	(55,636)	(19,473)
Feb-06	(111,272)	(38,945)
Mar-06	(166,907)	(58,417)
Apr-06	(222,543)	(77,890)
May-06	(278,179)	(97,363)
Jun-06	(333,815)	(116,835)
Jul-06	(389,450)	(136,308)
Aug-06	(445,086)	(155,780)
Sep-06	(500,722)	(175,253)
Oct-06	(556,358)	(194,725)
Nov-06	(611,993)	(214,198)
Dec-06	(667,629)	(233,670)
Average of Monthly Average	(333,815)	(116,835)

ATTACHMENT A

AVISTA UTILITIES
 Depreciation Expense - Gas
 For the Year Ended December 31, 2006

	2006 Deprec. at Existing Rate	2006 Deprec. at Proposed Rate	Change	WA Allocation	ID Allocation
Underground Storage Plant System Contract Demand Ratio	425,988	344,112	(81,876)	(60,056) 73.350%	(21,820) 26.650%
Distribution Plant Actual Therms Purchased	7,862,876	7,561,878	(300,998)	(214,542) 71.277%	(86,456) 28.723%
General Plant - Direct System Contract Demand Ratio	177,423	152,821	(24,602)	(18,046) 73.350%	(6,557) 26.650%
Transportation Plant - Direct System Contract Demand Ratio	99,447	85,072	(14,375)	(10,544) 73.350%	(3,831) 26.650%
General Plant-See Allocation WS Depreciable Plant-ADP-12A	968,561	924,547	(44,014)	(30,394) 69.055%	(13,620) 30.945%
TOTAL GAS PLANT	9,534,295	9,068,430	(465,865)	(333,582)	(132,284)
DEFERRED TAX IMPACT @ 35%				(116,754)	(46,299)

ID Accumulated Depreciation/Deferred Tax Impact:

	Accumulated Depreciation Balance	Deferred FIT Balance
Dec-05	0	0
Jan-06	(11,024)	(3,858)
Feb-06	(22,047)	(7,716)
Mar-06	(33,071)	(11,575)
Apr-06	(44,095)	(15,433)
May-06	(55,118)	(19,291)
Jun-06	(66,142)	(23,150)
Jul-06	(77,166)	(27,008)
Aug-06	(88,189)	(30,866)
Sep-06	(99,213)	(34,725)
Oct-06	(110,237)	(38,583)
Nov-06	(121,260)	(42,441)
Dec-06	(132,284)	(46,299)
Average of Monthly Average	(66,142)	(23,150)

ATTACHMENT B

AVISTA UTILITIES
 Depreciation Expense
 For the Year Ended December 31, 2006

Account Number	[1] Description	[2] 2006 Avg. Balance	[3] Existing Rate	[4] Existing Annual Deprec.	[5] Study Rate	[6] Proposed Annual Deprec.	[7] Increase or (Decrease)
		\$	%	\$	%	\$	\$
STEAM PRODUCTION PLANT							
KETTLE FALLS STATION							
310.3	Removing Property of Others	138,175	3.01	4,159	2.19	3,026	(1,133)
310.4	Easements & Permits	10,000	3.01	301	2.19	219	(82)
311.0	Structures & Improvements	20,949,975	3.09	647,446	2.34	490,229	(157,217)
311.1	Structures & Improvements-Landfill	3,572,905	3.09	110,403	3.61	128,982	18,579
312.0	Boiler Plant Equipment	40,057,733	3.26	1,307,130	3.31	1,325,911	18,781
314.0	Turbogenerator Units	13,085,802	3.26	426,998	3.18	416,129	(10,869)
315.0	Accessory Electric Equipment	10,261,817	2.96	303,750	2.74	281,174	(22,576)
316.0	Misc. Power Plant Equipment	2,304,425	2.99	68,936	2.68	61,759	(7,177)
	Total	<u>90,380,832</u>		<u>2,869,123</u>		<u>2,707,428</u>	<u>(161,695)</u>
COLSTRIP UNIT 3							
311.0	Structures & Improvements	50,449,209	2.93	1,478,188	2.28	1,150,242	(327,946)
312.0	Boiler Plant Equipment	74,529,150	3.12	2,325,393	2.70	2,012,287	(313,106)
314.0	Turbogenerator Units	17,653,753	3.10	547,079	3.39	598,462	51,383
315.0	Accessory Electric Equipment	9,037,535	2.76	249,667	2.49	225,035	(24,632)
316.0	Misc. Power Plant Equipment	8,733,616	2.73	238,421	2.26	197,380	(41,041)
	Total	<u>160,403,263</u>		<u>4,838,748</u>		<u>4,183,406</u>	<u>(655,342)</u>
COLSTRIP UNIT 4							
311.0	Structures & Improvements	49,568,467	2.95	1,462,270	2.35	1,164,859	(297,411)
312.0	Boiler Plant Equipment	46,670,162	3.11	1,451,536	2.83	1,320,766	(130,770)
314.0	Turbogenerator Units	15,211,778	3.11	472,782	3.50	532,412	59,630
315.0	Accessory Electric Equipment	6,372,170	2.80	178,646	2.59	165,039	(13,607)
316.0	Misc. Power Plant Equipment	4,107,359	2.81	115,410	2.46	101,041	(14,369)
	Total	<u>121,929,936</u>		<u>3,680,644</u>		<u>3,284,117</u>	<u>(396,527)</u>
	Total Steam Production Plant	<u>372,714,031</u>		<u>11,388,515</u>		<u>10,174,951</u>	<u>(1,213,564)</u>

