

Avista Corporation Natural Gas Decoupling Mechanism
Washington Jurisdiction
Quarterly Report for 4th Quarter 2014

AVISTA UTILITIES
Washington - Gas
Approved Decoupling Mechanism per Order No. 10 Docket No. UG-090135
Actual compared to 2011 Test Year (UG-120437 Settlement)
Adjusted for Actual New Customer Usage and Schedule Shifting
Period July 2014 - December 2014

| | 2014 <u>July</u> | 2014 <u>August</u> | 2014 <u>September</u> | 2014 <u>October</u> | 2014 <u>November</u> | 2014 <u>December</u> | Period to Date <u>Total</u> |
|--|---------------------|-----------------------|--------------------------|------------------------|-------------------------|-------------------------|--------------------------------|
| 6 Months Ended December 2014 Actual | | | | | | | |
| Schedule 101 | | | | | | | |
| Schedule 101 Billed Therms | 2,501,469 | 1,954,422 | 2,449,785 | 3,053,342 | 8,078,831 | 17,987,159 | 36,025,008 |
| Deduct New Customer Usage(1) | (65,555) | (56,306) | (65,019) | (93,688) | (268,039) | (667,042) | (1,215,649) |
| Schedule Shifting Adjustment (2) | 39,601 | 28,465 | 13,793 | 63,671 | 78,085 | 112,718 | 336,333 |
| Deduct Prior Month Unbilled Therms | (1,856,284) | (1,460,459) | (1,553,314) | (1,820,072) | (3,663,542) | (11,207,778) | (21,561,449) |
| Add Current Month Unbilled Therms | 1,460,459 | 1,553,314 | 1,820,072 | 3,663,542 | 11,207,778 | 12,236,476 | 31,941,641 |
| Add Weather Adjustment | - | - | - | 2,299,063 | (256,261) | 2,936,624 | 4,979,426 |
| Weather Adj Calendar Therms | 2,079,690 | 2,019,436 | 2,665,317 | 7,165,858 | 15,176,852 | 21,398,157 | 50,505,310 |
| Weather Adj Calendar Therms | 2,079,690 | 2,019,436 | 2,665,317 | 7,165,858 | 15,176,852 | 21,398,157 | 50,505,310 |
| Less Test Year Therms | 2,238,206 | 2,111,319 | 2,467,077 | 7,228,847 | 15,436,280 | 21,347,972 | 50,829,701 |
| Therm Difference | (158,516) | (91,883) | 198,240 | (62,989) | (259,428) | 50,185 | (324,391) |
| Times Current Margin Rate per Therm | 0.30662 | 0.30662 | 0.30662 | 0.30662 | 0.30662 | 0.30662 | |
| Revenue Excess (Shortfall) | (\$48,604) | (\$28,173) | \$60,784 | (\$19,314) | (\$79,546) | \$15,388 | (\$99,465) |
| 45% Limitation | 45% | 45% | 45% | 45% | 45% | 45% | |
| Deferred Revenue Account Entry | (\$21,872) | (\$12,678) | \$27,353 | (\$8,691) | (\$35,796) | \$6,924 | (\$44,760) |
| 407328 or (407428) | | | | | | | |
| Impairment per books (3) | \$21,872 | \$12,678 | (\$27,353) | \$8,691 | \$35,796 | (\$6,924) | \$44,760 |
| General Ledger Balance | | | | | | | - |

(1) Per monthly reports - current month usage for new services opened since that month of the test year.

(2) The schedule shifting adjustment adds back test year usage of customers that have shifted away from Schedule 101 and deducts the current month usage of customers that were on a different schedule during the test year and have shifted to Schedule 101.

(3) Impairments recorded because 2014 calendar WA natural gas DSM savings results are not expected to meet the minimum target, therefore surcharge balances under this mechanism will not be recoverable.

