

AVISTA CORPORATION
 NATURAL GAS DOCKET NO. UG-150205
 CALCULATION OF GENERAL REVENUE REQUIREMENT
 TEST YEAR ENDED SEPTEMBER 30, 2014
 (000s of Dollars)

Dockets UE-150204 & UG-150205
 Exhibit No. DMR-3
 Page 1 of 9
 Schedule No. 1

Line No.	Description	Amount Per Company	Amount Per PC
1	Adjusted Rate Base	282,471	252,365
2	Rate of Return, per Settlement	<u>7.29%</u>	<u>7.29%</u>
3	Net Operating Income Requirement	20,592	18,397
4	Adjusted Net Operating Income	<u>14,568</u>	<u>16,328</u>
5	Net Operating Income Deficiency/(Sufficiency)	6,024	2,069
6	Revenue Conversion Factor	<u>0.62014</u>	<u>0.62014</u>
7	Revenue Requirement	<u><u>9,713</u></u>	<u><u>3,337</u></u>

Avista Adj. #	Public Counsel Adj. #	Adjustment Description	Avista Adjustments - As Revised			Public Counsel Adjustments and/or PC Neutral in Direct			Public Counsel Position on Avista's Revised Position	Rev. Req. Impact of Differences
			NOI	Rate Base	Rev Req	NOI	Rate Base	Rev Req		
1.00		Results of Operations	15,002	233,475	3,255	15,002	233,475	3,255		
1.01		Deferred FIT Rate Base	(28)	(3,032)	(311)	(28)	(3,032)	(311)	PC Neutral in Direct	
1.02		Deferred Debits and Credits	(1)	-	1	(1)	0	1	PC Neutral in Direct	
1.03		Working Capital	97	10,371	1,062	97	10,371	1,062	PC Neutral in Direct	
		Subtotal	15,070	240,814	4,007	15,070	240,814	4,007		
2.01		Eliminate B & O Taxes	(7)	-	12	(7)	-	12	PC Neutral in Direct	
2.02		Restate Property Tax	(52)	-	84	(52)	-	84	PC Neutral in Direct	
2.03		Uncollectible Expense	98	-	(157)	98	-	(157)	PC Neutral in Direct	
2.04		Regulatory Expense	(21)	-	34	(21)	-	34	PC Neutral in Direct	
2.05		Injuries and Damages	(182)	-	293	(182)	-	293	PC Neutral in Direct	
2.06		FIT / DFIT Expense	0	-	0	0	-	0	PC Neutral in Direct	
2.07		Office Space Charges to Subs	1	-	(2)	1	-	(2)	PC Neutral in Direct	
2.08		Restate Excise Taxes	(213)	-	344	(213)	-	344	PC Neutral in Direct	
2.09		Net Gains/Losses	3	-	(5)	3	-	(5)	PC Neutral in Direct	
2.10		Weather Normalization / Gas Cost Adjust	(497)	-	801	(497)	-	801	PC Neutral in Direct	
2.11		Eliminate Adder Schedules	0	-	0	0	-	0	PC Neutral in Direct	
2.12		Misc Restating Adjustments	(3)	-	5	(3)	-	5	PC Neutral in Direct	
2.13		Restating Incentive Adjustment	216	-	(349)	216	-	(349)	PC Neutral in Direct	
PC-G2.15		Remove Long Term Incentive Plan Exp.				46		(74)	PC Recommendation	(74)
2.14		Restate Debt Interest	(161)	-	260	(161)	-	260	PC Neutral in Direct	
		Restated Total	14,253	240,814	5,326	14,299	240,814	5,251		
3.00	PC-G.3.00	Pro Forma Labor Non-Exec	(750)	-	1,209	(320)	-	516	PC Modified	(693)
3.01		Pro Forma Labor Exec	(32)	-	52	(32)	-	52	PC Neutral in Direct	
3.02		Pro Forma Employee Benefits	(637)	-	1,027	(637)	-	1,027	PC Neutral in Direct	
3.03	PC-G.3.03	Pro Forma Insurance	(50)	-	81	10	-	(16)	PC Modified	(97)
3.04	PC-G.3.04	Pro Forma Property Tax	(330)	-	531	(131)	-	211	PC Modified	(320)
3.05		Pro Forma Information Tech/Serv Exp	(268)	-	432	0	-	0	PC Opposes	(432)
3.06		Pro Forma Revenue Normalization	5,541	-	(8,935)	5,541	-	(8,935)	PC Neutral in Direct	
3.07	PC-G.3.07	Planned Cap Add Dec 2014 EOP (a)	(701)	2,960	1,478	(539)	(1,524)	689	PC Modified	(789)
3.07U		Planned Capital Add-Dec '14 EOP-Update	589	428	(899)	0	0	0	PC Opposes	899
	PC-G.3.08	Reflect Updated Repairs Tax Deduction				(28)	(3,013)	(309)	PC Recommendation	(309)
4.01	PC-G.4.01	Planned Capital Add 2015 EOP	(1,541)	29,760	5,983	(632)	16,088	2,910	PC Modified	(3,073)
4.02		Planned Capital Add 2016 AMA	(532)	6,227	1,590	0	0	0	PC Opposes	(1,590)
4.03		Project Compass Deferral, Regulatory Amo	(743)	0	1,198	(743)	0	1,198	PC Neutral in Direct	
4.04		O&M Offsets	51	0	(82)	0	0	0	PC Opposes	82
4.05		Pro Forma Atmospheric Testing	(460)	0	741	(460)	0	741	PC Neutral in Direct	
4.06		Reconcile Pro Forma To Attrition	177	2,282	(18)	0	0	0	PC Opposes	18
		Pro Forma Total	14,568	282,471	9,713	16,328	252,365	3,337		(6,377)

