

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09 \_\_\_\_\_

DOCKET NO. UG-09 \_\_\_\_\_

EXHIBIT NO. \_\_\_\_ (EMA-3)

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

## AVISTA UTILITIES

## GAS RESULTS OF OPERATION

## WASHINGTON PRO FORMA RESULTS

TWELVE MONTHS ENDED SEPTEMBER 30, 2008

(000'S OF DOLLARS)

Line No.	DESCRIPTION	WITH PRESENT RATES			WITH PROPOSED RATES	
		Actual Per Results Report	Total Adjustments	Pro Forma Total	Proposed Revenues & Related Exp	Pro Forma Proposed Total
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f</i>
<b>REVENUES</b>						
1	Total General Business	\$220,020	\$ (6,144)	\$213,876	\$4,918	\$218,794
2	Total Transportation	3,486	(1,775)	1,711		1,711
3	Other Revenues	135,812	(133,960)	1,852		1,852
4	Total Gas Revenues	359,318	(141,879)	217,439	4,918	222,357
<b>EXPENSES</b>						
5	Exploration and Development					
6	Production					
6	City Gate Purchases	309,146	(151,865)	157,281		157,281
7	Purchased Gas Expense	737	89	826		826
8	Net Nat Gas Storage Trans	(18,687)	18,687	-		0
9	Total Production	291,196	(133,089)	158,107	0	158,107
Underground Storage						
10	Operating Expenses	408	2	410		410
11	Depreciation	260	39	299		299
12	Taxes	113	115	228		228
13	Total Underground Storage	781	156	937	0	937
Distribution						
14	Operating Expenses	6,260	721	6,981		6,981
15	Depreciation	5,659	(404)	5,255		5,255
16	Taxes	18,282	(7,987)	10,295	189	10,484
17	Total Distribution	30,201	(7,670)	22,531	189	22,720
18	Customer Accounting	4,884	169	5,053	13	5,066
19	Customer Service & Information	5,002	(4,246)	756		756
20	Sales Expenses	545	37	582		582
Administrative & General						
21	Operating Expenses	9,202	1,255	10,457	10	10,467
22	Depreciation	1,414	1,025	2,439		2,439
23	Taxes	23	63	86		86
24	Total Admin. & General	10,639	2,343	12,982	10	12,992
25	Total Gas Expense	343,248	(142,300)	200,948	212	201,160
26	OPERATING INCOME BEFORE FIT	16,070	421	16,491	4,706	21,197
<b>FEDERAL INCOME TAX</b>						
27	Current Accrual	5,138	4	5,142	1,647	6,789
28	Deferred FIT	(1,042)	7	(1,035)		(1,035)
29	Amort ITC	(30)	0	(30)		(30)
30	NET OPERATING INCOME	12,004	\$410	12,414	\$3,059	\$15,473
<b>RATE BASE: PLANT IN SERVICE</b>						
31	Underground Storage	13,539	9,287	22,826		22,826
32	Distribution Plant	237,485	15,518	253,003		253,003
33	General Plant	23,944	6,636	30,580		30,580
34	Total Plant in Service	274,968	31,441	306,409	0	306,409
<b>ACCUMULATED DEPRECIATION</b>						
35	Underground Storage	7,516	651	8,167		8,167
36	Distribution Plant	80,580	9,039	89,619		89,619
37	General Plant	8,155	3,442	11,597		11,597
38	Total Accum. Depreciation	96,251	13,132	109,383	0	109,383
39	DEFERRED FIT	0	(30,809)	(30,809)		(30,809)
40	GAS INVENTORY	0	12,111	12,111		12,111
41	GAIN ON SALE OF BUILDING	0	(65)	(65)		(65)
42	TOTAL RATE BASE	178,717	(\$454)	178,263	\$0	\$178,263
43	RATE OF RETURN	6.72%		6.96%		8.68%

