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REPORT NAME: UM-903 Results of Operations

COMPANY NAME: Avista Corporation

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed in OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation: RE (Electric) RG (Gas) RW (Water) RO (Other)

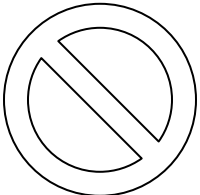
Report is required by: OAR Enter rule number
 Statute Enter statute number
 Order 99-272, 99-284, and 98-543
 Other Enter reason

Is this report associated with a specific docket/case? No Yes

If yes, enter docket number: UM-903

List applicable Key Words for this report to facilitate electronic search:
Results of Operations

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- Annual Fee Statement form and payment remittance or
- OUS or RSPF Surcharge form or surcharge remittance or
- Any other Telecommunications Reporting or
- Any daily safety or safety incident reports or
- Accident reports required by ORS 654.715

Please file the above reports according to their individual instructions.



Avista Corp.

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Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

April 28, 2017

Filing Center
Public Utility Commission of Oregon
3930 Fairview Industrial Dr SE
Salem, Oregon 97302-1166

RE: Avista Corp. Oregon Division Results of Operations

The enclosed filing is Avista's combined earnings report meant to satisfy the reporting requirements associated with UM-903 (associated Order 99-272), AR-357 Rulemaking (associated Order 99-284) as well as the standard Oregon annual reporting requirements. For UM-903 purposes, Avista makes no adjustment to normalize for weather, per the stipulation approved by Order No. 98-543. The following is a summary of the results:

Please see the attached report for the twelve-months ended December 31, 2016, along with accompanying workpapers, for the Oregon Division of Avista Corp. The results of the report was as follows:

	Per UM-903	Annual Report After All Type I	Annual Report After Type II
Rate of Return	6.70%	7.69%	7.54%
Implied Return on Equity	7.83%	9.79%	9.49%

Please direct any questions on this matter to Jennifer Smith at (509) 495-2098.

