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August 29, 2012

State of Washington  
Washington Utilities & Transportation Commission  
1300 S. Evergreen Park Drive  
Olympia, Washington 98504-8002

Attention: Mr. David Danner, Executive Director and Secretary

**RE: WN U-29 – Natural Gas Service**  
**Avista's Proposed Natural Gas Decoupling Rate Adjustment**

Enclosed for filing with the Commission is a copy of the following proposed tariff sheet:

**Ninth Revision Sheet 159 canceling Eighth Revision Sheet 159**

This tariff sheet reflects the proposed Natural Gas Decoupling Rate Adjustment, filed in compliance with the Commission's Order No. 10 in Docket No. UE-090134/UG-090135/UG-060518 (consolidated). This filing reflects the deferral balance for the period July 1, 2011 through June 30, 2012.

The decoupling mechanism allows the Company to: 1) defer 45% of the margin lost due to lower customer natural gas usage since the Company's last general case, and 2) file a tariff to recover up to the total deferred amount through a surcharge under the proposed tariff. The proposed tariff sheet reflects a rate of (\$0.00004) per therm, which is a *decrease* of \$0.00241 per therm compared to the present decoupling rate adjustment of \$0.00237 per therm, or a decrease of 0.3% applicable to natural gas customers taking service under rate Schedule 101. This tariff sheet is proposed to become effective November 1, 2012, coincident with the proposed effective date of the Company's Purchased Gas Adjustment (PGA), which will be filed by mid-September.

**Surcharge/Rebate Calculation**

The total deferral net rebate calculated for the July 2011 through June 2012 decoupling period is \$4,736. There are two components that make up the final rebate amount. The first component is a rebate of \$6,676, which is the recorded deferred revenue for the period July 2011 – June 2012 (45% of the lost margin). The second component of total deferral rebate is the inclusion of the prior period surcharge rollover balance of \$1,940. The combination of the current period rebate of \$6,676 and the surcharge of \$1,940 for unamortized prior period deferrals results in the final rebate amount of \$4,736. The workpapers supporting the lost margin and deferred revenue are provided in Exhibit 1. Exhibit 2 shows the derivation of the proposed rate of (\$0.00004).

Earnings Test and DSM Test

A condition of the rate adjustment is the Earnings Test. That test states that the rate of return for the Company's Washington natural gas operations cannot exceed the level authorized by the Commission. The DSM test is based on the Company's actual level of completed programmatic natural gas DSM savings (verified by independent audit) for the prior calendar year compared to its targeted level of savings set forth in its most recently acknowledged (2009) Integrated Resource Plan (IRP).

The Earnings Test and the DSM Test for this filing are not applicable, as the recorded deferred revenue for the period of July 2011 through June 2012 results in a rebate of \$6,676. The Earnings Test and the DSM Test are applicable only when the Company is in a surcharge position.

Summary

The Company is proposing to set the Natural Gas Decoupling Rate at (\$0.00004) under Schedule 159, and is proposing that the rate become effective November 1, 2012 simultaneous with the Company's annual PGA rate change. The average residential or small commercial customer using 67 therms per month will see a decrease of \$0.16 per month, or approximately 0.3%. The present bill for 67 therms is \$59.95 while the proposed bill is \$59.79. Notice to customers regarding the proposed decoupling rate adjustment, as well as the proposed PGA adjustment, will be provided in a bill insert, when the Company makes its PGA filing.

If you have any questions regarding this filing, please call me at 509-495-8620.

Sincerely,

A handwritten signature in black ink that reads "Patrick Ehrbar". The signature is written in a cursive style with a long horizontal flourish at the end.

Patrick Ehrbar  
Manager, Rates & Tariffs

Enc.

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the Avista Natural Gas Decoupling Rate Adjustment filing upon the parties listed below by mailing a copy thereof, postage prepaid.

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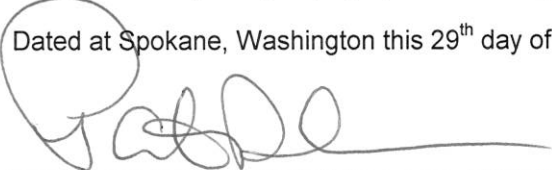
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I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 29<sup>th</sup> day of August, 2012.



