

**BEFORE THE**  
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

|                           |   |                                   |
|---------------------------|---|-----------------------------------|
| WASHINGTON UTILITIES AND  | ) | DOCKETS UE-160228 and             |
| TRANSPORTATION COMMISSION | ) | UG-160229 ( <i>Consolidated</i> ) |
|                           | ) |                                   |
| Complainant,              | ) |                                   |
|                           | ) |                                   |
| v.                        | ) |                                   |
|                           | ) |                                   |
| AVISTA CORPORATION d/b/a  | ) |                                   |
| AVISTA UTILITIES          | ) |                                   |
|                           | ) |                                   |
| Respondent.               | ) |                                   |

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**EXHIBIT NO. BGM-6**

**NATURAL GAS TRADITIONAL REVENUE REQUIREMENT CALCULATIONS**

**September 22, 2016**

**Natural Gas Revenue Requirement Summary (\$000)**

| Line                          | Adj. No. | Description                                      | Company Filing (Rev. Req. at ICNU ROR) |                |                         | ICNU/NWIGU Proposed |                |                         |
|-------------------------------|----------|--|--|----------------|-------------------------|---------------------|----------------|-------------------------|
|                               |          |  | Net Oper. Income                       | Rate Base      | Rev. Req. Def. / (Suf.) | Net Oper. Income    | Rate Base      | Rev. Req. Def. / (Suf.) |
| 1                             | 1.00     | <b>Per Book Results (Y/E Sep. 30, 2015)</b>      | <b>14,549</b>                          | <b>259,389</b> | <b>6,866</b>            | <b>14,549</b>       | <b>259,389</b> | <b>6,866</b>            |
| <i>Restating Adjustments:</i> |          |  |  |                |                         |                     |                |                         |
| 2                             | 1.01     | Deferred FIT Rate Base                           | 0                                      | 50             | 5                       | 0                   | 50             | 5                       |
| 3                             | 1.02     | Deferred Debits and Credits                      | (1)                                    | -              | 1                       | (1)                 | -              | 1                       |
| 4                             | 1.03     | Working Capital                                  | 28                                     | 2,828          | 285                     | 28                  | 2,828          | 285                     |
| 5                             | 2.01     | Eliminate B & O Taxes                            | (9)                                    | -              | 15                      | (9)                 | -              | 15                      |
| 6                             | 2.02     | Restate Property Tax                             | 122                                    | -              | (197)                   | 122                 | -              | (197)                   |
| 7                             | 2.03     | Uncollectible Expense                            | 203                                    | -              | (328)                   | 203                 | -              | (328)                   |
| 8                             | 2.04     | Regulatory Expense                               | 8                                      | -              | (13)                    | 8                   | -              | (13)                    |
| 9                             | 2.05     | Injuries and Damages                             | (150)                                  | -              | 242                     | (150)               | -              | 242                     |
| 10                            | 2.06     | FIT / DFIT Expense                               | 223                                    | -              | (360)                   | 223                 | -              | (360)                   |
| 11                            | 2.07     | Office Space Charges to Subs                     | 6                                      | -              | (9)                     | 6                   | -              | (9)                     |
| 12                            | 2.08     | Restate Excise Taxes                             | 3                                      | -              | (5)                     | 3                   | -              | (5)                     |
| 13                            | 2.09     | Net Gains/Losses                                 | 4                                      | -              | (6)                     | 4                   | -              | (6)                     |
| 14                            | 2.10     | Weather Normalization / Gas Cost Adjust          | 1,154                                  | -              | (1,862)                 | 1,154               | -              | (1,862)                 |
| 15                            | 2.11     | Eliminate Adder Schedules                        | -                                      | -              | -                       | -                   | -              | -                       |
| 16                            | 2.12     | Misc Restating Adjustments                       | 144                                    | -              | (233)                   | 207                 | -              | (333)                   |
| 17                            | 2.13     | Restate Debt Interest                            | 86                                     | -              | (139)                   | 205                 | -              | (331)                   |
| 18                            | 2.14     | Restating Incentive Adjustment                   | 318                                    | -              | (513)                   | 318                 | -              | (513)                   |
| 19                            | 2.15     | Project Compass Deferral                         | 978                                    | -              | (1,578)                 | 978                 | -              | (1,578)                 |
| 20                            |          | <b>Restated Results</b>                          | <b>17,668</b>                          | <b>262,267</b> | <b>2,172</b>            | <b>17,849</b>       | <b>262,267</b> | <b>1,879</b>            |
| <i>Pro Forma Adjustments</i>  |          |  |  |                |                         |                     |                |                         |
| 21                            | 3.00     | Pro Forma Labor Non-Exec                         | (419)                                  | -              | 675                     | (256)               | -              | 413                     |
| 22                            | 3.01     | Pro Forma Labor Exec                             | 8                                      | -              | (14)                    | 8                   | -              | (14)                    |
| 23                            | 3.02     | Pro Forma Employee Benefits                      | (224)                                  | -              | 361                     | (224)               | -              | 361                     |
| 24                            | 3.03     | Pro Forma Pipeline Safety Labor                  | (68)                                   | -              | 109                     | (68)                | -              | 109                     |
| 25                            | 3.04     | Pro Forma Property Tax                           | (127)                                  | -              | 205                     | (127)               | -              | 205                     |
| 26                            | 3.05     | Pro Forma Revenue Normalization                  | 8,002                                  | -              | (12,907)                | 8,002               | -              | (12,907)                |
| 27                            | 3.06     | Pro Forma Atmospheric Testing                    | (153)                                  | -              | 247                     | (153)               | -              | 247                     |
| 28                            | 3.07     | Pro Forma Regulatory Amortization                | (1,680)                                | -              | 2,709                   | (1,680)             | -              | 2,709                   |
| 29                            | 3.08     | Pro Forma Capital Add Dec 2015 AMA               | (314)                                  | 6,106          | 1,220                   | (314)               | 6,106          | 1,220                   |
| 30                            | 3.09     | Pro Forma 2016 Limited Capital Adds              | (129)                                  | 18,120         | 2,326                   | 77                  | 6,128          | 593                     |
| 31                            | 3.10     | Pro Forma O&M Offsets                            | 36                                     | -              | (59)                    | 36                  | -              | (59)                    |
| 32                            |          | <b>Pro Forma Results (Traditional Rev. Req.)</b> | <b>22,602</b>                          | <b>286,493</b> | <b>(2,953)</b>          | <b>23,151</b>       | <b>274,501</b> | <b>(5,241)</b>          |

