

**Exhibit No. CSH-3
Dockets UE-150204/UG-150205
Witness: Christopher S. Hancock**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION dba AVISTA
UTILITIES,**

Respondent.

**DOCKETS UE-150204 and
UG-150205
(Consolidated)**

**EXHIBIT TO
TESTIMONY OF**

Christopher S. Hancock

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Staff Gas Pro Forma Revenue Requirement Model

July 27, 2015

Revised October 13, 2015

AVISTA UTILITIES
WASHINGTON NATURAL GAS - PRO FORMA
CROSS CHECK
TWELVE MONTHS ENDED SEPTEMBER 30, 2014
(000'S OF DOLLARS)

Line No.	DESCRIPTION	WITH PRESENT RATES			WITH PROPOSED RATES	
		Actual Per Results Report	Total Adjustments	Pro Forma Total	Proposed Revenues & Related Exp	Pro Forma Proposed Total
	a	b	c	d	e	f
REVENUES						
1	Total General Business	\$166,628	\$103	\$166,731	\$3,605	\$170,336
2	Total Transportation	4,112	71	\$4,183		4,183
3	Other Revenues	83,502	(83,225)	\$277		277
4	Total Gas Revenues	254,242	(83,051)	171,191	3,605	174,796
EXPENSES						
Production Expenses						
5	City Gate Purchases	173,262	(85,395)	87,867		87,867
6	Purchased Gas Expense	839	31	870		870
7	Net Nat Gas Storage Trans	(5,990)	5,990	-		-
8	Total Production	168,111	(79,374)	88,737		88,737
Underground Storage						
9	Operating Expenses	858	0	858		858
10	Depreciation	392	10	402		402
11	Taxes	216	53	269		269
12	Total Underground Storage	1,466	63	1,529		1,529
Distribution						
13	Operating Expenses	10,666	1,400	12,066		12,066
14	Depreciation	8,386	246	8,632		8,632
15	Taxes	14,954	(5,468)	9,486	138	9,624
16	Total Distribution	34,006	(3,822)	30,184	138	30,322
17	Customer Accounting	6,550	258	6,808	20	6,828
18	Customer Service & Information	6,427	(5,459)	968		968
19	Sales Expenses	-	1	1		1
Administrative & General						
20	Operating Expenses	11,883	725	12,608	7	12,615
21	Depreciation/Amortization	4,316	1,339	5,655		5,655
22	Regulatory Amortizations	11	933	944		944
23	Taxes	-	-	-		-
24	Total Admin. & General	16,210	2,998	19,208	7	19,215
25	Total Gas Expense	232,770	(85,335)	147,435	165	147,600
26	OPERATING INCOME BEFORE FIT	21,472	2,284	23,756	3,440	27,196
FEDERAL INCOME TAX						
27	Current Accrual	4,339	873	5,212	1,204	6,416
28	Debt Interest	-	(251)	(251)		(251)
29	Deferred FIT	2,153	(74)	2,079		2,079
30	Amort ITC	(22)	-	(22)		(22)
31	NET OPERATING INCOME	15,002	1,736	16,738	2,236	18,974
RATE BASE: PLANT IN SERVICE						
32	Underground Storage	24,932	608	25,540		25,540
33	Distribution Plant	332,439	17,778	350,217		350,217
34	General Plant	58,679	14,994	73,673		73,673
35	Total Plant in Service	416,050	33,380	449,430		449,430
ACCUMULATED DEPREC/AMORT						
36	Underground Storage	(9,345)	(201)	(9,546)		(9,546)
37	Distribution Plant	(113,282)	(4,486)	(117,768)		(117,768)
38	General Plant	(16,998)	(1,462)	(18,460)		(18,460)
39	Total Accum. Depreciation/Amort.	(139,625)	(6,149)	(145,774)		(145,774)
40	NET PLANT	276,425	27,231	303,656		303,656
41	DEFERRED FIT	(55,323)	(10,811)	(66,134)		(66,134)
42	Net Plant After DFIT	221,102	16,421	237,523		237,523
43	GAS INVENTORY	12,801	-	12,801		12,801
44	GAIN ON SALE OF BUILDING	-	-	-		-
45	OTHER	(428)	-	(428)		(428)
46	WORKING CAPITAL	-	10,371	10,371		10,371
47	TOTAL RATE BASE	233,475	26,792	260,267	0	260,267
48	RATE OF RETURN	6.43%		6.43%		7.29%