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Patrick Ehrbar  
State & Federal Regulation

**EXHIBIT 1**

**LOST MARGIN/DEFERRED REVENUE CALCULATION**

**JULY 2011 – JUNE 2012**

**DEFERRAL CALCULATION for DECOUPLING FISCAL PERIOD  
JULY 2011 THROUGH JUNE 2012**

**AVISTA UTILITIES**

Washington - Gas

Approved Decoupling Mechanism per Order No. 10 Docket No. UG-090135

July 2011 through December 2011 compared to 12 ME December 2009 Test Year - UG-100468 rates

January 2012 through June 2012 compared to 12 ME December 2010 Test Year - UG-110877 rates

Adjusted for Actual New Customer Usage and Schedule Shifting

Period July 2011 - June 2012

	2011 <u>July</u>	2011 <u>August</u>	2011 <u>September</u>	2011 <u>October</u>	2011 <u>November</u>	2011 <u>December</u>	2012 <u>January</u>	2012 <u>February</u>	2012 <u>March</u>	2012 <u>April</u>	2012 <u>May</u>	2012 <u>June</u>	Period to Date <u>Total</u>
<b>12 Months Ended June 2012 Actual</b>													
<b>Schedule 101</b>													
Schedule 101 Billed Therms	2,994,883	2,297,477	2,203,697	3,443,780	9,785,451	17,742,907	19,159,880	18,497,044	16,479,012	12,880,191	7,048,243	4,464,819	116,997,384
<b>Deduct New Customer Usage(1)</b>	<b>(49,759)</b>	<b>(34,107)</b>	<b>(30,476)</b>	<b>(54,227)</b>	<b>(177,501)</b>	<b>(344,503)</b>	<b>(391,409)</b>	<b>(374,597)</b>	<b>(313,338)</b>	<b>(241,626)</b>	<b>(128,096)</b>	<b>(76,868)</b>	<b>(2,216,507)</b>
<b>Schedule Shifting Adjustment (2)</b>	<b>26,551</b>	<b>32,412</b>	<b>35,901</b>	<b>57,052</b>	<b>97,309</b>	<b>138,807</b>	<b>173,989</b>	<b>106,583</b>	<b>88,555</b>	<b>97,953</b>	<b>82,636</b>	<b>79,663</b>	<b>1,017,411</b>
Deduct Prior Month Unbilled Therms	(2,686,086)	(1,938,225)	(1,753,255)	(2,017,341)	(5,387,066)	(11,014,159)	(13,692,992)	(14,146,354)	(12,498,564)	(10,065,833)	(5,191,177)	(3,275,329)	(83,666,381)
Add Current Month Unbilled Therms	1,938,225	1,753,255	2,017,341	5,387,066	11,014,159	13,692,992	14,146,354	12,498,564	10,065,833	5,191,177	3,275,329	2,262,676	83,242,971
Add Weather Adjustment	-	-	-	325,160	(13,596)	632,794	465,034	(378,738)	(602,381)	824,008	(279,491)	(512,151)	460,639
Weather Adj Calendar Therms	2,223,814	2,110,812	2,473,208	7,141,490	15,318,756	20,848,838	19,860,856	16,202,502	13,219,117	8,685,870	4,807,444	2,942,810	115,835,517
Weather Adj Calendar Therms	2,223,814	2,110,812	2,473,208	7,141,490	15,318,756	20,848,838	19,860,856	16,202,502	13,219,117	8,685,870	4,807,444	2,942,810	115,835,517
Less Test Year Therms	2,139,181	2,250,396	2,694,230	7,654,861	13,811,030	21,404,351	20,646,199	16,093,346	12,720,921	9,227,091	4,357,280	2,772,711	115,771,597
Therm Difference	84,633	(139,584)	(221,022)	(513,371)	1,507,726	(555,513)	(785,343)	109,156	498,196	(541,221)	450,164	170,099	63,920
Times Current Margin Rate per Therm	<u>0.27088</u>	<u>0.27088</u>	<u>0.27088</u>	<u>0.27088</u>	<u>0.27088</u>	<u>0.27088</u>	<u>0.29592</u>	<u>0.29592</u>	<u>0.29592</u>	<u>0.29592</u>	<u>0.29592</u>	<u>0.29592</u>	<u>0.29592</u>
<b>Revenue Excess (Shortfall)</b>	<b>\$22,925</b>	<b>(\$37,810)</b>	<b>(\$59,870)</b>	<b>(\$139,061)</b>	<b>\$408,410</b>	<b>(\$150,476)</b>	<b>(\$232,396)</b>	<b>\$32,301</b>	<b>\$147,425</b>	<b>(\$160,156)</b>	<b>\$133,211</b>	<b>\$50,335</b>	<b>\$14,837</b>
45% Limitation	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	
<b>Deferred Revenue Account Entry</b>	<b>\$10,316</b>	<b>(\$17,015)</b>	<b>(\$26,942)</b>	<b>(\$62,578)</b>	<b>\$183,785</b>	<b>(\$67,714)</b>	<b>(\$104,578)</b>	<b>\$14,535</b>	<b>\$66,341</b>	<b>(\$72,070)</b>	<b>\$59,945</b>	<b>\$22,651</b>	<b>\$6,676</b>
<b>407328 or (407428)</b>													

(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.