**AVISTA UTILITIES**  
**Calculation of General Revenue Requirement**  
**Washington - Gas**  
**TWELVE MONTHS ENDED SEPTEMBER 30, 2008**  
**(000's OF DOLLARS)**

Line No.	Description	WASH
1	Pro Forma Rate Base	\$178,263
2	Proposed Rate of Return	<u>8.680%</u>
3	Net Operating Income Requirement	\$15,473
4	Pro Forma Net Operating Income	<u>\$12,414</u>
5	Net Operating Income Deficiency	\$3,059
6	Conversion Factor	0.622038
7	Revenue Requirement	<b>\$4,918</b>
8	Total General Business Revenues	\$215,587
9	Percentage Revenue Increase	<u><u>2.28%</u></u>

**AVISTA UTILITIES**  
**Revenue Conversion Factor**  
**Washington - Gas System**  
**TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Line No.	Description	Factor
1	<b>Revenues</b>	1.000000
	<b>Expense:</b>	
2	Uncollectibles	0.002599
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038420
5	Franchise Fees (City of Millwood Expired in 2004)	0.000000
6	Total Expense	<u>0.043019</u>
7	Net Operating Income Before FIT	0.956981
8	Federal Income Tax @ 35%	0.334943
9	REVENUE CONVERSION FACTOR	<u><u>0.622038</u></u>

## AVISTA UTILITIES

## GAS RESULTS OF OPERATION

## WASHINGTON RESTATED RESULTS

TWELVE MONTHS ENDED SEPTEMBER 30, 2008

(000'S OF DOLLARS)

Line No.	DESCRIPTION	Per Results Report	Deferred FIT Rate Base	Deferred Gain on Office Building	Gas Inventory	Weatherization and DSM Investment	Customer Advances	Depreciation True-up
	a	b	c	d	e	f	g	h
REVENUES								
1	Total General Business	\$220,020						
2	Total Transportation	3,486						
3	Other Revenues	135,812						
4	Total Gas Revenues	359,318	0	0	0	0	0	0
EXPENSES								
5	Exploration and Development	0						
Production								
6	City Gate Purchases	309,146						
7	Purchased Gas Expense	737						
8	Net Nat Gas Storage Trans	(18,687)						
9	Total Production	291,196	0	0	0	0	0	0
Underground Storage								
10	Operating Expenses	408						
11	Depreciation	260						(15)
12	Taxes	113						
13	Total Underground Storage	781	0	0	0	0	0	(15)
Distribution								
14	Operating Expenses	6,260						
15	Depreciation	5,659						(53)
16	Taxes	18,282						
17	Total Distribution	30,201	0	0	0	0	0	(53)
18	Customer Accounting	4,884			0	0		
19	Customer Service & Information	5,002						
20	Sales Expenses	545						
Administrative & General								
21	Operating Expenses	9,202						
22	Depreciation	1,414						(15)
23	Taxes	23						
24	Total Admin. & General	10,639	0	0	0	0	0	(15)
25	Total Gas Expense	343,248	0	0	0	0	0	(83)
26	OPERATING INCOME BEFORE FIT	16,070	0	0	0	0	0	83
FEDERAL INCOME TAX								
27	Current Accrual	5,138						29
28	Deferred FIT	(1,042)						
29	Amort ITC	(30)						
30	NET OPERATING INCOME	\$12,004	\$0	\$0	\$0	\$0	\$0	\$54
RATE BASE: PLANT IN SERVICE								
31	Underground Storage	13,539						
32	Distribution Plant	237,485					(52)	
33	General Plant	23,944						
34	Total Plant in Service	274,968	0	0	0	0	(52)	0
ACCUMULATED DEPRECIATION								
35	Underground Storage	7,516						
36	Distribution Plant	80,580						
37	General Plant	8,155						
38	Total Accum. Depreciation	96,251	0	0	0	0	0	0
39	DEFERRED FIT	0	(27,674)	23				
40	GAS INVENTORY	0			11,064			
41	GAIN ON SALE OF BUILDING	0		(65)				
42	TOTAL RATE BASE	\$178,717	(\$27,674)	(\$42)	\$11,064	\$0	(\$52)	\$0
43	RATE OF RETURN							