Sincerely,

Patrick Ehrbar
Senior Manager, Rates and Tariffs
pat.ehrbar@avistacorp

AVISTA UTILITIES
Oregon
Twelve Months Ending December 31, 2016

	Per Results Reports	Earnings Test Adjustments (fr/ Table II)	Earnings Test Results UM-903	Weather Normalization Sales/Purch	Total Type I Results	Total Type II Adjustments (fr/ Table III)	Earnings Test Incl. Type II Adj.	
	A	B	C	D	E	F	G	
OPERATING REVENUES								
1	Total General Business	\$86,689,588	0	\$86,689,588	\$6,507,190	\$93,196,778	0	\$93,196,778
2	Transportation	3,354,562	0	3,354,562	0	3,354,562	0	3,354,562
3	Other	66,104,608	0	66,104,608	0	66,104,608	(6,407,356)	59,697,252
4	Total Operating Revenues	156,148,758	0	156,148,758	6,507,190	162,655,948	(6,407,356)	156,248,592
OPERATING EXPENSES								
5	Gas Purchased	95,475,183	0	95,475,183	3,064,360	98,539,543	(5,924,584)	92,614,959
6	Operations & Maintenance	16,658,920	(356,742)	16,302,178	44,818	16,346,996	0	16,346,996
7	Administrative & General	8,972,709	(516,514)	8,456,195	25,372	8,481,567	0	8,481,567
8	Taxes Other Than Income	6,407,221	0	6,407,221	147,752	6,554,973	0	6,554,973
9	Depreciation & Amortization	10,499,242	0	10,499,242	0	10,499,242	0	10,499,242
10	Total Operating Expenses	138,013,275	(873,256)	137,140,019	3,282,302	140,422,321	(5,924,584)	134,497,737
11	OPERATING INCOME BEFORE INCOME TAX	18,135,483	873,256	19,008,739	3,224,888	22,233,627	(482,772)	21,750,855
INCOME TAXES								
12	Current Federal Income Taxes	(5,428,581)	277,139	(5,151,442)	1,128,711	(4,022,731)	(168,970)	(4,191,701)
13	Deferred Federal Income Taxes	9,921,920	0	9,921,920	0	9,921,920	0	9,921,920
14	State Income Taxes	0	0	0	0	0	0	0
15	Total Income Taxes	4,493,339	277,139	4,770,478	1,128,711	5,899,189	(168,970)	5,730,219
16	NET OPERATING INCOME	\$13,642,144	\$596,117	\$14,238,261	\$2,096,177	\$16,334,438	(\$313,802)	\$16,020,636
AVERAGE RATE BASE								
17	Utility Plant in Service	\$377,221,958	(52,294)	\$377,169,664	\$0	\$377,169,664	0	\$377,169,664
18	Less: Accumulated Depreciation & Amortization	(114,238,508)	0	(114,238,508)	0	(114,238,508)	0	(114,238,508)
19	Net Utility Plant	262,983,450	(52,294)	262,931,156	0	262,931,156	0	262,931,156
20	Accumulated Deferred Income Taxes	(55,558,958)	0	(55,558,958)	0	(55,558,958)	0	(55,558,958)
21	Inventory and Other	5,039,077	0	5,039,077	0	5,039,077	0	5,039,077
22	TOTAL AVERAGE RATE BASE	\$212,463,569	(\$52,294)	\$212,411,275	\$0	\$212,411,275	\$0	\$212,411,275
23	RATE OF RETURN	6.42%		6.70%		7.69%		7.54%
(4)	IMPLIED RETURN ON EQUITY	7.28%		7.83%		9.79%		9.49%
UM-903 Earnings Test Calculation								
25	EARNINGS THRESHOLD - Return on Equity			10.42% ⁽¹⁾				
26	EQUITY EARNINGS AT THRESHOLD RATE			\$11,191,902				
27	EQUITY EARNINGS ACTUAL			\$8,410,037				
28	100% OF NOI EXCEEDING THRESHOLD			(\$2,781,865)				
29	100% OF REVENUE EXCEEDING THRESHOLD			(\$4,425,571)				
30								
32	33% REVENUE ADJ DUE TO SPRING REVIEW () = Under Threshold			(\$1,460,438)				
33								
34	Conversion factor			0.628589				
AVISTA COST OF CAPITAL								
		Capital Structure (2)	Cost (3)	Weighted Cost				
	Long-Term Debt and Preferred Securities	49.43%	5.55%	2.74%				
	Common Equity	50.57%	9.42%	4.76%				
	Total	100.00%		7.50%				

Type I: Adjustments for uncollectible estimate, debt synchronization, salaries, incentives, dues, prior period true-ups

Type II: Adjustment for Gas Cost Incentive

(1) Earnings Threshold based on Oregon Staff Memo from Matt Muldoon dated January 19, 2017 with Avista's amount 10.42%.

(2) Five-quarter Average Actual Capital Structure.

(3) Five-quarter Actual Average Cost.

OR NATURAL GAS RESULTS OF OPERATIONS

12 ME-12/16	
OR	

SUMMARY

NOI	13,642,147
Rate Base	212,463,569
Rate of Return	6.421%

FOUR FACTOR ALLOCATOR

Number of Customers	99,354	610,340	709,694
Direct Labor	6,848,340	80,771,271	87,619,611
Direct O&M Expense	5,956,109	15,196,457	21,152,566
Direct Net Plant	223,754,392	2,737,663,162	2,961,417,554

Ratio to Jurisdictional Total

Number of Customers	14.000%	14.000%
Direct Operating Payroll	7.816%	7.816%
Direct Op/Maint Expense	28.158%	28.158%
Direct Net Plant	7.556%	7.556%

Four Factor Allocation

14.383%	14.383%
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RESULTS OF OPERATIONS