## DEFERRAL CALCULATION for DECOUPLING FISCAL PERIOD JULY 2011 THROUGH JUNE 2012

### Weather Normalization and Unbilled Calculation July 2011 through December 2011 (with 2009 test year base)

**2009 Test Year Factors, 2011 -2012 Actual Weather and Unbilled  
12 Months Ended December 2009 Test Year Monthly Data**

**Weather Normalization**

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total
Normal Degree Days (30 Year Average 1980 - 2009)	1,120	913	776	542	323	143	35	34	185	540	889	1,157	6,657
Actual Degree Days	1,120	913	776	542	323	143	40	8	99	516	890	1,118	6,488
<b>Degree Day Adjustment (1,7)</b>	-	-	-	-	-	-	(5)	26	86	24	(1)	39	169
<b>Monthly Use/DD/Cust(7)</b>													
Res 101	0.1002	0.1002	0.1002	0.0877	0.0877	0.0877	0.0000	0.0000	0.0000	0.0877	0.0877	0.1002	
Com 101	0.2467	0.2467	0.2467	0.1670	0.1670	0.1670	0.0000	0.0000	0.0000	0.1670	0.1670	0.2467	
Ind 101	0.4266	0.4266	0.4266	0.2961	0.2961	0.2961	0.0000	0.0000	0.0000	0.2961	0.2961	0.4266	

**Sch. 101**

Res 101	-	-	-	-	-	-	-	-	-	277,223	(11,589)	517,428	783,062
Com 101	-	-	-	-	-	-	-	-	-	47,326	(1,982)	113,935	159,279
Ind 101	-	-	-	-	-	-	-	-	-	611	(25)	1,431	2,017
<b>Total 101</b>	-	-	-	-	-	-	-	-	-	325,160	(13,596)	632,794	944,358

**Test Year Revenue Run Customers (Meters Billed)**

Class	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Annual Total
Residential 101 01 (8)	131,823	131,816	131,750	131,579	131,420	131,217	131,144	131,208	131,483	131,710	132,145	132,409	1,579,704
Commercial 101 21 (8)	11,811	11,804	11,787	11,774	11,768	11,773	11,757	11,776	11,805	11,808	11,866	11,842	141,571
Industrial 101 31 (8)	86	88	86	83	85	85	85	86	87	86	83	86	1,026
Interdepartmental 101 80 (8)	27	26	26	26	26	26	26	26	26	26	26	26	313
<b>Total</b>	143,747	143,734	143,649	143,462	143,299	143,101	143,012	143,096	143,401	143,630	144,120	144,363	1,722,614

**Current Monthly Unbilled Calculation**

	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
Unbilled Sch 101 per Books	2,725,410	1,968,733	1,782,575	2,045,955	5,466,092	11,177,935	13,906,881						
Rev Run Customers (Meters Billed)	145,196	145,263	145,489	145,435	145,737	146,263	146,618	1	1	1	1	1	1
Average Unbilled per Customer	18.77	13.55	12.25	14.07	37.51	76.42	94.85	-	-	-	-	-	-
Test Year Customer Current Unbille	2,686,086	1,938,225	1,753,255	2,017,341	5,387,066	11,014,159	13,692,992	-	-	-	-	-	-

**DEFERRAL CALCULATION for DECOUPLING FISCAL PERIOD  
JULY 2011 THROUGH JUNE 2012**

**Weather Normalization and Unbilled Calculation  
January 2012 through June 2012 (with 2010 test year base)**

**2010 Test Year Factors, 2011 -2012 Actual Weather and Unbilled  
12 Months Ended December 2010 Test Year Monthly Data**

**Weather Normalization**

	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</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>
Normal Degree Days (30 Year Average 1981 - 2010)	1,105	908	774	547	327	142	35	34	185	548	882	1,168	6,655
Actual Degree Days	1,078	930	809	494	345	175	35	34	185	548	882	1,168	6,683
<b>Degree Day Adjustment</b>	27	(22)	(35)	53	(18)	(33)	-	-	-	-	-	-	(28)
	<u>Monthly</u>												
Res 101	<u>Use/DD/Cust</u> 0.1066	0.1066	0.1066	0.0965	0.0965	0.0965	0.0000	0.0000	0.0000	0.0965	0.0965	0.1066	
Com 101	<u>Use/DD/Cust</u> 0.2569	0.2569	0.2569	0.2302	0.2302	0.2302	0.0000	0.0000	0.0000	0.2302	0.2302	0.2569	
Ind 101	<u>Use/DD/Cust</u> 0.4329	0.4329	0.4329	0.3512	0.3512	0.3512	0.0000	0.0000	0.0000	0.3512	0.3512	0.4329	