ATTACHMENT B

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Case Nos. AVU-E-07-11/AVU-G-07-03

ORDER NO. 30498

ATTACHMENT B

AVISTA UTILITIES
 Depreciation Expense
 For the Year Ended December 31, 2006

[1] Account Number	[2] Description	[3] 2006 Avg. Balance \$	[4] Existing Rate %	[5] Existing Annual Deprec. \$	[6] Study Rate %	[7] Proposed Annual Deprec. \$	[8] Increase or (Decrease) \$
HYDRAULIC PRODUCTION PLANT							
CABINET GORGE							
330.3	Removing Property of Others	6,783,237		41,901	2.27	153,979	112,078
330.31	Removing Property of Others-Conservation	240,922		2	2.27	5,469	5,467
330.4	Land Easements	365,924		2,260	2.75	10,063	7,803
330.41	Land Easements-Conservation	332,796		571	2.03	6,756	6,185
331.0	Structures & Improvements	9,296,356		346,820	1.62	150,601	(196,219)
331.1	Structures & Improvements-Fish & Wildlife	10,610		397	1.50	159	(238)
331.2	Structures & Improvements-Recreation	592,490		21,349	1.64	9,717	(11,632)
331.26	Structures & Improvements-Rec Info	24,242		908	2.47	599	(309)
332.0	Reservoirs, Dams & Waterways	17,499,008		478,514	1.79	313,232	(165,282)
332.1	Reservoirs, Dams & Waterways-Fish & Wildlife	2,881,198		4,299	2.51	72,318	68,019
332.15	Reservoirs, Dams & Waterways-Fish & Wildlife	986,319		1,434	2.29	22,587	21,153
332.2	Reservoirs, Dams & Waterways-Recreation	107,153		2,951	1.91	2,047	(904)
333.0	Waterwheels, Turbines & Generators	32,007,087		397,225	2.59	828,984	431,759
334.0	Accessory Electric Equipment	5,227,443		272,644	1.43	74,752	(197,892)
335.0	Misc. Power Plant Equipment	2,342,515		11,712		0	(11,712)
335.1	Misc. Power Plant Equipment-Fish & Wildlife	54,938		746	2.99	1,643	897
335.2	Misc. Power Plant Equipment-Recreation	19,647		303	2.99	587	284
336.0	Roads, Railroads & Bridges	1,098,564		58,179	2.05	22,521	(35,658)
	Total	79,870,449	2.06	1,642,215	2.10	1,676,013	33,798
LITTLE FALLS							
330.1	Settlement	4,200,000		88,216	2.00	84,000	(4,216)
330.3	Removing Property of Others	13,634		418	2.47	337	(81)
330.4	Land Easements	3,627		111	7.03	255	144
331.0	Structures & Improvements	911,061		0	0.12	1,093	1,093
332.0	Reservoirs, Dams & Waterways	5,010,780		178,765	1.51	75,663	(103,102)
332.2	Reservoirs, Dams & Waterways-Recreation	14,366		516	1.74	250	(266)
333.0	Waterwheels, Turbines & Generators	3,968,823		300,035	0.51	20,241	(279,794)
334.0	Accessory Electric Equipment	1,706,235		117,833	0.93	15,868	(101,965)
335.0	Misc. Power Plant Equipment	136,815		7,990	1.18	1,614	(6,376)
	Total	15,965,341	4.35	693,884	1.25	199,321	(494,563)
LONG LAKE							
330.3	Removing Property of Others	171,080		4,535	2.04	3,490	(1,045)
330.4	Land Easements	246,562		6,536	5.68	14,005	7,469
331.0	Structures & Improvements	1,436,183		(1,258)	0.12	1,723	2,981
331.1	Structures & Improvements-Fish & Wildlife	64,872		0		0	0
331.2	Structures & Improvements-Recreation	92,158		0		0	0
332.0	Reservoirs, Dams & Waterways	16,532,371		940,642	1.10	181,856	(758,786)
332.2	Reservoirs, Dams & Waterways-Recreation	105,639		6,011	1.31	1,384	(4,627)
333.0	Waterwheels, Turbines & Generators	8,823,605		512,778	1.29	113,825	(398,953)
334.0	Accessory Electric Equipment	2,779,392		203,025	0.82	22,791	(180,234)
335.0	Misc. Power Plant Equipment	387,918		18,216	1.58	6,129	(12,087)
	Total	30,639,780	5.52	1,690,485	1.13	345,203	(1,345,282)
MONROE STREET							
331.0	Structures & Improvements	7,742,077		6,145	1.82	140,906	134,761
331.1	Structures & Improvements-Fish & Wildlife	206		0	2.43	5	5
331.2	Structures & Improvements-Recreation	507,701		403	2.51	12,743	12,340
332.0	Reservoirs, Dams & Waterways	8,045,079		4,006	1.72	138,375	134,369
333.0	Waterwheels, Turbines & Generators	11,018,005		11,734	2.28	251,211	239,477
334.0	Accessory Electric Equipment	1,660,800		6,167	2.97	49,326	43,159
335.0	Misc. Power Plant Equipment	26,344		103	2.04	537	434
336.0	Roads, Railroads & Bridges	50,448		50	2.17	1,095	1,045
	Total	29,050,660	0.10	28,608	2.05	594,198	565,590

