

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UG-14 _____

EXHIBIT NO. ____ (EMA-3)

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

AVISTA UTILITIES
2015 NATURAL GAS ATTRITION STUDY
Calculation of General Revenue Requirement
Washington - Natural Gas System
Twelve Months Ended June 30, 2013
(000's of Dollars)

Line No.	Description	(a) Attrition Balances	(b) Revenue Growth Factor	(c) Attrition Adjusted Balances	(d) After Attrition Adjustments (i)	(e) Final Balances	(f) 2014 Temporary Rate Increase (ii)	(g) 2015 Revenue Requirement
1	Attrition Rate Base	248,089	1.021600	\$242,844	\$0	\$242,844		
2	Proposed Rate of Return			7.71%				
3	Net Operating Income Requirement			\$18,723	\$0	\$18,723		
4	Attrition Net Operating Income	\$ 10,561	1.021600	\$10,338	\$8	\$10,345		
5	Net Operating Income Deficiency			\$8,385	(\$8)	\$8,378		
6	Conversion Factor			0.62088	0.62088	0.62088		
7	Attrition Revenue Requirement			\$13,506	(\$13)	\$13,493	\$1,358	\$12,135
8	Total General Business Revenues					\$ 148,671	\$	150,029
9	Percentage Revenue Increase					9.08%		8.09%

Notes: (i) The Adjustment included after the attrition calculated revenue requirement of \$13.506 million shown above was deemed necessary in order to account for the Operation & Maintenance (O&M) Offset adjustment, which will occur starting in the 2015 rate period. This adjustment represents activity which was not included in the 6/30/2013 normalized commission basis results used as the starting point of the Company's attrition analysis. See Exhibit No. __ (EMA-1T) Natural Gas Pro Forma adjustments for detailed description of this adjustment. However, after completing our review of this case the Company realized that this adjustment should have been included as a Pro Forma Cross Check Study adjustment only, and not included as an offset to the Attrition adjusted total.

(ii) Order No. 09, Docket Nos. UE-120436 and UG-120436, *Consolidated*, authorized the 2014 rate increase effective January 1, 2014 to December 31, 2014 on a temporary basis, with rates reverting back to 2013 levels absent any intervening Commission action. While the Commission found the 2014 rate increases to be fair, just, reasonable and sufficient on a temporary basis, the Commission stated "justification for our temporary approval lies primarily in Avista's representations that the Company will continue its multi-year capital expenditure program for 2014." The Company has provided its capital spend for 2014 and 2015 of \$331 million and \$355 million, respectively, on a system basis, and detail descriptions of all transfers to plant and service for 2014 and 2015 is included in the Company's filing for consideration of its revenue requirement need. Please See Company witness Mr. DeFelixe Exhibit No. __ (DBD-2).

AVISTA UTILITIES
Proposed Cost of Capital
Washington - Natural Gas System

Proposed Cap Structure			
<u>Component</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Total Debt	51.00%	5.42%	2.76%
Common	49.00%	10.10%	4.95%
Total	<u>100.00%</u>		<u>7.71%</u>

**Revenue Conversion Factor
Washington - Natural Gas System
Twelve Months Ended June 30, 2013**

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	Revenues	<i>1.000000</i>
	Expense:	
2	Uncollectibles	0.004449
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038349
5	Franchise Fees	0.000000
6	Total Expense	<u>0.044797</u>
7	Net Operating Income Before FIT	<i>0.955203</i>
8	Federal Income Tax @ 35%	<u>0.334321</u>
9	REVENUE CONVERSION FACTOR	<u><u>0.62088</u></u>

