

Avista Corp.

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VIA ELECTRONIC FILING

September 23, 2015

Public Utilities Commission of Oregon Attn: Ms. Diane Davis PO Box 1088 Salem, Oregon 97308-1088

Re: Avista Corporation

Internal Revenue Service Form 3115, Application for Change in Accounting Method

Dear Ms. Davis,

Attached hereby in electronic PDF format, please find six (6) Form 3115, Application for Change of Accounting Method, filed with the United States Internal Revenue Service (IRS) by Avista Corporation, dba Avista Utilities (Avista or Company). This filing is for informational purposes only. Neither the IRS nor Avista require that the Washington Utilities and Transportation Commission (Commission) take any action. Pursuant to IRS Revenue Procedure 2011-14, as modified by Revenue Procedure 2012-20, Avista is required to provide a copy of Form 3115 to the Commission following its submittal to the IRS.

The six forms are included as Exhibits A through F. The purpose of each Form 3115 is summarized, as follows:

Exhibit A - Automatic Change to Safe Harbor Method of Accounting under Rev.

Proc. 2011-43 for Electric Transmission and Distribution Property filed under Rev.

Proc. 2015-14, section 3.09

Exhibit B - Automatic change to deduct amounts paid or incurred for repairs and maintenance filed under Rev. Proc. 2013-24

Exhibit C - Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property filed under Rev. Proc. 2011-14, Appendix§ 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Exhibit D - Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Electric Transmission and Distribution** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Exhibit E - Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Electrical Generation** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Exhibit F - Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. $\S1.168(i)-8(c)(4)$ for non-building assets related to **Gas Transmission and Distribution** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

The changes of accounting method are applicable for income tax purposes only and do not impact the methods of accounting used for FERC or U.S. Generally Accepted Accounting Principles financial reporting purposes. Similarly, there are no ratemaking implications as a result of the changes, and no action is being requested of the Commission.

Thank you for your attention to this matter. If you have any questions regarding this filing, please contact Jeanne Pluth at 509-495-2204 or at jeanne.pluth@avistacorp.com, or Avista's Tax Director, Mr. Don Falkner, at 509-495-4326 or at don.falkner@avistacorp.com.

Sincerely,

Kelly Norwood

Kelly Nowood

Vice President State and Federal Regulation



Exhibit A

Form 3115, Application for Change of Accounting Method

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property filed under Rev. Proc. 2015-14, section 3.09

