

Avista Utilities  
Washington Electric  
Escalation of Modified Historical Test Year  
Twelve Months Ended December 31, 2016  
Thousands of Dollars

Line No.	DESCRIPTION Adjustment Number Reference	REVISED		REVISED
		Non-Energy EOP Pro Forma Sub-Total PF-SubTtl JH-2	Remove Authorized Power Supply E-APS (EMA WP)	Isolate Year 1 Escalation Base
<b>REVENUES</b>				
1	Total General Business	\$ 491,188	\$ (92,915)	
2	Interdepartmental Sales	\$ 946	\$ -	
3	Sales for Resale	\$ 57,325	\$ (57,325)	
4	Total Sales of Electricity	\$ 549,459	\$ (150,240)	
5	Other Revenue	\$ 13,300	\$ (10,225)	
6	Total Electric Revenue	\$ 562,759	\$ (160,465)	
<b>EXPENSES</b>				
Production and Transmission				
7	Operating Expenses	\$ 135,745	\$ (78,962)	\$ 56,783
8	Purchased Power	\$ 77,131	\$ (77,131)	
9	Depreciation/Amortization	\$ 26,677	\$ -	\$ 26,677
10	Regulatory Amortization	\$ 3,312	\$ -	
11	Taxes	\$ 16,119	\$ -	\$ 16,119
12	Total Production & Transmission	\$ 258,984	\$ (156,093)	
Distribution				
13	Operating Expenses	\$ 22,477	\$ -	\$ 22,477
14	Depreciation/Amortization	\$ 28,055	\$ -	\$ 28,055
15	Regulatory Amortization	\$ -	\$ -	
16	Taxes	\$ 27,087	\$ (3,575)	\$ 23,512
17	Total Distribution	\$ 77,619	\$ (3,575)	
18	Customer Accounting	\$ 13,092	\$ (611)	\$ 12,481
19	Customer Service & Information	\$ 1,430	\$ -	\$ 1,430
20	Sales Expenses	\$ -	\$ -	
Administrative & General				
21	Operating Expenses	\$ 50,492	\$ (186)	\$ 50,306
22	Depreciation/Amortization	\$ 24,506	\$ -	\$ 24,506
23	Taxes	\$ -	\$ -	\$ -
24	Total Admin. & General	\$ 74,998	\$ (186)	
25	Total Electric Expenses	\$ 426,123	\$ (160,465)	
26	OPERATING INCOME BEFORE FIT	\$ 136,636	\$ 0	
FEDERAL INCOME TAX				
27	Current Accrual	\$ (19,060)	\$ 0	
28	Debt Interest	\$ (414)	\$ -	
29	Deferred Income Taxes	\$ 36,106	\$ -	
30	Amortized ITC - Noxon	\$ (326)	\$ -	
31	NET OPERATING INCOME	\$ 120,330	\$ 0	
RATE BASE				
PLANT IN SERVICE				
32	Intangible	\$ 163,234	\$ -	
33	Production	\$ 874,076	\$ -	
34	Transmission	\$ 446,138	\$ -	
35	Distribution	\$ 1,013,934	\$ -	
36	General	\$ 242,579	\$ -	
37	Total Plant in Service	\$ 2,739,961	\$ -	
ACCUMULATED DEPRECIATION/AMORT				
38	Intangible	\$ (34,313)	\$ -	
39	Production	\$ (347,038)	\$ -	
40	Transmission	\$ (136,127)	\$ -	
41	Distribution	\$ (305,178)	\$ -	
42	General	\$ (83,644)	\$ -	
43	Total Accumulated Depreciation	\$ (906,300)	\$ -	
44	NET PLANT	\$ 1,833,661	\$ -	
45	DEFERRED TAXES	\$ (375,492)	\$ -	
46	Net Plant After DFIT	\$ 1,458,169	\$ -	\$ 125,787 *
47	DEFERRED DEBITS AND CREDITS & OTHER	\$ (778)	\$ -	
48	WORKING CAPITAL	\$ 58,202	\$ -	
49	TOTAL RATE BASE	\$ 1,515,593	\$ -	
50	RATE OF RETURN			
51	REVENUE REQUIREMENT	\$ (14,871)	\$ (14,871)	

REVISED Calculation of Year Two and Year Three Revenue Increases				
Year One Escalation Base \$ 373,262	multiplied by x	Composite Revenue Escalator 2.32%	equals =	Year Two Revenue Increase \$ 8,646
Year Two Escalation Base \$ 381,908	multiplied by x	Composite Revenue Escalator 2.32%	equals =	Year Three Revenue Increase \$ 8,847

\* Note: Line 46 figure in "Isolate Escalation Base" column is the after-tax return on net plant.

