

BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

DOCKET NO. UG-991607

Exhibit No. 270 (DMF-2)
Witness: Don M. Falkner, Avista Corp.

WUTC		
DOCKET NO. <u>UE-991606</u>		
EXHIBIT # <u>270</u>		
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AVISTA UTILITIES
 GAS RESULTS OF OPERATION
 WASHINGTON PRO FORMA RESULTS
 TWELVE MONTHS ENDED DECEMBER 31, 1998
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	WITH PRESENT RATES			WITH PROPOSED RATES	
		Actual Per Results Report	Total Adjustments	Pro Forma Total	Proposed Revenues & Related Exp	Pro Forma Proposed Total
	a	b	c	d	e	f
REVENUES						
1	Total General Business	\$67,226	\$4,409	\$71,635	\$4,427	\$76,062
2	Total Transportation	5,294	(2,133)	3,161		3,161
3	Other Revenues	12,629	(10,437)	2,192		2,192
4	Total Gas Revenues	85,149	(8,161)	76,988	4,427	81,415
EXPENSES						
5	Exploration and Development	0	0	0		0
Production						
6	City Gate Purchases	49,265	(10,020)	39,245		39,245
7	Purchased Gas Expense	117	4	121		121
8	Net Nat Gas Storage Trans	(1,017)	1,017	0		0
9	Total Production	48,365	(8,999)	39,366	0	39,366
Underground Storage						
10	Operating Expenses	319	0	319		319
11	Depreciation	325	(5)	320		320
12	Taxes	103	(2)	101		101
13	Total Underground Storage	747	(7)	740	0	740
Distribution						
14	Operating Expenses	3,905	120	4,025		4,025
15	Depreciation	3,738	(72)	3,666		3,666
16	Taxes	4,956	(845)	4,111	170	4,281
17	Total Distribution	12,599	(797)	11,802	170	11,972
18	Customer Accounting	3,322	(380)	2,942	16	2,958
19	Customer Service & Information	585	3	588		588
20	Sales Expenses	474	(172)	302		302
Administrative & General						
21	Operating Expenses	8,195	(143)	8,052	43	8,095
22	Depreciation	818	156	974		974
23	Taxes	15	0	15		15
24	Total Admin. & General	9,028	13	9,041	43	9,084
25	Total Gas Expense	75,120	(10,339)	64,781	229	65,010
26	OPERATING INCOME BEFORE FIT	10,029	2,178	12,207	4,198	16,405
FEDERAL INCOME TAX						
27	Current Accrual	(651)	1,617	966	1,469	2,435
28	Deferred FIT	2,229	(136)	2,093		2,093
29	Amort ITC	(31)	0	(31)		(31)
30	NET OPERATING INCOME	\$8,482	\$697	\$9,179	\$2,729	\$11,908
RATE BASE: PLANT IN SERVICE						
31	Underground Storage	14,091	0	14,091		14,091
32	Distribution Plant	150,325	3,585	153,910	0	153,910
33	General Plant	12,868	0	12,868		12,868
34	Total Plant in Service	177,284	3,585	180,869		180,869
ACCUMULATED DEPRECIATION						
35	Underground Storage	5,936	0	5,936		5,936
36	Distribution Plant	40,779	0	40,779	0	40,779
37	General Plant	5,028	39	5,067		5,067
38	Total Accum. Depreciation	51,743	39	51,782		51,782
39	DEFERRED FIT	0	(10,090)	(10,090)		(10,090)
40	GAS INVENTORY	0	1,458	1,458		1,458
41	GAIN ON SALE OF BUILDING	0	(535)	(535)		(535)
42	TOTAL RATE BASE	\$125,541	(\$5,621)	\$119,920		\$119,920
43	RATE OF RETURN	6.76%		7.65%		9.93%

AVISTA UTILITIES
 Calculation of Revenue Requirement
 Washington - Gas System
 Twelve Months Ended December 31, 1996

