

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UG-15_____

EXHIBIT NO. ____ (EMA-3)

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

AVISTA UTILITIES
2016 NATURAL GAS ATTRITION STUDY
Calculation of General Revenue Requirement
Washington - Natural Gas System
Twelve Months Ended September 30, 2014
(000's of Dollars)

Line No.	Description	(a) Attrition Balances	(b) Revenue Growth Factor	(c) Attrition Adjusted Balances	(d) After Attrition Adjustments (i)	(e) 2016 Revenue Requirement
1	Attrition Rate Base	\$285,408	0.997628	\$286,086	\$0	\$286,086
2	Proposed Rate of Return			7.46%		7.46%
3	Net Operating Income Requirement			\$21,342	\$0	\$21,342
4	Attrition Net Operating Income	<u>\$ 14,313</u>	0.99763	<u>\$14,347</u>	(\$460)	<u>\$13,887</u>
5	Net Operating Income Deficiency			\$6,995	\$460	\$7,455
6	Conversion Factor			0.62014	0.62014	0.62014
7	Attrition Revenue Requirement			\$11,280	\$741	\$12,021
8	Total General Business Revenues					\$ 170,914
9	Percentage Revenue Increase					<u><u>7.03%</u></u>

Notes: (i) The Adjustment included after the attrition calculated revenue requirement of \$11.280 million shown above was deemed necessary in order to account for atmospheric testing expenses (or \$707,000). This adjustment represents amounts not included in the September 30, 2014 normalized Commission Basis Results used as the starting point of the Company's updated Attrition Analysis.

AVISTA UTILITIES
Proposed Cost of Capital
Washington - Natural Gas System

Proposed Cap Structure			
<u>Component</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Total Debt	52.00%	5.20%	2.71%
Common	48.00%	9.90%	4.75%
Total	<u>100.00%</u>		<u>7.46%</u>

Revenue Conversion Factor
Washington -Natural Gas System
Twelve Months Ended September 30, 2013

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	Revenues	<i>1.000000</i>
	Expense:	
2	Uncollectibles	0.005631
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038303
5	Total Expense	<u><i>0.045934</i></u>
6	Net Operating Income Before FIT	<i>0.954066</i>
7	Federal Income Tax @ 35%	<u><i>0.333923</i></u>
8	REVENUE CONVERSION FACTOR	<u><u><i>0.62014</i></u></u>

AVISTA'S 2016 NATURAL GAS ATTRITION REVENUE REQUIREMENT

CBR Line No.	DESCRIPTION	Determine Base Cost and Revenue to Escalate					Escalate Non-Energy Cost			Other Cost & Revenue Adjustments		
		09.2014 Commission Basis Report	EOP 12.14 Plant & Regulatory Amorts Adj	Pro Forma Revenue Normalization Adjustment	Exclude Normalized Gas Costs and Revenue	December 2014 EOP Escalation Base	Escalation Factor	Escalation Amount [E] *[F]=[G]	Trended 2016 Non-Energy Cost [E]+[G]=[H]	(plus) 09.2014 Pro- Formed Gas Cost/Revenue	(plus) Revenue Growth	2016 Revenue and Cost [H]+[I]+[J]=[K]
		Restated Totals	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
	REVENUES											
1	Total General Business	\$ 152,365	\$ -	\$ 14,366	\$ (92,098)	\$ 74,633	-0.24%		74,633	\$ 92,098	\$ (399)	\$ 166,332
2	Total Transportation	\$ 3,973	\$ -	\$ 210	\$ -	\$ 4,183	-0.14%		4,183	\$ -	\$ (6)	\$ 4,177
3	Other Revenues	\$ 277	\$ -	\$ -	\$ -	\$ 277	0.00%		277	\$ -	\$ -	\$ 277
4	Total Gas Revenues	\$ 156,615	\$ -	\$ 14,576	\$ (92,098)	\$ 79,093		\$ -	\$ 79,093	\$ 92,098	\$ (405)	\$ 170,786
	EXPENSES											
	Production Expenses											
5	City Gate Purchases	\$ 82,473	\$ -	\$ 5,394	\$ (87,867)	\$ -			-	\$ 87,867	(429)	87,438
6	Purchased Gas Expense	\$ 839	\$ -	\$ (1)	\$ -	\$ 838	6.88%	58	896	\$ -	\$ -	896
7	Net Nat Gas Storage Trans	\$ -	\$ -	\$ -	\$ -	\$ -			-	\$ -	\$ -	-
8	Total Production	\$ 83,312	\$ -	\$ 5,393	\$ (87,867)	\$ 838		\$ 58	\$ 896	\$ 87,867	\$ (429)	\$ 88,334
	Underground Storage											
9	Operating Expenses	\$ 858	\$ -	\$ -	\$ -	\$ 858	6.88%	59	917	\$ -	\$ -	917
10	Depreciation/Amortization	\$ 392	\$ 14	\$ -	\$ -	\$ 406	24.11%	98	504	\$ -	\$ -	504
11	Taxes	\$ 223	\$ -	\$ -	\$ -	\$ 223	15.42%	34	257	\$ -	\$ -	257
12	Total Underground Storage	\$ 1,473	\$ 14	\$ -	\$ -	\$ 1,487		\$ 191	\$ 1,678	\$ -	\$ -	\$ 1,678
	Distribution											
13	Operating Expenses	\$ 10,666	\$ -	\$ -	\$ -	\$ 10,666	6.88%	733	11,399	\$ -	\$ -	11,399
14	Depreciation/Amortization	\$ 8,381	\$ 450	\$ -	\$ -	\$ 8,831	24.11%	2,129	10,960	\$ -	\$ -	10,960
15	Taxes	\$ 8,858	\$ -	\$ 558	\$ (3,528)	\$ 5,888	15.42%	908	6,797	\$ 3,528	\$ (15)	10,310
16	Total Distribution	\$ 27,905	\$ 450	\$ 558	\$ (3,528)	\$ 25,385		\$ 3,771	\$ 29,156	\$ 3,528	\$ (15)	\$ 32,669
17	Customer Accounting	\$ 6,353	\$ -	\$ 82	\$ (519)	\$ 5,916	6.88%	407	6,323	\$ 519	\$ (2)	6,840
18	Customer Service & Information	\$ 933	\$ -	\$ -	\$ -	\$ 933	6.88%	64	997	\$ -	\$ -	997
19	Sales Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	6.88%	-	-	\$ -	\$ -	-
	Administrative & General											
20	Operating Expenses	\$ 12,171	\$ -	\$ 29	\$ (184)	\$ 12,016	6.88%	826	12,842	\$ 184	\$ (1)	13,025
21	Depreciation/Amortization	\$ 4,316	\$ 708	\$ -	\$ -	\$ 5,024	24.11%	1,211	6,235	\$ -	\$ -	6,235
22	Regulatory Amortizations	\$ 11	\$ 1,143	\$ (11)	\$ -	\$ 1,143	0.00%	-	1,143	\$ -	\$ -	1,143
23	Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	15.42%	-	-	\$ -	\$ -	-
24	Total Admin. & General	\$ 16,498	\$ 1,851	\$ 18	\$ (184)	\$ 18,183		\$ 2,038	\$ 20,221	\$ 184	\$ (1)	\$ 20,404
25	Total Gas Expense	\$ 136,474	\$ 2,315	\$ 6,052	\$ (92,098)	\$ 52,743		\$ 6,528	\$ 59,271	\$ 92,098	\$ (447)	\$ 150,922
26	OPERATING INCOME BEFORE FIT	\$ 20,141	\$ (2,315)	\$ 8,524	\$ -	\$ 26,350		\$ (6,528)	\$ 19,822	\$ -	\$ 42	\$ 19,864