ATTACHMENT B

AVISTA UTILITIES
Depreciation Expense
For the Year Ended December 31, 2006

Account Number	[1] Description	[2] 2006 Avg. Balance \$	[3] Existing Rate %	[4] Existing Annual Deprec. \$	[5] Study Rate %	[6] Proposed Annual Deprec. \$	[7] Increase or (Decrease) \$
<u>NINE MILE</u>							
330.3	Removing Property of Others	9,937		394	1.66	165	(229)
330.4	Land Easements	980		39	4.59	45	6
331.0	Structures & Improvements	3,934,864		76,218	2.35	92,469	16,251
332.0	Reservoirs, Dams & Waterways	11,744,264		230,078	2.16	253,676	23,598
332.1	Reservoirs, Dams & Waterways-Fish & Wildlife	3,535		69	2.24	79	10
332.2	Reservoirs, Dams & Waterways-Recreation	92,744		1,817	2.35	2,179	362
333.0	Waterwheels, Turbines & Generators	9,465,050		30,459	3.03	286,791	256,332
334.0	Accessory Electric Equipment	2,643,763		64,847	2.57	67,945	3,098
335.0	Misc. Power Plant Equipment	281,963		6,856	2.31	6,513	(343)
336.0	Roads, Railroads & Bridges	625,181		2,144	2.64	16,505	14,361
	Total	<u>28,802,281</u>	1.43	<u>412,921</u>	2.52	<u>726,368</u>	<u>313,447</u>
<u>NOXON RAPIDS</u>							
330.3	Removing Property of Others	29,413,622		122,586	2.02	594,155	471,569
330.4	Land Easements	10,607		44	2.83	300	256
330.41	Land Easements-Conservation	550,000		2,292	1.84	10,120	7,828
331.0	Structures & Improvements	11,080,010		233,184	1.77	196,116	(37,068)
331.1	Structures & Improvements-Fish & Wildlife	28,422		179	1.84	523	344
331.2	Structures & Improvements-Recreation	574,838		10,692	1.85	10,635	(57)
331.26	Structures & Improvements-Rec Info	11,359		242	1.86	211	(31)
332.0	Reservoirs, Dams & Waterways	30,097,050		536,877	1.79	538,737	1,860
332.1	Reservoirs, Dams & Waterways-Fish & Wildlife	1,005,322		17,933	1.77	17,794	(139)
332.15	Reservoirs, Dams & Waterways-Fish & Wildlife	481,128		8,583	1.76	8,468	(115)
332.2	Reservoirs, Dams & Waterways-Recreation	96,606		1,615	2.16	2,087	472
333.0	Waterwheels, Turbines & Generators	33,241,997		238,057	2.89	960,694	722,637
334.0	Accessory Electric Equipment	12,692,253		101,873	2.53	321,114	219,241
