

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION)	
)	
Complainant,)	
)	
v.)	DOCKETS UE-170485 and
)	UG-170486 (<i>Consolidated</i>)
)	
AVISTA CORPORATION d/b/a)	
AVISTA UTILITIES)	
)	
Respondent.)	
_____)	

EXHIBIT BGM-4
NATURAL GAS TRADITIONAL REVENUE REQUIREMENT CALCULATIONS

Gas Revenue Requirement Summary (\$000)

Line	Adj. No.	Description	Company Filing (Rev. Req. at ICNU ROR)			NWIGU Proposed			
			Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	
1	1.00	Per Book Results (Y/E Dec. 2016)	23,458	287,787	(4,977)	23,458	287,787	(4,977)	
<i>Restating Adjustments:</i>									
2	1.01	Deferred FIT Rate Base	(3)	(325)	(32)	(3)	(325)	(32)	
3	1.02	Deferred Debits and Credits	(1)	-	2	(1)	-	2	
4	1.03	Working Capital	(9)	(864)	(85)	(9)	(864)	(85)	
5	2.01	Eliminate B & O Taxes	(21)	-	34	(21)	-	34	
6	2.02	Restate Property Tax	(244)	-	394	(244)	-	394	
7	2.03	Uncollectible Expense	384	-	(619)	384	-	(619)	
8	2.04	Regulatory Expense	2	-	(3)	2	-	(3)	
9	2.05	Injuries & Damages	(49)	-	80	(49)	-	80	
10	2.06	FIT / DFIT Expense	-	-	-	-	-	-	
11	2.07	Office Space Charges to Subs	6	-	(9)	6	-	(9)	
12	2.08	Restate Excise Taxes	(1)	-	2	(1)	-	2	
13	2.09	Net Gains & Losses	8	-	(14)	8	-	(14)	
14	2.10	Weather Normalization / Gas Cost Adjust	(3)	-	4	(3)	-	4	
15	2.11	Eliminate Adder Schedules	(310)	-	501	(310)	-	501	
16	2.12	Misc. Restating Non-Util / Non- Recurring Expenses	205	-	(331)	205	-	(331)	
17	2.13	Project Compass Deferral	(701)	-	1,132	(701)	-	1,132	
18	2.14	Restating Incentives	118	-	(190)	118	-	(190)	
19	2.15	Restate Debt Interest	171	-	(276)	13	-	(20)	
20		Restated Results	23,009	286,598	(4,387)	22,850	286,598	(4,131)	
<i>Pro Forma Adjustments</i>									
21	3.01	Pro Forma Atmospheric Testing & Leak Survey	(226)	-	365	(226)	-	365	
22	3.02	Pro Forma Labor Non-Exec	(568)	-	917	(371)	-	599	
23	3.03	Pro Forma Labor Exec	7	-	(10)	7	-	(10)	
24	3.04	Pro Forma Employee Benefits	114	-	(185)	114	-	(185)	
25	3.05	Pro Forma Incentive Adjustment	(22)	-	36	(22)	-	36	
26	3.06	Pro Forma Property Tax	(309)	-	500	(309)	-	500	
27	3.07	Pro Forma IS/IT Expense	(131)	-	211	(131)	-	211	
28	3.08	Pro Forma Revenue Normalization	(599)	-	968	(599)	-	968	
29	3.09	Pro Forma Regulatory Amortization	701	-	(1,132)	701	-	(1,132)	
30	3.10	Pro Forma 2017 Threshold Capital Adds	(848)	17,841	3,409	(115)	11,745	1,527	
31	3.11	Pro Forma O&M Offsets	21	-	(34)	21	-	(34)	
32	3.12	Pro Forma Director Fees Expense	(70)	-	113	-	-	-	
33	3.13	Pro Forma Leap Deferral Gas Line Ext.	(365)	1,474	757	(365)	1,474	757	
34		Pro Forma Results (Traditional Rev. Req.)	20,712	305,913	1,527	21,555	299,817	(530)	
					Filed Deficiency:	\$4,531		Calculated:	(\$530)
					ROR Impact:	(3,004)		Check	-

Gas Revenue Requirement Summary (\$000)

