

**AVISTA UTILITIES**  
**2016 NATURAL GAS ATTRITION STUDY**  
**Calculation of General Revenue Requirement**  
**Washington - Natural Gas System**  
**Twelve Months Ended December 31, 2014**  
**(000's of Dollars)**

Line No.	Description	(a) Attrition Balances	(b) Revenue Growth Factor	(c) Attrition Adjusted Balances	(d) After Attrition Adjustments (i)	(e) 2016 Revenue Requirement
1	Attrition Rate Base	\$281,801	0.997628	\$282,471	\$0	\$282,471
2	Proposed Rate of Return			7.29%		7.29%
3	Net Operating Income Requirement			\$20,592	\$0	\$20,592
4	Attrition Net Operating Income	<u>\$ 14,992</u>	0.99763	<u>\$15,028</u>	(\$460)	<u>\$14,568</u>
5	Net Operating Income Deficiency			\$5,564	\$460	\$6,024
6	Conversion Factor			0.62032	0.62032	0.62032
7	Attrition Revenue Requirement			<b>\$8,971</b>	<b>\$742</b>	<b>\$9,713</b>
8	Total General Business Revenues					\$ 170,914
9	Percentage Revenue Increase					<u><u>5.68%</u></u>

Notes: (i) The Adjustment included after the attrition calculated revenue requirement of \$8.97 million shown above was deemed necessary in order to account for atmospheric testing expenses (or \$707,000). This adjustment represents amounts not included in the December 31, 2014 normalized Commission Basis Results used as the starting point of the Company's updated Attrition Analysis.

**Natural Gas Attrition Study Based on 12.2014 CBR Results**

<b><u>Natural Gas Attrition Study</u></b>	<b>2015 Attrition (000s)</b>
<b>As Filed:</b>	<b>\$ 12,021</b>
<b>Net Reduction</b>	<b>\$ (2,308)</b>
<b>As Revised using 12.2014 CBR: (See Below)</b>	<b>\$ 9,713</b>

**Attachment: Staff DR 130-Attachment C (Natural Gas Attrition Study-using 12.2014 CBR)**

**Changes compared to Natural Gas Attrition Study as filed:**

- (1) Updated to include 12.2014 Commission Basis Results per 12.2014 CBR filed with WA Commission on April 28, 2015. (See Column [A], pages 4-5 of Staff\_DR\_130-Attachment C. See also Staff\_DR\_130-Attachment D for electronic and .pdf Commission Basis workpapers.)
- (2) Consistent with the Company's direct filing (See Column [B], pages 4-5 of Staff\_DR\_130-Attachment C), reduces Regulatory Amortization expense for amounts expired in 2016. No escalation of regulatory amortization expense occurs, appropriate to remove these expenses to reflect appropriate 2016 rate period expense. See also Staff\_DR\_130-Attachment E for related workpapers.)
- (3) Included 12.2014 Incremental Revenue Normalization Adjustment - (See Column [C], pages 4-5 of Staff\_DR\_130-Attachment C. See also Staff\_DR\_130-Attachment E for related workpapers) This adjustment adjusts the Commission Basis normalized revenue and gas costs to the 2014 base rate revenue and pro forma gas costs produced by the billing determinants utilized in the Company's filing. Revenue growth is adjusted to 2016 using the billing determinant index, not trend analysis, therefore utilizing the fully analyzed twelve months ended September 2014 pro forma revenues and gas costs allows the rate design basis to remain as filed. In addition, by doing this, column [J] Revenue Growth is essentially the same as the initial filing.
- (4) Includes Multiparty Settlement Agreement capital structure as filed on May 1, 2015: 48.5% Equity, 9.5% ROE, 5.2% Cost of Debt; ROR 7.29%. This change resulted in an approximate revenue requirement reduction of \$.8 million. See page 2 of Staff\_DR\_130-Attachment C.
- (5) Differences included in columns [D] Exclude Normalized Gas Costs and Revenue and [I] Pro Formed Gas Cost/Revenue relate to updated conversion factor, see note (6g) below. See pages 4-5 of Staff\_DR\_130-Attachment C.
- (6) Notes: Additional updates or comments
  - (a) No adjustment revising CBR 12.2014 AMA Plant balances to End of Period (EOP) Plant Balance is included in this updated analysis. This varies from the direct filed Attrition Studies (which included an 12.2014 Ending Balance Plant Adjustment column [C]). In the direct filed case, the Company revised its 09.2014 AMA plant balances to 12.2014 EOP, and then escalated these balances 1.5-years, reflecting an AMA 2016 balance. The Company has removed this adjustment and escalates its 12.2014 AMA restated attrition results by two-years, reflecting an AMA 2016 balance. Adjusted operating expenses and other revenue are also only adjusted by a two-year escalation factor to reflect 2016 amounts.
  - (b) Added 12.2014 CB results column to trended CBR results, see pages 6-8 of Staff\_DR\_130-Attachment C.
  - (c) Revised cost and revenue trend calculations to include 12.2014 results, see page 9 of Staff\_DR\_130-Attachment C.

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| <p>(d) Updated escalation factors to include 2014 time period (i.e. 2007-2014), consistent with filed case. See page 9 of Staff_DR_130-Attachment C. The net decrease in revenue requirement noted above (offset by the updates and changes noted above) is partially due to the change in escalation factors utilizing 2007-2014, rather than 2007-2013 for escalation factor "Adjusted Taxes Other than income" see page 9 of Staff_DR_130-Attachment C.</p>                                                                                                                                                                                                                                                                                    |
| <p>(e) Updated Depreciation Expense and Net Plant After DFIT amounts shown on page 10 of Staff_DR_130-Attachment C to reflect actual balances at 12.2014 AMA and revised 2016 AMA balances. The 12.2014 and 2016 AMA depreciation and Net Plant after DFIT balances were reduced from that shown in the Company's direct filed case, reflecting actuals for calendar year 2014. The reduction to Net Plant after DFIT was mainly due to a \$50 million (system) reduction recorded to reflect a "Repairs Adjustment" allowed for tax purposes, and other true-up adjustments. These changes <b>reduced</b> the Company's revenue requirement by approximately <b>\$0.5 million</b>. See CBR workpapers provide with Staff_DR_130-Attachment D</p> |
| <p>(f) Annually the Company updates its allocation factors. Use of 12.2014 CBR, results in use of updated allocation factors, including State (WA/ID) Ratios for the entire calendar year 2014. The reduction in revenue requirement noted above is partially due to the change in these ratios. See CBR workpapers provided with Staff_DR_130-Attachment D.</p>                                                                                                                                                                                                                                                                                                                                                                                  |
| <p>(g) Use of 12.2014 CBR, results in use of updated conversion factor, mainly due to updating uncollectible percentage. See page 3 of Staff_DR_130-Attachment C.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