335.0	Misc. Power Plant Equipment	2,300,093		136,474	0.97	22,311	(114,163)
335.1	Misc. Power Plant Equipment-Fish & Wildlife	348,557		20,854	1.40	4,880	(15,974)
335.2	Misc. Power Plant Equipment-Recreation	6,753		26	1.40	95	69
336.0	Roads, Railroads & Bridges	225,369		5,632	2.12	4,778	(854)
	Total	<u>122,163,986</u>	1.18	<u>1,437,143</u>	2.20	<u>2,693,017</u>	<u>1,255,874</u>
<u>POST FALLS</u>							
330.3	Removing Property of Others	23,167		368	4.18	968	600
330.4	Land Easements	2,708,437		42,978	3.79	102,650	59,672
331.0	Structures & Improvements	612,088		0	0.36	2,204	2,204
331.1	Structures & Improvements-Fish & Wildlife	2,665		0	0.23	6	6
331.2	Structures & Improvements-Recreation	5,526		0	0.24	13	13
332.0	Reservoirs, Dams & Waterways	5,759,792		22,685	2.72	156,666	133,981
332.1	Reservoirs, Dams & Waterways-Fish & Wildlife	16,133		64	2.86	461	397
332.2	Reservoirs, Dams & Waterways-Recreation	268,670		1,064	3.09	8,302	7,238
333.0	Waterwheels, Turbines & Generators	2,230,774		0	0.16	3,569	3,569
334.0	Accessory Electric Equipment	854,367		0	0.14	1,196	1,196
335.0	Misc. Power Plant Equipment	214,663		3,159	2.68	5,753	2,594
	Total	<u>12,696,282</u>	0.55	<u>70,318</u>	2.22	<u>281,789</u>	<u>211,471</u>
<u>UPPER FALLS</u>							
330.3	Removing Property of Others	63,564		2,284	2.48	1,576	(708)
331.0	Structures & Improvements	460,413		0		0	0
331.2	Structures & Improvements-Recreation	31,387		0		0	0
332.0	Reservoirs, Dams & Waterways	7,058,533		119,694	1.20	84,702	(34,992)
332.2	Reservoirs, Dams & Waterways-Recreation	61,644		3,077	1.36	838	(2,239)
333.0	Waterwheels, Turbines & Generators	1,090,002		76,706	0.90	9,810	(66,896)
334.0	Accessory Electric Equipment	776,139		29,327	1.85	14,359	(14,968)
335.0	Misc. Power Plant Equipment	106,857		1,855	2.30	2,458	603
	Total	<u>9,648,539</u>	2.41	<u>232,943</u>	1.18	<u>113,743</u>	<u>(119,200)</u>
	Total Hydraulic Production Plant	<u>328,837,318</u>	1.89	<u>6,208,517</u>	2.02	<u>6,629,652</u>	<u>421,135</u>

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Case Nos. AVU-E-07-11/AVU-G-07-03

