

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UG-11 _____

EXHIBIT NO. ____ (EMA-3)

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

AVISTA UTILITIES
 GAS RESULTS OF OPERATION
 WASHINGTON PRO FORMA RESULTS
 TWELVE MONTHS ENDED DECEMBER 31, 2010
 (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
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f</i>
REVENUES						
1	Total General Business	\$140,588	\$12,949	\$153,537	\$6,207	\$159,744
2	Total Transportation	3,245	(1,432)	1,813		1,813
3	Other Revenues	115,257	(113,689)	1,568		1,568
4	Total Gas Revenues	259,090	(102,172)	156,918	6,207	163,125
EXPENSES						
5	Exploration and Development Production					
6	City Gate Purchases	192,776	(97,673)	95,103		95,103
7	Purchased Gas Expense	801	108	909		909
8	Net Nat Gas Storage Trans	(3,322)	3,323	1		1
9	Total Production	190,255	(94,242)	96,013	0	96,013
Underground Storage						
10	Operating Expenses	380	342	722		722
11	Depreciation	348	72	420		420
12	Taxes	120	61	181		181
13	Total Underground Storage	848	475	1,323	0	1,323
Distribution						
14	Operating Expenses	7,705	769	8,474		8,474
15	Depreciation	6,371	13	6,384		6,384
16	Taxes	12,249	(4,496)	7,753	238	7,991
17	Total Distribution	26,325	(3,714)	22,611	238	22,849
18	Customer Accounting	5,415	20	5,435	22	5,457
19	Customer Service & Information	9,471	(8,507)	964		964
20	Sales Expenses	105	5	110		110
Administrative & General						
21	Operating Expenses	11,746	(894)	10,852	12	10,864
22	Depreciation	2,628	(273)	2,355		2,355
23	Taxes	25	1	26		26
24	Total Admin. & General	14,399	(1,166)	13,233	12	13,245
25	Total Gas Expense	246,818	(107,129)	139,689	272	139,961
26	OPERATING INCOME BEFORE FIT	12,272	4,957	17,229	5,935	23,164
FEDERAL INCOME TAX						
27	Current Accrual	(6,910)	1,860	(5,050)	2,077	(2,973)
28	Deferred FIT	9,754	(160)	9,594		9,594
29	Amort ITC	(29)	0	(29)		(29)
30	NET OPERATING INCOME	9,457	\$3,257	12,714	\$3,858	\$16,572
RATE BASE: PLANT IN SERVICE						
31	Underground Storage	20,047	3,939	23,986		23,986
32	Distribution Plant	269,469	1,738	271,207		271,207
33	General Plant	33,401	448	33,849		33,849
34	Total Plant in Service	322,917	6,125	329,042	0	329,042
ACCUMULATED DEPRECIATION						
35	Underground Storage	7,912	81	7,993		7,993
36	Distribution Plant	89,620	36	89,656		89,656
37	General Plant	10,722	6	10,728		10,728
38	Total Accum. Depreciation	108,254	123	108,377	0	108,377
39	DEFERRED FIT	0	(36,863)	(36,863)		(36,863)
40	GAS INVENTORY	0	17,547	17,547		17,547
41	WORKING CAPITAL	0	0	-		0
42	GAIN ON SALE OF BUILDING	0	0	-		0
43	TOTAL RATE BASE	214,663	(\$13,314)	201,349	\$0	\$201,349
44	RATE OF RETURN	4.41%		6.31%		8.23%

AVISTA UTILITIES
Calculation of General Revenue Requirement
Washington - Gas
TWELVE MONTHS ENDED DECEMBER 31, 2010
(000's OF DOLLARS)

Line No.	Description	WASH
1	Pro Forma Rate Base	\$201,349
2	Proposed Rate of Return	<u>8.230%</u>
3	Net Operating Income Requirement	\$16,571
4	Pro Forma Net Operating Income	<u>\$12,714</u>
5	Net Operating Income Deficiency	\$3,857
6	Conversion Factor	0.62140
7	Revenue Requirement	<u>\$6,207</u>
8	Total General Business Revenues	\$155,350
9	Percentage Revenue Increase	<u><u>4.00%</u></u>

