

Exhibit No. JH-3
Dockets UE-160228/UG-160229
Witness: Joanna Huang

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION d/b/a
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-160228 and
UG-160229 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

JOANNA HUANG

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Natural Gas Pro Forma Analysis

August 17, 2016

Revised 8/24/16 (clean)

AVISTA UTILITIES
WASHINGTON NATURAL GAS - ATTRITION ADJUSTED PRO FORMA STUDY
TWELVE MONTHS ENDED SEPTEMBER 30, 2015
(000'S OF DOLLARS)

		Annualized 2017 & 2018				
		WITH PRESENT RATES			WITH Annualized 2017 & 2018 PROPOSED RATES	
Line No.	DESCRIPTION	Actual Per Results Report	Total Adjustments	Annualized 2017 & 2018 Adjusted Total (1)	Proposed Revenues & Related Exp	Annualized 2017 & 2018 Proposed Total
	a	b	c	d	e	f
REVENUES						
1	Total General Business	\$152,492	\$ (66,557)	\$85,935	\$2,143	\$88,078
2	Total Transportation	4,114	303	\$4,417		4,417
3	Other Revenues	105,088	(104,823)	\$265		265
4	Total Gas Revenues	261,694	(171,076)	90,618	2,143	92,761
EXPENSES						
Production Expenses						
5	City Gate Purchases	164,944	(164,944)	-		-
6	Purchased Gas Expense	810	96	906		906
7	Net Nat Gas Storage Trans	8,665	(8,665)	-		-
8	Total Production	174,419	(173,513)	906	-	906
Underground Storage						
9	Operating Expenses	833	91	924		924
10	Depreciation	429	42	471		471
11	Taxes	292	(73)	219		219
12	Total Underground Storage	1,554	59	1,613	-	1,613
Distribution						
13	Operating Expenses	11,531	1,743	13,274		13,274
14	Depreciation	8,931	1,050	9,981		9,981
15	Taxes	14,014	(7,187)	6,827	82	6,909
16	Total Distribution	34,476	(4,394)	30,082	82	30,164
17	Customer Accounting	6,595	91	6,686	13	6,699
18	Customer Service & Information	5,790	(4,888)	902		902
19	Sales Expenses	-	-	-		-
Administrative & General						
20	Operating Expenses	13,388	1,379	14,767	4	14,771
21	Depreciation/Amortization	5,206	1,408	6,614		6,614
22	Regulatory Amortizations	-	809	809		809
23	Taxes	-	-	-		-
24	Total Admin. & General	18,594	3,596	22,190	4	22,194
25	Total Gas Expense	241,428	(179,048)	62,380	99	62,479
26	OPERATING INCOME BEFORE FIT	20,266	7,972	28,238	2,044	30,282
FEDERAL INCOME TAX						
27	Current Accrual	(6,651)	7,001	350	715	1,065
28	Debt Interest	-	(364)	(364)	-	(364)
29	Deferred FIT	12,388	(4,550)	7,838		7,838
30	Amort ITC	(20)	-	(20)		(20)
31	NET OPERATING INCOME	14,549	5,885	20,434	1,329	21,763
RATE BASE: PLANT IN SERVICE						
32	Underground Storage	25,622	(80)	25,542		25,542
33	Distribution Plant	354,360	57,263	411,623		411,623
34	General Plant	69,725	20,051	89,776		89,776
35	Total Plant in Service	449,707	77,234	526,941	-	526,941
ACCUMULATED DEPREC/AMORT						
36	Underground Storage	(9,824)	(1,228)	(11,052)		(11,052)
37	Distribution Plant	(119,790)	(18,415)	(138,205)		(138,205)
38	General Plant	(19,460)	(4,841)	(24,301)		(24,301)
39	Total Accum. Depreciation/Amort.	(149,074)	(24,484)	(173,558)	-	(173,558)
40	NET PLANT	300,633	52,750	353,383	-	353,383
41	DEFERRED FIT	(65,675)	(14,522)	(80,197)		(80,197)
42	Net Plant After DFIT	234,958	38,229	273,187	-	273,187
43	GAS INVENTORY	15,143	(2,403)	12,740		12,740
44	GAIN ON SALE OF BUILDING	-	-	-		-
45	OTHER	(509)	24	(485)		(485)
46	WORKING CAPITAL	9,797	2,886	12,683		12,683
47	TOTAL RATE BASE	259,389	38,712	298,125	0	298,125
48	RATE OF RETURN	5.61%		6.85%		7.30%

(1) The annualized 2017 & 2018 Adjusted Total column, Column "d", developed by Staff's attrition study is used for the final adjusted results and revenue requirement on an attrition adjusted basis (see Mr. Hancock's Exhibit No. CSH-3).

