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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)

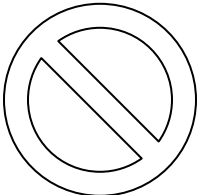
Report is required by: OAR Enter rule number
 Statute Enter statute number
 Order 99-272, 99-284, and 98-543
 Other Enter reason

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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- 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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Toll Free 800-727-9170

April 15, 2016

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 a combined earnings report meant to satisfy the reporting requirements associated with the UM-903 investigation (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.

Please see the attached report for the twelve months ended December 31, 2015, along with accompanying workpapers, for the Oregon division of Avista Corp. Following are the results:

	Per UM-903	Annual Report After All Type I	Annual Report After Type II
Rate of Return	5.12%	6.42%	6.45%
Implied Return on Equity	4.66%	7.24%	7.30%

If you have any questions concerning this information, please contact Annette Brandon at (509) 495-4324.

Sincerely,

Elizabeth Andrews
liz.andrews@avistacorp.com
Enclosures

TABLE I

AVISTA UTILITIES
Oregon
Twelve Months Ending December 31, 2015

	Per Results Reports	Earnings Test Adjustments	Earnings Test Results UM-903	Weather Normalization Sales/Purch	Total Type I Results	Total Type II Adjustments	Earnings Test Incl. Type II Adj.
	A	B (fr/ Table II)	C	D	E	F (fr/ Table III)	G
OPERATING REVENUES							
1 Total General Business	\$87,921,752	0	\$87,921,752	\$8,645,285	\$96,567,037	0	\$96,567,037
2 Transportation	3,388,560	0	3,388,560	0	3,388,560	0	3,388,560
3 Other	74,842,765	0	74,842,765	0	74,842,765	(7,477,206)	67,365,559
4 Total Operating Revenues	166,153,077	0	166,153,077	8,645,285	174,798,362	(7,477,206)	167,321,156
OPERATING EXPENSES							
5 Gas Purchased	115,022,056	0	115,022,056	4,780,696	119,802,752	(6,941,712)	112,861,040
6 Operations & Maintenance	13,504,369	(110,662)	13,393,707	57,699	13,451,406	0	13,451,406
7 Administrative & General	9,054,443	(431,770)	8,622,673	32,878	8,655,551	0	8,655,551
8 Taxes Other Than Income	6,037,050	0	6,037,050	185,571	6,222,621	0	6,222,621
9 Depreciation & Amortization	9,504,757	0	9,504,757	0	9,504,757	0	9,504,757
10 Total Operating Expenses	153,122,675	(542,432)	152,580,243	5,056,844	157,637,087	(6,941,712)	150,695,375
11 OPERATING INCOME BEFORE INCOME TAX	13,030,402	542,432	13,572,834	3,588,441	17,161,275	(535,494)	16,625,781
INCOME TAXES							
12 Current Federal Income Taxes	(2,915,005)	197,910	(2,717,095)	1,255,954	(1,461,141)	(187,423)	(1,648,564)
13 Deferred Federal Income Taxes	6,079,298	0	6,079,298	0	6,079,298	0	6,079,298
14 State Income Taxes	0	0	0	0	0	0	0
15 Total Income Taxes	3,164,293	197,910	3,362,203	1,255,954	4,618,157	(187,423)	4,430,734
16 NET OPERATING INCOME	\$9,866,109	\$344,522	\$10,210,631	\$2,332,487	\$12,543,118	(\$348,071)	\$12,195,047
AVERAGE RATE BASE							
17 Utility Plant in Service	\$341,910,092	(81,227)	\$341,828,865	\$0	\$341,828,865	0	\$341,828,865
18 Less: Accumulated Depreciation & Amortization	(107,248,653)	0	(107,248,653)	0	(107,248,653)	0	(107,248,653)
19 Net Utility Plant	234,661,439	(81,227)	234,580,212	0	234,580,212	0	234,580,212
20 Accumulated Deferred Income Taxes	(50,186,981)	0	(50,186,981)	0	(50,186,981)	0	(50,186,981)
21 Inventory and Other	4,940,400	0	4,940,400	0	4,940,400	0	4,940,400
22 TOTAL AVERAGE RATE BASE	\$189,414,858	(\$81,227)	\$189,333,631	\$0	\$189,333,631	\$0	\$189,333,631
23 RATE OF RETURN	5.21%		5.39%		6.62%		6.44%
(4) IMPLIED RETURN ON EQUITY	4.98%		5.34%		7.78%		7.42%
UM-903 Earnings Test Calculation							
25 EARNINGS THRESHOLD - Return on Equity			10.54% ⁽¹⁾				
26 EQUITY EARNINGS AT THRESHOLD RATE			\$10,059,302				
27 EQUITY EARNINGS ACTUAL			\$5,096,458				
28 100% OF NOI EXCEEDING THRESHOLD			(\$4,962,844)				
29 100% OF REVENUE EXCEEDING THRESHOLD			(\$7,882,911)				
30							
32 33% REVENUE ADJ DUE TO SPRING REVIEW () = Under Threshold			(\$2,601,361)				
33							
34 Conversion factor			0.629570				
AVISTA COST OF CAPITAL							
Long-Term Debt and Preferred Securities	Capital Structure (2)	Cost (3)	Weighted Cost				
	49.59%	5.44%	2.70%				
Common Equity	50.41%	9.56%	4.82%				
Total	100.00%		7.52%				