AVISTA'S 2016 NATURAL GAS ATTRITION REVENUE REQUIREMENT

CBR Line No.	DESCRIPTION	Determine Base Cost and Revenue to Escalate					Escalate Non-Energy Cost			Other Cost & Revenue Adjustments		
		09.2014 Commission Basis Report	EOP 12.14 Plant & Regulatory Amorts Adj	Pro Forma Revenue Normalization Adjustment	Exclude Normalized Gas Costs and Revenue	December 2014 EOP Escalation Base	Escalation Factor	Escalation Amount [E] *[F]=[G]	Trended 2016 Non-Energy Cost [E]+[G]=[H]	(plus) 09.2014 Pro- Formed Gas Cost/Revenue	(plus) Revenue Growth	2016 Revenue and Cost [H]+[I]+[J]=[K]
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
	FEDERAL INCOME TAX											
27	Current Accrual	\$ 3,947	\$ (810)	2,984	-	\$ 6,120		(2,285)	3,835	-	15	3,850
28	Debt Interest	\$ (74)	\$ (93)	\$ -	\$ -	\$ (167)		(189)	(356)			(356)
29	Deferred FIT	\$ 2,079	\$ -	\$ -	\$ -	\$ 2,079			2,079			2,079
30	Amort ITC	\$ (22)	\$ -	\$ -	\$ -	\$ (22)			(22)			(22)
31	NET OPERATING INCOME	\$ 14,211	\$ (1,412)	\$ 5,541	\$ -	\$ 18,340		\$ (4,054)	\$ 14,286	\$ -	\$ 27	\$ 14,313
	RATE BASE											
	PLANT IN SERVICE											
32	Underground Storage	\$ 24,932	\$ 287	\$ -	\$ -	\$ 25,219	15.56%	\$ 3,925	29,144			\$ 29,144
33	Distribution Plant	\$ 332,439	\$ 18,192	\$ -	\$ -	\$ 350,631	15.56%	54,566	405,197			405,197
34	General Plant	\$ 58,679	\$ 4,378	\$ -	\$ -	\$ 63,057	15.56%	9,813	72,870			72,870
35	Total Plant in Service	\$ 416,050	\$ 22,857	\$ -	\$ -	\$ 438,907		68,303	507,210			507,210
	ACCUMULATED DEPRECIATION/AMORT											
36	Underground Storage	\$ (9,345)	\$ (299)	\$ -	\$ -	\$ (9,644)	15.56%	(1,501)	(11,145)			(11,145)
37	Distribution Plant	\$ (113,282)	\$ (4,229)	\$ -	\$ -	\$ (117,511)	15.56%	(18,287)	(135,798)			(135,798)
38	General Plant	\$ (16,998)	\$ (1,684)	\$ -	\$ -	\$ (18,682)	15.56%	(2,907)	(21,589)			(21,589)
39	Total Accumulated Depreciation/Amortization	\$ (139,625)	\$ (6,212)	\$ -	\$ -	\$ (145,837)		(22,695)	(168,532)			(168,532)
40	NET PLANT	\$ 276,425	\$ 16,645	\$ -	\$ -	\$ 293,070		\$ 45,608	\$ 338,678			338,678
41	DEFERRED TAXES	\$ (58,355)	\$ (7,423)	\$ -	\$ -	\$ (65,778)	15.56%	(10,236)	(76,014)			(76,014)
42	Net Plant After DFIT	\$ 218,070	\$ 9,222	\$ -	\$ -	\$ 227,292		35,372	262,664			262,664
43	GAS INVENTORY	\$ 12,801	\$ -	\$ -	\$ -	\$ 12,801	0.00%	-	12,801			12,801
44	GAIN ON SALE OF BUILDING	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	-	-			-
45	OTHER	\$ (428)	\$ -	\$ -	\$ -	\$ (428)	0.00%	-	(428)			(428)
46	WORKING CAPITAL	\$ 10,371	\$ -	\$ -	\$ -	\$ 10,371	0.00%	-	10,371			10,371
47	TOTAL RATE BASE	\$ 240,814	\$ 9,222	\$ -	\$ -	\$ 250,036		\$ 35,372	\$ 285,408			\$ 285,408
48	RATE OF RETURN		5.90%									5.01%
	ATTRITION ADJUSTED REVENUE REQUIREMENT											
49	Proposed Rate of Return		7.46%									7.46%
50	Net Operating Income Requirement	\$ 17,965										\$ 21,291
51	Net Operating Income per Above	14,211										14,313
52	Net Operating Income Deficiency	\$ 3,754										\$ 6,978
53	Conversion Factor	0.62014										0.62014
54	Revenue Requirement	\$ 6,053										\$ 11,253
55	Revenue Growth Factor											0.99763
56	Attrition Adjusted Revenue Requirement											\$ 11,280