**Sch. 101**

Res 101	381,505	(310,694)	(494,178)	676,909	(229,678)	(420,774)	-	-	-	-	-	-	(396,910)
Com 101	82,500	(67,234)	(106,945)	145,517	(49,288)	(90,392)	-	-	-	-	-	-	(85,842)
Ind 101	1,029	(810)	(1,258)	1,582	(525)	(985)	-	-	-	-	-	-	(967)
<b>Total 101</b>	465,034	(378,738)	(602,381)	824,008	(279,491)	(512,151)	-	-	-	-	-	-	(483,719)

**Test Year Revenue Run Customers (Meters Billed)**

Class	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Annual Total</u>
Residential 101	01 132,550	132,481	132,452	132,351	132,227	132,132	132,233	132,638	132,775	132,984	133,302	133,761	1,591,886
Commercial 101	21 11,894	11,896	11,894	11,927	11,895	11,899	11,900	11,900	11,901	11,881	11,924	11,965	142,876
Industrial 101	31 88	85	83	85	83	85	84	84	85	84	84	83	1,013
Interdepartmental 101	80 26	27	27	27	27	27	27	27	27	27	28	28	325
<b>Total</b>	144,558	144,489	144,456	144,390	144,232	144,143	144,244	144,649	144,788	144,976	145,338	145,837	1,736,100

**Current Monthly Unbilled Calculation**

	<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>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>
Unbilled Sch 101 per Books							13,906,881	14,359,394	12,678,315	10,213,348	5,271,351	3,326,923	2,297,148
Rev Run Customers (Meters Billed)	1	1	1	1	1	1	146,618	146,735	146,567	146,573	146,620	146,504	146,339
Average Unbilled per Customer	-	-	-	-	-	-	94.85	97.86	86.50	69.68	35.95	22.71	15.70
Test Year Customer Current Unbille	-	-	-	-	-	-	13,692,992	14,146,354	12,498,564	10,065,833	5,191,177	3,275,329	2,262,676

## TEST YEAR BASE July through December 2011

Avista Utilities  
 Washington - Gas - Test Year Calculations for Decoupling  
 12 Months Ended December 2009 - Docket No. UG-100468

### 12 MONTHS ENDED DECEMBER 2009 TEST YEAR BASE Settlement Docket No. UG-100468

<u>Schedule 101</u>	<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>
<b>Therms</b>														
Usage from Revenue Run(2)	124,216,208	124,216,208	24,885,757	21,106,338	17,754,612	12,666,299	7,615,545	3,714,717	2,373,945	2,111,270	2,274,191	4,129,665	9,700,573	15,883,296
Ded: Prior Mo. Unbilled(2)	(15,919,236)	(80,466,703)	(15,919,236)	(13,556,027)	(9,801,943)	(9,117,730)	(5,222,312)	(2,486,077)	(1,639,848)	(1,405,084)	(1,544,210)	(1,964,249)	(7,223,636)	(10,586,351)
Add: Current Mo. Unbilled(2)	17,648,827	82,196,294	13,556,027	9,801,943	9,117,730	5,222,312	2,486,077	1,639,848	1,405,084	1,544,210	1,964,249	7,223,636	10,586,351	17,648,827
Add: Weather Adjustment(2)	(6,829,575)	(6,829,575)	(1,357,367)	(710,932)	(2,583,342)	(595,333)	270,319	674,950	-	-	-	(1,734,191)	747,742	(1,541,421)
Test Year Monthly Therms	119,116,224	119,116,224	21,165,181	16,641,322	14,487,057	8,175,548	5,149,629	3,543,438	2,139,181	2,250,396	2,694,230	7,654,861	13,811,030	21,404,351

**Customers / Billings**

Test Yr Customers/Billings(2)	1,722,614	1,722,614	143,747	143,734	143,649	143,462	143,299	143,101	143,012	143,096	143,401	143,630	144,120	144,363
Test Year Average Use/Cust		69	147	116	101	57	36	25	15	16	19	53	96	148

	Schedule 101
Sch 101 Base Rate/therm(3)	\$0.89276
Times: 1 minus Revenue Related Items (4)	0.955843
Revenue prior to gross up	\$0.85334
Less: Weighted Average Gas Cost/therm(5)	\$0.58246
<b>Margin Rate/therm</b>	<b>\$0.27088</b>