**AVISTA UTILITIES**

**Multiparty Settlement - Cost of Capital**

**Washington - Natural Gas System**

<b>Proposed Cap Structure</b>			
<u>Component</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Total Debt	51.50%	5.20%	2.68%
Common	48.50%	9.50%	4.61%
Total	<u>100.00%</u>		<u>7.29%</u>

**Revenue Conversion Factor  
Washington -Natural Gas System  
Twelve Months Ended December 31, 2014**

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	<b>Revenues</b>	<i>1.000000</i>
	<b>Expense:</b>	
2	Uncollectibles	0.005354
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038314
5	Total Expense	<u>0.045668</u>
6	Net Operating Income Before FIT	<i>0.954332</i>
7	Federal Income Tax @ 35%	<u>0.334016</u>
8	<b>REVENUE CONVERSION FACTOR</b>	<u><u>0.62032</u></u>

**AVISTA'S 2016 NATURAL GAS ATTRITION REVENUE REQUIREMENT**

CBR Line No.	DESCRIPTION	Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost			Other Cost & Revenue Adjustments			
		12.2014 Commission Basis Report	Regulatory Amorts Adj	Pro Forma Revenue Normalization Adjustment	Exclude Normalized Gas Costs and Revenue	December 2014 Escalation Base	Escalation Factor	Escalation Amount [E] *[F]=[G]	Trended 2016 Non-Energy Cost [E]+[G]=[H]	(plus) 12.2014 Pro- Formed Gas Cost/Revenue	(plus) Revenue Growth	2016 Revenue and Cost [H]+[I]+[J]=[K]
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
<b>REVENUES</b>												
1	Total General Business	\$ 154,546	\$ -	\$ 12,185	\$ (92,072)	\$ 74,659	-0.24%		74,659	\$ 92,072	\$ (399)	\$ 166,332
2	Total Transportation	\$ 3,960	\$ -	\$ 223	\$ -	\$ 4,183	-0.14%		4,183	\$ -	\$ (6)	\$ 4,177
3	Other Revenues	\$ 332	\$ -	\$ -	\$ -	\$ 332	0.00%		332	\$ -	\$ -	\$ 332
4	Total Gas Revenues	\$ 158,838	\$ -	\$ 12,408	\$ (92,072)	\$ 79,174		\$ -	\$ 79,174	\$ 92,072	\$ (405)	\$ 170,841
<b>EXPENSES</b>												
<b>Production Expenses</b>												
5	City Gate Purchases	\$ 84,187	\$ -	\$ 3,680	\$ (87,867)	\$ -			-	\$ 87,867	\$ (429)	\$ 87,438
6	Purchased Gas Expense	\$ 779	\$ -	\$ 3	\$ -	\$ 782	6.09%	48	830	\$ -	\$ -	\$ 830
7	Net Nat Gas Storage Trans	\$ -	\$ -	\$ -	\$ -	\$ -		-	-	\$ -	\$ -	\$ -
8	Total Production	\$ 84,966	\$ -	\$ 3,683	\$ (87,867)	\$ 782		\$ 48	\$ 830	\$ 87,867	\$ (429)	\$ 88,268
<b>Underground Storage</b>												
9	Operating Expenses	\$ 893	\$ -	\$ -	\$ -	\$ 893	6.09%	54	947	\$ -	\$ -	\$ 947
10	Depreciation/Amortization	\$ 402	\$ -	\$ -	\$ -	\$ 402	27.92%	112	514	\$ -	\$ -	\$ 514
11	Taxes	\$ 184	\$ -	\$ -	\$ -	\$ 184	13.54%	25	209	\$ -	\$ -	\$ 209
12	Total Underground Storage	\$ 1,479	\$ -	\$ -	\$ -	\$ 1,479		\$ 192	\$ 1,671	\$ -	\$ -	\$ 1,671
<b>Distribution</b>												
13	Operating Expenses	\$ 10,704	\$ -	\$ -	\$ -	\$ 10,704	6.09%	652	11,356	\$ -	\$ -	\$ 11,356
14	Depreciation/Amortization	\$ 8,513	\$ -	\$ -	\$ -	\$ 8,513	27.92%	2,377	10,890	\$ -	\$ -	\$ 10,890
15	Taxes	\$ 8,719	\$ -	\$ 475	\$ (3,528)	\$ 5,666	13.54%	767	6,434	\$ 3,528	\$ (15)	\$ 9,947
16	Total Distribution	\$ 27,936	\$ -	\$ 475	\$ (3,528)	\$ 24,883		\$ 3,796	\$ 28,680	\$ 3,528	\$ (15)	\$ 32,193
17	Customer Accounting	\$ 6,108	\$ -	\$ 66	\$ (493)	\$ 5,681	6.09%	346	6,027	\$ 493	\$ (2)	\$ 6,518
18	Customer Service & Information	\$ 865	\$ -	\$ -	\$ -	\$ 865	6.09%	53	918	\$ -	\$ -	\$ 918
19	Sales Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	6.09%	-	-	\$ -	\$ -	\$ -
<b>Administrative &amp; General</b>												
20	Operating Expenses	\$ 12,777	\$ -	\$ 25	\$ (184)	\$ 12,618	6.09%	768	13,386	\$ 184	\$ (1)	\$ 13,569
21	Depreciation/Amortization	\$ 4,389	\$ -	\$ -	\$ -	\$ 4,389	27.92%	1,226	5,615	\$ -	\$ -	\$ 5,615
22	Regulatory Amortizations	\$ (91)	\$ 1,143	\$ 91	\$ -	\$ 1,143	0.00%	-	1,143	\$ -	\$ -	\$ 1,143
23	Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	13.54%	-	-	\$ -	\$ -	\$ -
24	Total Admin. & General	\$ 17,075	\$ 1,143	\$ 116	\$ (184)	\$ 18,150		\$ 1,994	\$ 20,144	\$ 184	\$ (1)	\$ 20,327
25	Total Gas Expense	\$ 138,429	\$ 1,143	\$ 4,341	\$ (92,072)	\$ 51,841		\$ 6,428	\$ 58,269	\$ 92,072	\$ (447)	\$ 149,894
26	OPERATING INCOME BEFORE FIT	\$ 20,409	\$ (1,143)	\$ 8,067	\$ -	\$ 27,333		\$ (6,428)	\$ 20,905	\$ -	\$ 42	\$ 20,947