Form 3115

(Rev. December 2009)
Department of the Treasury
Internal Revenue Service

Application for Change in Accounting Method

OMB No. 1545-015

Internal Revenue Service	
Name of filer (name of parent corporation if a consolidated group) (see instructions)	Identification number (see instructions)
Avista Corporation	91-0462470
Avista corporation	Principal business activity code number (see instructions)
Number offset and some state as Ma DO have set the last at	221100
Number, street, and room or suite no. If a P.O. box, see the instructions.	Tax year of change begins (MM/DD/YYYY) 01/01/2014
1411 East Mission Avenue City or town, state, and ZIP code	Tax year of change ends (MM/DD/YYYY) 12/31/2014
	Name of contact person (see instructions)
Spokane, WA 99202 Name of applicant(s) (if different than filer) and identification number(s) (see instruction	Scott Mackay
the or approach(s) in director that help and identification number(s) (see instruction	
If the applicant is a member of a consolidated group, check this be	1 (202) 327-6069
If Form 2848, Power of Attorney and Declaration of Representative	
required), check this box	· · · · · · · · · · · · · · · · · · ·
Check the box to indicate the type of applicant.	Check the appropriate box to indicate the type
☐ Individual ☐ Cooperative (Sec. 1	
✓ Corporation ☐ Partnership	(see instructions)
☐ Controlled foreign corporation ☐ S corporation	☐ Depreciation or Amortization
(Sec. 957) Insurance co. (Sec.	
☐ 10/50 corporation (Sec. 904(d)(2)(E)) ☐ Insurance co. (Sec.	
☐ Qualified personal service ☐ Other (specify) ►	✓ Other (specify) ► REV. PROC. 2011-43
corporation (Sec. 448(d)(2))	SAFE HARBOR METHOD
□ Exempt organization. Enter Code section ▶	
Caution. To be eligible for approval of the requested change in methor relevant to the taxpayer or to the taxpayer's requested change in methor Form 3115 (including its instructions), as well as any other information The taxpayer must attach all applicable supplemental statement	od of accounting. This includes all information requested on this that is not specifically requested
Part I Information For Automatic Change Request	
 Enter the applicable designated automatic accounting method only one designated automatic accounting method change nu IRS. If the requested change has no designated automatic account a description of the change and citation of the IRS guidance. (a) Change No. (b) Other Description 	mber, except as provided for in guidance published by the punting method change number, check "Other," and provide
2 Do any of the scope limitations described in section 4.02 unavailable for the applicant's requested change? If "Yes,"	of Rev. Proc. 2008-52 cause automatic consent to be attach an explanation.
Note. Complete Part II below and then Part IV, and also Schedules	s A through E of this form (if applicable).
Part II Information For All Requests	Yes No
3 Did or will the applicant cease to engage in the trade of	r business to which the requested change relates, or
terminate its existence, in the tax year of change (see instru If "Yes," the applicant is not eligible to make the change un	der autometic aboves associated by
4a Does the applicant (or any present or former consolidated applicable tax year(s)) have any Federal income tax return(s	group in which the applicant was a member during the under examination (see instructions)?
If "No," go to line 5.b Is the method of accounting the applicant is requesting to a	change an issue (with respect to either the applicant or
any present or former consolidated group in which the app either (i) under consideration or (ii) placed in suspense (see	dicant was a member during the applicable tax year(s))
	ee instructions)
Under penalties of perjury, I declare that I have examined this application, including a the application contains all the relevant facts relating to the application, and it is true information of which preparer has any knowledge.	accompanying schedules and statements, and to the best of my knowledge and belief, e, correct, and complete. Declaration of preparer (other than applicant) is based on all
Filer On Falku 9/8/15 Signature and date	Preparer (other than filer/applicant) Renal Signature of individual preparing the application and date
DONALD FALKNER, TAX DIRECTOR & ASST. TREASURER	RENAE DAVIS
Name and title (print or type)	Name of individual preparing the application (print or type)
2 184	ERNST & YOUNG LLP
	Name of firm preparing the application
For Privacy Act and Paperwork Reduction Act Notice, see the instructi	ons. Cat. No. 19280E Form 3115 (Rev. 12-2009)

Part	Information For All	Requests (continue	ed)		Yes	No
4c	applicant or any present o	r former consolidated of	group in which the appl	issue pending (with respect to either the icant was a member during the applicable		V
d	Is the request to change t	he method of account	ing being filed under th	ne procedures requiring that the operating		v
	If "Yes," attach the consen					
е	If "Yes," check the box for		period and attach the	90-day or 120-day window period? required statement (see instructions).		-
f				of the examining agent and the tax		
	year(s) under examination.		and telephone number	or the examining agent and the tax		
	Name ►		elephone number >	Tax year(s) ►		
g	Has a copy of this Form 31					V
5a	Does the applicant (or any applicable tax year(s)) have If "Yes," enter the name of	any Federal income ta	ax return(s) before Appe	the applicant was a member during the eals and/or a Federal court?		~
	telephone number, and the					
	Name ►		elephone number 🕨	Tax year(s) ▶		
b	Has a copy of this Form 3 on line 5a?	115 been provided to	the Appeals officer and	d/or counsel for the government identified	N	A
С	Is the method of accounting a Federal court (for either t	g the applicant is require applicant or any pro-	esting to change an iss esent or former consoli	ue under consideration by Appeals and/or dated group in which the applicant was a		
	member for the tax year(s)	the applicant was a me	ember) (see instructions)?	N	А
	If "Yes," attach an explana					
6	attach a statement that pr	ovides each parent co which the applicant wa	rporation's (a) name,	ny present or former consolidated group, (b) identification number, (c) address, der examination, before an Appeals office,		
7	a partnership or an S corp consideration in an examir	ooration, is it requestin nation, before Appeals,	g a change from a met or before a Federal co	ding a limited liability company) treated as thod of accounting that is an issue under ourt, with respect to a Federal income tax	***	7
	If "Yes," the applicant is n			SEC SON SON SON SEC	N	<u>A</u>
8a		ue procedure (advance	consent or automatic	consent) state that the applicant does not		7
b	If "Yes," attach an explanat		(ooo mon donorio).	N/A		Ė
9a	Has the applicant, its pre procedure or a procedure (including the year of the re	requiring advance con	sent) a change in meth	nade (under either an automatic change nod of accounting within the past 5 years	_	
b		r business, attach a d	lescription of each req	uested change in method of accounting		a) T
С	If any application was with	drawn, not perfected, or the change wa	or denied, or if a Conse	ent Agreement granting a change was not e in the requested year of change, attach		
10a	Does the applicant, its p concurrently filed request) if	redecessor, or a rela or a private letter ruling	ted party currently ha g, change in method of	we pending any request (including any accounting, or technical advice?	~	
b	If "Yes," for each request	attach a statement pro	oviding the name(s) of t	the taxpayer, identification number(s), the technical advice), and the specific issue(s)		
11	in the request(s). Is the applicant requesting			SEE STATEMENT		
#()#()		priate boxes below t	o indicate the applica	nt's present and proposed methods of		
	Present method:	☐ Cash	☐ Accrual	N/A		
	Proposed method:	☐ Cash		☐ Hybrid (attach description)		
	. roposed metriou.	☐ Cash	☐ Accrual	☐ Hybrid (attach description)		