## AVISTA UTILITIES

## GAS RESULTS OF OPERATION

## WASHINGTON RESTATED RESULTS

TWELVE MONTHS ENDED SEPTEMBER 30, 2008

(000'S OF DOLLARS)

Line No.	DESCRIPTION	Subtotal Actual	Revenue Normalization & Gas Cost Adjust	Eliminate B & O Taxes	Property Tax	Uncollectible Expense	Regulatory Expense Adjustment	Injuries and Damages
	a	-	i	j	k	l	m	n
REVENUES								
1	Total General Business	\$220,020	1,695	\$(7,839)				
2	Total Transportation	3,486	(1,700)	(75)				
3	Other Revenues	135,812	(131,399)					
4	Total Gas Revenues	359,318	(131,404)	(7,914)	0	0	0	0
EXPENSES								
5	Exploration and Development	0						
Production								
6	City Gate Purchases	309,146	(151,865)					
7	Purchased Gas Expense	737						
8	Net Nat Gas Storage Trans	(18,687)	18,687					
9	Total Production	291,196	(133,178)	0	0	0	0	0
Underground Storage								
10	Operating Expenses	408						
11	Depreciation	245						
12	Taxes	113			(16)			
13	Total Underground Storage	766	0	0	(16)	0	0	0
Distribution								
14	Operating Expenses	6,260						
15	Depreciation	5,606						
16	Taxes	18,282	67	(7,908)	(280)			
17	Total Distribution	30,148	67	(7,908)	(280)	0	0	0
18	Customer Accounting	4,884	5	0		(143)	0	
19	Customer Service & Information	5,002	(4,270)					
20	Sales Expenses	545						
Administrative & General								
21	Operating Expenses	9,202	3				14	(65)
22	Depreciation	1,399	356					
23	Taxes	23			(1)			
24	Total Admin. & General	10,624	359	0	(1)	0	14	(65)
25	Total Gas Expense	343,165	(137,017)	(7,908)	(297)	(143)	14	(65)
26	OPERATING INCOME BEFORE FIT	16,153	5,613	(6)	297	143	(14)	65
FEDERAL INCOME TAX								
27	Current Accrual	5,167	1,965	(2)	104	50	(5)	23
28	Deferred FIT	(1,042)						
29	Amort ITC	(30)						
30	NET OPERATING INCOME	\$12,058	\$3,648	(\$4)	\$193	\$93	(\$9)	\$42
RATE BASE: PLANT IN SERVICE								
31	Underground Storage	13,539						
32	Distribution Plant	237,433						
33	General Plant	23,944						
34	Total Plant in Service	274,916	0	0	0	0	0	0
ACCUMULATED DEPRECIATION								
35	Underground Storage	7,516						
36	Distribution Plant	80,580						
37	General Plant	8,155						
38	Total Accum. Depreciation	96,251	0	0	0	0	0	0
39	DEFERRED FIT	(27,651)						
40	GAS INVENTORY	11,064						
41	GAIN ON SALE OF BUILDING	(65)						
42	TOTAL RATE BASE	\$162,013	\$0	\$0	\$0	\$0	\$0	\$0
43	RATE OF RETURN	7.44%						

## AVISTA UTILITIES

## GAS RESULTS OF OPERATION

## WASHINGTON RESTATED RESULTS

TWELVE MONTHS ENDED SEPTEMBER 30, 2008

(000'S OF DOLLARS)