AVISTA UTILITIES
 CALCULATION OF GENERAL REVENUE REQUIREMENT
 WASHINGTON NATURAL GAS
 TWELVE MONTHS ENDED SEPTEMBER 30, 2014
 STAFF'S PRO FORMA ANALYSIS

Line No.	Description	(000's of Dollars)
1	Pro Forma Rate Base	\$ 260,267
2	Proposed Rate of Return	<u>7.29%</u>
3	Net Operating Income Requirement	\$18,973
4	Pro Forma Net Operating Income	<u>\$ 16,738</u>
5	Net Operating Income Deficiency	\$2,235
6	Conversion Factor	0.62014
7	Staff Pro Forma Revenue Requirement Increase/(Decrease)	\$3,605
8	2016 Total General Business Revenues (at 2015 rates)	\$ 170,914
9	Percentage Revenue Increase/(Decrease), Pro Forma	<u><u>2.11%</u></u>
10	Total Pro Forma Revenue Requirement	\$ 174,519
11	Attrition Allowance	\$5,435 \$6,704
12	Staff Attrition Revenue Requirement	\$179,954 \$181,223
13	Staff Attrition Revenue Requirement Increase/(Decrease)	<u>\$9,040</u> <u>\$10,309</u>
14	Staff Attrition Percentage Revenue Increase/(Decrease)	<u><u>5.29%</u> <u>6.03%</u></u>

* Line 8 "Total General Business Revenues" includes special contract transportation revenues.

AVISTA UTILITIES
Multiparty Settlement - COST OF CAPITAL
WASHINGTON NATURAL GAS

Proposed:			
<u>Component</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Total Debt	51.5%	5.20%	2.68%
Common Equity	48.5%	9.50%	4.61%
Total	<u>100.00%</u>		<u>7.29%</u>

**AVISTA UTILITIES
REVENUE CONVERSION FACTOR
WASHINGTON NATURAL GAS
TWELVE MONTHS ENDED SEPTEMBER 30, 2014**

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	Revenues	1.000000
	Expense:	
2	Uncollectibles	0.005631
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038303
6	Total Expense	<u>0.045934</u>
7	Net Operating Income Before FIT	0.954066
8	Federal Income Tax @ 35%	0.333923
9	REVENUE CONVERSION FACTOR	0.620140

AVISTA UTILITIES
WASHINGTON NATURAL GAS - PRO FORMA

TWELVE MONTHS ENDED SEPTEMBER 30, 2014
(000'S OF DOLLARS)

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
	Adjustment Number Worksheet Reference	1.00 G-ROO	1.01 G-DFIT	1.02 G-DDC	1.03 G-WC	2.01 G-EBO	2.02 G-RPT	2.03 G-UE
REVENUES								
1	Total General Business	\$ 166,628	\$ -	\$ -	\$ -	\$ (6,055)	\$ -	\$ -
2	Total Transportation	4,112	-	-	-	(139)	-	-
3	Other Revenues	83,502	-	-	-	-	-	-
4	Total Gas Revenues	254,242	-	-	-	(6,194)	-	-
EXPENSES								
Production Expenses								
5	City Gate Purchases	173,262	-	-	-	-	-	-
6	Purchased Gas Expense	839	-	-	-	-	-	-
7	Net Nat Gas Storage Trans	(5,990)	-	-	-	-	-	-
8	Total Production	168,111	-	-	-	-	-	-
Underground Storage								
9	Operating Expenses	858	-	-	-	-	-	-
10	Depreciation/Amortization	392	-	-	-	-	-	-
11	Taxes	216	-	-	-	-	7	-
12	Total Underground Storage	1,466	-	-	-	-	7	-
Distribution								
13	Operating Expenses	10,666	-	-	-	-	-	-
14	Depreciation/Amortization	8,386	-	-	-	-	-	-
15	Taxes	14,954	-	-	-	(6,183)	73	-
16	Total Distribution	34,006	-	-	-	(6,183)	73	-
17	Customer Accounting	6,550	-	-	-	-	-	(150)
18	Customer Service & Information	6,427	-	1	-	-	-	-
19	Sales Expenses	-	-	-	-	-	-	-
Administrative & General								
20	Operating Expenses	11,883	-	-	-	-	-	-
21	Depreciation/Amortization	4,316	-	-	-	-	-	-
22	Regulatory Amortizations	11	-	-	-	-	-	-
23	Taxes	-	-	-	-	-	-	-
24	Total Admin. & General	16,210	-	-	-	-	-	-
25	Total Gas Expense	232,770	-	1	-	(6,183)	80	(150)
26	OPERATING INCOME BEFORE FIT	21,472	-	(1)	-	(11)	(80)	150
FEDERAL INCOME TAX								
27	Current Accrual	4,339	-	(0)	-	(4)	(28)	53
28	Debt Interest	-	28	-	(97)	-	-	-
29	Deferred FIT	2,153	-	-	-	-	-	-
30	Amort ITC	(22)	-	-	-	-	-	-
31	NET OPERATING INCOME	\$ 15,002	\$ (28)	\$ (1)	\$ 97	\$ (7)	\$ (52)	\$ 98
RATE BASE								
PLANT IN SERVICE								
32	Underground Storage	\$ 24,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Distribution Plant	332,439	-	-	-	-	-	-
34	General Plant	58,679	-	-	-	-	-	-
35	Total Plant in Service	416,050	-	-	-	-	-	-
ACCUMULATED DEPRECIATION/AMORT								
36	Underground Storage	(9,345)	-	-	-	-	-	-
37	Distribution Plant	(113,282)	-	-	-	-	-	-
38	General Plant	(16,998)	-	-	-	-	-	-
39	Total Accumulated Depreciation/Amortization	(139,625)	-	-	-	-	-	-
40	NET PLANT	276,425	-	-	-	-	-	-
41	DEFERRED TAXES	(55,323)	(3,032)	-	-	-	-	-
42	Net Plant After DFIT	221,102	(3,032)	-	-	-	-	-
43	GAS INVENTORY	12,801	-	-	-	-	-	-
44	GAIN ON SALE OF BUILDING	-	-	-	-	-	-	-
45	OTHER	(428)	-	-	-	-	-	-
46	WORKING CAPITAL	-	-	-	10,371	-	-	-
47	TOTAL RATE BASE	\$ 233,475	\$ (3,032)	\$ -	\$ 10,371	\$ -	\$ -	\$ -
48	RATE OF RETURN	6.43%	-	-	-	-	-	-
50	REVENUE REQUIREMENT	3,255	-311	1	1,062	12	84	-157
Pro Forma Rate of Return		7.29%						
Revenue Conversion Factor		0.62014						