AVISTA'S 2015 NATURAL GAS ATTRITION REVENUE REQUIREMENT

CBR Line No.	DESCRIPTION	Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost			Other Cost & Revenue Adjustments		
		June 2013 Commission Basis Report Restated Totals		Exclude Normalized Gas Costs and Revenue		Escalation Factor	Escalation Amount	Trended 2015 Non-Energy Cost	(plus) 06, 2013 Pro-Formed Gas Cost/Revenue	2015 Revenue and Cost	
		[A]	[B]	[C]	[D]						[E]
REVENUES											
1	Total General Business	\$ 136,330	\$ -	\$ 8,564	\$ (82,872)	\$ 62,022	2.05%	\$ 62,022	\$ 82,872	\$ 2,967	\$ 147,861
2	Total Transportation	\$ 3,752	\$ -	\$ (1,519)	\$ 1,544	\$ 3,777	6.48%	\$ 3,777	\$ 4,022	\$ 245	\$ 4,022
3	Other Revenues	\$ 70,583	\$ -	\$ (68,633)	\$ (1,544)	\$ 406	0.00%	\$ 406	\$ -	\$ -	\$ 406
4	Total Gas Revenues	\$ 210,665	\$ -	\$ (61,588)	\$ (82,872)	\$ 66,205		\$ -	\$ 82,872	\$ 3,211	\$ 152,288
EXPENSES											
Production Expenses											
5	City Gate Purchases	\$ 134,135	\$ -	\$ (54,976)	\$ (79,159)	\$ -		\$ -	\$ 79,159	\$ 1,665	\$ 80,824
6	Purchased Gas Expense	\$ 833	\$ -	\$ 2	\$ -	\$ 835	10.30%	\$ 86	\$ -	\$ -	\$ 921
7	Net Nat Gas Storage Trans	\$ 4,232	\$ -	\$ (4,232)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
8	Total Production	\$ 139,200	\$ -	\$ (59,206)	\$ (79,159)	\$ 835		\$ 86	\$ 921	\$ 1,665	\$ 81,745
Underground Storage											
9	Operating Expenses	\$ 821	\$ -	\$ -	\$ -	\$ 821	10.30%	\$ 85	\$ 906	\$ -	\$ 906
10	Depreciation/Amortization	\$ 409	\$ (29)	\$ -	\$ -	\$ 380	15.78%	\$ 60	\$ 440	\$ -	\$ 440
11	Taxes	\$ 25	\$ -	\$ -	\$ -	\$ 25	10.96%	\$ 3	\$ 28	\$ -	\$ 28
12	Total Underground Storage	\$ 1,255	\$ (29)	\$ -	\$ -	\$ 1,226		\$ 147	\$ 1,373	\$ -	\$ 1,373
Distribution											
13	Operating Expenses	\$ 10,193	\$ -	\$ -	\$ -	\$ 10,193	10.30%	\$ 1,050	\$ 11,243	\$ -	\$ 11,243
14	Depreciation/Amortization	\$ 7,375	\$ 536	\$ -	\$ -	\$ 7,911	15.78%	\$ 1,248	\$ 9,159	\$ -	\$ 9,159
15	Taxes	\$ 8,195	\$ -	\$ 329	\$ (3,178)	\$ 5,346	10.96%	\$ 586	\$ 5,932	\$ 114	\$ 9,224
16	Total Distribution	\$ 25,763	\$ 536	\$ 329	\$ (3,178)	\$ 23,450		\$ 2,884	\$ 26,334	\$ 3,178	\$ 29,626
17	Customer Accounting	\$ 5,779	\$ -	\$ 39	\$ (369)	\$ 5,449	10.30%	\$ 561	\$ 6,010	\$ 369	\$ 6,392
18	Customer Service & Information	\$ 6,066	\$ -	\$ (5,058)	\$ -	\$ 1,008	10.30%	\$ 104	\$ 1,112	\$ -	\$ 1,112
19	Sales Expenses	\$ 5	\$ -	\$ -	\$ -	\$ 5	10.30%	\$ 1	\$ 6	\$ -	\$ 6
Administrative & General											
20	Operating Expenses	\$ 12,494	\$ 180	\$ 17	\$ (166)	\$ 12,525	10.30%	\$ 1,290	\$ 13,815	\$ 166	\$ 13,987
21	Depreciation/Amortization	\$ 3,473	\$ 353	\$ -	\$ -	\$ 3,826	15.78%	\$ 604	\$ 4,430	\$ -	\$ 4,430
22	Regulatory Amortizations	\$ 29	\$ -	\$ (29)	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -
23	Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	10.96%	\$ -	\$ -	\$ -	\$ -
24	Total Admin. & General	\$ 15,996	\$ 533	\$ (12)	\$ (166)	\$ 16,351		\$ 1,894	\$ 18,245	\$ 166	\$ 18,417
25	Total Gas Expense	\$ 194,064	\$ 1,040	\$ (63,908)	\$ (82,872)	\$ 48,324		\$ 5,677	\$ 54,001	\$ 82,872	\$ 138,671
26	OPERATING INCOME BEFORE FIT	\$ 16,601	\$ (1,040)	\$ 2,320	\$ -	\$ 17,881		\$ (5,677)	\$ 12,204	\$ -	\$ 1,414
											\$ 13,618