**AVISTA UTILITIES
PRO FORMA COST CAPITAL
Washington - Gas**

<u>Component</u>	<u>Capital Structure</u>	<u>Pro Forma Cost</u>	<u>Pro Forma Weighted Cost</u>
Term Debt	51.96%	5.76%	2.99% WA Wtd Debt 2.99%
Common Equity	48.04%	10.90%	5.24%
Total	<u>100.00%</u>		<u>8.23%</u>

AVISTA UTILITIES
Revenue Conversion Factor
Washington - Gas System
 TWELVE MONTHS ENDED DECEMBER 31, 2010

Line No.	Description	Factor
1	Revenues	1.000000
	Expense:	
2	Uncollectibles	0.003617
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038381
5	Franchise Fees (City of Millwood Expired in 2004)	0.000000
6	Total Expense	<u>0.043998</u>
7	Net Operating Income Before FIT	0.956002
8	Federal Income Tax @ 35%	0.334601
9	REVENUE CONVERSION FACTOR	0.62140

AVISTA UTILITIES

GAS RESULTS OF OPERATION

WASHINGTON RESTATED RESULTS

TWELVE MONTHS ENDED DECEMBER 31, 2010

(000's OF DOLLARS)

Line No.	DESCRIPTION	Per Results Report	Deferred FIT Rate Base	Deferred Gain on Office Building	Gas Inventory	Customer Advances	Customer Deposits	Restating 2010 Major Capital
	a	b	c	d	e	f	g	h
REVENUES								
1	Total General Business	\$140,588						
2	Total Transportation	3,245						
3	Other Revenues	115,257						
4	Total Gas Revenues	259,090	0	0	0	0	0	0
EXPENSES								
5	Exploration and Development	0						
Production								
6	City Gate Purchases	192,776						
7	Purchased Gas Expense	801						
8	Net Nat Gas Storage Trans	(3,322)						
9	Total Production	190,255	0	0	0	0	0	0
Underground Storage								
10	Operating Expenses	380						
11	Depreciation	348						
12	Taxes	120						
13	Total Underground Storage	848	0	0	0	0	0	0
Distribution								
14	Operating Expenses	7,705						
15	Depreciation	6,371						
16	Taxes	12,249						
17	Total Distribution	26,325	0	0	0	0	0	0
18	Customer Accounting	5,415			0		3	0
19	Customer Service & Information	9,471						
20	Sales Expenses	105						
Administrative & General								
21	Operating Expenses	11,746		(45)				
22	Depreciation	2,628						(57)
23	Taxes	25						
24	Total Admin. & General	14,399	0	(45)	0	0	0	(57)
25	Total Gas Expense	246,818	0	(45)	0	0	3	(57)
26	OPERATING INCOME BEFORE FIT	12,272	0	45	0	0	(3)	57
FEDERAL INCOME TAX								
27	Current Accrual	(6,910)		16			(1)	2
28	Deferred FIT	9,754						
29	Amort ITC	(29)						
30	NET OPERATING INCOME	\$9,457	\$0	\$29	\$0	\$0	(\$2)	\$55
RATE BASE: PLANT IN SERVICE								
31	Underground Storage	20,047						
32	Distribution Plant	269,469				(31)	(1,132)	2,286
33	General Plant	33,401						448
34	Total Plant in Service	322,917	0	0	0	(31)	(1,132)	2,734
ACCUMULATED DEPRECIATION								
35	Underground Storage	7,912						
36	Distribution Plant	89,620						26
37	General Plant	10,722						6
38	Total Accum. Depreciation	108,254	0	0	0	0	0	32
39	DEFERRED FIT	0	(36,762)					22
40	GAS INVENTORY	0			10,226			
41	WORKING CAPITAL	0						
42	GAIN ON SALE OF BUILDING	0						
43	TOTAL RATE BASE	\$214,663	(\$36,762)	\$0	\$10,226	(\$31)	(\$1,132)	\$2,724
44	RATE OF RETURN							