Line	Adj. No.	Description	Impact of NWIGU Adjustments				NWIGU Position
			Pre-Tax Net Oper. Income	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	
1	1.00	Per Book Results (Y/E Dec. 2016)					
<i>Restating Adjustments:</i>							
2	1.01	Deferred FIT Rate Base	-	-	-	-	Neutral
3	1.02	Deferred Debits and Credits	-	-	-	-	Neutral
4	1.03	Working Capital	-	-	-	-	Neutral
5	2.01	Eliminate B & O Taxes	-	-	-	-	Neutral
6	2.02	Restate Property Tax	-	-	-	-	Neutral
7	2.03	Uncollectible Expense	-	-	-	-	Neutral
8	2.04	Regulatory Expense	-	-	-	-	Neutral
9	2.05	Injuries & Damages	-	-	-	-	Neutral
10	2.06	FIT / DFIT Expense	-	-	-	-	Neutral
11	2.07	Office Space Charges to Subs	-	-	-	-	Neutral
12	2.08	Restate Excise Taxes	-	-	-	-	Neutral
13	2.09	Net Gains & Losses	-	-	-	-	Neutral
14	2.10	Weather Normalization / Gas Cost Adjust	-	-	-	-	Neutral
15	2.11	Eliminate Adder Schedules	-	-	-	-	Neutral
16	2.12	Misc. Restating Non-Util / Non- Recurring Expenses	-	-	-	-	Neutral
17	2.13	Project Compass Deferral	-	-	-	-	Neutral
18	2.14	Restating Incentives	-	-	-	-	Neutral
19	2.15	Restate Debt Interest	-	(158)	-	256	Update (Cost of Debt)
20		Restated Results	-	(158)	-	256	
<i>Pro Forma Adjustments</i>							
21	3.01	Pro Forma Atmospheric Testing & Leak Survey	-	-	-	-	Neutral
22	3.02	Pro Forma Labor Non-Exec	304	197	-	(319)	Oppose
23	3.03	Pro Forma Labor Exec	-	-	-	-	Neutral
24	3.04	Pro Forma Employee Benefits	-	-	-	-	Neutral
25	3.05	Pro Forma Incentive Adjustment	-	-	-	-	Neutral
26	3.06	Pro Forma Property Tax	-	-	-	-	Neutral
27	3.07	Pro Forma IS/IT Expense	-	-	-	-	Neutral
28	3.08	Pro Forma Revenue Normalization	-	-	-	-	Neutral
29	3.09	Pro Forma Regulatory Amortization	-	-	-	-	Neutral
30	3.10	Pro Forma 2017 Threshold Capital Adds	1,217	734	(6,096)	(1,882)	Oppose
31	3.11	Pro Forma O&M Offsets	-	-	-	-	Neutral
32	3.12	Pro Forma Director Fees Expense	108	70	-	(113)	Oppose
33	3.13	Pro Forma Leap Deferral Gas Line Ext.	-	-	-	-	Neutral
34		Pro Forma Results (Traditional Rev. Req.)	1,629	843	(6,096)	(2,058)	

**CALCULATION OF TRADITIONAL PRO FORMA STUDY REVENUE REQUIREMENT
WASHINGTON NATURAL GAS
TWELVE MONTHS ENDED DECEMBER 31, 2016**

Line No.	Description	Per Traditional Pro Forma Study	
		May 1, 2018	
		(000's of Dollars)	
1	Pro Forma Rate Base	\$	299,817
2	Proposed Rate of Return		7.08%
3	Net Operating Income Requirement		\$21,227
4	Pro Forma Net Operating Income	\$	21,555
5	Net Operating Income Deficiency		(\$328)
6	Conversion Factor		0.620645
7	Revenue Requirement - 2016		(\$530)
8	Total Base Distribution Revenues*	\$	88,832
9	Percentage Base Distribution Revenue Increase		-0.60%
10	Total Present Billed Revenue	\$	152,089
11	Percentage Billed Revenue Increase		-0.35%

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

**TRADITIONAL PRO FORMA COST OF CAPITAL
WASHINGTON NATURAL GAS**

Capital Structure			
Component	Capital Structure	Cost	Weighted Cost
Total Debt	51.6%	5.19%	2.68%
Common Equity	48.4%	9.10%	4.40%
Total	<u>100.00%</u>		<u>7.08%</u>

**REVENUE CONVERSION FACTOR
WASHINGTON NATURAL GAS
TWELVE MONTHS ENDED DECEMBER 31, 2016**

Line No.	Description	Factor
1	Revenues	1.000000
	Expense:	
2	Uncollectibles	0.004827
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038334
6	Total Expense	<u>0.045161</u>
7	Net Operating Income Before FIT	0.954839
8	Federal Income Tax @ 35%	0.334194
9	REVENUE CONVERSION FACTOR	0.620645