2011 Test Year Factors, 2014 Actual Weather and Unbilled
12 Months Ended December 2011 Test Year Monthly Data

Weather Normalization

| | <u>Jul-14</u> | <u>Aug-14</u> | <u>Sep-14</u> | <u>Oct-14</u> | <u>Nov-14</u> | <u>Dec-14</u> | <u>6 Mo. Total</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|
| Normal Degree Days (30 Year Average 1982 - 2011) | 36 | 33 | 184 | 546 | 885 | 1,172 | 2,856 |
| Actual Degree Days | 7 | 5 | 94 | 357 | 906 | 991 | 2,360 |
| Degree Day Adjustment (7) | 29 | 28 | 90 | 189 | (21) | 181 | 496 |

| | <u>Monthly</u> | <u>Use/DD/Cust(7)</u> | <u>Use/DD/Cust(7)</u> | <u>Use/DD/Cust(7)</u> | <u>Use/DD/Cust(7)</u> | <u>Use/DD/Cust(7)</u> | <u>Use/DD/Cust(7)</u> |
|---------|----------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Res 101 | 0.0000 | 0.0000 | 0.0000 | 0.0760 | 0.0760 | 0.0980 | |
| Com 101 | 0.0000 | 0.0000 | 0.0000 | 0.1663 | 0.1663 | 0.2520 | |
| Ind 101 | 0.0000 | 0.0000 | 0.0000 | 0.2742 | 0.2742 | 0.4123 | |

Sch. 101

| | | | | | | | |
|-----------|---|---|---|-----------|-----------|-----------|-----------|
| Res 101 | - | - | - | 1,920,926 | (214,306) | 2,387,730 | 4,094,350 |
| Com 101 | - | - | - | 373,680 | (41,443) | 542,327 | 874,564 |
| Ind 101 | - | - | - | 4,457 | (512) | 6,567 | 10,512 |
| Total 101 | - | - | - | 2,299,063 | (256,261) | 2,936,624 | 4,979,426 |

Revenue Run Customers (Meters Billed)

| Class | <u>Jun-11</u> | <u>Jul-11</u> | <u>Aug-11</u> | <u>Sep-11</u> | <u>Oct-11</u> | <u>Nov-11</u> | <u>Dec-11</u> |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Residential 101 01 (8) | 133,197 | 133,325 | 133,519 | 133,444 | 133,732 | 134,277 | 134,611 |
| Commercial 101 21 (8) | 11,884 | 11,825 | 11,854 | 11,878 | 11,889 | 11,867 | 11,890 |
| Industrial 101 31 (8) | 85 | 83 | 86 | 83 | 86 | 89 | 88 |
| Interdepartmental 101 80 (8) | 30 | 30 | 30 | 30 | 30 | 30 | 29 |
| Total | 145,196 | 145,263 | 145,489 | 145,435 | 145,737 | 146,263 | 146,618 |

Current Monthly Unbilled Calculation

| | <u>Jun-14</u> | <u>Jul-14</u> | <u>Aug-14</u> | <u>Sep-14</u> | <u>Oct-14</u> | <u>Nov-14</u> | <u>Dec-14</u> |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Unbilled Sch 101 per Books | 1,904,904 | 1,498,523 | 1,591,878 | 1,869,705 | 3,770,027 | 11,514,212 | 12,583,662 |
| Rev Run Customers (Meters Billed) | 148,999 | 149,049 | 149,101 | 149,401 | 149,973 | 150,262 | 150,778 |
| Average Unbilled per Customer | 12.78 | 10.05 | 10.68 | 12.51 | 25.14 | 76.63 | 83.46 |
| Test Year Customer Current Unbilled | 1,856,284 | 1,460,459 | 1,553,314 | 1,820,072 | 3,663,542 | 11,207,778 | 12,236,476 |

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Balance Sheet Accounts

GL Account Balance Accounting Period : '201410, 201411, 201412'

| Ferc Acct:186328 Ferc Acct Desc:REG ASSET-DECOUPLING DEFERRED Service:GD Jurisdiction:WA | | | |
|--|-------------------|------------------|----------------|
| Accounting Period | Beginning Balance | Monthly Activity | Ending Balance |
| 201410 | 0.00 | 0.00 | 0.00 (1) |
| 201411 | 0.00 | 0.00 | 0.00 (1) |
| 201412 | 0.00 | 0.00 | 0.00 (1) |
| Sum: 0.00 | | | |