Natural Gas Revenue Requirement Summary (\$000)

| Line                          | Adj. No. | Description                                      | Impact of ICNU/NWIGU Adjustments: |                  |                 | Rev. Req. Def. / (Suf.) | ICNU/NWIGU Position |
|-------------------------------|----------|--|-----------------------------------|------------------|-----------------|-------------------------|---------------------|
|                               |          |  | Pre-Tax Net Oper. Income          | Net Oper. Income | Rate Base       |                         |                     |
| 1                             | 1.00     | Per Book Results (Y/E Sep. 30, 2015)             |                                   |                  |                 |                         |                     |
| <i>Restating Adjustments:</i> |          |  |                                   |                  |                 |                         |                     |
| 2                             | 1.01     | Deferred FIT Rate Base                           | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 3                             | 1.02     | Deferred Debits and Credits                      | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 4                             | 1.03     | Working Capital                                  | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 5                             | 2.01     | Eliminate B & O Taxes                            | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 6                             | 2.02     | Restate Property Tax                             | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 7                             | 2.03     | Uncollectible Expense                            | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 8                             | 2.04     | Regulatory Expense                               | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 9                             | 2.05     | Injuries and Damages                             | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 10                            | 2.06     | FIT / DFIT Expense                               | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 11                            | 2.07     | Office Space Charges to Subs                     | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 12                            | 2.08     | Restate Excise Taxes                             | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 13                            | 2.09     | Net Gains/Losses                                 | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 14                            | 2.10     | Weather Normalization / Gas Cost Adjust          | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 15                            | 2.11     | Eliminate Adder Schedules                        | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 16                            | 2.12     | Misc Restating Adjustments                       | 96                                | 62               | -               | (100)                   | ICNU/NWIGU Modified |
| 17                            | 2.13     | Restate Debt Interest                            | -                                 | 119              | -               | (192)                   | ICNU/NWIGU Modified |
| 18                            | 2.14     | Restating Incentive Adjustment                   | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 19                            | 2.15     | Project Compass Deferral                         | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 20                            |          | <b>Restated Results</b>                          | <b>96</b>                         | <b>181</b>       | <b>-</b>        | <b>(293)</b>            |                     |
| <i>Pro Forma Adjustments</i>  |          |  |                                   |                  |                 |                         |                     |
| 21                            | 3.00     | Pro Forma Labor Non-Exec                         | 250                               | 163              | -               | (262)                   | ICNU/NWIGU Modified |
| 22                            | 3.01     | Pro Forma Labor Exec                             | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 23                            | 3.02     | Pro Forma Employee Benefits                      | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 24                            | 3.03     | Pro Forma Pipeline Safety Labor                  | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 25                            | 3.04     | Pro Forma Property Tax                           | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 26                            | 3.05     | Pro Forma Revenue Normalization                  | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 27                            | 3.06     | Pro Forma Atmospheric Testing                    | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 28                            | 3.07     | Pro Forma Regulatory Amortization                | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 29                            | 3.08     | Pro Forma Capital Add Dec 2015 AMA               | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 30                            | 3.09     | Pro Forma 2016 Limited Capital Adds              | 316                               | 205              | (11,992)        | (1,733)                 | ICNU/NWIGU Modified |
| 31                            | 3.10     | Pro Forma O&M Offsets                            | -                                 | -                | -               | -                       | ICNU/NWIGU Neutral  |
| 32                            |          | <b>Pro Forma Results (Traditional Rev. Req.)</b> | <b>662</b>                        | <b>549</b>       | <b>(11,992)</b> | <b>(2,288)</b>          |                     |

**Traditional Revenue Requirement Calculations for Avista Corporation**

Washington Natural Gas Pro Forma Revenue Requirement  
Twelve Months Ended September 31, 2015  
(\$000)