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 Judy Johnson dated February 4, 2016 with Avista's amount 10.54%.

(2) Five-quarter Average Actual Capital Structure.

(3) Five-quarter Actual Average Cost.

OR NATURAL GAS RESULTS OF OPERATIONS

12 ME-12/15	
OR	

SUMMARY

NOI	9,866,112
Rate Base	189,414,858
Rate of Return	5.209%

FOUR FACTOR ALLOCATOR

Number of Customers	98,194	601,722	699,916
Direct Labor	6,066,734	75,602,200	81,668,934
Direct O&M Expense	7,153,513	111,141,818	118,295,331
Direct Net Plant	204,414,586	2,594,693,547	2,799,108,133

Ratio to Jurisdictional Total

Number of Customers	14.029%	14.029%
Direct Operating Payroll	7.428%	7.428%
Direct Op/Maint Expense	6.047%	6.047%
Direct Net Plant	7.303%	7.303%

Four Factor Allocation

8.702%	8.702%
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RESULTS OF OPERATIONS	ROO	Dec-15
	Account Number	Oregon
REVENUES		
Sales to Ultimate Customers	480-484	87,921,752
Transportation	489300	3,388,560
Other Revenues (excl. Transportation)	483,488,493,495	74,842,765
TOTAL REVENUES		166,153,077
PRODUCTION EXPENSES		
Production O&M		0
Gas Purchases (incl Other Gas Exp)	804	115,022,056
Depreciation		0
Other Taxes		0
Total Production		115,022,056
UNDERGROUND STORAGE EXPENSES		
Supervision & Engineering		0
Other Expenses	824	65,400
Other Equipment	837	62,619
TOTAL UNDERGROUND STORAGE OP. EXP		128,019 (b)
Depreciation Expense		118,815 (a)
Other Taxes		33,740
TOTAL UNDERGROUND STORAGE EXP.		280,574
TRANSMISSION EXPENSES		
Transmission O&M		0
Depreciation		0
Other Taxes		0
Total Transmission		0
DISTRIBUTION EXPENSES		
Distribution O&M	885-894	7,825,743 (b)
Depreciation	403X50	5,988,447 (a)
State Income Taxes (from Other Taxes)		0
Other Taxes	OTX	6,003,310
Total Distribution		19,817,500
CUSTOMER ACCOUNTS		
CUSTOMER SERVICE & INFO	901-905	3,600,848 (b)
SALES	908-910	1,949,759 (b)
SALES	911-916	0 (b)
ADMIN & GENERAL		
Salaries	920	3,615,208
Offices Supplies	921	517,204
A&G Transferred	922	0
Outside Services	923	1,105,110
Property Insurance	924	143,168
Injuries and Damages	925	408,050
Employee Pensions and Benefits	926	206,362
Regulatory Commission	928	1,374,996
Misc. General	930	499,301
Rents	931	88,509
Maint. of General Plant	935	1,096,535
Subtotal		9,054,443
Depreciation & Amortization	403X60,403X70	1,782,672 (a)
Amort of Intangible Plant	404	1,616,311 (a)
Other Taxes		0
Total Admin & General		12,453,426
OTHER EXPENSES - Senate Bill 408	407330-407431	-1,488 (a)
OTHER EXPENSES - Reg Credit Roseburg/Medford Di	407421	0 (a)
TOTAL EXPENSES		153,122,675