Source/Notes:

Avista Adjustments - Revised from response to Staff - 131, Staff_DR_131 - Attachment C - Revised Natural Pro Forma Study.
 (a) PC adjustment reflects Capital Additions at September 2014 EOP (i.e., end of test year) instead of December 2014 EOP proposed by Avista.

AVISTA CORPORATION
 NATURAL GAS DOCKET NO. UG-150205
 REMOVE LONG TERM INCENTIVE PLAN EXPENSE
 TEST YEAR ENDED SEPTEMBER 30, 2014

Dockets UE-150204 & UG-150205
 Exhibit No. DMR-3
 Page 3 of 9
 Schedule No. 3
 PC-G.2.15

Line No.	Description	WA-Electric	WA-Gas	Total WA
1	LTIP Expense to Income in Test Year, per Company	238,529	70,758	309,287
2	LTIP Expense to Include in Test Year, per PC	-	-	-
3	Reduction to Expenses to Remove LTIP	(238,529)	(70,758)	(309,287)
4	Federal Income Tax Rate	35%	35%	35%
5	Reduction in Federal Income Tax Expense	83,485	24,765	108,250
6	Adjustment to Net Operating Income	155,044	45,993	201,037

Source/Notes:

Line 1: Per response to ICNU-031.

AVISTA CORPORATION
 NATURAL GAS DOCKET NO. UG-150205
 NON-EXECUTIVE LABOR ADJUSTMENT
 TEST YEAR ENDED SEPTEMBER 30, 2014

Dockets UE-150204 & UG-150205
 Exhibit No. DMR-3
 Page 4 of 9
 Schedule No. 4
 PC-G.3.00