GL Account Balance Accounting Period : '201410, 201411, 201412'

| Ferc Acct:182329 Ferc Acct Desc:REG ASSET- DECOUPLING PRIOR YE Service:GD Jurisdiction:WA | | | |
|---|-------------------|------------------|----------------|
| Accounting Period | Beginning Balance | Monthly Activity | Ending Balance |
| 201410 | 0.00 | 0.00 | 0.00 |
| 201411 | 0.00 | 0.00 | 0.00 |
| 201412 | 0.00 | 0.00 | 0.00 |
| Sum: 0.00 | | | |

GL Account Balance Accounting Period : '201410, 201411, 201412'

| Ferc Acct:182328 Ferc Acct Desc:REG ASSET- DECOUPLING SURCHARG Service:GD Jurisdiction:WA | | | |
|---|-------------------|------------------|----------------|
| Accounting Period | Beginning Balance | Monthly Activity | Ending Balance |
| 201410 | 5,415.75 | 14.67 | 5,430.42 |
| 201411 | 5,430.42 | 14.71 | 5,445.13 |
| 201412 | 5,445.13 | 14.75 | 5,459.88 (2) |
| Sum: 44.13 | | | |

GL Account Balance Accounting Period : '201410, 201411, 201412'

| Ferc Acct:254328 Ferc Acct Desc:REG LIABILITY DECOUPLING REBAT Service:GD Jurisdiction:WA | | | |
|---|-------------------|------------------|----------------|
| Accounting Period | Beginning Balance | Monthly Activity | Ending Balance |
| 201410 | 0.00 | 0.00 | 0.00 |
| 201411 | 0.00 | 0.00 | 0.00 |
| 201412 | 0.00 | 0.00 | 0.00 |
| Sum: 0.00 | | | |

GL Account Balance Accounting Period : '201410, 201411, 201412'

| Ferc Acct:283328 Ferc Acct Desc:ADFIT DECOUPLING DEFERRED REV Service:GD Jurisdiction:WA | | | |
|--|-------------------|------------------|----------------|
| Accounting Period | Beginning Balance | Monthly Activity | Ending Balance |
| 201410 | -1,846.57 | -5.13 | -1,851.70 |
| 201411 | -1,851.70 | -5.15 | -1,856.85 |
| 201412 | -1,856.85 | -5.16 | -1,862.01 |
| Sum: -15.44 | | | |

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Income Statement Accounts

GL Account Balance Accounting Period : '201410, 201411, 201412'

| Ferc Acct:407428 Ferc Acct Desc:REG CREDIT DECOUPLING DEF REV Service:GD Jurisdiction:WA | | | |
|--|-------------------|------------------|-------------------|
| Accounting Period | Beginning Balance | Monthly Activity | Ending Balance |
| 201410 | -390,622.00 | -8,691.00 | -399,313.00 |
| 201411 | -399,313.00 | -35,796.00 | -435,109.00 |
| 201412 | -435,109.00 | 6,924.00 | -428,185.00 |
| Sum: | | | -37,563.00 |

GL Account Balance Accounting Period : '201410, 201411, 201412'

| Ferc Acct:407328 Ferc Acct Desc:REG DEBIT DECOUPLING DEF REV Service:GD Jurisdiction:WA | | | |
|---|-------------------|------------------|------------------|
| Accounting Period | Beginning Balance | Monthly Activity | Ending Balance |
| 201410 | 299,359.00 | 8,691.00 | 308,050.00 (1) |
| 201411 | 308,050.00 | 35,796.00 | 343,846.00 (1) |
| 201412 | 343,846.00 | -6,924.00 | 336,922.00 (1) |
| Sum: | | | 37,563.00 |

GL Account Balance Accounting Period : '201410, 201411, 201412'

| Ferc Acct:407329 Ferc Acct Desc:REG DEBIT AMT DECOUPLING SURCH Service:GD Jurisdiction:WA | | | |
|---|-------------------|------------------|----------------|
| Accounting Period | Beginning Balance | Monthly Activity | Ending Balance |
| 201410 | 0.00 | 0.00 | 0.00 |
| 201411 | 0.00 | 0.00 | 0.00 |
| 201412 | 0.00 | 0.00 | 0.00 |
| Sum: | | | 0.00 |