| Line No.                           | DESCRIPTION                        | WITH PRESENT RATES            |                             |                |                             |                 | WITH PROPOSED RATES             |                |
|------------------------------------|------------------------------------|-------------------------------|-----------------------------|----------------|-----------------------------|-----------------|---------------------------------|----------------|
|                                    |                                    | Actual Per Books Sep 30, 2015 | Total Restating Adjustments | Restated Total | Total Pro Forma Adjustments | Pro-forma Total | Proposed Revenues & Related Exp | Proposed Total |
|                                    | a                                  | b                             | c                           | d              | e                           | f               | g                               | h              |
| <b>REVENUES</b>                    |                                    |                               |                             |                |                             |                 |                                 |                |
| 1                                  | Total General Business             | 152,492                       | 4,139                       | 156,631        | (72,574)                    | 84,057          | \$ (5,241)                      | \$78,816       |
| 2                                  | Total Transportation               | 4,114                         | (106)                       | 4,008          | 408                         | 4,416           |                                 | 4,416          |
| 3                                  | Other Revenues                     | 105,088                       | (99,392)                    | 5,696          | (5,413)                     | 283             |                                 | 283            |
| 4                                  | Total Gas Revenues                 | 261,694                       | (95,359)                    | 166,335        | (77,579)                    | 88,756          | (5,241)                         | 83,515         |
| <b>EXPENSES</b>                    |                                    |                               |                             |                |                             |                 |                                 |                |
| Production Expenses                |                                    |                               |                             |                |                             |                 |                                 |                |
| 5                                  | City Gate Purchases                | 164,944                       | (78,385)                    | 86,559         | (86,559)                    | -               |                                 | -              |
| 6                                  | Purchased Gas Expense              | 810                           | (7)                         | 803            | 0                           | 803             |                                 | 803            |
| 7                                  | Net Nat Gas Storage Trans          | 8,665                         | (8,665)                     | -              | -                           | -               |                                 | -              |
| 8                                  | Total Production                   | 174,419                       | (87,057)                    | 87,362         | (86,559)                    | 803             | -                               | 803            |
| Underground Storage                |                                    |                               |                             |                |                             |                 |                                 |                |
| 9                                  | Operating Expenses                 | 833                           | -                           | 833            | (0)                         | 833             |                                 | 833            |
| 10                                 | Depreciation                       | 429                           | -                           | 429            | (2)                         | 427             |                                 | 427            |
| 11                                 | Taxes                              | 292                           | (14)                        | 278            | 15                          | 293             |                                 | 293            |
| 12                                 | Total Underground Storage          | 1,554                         | (14)                        | 1,540          | 13                          | 1,553           | -                               | 1,553          |
| Distribution                       |                                    |                               |                             |                |                             |                 |                                 |                |
| 13                                 | Operating Expenses                 | 11,531                        | (218)                       | 11,313         | 655                         | 11,968          |                                 | 11,968         |
| 14                                 | Depreciation                       | 8,931                         | (6)                         | 8,925          | 183                         | 9,108           |                                 | 9,108          |
| 15                                 | Taxes                              | 14,014                        | (5,421)                     | 8,593          | (2,583)                     | 6,010           | (201)                           | 5,809          |
| 16                                 | Total Distribution                 | 34,476                        | (5,645)                     | 28,831         | (1,746)                     | 27,085          | (201)                           | 26,884         |
| 17                                 | Customer Accounting                | 6,595                         | (369)                       | 6,226          | (248)                       | 5,978           | (31)                            | 5,947          |
| 18                                 | Customer Service & Information     | 5,790                         | (4,923)                     | 867            | 15                          | 882             |                                 | 882            |
| 19                                 | Sales Expenses                     | -                             | -                           | -              | 0                           | 0               |                                 | 0              |
| Administrative & General           |                                    |                               |                             |                |                             |                 |                                 |                |
| 20                                 | Operating Expenses                 | 13,388                        | (221)                       | 13,167         | 22                          | 13,189          | (10)                            | 13,179         |
| 21                                 | Depreciation/Amortization          | 5,206                         | -                           | 5,206          | 554                         | 5,760           |                                 | 5,760          |
| 22                                 | Regulatory Amortizations           | -                             | (1,505)                     | (1,505)        | 2,584                       | 1,079           |                                 | 1,079          |
| 23                                 | Taxes                              | -                             | -                           | -              | -                           | -               |                                 | -              |
| 24                                 | Total Admin. & General             | 18,594                        | (1,726)                     | 16,868         | 3,160                       | 20,029          | (10)                            | 20,019         |
| 25                                 | Total Gas Expense                  | 241,428                       | (99,734)                    | 141,694        | (85,365)                    | 56,329          | (242)                           | 56,087         |
| 26                                 | OPERATING INCOME BEFORE FIT        | 20,266                        | 4,375                       | 24,641         | 7,786                       | 32,427          | (4,999)                         | 27,428         |
| <b>FEDERAL INCOME TAX</b>          |                                    |                               |                             |                |                             |                 |                                 |                |
| 27                                 | Current Accrual                    | (6,651)                       | 1,103                       | (5,548)        | 2,725                       | (2,823)         | (1,750)                         | (4,573)        |
| 28                                 | Debt Interest                      | -                             | (29)                        | (29)           | (241)                       | (269)           | -                               | (269)          |
| 29                                 | Deferred FIT                       | 12,388                        | -                           | 12,388         | -                           | 12,388          |                                 | 12,388         |
| 30                                 | Amort ITC                          | (20)                          | -                           | (20)           | -                           | (20)            |                                 | (20)           |
| 31                                 | NET OPERATING INCOME               | 14,549                        | 3,300                       | 17,849         | 5,302                       | 23,151          | (3,249)                         | 19,902         |
| <b>RATE BASE: PLANT IN SERVICE</b> |                                    |                               |                             |                |                             |                 |                                 |                |
| 32                                 | Underground Storage                | 25,622                        | -                           | 25,622         | 163                         | 25,785          |                                 | 25,785         |
| 33                                 | Distribution Plant                 | 354,360                       | -                           | 354,360        | 10,295                      | 364,655         |                                 | 364,655        |
| 34                                 | General Plant                      | 69,725                        | -                           | 69,725         | 6,047                       | 75,772          |                                 | 75,772         |
| 35                                 | Total Plant in Service             | 449,707                       | -                           | 449,707        | 16,505                      | 466,212         | -                               | 466,212        |
| <b>ACCUMULATED DEPREC/AMORT</b>    |                                    |                               |                             |                |                             |                 |                                 |                |
| 36                                 | Underground Storage                | (9,824)                       | -                           | (9,824)        | (103)                       | (9,927)         |                                 | (9,927)        |
| 37                                 | Distribution Plant                 | (119,790)                     | -                           | (119,790)      | (1,440)                     | (121,230)       |                                 | (121,230)      |
| 38                                 | General Plant                      | (19,460)                      | -                           | (19,460)       | 382                         | (19,078)        |                                 | (19,078)       |
| 39                                 | Total Accum. Depreciation/Amort.   | (149,074)                     | -                           | (149,074)      | (1,161)                     | (150,235)       | -                               | (150,235)      |
| 40                                 | NET PLANT                          | 300,633                       | -                           | 300,633        | 15,344                      | 315,977         | -                               | 315,977        |
| 41                                 | DEFERRED FIT                       | (65,675)                      | 50                          | (65,625)       | (3,109)                     | (68,734)        |                                 | (68,734)       |
| 42                                 | Net Plant After DFIT               | 234,958                       | 50                          | 235,008        | 12,235                      | 247,243         | -                               | 247,243        |
| 43                                 | GAS INVENTORY                      | 15,143                        | -                           | 15,143         | -                           | 15,143          |                                 | 15,143         |
| 44                                 | GAIN ON SALE OF BUILDING           | -                             | -                           | -              | -                           | -               |                                 | -              |
| 45                                 | OTHER                              | (509)                         | -                           | (509)          | -                           | (509)           |                                 | (509)          |
| 46                                 | WORKING CAPITAL                    | 9,797                         | 2,828                       | 12,625         | -                           | 12,625          |                                 | 12,625         |
| 47                                 | TOTAL RATE BASE                    | 259,389                       | 2,878                       | 262,267        | 12,235                      | 274,502         | 0                               | 274,502        |
| 48                                 | RATE OF RETURN                     | 5.6%                          |                             | 6.8%           |                             | 8.4%            |                                 | 7.3%           |
| 49                                 | REVENUE DEFICIENCY / (SUFFICIENCY) | 6,866                         |                             | 1,879          |                             | (5,241)         |                                 |                |

Blue = Input      Black = Formula/Text

**Traditional Revenue Requirement Calculations for Avista Corporation**

Washington Natural Gas Pro Forma Revenue Requirement

Adjustment Details

Twelve Months Ended September 31, 2015

(\$000)