*Note: Adjustment in Column [B] includes the Regulatory Amortization associated with the deferral of the Natural Gas portion of the Project Compass Customer Information System (CIS) project as this amount is not included in the 09.2014 Commission Basis. This amount is not escalated as shown in column [F]. Also adjusted Net Plant and depreciation to EOP 12.31.2014 in Column [B] to reflect appropriate level necessary prior to 1.5-year escalation. See Andrews Workpapers for details.

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2013

AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS

Commission Basis Results of Operations

(000'S OF DOLLARS)

Line No.	DESCRIPTION	2001 Restated Total	2002 Restated Total	2003 Restated Total	2004 Restated Total	2005 Restated Total	2006 Restated Total	2007 Restated Total	2008 Restated Total	2009 Restated Total	2010 Restated Total	2011 Restated Total	2012 Restated Total	2013 Restated Total
REVENUES														
1	Total General Business	\$ 144,574	\$ 148,580	\$ 137,031	\$ 159,265	\$ 178,724	\$ 197,821	\$ 209,186	\$ 203,727	\$ 182,706	\$ 142,370	\$ 152,457	\$ 142,048	\$ 144,257
2	Total Transportation	4,274	3,878	3,392	2,842	3,440	3,111	3,263	3,369	3,275	3,155	3,448	3,627	3,915
3	Other Revenues	2,541	2,340	2,183	2,168	30,131	2,372	68,416	153,093	84,085	115,257	98,841	68,107	403
4	Total Gas Revenues	151,389	154,798	142,606	164,275	212,295	203,304	280,865	360,189	270,066	260,782	254,746	213,782	148,575
EXPENSES														
Production Expenses														
5	City Gate Purchases	106,139	109,325	96,222	114,371	167,251	149,802	222,364	310,276	194,267	197,494	188,167	139,073	76,801
6	Purchased Gas Expense	988	1,177	1,186	369	651	653	792	(9,103)	803	800	14	130	891
7	Net Nat Gas Storage Trans	134	128	-	-	(8,407)	-	283	2	10,720	(3,322)	(4,366)	4,352	-
8	Total Production	107,261	110,630	97,408	114,740	159,495	150,455	223,439	301,175	205,790	194,972	183,815	143,555	77,692
Underground Storage														
9	Operating Expenses	322	357	342	381	450	492	451	436	403	380	585	712	820
10	Depreciation/Amortization	314	297	309	309	310	312	310	276	393	348	395	438	380
11	Taxes	108	120	118	120	115	122	95	113	121	116	19	17	158
12	Total Underground Storage	744	774	769	810	875	926	856	825	917	844	999	1,167	1,358
Distribution														
13	Operating Expenses	4,655	5,482	5,762	5,958	6,084	6,359	6,467	6,123	7,700	7,696	8,854	9,511	10,820
14	Depreciation/Amortization	4,390	4,496	4,707	4,902	5,088	5,369	5,605	5,673	6,064	6,367	6,649	6,978	7,925
15	Taxes	7,315	8,070	7,205	8,213	8,573	9,457	9,844	8,941	8,746	7,223	8,051	7,825	8,116
16	Total Distribution	16,360	18,048	17,674	19,073	19,745	21,185	21,916	20,737	22,510	21,286	23,554	24,314	26,861
17	Customer Accounting	3,367	4,108	4,121	4,337	4,249	4,225	4,487	4,692	5,586	5,234	5,740	5,796	6,270
18	Customer Service & Information	1,513	2,252	2,747	480	3,523	1,061	4,658	5,169	7,609	9,505	9,777	6,955	983
19	Sales Expenses	445	375	492	427	320	496	516	442	497	105	3	3	3
Administrative & General														
20	Operating Expenses	7,578	9,399	9,827	8,911	9,196	8,393	8,901	9,706	9,770	11,383	11,585	13,419	11,862
21	Depreciation/Amortization	1,020	1,275	1,363	1,180	1,343	1,282	1,498	1,803	1,999	2,412	2,734	3,276	3,868
22	Regulatory Amortizations	167	185	159	169	-	-	(815)	(242)	440	216	(186)	171	91
23	Taxes	21	23	24	24	23	24	20	17	19	24	-	(1)	-
