



these filings consistent with Commission Order No. 06-033. In addition, Staff structured its findings in this report in a generic manner, in order to avoid the possibility of disclosing confidential, or sensitive, information.

Staff finds that Avista's original filing was very detailed and adequately documented its procedures and methodologies compliant with OAR 860-022-0041. Staff acknowledges Avista for its efforts to provide a structure and presentation that facilitated Staff's review.

Staff reviewed in great specificity, one particular tax year, each calculation and all documentation provided by the Company in support of each calculation. For Avista, this tax year was 2005. Staff conducted interviews with the Company by phone, and sent questions to Avista on December 6, 2006, for further clarification.

On December 14, 2006, Avista provided narrative responses to Staff's inquiries. For Avista's 2003 and 2004 filings, Staff reviewed the methodology, consistency with the 2005 filing, documentation, and accuracy of mathematical calculations.

In the process of these reviews, Staff has discovered a few inconsistencies specific to Avista's filing, as well as inconsistencies that appear to relate more globally to OAR 860-022-0041, and/or to the interpretation of the rules by Avista, versus Staff's understanding of the current rules.

On January 12, 2007, Staff held a public workshop noticing all parties to the docket to discuss its findings with the Company. Staff finds that for the 2005 fiscal year, the amount of federal and state income taxes paid to units of government that is properly attributed to the regulated operations is approximately \$1,557,000, less than, the amount authorized to be collected in Avista's rates. Additionally, Staff finds that for the 2005 fiscal year, because Avista is not subject to local income tax in Oregon, there is no difference between the amount of local income taxes paid to units of government that is properly attributed to the regulated operations, and the amount authorized to be collected in Avista's rates.

Pursuant to ORS 860-022-0041(8), Avista must file an amended tariff to become effective by June 1 of each year. Since there will be no rate impact for the 2005 fiscal year, Staff's counsel has advised that no formal tariff filing is needed. Staff has agreed to work with each utility to format a tariff for future filings.

**PROPOSED COMMISSION MOTION:**

The Commission issue an order pursuant to OAR 860-022-0041(7)(b) with the following determinations for Avista Utilities:

- 1). The amount of federal and state income taxes paid to units of government that is properly attributed to the regulated operations of the utility for the years 2003, 2004, and 2005 differs by more than \$100,000 from the amount authorized to be collected in rates.
- 2). For the 2005 fiscal year, the amount of federal and state income taxes paid to units of government that is properly attributed to the regulated operations is approximately \$1,557,000, less than the amount authorized to be collected in Avista's base rates.
- 3). For the 2005 fiscal year, there is no difference between the amount of local income taxes paid to units of government that is properly attributed to the regulated operations, and the amount authorized to be collected in base rates.