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March 3, 2008

VIA E-MAIL AND REGULAR MAIL

Michelle Manary, FE-2
Manager, Residential Exchange Program
Bonneville Power Administration
PO Box 3621
Portland, OR 97293

E-mail: BPAAverageSystemCost@BPA.gov
ascfiling@bpa.gov

Re: Avista Corporation's Initial Average System Cost Filing (Appendix 1)
BPA File No. ASCM-08

Dear Ms. Manary:

On February 7, 2008, Bonneville Power Administration ("BPA") published notice (regarding BPA File No. ASCM-08) in the *Federal Register*, 73 Fed. Reg. 7270 (2008) ("February 7 Notice"), that a utility must submit an initial Average System Cost ("ASC") filing (an Appendix 1) to BPA by March 3, 2008. Pursuant to the February 7 Notice, Avista Corporation ("Avista") hereby submits for filing its initial Appendix 1 to BPA for FY 2009.

Avista understands that the attached Appendix 1 is intended to provide information for Avista's initial ASC for the FY 2009 expedited ASC process. Avista's submission of the attached Appendix 1 does not constitute Avista's agreement to any particular cost or methodology, including any allocation or functionalization ratios included in this initial filing. Avista reserves the right to comment on and object to any and all aspects of BPA's proposed ASC methodology. Also, because of the expedited schedule, the information contained in Avista's initial filing should be viewed as preliminary, and subject to revision, as necessary. Avista reserves the right to update or revise the data provided in its initial Appendix 1 to the extent necessary to accommodate any changes BPA may make to the ASC Methodology and to ensure that all data is complete and accurate.

Avista serves loads in two different states (Idaho and Washington). As a result, Avista believes that its FERC Form 1 data may require certain adjustments to accurately reflect Avista's ASC in each jurisdiction. Avista understands that this issue will be addressed in the course of BPA's 2009 expedited ASC Methodology process.

In addition, the accounts initially selected by BPA to be supported by direct analysis from Avista have been functionalized by the default functionalization designated by BPA until Avista collects the necessary information to support a direct analysis. Avista will prepare support for direct analysis for some or all of such accounts. It is Avista's understanding that (i) different functionalization (such as direct assignment) for any other accounts will be an issue for the revised ASC Methodology process, and (ii) the ASC filing for FY 2009 will be subject to revision after any such different functionalization is adopted as part of the revised ASC Methodology process. In addition to providing the above-referenced information necessary to support a direct analysis, Avista will also provide a detailed listing of components of Account 302 to support a preliminary direct analysis for this account.

The following attachment to this letter is included in this Avista initial ASC filing for the FY 2009 expedited ASC process:

- (i) proposed BPA ASC template with Avista 2006 data in Excel;
- (ii) proposed BPA ASC template with Avista 2006 data in PDF;

By return e-mail, please confirm BPA's receipt of Avista's initial ASC filing.

Sincerely,



Larry La Bolle
Director, Federal and Regional Affairs

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1: Plant Investment / Rate Base

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
Intangible Plant:							
Intangible Plant - Organization	204-207	301	DIR-D	0	-	-	-
Intangible Plant - Franchises and Consents	204-207	302	DIRECT	15,259,132	14,889,662	369,470	
Intangible Plant - Miscellaneous	204-207	303	DIRECT	4,420,269	1,306,314	2,010,845	1,103,110
Total Intangible Plant				19,679,401	16,195,976	2,380,315	1,103,110
Production Plant:							
Steam Production	204-207	310-316	DIR-P	378,625,101	378,625,101	-	-
Nuclear Production	204-207	320-325	DIR-P	0	-	-	-
Hydraulic Production	204-207	330-336	DIR-P	340,480,980	340,480,980	-	-
Income T: Other Production	204-207	340-346	DIR-P	272,688,068	272,688,068	-	-
Total Production Plant				991,794,149	991,794,149	0	0
Transmission Plant: (i)							
Transmission Plant	204-207	350-359	DIR-T	383,823,745	-	383,823,745	-
Total Transmission Plant				383,823,745	0	383,823,745	0
Distribution Plant:							
Distribution Plant	204-207	360-373	DIR-D	832,094,240	-	-	832,094,240
Total Distribution Plant				832,094,240	0	0	832,094,240
General Plant:							
Land and Land Rights	204-207	389	PTD	124,681	56,012	21,677	46,993
Structures and Improvements	204-207	390	PTD	2,042,518	917,582	355,104	769,832
Furniture and Equipment	204-207	391	LABOR	136,601	52,742	15,663	68,196
Transportation Equipment	204-207	392	TD	8,275,752	-	2,612,372	5,663,380
Stores Equipment	204-207	393	PTD	120,561	54,161	20,960	45,440
Tools and Garage Equipment	204-207	394	PTD	2,988,365	1,342,495	519,545	1,126,325
Laboratory Equipment	204-207	395	PTD	3,039,673	1,365,545	528,465	1,145,663
Power Operated Equipment	204-207	396	TD	19,674,347	-	6,210,519	13,463,828
Communication Equipment	204-207	397	PTD	28,330,864	12,727,377	4,925,487	10,677,999
Miscellaneous Equipment	204-207	398	PTD	3,973	1,785	691	1,497
Other Tangible Property	204-207	399	DIRECT	0			
Asset Retirement Costs for General Plant	204-208	399.1	PTD	0	-	-	-
Total General Plant				64,737,335	16,517,699	15,210,483	33,009,153
Total Electric Plant In-Service				2,292,128,870	1,024,507,825	401,414,542	866,206,503
<i>(Total Intangible + Total Production + Total Transmission + Total Distribution + Total General)</i>							