24	Total Admin. & General	8,786	10,882	11,373	10,284	10,562	9,699	9,604	11,284	12,228	14,035	14,133	16,865	15,821
25	Total Gas Expense	138,476	147,069	134,584	150,151	198,769	188,047	265,476	344,324	255,137	245,981	238,021	198,655	128,988
26	OPERATING INCOME BEFORE FIT	12,913	7,729	8,022	14,124	13,526	15,257	15,389	15,865	14,929	14,801	16,725	15,127	19,587
FEDERAL INCOME TAX														
27	Current Accrual	(256)	6,949	651	655	(3,110)	6,693	5,010	506	2,468	(5,811)	(907)	(1,185)	4,253
28	Debt Interest											63	3	(56)
29	Deferred FIT	3,078	(6,302)	325	2,340	5,522	(3,072)	(1,442)	3,320	1,238	9,594	5,691	5,033	1,403
30	Amort ITC	(30)	(31)	(31)	(31)	(30)	(30)	(31)	(31)	(30)	(29)	(27)	(25)	(24)
31	NET OPERATING INCOME	\$ 10,121	\$ 7,113	\$ 7,077	\$ 11,160	\$ 11,144	\$ 11,666	\$ 11,852	\$ 12,070	\$ 11,253	\$ 11,047	\$ 11,906	\$ 11,301	\$ 14,011

Note: The Regulatory Amortizations Category has been restated in prior years to reflect consistency with the current reporting format.

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2013

AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
(000'S OF DOLLARS)

Commission Basis Results of Operations

Line No.	DESCRIPTION	2001 Restated Total	2002 Restated Total	2003 Restated Total	2004 Restated Total	2005 Restated Total	2006 Restated Total	2007 Restated Total	2008 Restated Total	2009 Restated Total	2010 Restated Total	2011 Restated Total	2012 Restated Total	2013 Restated Total
RATE BASE														
PLANT IN SERVICE														
32	Underground Storage	\$ 13,533	\$ 13,439	\$ 13,712	\$ 13,632	\$ 13,708	\$ 13,854	\$ 13,758	\$ 15,260	\$ 21,798	\$ 20,047	\$ 22,008	\$ 24,365	\$ 24,711
33	Distribution Plant	178,943	185,314	191,970	200,079	208,396	219,287	229,417	240,778	255,976	269,469	281,279	296,152	313,469
34	General Plant	15,060	15,368	16,112	16,499	17,878	20,791	21,708	24,256	27,747	33,401	38,971	44,809	52,223
35	Total Plant in Service	207,536	214,121	221,794	230,210	239,982	253,932	264,883	280,294	305,521	322,917	342,258	365,326	390,403
ACCUMULATED DEPRECIATION/AMORT														
36	Underground Storage	6,220	6,115	6,495	6,659	6,924	7,249	7,427	7,581	7,807	7,912	8,286	8,677	9,088
37	Distribution Plant	51,645	55,845	60,239	64,817	69,428	74,019	77,997	81,405	84,021	89,620	97,489	102,678	108,662
38	General Plant	5,695	6,442	7,446	6,984	7,208	7,230	7,136	8,309	8,882	10,722	10,926	12,186	14,724
39	Total Accumulated Depreciation/Amortization	63,560	68,402	74,180	78,460	83,560	88,498	92,560	97,295	100,710	108,254	116,701	123,541	132,474
40	NET PLANT	143,976	145,719	147,614	151,750	156,422	165,434	172,323	182,999	204,811	214,663	225,557	241,785	257,929
41	DEFERRED TAXES	(14,476)	(15,979)	(22,570)	(26,800)	(23,805)	(24,645)	(26,823)	(28,945)	(31,005)	(36,762)	(42,004)	(46,498)	(50,170)
42	Net Plant After DFTT	129,500	129,740	125,044	124,950	132,617	140,789	145,500	154,054	173,806	177,901	183,553	195,287	207,759
43	GAS INVENTORY	3,190	4,191	4,568	4,807	6,936	7,628	5,607	15,327	8,440	10,226	13,753	13,107	11,702
44	GAIN ON SALE OF BUILDING	(470)	(424)	(378)	(243)	(286)	(153)	(197)	(152)	(109)	(44)	(14)	-	-
45	OTHER	3,304	2,855	2,393	1,204	1,529	1,098	789	452	(1,359)	(1,163)	(1,012)	(816)	(332)
46	WORKING CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	5,695
47	TOTAL RATE BASE	\$ 135,524	\$ 136,362	\$ 131,627	\$ 130,718	\$ 140,796	\$ 149,362	\$ 151,699	\$ 169,681	\$ 180,778	\$ 186,920	\$ 196,280	\$ 207,578	\$ 224,824