Avista Utilities  
Washington Natural Gas  
Escalation of Modified Historical Test Year  
Twelve Months Ended December 31, 2016  
Thousands of Dollars

Line No.	DESCRIPTION	EOP Pro Forma Total	Isolate Year 1 Escalation Base
	Adjustment Number Reference	JH-3	JH-3 & EMA WPs
<b>REVENUES</b>			
1	Total General Business	\$ 84,299	
2	Total Transportation	\$ 4,533	
3	Other Revenues	\$ 244	
4	Total Gas Revenues	\$ 89,076	
<b>EXPENSES</b>			
Production Expenses			
5	City Gate Purchases	\$ -	
6	Purchased Gas Expense	\$ 1,019	
7	Net Nat Gas Storage Trans	\$ -	
8	Total Production	\$ 1,019	
Underground Storage			
9	Operating Expenses	\$ 974	\$ 974
10	Depreciation/Amortization	\$ 492	\$ 492
11	Taxes	\$ 249	\$ 249
12	Total Underground Storage	\$ 1,715	
Distribution			
13	Operating Expenses	\$ 12,693	\$ 12,693
14	Depreciation/Amortization	\$ 10,063	\$ 10,063
15	Taxes	\$ 6,107	\$ 6,107
16	Total Distribution	\$ 28,863	
17	Customer Accounting	\$ 6,779	\$ 6,779
18	Customer Service & Information	\$ 977	\$ 977
19	Sales Expenses	\$ -	
Administrative & General			
20	Operating Expenses	\$ 13,624	\$ 13,624
21	Depreciation/Amortization	\$ 6,540	\$ 6,540
22	Regulatory Amortizations	\$ 584	
23	Taxes	\$ -	\$ -
24	Total Admin. & General	\$ 20,748	
25	Total Gas Expense	\$ 60,101	
26	OPERATING INCOME BEFORE FIT	28975	
<b>FEDERAL INCOME TAX</b>			
27	Current Accrual	\$ (1,290)	
28	Debt Interest	\$ (116)	
29	Deferred FIT	\$ 5,132	
30	Amort ITC	\$ (17)	
31	NET OPERATING INCOME	\$ 25,266	
<b>RATE BASE</b>			
PLANT IN SERVICE			
32	Underground Storage	\$ 27,143	
33	Distribution Plant	\$ 416,918	
34	General Plant	\$ 88,432	
35	Total Plant in Service	\$ 532,493	
ACCUMULATED DEPRECIATION/AMORT			
36	Underground Storage	\$ (10,472)	
37	Distribution Plant	\$ (132,896)	
38	General Plant	\$ (25,025)	
39	Total Accumulated Depreciation/Amortization	\$ (168,393)	
40	NET PLANT	\$ 364,100	
41	DEFERRED TAXES	\$ (78,287)	
42	Net Plant After DFIT	\$ 285,813	\$ 24,655 *
43	GAS INVENTORY	\$ 9,116	
44	GAIN ON SALE OF BUILDING	\$ -	
45	OTHER	\$ 1,225	
46	WORKING CAPITAL	\$ 11,482	
47	TOTAL RATE BASE	\$ 307,636	
48	RATE OF RETURN		
50	REVENUE REQUIREMENT	\$ (4,135)	\$ (4,135)
51	Deduct Gas Excise Tax		\$ (2,548)

Calculation of Year Two and Year Three Revenue Increases				
Year One Escalation Base	multiplied by	Composite Revenue Escalator	equals	Year Two Revenue Increase
\$ 76,470	x	3.20%	=	\$ 2,446
Year Two Escalation Base	multiplied by	Composite Revenue Escalator	equals	Year Three Revenue Increase
\$ 78,917	x	3.20%	=	\$ 2,524

\* Note: Line 42 figure in "Isolate Escalation Base" column is the after-tax return on net plant.