AVISTA'S 2015 NATURAL GAS ATTRITION REVENUE REQUIREMENT

CBR Line No.	DESCRIPTION	Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost			Other Cost & Revenue Adjustments			
		June 2013 Commission Report Basis Restated Totals [A]	06.2013 Ending Balance Plant Adjustment [B]	Incremental Revenue Normalization Adjustment [C]	Exclude Normalized Gas Costs and Revenue [D]	June 2013 Escalation Base [E]	Escalation Factor [F]	Escalation Amount [G]	Trended 2015 Non-Energy Cost [H]	(plus) 06.2013 Pro-Formed Gas Cost/Revenue [I]	(plus) Revenue Growth [J]	2015 Revenue and Cost [K]
27	FEDERAL INCOME TAX											
28	Current Accrual	\$ (267)	\$ (364)	\$ 812	\$ 181							
29	Debt Interest	\$ (43)	\$ (53)	\$ (41)	\$ (136)							
30	Deferred FIT	\$ 4,568	\$ -	\$ -	\$ 4,568							
31	Amort ITC	\$ (25)	\$ -	\$ -	\$ (25)							
	NET OPERATING INCOME	\$ 12,367	\$ (623)	\$ 1,549	\$ 13,293							
	RATE BASE											
	PLANT IN SERVICE											
32	Underground Storage	\$ 24,503	\$ 97	\$ -	\$ 24,600							
33	Distribution Plant	\$ 301,840	\$ 7,007	\$ 3,943	\$ 312,790	12.49%	\$ 3,073	\$ 27,673	\$ 27,673		\$ 27,673	
34	General Plant	\$ 47,010	\$ 4,721	\$ -	\$ 51,731	12.49%	\$ 39,076	\$ 351,866	\$ 351,866		\$ 351,866	
35	Total Plant in Service	\$ 373,353	\$ 11,825	\$ 3,943	\$ 389,121	12.49%	\$ 6,463	\$ 58,194	\$ 58,194		\$ 58,194	
	ACCUMULATED DEPRECIATION/AMORT											
36	Underground Storage	\$ (8,882)	\$ (168)	\$ -	\$ (9,050)	12.49%	\$ (1,131)	\$ (10,181)	\$ (10,181)		\$ (10,181)	
37	Distribution Plant	\$ (105,608)	\$ (3,555)	\$ (49)	\$ (109,212)	12.49%	\$ (13,643)	\$ (122,855)	\$ (122,855)		\$ (122,855)	
38	General Plant	\$ (13,057)	\$ (2,030)	\$ -	\$ (15,087)	12.49%	\$ (1,885)	\$ (16,972)	\$ (16,972)		\$ (16,972)	
39	Total Accumulated Depreciation/Amortization	\$ (127,547)	\$ (5,753)	\$ (49)	\$ (133,349)							
40	NET PLANT	\$ 245,806	\$ 6,072	\$ 3,894	\$ 255,772							
41	DEFERRED TAXES	\$ (48,113)	\$ (1,117)	\$ (33)	\$ (49,263)	12.49%	\$ (6,154)	\$ (55,417)	\$ (55,417)		\$ (55,417)	
42	Net Plant After DFT	\$ 197,693	\$ 4,955	\$ 3,861	\$ 206,509							
43	GAS INVENTORY	\$ 11,341	\$ -	\$ -	\$ 11,341	0.00%	\$ -	\$ 11,341	\$ 11,341		\$ 11,341	
44	GAIN ON SALE OF BUILDING	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -		\$ -	
45	OTHER	\$ (461)	\$ -	\$ -	\$ (461)	0.00%	\$ -	\$ (461)	\$ (461)		\$ (461)	
46	WORKING CAPITAL	\$ 4,902	\$ -	\$ -	\$ 4,902	0.00%	\$ -	\$ 4,902	\$ 4,902		\$ 4,902	
47	TOTAL RATE BASE	\$ 213,475	\$ 4,955	\$ 3,861	\$ 222,291							
48	RATE OF RETURN											4.26%
	ATTRITION ADJUSTED REVENUE REQUIREMENT											
49	Proposed Rate of Return					7.71%						7.71%
50	Net Operating Income Requirement	\$ 16,459			\$ 16,459						\$ 19,128	\$ 19,128
51	Net Operating Income per Above	\$ 12,367			\$ 12,367						\$ 10,561	\$ 10,561
52	Net Operating Income Deficiency	\$ 4,091			\$ 4,091						\$ 8,567	\$ 8,567
53	Conversion Factor	0.62088			0.62088						\$ 0.62088	\$ 0.62088
54	Revenue Requirement	\$ 6,590			\$ 6,590						\$ 13,798	\$ 13,798
55	Revenue Growth Factor										\$ 1,021,660	\$ 1,021,660
56	Attrition Adjusted Revenue Requirement											\$ 13,506

Note: (1) Included in Column [C] "Incremental Revenue Normalization Adjustment," are rate base amounts required to add back new revenue plant that was excluded from Column [B] "06-2013 Ending Balance Plant Adjustment." New revenue plant is included here in order to match plant costs with related growth revenue included in the attrition analysis above.