Form 3115 (Rev. 12-2009) Information For All Requests (continued) Part II No Yes If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following: The item(s) being changed. SEE STATEMENT The applicant's present method for the item(s) being changed. SEE STATEMENT The applicant's proposed method for the item(s) being changed. SEE STATEMENT d The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business 13 activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation. SEE STATEMENT 15a Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any V b If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. 16 Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response? 0 If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change. 1st preceding 2nd preceding 3rd preceding year ended; mo. year ended: mo. vear ended: mo. N/A \$ N/A N/A Part III Information For Advance Consent Request N/A Yes No Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures. 19 Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists. 20 Attach a copy of all documents related to the proposed change (see instructions). Attach a statement of the applicant's reasons for the proposed change. 21 If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? . . . If "No," attach an explanation. 23a Enter the amount of user fee attached to this application (see instructions). > \$ b If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions), Section 481(a) Adjustment Yes No Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? . J If "Yes," do not complete lines 25, 26, and 27 below. Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in -73,673,223 Attach a summary of the computation and an explanation of the methodology

used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and

the amount of the section 481(a) adjustment attributable to each applicant.

SEE STATEMENT | Form **3115** (Rev. 12-2009)

Form 3115 (Rev. 12-2009) Page 4 Section 481(a) Adjustment (continued) Part IV Yes No If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the N A Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a 27 1 consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation. Schedule A-Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.) Change in Overall Method (see instructions) Part I N/A Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g. Income accrued but not received (such as accounts receivable) Income received or reported before it was earned (such as advanced payments). Attach a description of Expenses accrued but not paid (such as accounts payable) . Prepaid expenses previously deducted d Supplies on hand previously deducted and/or not previously reported e Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ▶ Net section 481(a) adjustment (Combine lines 1a-1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, Is the applicant also requesting the recurring item exception under section 461(h)(3)? Yes No Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences. Part II Change to the Cash Method For Advance Consent Request (see instructions) N/A Applicants requesting a change to the cash method must attach the following information: A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business. An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations. Schedule B—Change to the Deferral Method for Advance Payments (see instructions) If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information: a A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34. If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)-(c) of Rev. Proc. 2004-34. c If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)-(f) of Rev. Proc. 2004-34. If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following. a A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1), A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3). c A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).

A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

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Schedule C-Changes Within the LIFO Inventory Method (see instructions)

Part | General LIFO Information

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
- a Valuing inventory (e.g., unit method or dollar-value method).
- b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
- c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
- d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part | Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
- a A description of the types of products produced by the applicant. If possible, attach a brochure.
- b A description of the types of processes and raw materials used to produce the products in each proposed pool.
- c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
- d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
- e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
- f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
- g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

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Schedule D-Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions) Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities, 2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? . . . Yes No b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)? Yes No If line 2b is "No," attach an explanation. c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-Yes ☐ No d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion ☐ No Yes If line 2d is "Yes," attach an explanation of what cost comparison the applicant will use to determine a contract's completion factor. If line 2d is "No," attach an explanation of what method the applicant is using and the authority for its use. 3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? Yes No b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for longterm manufacturing contracts. c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods. To determine a contract's completion factor using the percentage-of-completion method: a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? ☐ No Yes If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Yes No Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts. Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A Part II Attach a description of the inventory goods being changed. 1 2 Attach a description of the inventory goods (if any) NOT being changed. Is the applicant subject to section 263A? If "No," go to line 4a Yes ☐ No Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? If "No," attach a detailed explanation ☐ No Yes Inventory Not Inventory Being Changed Being Changed 4a Check the appropriate boxes below. Identification methods: Present method Proposed method Present method Specific identification . . . Other (attach explanation) . . . Valuation methods: Cost or market, whichever is lower Retail cost Retail, lower of cost or market **b** Enter the value at the end of the tax year preceding the year of change If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see a Copies of Form(s) 970 filed to adopt or expand the use of the method. b Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method. Only for applicants requesting an automatic change. The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Form 3115 (Rev. 12-2009)

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)).