**Restatement Adjustments**

| Line No. | DESCRIPTION                                 | Per Results Report | Deferred FIT Rate Base | Deferred Debits and Credits | Working Capital | Eliminate B & O Taxes | Restate Property Tax | Uncollectible Expense |
|----------|---|--------------------|------------------------|-----------------------------|-----------------|-----------------------|----------------------|-----------------------|
|          |   | 1.00               | 1.01                   | 1.02                        | 1.03            | 2.01                  | 2.02                 | 2.03                  |
|          |   | G-ROO              | G-DFIT                 | G-DDC                       | G-WC            | G-EBO                 | G-RPT                | G-UE                  |
|          | Adjustment Number                           | 1.00               | 1.01                   | 1.02                        | 1.03            | 2.01                  | 2.02                 | 2.03                  |
|          | Workpaper Reference                         | G-ROO              | G-DFIT                 | G-DDC                       | G-WC            | G-EBO                 | G-RPT                | G-UE                  |
|          | REVENUES                                    |                    |                        |                             |                 |                       |                      |                       |
| 1        | Total General Business                      | \$ 152,492         | \$ -                   | \$ -                        | \$ -            | (5,520)               | \$ -                 | \$ -                  |
| 2        | Total Transportation                        | 4,114              | -                      | -                           | -               | (106)                 | -                    | -                     |
| 3        | Other Revenues                              | 105,088            | -                      | -                           | -               | -                     | -                    | -                     |
| 4        | Total Gas Revenues                          | 261,694            | -                      | -                           | -               | (5,626)               | -                    | -                     |
|          | EXPENSES                                    |                    |                        |                             |                 |                       |                      |                       |
|          | Production Expenses                         |                    |                        |                             |                 |                       |                      |                       |
| 5        | City Gate Purchases                         | 164,944            | -                      | -                           | -               | -                     | -                    | -                     |
| 6        | Purchased Gas Expense                       | 810                | -                      | -                           | -               | -                     | -                    | -                     |
| 7        | Net Nat Gas Storage Trans                   | 8,665              | -                      | -                           | -               | -                     | -                    | -                     |
| 8        | Total Production                            | 174,419            | -                      | -                           | -               | -                     | -                    | -                     |
|          | Underground Storage                         |                    |                        |                             |                 |                       |                      |                       |
| 9        | Operating Expenses                          | 833                | -                      | -                           | -               | -                     | -                    | -                     |
| 10       | Depreciation/Amortization                   | 429                | -                      | -                           | -               | -                     | -                    | -                     |
| 11       | Taxes                                       | 292                | -                      | -                           | -               | -                     | (14)                 | -                     |
| 12       | Total Underground Storage                   | 1,554              | -                      | -                           | -               | -                     | (14)                 | -                     |
|          | Distribution                                |                    |                        |                             |                 |                       |                      |                       |
| 13       | Operating Expenses                          | 11,531             | -                      | -                           | -               | -                     | -                    | -                     |
| 14       | Depreciation/Amortization                   | 8,931              | -                      | -                           | -               | -                     | -                    | -                     |
| 15       | Taxes                                       | 14,014             | -                      | -                           | -               | (5,612)               | (174)                | -                     |
| 16       | Total Distribution                          | 34,476             | -                      | -                           | -               | (5,612)               | (174)                | -                     |
| 17       | Customer Accounting                         | 6,595              | -                      | 1                           | -               | -                     | -                    | (313)                 |
| 18       | Customer Service & Information              | 5,790              | -                      | -                           | -               | -                     | -                    | -                     |
| 19       | Sales Expenses                              | -                  | -                      | -                           | -               | -                     | -                    | -                     |
|          | Administrative & General                    |                    |                        |                             |                 |                       |                      |                       |
| 20       | Operating Expenses                          | 13,388             | -                      | -                           | -               | -                     | -                    | -                     |
| 21       | Depreciation/Amortization                   | 5,206              | -                      | -                           | -               | -                     | -                    | -                     |
| 22       | Regulatory Amortizations                    | -                  | -                      | -                           | -               | -                     | -                    | -                     |
| 23       | Taxes                                       | -                  | -                      | -                           | -               | -                     | -                    | -                     |
| 24       | Total Admin. & General                      | 18,594             | -                      | -                           | -               | -                     | -                    | -                     |
| 25       | Total Gas Expense                           | 241,428            | -                      | 1                           | -               | (5,612)               | (188)                | (313)                 |
| 26       | OPERATING INCOME BEFORE FIT                 | 20,266             | -                      | (1)                         | -               | (14)                  | 188                  | 313                   |
|          | FEDERAL INCOME TAX                          |                    |                        |                             |                 |                       |                      |                       |
| 27       | Current Accrual                             | (6,651)            | -                      | (0)                         | -               | (5)                   | 66                   | 110                   |
| 28       | Debt Interest                               | -                  | (0)                    | -                           | (28)            | -                     | -                    | -                     |
| 29       | Deferred FIT                                | 12,388             | -                      | -                           | -               | -                     | -                    | -                     |
| 30       | Amort ITC                                   | (20)               | -                      | -                           | -               | -                     | -                    | -                     |
| 31       | NET OPERATING INCOME                        | \$ 14,549          | \$ 0                   | \$ (1)                      | \$ 28           | \$ (9)                | \$ 122               | \$ 203                |
|          | RATE BASE                                   |                    |                        |                             |                 |                       |                      |                       |
|          | PLANT IN SERVICE                            |                    |                        |                             |                 |                       |                      |                       |
| 32       | Underground Storage                         | \$ 25,622          | \$ -                   | \$ -                        | \$ -            | \$ -                  | \$ -                 | \$ -                  |
| 33       | Distribution Plant                          | 354,360            | -                      | -                           | -               | -                     | -                    | -                     |
| 34       | General Plant                               | 69,725             | -                      | -                           | -               | -                     | -                    | -                     |
| 35       | Total Plant in Service                      | 449,707            | -                      | -                           | -               | -                     | -                    | -                     |
|          | ACCUMULATED DEPRECIATION/AMORT              |                    |                        |                             |                 |                       |                      |                       |
| 36       | Underground Storage                         | (9,824)            | -                      | -                           | -               | -                     | -                    | -                     |
| 37       | Distribution Plant                          | (119,790)          | -                      | -                           | -               | -                     | -                    | -                     |
| 38       | General Plant                               | (19,460)           | -                      | -                           | -               | -                     | -                    | -                     |
| 39       | Total Accumulated Depreciation/Amortization | (149,074)          | -                      | -                           | -               | -                     | -                    | -                     |
| 40       | NET PLANT                                   | 300,633            | -                      | -                           | -               | -                     | -                    | -                     |
| 41       | DEFERRED TAXES                              | (65,675)           | 50                     | -                           | -               | -                     | -                    | -                     |
| 42       | Net Plant After DFIT                        | 234,958            | 50                     | -                           | -               | -                     | -                    | -                     |
| 43       | GAS INVENTORY                               | 15,143             | -                      | -                           | -               | -                     | -                    | -                     |
| 44       | GAIN ON SALE OF BUILDING                    | -                  | -                      | -                           | -               | -                     | -                    | -                     |
| 45       | OTHER                                       | (509)              | -                      | -                           | -               | -                     | -                    | -                     |
| 46       | WORKING CAPITAL                             | 9,797              | -                      | -                           | 2,828           | -                     | -                    | -                     |
| 47       | TOTAL RATE BASE                             | \$ 259,389         | \$ 50                  | \$ -                        | \$ 2,828        | \$ -                  | \$ -                 | \$ -                  |
| 48       | RATE OF RETURN                              | 5.61%              |                        |                             |                 |                       |                      |                       |
| 50       | REVENUE REQUIREMENT                         | 6,866              | 5                      | 1                           | 285             | 15                    | -197                 | -328                  |

**Traditional Revenue Requirement Calculations for Avista Co**

Washington Natural Gas Pro Forma Revenue Requirement

Adjustment Details

Twelve Months Ended September 31, 2015

(\$000)