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2000-2012

AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
(000'S OF DOLLARS)

Commission Basis Results of Operations

Line No.	DESCRIPTION	2000 Restated Total	2001 Restated Total	2002 Restated Total	2003 Restated Total	2004 Restated Total	2005 Restated Total	2006 Restated Total	2007 Restated Total	2008 Restated Total	2009 Restated Total	2010 Restated Total	2011 Restated Total	2012 Restated Total
REVENUES														
1	Total General Business	\$ 89,522	\$ 144,574	\$ 148,580	\$ 137,031	\$ 159,265	\$ 178,724	\$ 197,821	\$ 209,186	\$ 203,727	\$ 182,706	\$ 142,370	\$ 152,457	\$ 142,048
2	Total Transportation	4,525	4,274	3,878	3,392	2,842	3,440	3,111	3,263	3,369	3,275	3,155	3,448	3,627
3	Other Revenues	2,377	2,541	2,340	2,183	2,168	30,131	2,372	68,416	153,093	84,085	115,257	98,841	68,107
4	Total Gas Revenues	96,424	151,389	154,798	142,606	164,275	212,295	203,304	280,865	360,189	270,066	260,782	254,746	213,782
EXPENSES														
Production Expenses														
5	City Gate Purchases	59,659	106,139	109,325	96,222	114,371	167,251	149,802	222,364	310,276	194,267	197,494	188,167	139,073
6	Purchased Gas Expense	(1,915)	988	1,177	1,186	369	651	653	792	(9,103)	803	800	14	130
7	Net Nat Gas Storage Trans	38	134	128	-	-	(8,407)	-	283	2	10,720	(3,322)	(4,366)	4,352
8	Total Production	57,782	107,261	110,630	97,408	114,740	159,495	150,455	223,439	301,175	205,790	194,972	183,815	143,555
Underground Storage														
9	Operating Expenses	312	322	357	342	381	450	492	451	436	403	380	585	712
10	Depreciation/Amortization	314	314	297	309	309	310	312	310	276	393	348	395	438
11	Taxes	111	108	120	118	120	115	122	95	113	121	116	19	17
12	Total Underground Storage	737	744	774	769	810	875	926	856	825	917	844	999	1,167
Distribution														
13	Operating Expenses	3,956	4,655	5,482	5,762	5,958	6,084	6,359	6,467	6,123	7,700	7,696	8,854	9,511
14	Depreciation/Amortization	4,184	4,390	4,496	4,707	4,902	5,088	5,369	5,605	5,673	6,064	6,367	6,649	6,978
15	Taxes	4,919	7,315	8,070	7,205	8,213	8,573	9,457	9,844	8,941	8,746	7,223	8,051	7,825
16	Total Distribution	13,059	16,360	18,048	17,674	19,073	19,745	21,185	21,916	20,737	22,510	21,286	23,554	24,314
17	Customer Accounting	3,175	3,367	4,108	4,121	4,337	4,249	4,225	4,487	4,692	5,586	5,234	5,740	5,796
18	Customer Service & Information	507	1,513	2,252	2,747	480	3,523	1,061	4,658	5,169	7,609	9,505	9,777	6,955
19	Sales Expenses	703	445	375	492	427	320	496	516	442	497	105	3	3
Administrative & General														
20	Operating Expenses	8,004	7,578	9,399	9,827	8,911	9,196	8,393	8,901	9,706	9,770	11,383	11,585	13,419
21	Depreciation/Amortization	1,027	1,020	1,275	1,363	1,180	1,343	1,282	1,498	1,803	1,999	2,412	2,734	3,276
22	Regulatory Amortizations	-	167	185	159	169	-	-	(815)	(242)	440	216	(186)	171
23	Taxes	22	21	23	24	24	23	24	20	17	19	24	-	(1)
24	Total Admin. & General	9,053	8,786	10,882	11,373	10,284	10,562	9,699	9,604	11,284	12,228	14,035	14,133	16,865
25	Total Gas Expense	85,016	138,476	147,069	134,584	150,151	198,769	188,047	265,476	344,324	255,137	245,981	238,021	198,655
26	OPERATING INCOME BEFORE FIT	11,408	12,913	7,729	8,022	14,124	13,526	15,257	15,389	15,865	14,929	14,801	16,725	15,127
FEDERAL INCOME TAX														
27	Current Accrual	(4,775)	(256)	6,949	651	655	(3,110)	6,693	5,010	506	2,468	(5,811)	(907)	(1,185)
28	Debt Interest	-	-	-	-	-	-	-	-	-	-	-	63	3
29	Deferred FIT	6,605	3,078	(6,302)	325	2,340	5,522	(3,072)	(1,442)	3,320	1,238	9,594	5,691	5,033
30	Amort ITC	(31)	(30)	(31)	(31)	(31)	(30)	(30)	(31)	(31)	(30)	(29)	(27)	(25)
31	NET OPERATING INCOME	\$ 9,609	\$ 10,121	\$ 7,113	\$ 7,077	\$ 11,160	\$ 11,144	\$ 11,666	\$ 11,852	\$ 12,070	\$ 11,253	\$ 11,047	\$ 11,906	\$ 11,301