ORDER NO. 30498

ATTACHMENT B

AVISTA UTILITIES
Depreciation Expense
For the Year Ended December 31, 2006

Account Number	[1] Description	[2] 2006 Avg. Balance \$	[3] Existing Rate %	[4] Existing Annual Deprec. \$	[5] Study Rate %	[6] Proposed Annual Deprec. \$	[7] Increase or (Decrease) \$
OTHER PRODUCTION PLANT							
BOULDER PARK							
341.0	Structures & Improvements	724,602	5.00	36,230	2.63	19,057	(17,173)
342.0	Fuel Holders, Producers & Access.	115,970	5.00	5,799	2.71	3,143	(2,656)
343.0	Prime Movers	57,216	5.00	2,861	3.01	1,722	(1,139)
344.0	Generators	30,093,374	4.14	1,245,866	2.84	854,652	(391,214)
345.0	Accessory Electric Equipment	261,612	5.00	13,081	2.97	7,770	(5,311)
346.0	Miscellaneous Equipment	6,961	6.19	431	2.69	187	(244)
	Total	<u>31,259,735</u>		<u>1,304,268</u>		<u>886,531</u>	<u>(417,737)</u>
COYOTE SPRINGS							
341.0	Structures & Improvements	11,381,703	4.17	474,265	2.76	314,135	(160,130)
342.0	Fuel Holders, Producers & Access.	19,271,114	4.17	803,041	2.85	549,227	(253,814)
344.0	Generators	116,479,939	4.14	4,818,187	2.92	3,401,214	(1,416,973)
345.0	Accessory Electric Equipment	12,564,443	4.20	528,252	3.10	389,498	(138,754)
346.0	Miscellaneous Equipment	1,001,553	4.16	41,706	2.76	27,643	(14,063)
	Total	<u>160,698,752</u>		<u>6,665,451</u>		<u>4,681,717</u>	<u>(1,983,734)</u>
KETTLE FALLS							
342.0	Fuel Holders, Producers & Access.	89,232	4.17	3,721	4.74	4,230	509
343.0	Prime Movers	9,071,493	4.18	379,188	4.71	427,267	48,079
344.0	Generators	3,718	2.18	81	4.98	185	104
345.0	Accessory Electric Equipment	4,894	4.21	206	4.48	219	13
	Total	<u>9,169,337</u>		<u>383,196</u>		<u>431,901</u>	<u>48,705</u>
NORTHEAST TURBINE							
341.0	Structures & Improvements	256,733	1.55	3,992	0.98	2,516	(1,476)
342.0	Fuel Holders, Producers & Access.	31,460	2.08	654	1.31	412	(242)
343.0	Prime Movers	9,089,743	2.21	200,883	7.83	711,727	510,844
344.0	Generators	2,595,127	0.64	16,623	0.72	18,685	2,062
345.0	Accessory Electric Equipment	337,809	7.34	24,795	8.54	28,849	4,054
346.0	Miscellaneous Equipment	244,881	2.65	6,494	1.24	3,037	(3,457)
	Total	<u>12,555,753</u>		<u>253,441</u>		<u>765,225</u>	<u>511,784</u>
RATHDRUM TURBINE							
341.0	Structures & Improvements	3,186,951	3.95	125,885	3.95	125,885	(0)
342.0	Fuel Holders, Producers & Access.	1,700,144	3.37	57,295	4.10	69,706	12,411
343.0	Prime Movers	3,658,328	3.61	132,066	3.61	132,066	(0)
344.0	Generators	48,574,276	3.37	1,636,953	3.37	1,636,953	0
345.0	Accessory Electric Equipment	1,871,631	3.56	66,623	3.56	66,630	7
	Total	<u>58,991,330</u>		<u>2,018,822</u>		<u>2,031,239</u>	<u>12,417</u>
	Total Other Production Plant	<u>272,674,907</u>		<u>10,625,178</u>		<u>8,796,613</u>	<u>(1,828,565)</u>
	TOTAL GENERATION	<u>974,226,256</u>		<u>28,222,210</u>		<u>25,601,216</u>	<u>(2,620,994)</u>