	ROO	Dec-16
	Account Number	Oregon
REVENUES		
Sales to Ultimate Customers	480-484	86,689,588
Transportation	489300	3,354,562
Other Revenues (excl. Transportation)	483,488,493,495	66,104,608
TOTAL REVENUES		156,148,758
PRODUCTION EXPENSES		
Production O&M		0
Gas Purchases (incl Other Gas Exp)	804	95,475,183
Depreciation		0
Other Taxes		0
Total Production		95,475,183
UNDERGROUND STORAGE EXPENSES		
Supervision & Engineering		0
Other Expenses	824	68,119
Other Equipment	837	77,658
TOTAL UNDERGROUND STORAGE OP. EXP		145,777 (b)
Depreciation Expense		127,426 (a)
Other Taxes		31,866
TOTAL UNDERGROUND STORAGE EXP.		305,069
TRANSMISSION EXPENSES		
Transmission O&M		0
Depreciation		0
Other Taxes		0
Total Transmission		0
DISTRIBUTION EXPENSES		
Distribution O&M	885-894	8,963,958 (b)
Depreciation	403X50	6,581,776 (a)
State Income Taxes (from Other Taxes)		0
Other Taxes	OTX	6,375,355
Total Distribution		21,921,089
CUSTOMER ACCOUNTS	901-905	4,085,936 (b)
CUSTOMER SERVICE & INFO	908-910	3,462,956 (b)
SALES	911-916	293 (b)
ADMIN & GENERAL		
Salaries	920	3,944,769
Offices Supplies	921	523,204
A&G Transferred	922	0
Outside Services	923	853,710
Property Insurance	924	138,645
Injuries and Damages	925	390,978
Employee Pensions and Benefits	926	171,138
Regulatory Commission	928	1,127,244
Misc. General	930	505,012
Rents	931	98,036
Maint. of General Plant	935	1,219,973
Subtotal		8,972,709
Depreciation & Amortization	403X60,403X70	1,944,523 (a)
Amort of Intangible Plant	404	1,855,450 (a)
Other Taxes		0
Total Admin & General		12,772,682
OTHER EXPENSES - Senate Bill 408	407330-407431	-9,933 (a)
OTHER EXPENSES - Reg Credit Roseburg/Medford Defi	407421	0 (a)
TOTAL EXPENSES		138,013,275

NOI BEFORE FIT		18,135,483
FIT-Current		-5,428,581
DFIT		<u>9,921,920</u>
Total FIT		4,493,339
effective rate		24.78%
NET OPERATING INCOME		<u>13,642,147</u>

O.K.

GAS UTILITY PLANT		
INTANGIBLE PLANT	303 - C-IPL	16,107,795
UNDERGROUND STORAGE PLANT	350-357	6,134,175
PRODUCTION PLANT	301-311	7,628
TRANSMISSION PLANT		0
DISTRIBUTION PLANT	374-387	323,677,739
GENERAL PLANT	389-398	<u>31,294,621</u>
GROSS PLANT		<u>377,221,958</u>
ACCUMULATED DEPRECIATION	108	-110,245,007
ACCUMULATED AMORTIZATION	2111	<u>-3,993,501</u>
		<u>-114,238,508</u>

NET UTILITY PLANT		<u>262,983,450</u>
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RATE BASE ADJ.		
ACCUM. DFIT	OR-PLT-12A	-55,558,958
OTHER	OR-APL-12A	<u>5,039,077</u>
Total Adj.		-50,519,881

NET RATE BASE		<u>212,463,569</u>
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O.K.

Reconciliation:			
Depreciation and Amortization:	(a)	<u>10,499,242</u>	O.K.
Operations and Maintenance:	(b)	<u>16,658,920</u>	O.K.