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1: Plant Investment / Rate Base

(1) Account Description	(2) Form 1 page number	(2) Account Numbers	(3) Funct. Method	(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other
LESS:							
Depreciation Reserve							
Steam Production Plant	219	108	DIR-P	223,287,652	223,287,652	-	-
Nuclear Production Plant	219	108	DIR-P	0	-	-	-
Hydraulic Production Plant	219	108	DIR-P	79,097,867	79,097,867	-	-
Other Production Plant	219	108	DIR-P	36,139,145	36,139,145	-	-
Transmission Plant (i)	219	108	DIR-T	136,875,953	-	136,875,953	-
Distribution Plant	219	108	DIR-D	256,150,345	-	-	256,150,345
General Plant	219	108	GP	39,680,634	10,124,494	9,323,238	20,232,902
Amortization of Intangible Plant	219	108	DIRECT	6,987,395	4,278,051	1,090,479	1,618,869
Mining Plant Depreciation	219	108	DIR-P	-	-	-	-
Amortization of Plant Held for Future Use	219	108	DIR-D	-	-	-	-
Capital Lease - Common Plant	219	108	DIRECT	-	-	-	-
Leasehold Improvements	200-201	108	DIRECT	-	-	-	-
Accum Prov for Depr, Amort, & Depl (In-Service: Depr Cmmn Plt) (a)	200-201	108	DIRECT	23,509,449	10,432,528	4,127,826	8,949,095
Accum Prov for Depr, Amort, & Depl (Amort of Other Utl Plt: Electric) (a)	200-201	108	DIRECT	0	-	-	-
Amortization Reserve							
<u>Total Depreciation and Amortization</u>				801,728,444	363,359,736	151,417,496	286,951,211
<u>Total Net Plant</u>				1,490,400,426	661,148,088	249,997,046	579,255,292

(Total Electric Plant In-Service) - (Total Depreciation & Amortization)

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1: Plant Investment / Rate Base

(1) Account Description	Form 1 page number	(2) Account Numbers	(3) Funct. Method	(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other
Assets and Other Debits (Comparative Balance Sheet)							
Cash Working Capital (f)	Calculation			29,680,030	17,337,894	3,235,942	9,106,194
UTILITY PLANT							
(Utility Plant) In Service (Classified) COMMON	200-201		DIRECT	90,777,674	40,781,026	15,782,233	34,214,415
(Utility Plant) Held For Future Use	200-201	105	DIR-D	0	-	-	-
(Utility Plant) Completed Construction - Not Classified	200-201	106	DIRECT	0	-	-	-
Nuclear Fuel		120.1-120.6	DIR-P	0	-	-	-
Construction Work in Progress (CWIP)	200-201	107 & 120.1	DIR-D	76,081,096	-	-	76,081,096
Acquisition Adjustments (Electric)	200-201	114	DIR-D	0	-	-	-
Total				166,858,770	40,781,026	15,782,233	110,295,511
OTHER PROPERTY AND INVESTMENTS							
Investment in Associated Companies	110-111	123	DIRECT	-	-	-	-
Other Investment	110-111	124	DIR-D	31,166,335	-	-	31,166,335
Long-Term Portion of Derivative Assets	110-111	175-176	DIR-P	25,574,531	25,574,531	-	-
Total				56,740,866	25,574,531	0	31,166,335
CURRENT AND ACCRUED ASSETS							
Fuel Stock	110-111	151	DIR-P	2,121,931	2,121,931	-	-
Fuel Stock Expenses Undistributed	110-111	152	DIR-P	0	-	-	-
Plant Materials and Operating Supplies	110-111	154	PTD	14,019,070	6,297,937	2,437,298	5,283,835
Other Materials and Supplies	110-111	155 - 156	PTDG	0	-	-	-
EPA Allowances	110-112	158.1 - 158.2	DIR-P	0	-	-	-
Stores Expense Undistributed	110-111	163	PTD	0	-	-	-
Prepayments	110-111	165	DIRECT	6,467,949	2,910,577	1,099,551	2,457,821
Derivative Instrument Assets	110-111	175-176	DIR-P	10,828,312	10,828,312	-	-
Total				33,437,262	22,158,757	3,536,849	7,741,656