AVISTA UTILITIES
CALCULATION OF GENERAL REVENUE REQUIREMENT
WASHINGTON NATURAL GAS
TWELVE MONTHS ENDED SEPTEMBER 30, 2015
STAFF PRO FORMA ANALYSIS

Line No.	Description	Annualized 2017 & 2018 (000's of Dollars)
1	Attrition Adjusted Pro Forma Rate Base	\$ 298,125
2	Proposed Rate of Return	7.30%
3	Attrition Adjusted Net Operating Income Requirement	\$21,763
4	Pro Forma Net Operating Income	\$ 20,434
5	Net Operating Income Deficiency	\$1,329
6	Conversion Factor	0.620003
7	Staff Attrition Adjusted Pro Forma Revenue Requirement Increase (Decrease)	\$2,143
8	Total Base Distribution Revenues	\$ 90,353
9	Percentage Revenue Increase/(Decrease), Pro Forma	2.4%
10	Total Attrition Adjusted Pro Forma Revenue Requirement	92,496

AVISTA UTILITIES
WASHINGTON NATURAL GAS - ATTRITION ADJUSTED PRO F
TWELVE MONTHS ENDED SEPTEMBER 30, 2015
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Eliminated		Addition		2017 FINAL Attrition Adjusted Pro Forma Total (Z)
		2017 Cross Check Total	Reconcile 2017 Cross Check to Attrition	Staff Proposed Attrition Allowance		
	Adjustment Number Workpaper Reference	17CC-Ttl	4.07 G-CREC	4.08		17AA/CC-Ttl
	REVENUES					
1	Total General Business	\$ 84,057	\$ -	\$ 1,878		\$ 85,935
2	Total Transportation	4,416	-	1		4,417
3	Other Revenues	283	-	(18)		265
4	Total Gas Revenues	88,756	-	1,862		90,618
	EXPENSES					
	Production Expenses					
5	City Gate Purchases	-	-	-		-
6	Purchased Gas Expense	832	-	74		906
7	Net Nat Gas Storage Trans	-	-	-		-
8	Total Production	832	-	74		906
	Underground Storage					
9	Operating Expenses	834	-	90		924
10	Depreciation/Amortization	439	-	32		471
11	Taxes	283	-	(64)		219
12	Total Underground Storage	1,556	-	57		1,613
	Distribution					
13	Operating Expenses	12,289	-	985		13,274
14	Depreciation/Amortization	9,121	-	860		9,981
15	Taxes	5,891	-	936		6,827
16	Total Distribution	27,301	-	2,781		30,082
17	Customer Accounting	6,192	-	494		6,686
18	Customer Service & Information	897	-	5		902
19	Sales Expenses	0	-	(0)		-
	Administrative & General					
20	Operating Expenses	13,549	-	1,218		14,767
21	Depreciation/Amortization	5,688	-	926		6,614
22	Regulatory Amortizations	1,079	-	(270)		809
23	Taxes	-	-	-		-
24	Total Admin. & General	20,316	-	1,874		22,190
25	Total Gas Expense	57,094	-	5,286		62,380
26	OPERATING INCOME BEFORE FIT	31,662	-	(3,424)		28,238
	FEDERAL INCOME TAX					
27	Current Accrual	(2,970)	-	3,320		350
28	Debt Interest	(199)	-	(165)		(364)
29	Deferred FIT	12,388	-	(4,550)		7,838
30	Amort ITC	(20)	-	-		(20)
31	NET OPERATING INCOME	\$ 22,463	\$ -	\$ (2,029)		\$ 20,434
	RATE BASE					
	PLANT IN SERVICE					
32	Underground Storage	\$ 25,720	-	(178)		25,542
33	Distribution Plant	367,767	-	43,856		411,623
34	General Plant	77,291	-	12,485		89,776
35	Total Plant in Service	470,778	-	56,163		526,941
	ACCUMULATED DEPRECIATION/AMORT					
36	Underground Storage	(9,906)	-	(1,146)		(11,052)
37	Distribution Plant	(121,747)	-	(16,458)		(138,205)
38	General Plant	(20,862)	-	(3,439)		(24,301)
39	Total Accumulated Depreciation/Amortization	(152,515)	-	(21,043)		(173,558)
40	NET PLANT	318,263	-	35,120		353,383
41	DEFERRED TAXES	(66,127)	-	(14,070)		(80,197)
42	Net Plant After DFIT	252,136	-	21,051		273,187
43	GAS INVENTORY	15,143	-	(2,403)		12,740
44	GAIN ON SALE OF BUILDING	-	-	-		-
45	OTHER	(509)	-	24		(485)
46	WORKING CAPITAL	12,625	-	58		12,683
47	TOTAL RATE BASE	\$ 279,395	\$ -	\$ 18,730		\$ 298,125
48	RATE OF RETURN					6.85%
50	REVENUE REQUIREMENT	-3,334	-	5,478		2,143

AVISTA UTILITIES
Comparison of Revenue Requirement Adjustments
TWELVE MONTHS ENDED SEPTEMBER 30, 2015
(000's OF DOLLARS)