Note: The Other (Deferred Debits and Credits) Category has been restated in prior years to reflect consistency with the current reporting format.

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2013

AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
(000'S OF DOLLARS)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Natural Gas Data for Escalators														
Line No.														
	Exclude Gas Cost and Adder Schedule Expenses (DSM Tariff Rider, Decoupling Surcharge/Rebate) from O&M													
1	Underground Storage CBR Line 9	322	357	342	381	450	492	451	436	403	380	585	712	820
2	Distribution CBR Line 13	4,655	5,482	5,762	5,958	6,084	6,359	6,467	6,123	7,700	7,696	8,854	9,511	10,820
3	Customer Accounting CBR Line 17	3,367	4,108	4,121	4,337	4,249	4,225	4,487	4,692	5,586	5,234	5,740	5,796	6,270
4	Customer Service and Information CBR Line 18	1,513	2,252	2,747	480	3,523	1,061	4,658	5,169	7,609	9,505	9,777	6,955	983
5	Sales CBR Line 19	445	375	492	427	320	496	516	442	497	105	3	3	3
6	Administrative and General CBR Line 20	7,578	9,399	9,827	8,911	9,196	8,393	8,901	9,706	9,770	11,383	11,585	13,419	11,862
7	Operating expenses excluding production	17,880	21,973	23,291	20,494	23,822	21,026	25,480	26,568	31,565	34,303	36,544	36,396	30,758
8	Add Non PGA production O&M expenses	232	261	285	369	651	653	792	783	802	800	981	928	891
9	Deduct Gas Cost Rev Related Expenses	-854	-882	-777	-915	-1,044	-1,198	-1,247	-1,179	-968	-632	-672	-599	-614
10	Deduct DSM Tariff Rider Expenses	-957	-1,710	-2,045	0	-2,865	0	-3,866	-4,416	-6,831	-8,484	-9,025	-5,989	0
11	Deduct Decoupling Surcharge/Rebate Expenses	0	0	0	0	0	0	0	-4	-5	-4	-4	-1	0
12	Adjusted Operating Expenses	16,301	19,642	20,754	19,948	20,564	20,481	21,159	21,752	24,563	25,983	27,824	30,735	31,035
	Annual Percentage Change	-50.16%	20.50%	5.66%	-3.88%	3.09%	-0.40%	3.31%	2.80%	12.92%	5.78%	7.08%	10.46%	0.98%
Depreciation/Amortization														
13	Underground Storage CBR Line 10	314	297	309	309	310	312	310	276	393	348	395	438	380
14	Distribution CBR Line 14	4,390	4,496	4,707	4,902	5,088	5,369	5,605	5,673	6,064	6,367	6,649	6,978	7,925
15	Administrative & General CBR Line 21	1,020	1,275	1,363	1,180	1,343	1,282	1,498	1,803	1,999	2,412	2,734	3,276	3,868
16	Total Depreciation/Amortization	5,724	6,068	6,379	6,391	6,741	6,963	7,413	7,752	8,456	9,127	9,778	10,692	12,173
	Annual Percentage Change	3.60%	6.01%	5.13%	0.19%	5.48%	3.29%	6.46%	4.57%	9.08%	7.94%	7.13%	9.35%	13.85%
Exclude Adder Schedule amortizations (Decoupling Surcharge/Rebate) from Regulatory Amortizations														
17	Regulatory Amortizations CBR Line 22	167	185	159	169	0	0	-815	-242	440	216	-186	171	91
18	Deduct Decoupling Surcharge/Rebate Expenses	0	0	0	0	0	0	-85	-432	-710	-494	-494	-184	0
19	Adjusted Regulatory Amortizations	167	185	159	169	0	0	-900	-674	-270	-278	-680	-13	91
Exclude Gas Cost and Adder Schedule excise taxes (DSM Tariff Rider, Decoupling Surcharge/Rebate) from Taxes Other Than Income Tax														
20	Underground Storage CBR Line 11	108	120	118	120	115	122	95	113	121	116	19	17	158
21	Distribution CBR Line 15	7,315	8,070	7,205	8,213	8,573	9,457	9,844	8,941	8,746	7,223	8,051	7,825	8,116
22	Administrative & General CBR Line 23	21	23	24	24	23	24	20	17	19	24	0	-1	0
23	Total Taxes Other Than Income	7,444	8,213	7,347	8,357	8,711	9,603	9,959	9,071	8,886	7,363	8,070	7,841	8,274
24	Deduct Gas Cost Excise Tax	-4,287	-4,425	-3,899	-4,592	-5,240	-6,014	-6,261	-5,917	-4,858	-3,171	-3,374	-3,003	-3,083
25	Deduct DSM Tariff Rider Excise Tax	-38	-68	-81	0	-114	0	-154	-176	-272	-338	-359	-239	0
26	Deduct Decoupling Surcharge/Rebate Excise Tax	0	0	0	0	0	0	-3	-17	-28	-20	-20	-7	0
27	Adjusted Taxes Other Than Income	3,119	3,720	3,367	3,765	3,357	3,589	3,541	2,961	3,728	3,834	4,317	4,592	5,191
	Annual Percentage Change	13.50%	19.27%	-9.49%	11.82%	-10.84%	6.91%	-1.34%	-16.38%	25.90%	2.84%	12.59%	6.38%	13.04%
28	Net Plant After Deferred Income Tax CBR Line 42	129,500	129,740	125,044	124,950	132,617	140,789	145,500	154,054	173,806	177,901	183,553	195,287	207,759
	Annual Percentage Change	3.70%	0.19%	-3.62%	-0.08%	6.14%	6.16%	3.35%	5.88%	12.82%	2.36%	3.18%	6.39%	6.39%
29	Total Rate Base CBR Line 47	135,524	136,362	131,627	130,718	140,796	149,362	151,699	169,681	180,778	186,920	196,280	207,578	224,824
	Annual Percentage Change	3.52%	0.62%	-3.47%	-0.69%	7.71%	6.08%	1.56%	11.85%	6.54%	3.40%	5.01%	5.76%	8.31%
Exclude Gas Cost Deferral related and JP Storage non-recurring revenues from Other Operating Revenue														
30	Other Operating Revenue CBR Line 3	2,541	2,340	2,183	2,168	30,131	2,372	68,416	153,093	84,085	115,257	98,841	68,107	403
31	Deduct Gas Cost Deferral related revenues	-244	-144	0	0	-28,334	0	-66,686	-153,018	-83,992	-115,193	-98,794	-67,822	0
32	Deduct JP Storage allocated revenue (ended 2007)	-2,289	-2,187	-2,174	-2,156	-1,723	-2,361	-1,717	0	0	0	0	0	0
33	Adjusted Other Operating Revenue	8	9	9	12	74	11	13	75	93	64	47	285	403
	Annual Percentage Change	60.00%	12.50%	0.00%	33.33%	516.67%	-85.14%	18.18%	476.92%	24.00%	-31.18%	-26.56%	506.38%	41.40%