Avista Utilities  
Washington State  
Development of Composite Revenue Escalators

Washington Electric Service						
		Avista		Washington UTC		
Component	Share	AVA Growth Rate	AVA Weighted Avg Escal	UTC Regr	UTC Indices	UTC Weighted Avg Escal
Depreciation	20.05%	9.13%	1.83%	4.70%	-	0.94%
O&M	35.74%	2.55%	0.91%	3.77%	2.36%	0.84%
Taxes OTI	9.82%	4.53%	0.44%	5.13%	-	0.50%
Net plant After ADFIT	34.40%	3.04%	1.05%	3.82%	-	1.05%
Revenues			-1.02%			-1.02%
<b>ESCALATOR</b>			3.21%			2.32%

Washington Natural Gas Service						
		Avista		Washington UTC		
Component	Share	AVA Growth Rate	AVA Weighted Avg Escal	UTC Regr	UTC Indices	UTC Weighted Avg Escal
Depreciation	20.13%	10.93%	2.20%	6.17%	-	1.24%
O&M	41.40%	3.26%	1.35%	4.61%	2.03%	0.84%
Taxes OTI	7.33%	5.21%	0.38%	5.41%	-	0.40%
Net plant ADFIT	31.15%	5.02%	1.56%	4.73%	-	1.56%
Revenues			-0.84%			-0.84%
<b>ESCALATOR</b>			4.65%			3.20%

*Shading indicates values used in Staff's composite escalation factor.*

Avista Utilities  
Washington Electric  
Development of Regression-based Escalation Rates

Year	Adjusted Operating Expenses	Total Depreciation/Amortization	Adjusted Taxes Other than Income	Net Plant After Deferred Income Taxes	
2007	\$ 92,212	\$ 42,949	\$ 24,422	\$ 870,835	From EMA-4
2008	\$ 99,146	\$ 45,874	\$ 25,215	\$ 917,247	
2009	\$ 108,289	\$ 48,466	\$ 26,626	\$ 987,243	
2010	\$ 113,650	\$ 52,270	\$ 29,451	\$ 1,036,064	
2011	\$ 123,419	\$ 55,304	\$ 32,680	\$ 1,087,140	
2012	\$ 130,194	\$ 58,946	\$ 33,805	\$ 1,131,570	
2013	\$ 129,510	\$ 60,308	\$ 36,722	\$ 1,195,010	
2014	\$ 131,891	\$ 64,456	\$ 38,649	\$ 1,214,504	
2015	\$ 137,009	\$ 71,829	\$ 41,581	\$ 1,271,626	
2016	\$ 140,848	\$ 78,372	\$ 41,941	\$ 1,375,685	
<b>2007-16 Lin Reg Rate</b>	3.77%	4.70%	5.13%	3.82%	
<b>Adjusted R-Square</b>	0.94	0.96	0.99	0.99	

*Shading indicates values used in Staff's composite escalation factor.*

Avista Utilities  
Washington Natural Gas  
Development of Regression-based Escalation Rates

Year	Adjusted Operating Expenses	Total Depreciation/Amortization	Adjusted Taxes Other than Income	Net Plant After Deferred Income Taxes	
2007	\$ 21,295	\$ 7,413	\$ 3,541	\$ 145,500	From EMA-8
2008	\$ 21,882	\$ 7,752	\$ 2,961	\$ 154,054	
2009	\$ 24,672	\$ 8,456	\$ 3,728	\$ 173,806	
2010	\$ 26,059	\$ 9,127	\$ 3,834	\$ 177,901	
2011	\$ 27,904	\$ 9,778	\$ 4,317	\$ 183,553	
2012	\$ 30,804	\$ 10,692	\$ 4,592	\$ 195,287	
2013	\$ 31,100	\$ 12,173	\$ 5,191	\$ 207,759	
2014	\$ 31,524	\$ 13,304	\$ 5,523	\$ 225,901	
2015	\$ 34,918	\$ 15,176	\$ 5,553	\$ 244,647	
2016	\$ 34,606	\$ 16,618	\$ 6,045	\$ 262,930	
<b>2007-16 Lin Reg Rate</b>	4.61%	6.17%	5.41%	4.73%	
<b>Adjusted R-Square</b>	0.97	0.95	0.93	0.97	

*Shading indicates values used in Staff's composite escalation factor.*