Item	Description	FILED CASE Washington Gas		Revenue Requirement	Staff Pro Forma Washington Gas		Revenue Requirement	Revenue Requirement	Difference
		NOI	Rate Base	at 7.64 %	NOI	Rate Base	at 7.64 %	at 7.30%	
1.00	Per Results Report	\$14,549	\$259,389	8497	\$14,549	\$259,389	8497	7075	0
1.01	Deferred FIT Rate Base	\$0	\$50	5	0	50	5	5	0
1.02	Deferred Debits and Credits	(\$1)	\$0	1	(1)	0	1	1	0
1.03	Working Capital	\$28	\$2,828	303	28	2,828	303	288	0
	Actual	14,577	262,267	8,806	14,577	262,267	8,806	7,369	0
2.01	Eliminate B & O Taxes	(\$9)	\$0	15	(9)	0	15	15	0
2.02	Restate Property Tax	\$122	\$0	-197	228	0	-368	-368	-171
2.03	Uncollectible Expense	\$203	\$0	-328	203	0	-328	-328	0
2.04	Regulatory Expense	\$8	\$0	-13	8	0	-13	-13	0
2.05	Injuries and Damages	(\$150)	\$0	242	(150)	0	242	242	0
2.06	FIT / DFIT Expense	\$223	\$0	-360	223	0	-360	-360	0
2.07	Office Space Charges to Subs	\$6	\$0	-9	6	0	-9	-9	0
2.08	Restate Excise Taxes	\$3	\$0	-5	3	0	-5	-5	0
2.09	Net Gains/Losses	\$4	\$0	-6	4	0	-6	-6	0
2.10	Weather Normalization / Gas Cost Adjust	\$1,154	\$0	-1862	1,154	0	-1862	-1862	0
2.11	Eliminate Adder Schedules	\$0	\$0	0	0	0	0	0	0
2.12	Misc Restating Adjustments	\$144	\$0	-233	144	0	-233	-233	0
2.13	Restate Debt Interest	\$86	\$0	-139	85	0	-137	-137	2
2.14	Restating Incentive Adjustment	\$318	\$0	-513	(87)	0	140	140	653
2.15	Project Compass Deferral	\$978	\$0	-1578	978	0	-1578	-1578	0
	Restated Total	\$17,668	\$262,267	\$3,820	\$17,368	\$262,267	\$4,304	\$2,867	\$484
Pro Forma Adjustments									
3.00	Pro Forma Labor Non-Exec	(\$419)	\$0	675	(419)	0	675	675	0
3.01	Pro Forma Labor Exec	\$8	\$0	-14	8	0	-14	-14	0
3.02	Pro Forma Employee Benefits	(\$224)	\$0	361	(259)	0	418	418	57
3.03	Pro Forma Pipeline Safety Labor	(\$68)	\$0	109	0	0	0	0	-109
3.04	Pro Forma Property Tax	(\$127)	\$0	205	(150)	0	241	241	36
3.05	Pro Forma Revenue Normalization	\$8,002	\$0	-12907	8,002	0	-12907	-12907	0
3.06	Pro Forma Atmospheric Testing	(\$153)	\$0	247	(153)	0	247	247	0
3.07	Pro Forma Regulatory Amortization	(\$1,680)	\$0	2709	(1,680)	0	2709	2709	0
3.08	Pro Forma Capital Add Dec 2015 AMA	(\$314)	\$6,106	1258	(305)	9,640	1679	1626	421
3.09	Pro Forma 2016 Limited Capital Adds	(\$129)	\$18,120	2440	28	7,488	878	837	-1562
3.10	Pro Forma O&M Offsets	\$36	\$0	-59	22	0	-36	-36	23
Attrition Cross Check Adjustments									
4.00	Cross Check Labor Non-Exec	(\$108)	\$0	174	0	0	0	0	-174
4.01	Cross Check Capital Add 2016 AMA	(\$946)	\$1,383	1696	0	0	0	0	-1696
4.02	Cross Check Capital Add 2017 AMA	(\$1,000)	\$8,956	2717	0	0	0	0	-2717
4.03	Cross Check 2017 AMI Capital & Expense	(\$661)	\$9,003	2176	0	0	0	0	-2176
4.04	Cross Check Information Tech/Serv Exp	(\$298)	\$0	481	0	0	0	0	-481
4.05	Cross Check Insurance Expense	(\$14)	\$0	23	0	0	0	0	-23
4.06	Cross Check Property Tax Exp	(\$168)	\$0	273	0	0	0	0	-273
4.07	Reconcile 2017 Cross Check to Attrition	\$659	(\$7,520)	-1987	0	0	0	0	1987
4.08	Staff's Proposed Attrition Allowance				(2,029)	18,730	5580	5478	5580
	Pro Forma Total	\$20,065	\$298,315	\$4,397	\$20,434	\$298,125	\$3,774	\$2,143	(\$623)
	At Staff's ROR				20,434	298,125	\$2,143		
							Avista Proposed	\$ 4,397	
							Difference	(623)	
							ROR impact	(1,631)	
								2,143	