Line No.	Description	WA-Electric	WA-Gas
1	Total Non-Exec. Labor Adjustment, per Company	3,850,480	1,153,135
2	Remove Projected 2016 Wage Increases	(939,682)	(281,739)
3	Remove Avista's Project Compass Adjustment	<u>(1,278,548)</u>	<u>(379,177)</u>
4	Total Non-Exec. Labor Adjustment, per PC	1,632,250	492,219
5	Federal Income Tax Rate	<u>35%</u>	<u>35%</u>
6	Reduction in Federal Income Tax Expense	<u>(571,288)</u>	<u>(172,277)</u>
7	Adjustment to Net Operating Income, per PC	<u><u>(1,060,962)</u></u>	<u><u>(319,942)</u></u>

Source/Notes:

Line 1: Exhibit__ (JSS-3), page 8 of 10 and Company Labor Adjustment Workpapers

Lines 2 - 3: Company Labor Adjustment Workpapers

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Actual Test Period D&O Insurance Expense, per Company	1,118,004
2	Removal Percentage, per Company	<u>10%</u>
3	Adjustment to Test Year Insurance Expense, per PC	(111,800)
4	Portion Allocated To Washington Gas, per Company	<u>0.1431</u>
5	Reduction to Test Year Insurance Expense - WA Electric Basis	(15,997)
6	Federal Income Tax Rate	<u>35%</u>
7	Increase in Federal Income Tax Expense	<u>5,599</u>
8	Adjustment to Net Operating Income, per PC	<u><u>10,398</u></u>

Source/Notes:

Lines 1, 2, and 4: Company Pro Forma Insurance Expense Workpapers

Line No.	Description	Per PC Adjustment	Per Avista Adjustment
1	Pro Forma Property Tax Expense Adjustment	202	507
2	Federal Income Tax Rate	<u>35%</u>	<u>35%</u>
3	Reduction in Federal Income Tax Expense	<u>(71)</u>	<u>(177)</u>
4	Adjustment to Net Operating Income	<u><u>(131)</u></u>	<u><u>(330)</u></u>

Source/Notes:

Per Avista Adjustment from Exhibit No.__(JSS-3), page 8 of 10.

Per PC Adjustment calculated using the Company's electronic Property Tax workpapers.

The per PC amounts removed the Company's projected escalation in the property tax rates (used actual 2014 effective rates from Company workpaper) and limited the amount to the projected 2015 property tax accrual year based on the per Company 2014 plant book value excluding the tax rate escalation. Per Company amount based on escalated tax rates and projected 2016 property tax accrual year based on Company projected 2014 plant book values.

AVISTA CORPORATION
 NATURAL GAS DOCKET NO. UG-150205
 ADJUSTMENT TO REFLECT SEPTEMBER 2014 EOP CAPITAL ADDS
 TEST YEAR ENDED SEPTEMBER 30, 2014
 (000s of Dollars)

Dockets UE-150204 & UG-150205
 Exhibit No. DMR-3
 Page 7 of 9
 Schedule No. 7
 PC-G.3.07

Line No.	Description	Per PC EOP 9/30/14 - exclude new revenue (A)	Per Avista EOP 12/31/14 - exclude new revenue (B)	Per PC Adjustment (C)=(A) - (B)
<u>Depreciation/Amortization Expense</u>				
1	Intangible	353	546	(193)
2	U/G Storage	12	14	(2)
3	Distribution	285	399	(114)
4	General	156	162	(6)
5	Total Expenses	806	1,121	(316)
6	Transportation Expense	1		1
7	Net Operating Income Before FIT	(807)	(1,121)	314
8	FIT Benefit of Depreciation/Amortization	(282)	(392)	110
9	FIT Benefit of Debt Interest	14	(28)	42
10	Net Operating Income	(539)	(701)	161
<u>Plant Cost</u>				
11	Intangible	1,298	2,164	(866)
12	U/G Storage	171	287	(116)
13	Distribution	7,238	11,785	(4,547)
14	General	2,402	2,213	189
15	Total Plant Cost	11,109	16,450	(5,341)
<u>Accumulated Depreciation</u>				
16	Intangible	(699)	(844)	145
17	U/G Storage	(198)	(299)	101
18	Distribution	(2,801)	(4,159)	1,358
19	General	(1,432)	(840)	(592)
20	Total Accumulated Depreciation	(5,130)	(6,142)	1,012
<u>Accumulated DFIT</u>				
21	Intangible	(839)	(799)	(40)
22	U/G Storage	(142)	(148)	6
23	Distribution	(3,179)	(3,242)	63
24	General	(3,344)	(3,160)	(184)
25	Total Accumulated DFIT	(7,504)	(7,349)	(155)
26	Net Rate Base	(1,524)	2,960	(4,484)