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RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1: Plant Investment / Rate Base

(1) Account Description	(2) Form 1 page number	(2) Account Numbers	(3) Funct. Method	(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other
DEFERRED DEBITS							
Unamortized Debt Expenses	110-111	181	PTDG	17,931,388	8,014,753	3,140,277	6,776,358
Extraordinary Property Losses	110-111	182.1	DIR-D	0	-	-	-
Unrecovered Plant and Regulatory Study Costs	110-111	182.2	DIR-D	0	-	-	-
Other Regulatory Assets	110-111	182.3	DIR-D	323,816,436	159,753,761	7,548,598	156,514,077
Prelim. Survey and Investigation Charges (Electric)	110-111	183	DIR-D	8,645,616	-	-	8,645,616
Preliminary Natural Gas Survey and Investigation Charges	110-111	183.1	DIR-D	-	-	-	-
Other Preliminary Survey and Investigation Charges	110-111	183.2	DIR-D	-	-	-	-
Clearing Accounts	110-111	184	DIR-D	8,046	-	-	8,046
Temporary Facilities	110-111	185	PTDG	-	-	-	-
Miscellaneous Deferred Debits	110-111	186	DIRECT	31,297,127	12,205,880	3,442,684	15,648,564
Deferred Losses from Disposition of Utility Plant	110-111	187	DIRECT	0	-	-	-
Research, Development, and Demonstration Expenditures	110-111	188	DIR-D	0	-	-	-
Unamortized Loss on Reacquired Debt	110-111	189	PTDG	28,622,766	12,793,455	5,012,630	10,816,681
Accumulated Deferred Income Taxes	110-111	190	DIR-D	55,602,315	-	-	55,602,315
Total				465,923,694	192,767,849	19,144,189	254,011,656
Total Assets and Other Debits				752,640,622	298,620,057	41,699,214	412,321,352

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1: Plant Investment / Rate Base

(1) Account Description	(2) Form 1 page number	(3) Account Numbers	(4) Funct. Method	(5) Total	(6) Production	(7) Transmission	(8) Distribution/ Other
Liabilities and Other Credits (Comparative Balance Sheet)							
CURRENT AND ACCRUED LIABILITIES							
Derivative Instrument Liabilities & Hedges	112-113	244 - 245	DIRECT	73,478,456	73,478,456	-	-
Total				73,478,456	73,478,456	0	0
DEFERRED CREDITS							
Long-Term Derivative Instrument Liabilities & Hedges	112-113	244 - 245	DIR-P	15,318,835	15,318,835	-	-
Customer Advances for Construction	112-113	252	DIR-D	1,087,069	-	-	1,087,069
Other Deferred Credits	112-113	253	DIRECT	36,280,630	9,641,627	2,389,328	24,249,675
Other Regulatory Liabilities	112-113	254	DIR-D	18,246,960	15,400,153	-	2,846,807
Accumulated Deferred Investment Tax Credits	112-113	255	DIR-D	472,344	-	-	472,344
Deferred Gains from Disposition of Utility Plant	112-113	256	DIR-D	-	-	-	-
Unamortized Gain on Reacquired Debt	112-113	257	PTDG	3,282,969	1,467,381	574,938	1,240,650
Accumulated Deferred Income Taxes-Accel. Amort.	112-113	281	DIR-D	-	-	-	-
Accumulated Deferred Income Taxes-Property	112-113	282	DIR-D	305,474,214	-	-	305,474,214
Accumulated Deferred Income Taxes-Other	112-113	283	DIR-D	211,989,043	-	-	211,989,043
Total				592,152,064	41,827,996	2,964,266	547,359,802
Total Liabilities and Other Credits				665,630,520	115,306,452	2,964,266	547,359,802
Total Rate Base				1,577,410,528	844,461,692	288,731,994	444,216,842

(Total Net Plant + Debits - Credits)

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 1A: Cash Working Capital (f)

(1) Account Description		(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other
Cash Working Capital Calculation:					
Total Production O&M	DIR-P	431,008,791	431,008,791		
Total Transmission O&M (i)	DIR-T	19,547,280		19,547,280	
Total Distribution O&M	DIR-D	22,569,058			22,569,058
Total Customer & Sales	DIR-D	25,860,122			25,860,122
Total Administrative and General O&M	PTD	49,517,622	18,756,994	6,340,259	24,420,369
Less Purchased Power, Public Purpose Charge, and Fuel Costs	DIR-P	(311,062,630)	(311,062,630)		
<u>Revised Total O&M Expenses</u>		237,440,243	138,703,155	25,887,539	72,849,549
One-Eighth Revised Total O&M Expenses					
<u>Allowable Functionalized Cash Working Capital</u>		29,680,030	17,337,894	3,235,942	9,106,194

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
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Schedule 2: Capital Structure and Rate of Return (b)