Note: The Regulatory Amortizations Category has been restated in prior years to reflect consistency with the current reporting format.

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2000-2012

AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
(000S OF DOLLARS)

Commission Basis Results of Operations

Line No.	DESCRIPTION	2000 Restated Total	2001 Restated Total	2002 Restated Total	2003 Restated Total	2004 Restated Total	2005 Restated Total	2006 Restated Total	2007 Restated Total	2008 Restated Total	2009 Restated Total	2010 Restated Total	2011 Restated Total	2012 Restated Total
RATE BASE														
PLANT IN SERVICE														
32	Underground Storage	\$ 13,695	\$ 13,533	\$ 13,439	\$ 13,712	\$ 13,632	\$ 13,708	\$ 13,854	\$ 13,758	\$ 15,260	\$ 21,798	\$ 20,047	\$ 22,008	\$ 24,365
33	Distribution Plant	169,436	178,943	185,314	191,970	200,079	208,396	219,287	229,417	240,778	255,976	269,469	281,279	296,152
34	General Plant	14,347	15,060	15,368	16,112	16,499	17,878	20,791	21,708	24,256	27,747	33,401	38,971	44,809
35	Total Plant in Service	197,478	207,536	214,121	221,794	230,210	239,982	253,932	264,883	280,294	305,521	322,917	342,258	365,326
ACCUMULATED DEPRECIATION/AMORT														
36	Underground Storage	6,192	6,220	6,115	6,495	6,659	6,924	7,249	7,427	7,581	7,807	7,912	8,286	8,677
37	Distribution Plant	47,423	51,645	55,845	60,239	64,817	69,428	74,019	77,997	81,405	84,021	89,620	97,489	102,678
38	General Plant	5,661	5,695	6,442	7,446	6,984	7,208	7,230	7,136	8,309	8,882	10,722	10,926	12,186
39	Total Accumulated Depreciation/Amortization	59,276	63,560	68,402	74,180	78,460	83,560	88,498	92,560	97,295	100,710	108,254	116,701	123,541
40	NET PLANT	138,202	143,976	145,719	147,614	151,750	156,422	165,434	172,323	182,999	204,811	214,663	225,557	241,785
41	DEFERRED TAXES	(13,317)	(14,476)	(15,979)	(22,570)	(26,800)	(32,805)	(24,645)	(26,823)	(28,945)	(31,005)	(36,762)	(42,004)	(46,498)
42	Net Plant After DFIT	124,885	129,500	129,740	125,044	124,950	132,617	140,789	145,500	154,054	173,806	177,901	183,553	195,287
43	GAS INVENTORY	2,810	3,190	4,191	4,568	4,807	6,936	7,628	5,607	15,327	8,440	10,226	13,753	13,107
44	GAIN ON SALE OF BUILDING	(517)	(470)	(424)	(378)	(243)	(286)	(153)	(197)	(152)	(109)	(44)	(14)	-
45	OTHER	3,742	3,304	2,855	2,393	1,204	1,529	1,098	789	452	(1,359)	(1,163)	(1,012)	(816)
46	WORKING CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	-
47	TOTAL RATE BASE	\$ 130,920	\$ 135,524	\$ 136,362	\$ 131,627	\$ 130,718	\$ 140,796	\$ 149,362	\$ 151,699	\$ 169,681	\$ 180,778	\$ 186,920	\$ 196,280	\$ 207,578

Note: The Other (Deferred Debits and Credits) Category has been restated in prior years to reflect consistency with the current reporting format.