GL Account Balance Accounting Period : '201410, 201411, 201412'

| Ferc Acct:186328 Ferc Acct Desc:REG ASSET-DECOUPLING DEFERRED Service:GD Jurisdiction:WA | | | |
|--|-------------------|------------------|----------------|
| Accounting Period | Beginning Balance | Monthly Activity | Ending Balance |
| 201410 | 0.00 | 0.00 | 0.00 |
| 201411 | 0.00 | 0.00 | 0.00 |
| 201412 | 0.00 | 0.00 | 0.00 |
| Sum: | | | 0.00 |

Note (1) Surcharge recovery is contingent on meeting at least 70% of DSM target savings. The 2014 DSM target is 1,310,000 therms from Washington and year to date results indicate that verified therm savings in 2014 will be short of even the minimum target. Consequently, surcharge balances associated with the 2014 - 2015 deferral period under this mechanism are being impaired as incurred due to non-recoverability.

Note (2) The outstanding rollover balance of \$5,460 from this mechanism will continue to accrue interest and will be transferred into the Residential Natural Gas balance for recovery or rebate by the new mechanism established in Docket No. UG-140189 that became effective January 1, 2015.

Avista Corporation Natural Gas Decoupling Mechanism
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Avista Utilities
Washington - Gas - Test Year Calculations for Decoupling
12 Months Ended December 2011 - Docket No. UG-120437