Section A-Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

		Present method	Proposed method
1	Direct material		
2	Direct labor		
3	Indirect labor		
4	Officers' compensation (not including selling activities)		
5	Pension and other related costs		
6	Employee benefits		
7	Indirect materials and supplies		
8	Purchasing costs		
9	Handling, processing, assembly, and repackaging costs		
10	Offsite storage and warehousing costs		
11	Depreciation, amortization, and cost recovery allowance for equipment and facilities		
	placed in service and not temporarily idle		
12	Depletion		
13	Rent		
14	Taxes other than state, local, and foreign income taxes		
15	Insurance		
16	Utilities		
17	Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18	Engineering and design costs (not including section 174 research and experimental		
	expenses)		
19	Rework labor, scrap, and spoilage		
20	Tools and equipment		
21	Quality control and inspection		
22	Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23	Licensing and franchise costs		
24	Capitalizable service costs (including mixed service costs)		
25	Administrative costs (not including any costs of selling or any return on capital)		
26	Research and experimental expenses attributable to long-term contracts		
27	Interest		
28	Other costs (Attach a list of these costs.)		

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Part	Method of Cost Allocation (see instructions) (continued)
	on C-Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its
metho	d for these costs.)
	Present method Proposed method
1	Marketing, selling, advertising, and distribution expenses
2	Research and experimental expenses not included in Section B, line 26
3	Bidding expenses not included in Section B, line 22
4	General and administrative costs not included in Section B
5	Income taxes
6	Cost of strikes
7	Warranty and product liability costs
8	Section 179 costs
9	On-site storage
10	Depreciation, amortization, and cost recovery allowance not included in Section B,
44	Other costs (Attach a list of those costs)
11	Other costs (Attach a list of these costs.)
Sche	dule E—Change in Depreciation or Amortization (see instructions)
	ants requesting approval to change their method of accounting for depreciation or amortization complete this section.
	ants must provide this information for each item or class of property for which a change is requested.
	See the List of Automatic Accounting Method Changes in the instructions for information regarding automatic changes
	sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections
	ection revocations (see instructions).
1	Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)?
_	If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
2	Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section
	263A)?
3	
3	Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)?
	If "Yes," state the election made ►
4a	To the extent not already provided, attach a statement describing the property being changed. Include in the description the
	type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or
	income-producing activity.
b	If the property is residential rental property, did the applicant live in the property before renting it? Yes No
C	Is the property public utility property?
5	To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the
	property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under
	Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.).
6	If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the
	proposed change to depreciate or amortize the property.
7	If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following
1927	information for both the present (if applicable) and proposed methods:
a	The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
b	The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or
	under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under
	former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not
С	been identified by the applicant. The facts to support the asset class for the proposed method.
d	The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance
u	method under section 168(b)(1)).
е	The useful life, recovery period, or amortization period of the property.
f	The applicable convention of the property.
g	A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section
	, , , , , , , , , , , , , , , , , , ,

168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation

as to why no special depreciation allowance was or will be claimed.

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property Filed under Rev. Proc. 2015-14, section 3.09

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code
Avista Corporation	91-0462470	221100

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number: Donald Falkner (509) 495-4326

Authorized Representatives'
Fax Numbers: Scott Mackay (844) 511-2786
Renae Davis (866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Entity making request	Description of change	Consent Obtained	Tax Year
Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property Filed under Rev. Proc. 2015-14, section 3.09

Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2013-24 to determine whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under § 263(a)	Automatic pursuant to Rev. Proc. 2015-14, section 3.20	2014
Avista Corporation (EIN: 91-0462470)	Change its method of accounting from capitalizing under § 263(a) certain costs paid or incurred for tangible property to deducting these amounts as repair and maintenance costs under § 162 and Treas. Reg. § 1.162-4	Automatic pursuant to Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric generation assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property Filed under Rev. Proc. 2015-14, section 3.09

Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain gas transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to late partial disposition elections for generation assets, electric transmission and distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	Automatic pursuant to Rev. Proc. 2015-14, section 6.33	2014

Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is requesting a change in its method of accounting to use the Transmission and Distribution Property Safe Harbor Method of Accounting ("Safe Harbor Method") for (1) determining whether expenditures to maintain, replace, or improve linear electric transmission and distribution property must be capitalized under §263(a) or are deductible Statement 3

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property Filed under Rev. Proc. 2015-14, section 3.09

under §162, and (2) defining units of property for both its linear and non-linear transmission and distribution property, both as provided in Rev. Proc. 2011-43. Specifically, the Taxpayer will apply the Safe Harbor Method to all of its electric transmission and distribution assets ("Network") as required by section 3.02 of Rev. Proc. 2011-43. As required under section 5.07 of Rev. Proc. 2011-43, this change does not include property (including expenditures incurred after December 31, 1980, for the repair, maintenance, rehabilitation, or improvement of property placed in service before January 1, 1981) subject to a repair allowance election under Treas. Reg. § 1.167(a)-11(d)(2) made in prior years. The Taxpayer is concurrently changing its method of accounting to comply with the final tangible property regulations to apply the improvement standards of Treas. Reg. § 1.263(a)-3(d) to the newly defined units of property and major components.

b) The applicant's present method for the item being changed:

The Taxpayer determines whether a cost incurred in performing repairs and maintenance is capitalized as an improvement or treated as an otherwise deductible repair by following the method of accounting used in its regulatory books and records. The Taxpayer maintains its books and records in accordance with a Uniform System of Accounts set forth by the Federal Energy Regulatory Commission (FERC). In its books and records, the Taxpayer currently categorizes components of its electric transmission, and distribution system using a common chart of accounts. In addition, individual components of those systems are recorded into subaccounts. For federal income tax purposes, the Taxpayer follows its book method of accounting and capitalizes expenditures incurred in repairing, replacing, and renewing poles, conductor, and streetlight assets.

Because the Taxpayer's present tax method of accounting generally follows its financial statement method, the Taxpayer currently does not undertake an affirmative assessment for federal income tax purposes of its units of property as required under Treas. Reg. §1.263(a)-3 with respect to the aforementioned items.

c) The applicant's proposed method for the item being changed:

The Taxpayer will use the Transmission and Distribution Property Safe Harbor Method of Accounting as provided in Rev. Proc. 2011-43 for determining whether expenditures to maintain, replace, or improve linear electric transmission and distribution property must be capitalized under § 263(a) or are deductible under § 162. Also, under the proposed method, as required by the Safe Harbor Method, the taxpayer will determine its units of property for both linear and non-linear transmission and distribution property as provided in section 5.02 of Rev. Proc. 2011-43. Consistent with the concurrent change – (Automatic #184), the Taxpayer will apply the improvement standards to the newly defined units of property and major components.

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property Filed under Rev. Proc. 2015-14, section 3.09

Units of Linear Property

With respect to Taxpayer's electric transmission and distribution property, Taxpayer will apply the safe harbor analysis described in section 5.01 of Rev. Proc. 2011-43. Under the safe harbor for linear property, the Taxpayer must determine whether each replacement of a portion of a unit of linear property is more than 10 percent of the unit of linear property. If more than 10 percent of the unit of linear property is replaced, the cost of the replacement will be capitalized. If 10 percent or less of the unit of property is replaced, the cost of the replacement will not be capitalized under § 263(a). In computing the percentage of a unit of property replaced, the Taxpayer will exclude "per se capital" expenditures. See section 5.03(2) of Rev. Proc. 2011-43. The Taxpayer will capitalize all "per se capital" expenditures consistent with section 5.06 of Rev. Proc. 2011-43.

The Taxpayer will rely on the transition rule in section 5.03(3) of Rev. Proc. 2011-43 by determining the percentage of linear property replaced on the basis of an average circuit within a county. Furthermore, for blanket work orders containing replacements to multiple circuits, the Taxpayer will rely on the special rule for blanket work orders in section 5.05(1) by allocating the replacements among the multiple circuits on a pro-rata basis.

