

**Exh. CSH-3  
Dockets UE-170485/UG-170486  
Witness: Christopher S. Hancock**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**AVISTA CORPORATION d/b/a  
AVISTA UTILITIES,**

**Respondent.**

**DOCKETS UE-170485 and  
UG-170486 (*Consolidated*)**

**EXHIBIT TO  
TESTIMONY OF**

**Christopher S. Hancock**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Calculation of Year Two and Year Three Revenue Increases – Natural Gas*

**October 27, 2017**

Avista Utilities  
Washington Natural Gas  
Escalation of Modified Historical Test Year  
Twelve Months Ended December 31, 2016  
Thousands of Dollars

Line No.	DESCRIPTION	EOP Pro Forma Total	Isolate Year 1 Escalation Base
	Adjustment Number Reference	JH-3	JH-3 & EMA WPs
<b>REVENUES</b>			
1	Total General Business	\$ 84,299	
2	Total Transportation	\$ 4,533	
3	Other Revenues	\$ 244	
4	Total Gas Revenues	\$ 89,076	
<b>EXPENSES</b>			
<b>Production Expenses</b>			
5	City Gate Purchases	\$ -	
6	Purchased Gas Expense	\$ 1,019	
7	Net Nat Gas Storage Trans	\$ -	
8	Total Production	\$ 1,019	
<b>Underground Storage</b>			
9	Operating Expenses	\$ 974	\$ 974
10	Depreciation/Amortization	\$ 492	\$ 492
11	Taxes	\$ 249	\$ 249
12	Total Underground Storage	\$ 1,715	
<b>Distribution</b>			
13	Operating Expenses	\$ 12,693	\$ 12,693
14	Depreciation/Amortization	\$ 10,063	\$ 10,063
15	Taxes	\$ 6,107	\$ 6,107
16	Total Distribution	\$ 28,863	
17	Customer Accounting	\$ 6,779	\$ 6,779
18	Customer Service & Information	\$ 977	\$ 977
19	Sales Expenses	\$ -	
<b>Administrative &amp; General</b>			
20	Operating Expenses	\$ 13,624	\$ 13,624
21	Depreciation/Amortization	\$ 6,540	\$ 6,540
22	Regulatory Amortizations	\$ 584	
23	Taxes	\$ -	\$ -
24	Total Admin. & General	\$ 20,748	
25	Total Gas Expense	\$ 60,101	
26	OPERATING INCOME BEFORE FIT	28975	
<b>FEDERAL INCOME TAX</b>			
27	Current Accrual	\$ (2,150)	
28	Debt Interest	\$ (185)	
29	Deferred FIT	\$ 9,923	
30	Amort ITC	\$ (17)	
31	NET OPERATING INCOME	\$ 21,404	
<b>RATE BASE</b>			
<b>PLANT IN SERVICE</b>			
32	Underground Storage	\$ 27,143	
33	Distribution Plant	\$ 416,918	
34	General Plant	\$ 88,432	
35	Total Plant in Service	\$ 532,493	
<b>ACCUMULATED DEPRECIATION/AMORT</b>			
36	Underground Storage	\$ (10,472)	
37	Distribution Plant	\$ (132,896)	
38	General Plant	\$ (25,025)	
39	Total Accumulated Depreciation/Amortization	\$ (168,393)	
40	NET PLANT	\$ 364,100	
41	DEFERRED TAXES	\$ (79,137)	
42	Net Plant After DFIT	\$ 284,963	\$ 27,291 *
43	GAS INVENTORY	\$ 9,116	
44	GAIN ON SALE OF BUILDING	\$ -	
45	OTHER	\$ 1,225	
46	WORKING CAPITAL	\$ 11,482	
47	TOTAL RATE BASE	\$ 306,786	
48	RATE OF RETURN		
50	REVENUE REQUIREMENT	\$ 1,107	\$ 1,107
51	Deduct Gas Excise Tax		\$ (2,548)

Calculation of Year Two and Year Three Revenue Increases				
Year One Escalation Base	multiplied by	Composite Revenue Escalator	equals	Year Two Revenue Increase
\$ 84,348	x	3.20%	=	\$ 2,698
Year Two Escalation Base	multiplied by	Composite Revenue Escalator	equals	Year Three Revenue Increase
\$ 87,046	x	3.20%	=	\$ 2,784

\* Note: Line 42 figure in "Isolate Escalation Base" column is the after-tax return on net plant.