Investor Owned Utility Return Calculation

Step 1: Weighted Cost of Capital from Most Recent State Commission Rate Order

Component	Capitalization Structure		Effective Cost	
	Amount	Percent	Embedded	Weighted
Debt	\$ 5,340.0	53.4%	8.44%	4.508%
Trust Preferred	\$ 518.0	5.2%	6.60%	0.343%
Preferred Equity	\$ 142.0	1.4%	7.39%	0.105%
Common Equity	\$ 4,000.0	40.0%	10.40%	4.160%
Total	\$ 10,000.0	100.000%		9.116%

Step 2: Gross Up Equity Return for Federal Income Taxes

Federal Income Tax Rate (Currently 35%)	35%
Federal Income Tax Factor	2.297%
<i>{(ROR – (Embedded Cost of Debt * (Debt / (Total Capital)))} * {(Federal Tax Rate / (1- Federal Tax Rate))}</i>	
Federal Income Tax Adjusted Weighted Cost of Capital	11.413%
<i>(Weighted Cost of Capital Plus Federal Income Tax Factor)</i>	

Step 3: Calculate Return on Rate Base

	Total
Total Rate Base from Schedule 1	\$ 1,577,410,528
Federal Income Tax Adjusted Return on Rate Base	\$ 180,033,914

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 3: Expenses

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Account Description	Form Account Number	Funct. Method	Total	Production	Transmission	Distribution/ Other
Power Production Expenses:						
Steam Power Generation						
Steam Power - Fuel	320-323	501 DIR-P	25,443,765	25,443,765	-	-
Steam Power - Operations (Excluding 501 - Fuel)	320-323500-509	DIR-P	4,589,062	4,589,062	-	-
Steam Power - Maintenance	320-323510-515	DIR-P	8,150,550	8,150,550	-	-
Nuclear Power Generation						
Nuclear - Fuel	320-323	518 DIR-P	-	-	-	-
Nuclear - Operation (Excluding 518 - Fuel)	320-323517-525	DIR-P	-	-	-	-
Nuclear - Maintenance	320-323528-532	DIR-P	-	-	-	-
Hydraulic Power Generation						
Hydraulic - Operation	320-323535-540	DIR-P	10,915,413	10,915,413	-	-
Hydraulic - Maintenance	320-323541-545	DIR-P	3,988,076	3,988,076	-	-
Other Power Generation						
Other Power - Fuel	320-323	547 DIR-P	85,535,646	85,535,646	-	-
Other Power - Operations (Excluding 547 - Fuel)	320-323546-550	DIR-P	3,397,473	3,397,473	-	-
Other Power - Maintenance	320-323551-554	DIR-P	1,033,178	1,033,178	-	-
Other Power Supply Expenses						
Purchased Power (Excluding REP Reversal)	320-323	555 DIR-P	200,083,219	200,083,219	-	-
System Control and Load Dispatching	320-323	556 DIR-P	638,755	638,755	-	-
Other Expenses	320-323	557 DIR-P	87,233,654	87,233,654	-	-
BPA REP Reversal	327	555 DIR-P	-	-	-	-
Public Purpose Charges (h)		DIRECT				
Total Production Expense			431,008,791	431,008,791	0	0
Transmission Expenses: (i)						
Transmission of Electricity to Others (Wheeling)	320-323	565 DIR-T	11,881,367	-	11,881,367	-
Total Operations less Wheeling	320-323560-567	DIR-T	4,915,570	-	4,915,570	-
Total Maintenance	320-323568-573	DIR-T	2,750,343	-	2,750,343	-
Total Transmission Expense			19,547,280	0	19,547,280	0
Distribution Expense:						
Total Operations	320-323580-589	DIR-D	9,942,254	-	-	9,942,254
Total Maintenance	320-323590-598	DIR-D	12,626,804	-	-	12,626,804

**BONNEVILLE POWER ADMINISTRATION
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Draft FRN Template

Schedule 3: Expenses

(1) Account Description	(2) Form Account Number	(3) Funct. Method	(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other
<u>Total Distribution Expense</u>			22,569,058	0	0	22,569,058

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
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Draft FRN Template