Line No.	DESCRIPTION	FIT	Net Gains/losses	Eliminate A/R Expenses	Office Space Charges to Subs	Restate Excise Taxes	Misc Restating Adjustments
	a	o	p	q	r	s	t
REVENUES							
1	Total General Business						
2	Total Transportation						
3	Other Revenues						
4	Total Gas Revenues	0	0	0	0	0	0
EXPENSES							
5	Exploration and Development						
Production							
6	City Gate Purchases						
7	Purchased Gas Expense						
8	Net Nat Gas Storage Trans						
9	Total Production	0	0	0	0	0	0
Underground Storage							
10	Operating Expenses						
11	Depreciation						
12	Taxes						
13	Total Underground Storage	0	0	0	0	0	0
Distribution							
14	Operating Expenses						
15	Depreciation		(13)				
16	Taxes					79	
17	Total Distribution	0	(13)	0	0	79	0
18	Customer Accounting		0	(85)	0	0	
19	Customer Service & Information						
20	Sales Expenses						
Administrative & General							
21	Operating Expenses				(2)		(86)
22	Depreciation						
23	Taxes						
24	Total Admin. & General	0	0	0	(2)	0	(86)
25	Total Gas Expense	0	(13)	(85)	(2)	79	(86)
26	OPERATING INCOME BEFORE FIT	0	13	85	2	(79)	86
FEDERAL INCOME TAX							
27	Current Accrual	3	5	30	1	(28)	30
28	Deferred FIT	7					
29	Amort ITC						
30	NET OPERATING INCOME	(\$10)	\$8	\$55	\$1	(\$51)	\$56
RATE BASE: PLANT IN SERVICE							
31	Underground Storage						
32	Distribution Plant						
33	General Plant						
34	Total Plant in Service	0	0	0	0	0	0
ACCUMULATED DEPRECIATION							
35	Underground Storage						
36	Distribution Plant						
37	General Plant						
38	Total Accum. Depreciation	0	0	0	0	0	0
39	DEFERRED FIT						
40	GAS INVENTORY						
41	GAIN ON SALE OF BUILDING						
42	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$0
43	RATE OF RETURN						

## AVISTA UTILITIES

## GAS RESULTS OF OPERATION

## WASHINGTON RESTATED RESULTS

TWELVE MONTHS ENDED SEPTEMBER 30, 2008

(000'S OF DOLLARS)

Line No.	DESCRIPTION	Restate Debt Interest	Restated Total	Pro Forma Labor Non-Exec	Pro Forma Labor Exec	Pro Forma JP Storage	Pro Forma Capital Add 2008	Pro Forma Capital Add 2009
	a	u	-	PF1	PF2	PF3	PF4	PF5
REVENUES								
1	Total General Business		\$213,876					
2	Total Transportation		1,711					
3	Other Revenues		4,413			(2,561)		
4	Total Gas Revenues	0	220,000	0	0	(2,561)	0	0
EXPENSES								
5	Exploration and Development		0					
Production								
6	City Gate Purchases		157,281					
7	Purchased Gas Expense		737	33	3			
8	Net Nat Gas Storage Trans		0					
9	Total Production	0	158,018	33	3	0	0	0
Underground Storage								
10	Operating Expenses		408	1				
11	Depreciation		245			\$155	(107)	6
12	Taxes		97			\$129		2
13	Total Underground Storage	0	750	1	0	284	(107)	8
Distribution								
14	Operating Expenses		6,260	329				
15	Depreciation		5,593				(564)	226
16	Taxes		10,240			\$ (98)		153
17	Total Distribution	0	22,093	329	0	(98)	(564)	379
18	Customer Accounting		4,661	205		\$ (7)		0
19	Customer Service & Information		732	12				
20	Sales Expenses		545	19				
Administrative & General								
21	Operating Expenses		9,066	187	64	\$ (5)		
22	Depreciation		1,755				218	466
23	Taxes		22					64
24	Total Admin. & General	0	10,843	187	64	(5)	218	530
25	Total Gas Expense	0	197,642	786	67	174	(453)	917
26	OPERATING INCOME BEFORE FIT	0	22,358	(786)	(67)	(2,735)	453	(917)
FEDERAL INCOME TAX								
27	Current Accrual	(149)	7,194	(275)	(23)	(957)	159	(321)
28	Deferred FIT		(1,035)					
29	Amort ITC		(30)					
30	NET OPERATING INCOME	\$149	\$16,229	(\$511)	(\$44)	(\$1,778)	\$294	(\$596)
RATE BASE: PLANT IN SERVICE								
31	Underground Storage		13,539			\$8,614	\$520	\$153
32	Distribution Plant		237,433				5,289	10,281
33	General Plant		23,944				2,110	4,526
34	Total Plant in Service	0	274,916	0	0	8,614	7,919	14,960
ACCUMULATED DEPRECIATION								
35	Underground Storage		7,516			\$266	246	139
36	Distribution Plant		80,580				3,900	5,139
37	General Plant		8,155				1,239	2,203
38	Total Accum. Depreciation	0	96,251	0	0	266	5,385	7,481
39	DEFERRED FIT		(27,651)			\$ (473)	(1,300)	(1,385)
40	GAS INVENTORY		11,064			\$1,047		
41	GAIN ON SALE OF BUILDING		(65)					
42	TOTAL RATE BASE	\$0	\$162,013	\$0	\$0	\$8,922	\$1,234	\$6,094
43	RATE OF RETURN		10.02%					