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2000-2012

**AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
(000'S OF DOLLARS)**

		Natural Gas Data for Escalators												
Line No.		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1	Underground Storage	312	322	357	342	381	450	492	451	436	403	380	585	712
2	Distribution	3,956	4,655	5,482	5,762	5,958	6,084	6,359	6,467	6,123	7,700	7,696	8,854	9,511
3	Customer Accounting	3,175	3,367	4,108	4,121	4,337	4,249	4,225	4,487	4,692	5,586	5,234	5,740	5,796
4	Customer Service and Information	507	1,513	2,252	2,747	480	3,523	1,061	4,658	5,169	7,609	9,505	9,777	6,955
5	Sales	703	445	375	492	427	320	496	516	442	497	105	3	3
6	Administrative and General	8,004	7,578	9,399	9,827	8,911	9,196	8,393	8,901	9,706	9,770	11,383	11,585	13,419
7	Operating expenses excluding production	16,657	17,880	21,973	23,291	20,494	23,822	21,026	25,480	26,568	31,565	34,303	36,544	36,396
8	Add Non PGA production O&M expenses	163	232	261	285	369	651	653	792	783	802	800	981	928
9	Deduct Gas Cost Rev Related Expenses	-387	-721	-744	-655	-772	-881	-1,012	-1,053	-995	-816	-533	-567	-505
10	Deduct DSM Tariff Rider Expenses	0	-955	-1,708	-2,042	0	-2,861	0	-3,861	-4,410	-6,823	-8,473	-9,014	-5,982
11	Deduct Decoupling Surcharge/Rebate Expenses	0	0	0	0	0	0	0	0	-3	-4	-3	-3	-1
12	Adjusted Operating Expenses	32,778	33,994	41,398	43,828	40,204	44,103	41,201	46,387	48,075	55,886	60,017	63,900	66,520
	Annual Percentage Change		3.71%	21.78%	5.87%	-8.27%	9.70%	-6.58%	12.59%	3.64%	16.25%	7.39%	6.47%	4.10%
	Depreciation/Amortization													
13	Underground Storage	314	314	297	309	309	310	312	310	276	393	348	395	438
14	Distribution	4,184	4,390	4,496	4,707	4,902	5,088	5,369	5,605	5,673	6,064	6,367	6,649	6,978
15	Administrative & General	1,027	1,020	1,275	1,363	1,180	1,343	1,282	1,498	1,803	1,999	2,412	2,734	3,276
16	Total Depreciation/Amortization	5,525	5,724	6,068	6,379	6,391	6,741	6,963	7,413	7,752	8,456	9,127	9,778	10,692
	Annual Percentage Change		3.60%	6.01%	5.13%	0.19%	5.48%	3.29%	6.46%	4.57%	9.08%	7.94%	7.13%	9.35%
	Exclude Adder Schedule amortizations (Decoupling Surcharge/Rebate) from Regulatory Amortizations													
17	Regulatory Amortizations	0	167	185	159	169	0	0	-815	-242	440	216	-186	171
18	Deduct Decoupling Surcharge/Rebate Expenses	0	0	0	0	0	0	0	-85	-432	-710	-494	-494	-184
19	Adjusted Regulatory Amortizations	0	167	185	159	169	0	0	-900	-674	-270	-278	-680	-13
	Exclude Gas Cost and Adder Schedule excise taxes (DSM Tariff Rider, Decoupling Surcharge/Rebate) from Taxes Other Than Income Tax													
20	Underground Storage	111	108	120	118	120	115	122	95	113	121	116	19	17
21	Distribution	4,919	7,315	8,070	7,205	8,213	8,573	9,457	9,844	8,941	8,746	7,223	8,051	7,825
22	Administrative & General	22	21	23	24	24	23	24	20	17	19	24	0	-1
23	Total Taxes Other Than Income	5,052	7,444	8,213	7,347	8,357	8,711	9,603	9,959	9,071	8,886	7,363	8,070	7,841
24	Deduct Gas Cost Excise Tax	-2,304	-4,287	-4,425	-3,899	-4,592	-5,240	-6,014	-6,261	-5,917	-4,858	-3,171	-3,374	-3,003
25	Deduct DSM Tariff Rider Excise Tax	0	-38	-68	-81	0	-114	0	-154	-176	-272	-338	-359	-239
26	Deduct Decoupling Surcharge/Rebate Excise Tax	0	0	0	0	0	0	0	-3	-17	-28	-20	-20	-7
27	Adjusted Taxes Other Than Income	2,748	3,119	3,720	3,367	3,765	3,357	3,589	3,541	2,961	3,728	3,834	4,317	4,592
	Annual Percentage Change		13.50%	19.27%	-9.49%	11.82%	-10.84%	6.91%	-1.34%	-16.38%	25.90%	2.84%	12.59%	6.38%
28	Net Plant After Deferred Income Tax	124,885	129,500	129,740	125,044	124,950	132,617	140,789	145,500	154,054	173,806	177,901	183,553	195,287
	Annual Percentage Change		3.70%	0.19%	-3.62%	-0.08%	6.14%	6.16%	3.35%	5.88%	12.82%	2.36%	3.18%	6.39%
29	Total Rate Base	130,920	135,524	136,362	131,627	130,718	140,796	149,362	151,699	169,681	180,778	186,920	196,280	207,578
	Exclude Gas Cost Deferral related and JP Storage non-recurring revenues from Other Operating Revenue													
30	Other Operating Revenue	2,377	2,541	2,340	2,183	2,168	30,131	2,372	68,416	153,093	84,085	115,257	98,841	68,107
31	Deduct Gas Cost Deferral related revenues	-242	-244	-144	0	-28,334	0	-66,686	-153,018	-83,992	-115,193	-98,794	-67,822	-67,822
32	Deduct JP Storage allocated revenue (ended 2007)	-2,130	-2,289	-2,187	-2,174	-2,156	-1,723	-2,361	-1,717	0	0	0	0	0
33	Adjusted Other Operating Revenue	5	8	9	9	12	74	11	13	75	93	64	47	285
	Annual Percentage Change		60.00%	12.50%	0.00%	33.33%	516.67%	-85.14%	18.18%	476.92%	24.00%	-31.18%	-26.56%	506.38%