## AVISTA'S 2016 NATURAL GAS ATTRITION REVENUE REQUIREMENT

\$000s		Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost			Other Cost & Revenue Adjustments			
CBR Line No.	DESCRIPTION	12.2014 Commission Basis Report Restated Totals	Regulatory Amorts Adj	Pro Forma Revenue Normalization Adjustment	Exclude Normalized Gas Costs and Revenue	December 2014 Escalation Base	Escalation Factor	Escalation Amount [E] *[F]=[G]	Trended 2016 Non-Energy Cost [E]+[G]=[H]	(plus) 12.2014 Pro- Formed Gas Cost/Revenue	(plus) Revenue Growth	2016 Revenue and Cost [H]+[I]+[J]=[K]
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
FEDERAL INCOME TAX												
27	Current Accrual	\$ (6,945)	\$ (400)	2,824	-	\$ (4,521)		(2,250)	(6,771)	-	15	(6,757)
28	Debt Interest	\$ (137)	\$ -	\$ -	\$ -	\$ (137)		(236)	(373)			(373)
29	Deferred FIT	\$ 13,105	\$ -	\$ -	\$ -	\$ 13,105			13,105			13,105
30	Amort ITC	\$ (20)	\$ -	\$ -	\$ -	\$ (20)			(20)			(20)
31	<b>NET OPERATING INCOME</b>	<b>\$ 14,406</b>	<b>\$ (743)</b>	<b>\$ 5,244</b>	<b>\$ -</b>	<b>\$ 18,907</b>		<b>\$ (3,942)</b>	<b>\$ 14,965</b>	<b>\$ -</b>	<b>\$ 27</b>	<b>\$ 14,992</b>
RATE BASE												
PLANT IN SERVICE												
32	Underground Storage	\$ 25,235	\$ -	\$ -	\$ -	\$ 25,235	13.96%	\$ 3,524	28,759			\$ 28,759
33	Distribution Plant	\$ 337,894	\$ -	\$ -	\$ -	\$ 337,894	13.96%	47,182	385,076			385,076
34	General Plant	\$ 59,169	\$ -	\$ -	\$ -	\$ 59,169	13.96%	8,262	67,431			67,431
35	<b>Total Plant in Service</b>	<b>\$ 422,298</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 422,298</b>		<b>58,968</b>	<b>481,266</b>			<b>481,266</b>
ACCUMULATED DEPRECIATION/AMORT												
36	Underground Storage	\$ (9,521)	\$ -	\$ -	\$ -	\$ (9,521)	13.96%	(1,329)	(10,850)			(10,850)
37	Distribution Plant	\$ (114,795)	\$ -	\$ -	\$ -	\$ (114,795)	13.96%	(16,030)	(130,825)			(130,825)
38	General Plant	\$ (17,429)	\$ -	\$ -	\$ -	\$ (17,429)	13.96%	(2,434)	(19,863)			(19,863)
39	<b>Total Accumulated Depreciation/Amortization</b>	<b>\$ (141,745)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (141,745)</b>		<b>(19,793)</b>	<b>(161,538)</b>			<b>(161,538)</b>
40	<b>NET PLANT</b>	<b>\$ 280,553</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 280,553</b>		<b>\$ 39,175</b>	<b>\$ 319,728</b>			<b>319,728</b>
41	DEFERRED TAXES	\$ (54,652)	\$ -	\$ -	\$ -	\$ (54,652)	13.96%	(7,631)	(62,283)			(62,283)
42	Net Plant After DFIT	\$ 225,901	\$ -	\$ -	\$ -	\$ 225,901		31,544	257,445			257,445
43	GAS INVENTORY	\$ 14,762	\$ -	\$ -	\$ -	\$ 14,762	0.00%	-	14,762			14,762
44	GAIN ON SALE OF BUILDING	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	-	-			-
45	OTHER	\$ (479)	\$ -	\$ -	\$ -	\$ (479)	0.00%	-	(479)			(479)
46	WORKING CAPITAL	\$ 10,073	\$ -	\$ -	\$ -	\$ 10,073	0.00%	-	10,073			10,073
47	<b>TOTAL RATE BASE</b>	<b>\$ 250,257</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 250,257</b>		<b>\$ 31,544</b>	<b>\$ 281,801</b>			<b>\$ 281,801</b>
48	RATE OF RETURN	5.76%										5.32%
ATTRITION ADJUSTED REVENUE REQUIREMENT												
49	Proposed Rate of Return	7.29%										7.29%
50	Net Operating Income Requirement	\$ 18,244										\$ 20,543
51	Net Operating Income per Above	14,406										14,992
52	Net Operating Income Deficiency	\$ 3,838										\$ 5,551
53	Conversion Factor	0.62032										0.62032
54	Revenue Requirement	\$ 6,187										\$ 8,949
55	Revenue Growth Factor											0.99763
56	<b>Attrition Adjusted Revenue Requirement</b>											<b>\$ 8,971</b>

\*Note: Adjustment in Column [B] includes the Regulatory Amortization associated with the deferral of the Natural Gas portion of the Project Compass Customer Information System (CIS) project as this amount is not included in the 09.2014 Commission Basis. This amount is not escalated as shown in column [F]. Also adjusted Net Plant and depreciation to EOP 12.31.2014 in Column [B] to reflect appropriate level necessary prior to 1.5-year escalation. See Andrews Workpapers for details.

## NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2013

AVISTA UTILITIES  
WASHINGTON NATURAL GAS RESULTS  
(000'S OF DOLLARS)

### Commission Basis Results of Operations

ADDED

Line No.	DESCRIPTION	2001 Restated Total	2002 Restated Total	2003 Restated Total	2004 Restated Total	2005 Restated Total	2006 Restated Total	2007 Restated Total	2008 Restated Total	2009 Restated Total	2010 Restated Total	2011 Restated Total	2012 Restated Total	2013 Restated Total	2014 Restated Total
REVENUES															
1	Total General Business	\$ 144,574	\$ 148,580	\$ 137,031	\$ 159,265	\$ 178,724	\$ 197,821	\$ 209,186	\$ 203,727	\$ 182,706	\$ 142,370	\$ 152,457	\$ 142,048	\$ 144,257	\$ 154,546
2	Total Transportation	4,274	3,878	3,392	2,842	3,440	3,111	3,263	3,369	3,275	3,155	3,448	3,627	3,915	3,960
3	Other Revenues	2,541	2,340	2,183	2,168	30,131	2,372	68,416	153,093	84,085	115,257	98,841	68,107	403	332
4	Total Gas Revenues	151,389	154,798	142,606	164,275	212,295	203,304	280,865	360,189	270,066	260,782	254,746	213,782	148,575	158,838
EXPENSES															
Production Expenses															
5	City Gate Purchases	106,139	109,325	96,222	114,371	167,251	149,802	222,364	310,276	194,267	197,494	188,167	139,073	76,801	84,187
6	Purchased Gas Expense	988	1,177	1,186	369	651	653	792	(9,103)	803	800	14	130	891	779
7	Net Nat Gas Storage Trans	134	128	-	-	(8,407)	-	283	2	10,720	(3,322)	(4,366)	4,352	-	-
8	Total Production	107,261	110,630	97,408	114,740	159,495	150,455	223,439	301,175	205,790	194,972	183,815	143,555	77,692	84,966
Underground Storage															
9	Operating Expenses	322	357	342	381	450	492	451	436	403	380	585	712	820	893
10	Depreciation/Amortization	314	297	309	309	310	312	310	276	393	348	395	438	380	402
11	Taxes	108	120	118	120	115	122	95	113	121	116	19	17	158	184
12	Total Underground Storage	744	774	769	810	875	926	856	825	917	844	999	1,167	1,358	1,479
Distribution															
13	Operating Expenses	4,655	5,482	5,762	5,958	6,084	6,359	6,467	6,123	7,700	7,696	8,854	9,511	10,820	10,704
14	Depreciation/Amortization	4,390	4,496	4,707	4,902	5,088	5,369	5,605	5,673	6,064	6,367	6,649	6,978	7,925	8,513
15	Taxes	7,315	8,070	7,205	8,213	8,573	9,457	9,844	8,941	8,746	7,223	8,051	7,825	8,116	8,719
16	Total Distribution	16,360	18,048	17,674	19,073	19,745	21,185	21,916	20,737	22,510	21,286	23,554	24,314	26,861	27,936
17	Customer Accounting	3,367	4,108	4,121	4,337	4,249	4,225	4,487	4,692	5,586	5,234	5,740	5,796	6,270	6,108
18	Customer Service & Information	1,513	2,252	2,747	480	3,523	1,061	4,658	5,169	7,609	9,505	9,777	6,955	983	865
19	Sales Expenses	445	375	492	427	320	496	516	442	497	105	3	3	3	-
Administrative & General															
20	Operating Expenses	7,578	9,399	9,827	8,911	9,196	8,393	8,901	9,706	9,770	11,383	11,585	13,419	11,862	12,777
21	Depreciation/Amortization	1,020	1,275	1,363	1,180	1,343	1,282	1,498	1,803	1,999	2,412	2,734	3,276	3,868	4,389
22	Regulatory Amortizations	167	185	159	169	-	-	(815)	(242)	440	216	(186)	171	91	(91)
23	Taxes	21	23	24	24	23	24	20	17	19	24	-	(1)	-	-
24	Total Admin. & General	8,786	10,882	11,373	10,284	10,562	9,699	9,604	11,284	12,228	14,035	14,133	16,865	15,821	17,075
25	Total Gas Expense	138,476	147,069	134,584	150,151	198,769	188,047	265,476	344,324	255,137	245,981	238,021	198,655	128,988	138,429
26	OPERATING INCOME BEFORE FIT	12,913	7,729	8,022	14,124	13,526	15,257	15,389	15,865	14,929	14,801	16,725	15,127	19,587	20,409
FEDERAL INCOME TAX															
27	Current Accrual	(256)	6,949	651	655	(3,110)	6,693	5,010	506	2,468	(5,811)	(907)	(1,185)	4,253	(6,945)
28	Debt Interest											63	3	(56)	(137)
29	Deferred FIT	3,078	(6,302)	325	2,340	5,522	(3,072)	(1,442)	3,320	1,238	9,594	5,691	5,033	1,403	13,105
30	Amort ITC	(30)	(31)	(31)	(31)	(30)	(30)	(31)	(31)	(30)	(29)	(27)	(25)	(24)	(20)
31	NET OPERATING INCOME	\$ 10,121	\$ 7,113	\$ 7,077	\$ 11,160	\$ 11,144	\$ 11,666	\$ 11,852	\$ 12,070	\$ 11,253	\$ 11,047	\$ 11,906	\$ 11,301	\$ 14,011	\$ 14,406

Note: The Regulatory Amortizations Category has been restated in prior years to reflect consistency with the current reporting format.



## NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2013

AVISTA UTILITIES  
WASHINGTON NATURAL GAS RESULTS  
(000'S OF DOLLARS)

### Commission Basis Results of Operations

ADDED

Line No.	DESCRIPTION	2001 Restated Total	2002 Restated Total	2003 Restated Total	2004 Restated Total	2005 Restated Total	2006 Restated Total	2007 Restated Total	2008 Restated Total	2009 Restated Total	2010 Restated Total	2011 Restated Total	2012 Restated Total	2013 Restated Total	2014 Restated Total
RATE BASE															
PLANT IN SERVICE															
32	Underground Storage	\$ 13,533	\$ 13,439	\$ 13,712	\$ 13,632	\$ 13,708	\$ 13,854	\$ 13,758	\$ 15,260	\$ 21,798	\$ 20,047	\$ 22,008	\$ 24,365	\$ 24,711	\$ 25,235
33	Distribution Plant	178,943	185,314	191,970	200,079	208,396	219,287	229,417	240,778	255,976	269,469	281,279	296,152	313,469	337,894
34	General Plant	15,060	15,368	16,112	16,499	17,878	20,791	21,708	24,256	27,747	33,401	38,971	44,809	52,223	59,169
35	Total Plant in Service	<u>207,536</u>	<u>214,121</u>	<u>221,794</u>	<u>230,210</u>	<u>239,982</u>	<u>253,932</u>	<u>264,883</u>	<u>280,294</u>	<u>305,521</u>	<u>322,917</u>	<u>342,258</u>	<u>365,326</u>	<u>390,403</u>	<u>422,298</u>
ACCUMULATED DEPRECIATION/AMORT															
36	Underground Storage	6,220	6,115	6,495	6,659	6,924	7,249	7,427	7,581	7,807	7,912	8,286	8,677	9,088	9,521
37	Distribution Plant	51,645	55,845	60,239	64,817	69,428	74,019	77,997	81,405	84,021	89,620	97,489	102,678	108,662	114,795
38	General Plant	5,695	6,442	7,446	6,984	7,208	7,230	7,136	8,309	8,882	10,722	10,926	12,186	14,724	17,429
39	Total Accumulated Depreciation/Amortization	<u>63,560</u>	<u>68,402</u>	<u>74,180</u>	<u>78,460</u>	<u>83,560</u>	<u>88,498</u>	<u>92,560</u>	<u>97,295</u>	<u>100,710</u>	<u>108,254</u>	<u>116,701</u>	<u>123,541</u>	<u>132,474</u>	<u>141,745</u>
40	NET PLANT	143,976	145,719	147,614	151,750	156,422	165,434	172,323	182,999	204,811	214,663	225,557	241,785	257,929	280,553
41	DEFERRED TAXES	(14,476)	(15,979)	(22,570)	(26,800)	(23,805)	(24,645)	(26,823)	(28,945)	(31,005)	(36,762)	(42,004)	(46,498)	(50,170)	(54,652)
42	Net Plant After DFTT	<u>129,500</u>	<u>129,740</u>	<u>125,044</u>	<u>124,950</u>	<u>132,617</u>	<u>140,789</u>	<u>145,500</u>	<u>154,054</u>	<u>173,806</u>	<u>177,901</u>	<u>183,553</u>	<u>195,287</u>	<u>207,759</u>	<u>225,901</u>
43	GAS INVENTORY	3,190	4,191	4,568	4,807	6,936	7,628	5,607	15,327	8,440	10,226	13,753	13,107	11,702	14,762
44	GAIN ON SALE OF BUILDING	(470)	(424)	(378)	(243)	(286)	(153)	(197)	(152)	(109)	(44)	(14)	-	-	-
45	OTHER	3,304	2,855	2,393	1,204	1,529	1,098	789	452	(1,359)	(1,163)	(1,012)	(816)	(332)	(479)
46	WORKING CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	5,695	10,073
47	<b>TOTAL RATE BASE</b>	<u>\$ 135,524</u>	<u>\$ 136,362</u>	<u>\$ 131,627</u>	<u>\$ 130,718</u>	<u>\$ 140,796</u>	<u>\$ 149,362</u>	<u>\$ 151,699</u>	<u>\$ 169,681</u>	<u>\$ 180,778</u>	<u>\$ 186,920</u>	<u>\$ 196,280</u>	<u>\$ 207,578</u>	<u>\$ 224,824</u>	<u>\$ 250,257</u>

Note: The Other (Deferred Debits and Credits) Category has been restated in prior years to reflect consistency with the current reporting format.

## NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2013

**AVISTA UTILITIES  
WASHINGTON NATURAL GAS RESULTS  
(000'S OF DOLLARS)**

		Natural Gas Data for Escalators												ADDED	
Line No.		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exclude Gas Cost and Adder Schedule Expenses (DSM Tariff Rider, Decoupling Surcharge/Rebate) from O&M															
1	Underground Storage CBR Line 9	322	357	342	381	450	492	451	436	403	380	585	712	820	893
2	Distribution CBR Line 13	4,655	5,482	5,762	5,958	6,084	6,359	6,467	6,123	7,700	7,696	8,854	9,511	10,820	10,704
3	Customer Accounting CBR Line 17	3,367	4,108	4,121	4,337	4,249	4,225	4,487	4,692	5,586	5,234	5,740	5,796	6,270	6,108
4	Customer Service and Information CBR Line 18	1,513	2,252	2,747	480	3,523	1,061	4,658	5,169	7,609	9,505	9,777	6,955	983	865
5	Sales CBR Line 19	445	375	492	427	320	496	516	442	497	105	3	3	3	0
6	Administrative and General CBR Line 20	7,578	9,399	9,827	8,911	9,196	8,393	8,901	9,706	9,770	11,383	11,585	13,419	11,862	12,777
7	Operating expenses excluding production	17,880	21,973	23,291	20,494	23,822	21,026	25,480	26,568	31,565	34,303	36,544	36,396	30,758	31,347
8	Add Non PGA production O&M expenses	232	261	285	369	651	653	792	783	802	800	981	928	891	779
9	Deduct Gas Cost Rev Related Expenses	-823	-849	-749	-882	-1,006	-1,154	-1,202	-1,136	-933	-609	-647	-577	-592	-648
10	Deduct DSM Tariff Rider Expenses	-956	-1,710	-2,044	0	-2,864	0	-3,865	-4,415	-6,829	-8,481	-9,022	-5,987	0	0
11	Deduct Decoupling Surcharge/Rebate Expenses	0	0	0	0	0	0	0	-3	-5	-4	-4	-1	0	0
12	<b>Adjusted Operating Expenses</b>	<b>16,333</b>	<b>19,675</b>	<b>20,783</b>	<b>19,981</b>	<b>20,603</b>	<b>20,525</b>	<b>21,205</b>	<b>21,797</b>	<b>24,600</b>	<b>26,009</b>	<b>27,852</b>	<b>30,759</b>	<b>31,057</b>	<b>31,478</b>
	Annual Percentage Change	-50.09%	20.46%	5.63%	-3.86%	3.11%	-0.38%	3.31%	2.79%	12.86%	5.73%	7.09%	10.44%	0.97%	1.36%
Depreciation/Amortization															
13	Underground Storage CBR Line 10	314	297	309	309	310	312	310	276	393	348	395	438	380	402
14	Distribution CBR Line 14	4,390	4,496	4,707	4,902	5,088	5,369	5,605	5,673	6,064	6,367	6,649	6,978	7,925	8,513
15	Administrative & General CBR Line 21	1,020	1,275	1,363	1,180	1,343	1,282	1,498	1,803	1,999	2,412	2,734	3,276	3,868	4,389
16	<b>Total Depreciation/Amortization</b>	<b>5,724</b>	<b>6,068</b>	<b>6,379</b>	<b>6,391</b>	<b>6,741</b>	<b>6,963</b>	<b>7,413</b>	<b>7,752</b>	<b>8,456</b>	<b>9,127</b>	<b>9,778</b>	<b>10,692</b>	<b>12,173</b>	<b>13,304</b>
	Annual Percentage Change	3.60%	6.01%	5.13%	0.19%	5.48%	3.29%	6.46%	4.57%	9.08%	7.94%	7.13%	9.35%	13.85%	9.29%
Exclude Adder Schedule amortizations (Decoupling Surcharge/Rebate) from Regulatory Amortizations															
17	Regulatory Amortizations CBR Line 22	167	185	159	169	0	0	-815	-242	440	216	-186	171	91	-91
18	Deduct Decoupling Surcharge/Rebate Expenses	0	0	0	0	0	0	-85	-432	-710	-494	-494	-184	0	0
19	<b>Adjusted Regulatory Amortizations</b>	<b>167</b>	<b>185</b>	<b>159</b>	<b>169</b>	<b>0</b>	<b>0</b>	<b>-900</b>	<b>-674</b>	<b>-270</b>	<b>-278</b>	<b>-680</b>	<b>-13</b>	<b>91</b>	<b>-91</b>
Exclude Gas Cost and Adder Schedule excise taxes (DSM Tariff Rider, Decoupling Surcharge/Rebate) from Taxes Other Than Income Tax															
20	Underground Storage CBR Line 11	108	120	118	120	115	122	95	113	121	116	19	17	158	184
21	Distribution CBR Line 15	7,315	8,070	7,205	8,213	8,573	9,457	9,844	8,941	8,746	7,223	8,051	7,825	8,116	8,719
22	Administrative & General CBR Line 23	21	23	24	24	23	24	20	17	19	24	0	-1	0	0
23	Total Taxes Other Than Income	7,444	8,213	7,347	8,357	8,711	9,603	9,959	9,071	8,886	7,363	8,070	7,841	8,274	8,903
24	Deduct Gas Cost Excise Tax	-4,287	-4,425	-3,899	-4,592	-5,240	-6,014	-6,261	-5,917	-4,858	-3,171	-3,374	-3,003	-3,083	-3,380
25	Deduct DSM Tariff Rider Excise Tax	-38	-68	-81	0	-114	0	-154	-176	-272	-338	-359	-239	0	0
26	Deduct Decoupling Surcharge/Rebate Excise Tax	0	0	0	0	0	0	-3	-17	-28	-20	-20	-7	0	0
27	<b>Adjusted Taxes Other Than Income</b>	<b>3,119</b>	<b>3,720</b>	<b>3,367</b>	<b>3,765</b>	<b>3,357</b>	<b>3,589</b>	<b>3,541</b>	<b>2,961</b>	<b>3,728</b>	<b>3,834</b>	<b>4,317</b>	<b>4,592</b>	<b>5,191</b>	<b>5,523</b>
	Annual Percentage Change	13.50%	19.27%	-9.49%	11.82%	-10.84%	6.91%	-1.34%	-16.38%	25.90%	2.84%	12.59%	6.38%	13.04%	6.40%
28	<b>Net Plant After Deferred Income Tax</b> CBR Line 42	<b>129,500</b>	<b>129,740</b>	<b>125,044</b>	<b>124,950</b>	<b>132,617</b>	<b>140,789</b>	<b>145,500</b>	<b>154,054</b>	<b>173,806</b>	<b>177,901</b>	<b>183,553</b>	<b>195,287</b>	<b>207,759</b>	<b>225,901</b>
	Annual Percentage Change	3.70%	0.19%	-3.62%	-0.08%	6.14%	6.16%	3.35%	5.88%	12.82%	2.36%	3.18%	6.39%	6.39%	8.73%
29	<b>Total Rate Base</b> CBR Line 47	<b>135,524</b>	<b>136,362</b>	<b>131,627</b>	<b>130,718</b>	<b>140,796</b>	<b>149,362</b>	<b>151,699</b>	<b>169,681</b>	<b>180,778</b>	<b>186,920</b>	<b>196,280</b>	<b>207,578</b>	<b>224,824</b>	<b>250,257</b>
	Annual Percentage Change	3.52%	0.62%	-3.47%	-0.69%	7.71%	6.08%	1.56%	11.85%	6.54%	3.40%	5.01%	5.76%	8.31%	11.31%
Exclude Gas Cost Deferral related and JP Storage non-recurring revenues from Other Operating Revenue															
30	Other Operating Revenue CBR Line 3	2,541	2,340	2,183	2,168	30,131	2,372	68,416	153,093	84,085	115,257	98,841	68,107	403	332
31	Deduct Gas Cost Deferral related revenues	-244	-144	0	0	-28,334	0	-66,686	-153,018	-83,992	-115,193	-98,794	-67,822	0	0
32	Deduct JP Storage allocated revenue (ended 2007)	-2,289	-2,187	-2,174	-2,156	-1,723	-2,361	-1,717	0	0	0	0	0	0	0
33	<b>Adjusted Other Operating Revenue</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>12</b>	<b>74</b>	<b>11</b>	<b>13</b>	<b>75</b>	<b>93</b>	<b>64</b>	<b>47</b>	<b>285</b>	<b>403</b>	<b>332</b>
	Annual Percentage Change	60.00%	12.50%	0.00%	33.33%	516.67%	-85.14%	18.18%	476.92%	24.00%	-31.18%	-26.56%	506.38%	41.40%	-17.62%

## NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2013

**AVISTA UTILITIES  
WASHINGTON NATURAL GAS RESULTS  
ANNUAL AND COMPOUND GROWTH RATES**

Line		<b>Natural Gas Growth Rate Analysis and Escalation Factor Calculation</b>												<b>UPDATED</b>	
No.	<b>Annual Growth Rates</b>	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	
1	Adjusted Operating Expenses	20.46%	5.63%	-3.86%	3.11%	-0.38%	3.31%	2.79%	12.86%	5.73%	7.09%	10.44%	0.97%	1.36%	
2	Adjusted Depreciation/Amortization	6.01%	5.13%	0.19%	5.48%	3.29%	6.46%	4.57%	9.08%	7.94%	7.13%	9.35%	13.85%	9.29%	
3	Adjusted Taxes Other than Income	19.27%	-9.49%	11.82%	-10.84%	6.91%	-1.34%	-16.38%	25.90%	2.84%	12.59%	6.38%	13.04%	6.40%	
4	Net Plant After DFIT	0.19%	-3.62%	-0.08%	6.14%	6.16%	3.35%	5.88%	12.82%	2.36%	3.18%	6.39%	6.39%	8.73%	
5	Rate base	0.62%	-3.47%	-0.69%	7.71%	6.08%	1.56%	11.85%	6.54%	3.40%	5.01%	5.76%	8.31%	11.31%	
6	Adjusted Other Revenue	Not used due to de minimus values that resulted in extraordinary variability													
<b>Compound Growth Rates to 2012</b>		2001-2014	2002-2014	2003-2014	2004-2014	2005-2014	2006-2014	2007-2014	2008-2014	2009-2014	2010-2014	2011-2014	2012-2014	2013-2014	
7	Adjusted Operating Expenses	5.18%	3.99%	3.85%	4.65%	4.82%	5.49%	5.81%	6.32%	5.05%	4.89%	4.16%	1.16%	1.36%	
7A	Adopted Operating Expense							3.00%							
9	Adjusted Depreciation/Amortization	6.70%	6.76%	6.91%	7.61%	7.85%	8.43%	8.71%	9.42%	9.49%	9.88%	10.81%	11.55%	9.29%	
9A	Adopted Depreciation/Amortization							13.10%	(See page 10)						
10	Adjusted Taxes Other than Income	4.49%	3.35%	4.60%	3.91%	5.69%	5.54%	6.56%	10.95%	8.18%	9.55%	8.56%	9.67%	6.40%	
11	Net Plant After Deferred Income Taxes	4.37%	4.73%	5.52%	6.10%	6.10%	6.09%	6.49%	6.59%	5.38%	6.15%	7.16%	7.55%	8.73%	
11A	Adopted Net Plant After Deferred Income Taxes							6.75%	(See page 10)						
12	Rate base	4.83%	5.19%	6.02%	6.71%	6.60%	6.66%	7.41%	6.69%	6.72%	7.57%	8.44%	9.80%	11.31%	
13	Adjusted Other Revenue	Not used due to de minimus values that resulted in extraordinary variability													
<b>Escalation Factor</b>		2001-2014	2002-2014	2003-2014	2004-2014	2005-2014	2006-2014	2007-2014	2008-2014	2009-2014	2010-2014	2011-2014	2012-2014	2013-2014	
14	Adjusted Operating Expenses	2 years	10.62%	8.15%	7.84%	9.52%	9.88%	11.28%	11.95%	13.03%	10.36%	10.01%	8.50%	2.34%	2.73%
14A	Adopted Operating Expense	2 years							6.09%						
16	Adjusted Depreciation/Amortization	2 years	13.85%	13.98%	14.30%	15.79%	16.31%	17.57%	18.19%	19.73%	19.87%	20.73%	22.79%	24.43%	19.45%
16A	Adopted Depreciation/Amortization	2 years							27.92%	(See page 10)					
17	Adjusted Taxes Other than Income	2 years	9.19%	6.81%	9.42%	7.96%	11.70%	11.38%	13.54%	23.10%	17.03%	20.02%	17.86%	20.27%	13.20%
18	Net Plant After Deferred Income Taxes	2 years	8.94%	9.68%	11.35%	12.57%	12.57%	12.55%	13.39%	13.61%	11.06%	12.69%	14.84%	15.68%	18.23%
18A	Adopted Net Plant After Deferred Income Taxes	2 years							13.96%	(See page 10)					
19	Rate base	2 years	9.90%	10.65%	12.39%	13.87%	13.63%	13.77%	15.38%	13.83%	13.89%	15.71%	17.58%	20.56%	23.90%
20	Adjusted Other Revenue	Not used due to de minimus values that resulted in extraordinary variability													

## NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2013

**AVISTA UTILITIES  
WASHINGTON NATURAL GAS RESULTS  
ANNUAL AND COMPOUND GROWTH RATES**

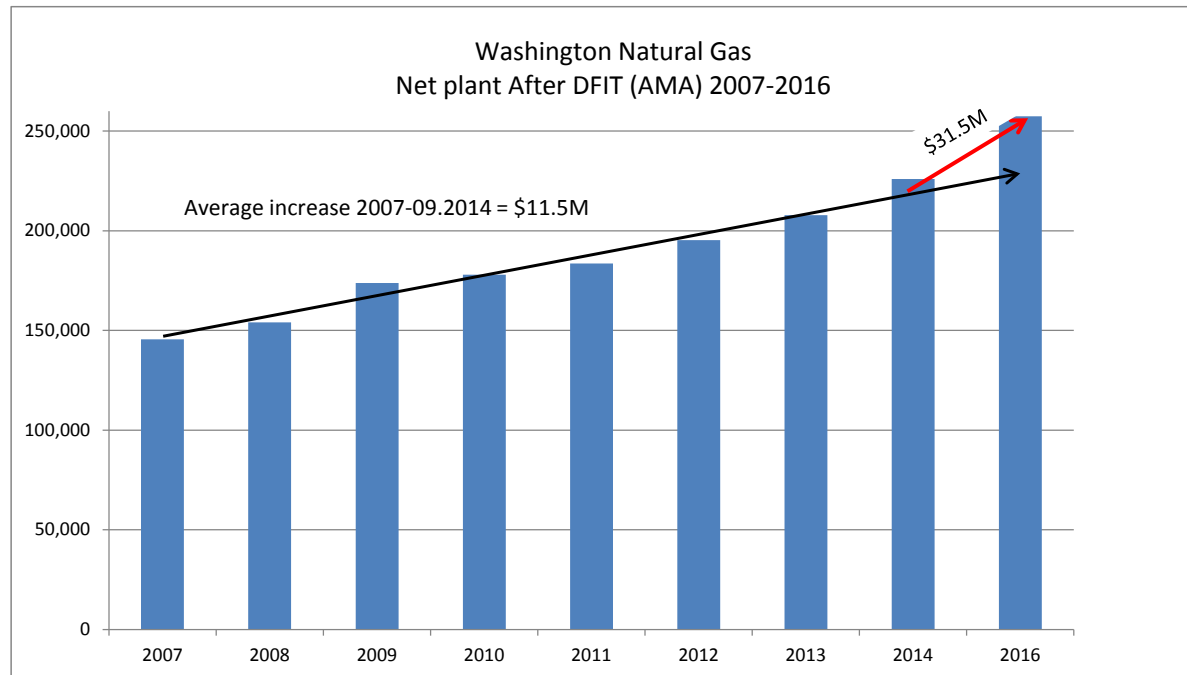
**Natural Gas Growth Rate Analysis and Escalation Factor Calculation**