AVISTA UTILITIES
Oregon
Type I Adjustments
Twelve Months Ending December 31, 2016

	Uncollectible Expense Adj. (1a)	Salaries & Wages Adj. (1b)	Incentive Pay Adj. (1c)	Memberships & Dues & Dues Adj. (1d)	Miscellaneous True Ups Adj. (1e)	State Income Tax Adj. (1f)	Restate Debt Interest (1g)	Total Type I Adjustments
OPERATING REVENUES								
1 Total General Business	-	-	-	-	-	-	-	-
2 Transportation	-	-	-	-	-	-	-	-
3 Other	-	-	-	-	-	-	-	-
4 Total Operating Revenues	-	-	-	-	-	-	-	-
OPERATING EXPENSES								
5 Gas Purchased	-	-	-	-	-	-	-	-
6 Operations & Maintenance	(256,701)	(108,141)	-	-	8,100	-	-	(356,742)
7 Administrative & General	-	-	(484,997)	(31,517)	-	-	-	(516,514)
8 Taxes Other Than Income	-	-	-	-	-	-	-	-
9 Depreciation & Amortization	-	-	-	-	-	-	-	-
10 Total Operating Expenses	(256,701)	(108,141)	(484,997)	(31,517)	8,100	-	-	(873,256)
11 OPERATING INCOME BEFORE INCOME TA	256,701	108,141	484,997	31,517	(8,100)	-	-	873,256
INCOME TAXES								
12 Current Federal Income Taxes	89,845	37,849	169,749	11,031	(2,835)	-	(28,500)	277,139
13 Deferred Federal Income Taxes	-	-	-	-	-	-	-	-
14 State Income Taxes	-	-	-	-	-	-	-	-
15 Total Income Taxes	89,845	37,849	169,749	11,031	(2,835)	-	(28,500)	277,139
16 NET OPERATING INCOME	166,856	70,292	315,248	20,486	(5,265)	-	28,500	596,117
AVERAGE RATE BASE								
17 Utility Plant in Service	-	(52,294)	-	-	-	-	-	(52,294)
18 Less: Accumulated Depreciation & Amortizat	-	-	-	-	-	-	-	-
19 Net Utility Plant	-	(52,294)	-	-	-	-	-	(52,294)
20 Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-
21 Inventory and Other	-	-	-	-	-	-	-	-
22 TOTAL AVERAGE RATE BASE	-	(52,294)	-	-	-	-	-	(52,294)

TABLE III

AVISTA UTILITIES
Oregon
Type II Adjustments
Twelve Months Ending December 31, 2016

	Gas Cost Adjustment	Total Type II Adjustments
	(2a)	
OPERATING REVENUES		
1 Total General Business	-	-
2 Transportation	-	-
3 Other	(6,407,356)	(6,407,356)
4 Total Operating Revenues	<u>(6,407,356)</u>	<u>(6,407,356)</u>
OPERATING EXPENSES		
5 Gas Purchased	(5,924,584)	(5,924,584)
6 Operations & Maintenance	-	-
7 Administrative & General	-	-
8 Taxes Other Than Income	-	-
9 Depreciation & Amortization	-	-
10 Total Operating Expenses	<u>(5,924,584)</u>	<u>(5,924,584)</u>
11 OPERATING INCOME BEFORE INCOME TAX	(482,772)	(482,772)
INCOME TAXES		
12 Current Federal Income Taxes	(168,970)	(168,970)
13 Deferred Federal Income Taxes	-	-
14 State Income Taxes	-	-
15 Total Income Taxes	<u>(168,970)</u>	<u>(168,970)</u>
16 NET OPERATING INCOME	<u>(313,802)</u>	<u>(313,802)</u>
AVERAGE RATE BASE		
17 Utility Plant in Service	-	-
18 Less: Accumulated Depreciation & Amortization	-	-
19 Net Utility Plant	<u>-</u>	<u>-</u>
20 Accumulated Deferred Income Taxes	-	-
21 Inventory and Other	<u>-</u>	<u>-</u>
22 TOTAL AVERAGE RATE BASE	<u>-</u>	<u>-</u>