WASHINGTON NATURAL GAS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Office Space Charges to Subs	Restate Excise Taxes	Net Gains & Losses	Weather Normalization / Gas Cost Adjust	Eliminate Adder Schedules	Misc. Restating Non-Util / Non-Recurring Expenses	Project Compass Deferral	Restating Incentives	Restate Debt Interest	Restated TOTAL
	Adjustment Number	2.07	2.08	2.09	2.10	2.11	2.12	2.13	2.14	2.15	
	Worksheet Reference	G-OSC	G-RET	G-NGL	G-WNGC	G-EAS	G-MR	G-CD	G-RI	G-DI	R-Ttl
	REVENUES										
1	Total General Business	\$ -	\$ -	\$ -	\$ 11,209	\$ (1,240)	\$ -	\$ -	\$ -	\$ -	\$ 150,970
2	Total Transportation	-	-	-	-	-	-	-	-	-	4,477
3	Other Revenues	-	-	-	(5,427)	(63,276)	-	-	-	-	1,020
4	Total Gas Revenues	-	-	-	5,782	(64,516)	-	-	-	-	156,467
	EXPENSES										
	Production Expenses										
5	City Gate Purchases	-	-	-	5,274	(54,419)	-	-	-	-	63,460
6	Purchased Gas Expense	-	-	-	6	-	-	-	-	-	994
7	Net Nat Gas Storage Trans	-	-	-	-	(2,932)	-	-	-	-	-
8	Total Production	-	-	-	5,280	(57,351)	-	-	-	-	64,454
	Underground Storage										
9	Operating Expenses	-	-	-	-	-	-	-	-	-	974
10	Depreciation/Amortization	-	-	-	-	-	-	-	-	-	492
11	Taxes	-	-	-	-	-	-	-	-	-	210
12	Total Underground Storage	-	-	-	-	-	-	-	-	-	1,676
	Distribution										
13	Operating Expenses	-	-	-	-	-	1	-	-	-	12,050
14	Depreciation/Amortization	-	-	(13)	-	-	-	-	-	-	9,853
15	Taxes	-	2	-	430	(48)	-	-	-	-	8,383
16	Total Distribution	-	2	(13)	430	(48)	1	-	-	-	30,286
17	Customer Accounting	-	-	-	54	(6)	-	-	-	-	6,812
18	Customer Service & Information	-	-	-	-	(6,632)	-	-	-	-	963
19	Sales Expenses	-	-	-	-	-	-	-	-	-	-
	Administrative & General										
20	Operating Expenses	(9)	-	-	22	(2)	(316)	-	(181)	-	13,350
21	Depreciation/Amortization	-	-	-	-	-	-	-	-	-	6,260
22	Regulatory Amortizations	-	-	-	-	-	-	1,079	-	-	1,079
23	Taxes	-	-	-	-	-	-	-	-	-	-
24	Total Admin. & General	(9)	-	-	22	(2)	(316)	1,079	(181)	-	20,689
25	Total Gas Expense	(9)	2	(13)	5,786	(64,039)	(315)	1,079	(181)	-	124,880
26	OPERATING INCOME BEFORE FIT	9	(2)	13	(4)	(477)	315	(1,079)	181	-	31,587
	FEDERAL INCOME TAX										
27	Current Accrual	3	(1)	5	(1)	(167)	110	(378)	63	40	(1,129)
28	Debt Interest	-	-	-	-	-	-	-	-	-	11
29	Deferred FIT	-	-	-	-	-	-	-	-	-	9,923
30	Amort ITC	-	-	-	-	-	-	-	-	-	(17)
31	NET OPERATING INCOME	\$ 6	\$ (1)	\$ 8	\$ (3)	\$ (310)	\$ 205	\$ (701)	\$ 118	\$ (40)	\$ 22,798
	RATE BASE										
	PLANT IN SERVICE										
32	Underground Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,868
33	Distribution Plant	-	-	-	-	-	-	-	-	-	390,508
34	General Plant	-	-	-	-	-	-	-	-	-	82,624
35	Total Plant in Service	-	-	-	-	-	-	-	-	-	500,000
	ACCUMULATED DEPRECIATION/AMORT										
36	Underground Storage	-	-	-	-	-	-	-	-	-	(10,317)
37	Distribution Plant	-	-	-	-	-	-	-	-	-	(129,098)
38	General Plant	-	-	-	-	-	-	-	-	-	(23,473)
39	Total Accumulated Depreciation/Amortization	-	-	-	-	-	-	-	-	-	(162,888)
40	NET PLANT	-	-	-	-	-	-	-	-	-	337,112
41	DEFERRED TAXES	-	-	-	-	-	-	-	-	-	(74,181)
42	Net Plant After DFIT	-	-	-	-	-	-	-	-	-	262,931
43	GAS INVENTORY	-	-	-	-	-	-	-	-	-	9,116
44	GAIN ON SALE OF BUILDING	-	-	-	-	-	-	-	-	-	-
45	OTHER	-	-	-	-	-	-	-	-	-	(249)
46	WORKING CAPITAL	-	-	-	-	-	-	-	-	-	14,800
47	TOTAL RATE BASE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,598
48	RATE OF RETURN										(1)
50	REVENUE REQUIREMENT	-9	2	-14	4	500	-330	1,130	-190	64	-4,040