AVISTA UTILITIES
WASHINGTON NATURAL GAS - PRO FORMA

TWELVE MONTHS ENDED SEPTEMBER 30, 2014
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Regulatory Expense	Injuries and Damages	FIT / DFIT Expense	Office Space Charges to Subs	Contested		Net Gains/Losses
						2.04 G-RE	2.05 G-ID	
	Adjustment Number Workpaper Reference							
	REVENUES							
1	Total General Business	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2	Total Transportation	-	-	-	-	-	-	-
3	Other Revenues	-	-	-	-	-	-	-
4	Total Gas Revenues	-	-	-	-	-	-	-
	EXPENSES							
	Production Expenses							
5	City Gate Purchases	-	-	-	-	-	-	-
6	Purchased Gas Expense	-	-	-	-	-	-	-
7	Net Nat Gas Storage Trans	-	-	-	-	-	-	-
8	Total Production	-	-	-	-	-	-	-
	Underground Storage							
9	Operating Expenses	-	-	-	-	-	-	-
10	Depreciation/Amortization	-	-	-	-	-	-	-
11	Taxes	-	-	-	-	-	-	-
12	Total Underground Storage	-	-	-	-	-	-	-
	Distribution							
13	Operating Expenses	-	-	-	-	-	-	-
14	Depreciation/Amortization	-	-	-	-	-	-	(5)
15	Taxes	-	-	-	-	-	(63)	-
16	Total Distribution	-	-	-	-	-	(63)	(5)
17	Customer Accounting	-	-	-	-	-	-	-
18	Customer Service & Information	-	-	-	-	-	-	-
19	Sales Expenses	-	-	-	-	-	-	-
	Administrative & General							
20	Operating Expenses	32	280	-	(2)	-	-	-
21	Depreciation/Amortization	-	-	-	-	-	-	-
22	Regulatory Amortizations	-	-	-	-	-	-	-
23	Taxes	-	-	-	-	-	-	-
24	Total Admin. & General	32	280	-	(2)	-	-	-
25	Total Gas Expense	32	280	-	(2)	(63)	(5)	-
26	OPERATING INCOME BEFORE FIT	(32)	(280)	-	2	63	5	-
	FEDERAL INCOME TAX							
27	Current Accrual	(11)	(98)	74	1	22	2	-
28	Debt Interest	-	-	-	-	-	-	-
29	Deferred FIT	-	-	(74)	-	-	-	-
30	Amort ITC	-	-	-	-	-	-	-
31	NET OPERATING INCOME	\$ (21)	\$ (182)	\$ -	\$ 1	\$ 41	\$ 3	-
	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	34	293	0	-2	-66	-5	-