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2013

AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
ANNUAL AND COMPOUND GROWTH RATES

Line		Natural Gas Growth Rate Analysis and Escalation Factor Calculation												
No.	Annual Growth Rates	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	
1	Adjusted Operating Expenses	20.50%	5.66%	-3.88%	3.09%	-0.40%	3.31%	2.80%	12.92%	5.78%	7.08%	10.46%	0.98%	
2	Adjusted Depreciation/Amortization	6.01%	5.13%	0.19%	5.48%	3.29%	6.46%	4.57%	9.08%	7.94%	7.13%	9.35%	13.85%	
3	Adjusted Taxes Other than Income	19.27%	-9.49%	11.82%	-10.84%	6.91%	-1.34%	-16.38%	25.90%	2.84%	12.59%	6.38%	13.04%	
4	Net Plant After DFIT	0.19%	-3.62%	-0.08%	6.14%	6.16%	3.35%	5.88%	12.82%	2.36%	3.18%	6.39%	6.39%	
5	Rate base	0.62%	-3.47%	-0.69%	7.71%	6.08%	1.56%	11.85%	6.54%	3.40%	5.01%	5.76%	8.31%	
6	Adjusted Other Revenue	Not used due to de minimus values that resulted in extraordinary variability												
Compound Growth Rates to 2012		2001-2013	2002-2013	2003-2013	2004-2013	2005-2013	2006-2013	2007-2013	2008-2013	2009-2013	2010-2013	2011-2013	2012-2013	
7	Adjusted Operating Expenses	5.51%	4.25%	4.11%	5.03%	5.28%	6.12%	6.59%	7.37%	6.02%	6.10%	5.61%	0.98%	
7A	Adopted Operating Expense							3.00%						
9	Adjusted Depreciation/Amortization	6.49%	6.53%	6.68%	7.42%	7.67%	8.31%	8.62%	9.45%	9.54%	10.08%	11.58%	13.85%	
9A	Adopted Depreciation/Amortization							15.49%	(See page 10)					
10	Adjusted Taxes Other than Income	4.34%	3.08%	4.42%	3.63%	5.60%	5.41%	6.58%	11.88%	8.63%	10.63%	9.66%	13.04%	
11	Net Plant After Deferred Income Taxes	4.02%	4.37%	5.21%	5.81%	5.77%	5.72%	6.12%	6.16%	4.56%	5.31%	6.39%	6.39%	
11A	Adopted Net Plant After Deferred Income Taxes							10.12%	(See page 10)					
12	Rate base	4.31%	4.65%	5.50%	6.21%	6.02%	6.02%	6.78%	5.79%	5.60%	6.35%	7.02%	8.31%	
13	Adjusted Other Revenue	Not used due to de minimus values that resulted in extraordinary variability												
Escalation Factor		2001-2013	2002-2013	2003-2013	2004-2013	2005-2013	2006-2013	2007-2013	2008-2013	2009-2013	2010-2013	2011-2013	2012-2013	
14	Adjusted Operating Expenses	2.25 years	12.83%	9.81%	9.48%	11.68%	12.27%	14.29%	15.45%	17.34%	14.06%	14.25%	13.07%	2.21%
14A	Adopted Operating Expense	2.25 years							6.88%					
16	Adjusted Depreciation/Amortization	1.5 years	13.40%	13.49%	13.80%	15.39%	15.92%	17.30%	13.20%	19.78%	19.98%	21.17%	24.49%	29.62%
16A	Adopted Depreciation/Amortization	1.5 years							24.11%	(See page 10)				
17	Adjusted Taxes Other than Income	2.25 years	10.02%	7.05%	10.23%	8.36%	13.04%	12.59%	15.42%	28.74%	20.47%	25.52%	23.06%	31.77%
18	Net Plant After Deferred Income Taxes	1.5 years	6.09%	6.63%	7.91%	8.84%	8.78%	8.70%	9.31%	9.39%	6.92%	8.07%	9.74%	9.73%
18A	Adopted Net Plant After Deferred Income Taxes	1.5 years							15.56%	(See page 10)				
19	Rate base	2.25 years	9.96%	10.77%	12.80%	14.52%	14.07%	14.05%	15.90%	13.50%	13.05%	14.85%	16.50%	19.67%
20	Adjusted Other Revenue	Not used due to de minimus values that resulted in extraordinary variability												

