Exhib

AVISTA CORPORATION
WASHINGTON GAS OPERATIONS
Multiple Regression Analysis of Historical Net Revenues

Year	Avista/Wash Net Revenues Electric Ops.* Y	Washington Gross State Prod.† [000,000] $X1$	Heating Degree Days• $X2$
2000	$43,022,146	$227,704	7181
2001	$47,321,038	$230,322	6799
2002	$48,093,793	$237,117	6817
2003	$46,729,403	$247,056	6348
2004	$50,471,147	$257,979	6318
2005	$57,828,269	$279,333	6538
2006	$61,601,965	$300,145	6343
2007	$64,328,783	$325,118	6540
2008	$68,808,676	$333,720	7052
2009	$74,141,718	$332,600	6976
2010	$68,835,136	$342,702	6320
2011	$78,288,470	$357,056	6861
2012	$73,936,837	$375,730	6256

	$X2$		$X1$	Constant
Coefficients	4894.821794		232.6274992	-41082795.16
Std. Error	2391.524019		14.71096609	17265215.15
R-squared	0.961687479		2601992.262	#N/A
F-statistic	125.505638		10	#N/A
T-statistic	1.69944E+15		6.77036E+13	#N/A

* Data from Company response to ICNU DR-1.19 and PC-129.
† Data from U.S. Department of Commerce, Bureau of Labor Statistics
• Data from Company response to PC-063, Part B.
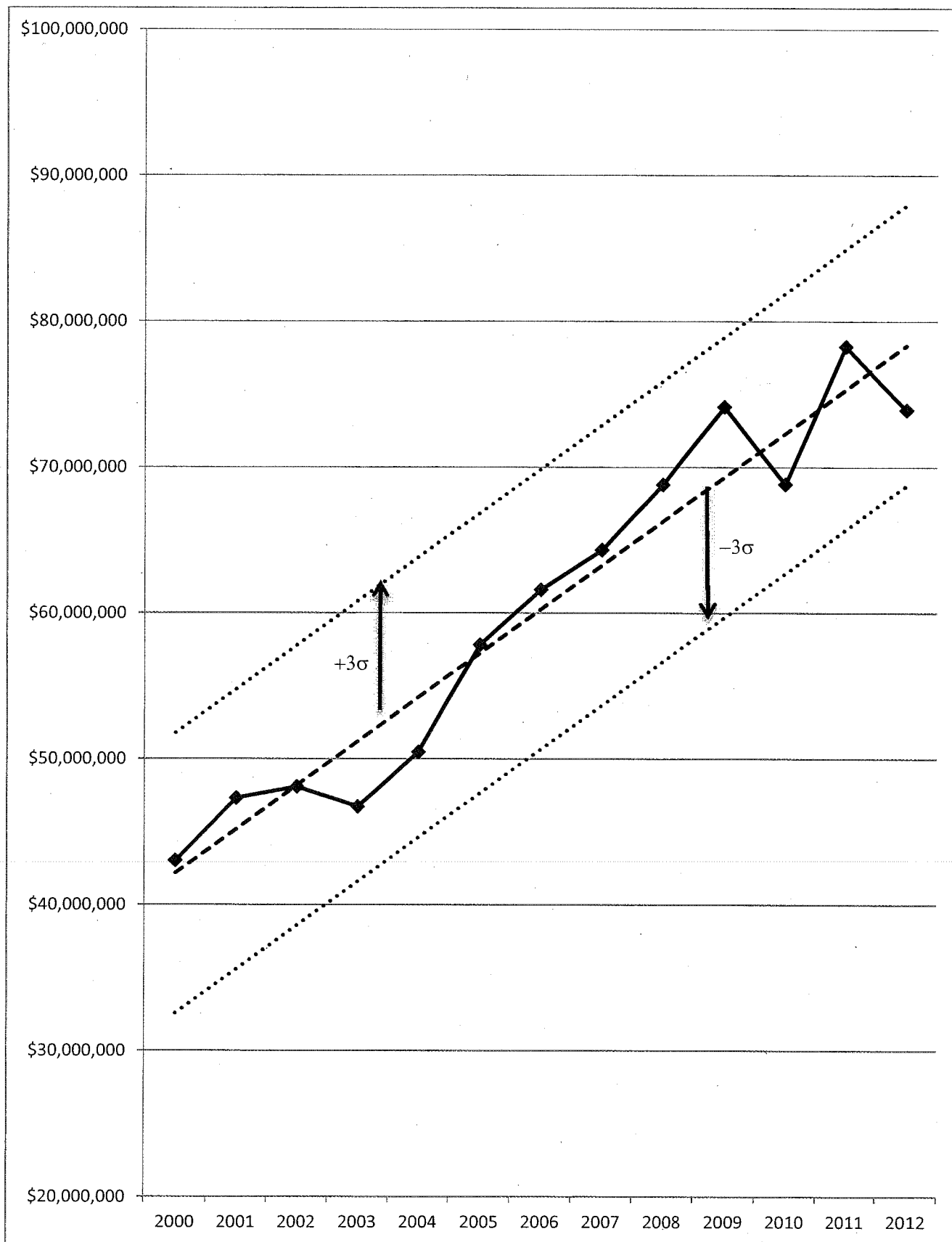
AVISTA CORPORATION
WASHINGTON GAS UTILITY OPERATIONS
VARIANCE ANALYSIS