| Line No. | DESCRIPTION                                 | Regulatory Expense | Injuries and Damages | FIT / DFIT Expense | Office Space Charges to Subs | Restate Excise Taxes | Net Gains/Losses | Weather Normalization / Gas Cost Adjust |
|----------|---|--------------------|----------------------|--------------------|------------------------------|----------------------|------------------|---|
|          | Adjustment Number                           | 2.04               | 2.05                 | 2.06               | 2.07                         | 2.08                 | 2.09             | 2.10                                    |
|          | Workpaper Reference                         | G-RE               | G-ID                 | G-FIT              | G-OSC                        | G-RET                | G-NGL            | G-WNGC                                  |
|          | REVENUES                                    |                    |                      |                    |                              |                      |                  |   |
| 1        | Total General Business                      | \$ -               | \$ -                 | \$ -               | \$ -                         | \$ -                 | \$ -             | 12,984                                  |
| 2        | Total Transportation                        | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 3        | Other Revenues                              | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 4        | Total Gas Revenues                          | -                  | -                    | -                  | -                            | -                    | -                | 12,984                                  |
|          | EXPENSES                                    |                    |                      |                    |                              |                      |                  |   |
|          | Production Expenses                         |                    |                      |                    |                              |                      |                  |   |
| 5        | City Gate Purchases                         | -                  | -                    | -                  | -                            | -                    | -                | 10,600                                  |
| 6        | Purchased Gas Expense                       | -                  | -                    | -                  | -                            | -                    | -                | 9                                       |
| 7        | Net Nat Gas Storage Trans                   | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 8        | Total Production                            | -                  | -                    | -                  | -                            | -                    | -                | 10,609                                  |
|          | Underground Storage                         |                    |                      |                    |                              |                      |                  |   |
| 9        | Operating Expenses                          | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 10       | Depreciation/Amortization                   | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 11       | Taxes                                       | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 12       | Total Underground Storage                   | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
|          | Distribution                                |                    |                      |                    |                              |                      |                  |   |
| 13       | Operating Expenses                          | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 14       | Depreciation/Amortization                   | -                  | -                    | -                  | -                            | -                    | (6)              | -                                       |
| 15       | Taxes                                       | -                  | -                    | -                  | -                            | (5)                  | -                | 497                                     |
| 16       | Total Distribution                          | -                  | -                    | -                  | -                            | (5)                  | (6)              | 497                                     |
| 17       | Customer Accounting                         | -                  | -                    | -                  | -                            | -                    | -                | 76                                      |
| 18       | Customer Service & Information              | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 19       | Sales Expenses                              | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
|          | Administrative & General                    |                    |                      |                    |                              |                      |                  |   |
| 20       | Operating Expenses                          | (12)               | 231                  | -                  | (9)                          | -                    | -                | 26                                      |
| 21       | Depreciation/Amortization                   | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 22       | Regulatory Amortizations                    | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 23       | Taxes                                       | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 24       | Total Admin. & General                      | (12)               | 231                  | -                  | (9)                          | -                    | -                | 26                                      |
| 25       | Total Gas Expense                           | (12)               | 231                  | -                  | (9)                          | (5)                  | (6)              | 11,208                                  |
| 26       | OPERATING INCOME BEFORE FIT                 | 12                 | (231)                | -                  | 9                            | 5                    | 6                | 1,776                                   |
|          | FEDERAL INCOME TAX                          |                    |                      |                    |                              |                      |                  |   |
| 27       | Current Accrual                             | 4                  | (81)                 | (223)              | 3                            | 2                    | 2                | 622                                     |
| 28       | Debt Interest                               | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 29       | Deferred FIT                                | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 30       | Amort ITC                                   | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 31       | NET OPERATING INCOME                        | \$ 8               | \$ (150)             | \$ 223             | \$ 6                         | \$ 3                 | \$ 4             | \$ 1,154                                |
|          | RATE BASE                                   |                    |                      |                    |                              |                      |                  |   |
|          | PLANT IN SERVICE                            |                    |                      |                    |                              |                      |                  |   |
| 32       | Underground Storage                         | \$ -               | \$ -                 | \$ -               | \$ -                         | \$ -                 | \$ -             | \$ -                                    |
| 33       | Distribution Plant                          | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 34       | General Plant                               | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 35       | Total Plant in Service                      | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
|          | ACCUMULATED DEPRECIATION/AMORT              |                    |                      |                    |                              |                      |                  |   |
| 36       | Underground Storage                         | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 37       | Distribution Plant                          | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 38       | General Plant                               | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 39       | Total Accumulated Depreciation/Amortization | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 40       | NET PLANT                                   | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 41       | DEFERRED TAXES                              | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 42       | Net Plant After DFIT                        | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 43       | GAS INVENTORY                               | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 44       | GAIN ON SALE OF BUILDING                    | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 45       | OTHER                                       | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 46       | WORKING CAPITAL                             | -                  | -                    | -                  | -                            | -                    | -                | -                                       |
| 47       | TOTAL RATE BASE                             | \$ -               | \$ -                 | \$ -               | \$ -                         | \$ -                 | \$ -             | \$ -                                    |
| 48       | RATE OF RETURN                              |                    |                      |                    |                              |                      |                  |   |
| 50       | REVENUE REQUIREMENT                         | -13                | 242                  | -360               | -9                           | -5                   | -6               | -1,862                                  |

**Traditional Revenue Requirement Calculations for Avista Cor**

Washington Natural Gas Pro Forma Revenue Requirement  
Adjustment Details  
Twelve Months Ended September 31, 2015  
(\$000)