The Taxpayer will examine any repairs and maintenance work not assumed to be covered within the safe harbor analysis described in section 5.01 of Rev. Proc. 2011-43 related to units of linear property to determine which costs are deductible under § 162 and Treas. Reg. §1.162-4 or a capital improvement under § 263(a) and the regulations thereunder.

Units of Non-Linear Property

With regard to nonlinear transmission and distribution property, the Taxpayer is not proposing to change anything other than the units of property at this time. As required by section 2.02 of Rev. Proc. 2011-43, the Taxpayer will continue using its present method of examining the facts and circumstance of its repairs and maintenance work related to units of non-linear property to determine which costs are deductible under §162 and Treas. Reg. §1.162-4 or a capital improvement under §263(a) and the regulations thereunder.

d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property Filed under Rev. Proc. 2015-14, section 3.09

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as amplified and modified by Rev. Proc. 2011-43 and Rev. Proc. 2014-16, the privilege of a conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Scott Mackay Ernst & Young LLP 1101 New York Avenue, N.W. Washington, DC 20005

Or

Renae Davis Ernst & Young LLP 1120 NW Couch Street Portland, OR 97209

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property Filed under Rev. Proc. 2015-14, section 3.09

Page 3, Part IV, Line 25

Amount of repairs and maintenance deducted under present method: \$ 0

Amount of repairs and maintenance deductible under proposed method: \$(73,673,223)

Difference – Negative § 481(a) adjustment: \$(73,673,223)

The Taxpayer incurred expenses for repairs and maintenance that were previously capitalized and depreciated over recovery periods up to twenty years for assets placed in service beginning January 1, 1994 through December 31, 2013. Under the proposed method, the amounts would have been expensed during the tax year incurred. The difference between the current method and proposed method is the remaining basis in the capitalized repairs and maintenance and other costs reflected above.

In determining the §481(a) adjustment for its electric transmission and distribution property, the Taxpayer computed a repair deduction percentage using specific data for the taxable years beginning January 1, 2011 through December 31, 2013 and extrapolated this repair deduction percentage to the taxable years beginning January 1, 1993 through December 31, 2010 following guidance provided within Appendix A to Rev. Proc. 2011-43. Additionally, the §481(a) adjustment does not include any amount attributable to property for which the Taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2) for any taxable year in which the election was made.

Exhibit B

Form 3115, Application for Change of Accounting Method

Automatic change to deduct amounts paid or incurred for repairs and maintenance filed under Rev. Proc. 2013-24