Line No.	Description	(000's of Dollars)
1	Pro Forma Rate Base	\$119,920
2	Proposed Rate of Return	9.930%
3	Net Operating Income Requirement	\$11,908
4	Pro Forma Net Operating Income	\$9,179
5	Net Operating Income Deficiency	\$2,729
6	Conversion Factor	0.616505
7	Revenue Requirement	\$4,427
8	Total General Business Revenues	\$74,796
9	Percentage Revenue Increase	5.92%

AVISTA UTILITIES
Revenue Conversion Factor
Washington - Gas System
Twelve Months Ended December 31, 1998

Line No.	Description	Factor
1	Revenues	1.000000
	Expenses:	
2	Uncollectibles	0.003514
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038385
5	Franchise Fees	0.007632
6	Total Expense	<u>0.051530</u>
7	Net Operating Income before Federal Income Tax	0.948470
8	Federal Income Tax @ 35%	<u>0.331964</u>
9	Revenue Conversion Factor	<u><u>0.616506</u></u>

AVISTA UTILITIES
 GAS RESULTS OF OPERATION-GENERAL CASE
 WASHINGTON RESTATED RESULTS
 TWELVE MONTHS ENDED DECEMBER 31, 1998
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Per Results Report	REVISED	REVISED	Gas Inventory	REVISED
			Deferred FIT Rate Base	Deferred Gain on Office Building		Weatherization and DSM Investment
	a	b	c	d	e	f
REVENUES						
1	Total General Business	\$67,226				
2	Total Transportation	5,294				
3	Other Revenues	12,629				
4	Total Gas Revenues	85,149	0	0	0	0
EXPENSES						
5	Exploration and Development	0				
Production						
6	City Gate Purchases	49,265				
7	Purchased Gas Expense	117				
8	Net Nat Gas Storage Trans	(1,017)				
9	Total Production	48,365	0	0	0	0
Underground Storage						
10	Operating Expenses	319				
11	Depreciation	325				
12	Taxes	103				
13	Total Underground Storage	747	0	0	0	0
Distribution						
14	Operating Expenses	3,905				
15	Depreciation	3,738				
16	Taxes	4,956				
17	Total Distribution	12,599	0	0	0	0
18	Customer Accounting	3,322			0	0
19	Customer Service & Information	585				
20	Sales Expenses	474				
Administrative & General						
21	Operating Expenses	8,195				
22	Depreciation	818				
23	Taxes	15				
24	Total Admin. & General	9,028	0	0	0	0
25	Total Gas Expense	75,120	0	0	0	0
26	OPERATING INCOME BEFORE FIT	10,029	0	0	0	0
FEDERAL INCOME TAX						
27	Current Accrual	(651)				
28	Deferred FIT	2,229				
29	Amort ITC	(31)				
30	NET OPERATING INCOME	\$8,482	\$0	\$0	\$0	\$0
RATE BASE: PLANT IN SERVICE						
31	Underground Storage	14,091				
32	Distribution Plant	150,325				3,684
33	General Plant	12,868				
34	Total Plant in Service	177,284	0	0	0	3,684
ACCUMULATED DEPRECIATION						
35	Underground Storage	5,936				
36	Distribution Plant	40,779				
37	General Plant	5,028				
38	Total Accum. Depreciation	51,743	0	0	0	0
39	DEFERRED FIT	0	(10,305)	187		
40	GAS INVENTORY	0			1,458	
41	GAIN ON SALE OF BUILDING	0		(535)		
42	TOTAL RATE BASE	\$125,541	(\$10,305)	(\$348)	\$1,458	\$3,684
43	RATE OF RETURN					