Pro Forma Rate of Return
Revenue Conversion Factor

AVISTA UTILITIES
WASHINGTON NATURAL GAS - PRO FORMA

TWELVE MONTHS ENDED SEPTEMBER 30, 2014
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Contested							Restated TOTAL
		Weather Normalization / Gas Cost Adjust	Eliminate Adder Schedules	Misc Restating Adjustments	Restating Incentive Adjustment	Restate Debt Interest	Restating Long-Term Incentive Plan		
	Adjustment Number Workpaper Reference	2.10 G-RNGC	2.11 G-EAS	2.12 G-MR	2.13 G-RI	2.14 G-DI	2.15 JLB-3C	R-TH	
REVENUES									
1	Total General Business	\$ (2,140)	\$ (6,068)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 152,365
2	Total Transportation	-	-	-	-	-	-	-	3,973
3	Other Revenues	-	(83,225)	-	-	-	-	-	277
4	Total Gas Revenues	(2,140)	(89,293)	-	-	-	-	-	156,615
EXPENSES									
Production Expenses									
5	City Gate Purchases	(1,278)	(89,511)	-	-	-	-	-	82,473
6	Purchased Gas Expense	-	-	-	-	-	-	-	839
7	Net Nat Gas Storage Trans	-	5,990	-	-	-	-	-	-
8	Total Production	(1,278)	(83,521)	-	-	-	-	-	83,312
Underground Storage									
9	Operating Expenses	-	-	-	-	-	-	-	858
10	Depreciation/Amortization	-	-	-	-	-	-	-	392
11	Taxes	-	-	-	-	-	-	-	223
12	Total Underground Storage	-	-	-	-	-	-	-	1,473
Distribution									
13	Operating Expenses	-	-	-	-	-	-	-	10,666
14	Depreciation/Amortization	-	-	-	-	-	-	-	8,381
15	Taxes	(82)	(232)	-	-	-	-	-	8,467
16	Total Distribution	(82)	(232)	-	-	-	-	-	27,514
17	Customer Accounting	(12)	(34)	-	-	-	-	-	6,354
18	Customer Service & Information	-	(5,494)	(1)	-	-	-	-	933
19	Sales Expenses	-	-	-	-	-	-	-	-
Administrative & General									
20	Operating Expenses	(4)	(12)	6	(333)	-	(71)	-	11,779
21	Depreciation/Amortization	-	-	-	-	-	-	-	4,316
22	Regulatory Amortizations	-	-	-	-	-	-	-	11
23	Taxes	-	-	-	-	-	-	-	-
24	Total Admin. & General	(4)	(12)	6	(333)	-	(71)	-	16,106
25	Total Gas Expense	(1,376)	(89,293)	5	(333)	-	(71)	-	135,692
26	OPERATING INCOME BEFORE FIT	(764)	-	(5)	333	-	71	-	20,923
FEDERAL INCOME TAX									
27	Current Accrual	(267)	-	(2)	117	-	25	-	4,221
28	Debt Interest	-	-	-	-	-	-	-	(69)
29	Deferred FIT	-	-	-	-	-	-	-	2,079
30	Amort ITC	-	-	-	-	-	-	-	(22)
31	NET OPERATING INCOME	\$ (497)	\$ -	\$ (3)	\$ 216	\$ -	\$ 46	\$ -	\$ 14,714
RATE BASE									
PLANT IN SERVICE									
32	Underground Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,932
33	Distribution Plant	-	-	-	-	-	-	-	332,439
34	General Plant	-	-	-	-	-	-	-	58,679
35	Total Plant in Service	-	-	-	-	-	-	-	416,050
ACCUMULATED DEPRECIATION/AMORT									
36	Underground Storage	-	-	-	-	-	-	-	(9,345)
37	Distribution Plant	-	-	-	-	-	-	-	(113,282)
38	General Plant	-	-	-	-	-	-	-	(16,998)
39	Total Accumulated Depreciation/Amortization	-	-	-	-	-	-	-	(139,625)
40	NET PLANT	-	-	-	-	-	-	-	276,425
41	DEFERRED TAXES	-	-	-	-	-	-	-	(58,355)
42	Net Plant After DFIT	-	-	-	-	-	-	-	218,070
43	GAS INVENTORY	-	-	-	-	-	-	-	12,801
44	GAIN ON SALE OF BUILDING	-	-	-	-	-	-	-	-
45	OTHER	-	-	-	-	-	-	-	(428)
46	WORKING CAPITAL	-	-	-	-	-	-	-	10,371
47	TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,814
48	RATE OF RETURN	-	-	-	-	-	-	-	(1)
50	REVENUE REQUIREMENT	801	0	5	-349	0	-74	-	4,582