12 MONTHS ENDED DECEMBER 2011 TEST YEAR BASE
Docket No. UG-120437 Settlement

| | <u>Per PDE(1)</u> | <u>Annual Total</u> | <u>January</u> | <u>February</u> | <u>March</u> | <u>April</u> | <u>May</u> | <u>June</u> | <u>July</u> | <u>August</u> | <u>September</u> | <u>October</u> | <u>November</u> | <u>December</u> |
|--|-------------------|---------------------|------------------|-----------------|------------------|--------------|-------------|-------------|-------------|---------------|------------------|----------------|-----------------|-----------------|
| 1 Schedule 101 | | | | | | | | | | | | | | |
| 2 Therms | | | | | | | | | | | | | | |
| 3 Usage from Revenue Run(2) | 123,192,356 | 123,192,356 | 20,587,656 | 18,101,774 | 17,689,122 | 12,727,741 | 10,355,100 | 5,262,768 | 2,994,883 | 2,297,477 | 2,203,697 | 3,443,780 | 9,785,451 | 17,742,907 |
| 4 Ded: Prior Mo. Unbilled(2) | | (92,962,594) | (14,293,952) | (14,203,169) | (14,414,731) | (10,637,340) | (9,290,207) | (4,956,495) | (2,725,410) | (1,968,733) | (1,782,575) | (2,045,955) | (5,466,092) | (11,177,935) |
| 5 Add: Current Mo. Unbilled(2) | | 92,575,523 | 14,203,169 | 14,414,731 | 10,637,340 | 9,290,207 | 4,956,495 | 2,725,410 | 1,968,733 | 1,782,575 | 2,045,955 | 5,466,092 | 11,177,935 | 13,906,881 |
| 6 Net Unbilled | (387,071) | | | | | | | | | | | | | |
| 7 Add: Weather Adjustment(2) | (3,780,679) | (3,780,679) | 96,935 | (1,501,339) | (242,010) | (1,785,343) | (898,582) | (630,375) | - | - | - | 364,930 | (61,014) | 876,119 |
| 8 Test Year Monthly Therms | 119,024,606 | 119,024,606 | 20,593,808 | 16,811,997 | 13,669,721 | 9,595,265 | 5,122,806 | 2,401,308 | 2,238,206 | 2,111,319 | 2,467,077 | 7,228,847 | 15,436,280 | 21,347,972 |
| 9 | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | |
| 11 Customers / Billings | | | | | | | | | | | | | | |
| 12 Test Yr Customers/Billings(2) | 1,748,256 | 1,748,256 | 145,882 | 145,743 | 145,691 | 145,487 | 145,452 | 145,196 | 145,263 | 145,489 | 145,435 | 145,737 | 146,263 | 146,618 |
| 13 Test Year Average Use/Cust | | 68 | 141 | 115 | 94 | 66 | 35 | 17 | 15 | 15 | 17 | 50 | 106 | 146 |
| 14 | | | | | | | | | | | | | | |
| 15 | | | Schedule 101 | | Schedule 101 (6) | | | | | | | | | |
| 16 Sch 101 Base Rate/therm(3) | | | \$0.80241 | | \$0.81104 | | | | | | | | | |
| 17 Times: 1 minus Revenue Related Items (4) | | | 0.955309 | | 0.955309 | | | | | | | | | |
| 18 Revenue prior to gross up | | | \$0.76655 | | \$0.77479 | | | | | | | | | |
| 19 Less: Weighted Average Gas Cost/therm(5) | | | \$0.46817 | | \$0.46817 | | | | | | | | | |
| 20 Margin Rate/therm | | | \$0.29838 | | \$0.30662 | | | | | | | | | |
| 21 | | | 01-01-2013 | | 01-01-2014 | | | | | | | | | |
| 22 | | | | | | | | | | | | | | |
| 23 | | | | | | | | | | | | | | |
| 24 (1) From Ehrbar workpapers in Docket No. UG-120437 PDE-G -1, PDE-G-3 | | | | | | | | | | | | | | |
| 25 (2) From Monthly Data below | | | | | | | | | | | | | | |
| 26 (3) From Docket No. UG-120437 Settlement Appendix 3 page 7, Schedule 101 weighted average block rate per therm | | | | | | | | | | | | | | |
| 27 (4) From Docket No. UG-120437 Andrews Exhibit No. ____ (EMA-3), page 4, line 7 | | | | | | | | | | | | | | |
| 28 (5) From Docket No. UG-120437 Ehrbar Exhibit No. ____ (PDE-6) proposed Twelfth Revision Sheet 150, weighted average gas cost | | | | | | | | | | | | | | |
| (6) Inadvertantly left off of Appendix 2 in Stipulation, source: rate design model Schedule 101 average block rate for January 1, 2014 base rates. | | | | | | | | | | | | | | |

Avista Corporation Natural Gas Decoupling Mechanism
Washington Jurisdiction
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12 MONTHS ENDED DECEMBER 2011 TEST YEAR BASE
UG-120437 Weather Normalization and Unbilled Calculation