AVISTA UTILITIES
 GAS RESULTS OF OPERATION-GENERAL CASE
 WASHINGTON RESTATED RESULTS
 TWELVE MONTHS ENDED DECEMBER 31, 1998
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	Customer Advances	Subtotal Actual	Eliminate B & O Taxes	Pro Forma Property Tax	Uncollectible Expense	Regulatory Expense Adjustment
	a	g	-	h	i	j	k
REVENUES							
1	Total General Business		\$67,226	\$ (1,601)			
2	Total Transportation		5,294	(76)			
3	Other Revenues		12,629				
4	Total Gas Revenues	0	85,149	(1,677)	0	0	0
EXPENSES							
5	Exploration and Development		0				
Production							
6	City Gate Purchases		49,265				
7	Purchased Gas Expense		117				
8	Net Nat Gas Storage Trans		(1,017)				
9	Total Production	0	48,365	0	0	0	0
Underground Storage							
10	Operating Expenses		319				
11	Depreciation		325				
12	Taxes		103		(2)		
13	Total Underground Storage	0	747	0	(2)	0	0
Distribution							
14	Operating Expenses		3,905				
15	Depreciation		3,738				
16	Taxes		4,956	(1,850)	(20)		
17	Total Distribution	0	12,599	(1,850)	(20)	0	0
18	Customer Accounting		3,322	0	0	(226)	0
19	Customer Service & Information		585				
20	Sales Expenses		474				
Administrative & General							
21	Operating Expenses		8,195				15
22	Depreciation		818				
23	Taxes		15				
24	Total Admin. & General	0	9,028	0	0	0	15
25	Total Gas Expense	0	75,120	(1,850)	(22)	(226)	15
26	OPERATING INCOME BEFORE FIT	0	10,029	173	22	226	(15)
FEDERAL INCOME TAX							
27	Current Accrual		(651)	61	8	79	(5)
28	Deferred FIT		2,229				
29	Amort ITC		(31)				
30	NET OPERATING INCOME	\$0	\$8,482	\$112	\$14	\$147	(\$10)
RATE BASE: PLANT IN SERVICE							
31	Underground Storage		14,091				
32	Distribution Plant	(99)	153,910				
33	General Plant		12,868				
34	Total Plant in Service	(99)	180,869	0	0	0	0
ACCUMULATED DEPRECIATION							
35	Underground Storage		5,936				
36	Distribution Plant		40,779				
37	General Plant		5,028				
38	Total Accum. Depreciation	0	51,743	0	0	0	0
39	DEFERRED FIT		(10,118)				
40	GAS INVENTORY		1,458				
41	GAIN ON SALE OF BUILDING		(535)				
42	TOTAL RATE BASE	(\$99)	\$119,931	\$0	\$0	\$0	\$0
43	RATE OF RETURN		7.07%				

AVISTA UTILITIES
 GAS RESULTS OF OPERATION-GENERAL CASE
 WASHINGTON RESTATED RESULTS
 TWELVE MONTHS ENDED DECEMBER 31, 1998
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	REVISED				
		Injuries and Damages	FIT	Pro Forma Restate Debt Interest	Eliminate A/R Expenses	Office Space Charges to Subs
	a	l	m	n	o	p
REVENUES						
1	Total General Business					
2	Total Transportation					
3	Other Revenues					
4	Total Gas Revenues	0	0	0	0	0
EXPENSES						
5	Exploration and Development					
Production						
6	City Gate Purchases					
7	Purchased Gas Expense					
8	Net Nat Gas Storage Trans					
9	Total Production	0	0	0	0	0
Underground Storage						
10	Operating Expenses					
11	Depreciation					
12	Taxes					
13	Total Underground Storage	0	0	0	0	0
Distribution						
14	Operating Expenses					
15	Depreciation					
16	Taxes					
17	Total Distribution	0	0	0	0	0
18	Customer Accounting				(245)	0
19	Customer Service & Information					
20	Sales Expenses					
Administrative & General						
21	Operating Expenses	44				(6)
22	Depreciation					
23	Taxes					
24	Total Admin. & General	44	0	0	0	(6)
25	Total Gas Expense	44	0	0	(245)	(6)
26	OPERATING INCOME BEFORE FIT	(44)	0	0	245	6
FEDERAL INCOME TAX						
27	Current Accrual	(15)	558	297	86	2
28	Deferred FIT		(136)			
29	Amort ITC					
30	NET OPERATING INCOME	(\$29)	(\$422)	(\$297)	\$159	\$4
RATE BASE: PLANT IN SERVICE						
31	Underground Storage					
32	Distribution Plant					
33	General Plant					
34	Total Plant in Service	0	0	0	0	0
ACCUMULATED DEPRECIATION						
35	Underground Storage					
36	Distribution Plant					
37	General Plant					
38	Total Accum. Depreciation	0	0	0	0	0
39	DEFERRED FIT					
40	GAS INVENTORY					
41	GAIN ON SALE OF BUILDING					
42	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0
43	RATE OF RETURN					