AVISTA UTILITIES

GAS RESULTS OF OPERATION

WASHINGTON RESTATED RESULTS

TWELVE MONTHS ENDED DECEMBER 31, 2010

(000's OF DOLLARS)

Line No.	DESCRIPTION	Subtotal Actual	Revenue Normalization & Gas Cost Adjust	Eliminate B & O Taxes	Property Tax	Uncollectible Expense	Regulatory Expense Adjustment	Injuries and Damages
	a	-	i	j	k	l	m	n
REVENUES								
1	Total General Business	\$140,588	17,975	\$ (5,026)				
2	Total Transportation	3,245	(1,342)	(90)				
3	Other Revenues	115,257	(113,689)					
4	Total Gas Revenues	259,090	(97,056)	(5,116)	0	0	0	0
EXPENSES								
5	Exploration and Development	0						
Production								
6	City Gate Purchases	192,776	(97,673)					
7	Purchased Gas Expense	801	53					
8	Net Nat Gas Storage Trans	(3,322)	3,323					
9	Total Production	190,255	(94,297)	0	0	0	0	0
Underground Storage								
10	Operating Expenses	380						
11	Depreciation	348						
12	Taxes	120			2			
13	Total Underground Storage	848	0	0	2	0	0	0
Distribution								
14	Operating Expenses	7,705						
15	Depreciation	6,371						
16	Taxes	12,249	694	(5,112)	11			
17	Total Distribution	26,325	694	(5,112)	11	0	0	0
18	Customer Accounting	5,418	65	0		(169)	0	
19	Customer Service & Information	9,471	(8,416)					
20	Sales Expenses	105						
Administrative & General								
21	Operating Expenses	11,701	37				(133)	(164)
22	Depreciation	2,571	(216)					
23	Taxes	25			1			
24	Total Admin. & General	14,297	(179)	0	1	0	(133)	(164)
25	Total Gas Expense	246,719	(102,133)	(5,112)	14	(169)	(133)	(164)
26	OPERATING INCOME BEFORE FIT	12,371	5,077	(4)	(14)	169	133	164
FEDERAL INCOME TAX								
27	Current Accrual	(6,893)	1,777	(1)	(5)	59	47	57
28	Deferred FIT	9,754						
29	Amort ITC	(29)						
30	NET OPERATING INCOME	\$9,539	\$3,300	(\$3)	(\$9)	\$110	\$86	\$107
RATE BASE: PLANT IN SERVICE								
31	Underground Storage	20,047						
32	Distribution Plant	270,592						
33	General Plant	33,849						
34	Total Plant in Service	324,488	0	0	0	0	0	0
ACCUMULATED DEPRECIATION								
35	Underground Storage	7,912						
36	Distribution Plant	89,646						
37	General Plant	10,728						
38	Total Accum. Depreciation	108,286	0	0	0	0	0	0
39	DEFERRED FIT	(36,740)						
40	GAS INVENTORY	10,226						
41	WORKING CAPITAL	0						
42	GAIN ON SALE OF BUILDING	0						
43	TOTAL RATE BASE	\$189,688	\$0	\$0	\$0	\$0	\$0	\$0
44	RATE OF RETURN	5.03%						

AVISTA UTILITIES

GAS RESULTS OF OPERATION

WASHINGTON RESTATED RESULTS

TWELVE MONTHS ENDED DECEMBER 31, 2010

(000's OF DOLLARS)