Schedule 3: Expenses

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Account Description	Form Account Number	Funct. Method	Total	Production	Transmission	Distribution/ Other
Customer and Sales Expenses:						
Total Customer Accounts	320-323901-905	DIR-D	13,364,554	-	-	13,364,554
Total Customer Service and Information	320-323907-910	DIR-D	11,564,706	-	-	11,564,706
Total Sales	320-323911-916	DIR-D	930,862	-	-	930,862
Total Customer and Sales Expenses			25,860,122	0	0	25,860,122
Administration and General Expense:						
Operation						
Administration and General Salaries	320-323 920	LABOR	17,412,679	6,723,091	1,996,592	8,692,995
Office Supplies & Expenses	320-323 921	LABOR	4,217,501	1,628,391	483,592	2,105,518
(Less) Administration Expenses Transferred - Credit	320-323 922	LABOR	(28,056)	(10,833)	(3,217)	(14,006)
Outside Services Employed	320-323 923	PTD	9,988,121	4,487,070	1,736,494	3,764,557
Property Insurance	320-323 924	PTDG	1,191,391	532,513	208,645	450,232
Injuries and Damages	320-323 925	LABOR	3,769,353	1,455,359	432,206	1,881,788
Employee Pensions & Benefits	320-323 926	LABOR	1,106,169	427,095	126,837	552,237
Franchise Requirements	320-323 927	DIR-D	6,230	-	-	6,230
Regulatory Commission Expenses	320-323 928	PTD	1,887,178	847,797	328,097	711,284
(Less) Duplicate Charges - Credit	320-323 929	PTDG	0	-	-	-
General Advertising Expenses	320-323 930.1	DIR-D	8,678	-	-	8,678
Miscellaneous General Expenses	320-323 930.2	DIR-D	2,950,213	-	-	2,950,213
Rents	320-323 931	DIR-D	1,068,064	-	-	1,068,064
Transportation Expenses (Non Major)	320-324 933	DIR-D	-	-	-	-
Maintenance						
Maintenance of General Plant	320-323 935	GPM	5,940,101	2,666,509	1,031,013	2,242,579
Total Administration and General Expenses			49,517,622	18,756,994	6,340,259	24,420,369
Total Operations and Maintenance			548,502,873	449,765,785	25,887,539	72,849,549

(Total Expenses: Production + Transmission + Distribution + Customer and Sales + Total Administration and General Expenses)

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RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 3: Expenses

(1) Account Description	(2) Form Account Number	(3) Funct. Method	(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other	
Depreciation and Amortization:							
Intangible Plant	336	403	DIRECT	1,781,128	788,007	297,691	665,428
Steam Production Plant	336	403	DIR-P	11,388,514	11,388,514	-	-
Nuclear Production Plant	336	403	DIR-P	0	-	-	-
Hydraulic Production Plant - Conventional	336	403	DIR-P	6,208,520	6,208,520	-	-
Hydraulic Production Plant - Pumped Storage	336	403	DIR-P	0	-	-	-
Other Production Plant	336	403	DIR-P	13,075,208	13,075,208	-	-
Transmission Plant (i)	336	403	DIR-T	9,049,748	-	9,049,748	-
Distribution Plant	336	403	DIR-D	17,457,435	-	-	17,457,435
General Plant	336	403	GP	3,166,338	807,890	743,953	1,614,496
Common Plant - Electric	336	404	PTD	5,293,863	2,378,219	920,369	1,995,275
Amortization of Plant Acquisition Adjustments (Electric)	200-201	114	DIRECT				
<u>Total Depreciation and Amortization</u>				67,390,752	34,646,357	11,011,762	21,732,633

Total Operating Expenses

(Total O&M - Total Depreciation & Amortization)

615,893,625	484,412,142	36,899,300	94,582,182
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**BONNEVILLE POWER ADMINISTRATION
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Schedule 3A Items: Taxes (Including Income Taxes)

(1) Account Description	(2) Form e num	(2) Account Numbers	(3) Funct. Method	(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other
FEDERAL							
Income Tax (Included on Schedule 2)	262	-					
Employment Tax	262	-	LABOR	8,193,094	3,163,380	939,446	4,090,268
Other Federal Taxes	262	-	DIR-D	-	-	-	-
TOTAL FEDERAL	262	-		8,193,094	3,163,380	939,446	4,090,268
STATE AND OTHER							
State of Arizona:							
Property	262	-	PTDG		-	-	-
Income	262	-	DIR-D		-	-	-
Federal Income Tax Factor				0	0	0	0
State of California							
Property	262	-	PTDG		-	-	-
Unemployment	262	-	LABOR		-	-	-
Franchise-Income	262	-	DIR-D		-	-	-
Regulatory Commission	262	-	DIR-D	0	-	-	-
Use	262	-	DIR-D		-	-	-
Local Franchise	262	-	DIR-D		-	-	-
Subtotal California				0	0	0	0
State of Colorado							
Property	262	-	PTDG		-	-	-
Income	262	-	DIR-D		-	-	-
Subtotal Colorado				0	0	0	0
State of Idaho:							
Property	262	-	PTDG	4,271,871	1,909,389	748,122	1,614,361
Income	262	-	DIR-D	1,205,797	-	-	1,205,797
KWH	262	-	DIR-D	364,832	-	-	364,832
Unemployment	262	-	LABOR		-	-	-
Regulatory Commission	262	-	DIR-D		-	-	-
Business License - Sho Ban	262	-	DIR-D	3,817,629	-	-	3,817,629
Subtotal Idaho				9,660,129	1,909,389	748,122	7,002,619

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 3A Items: Taxes (Including Income Taxes)