Form 3115

(Rev. December 2009)
Department of the Treasury
Internal Revenue Service

Application for Change in Accounting Method

OMB No. 1545-0152

	of filer (name of parent corporation if a consolidated group) (see instruction		Identification number to			
(NGITIG)	or hier (harrie or parent corporation if a consolidated group) (see instruction	ons)	Identification number (se			
Avist	a Corporation		Principal business activity	91-0462470 code number (see instruction		
			i inicipal business activity		ns)	
Numbe	er, street, and room or suite no. If a P.O. box, see the instructions.		Tax year of change begins	221100		
	East Mission Avenue		Tax year of change ends (01/201	
-	town, state, and ZIP code		Name of contact person (s	TAY O	1/2014	
Spoka	ane, WA 99202		Scott Mackay	add matractions)		
-	of applicant(s) (if different than filer) and identification number(s) (see instr	ructions)	Scott Wackay	Contact person's teleph	one nu	mhar
				1 (202) 327-6069	iurie riui	TIDE
If the	applicant is a member of a consolidated group, check th	is box				
	m 2848, Power of Attorney and Declaration of Represen		hed (see instructions for	when Form 2949 is	V	_
requir	ed), check this box			WHOTH OITH 2040 IS		
Chec	k the box to indicate the type of applicant.		Check the appropriate		V	_
	dividual Cooperative (Se	ec. 1381)	of accounting method			
V C	orporation Partnership		(see instructions)	onunge being reque	Steu.	
C	ontrolled foreign corporation S corporation		Depreciation or Am	ortization		
	ec. 957) Insurance co. (S	Sec. 816(a))	☐ Financial Products		ine of	
□ 10	0/50 corporation (Sec. 904(d)(2)(E)) Insurance co. (S	Company of the compan	Financial Institutions		103 01	
1000	ualified personal service	STREET STOCKS STREET	Other (specify) ► R	Rev Proc 2013-24		
CO	orporation (Sec. 448(d)(2))			100. 2010 21		
☐ Ex	empt organization. Enter Code section ▶					
Form 3	on. To be eligible for approval of the requested change in m nt to the taxpayer or to the taxpayer's requested change in n 3115 (including its instructions), as well as any other informa taxpayer must attach all applicable supplemental stater	nethod of accou tion that is not s	unting. This includes all in specifically requested	formation requested on	this	
Part	Information For Automatic Change Reques	t				
1	Enter the applicable designated automatic accounting met		mher for the requested as	stomatic change Enter	V	1 11-
	only one designated automatic accounting method change	e number, exce	pt as provided for in quid	lance published by the	Yes	No
	IRS. If the requested change has no designated automatic	accounting met	hod change number, chec	ck "Other." and provide		lha l
	both a description of the change and citation of the IRS gui	dance providing	the automatic change. S	ee instructions.		
	► (a) Change No. 182 (b) Other Des	cription ► N/A				
2	Do any of the scope limitations described in section 4	.02 of Rev. Pr	oc. 2008-52 cause auto	omatic consent to be		
	unavailable for the applicant's requested change? If "Ye	es," attach an e	explanation			
Note.	Complete Part II below and then Part IV, and also Sched	dules A through	h È of this form (if applic	able).		
Part	Information For All Requests				Yes	No
3	Did or will the applicant cease to engage in the trad	le or business	to which the requeste	d change relates, or	100	
	terminate its existence, in the tax year of change (see in	structions)?				V
	If "Yes," the applicant is not eligible to make the change	e under automa	atic change request pro	cedures.		
4a	Does the applicant (or any present or former consolidate	ted group in w	hich the applicant was a	a member during the		
	applicable tax year(s)) have any Federal income tax retu	ırn(s) under exa	amination (see instructio	ns)?		~
62	If "No," go to line 5.					
b	Is the method of accounting the applicant is requesting	to change an	issue (with respect to ei	ther the applicant or		
	any present or former consolidated group in which the	applicant was				
	either (i) under consideration or (ii) placed in suspense (s					~
Inder n	Signature	e (see instructi	ons)			
the appl informat	enalties of perjury, I declare that I have examined this application, includication contains all the relevant facts relating to the application, and it is ion of which preparer has any knowledge.	ing accompanying s true, correct, and			dge and is based	belief on al
	Filer		Preparer (other t	han filer/applicant)		
Á	Un Halby alclic	Res	00-			
	Signature and date	100				
DONIA			Signature of individual prep	paring the application and d	ate	
JUNAI	LD FALKNER, TAX DIRECTOR & ASST. TREASURER	RENAE				
	Name and title (print or type)	-	Name of individual preparing	g the application (print or ty	/pe)	
		ERNST	& YOUNG LLP			
or Pri	vacy Act and Paperwork Reduction Act Notice, see the instr			aring the application		
A. 1.11	racy not and raperwork neutrollon Act Notice, see the instr	uctions.	Cat. No. 19280E	Form 3115	Rev. 12	-2009)