NOI BEFORE FIT		<u>13,030,402</u>	
FIT-Current		-2,915,005	
DFIT		<u>6,079,298</u>	
Total FIT		<u>3,164,293</u>	
effective rate		24.28%	
NET OPERATING INCOME		<u>9,866,112</u>	O.K.
GAS UTILITY PLANT			
INTANGIBLE PLANT	303 - C-IPL	14,007,122	
UNDERGROUND STORAGE PLANT	350-357	5,947,677	
PRODUCTION PLANT	301-311	7,628	
TRANSMISSION PLANT		0	
DISTRIBUTION PLANT	374-387	294,121,757	
GENERAL PLANT	389-398	<u>27,825,908</u>	
GROSS PLANT		<u>341,910,092</u>	
ACCUMULATED DEPRECIATION	108	-103,844,614	
ACCUMULATED AMORTIZATION	2111	<u>-3,404,039</u>	
		<u>-107,248,653</u>	
NET UTILITY PLANT		<u>234,661,439</u>	
RATE BASE ADJ.			
ACCUM. DFIT	OR-PLT-12A	-50,186,981	
OTHER	OR-APL-12A	4,940,400	
Total Adj.		-45,246,581	
NET RATE BASE		<u>189,414,858</u>	O.K.
Reconciliation:			
Depreciation and Amortization:	(a)	<u>9,504,757</u>	O.K.
Operations and Maintenance:	(b)	<u>13,504,369</u>	O.K.

TABLE II

AVISTA UTILITIES
Oregon
Type I Adjustments
Twelve Months Ending December 31, 2015

	Uncollectible Expense Adj.	Salaries & Wages Adj.	Incentive Pay Adj.	Memberships & Dues & Adj.	Miscellaneous True Ups Adj.	State Income Tax Adj.	Restate Debt Interest	Total Type I Adjustments
	(1a)	(1b)	(1c)	(1d)	(1e)	(1f)	(1g)	
OPERATING REVENUES								
1 Total General Business	-	-	-	-	-	-	-	-
2 Transportation	-	-	-	-	-	-	-	-
3 Other	-	-	-	-	-	-	-	-
4 Total Operating Revenues	-	-	-	-	-	-	-	-
OPERATING EXPENSES								
5 Gas Purchased	-	-	-	-	-	-	-	-
6 Operations & Maintenance	(251,307)	(105,558)	-	-	246,203	-	-	(110,662)
7 Administrative & General	-	-	(400,283)	(31,487)	-	-	-	(431,770)
8 Taxes Other Than Income	-	-	-	-	-	-	-	-
9 Depreciation & Amortization	-	-	-	-	-	-	-	-
10 Total Operating Expenses	(251,307)	(105,558)	(400,283)	(31,487)	246,203	-	-	(542,432)
11 OPERATING INCOME BEFORE INCOME TAX	251,307	105,558	400,283	31,487	(246,203)	-	-	542,432
INCOME TAXES								
12 Current Federal Income Taxes	87,957	36,945	140,099	11,020	(86,171)	-	8,060	197,910
13 Deferred Federal Income Taxes	-	-	-	-	-	-	-	-
14 State Income Taxes	-	-	-	-	-	-	-	-
15 Total Income Taxes	87,957	36,945	140,099	11,020	(86,171)	-	8,060	197,910
16 NET OPERATING INCOME	163,350	68,613	260,184	20,467	(160,032)	-	(8,060)	344,522
AVERAGE RATE BASE								
17 Utility Plant in Service	-	(81,227)	-	-	-	-	-	(81,227)
18 Less: Accumulated Depreciation & Amortization	-	-	-	-	-	-	-	-
19 Net Utility Plant	-	(81,227)	-	-	-	-	-	(81,227)
20 Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-
21 Inventory and Other	-	-	-	-	-	-	-	-
22 TOTAL AVERAGE RATE BASE	-	(81,227)	-	-	-	-	-	(81,227)
	✓	✓	✓	✓	✓	✓	✓	✓

JSS

TABLE III

AVISTA UTILITIES
Oregon
Type II Adjustments
Twelve Months Ending December 31, 2015

	Gas Cost Adjustment	Total Type II Adjustments
	(2a)	
OPERATING REVENUES		
1 Total General Business	-	-
2 Transportation	-	-
3 Other	(7,477,206)	(7,477,206)
4 Total Operating Revenues	<u>(7,477,206)</u>	<u>(7,477,206)</u>
OPERATING EXPENSES		
5 Gas Purchased	(6,941,712)	(6,941,712)
6 Operations & Maintenance	-	-
7 Administrative & General	-	-
8 Taxes Other Than Income	-	-
9 Depreciation & Amortization	-	-
10 Total Operating Expenses	<u>(6,941,712)</u>	<u>(6,941,712)</u>
11 OPERATING INCOME BEFORE INCOME TAX	(535,494)	(535,494)
INCOME TAXES		
12 Current Federal Income Taxes	(187,423)	(187,423)
13 Deferred Federal Income Taxes	-	-
14 State Income Taxes	-	-
15 Total Income Taxes	<u>(187,423)</u>	<u>(187,423)</u>
16 NET OPERATING INCOME	<u>(348,071)</u>	<u>(348,071)</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>