Pro Forma Rate of Return
Revenue Conversion Factor

(1) The Restated TOTAL column does not represent 9/30/2014 Test Period results of operation on a normalized basis, due to variances between certain restating adjustments included in the normalized commission basis reports (CBRs) versus those included here, such as inclusion of pro forma debt interest. Normalized CB results of operations at 09/30/2014 was 5.9% as

AVISTA UTILITIES
WASHINGTON NATURAL GAS - PRO FORMA

TWELVE MONTHS ENDED SEPTEMBER 30, 2014
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Contested	Contested	Contested	Contested	Contested	Contested	Contested	Contested
		Pro Forma Labor Non-Exec 3.00	Pro Forma Labor Exec 3.01	Pro Forma Employee Benefits 3.02	Pro Forma Insurance 3.03	Pro Forma Property Tax 3.04	Pro Forma Information Tech/Serv Exp 3.05	Pro Forma Revenue Normalization 3.06	Actual Capital Add Dec 2014 EOP 3.07
Adjustment Number Workpaper Reference		G-PLN	G-PLE	G-PEB	G-PI	G-PPT	G-ISIT	G-PREV	G-CAP14-UTC
REVENUES									
1	Total General Business	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,366	\$ -
2	Total Transportation	-	-	-	-	-	-	210	-
3	Other Revenues	-	-	-	-	-	-	-	-
4	Total Gas Revenues	-	-	-	-	-	-	14,576	-
EXPENSES									
Production Expenses									
5	City Gate Purchases	-	-	-	-	-	-	5,394	-
6	Purchased Gas Expense	17	(22)	37	-	-	-	(1)	-
7	Net Nat Gas Storage Trans	-	-	-	-	-	-	-	-
8	Total Production	17	(22)	37	-	-	-	5,393	-
Underground Storage									
9	Operating Expenses	0	-	(0)	-	-	-	-	-
10	Depreciation/Amortization	-	-	-	-	-	-	-	10
11	Taxes	-	-	-	-	46	-	-	-
12	Total Underground Storage	0	-	(0)	-	46	-	-	10
Distribution									
13	Operating Expenses	223	-	470	-	-	-	-	-
14	Depreciation/Amortization	-	-	-	-	-	-	-	138
15	Taxes	-	-	-	-	461	-	558	-
16	Total Distribution	223	-	470	-	461	-	558	138
17	Customer Accounting	117	-	255	-	-	-	82	-
18	Customer Service & Information	11	-	24	-	-	-	-	-
19	Sales Expenses	0	-	1	-	-	-	-	-
Administrative & General									
20	Operating Expenses	495	44	275	-	-	14	29	-
21	Depreciation/Amortization	-	-	-	-	-	-	-	73
22	Regulatory Amortizations	-	-	-	-	-	-	(11)	-
23	Taxes	-	-	-	-	-	-	-	-
24	Total Admin. & General	495	44	275	-	-	14	18	73
25	Total Gas Expense	864	22	1,062	-	507	14	6,051	222
26	OPERATING INCOME BEFORE FIT	(864)	(22)	(1,062)	-	(507)	(14)	8,525	(222)
FEDERAL INCOME TAX									
27	Current Accrual	(302)	(8)	(372)	-	(177)	(5)	2,984	(78)
28	Debt Interest	-	-	-	-	-	-	-	(32)
29	Deferred FIT	-	-	-	-	-	-	-	-
30	Amort ITC	-	-	-	-	-	-	-	-
31	NET OPERATING INCOME	\$ (561)	\$ (14)	\$ (690)	\$ -	\$ (330)	\$ (9)	\$ 5,541	\$ (112)
RATE BASE									
PLANT IN SERVICE									
32	Underground Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 608
33	Distribution Plant	-	-	-	-	-	-	-	13,279
34	General Plant	-	-	-	-	-	-	-	1,093
35	Total Plant in Service	-	-	-	-	-	-	-	14,981
ACCUMULATED DEPRECIATION/AMORT									
36	Underground Storage	-	-	-	-	-	-	-	(201)
37	Distribution Plant	-	-	-	-	-	-	-	(4,410)
38	General Plant	-	-	-	-	-	-	-	(404)
39	Total Accumulated Depreciation/Amortization	-	-	-	-	-	-	-	(5,015)
40	NET PLANT	-	-	-	-	-	-	-	9,966
41	DEFERRED TAXES	-	-	-	-	-	-	-	(6,578)
42	Net Plant After DFIT	-	-	-	-	-	-	-	3,388
43	GAS INVENTORY	-	-	-	-	-	-	-	-
44	GAIN ON SALE OF BUILDING	-	-	-	-	-	-	-	-
45	OTHER	-	-	-	-	-	-	-	-
46	WORKING CAPITAL	-	-	-	-	-	-	-	-
47	TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,388
48	RATE OF RETURN	-	-	-	-	-	-	-	-
50	REVENUE REQUIREMENT	905	23	1,113	0	531	15	-8,935	579