- (1) From Ehrbar workpapers in Docket No. UG-100468 PDE-G -1, PDE-G-16, and PDE-G-17
- (2) From Monthly Data below
- (3) From Docket No. UG-100468 Settlement Stipulation Appendix 4, page 5
- (4) From Docket No. UG-100468 Andrews Exhibit EMA-3, page 4, line 7
- (5) From Schedule 156 purchased gas cost per therm rate (15th revision sheet effective 11/1/2009)



## TEST YEAR BASE July through December 2011

Avista Utilities  
 Washington - Gas - Test Year Calculations for Decoupling  
 12 Months Ended December 2009 - Docket No. UG-100468

### 12 MONTHS ENDED DECEMBER 2009 TEST YEAR BASE UG-100468 Weather Normalization and Unbilled Calculation

**12 Months Ended December 2009 Monthly Data**

Revenue Run Therms			Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Total 101 (6)			24,885,757	21,106,338	17,754,612	12,666,299	7,615,545	3,714,717	2,373,945	2,111,270	2,274,191	4,129,665	9,700,573	15,883,296	124,216,208
Weather Normalization			Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Normal Degree Days (30 Year Average 1980 - 2009)			1,120	913	776	542	323	143	35	34	185	540	889	1,157	6,657
Actual Degree Days			1,204	957	936	586	303	93	17	23	103	668	834	1,252	6,976
Degree Day Adjustment (1,7)			(84)	(44)	(160)	(44)	20	50	18	11	82	(128)	55	(95)	(319)
Monthly Use/DD/Cust(7)			Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Res 101	Use/DD/Cust(7)		0.1002	0.1002	0.1002	0.0877	0.0877	0.0877	0.0000	0.0000	0.0000	0.0877	0.0877	0.1002	
Com 101	Use/DD/Cust(7)		0.2467	0.2467	0.2467	0.1670	0.1670	0.1670	0.0000	0.0000	0.0000	0.1670	0.1670	0.2467	
Ind 101	Use/DD/Cust(7)		0.4266	0.4266	0.4266	0.2961	0.2961	0.2961	0.0000	0.0000	0.0000	0.2961	0.2961	0.4266	
Sch. 101			Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Res 101			(1,109,528)	(581,150)	(2,112,216)	(507,737)	230,511	575,387	-	-	-	(1,478,524)	637,401	(1,260,401)	(5,606,257)
Com 101			(244,757)	(128,130)	(465,256)	(86,515)	39,305	98,305	-	-	-	(252,408)	108,989	(277,535)	(1,208,002)
Ind 101			(3,082)	(1,652)	(5,870)	(1,081)	503	1,258	-	-	-	(3,259)	1,352	(3,485)	(15,316)
Total 101			(1,357,367)	(710,932)	(2,583,342)	(595,333)	270,319	674,950	-	-	-	(1,734,191)	747,742	(1,541,421)	(6,829,575)
Revenue Run Customers (Meters Billed)			Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Annual Total
Residential 101	01	(8)	131,823	131,816	131,750	131,579	131,420	131,217	131,144	131,208	131,483	131,710	132,145	132,409	1,579,704
Commercial 101	21	(8)	11,811	11,804	11,787	11,774	11,768	11,773	11,757	11,776	11,805	11,808	11,866	11,842	141,571
Industrial 101	31	(8)	86	88	86	83	85	85	85	86	87	86	83	86	1,026
Interdepartmental 101	80	(8)	27	26	26	26	26	26	26	26	26	26	26	26	313
Total			143,747	143,734	143,649	143,462	143,299	143,101	143,012	143,096	143,401	143,630	144,120	144,363	1,722,614
Monthly Unbilled Calculation			Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
WA101 (9)			15,919,236	13,556,027	9,801,943	9,117,730	5,222,312	2,486,077	1,639,848	1,405,084	1,544,210	1,964,249	7,223,636	10,586,351	17,648,827

(6) From Knox workpapers in Docket No. UG-100468, TLK-R-120  
 (7) From Knox workpapers in Docket No. UG-100468, TLK-R-53  
 (8) From Knox workpapers in Docket No. UG-100468, TLK-R-23  
 (9) From Knox workpapers in Docket No. UG-100468, TLK-R-6 with monthly columns expanded

## TEST YEAR BASE January through June 2012

Avista Utilities  
 Washington - Gas - Test Year Calculations for Decoupling  
 12 Months Ended December 2010 - Docket No. UG-110877