	UPDATED	
Depreciation Expense*	12/31/2014	12/31/2016
	402	440
	8,513	9603
	4,389	6976
	13,304	17,019
Adopted Compound Growth Rate		13.10%
Adopted Escalation Factor		27.92%
Net Plant After DFIT*	12/31/2014	12/31/2016
	225,901	257,445
Adopted Compound Growth Rate		6.75%
Adopted Escalation Factor		13.96%

**Washington Natural Gas - AMA ROO 2007 to AMA 2016**

Net Plant before DFIT		
2007	145,500	Net Change
2008	154,054	8,554
2009	173,806	19,752
2010	177,901	4,095
2011	183,553	5,652
2012	195,287	11,734
2013	207,759	12,472
		2007-2014 Avg
2014	225,901	18,142
		11,486
2016	257,445	31,544

\*Excludes growth plant between 12/31/2014 and 12/31/2016.



**BILLING DETERMINANT INDEX  
09.2014 TO 2016 WEIGHTED REVENUE GROWTH**

Line No.	Description	Schedule	Billing Determinant	Revenue Model Sept 2014	Forecast 2016	Billing Determinant Growth F=(E-D)/D	Revenue Sept 2014	Weight H=G/SUM G	Weighted Growth I=FxH	Net of Gas Costs	
	A	B	C	D	E		G				
1	General Svc	101	Basic/Min	1,787,943	1,828,182	2.25%	\$16,091,487	9.65%	0.22%	\$362,147	\$362,147
2	Lrg Gen Svc	111/112	Basic/Min	30,697	31,374	2.20%	\$2,671,867	1.60%	0.04%	\$58,902	\$58,902
3	Ex Lrg Gen Svc	121/122	Basic/Min	336	339	0.83%	\$72,321	0.04%	0.00%	\$598	\$598
4	Interruptible Svc	131/132	Basic/Min	24	24	0.00%	\$0	0.00%	0.00%	\$0	\$0
5	General Svc	101	Volumes	120,721,607	119,462,331	-1.04%	\$107,498,749	64.47%	-0.67%	-\$1,121,346	-\$487,590
6	Lrg Gen Svc	111/112	Volumes	47,537,282	47,624,382	0.18%	\$35,598,366	21.35%	0.04%	\$65,225	\$21,585
7	Ex Lrg Gen Svc	121/122	Volumes	5,735,037	5,939,604	3.57%	\$4,064,021	2.44%	0.09%	\$144,962	\$46,197
8	Interruptible Svc	131/132	Volumes	1,115,704	1,252,783	12.29%	\$733,819	0.44%	0.05%	\$90,159	\$27,798
9	Total			175,109,630	174,279,099		\$166,730,631	100.00%	-0.24%	-\$399,351	\$29,638
10	Transportation Svc	146	Basic/Min	456	516	13.12%	\$255,207	6.10%	0.80%	\$33,473	\$33,473
11	Special Contract	148	Basic/Min	60	66	9.50%	\$325,584	7.78%	0.74%	\$30,941	\$30,941
12	Transportation Svc	146	Volumes	30,580,202	30,484,401	-0.31%	\$2,321,589	55.50%	-0.17%	-\$7,273	-\$7,221
13	Special Contract	148	Volumes	49,497,099	47,057,044	-4.93%	\$1,280,992	30.62%	-1.51%	-\$63,149	-\$63,149
14	Total			80,077,301	77,541,445		\$4,183,371	100.00%	-0.14%	-\$6,008	-\$5,956
15	General Svc	101	Total Revenue				\$123,590,236				
16	Lrg Gen Svc	111/112	Total Revenue				\$38,270,233				
17	Ex Lrg Gen Svc	121/122	Total Revenue				\$4,136,342				
18	Interruptible Svc	131/132	Total Revenue				\$733,819				
19	Transportation Svc	146	Total Revenue				\$2,576,796				
20	Special Contract	148	Total Revenue				\$1,606,576				
21	Total						\$170,914,002				

Change in Purchased Gas Cost

				Sept 2014	2016	Increase (Decrease)	Gas Costs Per Therm	
22	General Svc	101	Volumes	120,721,607	119,462,331	-1,259,276	\$0.50327	-\$633,756
23	Lrg Gen Svc	111/112	Volumes	47,537,282	47,624,382	87,100	\$0.50104	\$43,641
24	Ex Lrg Gen Svc	121/122	Volumes	5,735,037	5,939,604	204,567	\$0.48280	\$98,765
25	Interruptible Svc	131/132	Volumes	1,115,704	1,252,783	137,079	\$0.45493	\$62,361
26	Total			175,109,630	174,279,099	-830,531		
27	Transp	146	Volumes	30,580,202	30,484,401	-95,801	\$0.00054	-\$52
28	Spec Cont Trans	148	Volumes	49,497,099	47,057,044	-2,440,055	\$0.00000	
29	Total			80,077,301	77,541,445	-2,535,856		-\$429,041

255,186,931 251,820,544 -3,366,387