## AVISTA UTILITIES

## GAS RESULTS OF OPERATION

## WASHINGTON RESTATED RESULTS

TWELVE MONTHS ENDED SEPTEMBER 30, 2008

(000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Asset Management	Pro Forma Incentives	Pro Forma Information Services	Pro Forma Employee Benefits	Pro Forma Insurance	Pro Forma Total
	a	PF6	PF7	PF8	PF9	PF10	-
<b>REVENUES</b>							
1	Total General Business						\$213,876
2	Total Transportation						1,711
3	Other Revenues						1,852
4	Total Gas Revenues	0	0	0	0	0	217,439
<b>EXPENSES</b>							
5	Exploration and Development						0
Production							
6	City Gate Purchases						157,281
7	Purchased Gas Expense				53		826
8	Net Nat Gas Storage Trans						0
9	Total Production	0	0	0	53	0	158,107
Underground Storage							
10	Operating Expenses				1		410
11	Depreciation						299
12	Taxes						228
13	Total Underground Storage	0	0	0	1	0	937
Distribution							
14	Operating Expenses	88			304		6,981
15	Depreciation						5,255
16	Taxes						10,295
17	Total Distribution	88	0	0	304	0	22,531
18	Customer Accounting	0	0	0	194	0	5,053
19	Customer Service & Information				12		756
20	Sales Expenses				18		582
Administrative & General							
21	Operating Expenses		152	450	465	78	10,457
22	Depreciation						2,439
23	Taxes						86
24	Total Admin. & General	0	152	450	465	78	12,982
25	Total Gas Expense	88	152	450	1,047	78	200,948
26	OPERATING INCOME BEFORE FIT	(88)	(152)	(450)	(1,047)	(78)	16,491
FEDERAL INCOME TAX							
27	Current Accrual	(31)	(53)	(158)	(366)	(27)	5,142
28	Deferred FIT						(1,035)
29	Amort ITC						(30)
30	NET OPERATING INCOME	(\$57)	(\$99)	(\$292)	(\$681)	(\$51)	\$12,414
<b>RATE BASE: PLANT IN SERVICE</b>							
31	Underground Storage						22,826
32	Distribution Plant						253,003
33	General Plant						30,580
34	Total Plant in Service	0	0	0	0	0	306,409
<b>ACCUMULATED DEPRECIATION</b>							
35	Underground Storage						8,167
36	Distribution Plant						89,619
37	General Plant						11,597
38	Total Accum. Depreciation	0	0	0	0	0	109,383
39	DEFERRED FIT						(30,809)
40	GAS INVENTORY						12,111
41	GAIN ON SALE OF BUILDING						(65)
42	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$178,263
43	RATE OF RETURN						6.96%