### 12 MONTHS ENDED DECEMBER 2010 TEST YEAR BASE Settlement Docket No. UG-110877

<u>Schedule 101</u>	<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>
<b>Therms</b>														
Usage from Revenue Run(2)	114,318,036	114,318,036	20,975,430	15,686,649	13,792,342	12,118,647	8,026,903	5,208,692	3,313,811	2,388,155	2,436,473	3,588,712	8,096,570	18,685,652
Ded: Prior Mo. Unbilled(2)	(17,350,672)	(90,481,660)	(17,350,672)	(13,817,871)	(11,521,757)	(9,744,690)	(6,713,208)	(4,487,622)	(2,796,588)	(1,968,283)	(1,872,445)	(2,236,801)	(5,232,198)	(12,739,525)
Add: Current Mo. Unbilled(2)	14,293,952	87,424,940	13,817,871	11,521,757	9,744,690	6,713,208	4,487,622	2,796,588	1,968,283	1,872,445	2,236,801	5,232,198	12,739,525	14,293,952
Add: Weather Adjustment(2)	5,966,808	5,966,808	3,203,570	2,702,811	705,646	139,926	(1,444,037)	(744,947)	-	-	-	1,185,407	(1,032,111)	1,250,543
Test Year Monthly Therms	117,228,124	117,228,124	20,646,199	16,093,346	12,720,921	9,227,091	4,357,280	2,772,711	2,485,506	2,292,317	2,800,829	7,769,516	14,571,786	21,490,622

**Customers / Billings**

Test Yr Customers/Billings(2)	1,736,100	1,736,100	144,558	144,489	144,456	144,390	144,232	144,143	144,244	144,649	144,788	144,976	145,338	145,837
Test Year Average Use/Cust		68	143	111	88	64	30	19	17	16	19	54	100	147

	Schedule 101
Sch 101 Base Rate/therm(3)	\$0.89511
Times: 1 minus Revenue Related Items (4)	0.956002
Revenue prior to gross up	\$0.85573
Less: Weighted Average Gas Cost/therm(5)	\$0.55981
<b>Margin Rate/therm</b>	<b>\$0.29592</b>

- (1) From Ehrbar workpapers in Docket No. UG-110877 PDE-G -1, PDE-G-3, PDE-G-14, and PDE-G-16
- (2) From Monthly Data below
- (3) From Docket No. UG-110877 Settlement Appendix 3, page 6 Schedule 101 base per therm rate
- (4) From Docket No. UG-110877 Andrews Exhibit No. \_\_\_\_ (EMA-3), page 4, line 7
- (5) From Docket No. UG-110877 Ehrbar Exhibit No. \_\_\_\_ (PDE-6) proposed Tenth Revision Sheet 150, weighted average gas cost

## TEST YEAR BASE January through June 2012

Avista Utilities  
Washington - Gas - Test Year Calculations for Decoupling  
12 Months Ended December 2010 - Docket No. UG-110877

### 12 MONTHS ENDED DECEMBER 2010 TEST YEAR BASE UG-110877 Weather Normalization and Unbilled Calculation

**12 Months Ended December 2010 Monthly Data**

Revenue Run Therms	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total
Total 101 (6)	20,975,430	15,686,649	13,792,342	12,118,647	8,026,903	5,208,692	3,313,811	2,388,155	2,436,473	3,588,712	8,096,570	18,685,652	114,318,036

**Weather Normalization**

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total
Normal Degree Days (30 Year Average 1981 - 2010)	1,105	908	774	547	327	142	35	34	185	548	882	1,168	6,655
Actual Degree Days	919	751	733	538	420	190	48	47	158	472	948	1,096	6,320
Degree Day Adjustment (7)	186	157	41	9	(93)	(48)	(13)	(13)	27	76	(66)	72	335
	<u>Monthly</u>												
Res 101	<u>Use/DD/Cust(7)</u>	0.1066	0.1066	0.1066	0.0965	0.0965	0.0965	0.0000	0.0000	0.0000	0.0965	0.0965	0.1066
Com 101	<u>Use/DD/Cust(7)</u>	0.2569	0.2569	0.2569	0.2302	0.2302	0.2302	0.0000	0.0000	0.0000	0.2302	0.2302	0.2569
Ind 101	<u>Use/DD/Cust(7)</u>	0.4329	0.4329	0.4329	0.3512	0.3512	0.3512	0.0000	0.0000	0.0000	0.3512	0.3512	0.4329