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2013

**AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
ANNUAL AND COMPOUND GROWTH RATES**

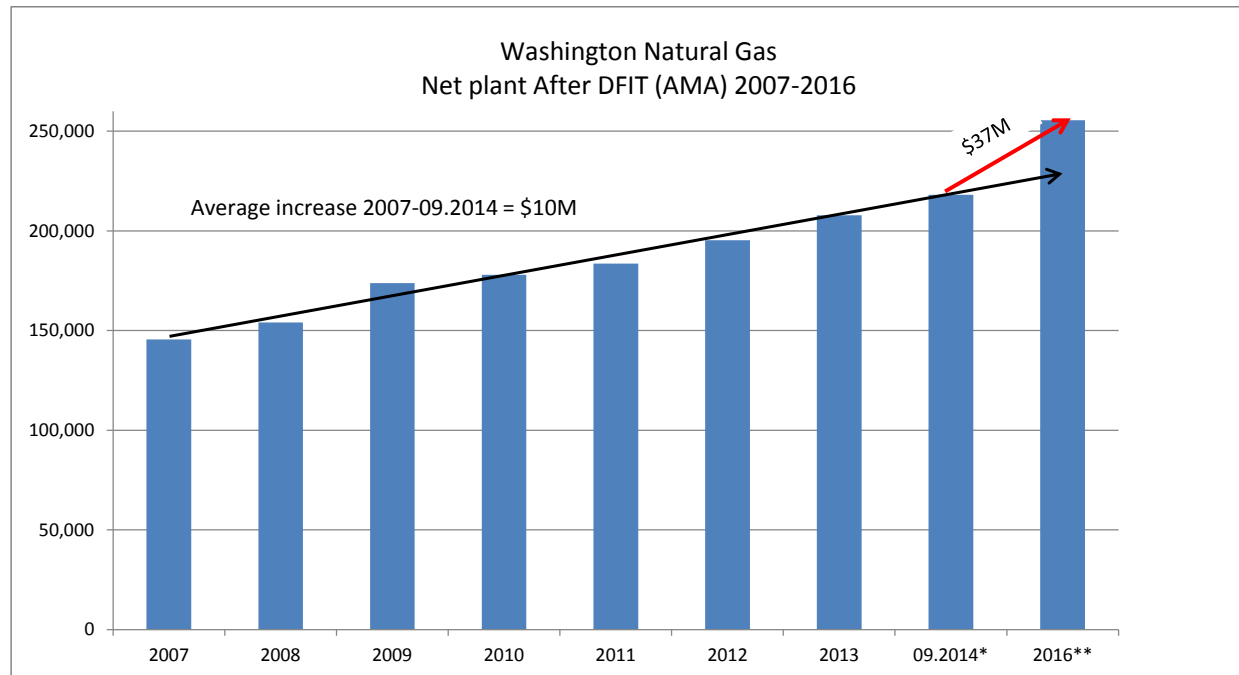
Natural Gas Growth Rate Analysis and Escalation Factor Calculation