Source/Notes:

Company Workpapers G-CAP14

The above adjustment results in plant in service, accumulated depreciation, ADFIT and depreciation expense based on End of Test Year 9/30/14 plant balances instead of End Of Period 12/31/14 projected balances incorporated in Company filing.

AVISTA CORPORATION
 NATURAL GAS DOCKET NO. UG-150205
 REFLECT UPDATED REPAIRS TAX DEDUCTION - ADFIT
 TEST YEAR ENDED SEPTEMBER 30, 2014
 (000s of Dollars)

Dockets UE-150204 & UG-150205
 Exhibit No. DMR-3
 Page 8 of 9
 Schedule No. 8
 PC-G.3.07U

Line No.	Description	Amount
1	Impact of Repairs Tax Deduction on ADFIT in Adjusted Test Year 12/31/14 EOP Basis After Update, per Company	6,590
2	Impact of Repairs Tax Deduction on ADFIT in in Adjusted Test Year 12/31/14 EOP Basis Before Update, per Company	<u>3,577</u>
3	Increase in ADFIT Offset to Rate Base for Impact of Repairs Tax Deduction, per PC	<u>3,013</u>
4	Per PC Reduction to Rate Base	<u><u>(3,013)</u></u>
5	Impact on Federal Income Tax for Debt Interest	<u>28</u>
6	Per PC Reduction in Net Operating Income	<u><u>(28)</u></u>

Source:

Line 1: Response to PC-051

Line 2: Response to PC-049

Line 5: -Line 4 x 2.68% weighted cost of debt x 35% FIT rate

Line No.	Description	Amount	Reference
<u>Aldyl - A Pipe Replacement Capital Additions:</u>			
1	Actual Additions to Plant in Service Oct 2014 - Dec 2014	2,447,284	Staff_DR_143 Attachment A REVISED
2	Actual Additions to Plant in Service Jan 2015 - May 2015	<u>1,609,821</u>	Staff_DR_143 Attachment B REVISED
3	Aldyl - A Pipe Replacement - Actual Pro Forma Additions	4,057,105	
4	Depreciation Rate, per Company	<u>2.52%</u>	PC_DR-032 Attachment A
5	Depreciation Expense	<u>102,239</u>	
<u>Customer Information System Replacement (Proj. Compass) Capital Additions:</u>			
6	Actual Additions to Plant in Service October 2014 - April 2015	13,182,547	PC_DR-032 Attachment A
7	Accumulated Deferred Federal Income Tax	<u>(1,151,904)</u>	PC_DR-032 Attachment A
8	Net Rate Base Impact (PIS less ADFIT)	<u>12,030,643</u>	
9	Depreciation Expense, per Company	<u>1,102,588</u>	PC_DR-032 Attachment A
<u>Net Operating Income Impact of Major Pro Forma Plant Additions:</u>			
10	Depreciation Expense	1,204,827	Lines 5 and 9
11	FIT Benefit of Depreciation/Amortization	(421,689)	Line 10 x 35%
12	FIT Benefit of Debt Interest	<u>(150,903)</u>	Line 14 x 2.68% wtd cost of debt x 35%
13	Net Operating Income	<u>(632,235)</u>	
<u>Rate Base Impact of Major Pro Forma Plant Additions:</u>			
14	Net Rate Base Impact	<u>16,087,748</u>	Lines 3 and 8