| Line No. | DESCRIPTION                                 |                           |                                     |                              |                                |                          | Pro Forma Adjustments |                                   |                      |                             |
|----------|---|---------------------------|-------------------------------------|------------------------------|--------------------------------|--------------------------|-----------------------|-----------------------------------|----------------------|-----------------------------|
|          |   | Eliminate Adder Schedules | Modified Misc Restating Adjustments | Update Restate Debt Interest | Restating Incentive Adjustment | Project Compass Deferral | Restated TOTAL        | Modified Pro Forma Labor Non-Exec | Pro Forma Labor Exec | Pro Forma Employee Benefits |
|          |   | 2.11 G-EAS                | 2.12 G-MR                           | 2.13 G-DI                    | 2.14 G-RI                      | 2.15 G-CD                | R-Ttl                 | 3.00 G-PLN                        | 3.01 G-PLE           | 3.02 G-PEB                  |
|          | Adjustment Number                           | 2.11                      | 2.12                                | 2.13                         | 2.14                           | 2.15                     |                       | 3.00                              | 3.01                 | 3.02                        |
|          | Workpaper Reference                         | G-EAS                     | G-MR                                | G-DI                         | G-RI                           | G-CD                     | R-Ttl                 | G-PLN                             | G-PLE                | G-PEB                       |
|          | REVENUES                                    |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
| 1        | Total General Business                      | \$ (3,325)                | \$ -                                | \$ -                         | \$ -                           | \$ -                     | \$ 156,631            | \$ -                              | \$ -                 | \$ -                        |
| 2        | Total Transportation                        | -                         | -                                   | -                            | -                              | -                        | 4,008                 | -                                 | -                    | -                           |
| 3        | Other Revenues                              | (99,392)                  | -                                   | -                            | -                              | -                        | 5,696                 | -                                 | -                    | -                           |
| 4        | Total Gas Revenues                          | (102,717)                 | -                                   | -                            | -                              | -                        | 166,335               | -                                 | -                    | -                           |
|          | EXPENSES                                    |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
|          | Production Expenses                         |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
| 5        | City Gate Purchases                         | (88,985)                  | -                                   | -                            | -                              | -                        | 86,559                | -                                 | -                    | -                           |
| 6        | Purchased Gas Expense                       | -                         | -                                   | -                            | (16)                           | -                        | 803                   | 13                                | (25)                 | 12                          |
| 7        | Net Nat Gas Storage Trans                   | (8,665)                   | -                                   | -                            | -                              | -                        | -                     | -                                 | -                    | -                           |
| 8        | Total Production                            | (97,650)                  | -                                   | -                            | (16)                           | -                        | 87,362                | 13                                | (25)                 | 12                          |
|          | Underground Storage                         |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
| 9        | Operating Expenses                          | -                         | -                                   | -                            | -                              | -                        | 833                   | (0)                               | -                    | (0)                         |
| 10       | Depreciation/Amortization                   | -                         | -                                   | -                            | -                              | -                        | 429                   | -                                 | -                    | -                           |
| 11       | Taxes                                       | -                         | -                                   | -                            | -                              | -                        | 278                   | -                                 | -                    | -                           |
| 12       | Total Underground Storage                   | -                         | -                                   | -                            | -                              | -                        | 1,540                 | (0)                               | -                    | (0)                         |
|          | Distribution                                |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
| 13       | Operating Expenses                          | -                         | -                                   | -                            | (218)                          | -                        | 11,313                | 171                               | -                    | 144                         |
| 14       | Depreciation/Amortization                   | -                         | -                                   | -                            | -                              | -                        | 8,925                 | -                                 | -                    | -                           |
| 15       | Taxes                                       | (127)                     | -                                   | -                            | -                              | -                        | 8,593                 | -                                 | -                    | -                           |
| 16       | Total Distribution                          | (127)                     | -                                   | -                            | (218)                          | -                        | 28,831                | 171                               | -                    | 144                         |
| 17       | Customer Accounting                         | (19)                      | -                                   | -                            | (114)                          | -                        | 6,226                 | 93                                | -                    | 82                          |
| 18       | Customer Service & Information              | (4,914)                   | -                                   | -                            | (9)                            | -                        | 867                   | 8                                 | -                    | 7                           |
| 19       | Sales Expenses                              | -                         | -                                   | -                            | -                              | -                        | -                     | 0                                 | -                    | -                           |
|          | Administrative & General                    |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
| 20       | Operating Expenses                          | (7)                       | (318)                               | -                            | (132)                          | -                        | 13,167                | 110                               | 12                   | 100                         |
| 21       | Depreciation/Amortization                   | -                         | -                                   | -                            | -                              | -                        | 5,206                 | -                                 | -                    | -                           |
| 22       | Regulatory Amortizations                    | -                         | -                                   | -                            | -                              | (1,505)                  | (1,505)               | -                                 | -                    | -                           |
| 23       | Taxes                                       | -                         | -                                   | -                            | -                              | -                        | -                     | -                                 | -                    | -                           |
| 24       | Total Admin. & General                      | (7)                       | (318)                               | -                            | (132)                          | (1,505)                  | 16,868                | 110                               | 12                   | 100                         |
| 25       | Total Gas Expense                           | (102,717)                 | (318)                               | -                            | (489)                          | (1,505)                  | 141,694               | 394                               | (13)                 | 345                         |
| 26       | OPERATING INCOME BEFORE FIT                 | -                         | 318                                 | -                            | 489                            | 1,505                    | 24,641                | (394)                             | 13                   | (345)                       |
|          | FEDERAL INCOME TAX                          |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
| 27       | Current Accrual                             | -                         | 111                                 | (205)                        | 171                            | 527                      | (5,548)               | (138)                             | 5                    | (121)                       |
| 28       | Debt Interest                               | -                         | -                                   | -                            | -                              | -                        | (29)                  | -                                 | -                    | -                           |
| 29       | Deferred FIT                                | -                         | -                                   | -                            | -                              | -                        | 12,388                | -                                 | -                    | -                           |
| 30       | Amort ITC                                   | -                         | -                                   | -                            | -                              | -                        | (20)                  | -                                 | -                    | -                           |
| 31       | NET OPERATING INCOME                        | \$ -                      | \$ 207                              | \$ 205                       | \$ 318                         | \$ 978                   | \$ 17,849             | \$ (256)                          | \$ 8                 | \$ (224)                    |
|          | RATE BASE                                   |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
|          | PLANT IN SERVICE                            |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
| 32       | Underground Storage                         | \$ -                      | \$ -                                | \$ -                         | \$ -                           | \$ -                     | 25,622                | \$ -                              | \$ -                 | \$ -                        |
| 33       | Distribution Plant                          | -                         | -                                   | -                            | -                              | -                        | 354,360               | -                                 | -                    | -                           |
| 34       | General Plant                               | -                         | -                                   | -                            | -                              | -                        | 69,725                | -                                 | -                    | -                           |
| 35       | Total Plant in Service                      | -                         | -                                   | -                            | -                              | -                        | 449,707               | -                                 | -                    | -                           |
|          | ACCUMULATED DEPRECIATION/AMORT              |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
| 36       | Underground Storage                         | -                         | -                                   | -                            | -                              | -                        | (9,824)               | -                                 | -                    | -                           |
| 37       | Distribution Plant                          | -                         | -                                   | -                            | -                              | -                        | (119,790)             | -                                 | -                    | -                           |
| 38       | General Plant                               | -                         | -                                   | -                            | -                              | -                        | (19,460)              | -                                 | -                    | -                           |
| 39       | Total Accumulated Depreciation/Amortization | -                         | -                                   | -                            | -                              | -                        | (149,074)             | -                                 | -                    | -                           |
| 40       | NET PLANT                                   | -                         | -                                   | -                            | -                              | -                        | 300,633               | -                                 | -                    | -                           |
| 41       | DEFERRED TAXES                              | -                         | -                                   | -                            | -                              | -                        | (65,625)              | -                                 | -                    | -                           |
| 42       | Net Plant After DFIT                        | -                         | -                                   | -                            | -                              | -                        | 235,008               | -                                 | -                    | -                           |
| 43       | GAS INVENTORY                               | -                         | -                                   | -                            | -                              | -                        | 15,143                | -                                 | -                    | -                           |
| 44       | GAIN ON SALE OF BUILDING                    | -                         | -                                   | -                            | -                              | -                        | -                     | -                                 | -                    | -                           |
| 45       | OTHER                                       | -                         | -                                   | -                            | -                              | -                        | (509)                 | -                                 | -                    | -                           |
| 46       | WORKING CAPITAL                             | -                         | -                                   | -                            | -                              | -                        | 12,625                | -                                 | -                    | -                           |
| 47       | TOTAL RATE BASE                             | \$ -                      | \$ -                                | \$ -                         | \$ -                           | \$ -                     | \$ 262,267            | \$ -                              | \$ -                 | \$ -                        |
| 48       | RATE OF RETURN                              |                           |                                     |                              |                                |                          |                       |                                   |                      |                             |
| 50       | REVENUE REQUIREMENT                         | 0                         | -333                                | -331                         | -513                           | -1,578                   | 1,879                 | 413                               | -14                  | 361                         |