<u>Depreciation Expense*</u>	
12-31-2014	12-31-2016
406	423
8,780	9574
5,024	7639
<u>14,210</u>	<u>17,636</u>
Adopted Compound Growth Rate	15.49%
Adopted Escalation Factor	24.11%
<u>Net Plant After DFIT*</u>	
12-31-2014	12-31-2016
221,030	255,427
Adopted Compound Growth Rate	10.12%
Adopted Escalation Factor	15.56%

Washington Natural Gas - AMA ROO 2007 to September 30, 2014; AMA 2016

Net Plant before DFIT			
Year	Value	Net Change	
2007	145,500		
2008	154,054	8,554	
2009	173,806	19,752	
2010	177,901	4,095	
2011	183,553	5,652	
2012	195,287	11,734	
2013	207,759	12,472	2007-09-2014 Avg
09.2014*	218,070	10,311	10,367
2016**	255,427	37,357	

*Excludes growth plant between 12/31/2014 and 12/31/2016.



*Per 09.2014 Commission Basis Report data, See page 5, line 42
 **Per Pro Forma Cross Check Study - See Exhibit No. _(JSS-3)

**BILLING DETERMINANT INDEX
09.2014 TO 2016 WEIGHTED REVENUE GROWTH**

Line No.	Description	Schedule	Billing Determinant	Revenue Model Sept 2014	Forecast 2016	Billing Determinant Growth F=(E-D)/D	Revenue Sept 2014	Weight H=G/SUM G	Weighted Growth I=FxH	Net of Gas Costs	
	A	B	C	D	E		G				
1	General Svc	101	Basic/Min	1,787,943	1,828,182	2.25%	\$16,091,487	9.65%	0.22%	\$362,147	\$362,147
2	Lrg Gen Svc	111/112	Basic/Min	30,697	31,374	2.20%	\$2,671,867	1.60%	0.04%	\$58,902	\$58,902
3	Ex Lrg Gen Svc	121/122	Basic/Min	336	339	0.83%	\$72,321	0.04%	0.00%	\$598	\$598
4	Interruptible Svc	131/132	Basic/Min	24	24	0.00%	\$0	0.00%	0.00%	\$0	\$0
5	General Svc	101	Volumes	120,721,607	119,462,331	-1.04%	\$107,498,749	64.47%	-0.67%	-\$1,121,346	-\$487,590
6	Lrg Gen Svc	111/112	Volumes	47,537,282	47,624,382	0.18%	\$35,598,366	21.35%	0.04%	\$65,225	\$21,585
7	Ex Lrg Gen Svc	121/122	Volumes	5,735,037	5,939,604	3.57%	\$4,064,021	2.44%	0.09%	\$144,962	\$46,197
8	Interruptible Svc	131/132	Volumes	1,115,704	1,252,783	12.29%	\$733,819	0.44%	0.05%	\$90,159	\$27,798
9	Total			175,109,630	174,279,099		\$166,730,631	100.00%	-0.24%	-\$399,351	\$29,638
10	Transportation Svc	146	Basic/Min	456	516	13.12%	\$255,207	6.10%	0.80%	\$33,473	\$33,473
11	Special Contract	148	Basic/Min	60	66	9.50%	\$325,584	7.78%	0.74%	\$30,941	\$30,941
12	Transportation Svc	146	Volumes	30,580,202	30,484,401	-0.31%	\$2,321,589	55.50%	-0.17%	-\$7,273	-\$7,221
13	Special Contract	148	Volumes	49,497,099	47,057,044	-4.93%	\$1,280,992	30.62%	-1.51%	-\$63,149	-\$63,149
14	Total			80,077,301	77,541,445		\$4,183,371	100.00%	-0.14%	-\$6,008	-\$5,956
15	General Svc	101	Total Revenue				\$123,590,236				
16	Lrg Gen Svc	111/112	Total Revenue				\$38,270,233				
17	Ex Lrg Gen Svc	121/122	Total Revenue				\$4,136,342				
18	Interruptible Svc	131/132	Total Revenue				\$733,819				
19	Transportation Svc	146	Total Revenue				\$2,576,796				
20	Special Contract	148	Total Revenue				\$1,606,576				
21	Total						\$170,914,002				

Change in Purchased Gas Cost				Sept 2014	2016	Increase (Decrease)	Gas Costs Per Therm	
22	General Svc	101	Volumes	120,721,607	119,462,331	-1,259,276	\$0.50327	-\$633,756
23	Lrg Gen Svc	111/112	Volumes	47,537,282	47,624,382	87,100	\$0.50104	\$43,641
24	Ex Lrg Gen Svc	121/122	Volumes	5,735,037	5,939,604	204,567	\$0.48280	\$98,765
25	Interruptible Svc	131/132	Volumes	1,115,704	1,252,783	137,079	\$0.45493	\$62,361
26	Total			175,109,630	174,279,099	-830,531		
27	Transp	146	Volumes	30,580,202	30,484,401	-95,801	\$0.00054	-\$52
28	Spec Cont Trans	148	Volumes	49,497,099	47,057,044	-2,440,055	\$0.00000	
29	Total			80,077,301	77,541,445	-2,535,856		-\$429,041
				255,186,931	251,820,544	-3,366,387		