**Sch. 101**

Res 101	2,628,148	2,217,229	578,895	114,947	(1,186,671)	(612,035)	-	-	-	975,305	(849,000)	1,026,642	4,893,460
Com 101	568,336	479,805	125,278	24,710	(254,655)	(131,479)	-	-	-	207,860	(181,164)	221,314	1,060,005
Ind 101	7,086	5,777	1,473	269	(2,711)	(1,433)	-	-	-	2,242	(1,947)	2,587	13,343
Total 101	3,203,570	2,702,811	705,646	139,926	(1,444,037)	(744,947)	-	-	-	1,185,407	(1,032,111)	1,250,543	5,966,808

**Revenue Run Customers (Meters Billed)**

Class	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Annual Total
Residential 101 01 (8)	132,550	132,481	132,452	132,351	132,227	132,132	132,233	132,638	132,775	132,984	133,302	133,761	1,591,886
Commercial 101 21 (8)	11,894	11,896	11,894	11,927	11,895	11,899	11,900	11,900	11,901	11,881	11,924	11,965	142,876
Industrial 101 31 (8)	88	85	83	85	83	85	84	84	85	84	84	83	1,013
Interdepartmental 101 80 (8)	26	27	27	27	27	27	27	27	27	27	28	28	325
Total	144,558	144,489	144,456	144,390	144,232	144,143	144,244	144,649	144,788	144,976	145,338	145,837	1,736,100

**Monthly Unbilled Calculation**

	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
WA101 (9)	17,350,672	13,817,871	11,521,757	9,744,690	6,713,208	4,487,622	2,796,588	1,968,283	1,872,445	2,236,801	5,232,198	12,739,525	14,293,952

(6) From Knox Revenue Normalization workpapers in Docket No. UG-110877, TLK-R-22

(7) From Knox Revenue Normalization workpapers in Docket No. UG-110877, TLK-R-27 also shown in Ehrbar workpapers PDE-G-15

(8) From Knox Revenue Normalization workpapers in Docket No. UG-110877, TLK-R-29

(9) From Knox Revenue Normalization workpapers in Docket No. UG-110877, TLK-R-25 also shown in Ehrbar workpapers PDE-G-14

## PRIOR SURCHARGE ROLLOVER BALANCE CALCULATION

Avista Utilities Calculation of Decoupling Surcharge/Amortization Rate Effective November 1, 2011 - October 31, 2012			Avista Utilities Decoupling Surcharge/Amortization Actual Effective November 1, 2011 - October 31, 2012				Actual Forecast	Difference from Forecast
Unamortized Balance(1)	Interest(2)	Forecast Sch. 101 Use	Deferral Balance(5)	Amortization	Interest	Actual Interest Rates	Sch. 101 Use	
\$ 0.00224	3.25%(3)		\$ 0.00227		3.25%			
Nov-11	\$268,626	14,430,759	Nov-11	\$205,773			14,656,270	225,511
		\$684		-\$33,270	\$512	3.25%		-
Dec-11	\$236,298	21,088,625	Dec-11	\$173,016			20,074,684	(1,013,941)
		\$576		-\$45,570	\$407	3.25%		-
Jan-12	\$189,054	20,840,464	Jan-12	\$189,910			19,612,393	(1,228,071)
		\$449		-\$44,520	\$454	3.25%		-
Feb-12	\$142,366	15,953,206	Feb-12	\$145,844			16,815,965	862,759
		\$337		-\$38,172	\$343	3.25%		-
Mar-12	\$106,627	13,556,444	Mar-12	\$108,015			14,014,045	457,601
		\$248		-\$31,812	\$249	3.25%		-
Apr-12	\$76,257	8,928,611	Apr-12	\$76,453			7,938,194	(990,417)
		\$179		-\$18,020	\$183	3.25%		-
May-12	\$56,255	5,150,776	May-12	\$58,616			5,103,815	(46,961)
		\$137		-\$11,586	\$143	3.25%		-
Jun-12	\$44,716	3,295,532	Jun-12	\$47,173			3,435,044	139,512
		\$111		-\$7,798	\$117	3.25%		-
Jul-12	\$37,333	2,570,280	Jul-12	\$39,493			2,570,280	-
		\$93		-\$5,835	\$99	3.25%		-
Aug-12	\$31,575	2,676,994	Aug-12	\$33,757			2,676,994	-
		\$77		-\$6,077	\$83	3.25%		-
Sep-12	\$25,578	3,486,866	Sep-12	\$27,764			3,486,866	-
		\$59		-\$7,915	\$64	3.25%		-
Oct-12	\$17,767	7,930,709	Oct-12	\$19,913			7,930,709	-
		\$24		-\$18,003	\$30	3.25%		-
Nov-12	\$0		<b>Nov-12</b>	<b>\$1,940</b>				
<b>Total</b>	<b>\$2,974</b>	<b>119,909,266</b>	<b>Total</b>	<b>-\$268,576</b>	<b>\$2,685</b>		<b>118,315,259</b>	<b>(1,594,008)</b>
Incremental Rate to Recover Est. Interest	<b>\$0.00002</b>							
Est. Rate to Recover Deferral Balance	<b>\$0.00224</b>	118,315,259	Therms, Actual through June, July through October Forecast					
Rate before Gross-up for Revenue-related items	<b>\$0.00227</b>	\$271,311	Deferral + Actual Interest					
Times: Gross-up for Revenue-related items(4)	<b>1.046023</b>	-\$795	Prior Surcharge rollover true-up					
<b>2011-2012 decoupling rate</b>	<b>0.00237</b>	\$268,576	Amount Recovered through surcharge					
		<b>\$1,940</b>	Estimated amount rolled into following rebate					
		\$2,736	Estimated Current Undercollection with Actual through June					