Line No.	DESCRIPTION	FIT	Net Gains/losses	Eliminate A/R Expenses	Office Space Charges to Subs	Restate Excise Taxes	Misc Restating Adjustments	Restating Incentive Adjustment
	a	o	p	q	r	s	t	u
REVENUES								
1	Total General Business							
2	Total Transportation							
3	Other Revenues							
4	Total Gas Revenues	0	0	0	0	0	0	0
EXPENSES								
5	Exploration and Development							
Production								
6	City Gate Purchases							
7	Purchased Gas Expense						(1)	
8	Net Nat Gas Storage Trans							
9	Total Production	0	0	0	0	0	(1)	0
Underground Storage								
10	Operating Expenses							
11	Depreciation							
12	Taxes							
13	Total Underground Storage	0	0	0	0	0	0	0
Distribution								
14	Operating Expenses						(9)	
15	Depreciation		(4)					
16	Taxes					(96)		
17	Total Distribution	0	(4)	0	0	(96)	(9)	0
18	Customer Accounting		0	(38)	0	0	(2)	
19	Customer Service & Information						34	
20	Sales Expenses							
Administrative & General								
21	Operating Expenses				(2)		(499)	(541)
22	Depreciation							
23	Taxes							
24	Total Admin. & General	0	0	0	(2)	0	(499)	(541)
25	Total Gas Expense	0	(4)	(38)	(2)	(96)	(477)	(541)
26	OPERATING INCOME BEFORE FIT	0	4	38	2	96	477	541
FEDERAL INCOME TAX								
27	Current Accrual	149	1	13	1	34	167	189
28	Deferred FIT	(160)						
29	Amort ITC							
30	NET OPERATING INCOME	\$11	\$3	\$25	\$1	\$62	\$310	\$352
RATE BASE: PLANT IN SERVICE								
31	Underground Storage							
32	Distribution Plant							
33	General Plant							
34	Total Plant in Service	0	0	0	0	0	0	0
ACCUMULATED DEPRECIATION								
35	Underground Storage							
36	Distribution Plant							
37	General Plant							
38	Total Accum. Depreciation	0	0	0	0	0	0	0
39	DEFERRED FIT							
40	GAS INVENTORY							
41	WORKING CAPITAL							
42	GAIN ON SALE OF BUILDING							
43	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
44	RATE OF RETURN							

AVISTA UTILITIES

GAS RESULTS OF OPERATION

WASHINGTON RESTATED RESULTS

TWELVE MONTHS ENDED DECEMBER 31, 2010

(000's OF DOLLARS)

Line No.	DESCRIPTION	Weatherization & DSM Investment Amort Removal	Restate Debt Interest	Restated Total	Pro Forma Labor Non-Exec	Pro Forma Labor Exec	Pro Forma Employee Benefits	Pro Forma Insurance
	a	v	w	-	PF1	PF2	PF3	PF4
REVENUES								
1	Total General Business			\$153,537				
2	Total Transportation			1,813				
3	Other Revenues			1,568				
4	Total Gas Revenues	0	0	156,918	0	0	0	0
EXPENSES								
5	Exploration and Development			0				
Production								
6	City Gate Purchases			95,103				
7	Purchased Gas Expense			853	24	1	31	
8	Net Nat Gas Storage Trans			1				
9	Total Production	0	0	95,957	24	1	31	0
Underground Storage								
10	Operating Expenses			380				
11	Depreciation			348				
12	Taxes			122				
13	Total Underground Storage	0	0	850	0	0	0	0
Distribution								
14	Operating Expenses			7,696	245		36	
15	Depreciation			6,367				
16	Taxes			7,746				
17	Total Distribution	0	0	21,809	245	0	36	0
18	Customer Accounting	0		5,274	139		22	0
19	Customer Service & Information	(140)		949	13		2	
20	Sales Expenses			105	4		1	
Administrative & General								
21	Operating Expenses			10,399	124	8	364	(43)
22	Depreciation			2,355				
23	Taxes			26				
24	Total Admin. & General	0	0	12,780	124	8	364	(43)
25	Total Gas Expense	(140)	0	137,724	549	9	456	(43)
26	OPERATING INCOME BEFORE FIT	140	0	19,194	(549)	(9)	(456)	43
FEDERAL INCOME TAX								
27	Current Accrual	49	(5)	(4,361)	(192)	(3)	(160)	15
28	Deferred FIT			9,594				
29	Amort ITC			(29)				
30	NET OPERATING INCOME	\$91	\$5	\$13,990	(\$357)	(\$6)	(\$296)	\$28
RATE BASE: PLANT IN SERVICE								
31	Underground Storage			20,047				
32	Distribution Plant			270,592				
33	General Plant			33,849				
34	Total Plant in Service	0	0	324,488	0	0	0	0
ACCUMULATED DEPRECIATION								
35	Underground Storage			7,912				
36	Distribution Plant			89,646				
37	General Plant			10,728				
38	Total Accum. Depreciation	0	0	108,286	0	0	0	0
39	DEFERRED FIT			(36,740)				
40	GAS INVENTORY			10,226				
41	WORKING CAPITAL			0				
42	GAIN ON SALE OF BUILDING			0				
43	TOTAL RATE BASE	\$0	\$0	\$189,688	\$0	\$0	\$0	\$0
44	RATE OF RETURN			7.38%				