(1) The Restated TOTAL column does not represent 12/31/2016 Test Period Commission Basis results of operation on a normalized basis (CBR basis). Difference exists due to inclusion of proposed cost of debt (pro forma versus CBR cost of debt) impacting Adjustment 2.15 above

Pro Forma Rate of Return
Revenue Conversion Factor

WASHINGTON NATURAL GAS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

PRO FORMA ADJUSTMENTS

Line No.	DESCRIPTION	Contested							
		Pro Forma Atmospheric Testing & Leak Survey	Pro Forma Labor Non-Exec	Pro Forma Labor Exec	Pro Forma Employee Benefits	Pro Forma Incentive Adjustment	Pro Forma Property Tax	Pro Forma IS/IT Expense	Pro Forma Revenue Normalization
		3.01	3.02	3.03	3.04	3.05	3.06	3.07	3.08
		G-PAT	G-PLN	G-PLE	G-PEB	G-PI	G-PPT	G-PIS	G-PREV
	Adjustment Number	3.01	3.02	3.03	3.04	3.05	3.06	3.07	3.08
	Workpaper Reference	G-PAT	G-PLN	G-PLE	G-PEB	G-PI	G-PPT	G-PIS	G-PREV
	REVENUES								
1	Total General Business	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (66,671)
2	Total Transportation	-	-	-	-	-	-	-	56
3	Other Revenues	-	-	-	-	-	-	-	(776)
4	Total Gas Revenues	-	-	-	-	-	-	-	(67,391)
	EXPENSES								
	Production Expenses								
5	City Gate Purchases	-	-	-	-	-	-	-	(63,460)
6	Purchased Gas Expense	-	16	-	(6)	-	-	-	-
7	Net Nat Gas Storage Trans	-	-	-	-	-	-	-	-
8	Total Production	-	16	-	(6)	-	-	-	(63,460)
	Underground Storage								
9	Operating Expenses	-	-	-	-	-	-	-	-
10	Depreciation/Amortization	-	-	-	-	-	-	-	-
11	Taxes	-	-	-	-	-	37	-	-
12	Total Underground Storage	-	-	-	-	-	37	-	-
	Distribution								
13	Operating Expenses	348	202	-	(76)	-	-	-	-
14	Depreciation/Amortization	-	-	-	-	-	-	-	-
15	Taxes	-	-	-	-	-	439	-	(2,554)
16	Total Distribution	348	202	-	(76)	-	439	-	(2,554)
17	Customer Accounting	-	109	-	(41)	-	-	-	(322)
18	Customer Service & Information	-	9	-	(4)	-	-	-	-
19	Sales Expenses	-	-	-	-	-	-	-	-
	Administrative & General								
20	Operating Expenses	-	133	(10)	(49)	34	-	201	(133)
21	Depreciation/Amortization	-	-	-	-	-	-	-	-
22	Regulatory Amortizations	-	-	-	-	-	-	-	-
23	Taxes	-	-	-	-	-	-	-	-
24	Total Admin. & General	-	133	(10)	(49)	34	-	201	(133)
25	Total Gas Expense	348	469	(10)	(176)	34	476	201	(66,469)
26	OPERATING INCOME BEFORE FIT	(348)	(469)	10	176	(34)	(476)	(201)	(922)
	FEDERAL INCOME TAX								
27	Current Accrual	(122)	(164)	4	62	(12)	(167)	(70)	(323)
28	Debt Interest	-	-	-	-	-	-	-	-
29	Deferred FIT	-	-	-	-	-	-	-	-
30	Amort ITC	-	-	-	-	-	-	-	-
31	NET OPERATING INCOME	\$ (226)	\$ (305)	\$ 7	\$ 114	\$ (22)	\$ (309)	\$ (131)	\$ (599)
	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	364	491	-10	-184	36	499	211	966

