

APPENDIX 7

DIRECT ASSIGNMENT PROTOCOL

corporate or administrative services from a Utility or the Utilities for the Company's benefit, or c) the Companies may procure any corporate or administrative services from each other or agree to directly assign or allocate common costs to each other.³

With regard to the accounting process for assigning and billing corporate or administrative costs, these employee costs would be charged to suspense accounts (Deferred Debit Account No. 186), loaded for benefits, and would then be established as a receivable (FERC Account No. 146) when billed to Hydro One. If other resources are expended during the course of this work, such as travel or consulting services, these costs are also charged to suspense accounts and billed to Hydro One. All corporate services provided, and costs incurred, would be direct billed to Hydro One at cost and no margin or profit shall be included and no assets allocated, provided that any amount billed to Hydro One shall be adjusted to the extent necessary to comply with any U.S. federal or Canadian transfer pricing or similar tax law. Avista will use the same methodology for direct assignment of costs to the proposed Hydro One subsidiary operations, as we currently do for existing subsidiary operations.

A summary of the accounting for post-closing costs directly assigned to Hydro One is provided below.

Hydro One Transactions

To record transaction when employee charges time or incurs costs related to Hydro One:

FERC Acct	Service	Jurisdiction	FERC Acct Description	Project Number	Project Description	Debit	Credit
186XXX	ZZ	ZZ	Miscellaneous Deferred Debits	777XXXX	Sub Billing - Hydro One	XXXX	

To record transaction to establish a receivable from Hydro One:

FERC Acct	Service	Jurisdiction	FERC Acct Description	Project Number	Project Description	Debit	Credit
146XXX	ZZ	ZZ	Accouts Receivable Assoc Company - Hydro One	777XXXX	Sub Billing - Hydro One	XXXX	
186XXX	ZZ	ZZ	Miscellaneous Deferred Debits	777XXXX	Sub Billing - Hydro One		XXXX

To record transaction of a payment made to Avista Corp from Hydro One:

FERC Acct	Service	Jurisdiction	FERC Acct Description	Project Number	Project Description	Debit	Credit
131XXX	ZZ	ZZ	Cash	-	-	XXXX	
146XXX	ZZ	ZZ	Accouts Receivable Assoc Company - Hydro One	777XXXX	Sub Billing - Hydro One		XXXX

For questions regarding direct assignment of costs associated with Hydro One or any other subsidiary costs, please contact Jeanne Pluth, Manager of Regulatory Accounting 495-2204, or Jennifer Smith, Senior State and Federal Regulatory Analyst at 495-2098.

³ The Company would file proposals with the Commission as required.