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ATTACHMENT B

AVISTA UTILITIES
Depreciation Expense
For the Year Ended December 31, 2006

[1]	[2]	[3]	[4]	[5]	[6]	[7]	
Account Number	Description	2006 Avg. Balance	Existing Rate	Existing Annual Deprec.	Study Rate	Proposed Annual Deprec.	Increase or (Decrease)
		\$	%	\$	%	\$	\$
TRANSMISSION PLANT							
350.3	Removing Property of Others	1,486,017	1.32	19,616	1.26	18,724	(892)
350.4	Land Rights	8,487,996	1.32	111,933	1.28	108,646	(3,287)
352.0	Structures & Improvements	13,150,989	2.11	277,905	1.61	211,731	(66,174)
353.0	Station Equipment	153,279,410	2.63	4,026,986	2.39	3,663,378	(363,608)
354.0	Towers & Fixtures	17,069,239	1.40	238,969	1.87	319,195	80,226
355.0	Poles & Fixtures	99,291,514	3.03	3,010,571	1.84	1,826,964	(1,183,607)
356.0	OH Conductor & Devices	72,726,141	1.80	1,309,942	1.93	1,403,615	93,673
357.0	UG Conduit	561,148	1.66	9,315	1.58	8,866	(449)
358.0	UG Conductor & Devices	1,317,910	1.52	20,032	1.73	22,800	2,768
359.0	Roads & Trails	1,826,844	1.34	24,480	1.65	30,143	5,663
	Total	369,197,208		9,049,749		7,614,061	(1,435,688)
DISTRIBUTION PLANT							
361.0	Structures & Improvements	10,229,439	2.13	217,919	1.80	184,130	(33,789)
362.0	Station Equipment	76,759,289	2.48	1,900,202	2.60	1,995,742	95,540
364.0	Poles, Towers & Fixtures	171,634,479	1.87	3,210,542	2.66	4,565,477	1,354,935
365.0	OH Conductor & Devices	113,570,904	1.30	1,477,444	2.46	2,793,844	1,316,400
366.0	UG Conduit	59,876,655	1.88	1,128,211	2.71	1,622,657	494,446
367-WA	UG Conductor & Devices	60,063,858	2.27	1,363,965	6.38	3,771,749	2,407,784
367-ID	UG Conductor & Devices	34,356,657	2.27	780,733	4.24	1,456,722	675,989
368.0	Line Transformers	134,753,556	2.65	3,573,305	2.00	2,695,071	(878,234)
369.1	OH Services	41,413,068	2.13	882,085	1.69	699,881	(182,204)
369.2	UG Services - Spokane Network	1,229,912	2.13	26,165	1.59	19,556	(6,609)
369.3	UG Services - Other	54,118,269	2.13	1,152,875	1.59	860,480	(292,395)
370.0	Meters	23,761,590	3.28	779,704	2.39	567,902	(211,802)
373.1	Street Lighting & Signal Sys-Mercury Vapor	4,841,917	2.21	107,016	1.08	52,293	(54,723)
373.2	Street Lighting & Signal Sys-UG Conductor	2,432,780	2.21	53,870	1.23	29,923	(23,947)
373.3	Street Lighting & Signal Sys-Decorative	5,233,275	2.21	115,621	1.02	53,379	(62,242)
373.4	Street Lighting & Signal Sys-Sodium Vapor	11,368,277	6.05	687,777	2.82	320,585	(367,192)
	Total	805,643,925		17,457,434		21,689,392	4,231,958
							1,148,185
ELECTRIC GENERAL PLANT Utility 0							
390.1	Structures & Improvements	2,033,059	2.02	41,008	1.85	37,612	(3,396)
391.1	Computer Equipment	148,900	20.36	30,321	17.67	26,311	(4,010)
393.0	Stores Equipment	104,872	2.40	2,516	2.25	2,360	(156)
394.0	Tools, Shop & Garage Equipment	2,874,999	4.49	129,084	4.22	121,325	(7,759)
395.0	Laboratory Equipment	3,047,117	3.34	101,783	7.72	235,237	133,454
397.0	Communication Equipment	27,186,860	9.87	2,683,888	5.40	1,468,090	(1,215,798)
398.0	Miscellaneous Equipment	2,760	0.18	5	2.37	65	60
	Total	35,398,567		2,988,605		1,891,000	(1,097,605)
ELECTRIC TRANSPORTATION PLANT Utility 0							
392.0	Transportation Equipment	1,243,320	(3.38)	(41,966)	3.70	46,003	87,969
396.0	Power Operated Equipment	2,449,252	7.43	181,921	5.51	134,954	(46,967)
	Total	3,692,572		139,955		180,957	41,002
	TOTAL ELECTRIC PLANT	2,188,158,528		57,857,953		56,976,626	(881,327)