**Traditional Revenue Requirement Calculations for Avista Co**

Washington Natural Gas Pro Forma Revenue Requirement  
Adjustment Details  
Twelve Months Ended September 31, 2015  
(\$000)

| Line No. | DESCRIPTION                                 | Modified                        |                        |                                 |                               |                                   |                                    |                                     |
|----------|---|---------------------------------|------------------------|---------------------------------|-------------------------------|-----------------------------------|------------------------------------|-------------------------------------|
|          |   | Pro Forma Pipeline Safety Labor | Pro Forma Property Tax | Pro Forma Revenue Normalization | Pro Forma Atmospheric Testing | Pro Forma Regulatory Amortization | Pro Forma Capital Add Dec 2015 AMA | Pro Forma 2016 Limited Capital Adds |
|          |   | 3.03                            | 3.04                   | 3.05                            | 3.06                          | 3.07                              | 3.08                               | 3.09                                |
|          |   | G-PPS                           | G-PPT                  | G-PREV                          | G-PAT                         | G-PRA                             | G-PCAP15                           | G-PCAP16                            |
|          | Adjustment Number                           | 3.03                            | 3.04                   | 3.05                            | 3.06                          | 3.07                              | 3.08                               | 3.09                                |
|          | Workpaper Reference                         | G-PPS                           | G-PPT                  | G-PREV                          | G-PAT                         | G-PRA                             | G-PCAP15                           | G-PCAP16                            |
|          | REVENUES                                    |                                 |                        |                                 |                               |                                   |                                    |                                     |
| 1        | Total General Business                      | \$ -                            | \$ -                   | \$ (72,574)                     | \$ -                          | \$ -                              | \$ -                               | \$ -                                |
| 2        | Total Transportation                        | -                               | -                      | 408                             | -                             | -                                 | -                                  | -                                   |
| 3        | Other Revenues                              | -                               | -                      | (5,413)                         | -                             | -                                 | -                                  | -                                   |
| 4        | Total Gas Revenues                          | -                               | -                      | (77,579)                        | -                             | -                                 | -                                  | -                                   |
|          | EXPENSES                                    |                                 |                        |                                 |                               |                                   |                                    |                                     |
|          | Production Expenses                         |                                 |                        |                                 |                               |                                   |                                    |                                     |
| 5        | City Gate Purchases                         | -                               | -                      | (86,559)                        | -                             | -                                 | -                                  | -                                   |
| 6        | Purchased Gas Expense                       | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 7        | Net Nat Gas Storage Trans                   | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 8        | Total Production                            | -                               | -                      | (86,559)                        | -                             | -                                 | -                                  | -                                   |
|          | Underground Storage                         |                                 |                        |                                 |                               |                                   |                                    |                                     |
| 9        | Operating Expenses                          | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 10       | Depreciation/Amortization                   | -                               | -                      | -                               | -                             | -                                 | (2)                                | -                                   |
| 11       | Taxes                                       | -                               | 15                     | -                               | -                             | -                                 | -                                  | -                                   |
| 12       | Total Underground Storage                   | -                               | 15                     | -                               | -                             | -                                 | (2)                                | -                                   |
|          | Distribution                                |                                 |                        |                                 |                               |                                   |                                    |                                     |
| 13       | Operating Expenses                          | 104                             | -                      | -                               | 236                           | -                                 | -                                  | -                                   |
| 14       | Depreciation/Amortization                   | -                               | -                      | -                               | -                             | -                                 | 126                                | 57                                  |
| 15       | Taxes                                       | -                               | 181                    | (2,764)                         | -                             | -                                 | -                                  | -                                   |
| 16       | Total Distribution                          | 104                             | 181                    | (2,764)                         | 236                           | -                                 | 126                                | 57                                  |
| 17       | Customer Accounting                         | -                               | -                      | (423)                           | -                             | -                                 | -                                  | -                                   |
| 18       | Customer Service & Information              | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 19       | Sales Expenses                              | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
|          | Administrative & General                    |                                 |                        |                                 |                               |                                   |                                    |                                     |
| 20       | Operating Expenses                          | -                               | -                      | (144)                           | -                             | -                                 | -                                  | -                                   |
| 21       | Depreciation/Amortization                   | -                               | -                      | -                               | -                             | -                                 | 452                                | 102                                 |
| 22       | Regulatory Amortizations                    | -                               | -                      | -                               | -                             | 2,584                             | -                                  | -                                   |
| 23       | Taxes                                       | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 24       | Total Admin. & General                      | -                               | -                      | (144)                           | -                             | 2,584                             | 452                                | 102                                 |
| 25       | Total Gas Expense                           | 104                             | 196                    | (89,890)                        | 236                           | 2,584                             | 576                                | 159                                 |
| 26       | OPERATING INCOME BEFORE FIT                 | (104)                           | (196)                  | 12,311                          | (236)                         | (2,584)                           | (576)                              | (159)                               |
|          | FEDERAL INCOME TAX                          |                                 |                        |                                 |                               |                                   |                                    |                                     |
| 27       | Current Accrual                             | (36)                            | (69)                   | 4,309                           | (83)                          | (904)                             | (202)                              | (56)                                |
| 28       | Debt Interest                               | -                               | -                      | -                               | -                             | -                                 | (61)                               | (180)                               |
| 29       | Deferred FIT                                | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 30       | Amort ITC                                   | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 31       | NET OPERATING INCOME                        | \$ (68)                         | \$ (127)               | \$ 8,002                        | \$ (153)                      | \$ (1,680)                        | \$ (314)                           | \$ 77                               |
|          | RATE BASE                                   |                                 |                        |                                 |                               |                                   |                                    |                                     |
|          | PLANT IN SERVICE                            |                                 |                        |                                 |                               |                                   |                                    |                                     |
| 32       | Underground Storage                         | \$ -                            | \$ -                   | \$ -                            | \$ -                          | \$ -                              | 163                                | \$ -                                |
| 33       | Distribution Plant                          | -                               | -                      | -                               | -                             | -                                 | 5,261                              | 5,034                               |
| 34       | General Plant                               | -                               | -                      | -                               | -                             | -                                 | 3,449                              | 2,598                               |
| 35       | Total Plant in Service                      | -                               | -                      | -                               | -                             | -                                 | 8,873                              | 7,632                               |
|          | ACCUMULATED DEPRECIATION/AMORT              |                                 |                        |                                 |                               |                                   |                                    |                                     |
| 36       | Underground Storage                         | -                               | -                      | -                               | -                             | -                                 | (103)                              | -                                   |
| 37       | Distribution Plant                          | -                               | -                      | -                               | -                             | -                                 | (1,320)                            | (120)                               |
| 38       | General Plant                               | -                               | -                      | -                               | -                             | -                                 | 612                                | (230)                               |
| 39       | Total Accumulated Depreciation/Amortization | -                               | -                      | -                               | -                             | -                                 | (811)                              | (350)                               |
| 40       | NET PLANT                                   | -                               | -                      | -                               | -                             | -                                 | 8,062                              | 7,282                               |
| 41       | DEFERRED TAXES                              | -                               | -                      | -                               | -                             | -                                 | (1,956)                            | (1,153)                             |
| 42       | Net Plant After DFIT                        | -                               | -                      | -                               | -                             | -                                 | 6,106                              | 6,129                               |
| 43       | GAS INVENTORY                               | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 44       | GAIN ON SALE OF BUILDING                    | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 45       | OTHER                                       | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 46       | WORKING CAPITAL                             | -                               | -                      | -                               | -                             | -                                 | -                                  | -                                   |
| 47       | TOTAL RATE BASE                             | \$ -                            | \$ -                   | \$ -                            | \$ -                          | \$ -                              | 6,106                              | 6,129                               |
| 48       | RATE OF RETURN                              |                                 |                        |                                 |                               |                                   |                                    |                                     |
| 50       | REVENUE REQUIREMENT                         | 109                             | 205                    | -12,907                         | 247                           | 2,709                             | 1,220                              | 593                                 |