AVISTA UTILITIES
 GAS RESULTS OF OPERATION-GENERAL CASE
 WASHINGTON RESTATED RESULTS
 TWELVE MONTHS ENDED DECEMBER 31, 1998
 (000'S OF DOLLARS)

Line No.	DESCRIPTION	REVISED				
		Restate Excise/Franchise Taxes	Lease Expense Adjustment	Restated Total	Pro Forma Depr Adjustment	Pro Forma Labor/Benefit Adjustment
	a	q	r	s	PF1	PF2
REVENUES						
1	Total General Business			\$65,625		
2	Total Transportation			5,218		
3	Other Revenues			12,629		
4	Total Gas Revenues	0	0	83,472	0	0
EXPENSES						
5	Exploration and Development			0		
Production						
6	City Gate Purchases			49,265		
7	Purchased Gas Expense			117		4
8	Net Nat Gas Storage Trans			(1,017)		
9	Total Production	0	0	48,365	0	4
Underground Storage						
10	Operating Expenses			319		
11	Depreciation			325	(5)	
12	Taxes			101		
13	Total Underground Storage	0	0	745	(5)	0
Distribution						
14	Operating Expenses			3,905		120
15	Depreciation			3,738	(72)	
16	Taxes	717		3,803		
17	Total Distribution	717	0	11,446	(72)	120
18	Customer Accounting	0	0	2,851	0	63
19	Customer Service & Information			585		3
20	Sales Expenses			474		5
Administrative & General						
21	Operating Expenses	(11)	(20)	8,217		(29)
22	Depreciation			818	156	
23	Taxes			15		
24	Total Admin. & General	(11)	(20)	9,050	156	(29)
25	Total Gas Expense	706	(20)	73,516	79	166
26	OPERATING INCOME BEFORE FIT	(706)	20	9,956	(79)	(166)
FEDERAL INCOME TAX						
27	Current Accrual	(247)	7	180	(28)	(58)
28	Deferred FIT			2,093		
29	Amort ITC			(31)		
30	NET OPERATING INCOME	(\$459)	\$13	\$7,714	(\$51)	(\$108)
RATE BASE: PLANT IN SERVICE						
31	Underground Storage			14,091		
32	Distribution Plant			153,910		
33	General Plant			12,868		
34	Total Plant in Service	0	0	180,869	0	0
ACCUMULATED DEPRECIATION						
35	Underground Storage			5,936		
36	Distribution Plant			40,779		
37	General Plant			5,028	39	
38	Total Accum. Depreciation	0	0	51,743	39	0
39	DEFERRED FIT			(10,118)	28	
40	GAS INVENTORY			1,458		
41	GAIN ON SALE OF BUILDING			(535)		
42	TOTAL RATE BASE	\$0	\$0	\$119,931	(\$11)	\$0
43	RATE OF RETURN			6.43%		

AVISTA UTILITIES
 GAS RESULTS OF OPERATION-GENERAL CASE
 WASHINGTON RESTATED RESULTS
 TWELVE MONTHS ENDED DECEMBER 31, 1998
 (000'S OF DOLLARS)