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AVISTA UTILITIES
 Depreciation Expense
 For the Year Ended December 31, 2006

[1] Account Number	[2] Description	[3] 2006 Avg. Balance \$	[4] Existing Rate %	[5] Existing Annual Deprec. \$	[6] Study Rate %	[7] Proposed Annual Deprec. \$	[8] Increase or (Decrease) \$
COMMON PLANT							
GENERAL PLANT Utility 7							
390.1	Structures & Improvements	25,112,759	1.86	465,996	1.85	464,586	(1,410)
391.0	Office Furniture & Equipment	6,332,392	4.56	289,007	9.62	609,176	320,169
391.1	Computer Equipment	10,587,875	20.56	2,176,513	19.83	2,099,576	(76,937)
391.7	Office Furniture & Equipment-Lease	3,106,109	4.53	140,707	3.70	114,926	(25,781)
394.0	Tools, Shop & Garage Equipment	607,942	4.50	27,378	4.25	25,838	(1,540)
395.0	Laboratory Equipment	90,732	3.46	3,140	3.27	2,967	(173)
397.0	Communication Equipment	4,566,930	9.76	445,689	7.24	330,646	(115,043)
397.2	Communication Equipment-Portable	34,574	11.51	3,980	7.80	2,697	(1,283)
397.7	Communication Equipment-Lease	515,853	9.82	50,657	9.84	50,760	103
398.0	Miscellaneous Equipment	614,070	3.72	22,836	7.28	44,704	21,868
	Total	51,569,236		3,625,903		3,745,875	119,972
GENERAL PLANT Utility 9							
389.3	Removing Property of Others	25,277	2.68	677	1.16	293	(384)
389.4	Land Easements	39,787	2.68	1,066	3.15	1,253	187
390.1	Structures & Improvements	8,340,853	2.01	167,757	1.85	154,306	(13,451)
393.0	Stores Equipment	950,549	2.41	22,907	3.22	30,608	7,701
394.0	Tools, Shop & Garage Equipment	356,632	4.50	16,042	4.25	15,157	(885)
395.0	Laboratory Equipment	767,259	3.34	25,629	3.27	25,089	(540)
397.0	Communication Equipment	7,026,217	9.82	690,073	7.24	508,698	(181,375)
397.2	Communication Equipment-Portable	910,752	11.54	105,125	7.80	71,039	(34,086)
398.0	Miscellaneous Equipment	20,615	3.73	768	7.28	1,501	733
	Total	18,437,941		1,030,044		807,944	(222,100)
TRANSPORTATION PLANT Utility 7							
392.0	Transportation Equipment	47,502	5.04	2,394	3.81	1,810	(584)
396.0	Power Operated Equipment	554,036	7.43	41,165	5.73	31,746	(9,419)
	Total	601,538		43,559		33,556	(10,003)
TRANSPORTATION PLANT Utility 9							
392.0	Transportation Equipment	285,199	4.92	14,039	3.81	10,866	(3,173)
396.0	Power Operated Equipment	487,024	7.43	36,186	5.73	27,906	(8,280)
	Total	772,223		50,225		38,773	(11,452)
	TOTAL COMMON PLANT	71,380,938		4,749,731		4,626,147	(123,584)