Pro Forma Rate of Return
Revenue Conversion Factor

AVISTA UTILITIES
WASHINGTON NATURAL GAS - PRO FORMA

TWELVE MONTHS ENDED SEPTEMBER 30, 2014
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Sub-Total	Contested		Contested		Contested		Pro Forma Atmospheric Testing
			Planned Capital Add 2015 EOP	Planned Capital Add 2016 AMA	Project Compass Deferral, Regulatory Amortization	O&M Offsets			
	Adjustment Number Worksheet Reference	PF-ST#	4.01 G-CAP15	4.02 G-CAP16	4.03 G-PCD	4.04 G-OFF	4.05 G-PFAT		
REVENUES									
1	Total General Business	\$ 166,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	Total Transportation	4,183	-	-	-	-	-	-	
3	Other Revenues	277	-	-	-	-	-	-	
4	Total Gas Revenues	171,191	-	-	-	-	-	-	
EXPENSES									
Production Expenses									
5	City Gate Purchases	87,867	-	-	-	-	-	-	
6	Purchased Gas Expense	870	-	-	-	-	-	-	
7	Net Nat Gas Storage Trans	-	-	-	-	-	-	-	
8	Total Production	88,737	-	-	-	-	-	-	
Underground Storage									
9	Operating Expenses	858	-	-	-	-	-	-	
10	Depreciation/Amortization	402	-	-	-	-	-	-	
11	Taxes	269	-	-	-	-	-	-	
12	Total Underground Storage	1,529	-	-	-	-	-	-	
Distribution									
13	Operating Expenses	11,359	-	-	-	-	-	707	
14	Depreciation/Amortization	8,519	113	-	-	-	-	-	
15	Taxes	9,486	-	-	-	-	-	-	
16	Total Distribution	29,364	113	-	-	-	-	707	
17	Customer Accounting	6,808	-	-	-	-	-	-	
18	Customer Service & Information	968	-	-	-	-	-	-	
19	Sales Expenses	1	-	-	-	-	-	-	
Administrative & General									
20	Operating Expenses	12,636	-	-	-	-	(28)	-	
21	Depreciation/Amortization	4,389	1,266	-	-	-	-	-	
22	Regulatory Amortizations	-	-	-	944	-	-	-	
23	Taxes	-	-	-	-	-	-	-	
24	Total Admin. & General	17,026	1,266	-	944	-	(28)	-	
25	Total Gas Expense	144,433	1,379	-	944	-	(28)	707	
26	OPERATING INCOME BEFORE FIT	26,758	(1,379)	-	(944)	28	(707)		
FEDERAL INCOME TAX									
27	Current Accrual	6,263	(483)	-	(330)	10	(247)		
28	Debt Interest	(101)	(151)	-	-	-	-		
29	Deferred FIT	2,079	-	-	-	-	-		
30	Amort ITC	(22)	-	-	-	-	-		
31	NET OPERATING INCOME	\$ 18,538	\$ (746)	\$ -	\$ (614)	\$ 18	\$ (460)		
RATE BASE									
PLANT IN SERVICE									
32	Underground Storage	\$ 25,540	\$ -	\$ -	\$ -	\$ -	\$ -		
33	Distribution Plant	345,718	4,499	-	-	-	-		
34	General Plant	59,772	13,901	-	-	-	-		
35	Total Plant in Service	431,031	18,399	-	-	-	-		
ACCUMULATED DEPRECIATION/AMORT									
36	Underground Storage	(9,546)	-	-	-	-	-		
37	Distribution Plant	(117,692)	(77)	-	-	-	-		
38	General Plant	(17,402)	(1,058)	-	-	-	-		
39	Total Accumulated Depreciation/Amortization	(144,640)	(1,134)	-	-	-	-		
40	NET PLANT	286,391	17,265	-	-	-	-		
41	DEFERRED TAXES	(64,934)	(1,200)	-	-	-	-		
42	Net Plant After DFIT	221,458	16,065	-	-	-	-		
43	GAS INVENTORY	12,801	-	-	-	-	-		
44	GAIN ON SALE OF BUILDING	-	-	-	-	-	-		
45	OTHER	(428)	-	-	-	-	-		
46	WORKING CAPITAL	10,371	-	-	-	-	-		
47	TOTAL RATE BASE	\$ 244,202	\$ 16,065	\$ -	\$ -	\$ -	\$ -		
48	RATE OF RETURN								
50	REVENUE REQUIREMENT	-1,187	3,091	0	990	-29	741		