AVISTA UTILITIES

GAS RESULTS OF OPERATION

WASHINGTON RESTATED RESULTS

TWELVE MONTHS ENDED DECEMBER 31, 2010

(000's OF DOLLARS)

Line No.	DESCRIPTION a	Pro Forma Survey & Replacement Programs PF5	Pro Forma JP Storage 2011 PF6	Pro Forma Atmospheric Testing PF7	Pro Forma Total -
REVENUES					
1	Total General Business				\$153,537
2	Total Transportation				1,813
3	Other Revenues				1,568
4	Total Gas Revenues	0	0	0	156,918
EXPENSES					
5	Exploration and Development Production				0
6	City Gate Purchases				95,103
7	Purchased Gas Expense				909
8	Net Nat Gas Storage Trans				1
9	Total Production	0	0	0	96,013
Underground Storage					
10	Operating Expenses		\$342		722
11	Depreciation		\$72		420
12	Taxes		\$59		181
13	Total Underground Storage	0	473	0	1,323
Distribution					
14	Operating Expenses	347		150	8,474
15	Depreciation	17			6,384
16	Taxes	7			7,753
17	Total Distribution	371	0	150	22,611
18	Customer Accounting	0			5,435
19	Customer Service & Information				964
20	Sales Expenses				110
Administrative & General					
21	Operating Expenses				10,852
22	Depreciation				2,355
23	Taxes				26
24	Total Admin. & General	0	0	0	13,233
25	Total Gas Expense	371	473	150	139,689
26	OPERATING INCOME BEFORE FIT	(371)	(473)	(150)	17,229
FEDERAL INCOME TAX					
27	Current Accrual	(130)	(166)	(53)	(5,050)
28	Deferred FIT				9,594
29	Amort ITC				(29)
30	NET OPERATING INCOME	(\$241)	(\$307)	(\$97)	\$12,714
RATE BASE: PLANT IN SERVICE					
31	Underground Storage		\$3,939		23,986
32	Distribution Plant	615			271,207
33	General Plant				33,849
34	Total Plant in Service	615	3,939	0	329,042
ACCUMULATED DEPRECIATION					
35	Underground Storage		\$81		7,993
36	Distribution Plant	10			89,656
37	General Plant				10,728
38	Total Accum. Depreciation	10	81	0	108,377
39	DEFERRED FIT	(10)	\$ (113)		(36,863)
40	GAS INVENTORY		\$7,321		17,547
41	WORKING CAPITAL				0
42	GAIN ON SALE OF BUILDING				0
43	TOTAL RATE BASE	\$595	\$11,066	\$0	\$201,349
44	RATE OF RETURN				6.31%