ATTACHMENT B

AVISTA UTILITIES
Depreciation Expense
For the Year Ended December 31, 2006

Account Number	[1] Description	[2] 2006 Avg. Balance \$	[3] Existing Rate %	[4] Existing Annual Deprec. \$	[5] Study Rate %	[6] Proposed Annual Deprec. \$	[7] Increase or (Decrease) \$
GAS PLANT							
UNDERGROUND STORAGE							
350.2	Rights of Way	32,723	2.00	655	1.69	553	(102)
351.0	Structures & Improvements	1,065,109	1.75	18,633	1.44	15,338	(3,295)
352.0	Storage Wells	5,817,514	2.00	116,348	1.73	100,643	(15,705)
352.1	Wells	254,354	2.54	6,453	0.92	2,340	(4,113)
352.2	Reservoirs	203,330	2.22	4,514	2.35	4,778	264
352.3	Cushion Natural Gas	5,971,926	2.54	151,687	1.88	112,272	(39,415)
353.0	Lines	823,423	2.06	16,962	2.36	19,433	2,471
354.0	Compressor Station Equipment	2,043,859	2.32	47,484	1.81	36,994	(10,490)
355.0	Measuring & Regulating Equipment	171,919	2.66	4,573	4.88	8,390	3,817
356.0	Purification Equipment	407,250	2.97	12,095	2.35	9,570	(2,525)
357.0	Other Equipment	1,681,643	2.77	46,583	2.01	33,801	(12,782)
	Total	<u>18,473,050</u>		<u>425,987</u>		<u>344,112</u>	<u>(81,875)</u>
DISTRIBUTION PLANT							
375.0	Structures & Improvements	518,673	2.19	11,375	1.96	10,166	(1,209)
376.0	Mains	160,645,516	2.39	3,833,236	1.81	2,907,684	(925,552)
378.0	Measuring/Regulating Station Equipment	3,511,639	2.13	74,878	3.06	107,456	32,578
379.0	Measuring/Regulating City Gate Equipment	1,491,098	2.24	33,399	3.08	45,926	12,527
380.0	Services	117,362,693	2.67	3,132,926	2.77	3,250,947	118,021
381.0	Meters	37,199,504	1.94	721,937	3.22	1,197,824	475,887
385.0	Measuring/Regulating Industrial Equipment	2,263,561	2.44	55,124	1.85	41,876	(13,248)
	Total	<u>322,992,684</u>		<u>7,862,875</u>		<u>7,561,878</u>	<u>(300,997)</u>
GAS GENERAL PLANT							
390.1	Structures & Improvements	605,452	2.59	15,653	2.96	17,921	2,268
393.0	Stores Equipment	56,900	2.48	1,412	3.93	2,236	824
394.0	Tools, Shop & Garage Equipment	1,567,219	4.24	66,464	4.69	73,503	7,039
395.0	Laboratory Equipment	553,814	3.27	18,110	4.54	25,143	7,033
397.0	Communication Equipment	771,590	9.77	75,382	4.36	33,641	(41,741)
398.0	Miscellaneous Equipment	31,332	1.28	401	1.20	376	(25)
	Total	<u>3,586,307</u>		<u>177,422</u>		<u>152,821</u>	<u>(24,601)</u>
GAS TRANSPORTATION PLANT							
392.0	Transportation Equipment	286,905	5.00	14,334	5.00	14,345	11
396.0	Power Operated Equipment	1,144,449	7.44	85,113	6.18	70,727	(14,386)
	Total	<u>1,431,354</u>		<u>99,447</u>		<u>85,072</u>	<u>(14,375)</u>
COMMON GAS GENERAL PLANT Utility 8							
391.0	Office Furniture & Equipment	378,871	4.53	17,163	9.62	36,447	19,284
394.0	Tools, Shop & Garage Equipment	142,360	4.13	5,879	5.11	7,275	1,396
395.0	Laboratory Equipment	17,266	3.27	565	4.49	775	210
397.0	Communication Equipment	864,974	10.52	90,994	5.13	44,373	(46,621)
	Total	<u>1,403,471</u>		<u>114,601</u>		<u>88,870</u>	<u>(25,731)</u>
	TOTAL GAS PLANT	<u>347,886,866</u>		<u>8,680,332</u>		<u>8,232,753</u>	<u>(447,579)</u>
	GRAND TOTAL	<u>2,607,426,332</u>		<u>71,288,016</u>		<u>69,835,527</u>	<u>(1,452,489)</u>

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