(1) Account Description	(2) Form e num	(3) Account Numbers	(4) Funct. Method	(5) Total	(6) Production	(7) Transmission	(8) Distribution/ Other
State of Montana:							
Property	262	-	DIR-P	6,630,432	6,630,432	-	-
Corporate License - Income	262		DIR-D	3,545	-	-	3,545
Energy License	262		DIR-D	10,310	-	-	10,310
Wholesale Energy	262		DIR-D	2,407,016	-	-	2,407,016
Subtotal Montana				9,051,303	6,630,432	0	2,420,871
State of Nevada:							
Property	262	-	PTDG		-	-	-
Business Tax	262	-	DIR-D		-	-	-
Unemployment	262		LABOR		-	-	-
Subtotal Nevada				0	0	0	0
State of New Mexico							
Property	262	-	PTDG		-	-	-
Subtotal New Mexico				0	0	0	0
State of Oregon							
Property	262	-	PTDG	1,685,588	753,404	295,193	636,992
Income	262	-	DIR-D	368,000	-	-	368,000
Wilsonville Payroll	262		LABOR		-	-	-
Regulatory Commission	262	-	DIR-D		-	-	-
Excise-Income	262		DIR-D		-	-	-
City of Portland Income	262		DIR-D		-	-	-
Office of Energy	262		DIR-D		-	-	-
Tri-Met	262		DIR-D		-	-	-
Lane County	262		DIR-D		-	-	-
Unemployment	262	-	LABOR		-	-	-
Franchise	262	-	DIR-D	4,083,570	-	-	4,083,570
Subtotal Oregon				6,137,158	753,404	295,193	5,088,562
State of Texas							
Property	262	-	PTDG		-	-	-
Subtotal Texas				0	0	0	0

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 3A Items: Taxes (Including Income Taxes)

(1) Account Description	(2) Form e num	(3) Account Numbers	(4) Funct. Method	(5) Total	(6) Production	(7) Transmission	(8) Distribution/ Other
State of Utah:							
Property	262	-	PTDG		-	-	-
Income	262	-	DIR-D		-	-	-
Unemployment	262	-	LABOR		-	-	-
Regulatory Commission	262		DIR-D		-	-	-
Navajo Nation	262		DIR-D		-	-	-
Use	262		DIR-D		-	-	-
Gross Receipts	262	-	DIR-D		-	-	-
Subtotal Utah		-		0	0	0	0
State of Washington							
Property	262	-	PTDG	9,242,311	4,131,016	1,618,582	3,492,714
Unemployment	262		LABOR		-	-	-
Business & Occupation	262		DIR-D		-	-	-
Public Utility	262		DIR-D		-	-	-
Regulatory Commission	262		DIR-D		-	-	-
Use	262	-	DIR-D	1,177,351	-	-	1,177,351
Retailing	262		DIR-D	21,344,348	-	-	21,344,348
Land Tax	262		DIR-D		-	-	-
Municipal	262	-	DIR-D	19,601,315	-	-	19,601,315
Other State Taxes	262	-	DIR-D	12,817	-	-	12,817
Total Washington				51,378,142	4,131,016	1,618,582	45,628,545
State of Wyoming							
Corporate License	262	-	DIR-D		-	-	-
Property	262	-	PTDG		-	-	-
Unemployment	262		LABOR		-	-	-
Other Payroll Taxes	262		DIR-D		-	-	-
Regulatory Commission	262		DIR-D		-	-	-
Franchise	262		DIR-D		-	-	-
Use	262		DIR-D		-	-	-
Annual Report	262	-	DIR-D		-	-	-
Subtotal Wyoming				0	0	0	0

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 3A Items: Taxes (Including Income Taxes)

(1) Account Description	(2) Form e num	(2) Account Numbers	(3) Funct. Method	(4) Total	(5) Production	(6) Transmission	(7) Distribution/ Other
Other States		-					
Property	262	-	PTDG		-	-	-
Unemployment	262		LABOR		-	-	-
Other Taxes	262	-	DIR-D		-	-	-
Income	262	-	DIR-D	2,058	-	-	2,058
Total Other States		-		2,058	0	0	2,058
		-					
		-					
TOTAL STATE AND OTHER TAXES				84,421,884	16,587,620	3,601,342	64,232,922

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology

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Schedule 3B Other Included Items

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Account Description	Form 1 page number	Account Numbers	Funct. Method	Total	Production	Transmission	Distribution/ Other
Other Included Items:							
(Less) Gain from Disposition of Utility Plant	114	411.6	DIR-D	0	-	-	-
Loss from Disposition of Utility Plant	114	411.7	DIR-D	0	-	-	-
<u>Total Disposition of Plant</u>				0	0	0	0
Sale for Resale:							
Sales for Resale	310	447	DIR-P	175,572,595	175,572,595	-	-
<u>Total Sales for Resale</u>				175,572,595	175,572,595	0	0
Other Revenues:							
Forfeited Discounts	300	450	DIR-D	-	-	-	-
Miscellaneous Service Revenues	300	451	DIR-D	447,333	-	-	447,333
Sales of Water and Water Power	300	453	DIR-D	230,504	-	-	230,504
Rent from Electric Property	300	454	TD	2,592,254	-	818,286	1,773,968
Interdepartmental Rents	300	455	DIR-D	0	-	-	-
Other Electric Revenues	300	456	DIRECT	53,187,494	49,084,005	-	4,103,489
Revenues from Transmission of Electricity of Others (i)	330	456.1	DIR-T	10,539,323	-	10,539,323	-
<u>Total Other Revenues</u>				66,996,908	49,084,005	11,357,609	6,555,294
<u>Total Other Included Items</u>				242,569,503	224,656,600	11,357,609	6,555,294