Pro Forma Rate of Return
Revenue Conversion Factor

AVISTA UTILITIES
WASHINGTON NATURAL GAS - PRO FORMA

TWELVE MONTHS ENDED SEPTEMBER 30, 2014
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Eliminated		
		Pro Forma Cross Check Total	Reconcile Pro Forma To Attrition	Attrition Adjusted / Pro Forma Total (2)
	Adjustment Number	PFCC-TU	4.06	AA/PF-TU
	Workpaper Reference		G-REC	
	REVENUES			
1	Total General Business	\$ 166,731	\$ -	\$ 166,731
2	Total Transportation	4,183	-	4,183
3	Other Revenues	277	-	277
4	Total Gas Revenues	171,191	-	171,191
	EXPENSES			
	Production Expenses			
5	City Gate Purchases	87,867	-	87,867
6	Purchased Gas Expense	870	-	870
7	Net Nat Gas Storage Trans	-	-	-
8	Total Production	88,737	-	88,737
	Underground Storage			
9	Operating Expenses	858	-	858
10	Depreciation/Amortization	402	-	402
11	Taxes	269	-	269
12	Total Underground Storage	1,529	-	1,529
	Distribution			
13	Operating Expenses	12,066	-	12,066
14	Depreciation/Amortization	8,632	-	8,632
15	Taxes	9,486	-	9,486
16	Total Distribution	30,184	-	30,184
17	Customer Accounting	6,808	-	6,808
18	Customer Service & Information	968	-	968
19	Sales Expenses	1	-	1
	Administrative & General			
20	Operating Expenses	12,608	-	12,608
21	Depreciation/Amortization	5,655	-	5,655
22	Regulatory Amortizations	944	-	944
23	Taxes	-	-	-
24	Total Admin. & General	19,208	-	19,208
25	Total Gas Expense	147,435	-	147,435
26	OPERATING INCOME BEFORE FIT	23,756	-	23,756
	FEDERAL INCOME TAX			
27	Current Accrual	5,212	-	5,212
28	Debt Interest	(251)	-	(251)
29	Deferred FIT	2,079	-	2,079
30	Amort ITC	(22)	-	(22)
31	NET OPERATING INCOME	\$ 16,738	\$ -	\$ 16,738
	RATE BASE			
	PLANT IN SERVICE			
32	Underground Storage	\$ 25,540	-	\$ 25,540
33	Distribution Plant	350,217	-	350,217
34	General Plant	73,673	-	73,673
35	Total Plant in Service	449,430	-	449,430
	ACCUMULATED DEPRECIATION/AMORT			
36	Underground Storage	(9,546)	-	(9,546)
37	Distribution Plant	(117,768)	-	(117,768)
38	General Plant	(18,460)	-	(18,460)
39	Total Accumulated Depreciation/Amortization	(145,774)	-	(145,774)
40	NET PLANT	303,656	-	303,656
41	DEFERRED TAXES	(66,134)	-	(66,134)
42	Net Plant After DFIT	237,523	-	237,523
43	GAS INVENTORY	12,801	-	12,801
44	GAIN ON SALE OF BUILDING	-	-	-
45	OTHER	(428)	-	(428)
46	WORKING CAPITAL	10,371	-	10,371
47	TOTAL RATE BASE	\$ 260,267	\$ -	\$ 260,267
48	RATE OF RETURN			6.43%
50	REVENUE REQUIREMENT	3,605	0	3,605

Pro Forma Rate of Return
Revenue Conversion Factor

AVISTA UTILITIES
Comparison of Revenue Requirement Revised Adjustments

(000's OF DOLLARS)