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2000-2012

AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
ANNUAL AND COMPOUND GROWTH RATES

Natural Gas Growth Rate Analysis and Escalation Factor Calculation

Line No.	Annual Growth Rates	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
1	Adjusted operating expenses	3.71%	21.78%	5.87%	-8.27%	9.70%	-6.58%	12.59%	3.64%	16.25%	7.39%	6.47%	4.10%
2	Adjusted depreciation/amortization	3.60%	6.01%	5.13%	0.19%	5.48%	3.29%	6.46%	4.57%	9.08%	7.94%	7.13%	9.35%
3	Adjusted taxes other than income	13.50%	19.27%	-9.49%	11.82%	-10.84%	6.91%	-1.34%	-16.38%	25.90%	2.84%	12.59%	6.38%
4	Net Plant After DFIT	3.70%	0.19%	-3.62%	-0.08%	6.14%	6.16%	3.35%	5.88%	12.82%	2.36%	3.18%	6.39%
5	Rate base	3.52%	0.62%	-3.47%	-0.69%	7.71%	6.08%	1.56%	11.85%	6.54%	3.40%	5.01%	5.76%
6	Adjusted Other Revenue	Not used due to de minimis values that resulted in extraordinary variability											

Compound Growth Rates to 2012

Line No.	Compound Growth Rates to 2012	2000-2012	2001-2012	2002-2012	2003-2012	2004-2012	2005-2012	2006-2012	2007-2012	2008-2012	2009-2012	2010-2012	2011-2012
7	Adjusted operating expenses	6.08%	6.29%	4.86%	4.75%	6.50%	6.05%	8.31%	7.48%	8.46%	5.98%	5.28%	4.10%
7A	Alternative Operating Expense Factor								4.00%				
9	Adjusted depreciation/amortization	5.66%	5.84%	5.83%	5.91%	6.64%	6.81%	7.41%	7.60%	8.37%	8.13%	8.23%	9.35%
10	Adjusted taxes other than income	4.37%	3.58%	2.13%	3.51%	2.51%	4.58%	4.19%	5.34%	11.59%	7.20%	9.44%	6.38%
11	Net Plant After DFIT	3.80%	3.81%	4.17%	5.08%	5.74%	5.68%	5.60%	6.06%	6.11%	3.96%	4.77%	6.39%
12	Rate base	3.92%	3.95%	4.29%	5.19%	5.95%	5.70%	5.64%	6.47%	5.17%	4.72%	5.38%	5.76%
13	Adjusted Other Revenue	Not used due to de minimis values that resulted in extraordinary variability											