1 **12 Months Ended December 2011 Monthly Data**

| | | | <u>Jan-11</u> | <u>Feb-11</u> | <u>Mar-11</u> | <u>Apr-11</u> | <u>May-11</u> | <u>Jun-11</u> | <u>Jul-11</u> | <u>Aug-11</u> | <u>Sep-11</u> | <u>Oct-11</u> | <u>Nov-11</u> | <u>Dec-11</u> | <u>Total</u> |
|--|----|-----|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| Revenue Run Therms | | | | | | | | | | | | | | | |
| Total 101 (6) | | | 20,587,656 | 18,101,774 | 17,689,122 | 12,727,741 | 10,355,100 | 5,262,768 | 2,994,883 | 2,297,477 | 2,203,697 | 3,443,780 | 9,785,451 | 17,742,907 | 123,192,356 |
| Weather Normalization | | | | | | | | | | | | | | | |
| Normal Degree Days (30 Year Average 1982 - 2011) | | | 1,109 | 913 | 775 | 551 | 327 | 140 | 36 | 33 | 184 | 546 | 885 | 1,172 | 6,671 |
| Actual Degree Days | | | 1,103 | 1,006 | 790 | 698 | 401 | 192 | 40 | 8 | 99 | 516 | 890 | 1,118 | 6,861 |
| Degree Day Adjustment (7) | | | 6 | (93) | (15) | (147) | (74) | (52) | (4) | 25 | 85 | 30 | (5) | 54 | (190) |
| <u>Monthly Use/DD/Cust(7)</u> | | | | | | | | | | | | | | | |
| Res 101 | | | 0.0980 | 0.0980 | 0.0980 | 0.0760 | 0.0760 | 0.0760 | 0.0000 | 0.0000 | 0.0000 | 0.0760 | 0.0760 | 0.0980 | |
| Com 101 | | | 0.2520 | 0.2520 | 0.2520 | 0.1663 | 0.1663 | 0.1663 | 0.0000 | 0.0000 | 0.0000 | 0.1663 | 0.1663 | 0.2520 | |
| Ind 101 | | | 0.4123 | 0.4123 | 0.4123 | 0.2742 | 0.2742 | 0.2742 | 0.0000 | 0.0000 | 0.0000 | 0.2742 | 0.2742 | 0.4123 | |
| Sch. 101 | | | | | | | | | | | | | | | |
| Res 101 | | | 78,701 | (1,218,469) | (196,495) | (1,491,227) | (750,483) | (526,395) | - | - | - | 304,909 | (51,025) | 712,361 | (3,138,123) |
| Com 101 | | | 18,031 | (279,802) | (45,020) | (290,811) | (146,395) | (102,768) | - | - | - | 59,314 | (9,867) | 161,799 | (635,519) |
| Ind 101 | | | 203 | (3,068) | (495) | (3,305) | (1,704) | (1,212) | - | - | - | 707 | (122) | 1,959 | (7,037) |
| Total 101 | | | 96,935 | (1,501,339) | (242,010) | (1,785,343) | (898,582) | (630,375) | - | - | - | 364,930 | (61,014) | 876,119 | (3,780,679) |
| Revenue Run Customers (Meters Billed) | | | | | | | | | | | | | | | |
| Class | | | <u>Jan-11</u> | <u>Feb-11</u> | <u>Mar-11</u> | <u>Apr-11</u> | <u>May-11</u> | <u>Jun-11</u> | <u>Jul-11</u> | <u>Aug-11</u> | <u>Sep-11</u> | <u>Oct-11</u> | <u>Nov-11</u> | <u>Dec-11</u> | <u>Annual Total</u> |
| Residential 101 | 01 | (8) | 133,846 | 133,692 | 133,670 | 133,479 | 133,443 | 133,197 | 133,325 | 133,519 | 133,444 | 133,732 | 134,277 | 134,611 | 1,604,235 |
| Commercial 101 | 21 | (8) | 11,925 | 11,939 | 11,910 | 11,896 | 11,896 | 11,884 | 11,825 | 11,854 | 11,878 | 11,889 | 11,867 | 11,890 | 142,653 |
| Industrial 101 | 31 | (8) | 82 | 80 | 80 | 82 | 84 | 85 | 83 | 86 | 83 | 86 | 89 | 88 | 1,008 |
| Interdepartmental 101 | 80 | (8) | 29 | 32 | 31 | 30 | 29 | 30 | 30 | 30 | 30 | 30 | 30 | 29 | 360 |
| Total | | | 145,882 | 145,743 | 145,691 | 145,487 | 145,452 | 145,196 | 145,263 | 145,489 | 145,435 | 145,737 | 146,263 | 146,618 | 1,748,256 |
| Monthly Unbilled Calculation | | | | | | | | | | | | | | | |
| WA101 (9) | | | 14,293,952 | 14,203,169 | 14,414,731 | 10,637,340 | 9,290,207 | 4,956,495 | 2,725,410 | 1,968,733 | 1,782,575 | 2,045,955 | 5,466,092 | 11,177,935 | 13,906,881 |

38 (6) From Knox Revenue Normalization workpapers in Docket No. UG-120437, TLK-R-21
39 (7) From Knox Revenue Normalization workpapers in Docket No. UG-120437, TLK-R-28 also shown in Ehrbar workpapers PDE-G-15
40 (8) From Knox Revenue Normalization workpapers in Docket No. UG-120437, TLK-R-30
41 (9) From Knox Revenue Normalization workpapers in Docket No. UG-120437, TLK-R-26