Pro Forma Rate of Return
Revenue Conversion Factor

WASHINGTON NATURAL GAS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Contested		Contested		Pro Forma Leap Deferral Gas Line Ext.	Pro Forma Total
		Pro Forma Regulatory Amortization	Pro Forma 2017 Threshold Capital Adds	Pro Forma O&M Offsets	Pro Forma Director Fees Expense		
		3.09	3.10	3.11	3.12	3.13	
	Adjustment Number						
	Workpaper Reference	G-PRA	G-PCAP16	G-POFF	G-PDF	G-PLEAP	PF-Ttl
	REVENUES						
1	Total General Business	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,299
2	Total Transportation	-	-	-	-	-	4,533
3	Other Revenues	-	-	-	-	-	244
4	Total Gas Revenues	-	-	-	-	-	89,076
	EXPENSES						
	Production Expenses						
5	City Gate Purchases	-	-	-	-	-	-
6	Purchased Gas Expense	-	-	-	-	-	1,004
7	Net Nat Gas Storage Trans	-	-	-	-	-	-
8	Total Production	-	-	-	-	-	1,004
	Underground Storage						
9	Operating Expenses	-	-	-	-	-	974
10	Depreciation/Amortization	-	-	-	-	-	492
11	Taxes	-	-	-	-	-	247
12	Total Underground Storage	-	-	-	-	-	1,713
	Distribution						
13	Operating Expenses	-	-	-	-	-	12,524
14	Depreciation/Amortization	-	366	-	-	-	10,219
15	Taxes	-	-	-	-	-	6,268
16	Total Distribution	-	366	-	-	-	29,011
17	Customer Accounting	-	-	-	-	-	6,558
18	Customer Service & Information	-	-	-	-	-	968
19	Sales Expenses	-	-	-	-	-	-
	Administrative & General						
20	Operating Expenses	-	-	(32)	-	-	13,494
21	Depreciation/Amortization	-	-	-	-	-	6,260
22	Regulatory Amortizations	(1,079)	-	-	-	584	584
23	Taxes	-	-	-	-	-	-
24	Total Admin. & General	(1,079)	-	(32)	-	584	20,338
25	Total Gas Expense	(1,079)	366	(32)	-	584	59,592
26	OPERATING INCOME BEFORE FIT	1,079	(366)	32	-	(584)	29,484
	FEDERAL INCOME TAX						
27	Current Accrual	378	(128)	11	-	(204)	(1,865)
28	Debt Interest	-	(110)	-	-	(14)	(113)
29	Deferred FIT	-	-	-	-	-	9,923
30	Amort ITC	-	-	-	-	-	(17)
31	NET OPERATING INCOME	\$ 701	\$ (128)	\$ 21	\$ -	\$ (366)	\$ 21,555
	RATE BASE						
	PLANT IN SERVICE						
32	Underground Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,868
33	Distribution Plant	-	14,510	-	-	-	405,018
34	General Plant	-	-	-	-	-	82,624
35	Total Plant in Service	-	14,510	-	-	-	514,510
	ACCUMULATED DEPRECIATION/AMORT						
36	Underground Storage	-	-	-	-	-	(10,317)
37	Distribution Plant	-	(163)	-	-	-	(129,261)
38	General Plant	-	-	-	-	-	(23,473)
39	Total Accumulated Depreciation/Amortization	-	(163)	-	-	-	(163,051)
40	NET PLANT	-	14,347	-	-	-	351,459
41	DEFERRED TAXES	-	(2,602)	-	-	-	(76,783)
42	Net Plant After DFTT	-	11,745	-	-	-	274,676
43	GAS INVENTORY	-	-	-	-	-	9,116
44	GAIN ON SALE OF BUILDING	-	-	-	-	-	-
45	OTHER	-	-	-	-	1,474	1,225
46	WORKING CAPITAL	-	-	-	-	-	14,800
47	TOTAL RATE BASE	\$ -	\$ 11,745	\$ -	\$ -	\$ 1,474	\$ 299,817
48	RATE OF RETURN						
50	REVENUE REQUIREMENT	-1,130	1,546	-34	0	757	-529

Pro Forma Rate of Return
Revenue Conversion Factor