Line No.	DESCRIPTION a	REVISED		REJECTED	ACCEPTED	REJECTED
		Pro Forma Revenue Adjustment PF3	Pro Forma Miscellaneous Adjustment PF4	Staff Bonuses Adjustment PF5	Staff Misc Restating PF6	Staff Relocation Expense Adj. PF7
REVENUES						
1	Total General Business	\$6,010				
2	Total Transportation	(2,057)				
3	Other Revenues	(10,437)				
4	Total Gas Revenues	(6,484)	0	0	0	0
EXPENSES						
5	Exploration and Development Production					
6	City Gate Purchases	(10,020)				
7	Purchased Gas Expense					
8	Net Nat Gas Storage Trans	1,017				
9	Total Production	(9,003)	0	0	0	0
Underground Storage						
10	Operating Expenses					
11	Depreciation					
12	Taxes					
13	Total Underground Storage	0	0	0	0	0
Distribution						
14	Operating Expenses					
15	Depreciation					
16	Taxes	308				
17	Total Distribution	308	0	0	0	0
18	Customer Accounting	28	0			
19	Customer Service & Information					
20	Sales Expenses				(177)	
Administrative & General						
21	Operating Expenses	16	(264)		(38)	
22	Depreciation					
23	Taxes					
24	Total Admin. & General	16	(264)	0	(38)	0
25	Total Gas Expense	(8,651)	(264)	0	(215)	0
26	OPERATING INCOME BEFORE FIT	2,167	264	0	215	0
FEDERAL INCOME TAX						
27	Current Accrual	758	92		75	
28	Deferred FIT					
29	Amort ITC	0	0			
30	NET OPERATING INCOME	\$1,409	\$172	\$0	\$140	\$0
RATE BASE: PLANT IN SERVICE						
31	Underground Storage					
32	Distribution Plant					
33	General Plant					
34	Total Plant in Service	0	0	0	0	0
ACCUMULATED DEPRECIATION						
35	Underground Storage					
36	Distribution Plant					
37	General Plant					
38	Total Accum. Depreciation	0	0	0	0	0
39	DEFERRED FIT					
40	GAS INVENTORY					
41	GAIN ON SALE OF BUILDING					
42	TOTAL RATE BASE	\$0	\$0	\$0	\$0	\$0
43	RATE OF RETURN					

AVISTA UTILITIES
 GAS RESULTS OF OPERATION-GENERAL CASE
 WASHINGTON RESTATED RESULTS
 TWELVE MONTHS ENDED DECEMBER 31, 1998
 (000'S OF DOLLARS)

Line No.	DESCRIPTION a	ACCEPTED	REVISED
		Staff Hamilton Str Bridge Remed. PF8	Pro Forma TOTAL PF9
REVENUES			
1	Total General Business		\$71,635
2	Total Transportation		3,161
3	Other Revenues		2,192
4	Total Gas Revenues	0	76,988
EXPENSES			
5	Exploration and Development		0
Production			
6	City Gate Purchases		39,245
7	Purchased Gas Expense		121
8	Net Nat Gas Storage Trans		0
9	Total Production	0	39,366
Underground Storage			
10	Operating Expenses		319
11	Depreciation		320
12	Taxes		101
13	Total Underground Storage	0	740
Distribution			
14	Operating Expenses		4,025
15	Depreciation		3,666
16	Taxes		4,111
17	Total Distribution	0	11,802
18	Customer Accounting		2,942
19	Customer Service & Information		588
20	Sales Expenses		302
Administrative & General			
21	Operating Expenses	150	8,052
22	Depreciation		974
23	Taxes		15
24	Total Admin. & General	150	9,041
25	Total Gas Expense	150	64,781
26	OPERATING INCOME BEFORE FIT	(150)	12,207
FEDERAL INCOME TAX			
27	Current Accrual	(53)	966
28	Deferred FIT		2,093
29	Amort ITC		(31)
30	NET OPERATING INCOME	(\$97)	\$9,179
RATE BASE: PLANT IN SERVICE			
31	Underground Storage		14,091
32	Distribution Plant		153,910
33	General Plant		12,868
34	Total Plant in Service	0	180,869
ACCUMULATED DEPRECIATION			
35	Underground Storage		5,936
36	Distribution Plant		40,779
37	General Plant		5,067
38	Total Accum. Depreciation	0	51,782
39	DEFERRED FIT		(10,090)
40	GAS INVENTORY		1,458
41	GAIN ON SALE OF BUILDING		(535)
42	TOTAL RATE BASE	\$0	\$119,920
43	RATE OF RETURN		7.65%