**Traditional Revenue Requirement Calculations for Avista Cor**

Washington Natural Gas Pro Forma Revenue Requirement

Adjustment Details

Twelve Months Ended September 31, 2015

(\$000)

| Line No. | DESCRIPTION                                 | Pro Forma O&M Offsets | Pro Forma Sub-Total |
|----------|---|-----------------------|---------------------|
|          | Adjustment Number                           | 3.10                  |                     |
|          | Workpaper Reference                         | G-POFF                | PF-STd              |
|          | REVENUES                                    |                       |                     |
| 1        | Total General Business                      | \$ -                  | \$ 84,057           |
| 2        | Total Transportation                        | -                     | 4,416               |
| 3        | Other Revenues                              | -                     | 283                 |
| 4        | Total Gas Revenues                          | -                     | 88,756              |
|          | EXPENSES                                    |                       |                     |
|          | Production Expenses                         |                       |                     |
| 5        | City Gate Purchases                         | -                     | -                   |
| 6        | Purchased Gas Expense                       | -                     | 803                 |
| 7        | Net Nat Gas Storage Trans                   | -                     | -                   |
| 8        | Total Production                            | -                     | 803                 |
|          | Underground Storage                         |                       |                     |
| 9        | Operating Expenses                          | -                     | 833                 |
| 10       | Depreciation/Amortization                   | -                     | 427                 |
| 11       | Taxes                                       | -                     | 293                 |
| 12       | Total Underground Storage                   | -                     | 1,553               |
|          | Distribution                                |                       |                     |
| 13       | Operating Expenses                          | -                     | 11,968              |
| 14       | Depreciation/Amortization                   | -                     | 9,108               |
| 15       | Taxes                                       | -                     | 6,010               |
| 16       | Total Distribution                          | -                     | 27,085              |
| 17       | Customer Accounting                         | -                     | 5,978               |
| 18       | Customer Service & Information              | -                     | 882                 |
| 19       | Sales Expenses                              | -                     | 0                   |
|          | Administrative & General                    |                       |                     |
| 20       | Operating Expenses                          | (56)                  | 13,189              |
| 21       | Depreciation/Amortization                   | -                     | 5,760               |
| 22       | Regulatory Amortizations                    | -                     | 1,079               |
| 23       | Taxes                                       | -                     | -                   |
| 24       | Total Admin. & General                      | (56)                  | 20,029              |
| 25       | Total Gas Expense                           | (56)                  | 56,329              |
| 26       | OPERATING INCOME BEFORE FIT                 | 56                    | 32,427              |
|          | FEDERAL INCOME TAX                          |                       |                     |
| 27       | Current Accrual                             | 20                    | (2,823)             |
| 28       | Debt Interest                               | -                     | (269)               |
| 29       | Deferred FIT                                | -                     | 12,388              |
| 30       | Amort ITC                                   | -                     | (20)                |
| 31       | NET OPERATING INCOME                        | \$ 36                 | \$ 23,151           |
|          | RATE BASE                                   |                       |                     |
|          | PLANT IN SERVICE                            |                       |                     |
| 32       | Underground Storage                         | \$ -                  | \$ 25,785           |
| 33       | Distribution Plant                          | -                     | 364,655             |
| 34       | General Plant                               | -                     | 75,772              |
| 35       | Total Plant in Service                      | -                     | 466,212             |
|          | ACCUMULATED DEPRECIATION/AMORT              |                       |                     |
| 36       | Underground Storage                         | -                     | (9,927)             |
| 37       | Distribution Plant                          | -                     | (121,230)           |
| 38       | General Plant                               | -                     | (19,078)            |
| 39       | Total Accumulated Depreciation/Amortization | -                     | (150,235)           |
| 40       | NET PLANT                                   | -                     | 315,977             |
| 41       | DEFERRED TAXES                              | -                     | (68,734)            |
| 42       | Net Plant After DFIT                        | -                     | 247,243             |
| 43       | GAS INVENTORY                               | -                     | 15,143              |
| 44       | GAIN ON SALE OF BUILDING                    | -                     | -                   |
| 45       | OTHER                                       | -                     | (509)               |
| 46       | WORKING CAPITAL                             | -                     | 12,625              |
| 47       | TOTAL RATE BASE                             | \$ -                  | \$ 274,502          |
| 48       | RATE OF RETURN                              |                       |                     |
| 50       | REVENUE REQUIREMENT                         | -59                   | -5,241              |

**Traditional Revenue Requirement Calculations for Avista Corporation**

Washington Natural Gas Pro Forma Revenue Requirement  
Revenue Conversion Factor Calculation  
Twelve Months Ended September 31, 2015

| <b>Line<br/>No.</b> | <b>Description</b>               | <b>Factor</b>   |
|---------------------|----------------------------------|-----------------|
| 1                   | <b>Revenues</b>                  | 1.000000        |
|                     | <b>Expense:</b>                  |                 |
| 2                   | Uncollectibles                   | 0.005855        |
| 3                   | Commission Fees                  | 0.002000        |
| 4                   | Washington Excise Tax            | 0.038294        |
| 6                   | Total Expense                    | <u>0.046150</u> |
| 7                   | Net Operating Income Before FIT  | 0.953850        |
| 8                   | Federal Income Tax @ 35%         | 0.333848        |
| 9                   | <b>REVENUE CONVERSION FACTOR</b> | 0.620003        |

*(Per Order No. 6; UE-120437, dated 6/20/2012 - "hard" CF rounded to 6 digits)*

**Traditional Revenue Requirement Calculations for Avista Corporation**

Washington Natural Gas Pro Forma Revenue Requirement

Capital Structure

Twelve Months Ended September 31, 2015

| <b>Capital Structure</b> |                          |             |                      |
|--------------------------|--------------------------|-------------|----------------------|
| <b>Component</b>         | <b>Capital Structure</b> | <b>Cost</b> | <b>Weighted Cost</b> |
| Total Debt               | 51.5%                    | 5.51%       | 2.84%                |
| Common Equity            | <u>48.5%</u>             | 9.10%       | <u>4.41%</u>         |
| Total                    | <u>100.00%</u>           |             | <u>7.25%</u>         |