(Total Disposition of Plant + Total Sales for Resale + Total Other Revenue)

**BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Proposed 2008 Average System Cost Methodology**

Schedule 4: Average System Cost

	Total	Production	Transmission	Distribution/ Other
<u>Total Operating Expenses</u> <i>(From Schedule 3)</i>	615,893,625	484,412,142	36,899,300	94,582,182
<u>Federal Income Tax Adjusted Return on Rate Base</u> <i>(From Schedule 2)</i>	180,033,914	96,380,581	32,953,724	50,699,609
<u>State and Other Taxes</u> <i>(From Schedule 3a)</i>	84,421,884	16,587,620	3,601,342	64,232,922
<u>Total Other Included Items</u> <i>(From Schedule 3b)</i>	242,569,503	224,656,600	11,357,609	6,555,294
<u>Total Cost</u> <i>(Total Operating Expenses + Return on Rate Base + State and Other Taxes - Total Other Included Items)</i>	637,779,920	372,723,744	62,096,757	202,959,419

<u>Contract System Cost</u>	
Production	372,723,744
Transmission	62,096,757
(Less) New Large Single Load Costs (d)	0
Total Contract System Cost	434,820,501
<u>Contract System Load (MWh)</u>	
Total Retail Load	8,787,002
(Less) New Large Single Load	0
Total Retail Load (Net of NLSL) (d)	8,787,002
Distribution Loss (f)	439,350
Total Contract System Load	9,226,352
Average System Cost \$/MWh	\$ 47.13

1	Electric	
2	Operation	
3	Production	8,032,540
4	Transmission	1,996,647
5	Regional Market	
6	Distribution	5,300,368
7	Customer Accounts	5,329,149
8	Customer Service and Informational	300,182
9	Sales	428,000
10	Administrative and General	11,299,946
11	TOTAL Operation (Enter Total of lines 3 thru 10)	32,686,832
12	Maintenance	
13	Production	2,494,282
14	Transmission	672,562
15	Regional Market	
16	Distribution	4,558,361
17	Administrative and General	
18	TOTAL Maintenance (Total of lines 13 thru 17)	7,725,205
19	Total Operation and Maintenance	
20	Production (Enter Total of lines 3 and 13)	10,526,822
21	Transmission (Enter Total of lines 4 and 14)	2,669,209
22	Regional Market (Enter Total of lines 5 and 15)	
23	Distribution (Enter Total of lines 6 and 16)	9,858,729
24	Customer Accounts (Transcribe from line 7)	5,329,149
25	Customer Service and Informational (Transcribe from line 8)	300,182
26	Sales (Transcribe from line 9)	428,000
27	Administrative and General (Enter Total of lines 10 and 17)	11,299,946
	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	40,412,037

		Ratio Used			
Labor Ratio Input:					
Production	DIR-P	\$ 10,526,822	10,526,822	-	-
Transmission	DIR-T	\$ 2,669,209	-	2,669,209	-
Regional Market					
Distribution	DIR-D	\$ 9,858,729	-	-	9,858,729
Customer Accounts	DIR-D	\$ 5,329,149	-	-	5,329,149
Customer Service and Informational	DIR-D	\$ 300,182	-	-	300,182
Sales	DIR-D	\$ 428,000	-	-	428,000
Administrative & General	PTD	\$ 11,299,946	5,076,396	1,964,562	4,258,988
Total Labor		\$ 40,412,037	\$ 15,603,218	\$ 4,633,771	\$ 20,175,048
		100%	39%	11%	50%
GP					
		Total	Production	Transmission	Distribution
Production	Funct.				
Land and Land Rights	PTD	\$ 124,681	56,012	21,677	46,993
Structures and Improvements	PTD	\$ 2,042,518	917,582	355,104	769,832
Furniture and Equipment	LABOR	\$ 136,601	52,742	15,663	68,196
Transportation Equipment	TD	\$ 8,275,752	-	2,612,372	5,663,380
Stores Equipment	PTD	\$ 120,561	54,161	20,960	45,440
Tools and Garage Equipment	PTD	\$ 2,988,365	1,342,495	519,545	1,126,325
Laboratory Equipment	PTD	\$ 3,039,673	1,365,545	528,465	1,145,663
Power Operated Equipment	TD	\$ 19,674,347	-	6,210,519	13,463,828
Communication Equipment	PTD	\$ 28,330,864	12,727,377	4,925,487	10,677,999
Miscellaneous Equipment	PTD	\$ 3,973	1,785	691	1,497
Other Tangible Property	DIRECT	\$ -	\$ -	\$ -	\$ -
Asset Retirement Costs for General Plant	PTD	\$ -	-	-	-
TOTAL		\$ 64,737,335	\$ 16,517,699	\$ 15,210,483	\$ 33,009,153
RATIO (GP)		100%	26%	23%	51%
PTD					
Production, Transmission, Distribution					
Steam Production	DIR-P	\$ 378,625,101	378,625,101	-	-
Nuclear Production	DIR-P	\$ -	-	-	-
Hydraulic Production	DIR-P	\$ 340,480,980	340,480,980	-	-
Other Production	DIR-P	\$ 272,688,068	272,688,068	-	-
Total Production Plant		\$ 991,794,149	\$ 991,794,149	\$ -	\$ -
Transmission Plant	DIR-T	\$ 383,823,745	\$ -	\$ 383,823,745	\$ -
Total Distribution Plant	DIR-D	\$ 832,094,240	\$ -	\$ -	\$ 832,094,240