Escalation Factor

Line No.	Escalation Factor	2000-2012	2001-2012	2002-2012	2003-2012	2004-2012	2005-2012	2006-2012	2007-2012	2008-2012	2009-2012	2010-2012	2011-2012
14	Adjusted operating expenses	15.89%	16.48%	12.59%	12.29%	17.04%	15.81%	22.09%	19.75%	22.50%	15.62%	13.72%	10.57%
14A	Alternative Operating Expense Factor								10.30%				
16	Adjusted depreciation/amortization	11.63%	12.03%	12.00%	12.16%	13.73%	14.09%	15.37%	15.78%	17.44%	16.93%	17.15%	19.57%
17	Adjusted taxes other than income	8.93%	7.29%	4.30%	7.14%	5.09%	9.36%	8.56%	10.96%	24.53%	14.91%	19.77%	13.16%
18	Net Plant After DFIT	7.74%	7.75%	8.52%	10.41%	11.81%	11.69%	11.52%	12.49%	12.59%	8.08%	9.77%	13.19%
19	Rate base	7.98%	8.06%	8.77%	10.65%	12.26%	11.73%	11.60%	13.37%	10.60%	9.65%	11.05%	11.84%
20	Adjusted Other Revenue	Not used due to de minimis values that resulted in extraordinary variability											

**BILLING DETERMINANT INDEX
2013 TO 2015 WEIGHTED REVENUE GROWTH**

Line No.	Description A	Schedule B	Billing Determinant C	Revenue Model June 2013 D	Forecast 2015 E	Billing Determinant Growth F=(E-D)/D	Revenue June 2013 G	Weight H=G/SUM G	Weighted Growth I=FxH
1	General Svc	101	Basic/Min	1,768,267	1,802,235	1.92%	\$14,146,136	9.76%	0.19%
2	Lrg Gen Svc	111/112	Basic/Min	29,797	30,276	1.61%	\$4,754,707	3.28%	0.05%
3	Ex Lrg Gen Svc	121/122	Basic/Min	336	329	-2.08%	\$136,282	0.09%	0.00%
4	Interruptible Svc	131/132	Basic/Min	24	24	0.00%	\$0	0.00%	0.00%
5	General Svc	101	Volumes	114,766,242	117,011,207	1.96%	\$92,807,972	64.05%	1.25%
6	Lrg Gen Svc	111/112	Volumes	45,312,560	46,256,893	2.08%	\$28,733,641	19.83%	0.41%
7	Ex Lrg Gen Svc	121/122	Volumes	5,674,290	5,940,558	4.69%	\$3,591,549	2.48%	0.12%
8	Interruptible Svc	131/132	Volumes	1,223,438	1,288,220	5.30%	\$724,280	0.50%	0.03%
9	Total			166,976,530	170,496,879		\$144,894,567	100.00%	2.05%
10	Transportation Svc	146	Basic/Min	456	501	9.91%	\$182,400	4.83%	0.48%
11	Special Contract	148	Basic/Min	60	70	16.18%	\$325,584	8.62%	1.40%
12	Transportation Svc	146	Volumes	28,756,108	31,023,878	7.89%	\$2,050,162	54.29%	4.28%
13	Special Contract	148	Volumes	45,681,404	46,142,216	1.01%	\$1,218,215	32.26%	0.33%
14	Total			74,437,512	77,166,094		\$3,776,361	100.00%	6.48%
15	General Svc	101	Total Revenue				\$106,954,108		
16	Lrg Gen Svc	111/112	Total Revenue				\$33,488,348		
17	Ex Lrg Gen Svc	121/122	Total Revenue				\$3,727,831		
18	Interruptible Svc	131/132	Total Revenue				\$724,280		
19	Transportation Svc	146	Total Revenue				\$2,232,562		
20	Special Contract	148	Total Revenue				\$1,543,799		
21	Total						\$148,670,928		

Change in Purchased Gas Cost		June 2013	2015	Increase (Decrease)	Gas Costs Per Therm
22	General Svc	114,766,242	117,011,207	2,244,965	\$0.47578
23	Lrg Gen Svc	45,312,560	46,256,893	944,333	\$0.47321
24	Ex Lrg Gen Svc	5,674,290	5,940,558	266,268	\$0.45329
25	Interruptible Svc	1,223,438	1,288,220	64,782	\$0.42946
26	Total	166,976,530	170,496,879	3,520,349	
27	Transp	28,756,108	31,023,878	2,267,770	\$0.00054
28	Spec Cont Trans	45,681,404	46,142,216	460,812	\$0.00000
29	Total	74,437,512	77,166,094	2,728,582	\$1,664,720