Year	X	Y Net Revenues	x X-Xavg.	y Y-Yavg	x-squared	xy	y-squared
2000	1	43,022,146	-6	-17,239,960	36	103439761.4	297,216,228,758,505
2001	2	47,321,038	-5	-12,941,068	25	64705341.15	167,471,246,953,425
2002	3	48,093,793	-4	-12,168,313	16	48673252.92	148,067,846,882,114
2003	4	46,729,403	-3	-13,532,703	9	40598109.69	183,134,056,732,072
2004	5	50,471,147	-2	-9,790,959	4	19581918.46	95,862,882,658,585
2005	6	57,828,269	-1	-2,433,837	1	2433837.231	5,923,563,665,878
2006	7	61,601,965	0	1,339,859	0	0	1,795,221,521,485
2007	8	64,328,783	1	4,066,677	1	4066676.769	16,537,859,945,401
2008	9	68,808,676	2	8,546,570	4	17093139.54	73,043,854,820,329
2009	10	74,141,718	3	13,879,612	9	41638835.31	192,643,622,864,569
2010	11	68,835,136	4	8,573,030	16	34292119.08	73,496,839,424,117
2011	12	78,288,470	5	18,026,364	25	90131818.85	324,949,790,740,636
2012	13	73,936,837	6	13,674,731	36	82048384.62	186,998,261,610,947
Sum	91	783,407,381			182	548,703,195	1,767,141,276,578,060
Average	7	60,262,106					

slope (b) = $(\Sigma xy)/(\Sigma$ x-squared) =   3,014,852.7
intercept (a) = Yavg. - (b)Xavg. =   39,158,137.2
r-squared = (b)$(\Sigma xy)/(\Sigma$ y-squared) =   0.936121713

		50% of Variance
variance of y given x = (1/n-2)$(\Sigma$ y-squared - bΣxy) =	10,261,996,070,929	5,130,998,035,464
standard deviation of y given x = (variance)1/2 =	3,203,435	2,265,171
3 standard deviation units = S.D. x 3 =	9,610,305	6,795,512

Year	Actual Net Revenues	Predicted Net Revenues	+3s	-3s
2000	$43,022,146	$42,172,990	$51,783,295	$32,562,685
2001	$47,321,038	$45,187,843	$54,798,148	$35,577,538
2002	$48,093,793	$48,202,695	$57,813,000	$38,592,390
2003	$46,729,403	$51,217,548	$60,827,853	$41,607,243
2004	$50,471,147	$54,232,401	$63,842,706	$44,622,096
2005	$57,828,269	$57,247,254	$66,857,559	$47,636,948
2006	$61,601,965	$60,262,106	$69,872,411	$50,651,801
2007	$64,328,783	$63,276,959	$72,887,264	$53,666,654
2008	$68,808,676	$66,291,812	$75,902,117	$56,681,507
2009	$74,141,718	$69,306,664	$78,916,970	$59,696,359
2010	$68,835,136	$72,321,517	$81,931,822	$62,711,212
2011	$78,288,470	$75,336,370	$84,946,675	$65,726,065
2012	$73,936,837	$78,351,223	$87,961,528	$68,740,917

Reference: Statistical Inference for Management and Economics, Hemtoberger, et al, Allyn and Bacon, 1975, pp. 284-287.

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AVISTA CORPORATION
WASHINGTON GAS UTILITY OPERATIONS
COST OF EQUITY IMPACT OF RISK REDUCTION
2000-2012

Assume: With Decoupling, Historical Net Revenue Variance Reduced 40%

1) Standard Devition of Annual Revenues

$s = \$3,203,435$	s = one standard deviation unit (historical)
$3s = \$9,610,305$	$3s$ = 3 standard deviation units (historical)
$3s^* = \$6,795,512 = 2.1213s$	$3s^*$ = 3 standard deviation units (50% variance)

2) Probability (p) Difference in Negative Outcomes Between 3 Standard Deviation Units (Histo
and 3 Standard Deviation Units (Variance Reduced 50%)

$p(3s) =$	0.49865
less $p(3s^*, 2.1213s) =$	0.48304
	0.01561 or 1.56% of average revenues

3) Basis Point Impact of1.56% Reduction in Average Annual Net Revenues

    a) Average Annual Net Revenues 2000-2012 = $61.854 Million
                                        x .0156
              Annual Net Revenue Reduction = $0.964 Million

    b) Average Avista Gas Rate Base 2000/2012 = $162.715 Million
        Average Common Equity Ratio 2009/2012 = 46.98%
        Then, a 1% Equity Return Reduction Produces A Revenue Reduction Of:
                           = (1% x 46.98% x $162.715 M)/(1-35% Tax Rate), or
                           = $1.18 Million

    c) If a 1% Equity Return Reduction Reduces Annual Revenues $1.18 Million,
        Then, A $0.964 Million reduction due to lower volatility = 0.82% or 82 Basis Points