Item	Description	FILED CASE		STAFF PRO FORMA		DIFFERENCE		IMPACT ON	
		Washington Gas NOI	Rate Base	Washington Gas NOI	Rate Base	Washington Gas NOI	Rate Base	REVENUE REQUIREMENT	Net Change
1.00	Per Results Report	\$15,002	\$233,475	\$15,002	\$233,475	\$0	\$0	\$0	\$0
1.01	Deferred FIT Rate Base	(\$29)	(\$3,032)	(28)	(3,032)	\$0	\$0	\$0	(\$1)
1.02	Deferred Debits and Credits	(\$1)	\$0	(1)	0	\$0	\$0	\$0	\$0
1.03	Working Capital	\$98	\$10,371	97	10,371	(\$1)	\$0	\$0	\$2
	Actual	15,071	240,814	15,070	240,814	(1)	0	0	1
2.01	Eliminate B & O Taxes	(\$7)	\$0	(7)	0	\$0	\$0	\$0	\$0
2.02	Restate Property Tax	(\$52)	\$0	(52)	0	\$0	\$0	\$0	\$0
2.03	Uncollectible Expense	\$98	\$0	98	0	\$0	\$0	\$0	\$0
2.04	Regulatory Expense	(\$21)	\$0	(21)	0	\$0	\$0	\$0	\$0
2.05	Injuries and Damages	(\$182)	\$0	(182)	0	\$0	\$0	\$0	\$0
2.06	FIT / DFIT Expense	\$0	\$0	0	0	\$0	\$0	\$0	\$0
2.07	Office Space Charges to Subs	\$1	\$0	1	0	\$0	\$0	\$0	\$0
2.08	Restate Excise Taxes	(\$213)	\$0	(213)	0	\$254	\$0	\$0	(\$410)
2.09	Net Gains/Losses	\$3	\$0	3	0	\$0	\$0	\$0	\$0
2.10	Weather Normalization / Gas Cost Adjust	(\$497)	\$0	(497)	0	\$0	\$0	\$0	\$0
2.11	Eliminate Adder Schedules	\$0	\$0	0	0	\$0	\$0	\$0	\$0
2.12	Misc Restating Adjustments	(\$3)	\$0	(3)	0	\$0	\$0	\$0	\$0
2.13	Restating Incentive Adjustment	\$216	\$0	216	0	\$0	\$0	\$0	\$0
2.15	Restating Long-Term Incentive Plan	(\$136)	\$0	(136)	0	\$182	\$0	\$0	(\$294)
	Restated Total	\$14,278	\$240,814	\$14,714	\$240,814	\$436	\$0	\$0	(\$704)
3.00	Pro Forma Labor Non-Exec	(\$750)	\$0	(561)	0	\$189	\$0	\$0	(\$304)
3.01	Pro Forma Labor Exec	(\$32)	\$0	(14)	0	\$18	\$0	\$0	(\$29)
3.02	Pro Forma Employee Benefits	(\$466)	\$0	(690)	0	(\$224)	\$0	\$0	\$362
3.03	Pro Forma Insurance	(\$50)	\$0	0	0	\$50	\$0	\$0	(\$81)
3.04	Pro Forma Property Tax	(\$330)	\$0	(330)	0	\$0	\$0	\$0	\$0
3.05	Pro Forma Information Tech/Serv Exp	(\$268)	\$0	(9)	0	\$259	\$0	\$0	(\$417)
3.06	Pro Forma Revenue Normalization	\$5,541	\$0	5,541	0	\$588	\$428	\$0	(\$898)
3.07	Actual Capital Add Dec 2014 EOP	(\$701)	\$2,960	(112)	3,388	\$619	(\$12,626)	\$0	(\$2,482)
4.01	Planned Capital Add 2015 EOP	(\$1,365)	\$28,691	(746)	16,065	\$536	(\$3,706)	\$0	(\$1,535)
4.02	Planned Capital Add 2016 AMA	(\$336)	\$5,706	0	0	\$129	\$0	\$0	(\$208)
4.03	Project Compass Deferral, Regulatory Amortization	(\$743)	\$0	(614)	0	(\$33)	\$0	\$0	\$52
4.04	O&M Offsets	\$51	\$0	18	0	(\$33)	\$0	\$0	\$0
4.05	Pro Forma Atmospheric Testing	(\$460)	\$0	(460)	0	\$284	(\$7,915)	\$0	(\$1,388)
4.06	Reconcile Pro Forma To Attrition	(\$284)	\$7,915	0	0	\$2,850	(\$2,819)	\$0	(\$6,929)
	Pro Forma Total	\$13,887	\$286,086	\$16,738	\$260,267	\$2,850	(\$2,819)	\$0	(\$7,631)
	TOTAL								