TOTAL		\$ 2,207,712,134	\$ 991,794,149	\$ 383,823,745	\$ 832,094,240
RATIO (PTD = PLANT IN SERVICE)		100%	45%	17%	38%

PTDG

Production, Transmission, Distribution and General Plant					
PTD Total		\$ 2,207,712,134	\$ 991,794,149	\$ 383,823,745	\$ 832,094,240
Intangible Plant - Organization	DIR-D	\$ -	\$ -	\$ -	\$ -
Intangible Plant - Franchises and Consents	DIRECT	\$ 15,259,132	\$ 14,889,662	\$ 369,470	\$ -
Intangible Plant - Miscellaneous	DIRECT	\$ 4,420,269	\$ 1,306,314	\$ 2,010,845	\$ 1,103,110
GP Total		\$ 64,737,335	\$ 16,517,699	\$ 15,210,483	\$ 33,009,153
TOTAL		\$ 2,292,128,870	\$ 1,024,507,825	\$ 401,414,542	\$ 866,206,503
RATIO (PTDG = GROSS PLANT)		100%	45%	18%	38%

TD

Transmission, Distribution					
Total Transmission Plant	DIR-T	\$ 383,823,745	-	383,823,745	-
Total Distribution Plant	DIR-D	\$ 832,094,240	-	-	832,094,240
TOTAL		\$ 1,215,917,985	\$ -	\$ 383,823,745	\$ 832,094,240
RATIO (TD)		100%	0%	32%	68%

TDG

Transmission, Distribution and General Plant					
Total Transmission Plant	DIR-T	\$ 383,823,745	-	383,823,745	-
Total Distribution Plant	DIR-D	\$ 832,094,240	-	-	832,094,240
Intangible Plant - Organization T and D Only	DIR-D	\$ -	-	-	-
Intangible Plant - Franchises and Consents T and D Only	DIRECT	\$ 15,259,132	-	369,470	-
Intangible Plant - Miscellaneous T and D Only	DIRECT	\$ 4,420,269	-	2,010,845	1,103,110
General Plant Total 389-399(T&D Only)	TD	\$ 48,219,636	-	15,221,291	32,998,345
TOTAL		\$ 1,283,817,022	\$ -	\$ 401,425,350	\$ 866,195,695
RATIO (TDG)		100%	0%	31%	67%

GPM

Maintenance of General Plant					
Structures and Improvements	PTD	\$ 2,042,518	917,582	355,104	769,832
Furniture and Equipment	LABOR	\$ 136,601	52,742	15,663	68,196
Communication Equipment	PTD	\$ 28,330,864	12,727,377	4,925,487	10,677,999
Miscellaneous Equipment	DIR-D	\$ 3,973	-	-	3,973
TOTAL		\$ 30,513,956	\$ 13,697,702	\$ 5,296,254	\$ 11,520,000
RATIO (GPM)		100%	45%	17%	38%

Conservation Fuctionalization	Dir-C	70.00%	0.00%	30.00%
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Direct to Distribution	DIR-D	0.00%	0.00%	100.00%
Direct to Production	DIR-P	100.00%	0.00%	0.00%
Direct to Transmission	DIR-T	0.00%	100.00%	0.00%
Direct Allocation	DIRECT	0.00%	0.00%	0.00%
General Plant	GP	25.51%	23.50%	50.99%
Maintenance of General Plant	GPM	44.89%	17.36%	37.75%
Labor Ratios	LABOR	38.61%	11.47%	49.92%
Production, Transmission, Distribution	PTD	44.92%	17.39%	37.69%
Production, Transmission, Distribution, General	PTDG	44.70%	17.51%	37.79%
Transmission, Distribution	TD	0.00%	31.57%	68.43%
Transmission, Distribution and General Plant	TDG	0.00%	31.27%	67.47%