(1) Deferral balance at beginning of the month / Rate of \$0.00224 is rate to recover deferral balance of \$268,626 over 12 months

(2) Interest computed on average balance between beginning and end of month.

(3) FERC rate @ July '11 - changes quarterly (<http://ferc.gov/legal/acct-matts/interest-rates.asp>)

(4) From page 2 of Exh. 2

(5) November and December 2011 balances exclude Rollover to prevent double-counting interest calculated on the prior Surcharge unbilled true-ups. Total account balance should be the sum of 11-12 Surcharge and 10-11 Surcharge for these months.

	As Filed	Actual	True-up
Current Period Surcharge Balance	\$205,773	\$205,773	\$0
Prior Surcharge Rollover Balance	\$62,853	\$62,058	-\$795
Total Unamortized Balance	\$268,626	\$267,831	-\$795

**EXHIBIT 2**

**CALCULATION OF PROPOSED DECOUPLING RATE**

**EFFECTIVE NOVEMBER 1, 2012**

**Avista Utilities**  
**Calculation of Decoupling Surcharge/Amortization Rate**  
**Effective November 1, 2012 - October 31, 2013**

	<u>Unamortized Balance(1)</u>	<u>Interest(2)</u>	<u>Forecast Sch. 101 Use</u>
	<b>(\$0.00004)</b>	3.25%(3)	
November	-\$4,736		14,481,079
December	-\$4,157	-\$12	20,462,590
January	-\$3,338	-\$10	20,078,978
February	-\$2,535	-\$8	16,681,775
March	-\$1,868	-\$6	13,671,554
April	-\$1,321	-\$4	9,398,907
May	-\$945	-\$3	5,460,040
June	-\$727	-\$2	3,311,845
July	-\$594	-\$2	2,459,549
August	-\$496	-\$1	2,395,128
September	-\$400	-\$1	2,971,220
October	-\$281	-\$1	7,160,855
November	\$5	\$0	
Total		-\$52	118,533,518
Incremental Rate to Recover Est. Interest		<b>(\$0.00000)</b>	
Est. Rate to Recover Deferral Balance		<b>(\$0.00004)</b>	
Rate before Gross-up for Revenue-related items		<b>(\$0.00004)</b>	
Times: Gross-up for Revenue-related items(4)		<b><u>1.046782</u></b>	
<b>Proposed decoupling rate</b>		<b><u>(0.00004)</u></b>	

(1) Deferral balance at beginning of the month / Rate of \$0.00004 is rate to rebate deferral balance of -\$4,736 over 12 months

(2) Interest computed on average balance between beginning and end of month.

(3) FERC rate @ July '12 - changes quarterly (<http://ferc.gov/legal/acct-matts/interest-rates.asp>)

(4) From page 2 of Exh. 2

Current Period Rebate Balance	-\$6,676 From Exhibit 1, Page 1
Prior Surcharge Rollover Balance	<u>\$1,940 From Exhibit 1, Page 8</u>
Total Unamortized Balance	-\$4,736

**AVISTA UTILITIES**  
**Revenue Conversion Factor**  
**Washington - Gas System**  
**TWELVE MONTHS ENDED December 31, 2011**  
**from Docket No. UG-120437**

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	<b>Revenues</b>	1.000000
	<b>Expense:</b>	
2	Uncollectibles	0.004338
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038353
5	Franchise Fees (City of Millwood Expired in 2004)	0.000000
6	Total Expense	<u>0.044691</u>
7	Net Operating Income Before FIT	0.955309
8	Federal Income Tax @ 35%	0.334358
9	REVENUE CONVERSION FACTOR	<u><u>0.62095</u></u>
10	Calculation of Revenue Adjustment Factor 1 ÷ (1 -0.044691)	1.046782