Par	Information For All F	Requests (continu	ed)			No No
					163	140
4c	applicant or any present or	former consolidated	group in which the appl	issue pending (with respect to either the icant was a member during the applicable		~
d	Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)?					
е	Is the request to change the If "Yes," check the box for to 90 day 120 da	method of accounting applicable windowns: Date examination	ng being filed under the w period and attach the ron ended ►	90-day or 120-day window period? required statement (see instructions). N/A		V
f	If you answered "Yes" to line year(s) under examination. Name ▶			of the examining agent and the tax		
g	Has a copy of this Form 311		Felephone number ►	Tax year(s) ▶		
5a		present or former col any Federal income t	nsolidated group in which	th the applicant was a member during the als and/or a Federal court?		~
	telephone number, and the					
	Name ►		elephone number >	Tax year(s) ▶	. 56	
b	on line 5a?			/or counsel for the government identified	N	A
С	a Federal court (for either th	e applicant or any pr	resent or former consolid	ue under consideration by Appeals and/or dated group in which the applicant was a 1?		
6	If "Yes," attach an explanation If the applicant answered " attach a statement that pro-	on. Yes" to line 4a and/ vides each parent co hich the applicant w	or 5a with respect to an orporation's (a) name,	ny present or former consolidated group, (b) identification number, (c) address, ler examination, before an Appeals office,	N	A
7	a partnership or an S corpo consideration in an examina	ration, is it requestir tion, before Appeals	ng a change from a met , or before a Federal co	ding a limited liability company) treated as hod of accounting that is an issue under urt, with respect to a Federal income tax	N	A
	If "Yes," the applicant is not	eligible to make the	e change.		14	A
8a	receive audit protection for t	he requested change	e consent or automatic of (see instructions)?	consent) state that the applicant does not		V
b	If "Yes," attach an explanation			N/A		
94	procedure or a procedure re (including the year of the req	equiring advance cor	nsent) a change in meth	nade (under either an automatic change od of accounting within the past 5 years	V	
b	If "Yes," for each trade or (including the tax year of cha	business, attach a o	description of each requier the applicant receive	d consent. SEE STATEMENT		
С	signed and returned to the IF an explanation. SEE STA	RS, or the change wa ATEMENT	as not made or not made	nt Agreement granting a change was not in the requested year of change, attach		
10a	Does the applicant, its pre concurrently filed request) fo	edecessor, or a rela r a private letter rulin	ated party currently ha g, change in method of a	ve pending any request (including any accounting, or technical advice?	v	
b	If "Yes," for each request at	tach a statement pro	oviding the name(s) of the	ne taxpayer, identification number(s), the echnical advice), and the specific issue(s)		
11	Is the applicant requesting to	change its overall	method of accounting?	SEE STATEMENT		~
		riate boxes below	to indicate the applicar	nt's present and proposed methods of N/A		
	Present method:	☐ Cash	☐ Accrual	☐ Hybrid (attach description)		
	Proposed method:	☐ Cash	☐ Accrual	☐ Hybrid (attach description)		

Pai	Information For All Requests (continued)	es/es	No.
12 a b c	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following: The item(s) being changed. SEE STATEMENT The applicant's present method for the item(s) being changed. SEE STATEMENT The applicant's proposed method for the item(s) being changed. SEE STATEMENT The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT		
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions		~
15a	If "No," attach an explanation. SEE STATEMENT Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?		~
b 16	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. N/A Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response?		
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change.		
	1st preceding year ended: mo. 2nd preceding year ended: mo. yr. 3rd preceding year ended: mo. yr. yr. yr.		
Part	Information For Advance Connect Decision		
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or	es	No
10	other published guidance as an automatic change request?		
	If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.		
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.		
20 21	Attach a copy of all documents related to the proposed change (see instructions).		
22	Attach a statement of the applicant's reasons for the proposed change. If the applicant is a member of a consolidated group for the year of change, do all other members of the		
	consolidated group use the proposed method of accounting for the item being changed?		
23a	If "No," attach an explanation. Enter the amount of user fee attached to this application (see instructions). ▶ \$		
	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).		
Part	V Section 481(a) Adjustment Ye	es I	No
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to mplement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below.		,
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in ncome. \(\) \$ \(\) \$ \(\) 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant.		

Form 3	3115 (Rev. 12-2009)		Page 4
Par	t IV Section 481(a) Adjustment (continued)	-	s No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the	е	
27	entire amount of the adjustment into account in the year of change?	N	A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, consolidated group, a controlled group, or other related parties?	a	-
		7	~
			1
-	edule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be comp	eted.)	
	Change in Overall Method (see instructions)		N/A
1	Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." A statement providing a breakdown of the amounts entered on lines 1a through 1g.	so, atta	ach a
		Amount	
a	Income accrued but not received (such as accounts receivable)		
b	Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method		
c	Expenses accrued but not paid (such as accounts payable)		
d	Prepaid expenses previously deducted		
e	Supplies on hand previously deducted and/or not previously reported		
f	Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II		
g	Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ▶		
h	Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25		
2	Is the applicant also requesting the recurring item exception under section 461(h)(3)?	s \square	No
3	Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if appetite close of the tax year preceding the year of change. Also attach a statement specifying the accounting method preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attack explaining the differences.	d used tted wi Part I.	when the lines
Par			N/A
Applic	cants requesting a change to the cash method must attach the following information:		14/ 22
1	A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and r supplies used in carrying out the business.		
2	An explanation as to whether the applicant is required to use the accrual method under any section of the Code o	regular	tions.
Sche	dule B—Change to the Deferral Method for Advance Payments (see instructions)		N/A
1	If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 2004-34, 2004-1 C.B. 991, attach the following information:	of Rev.	Proc.
а	A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34,		
b	If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information require 8.02(3)(a)-(c) of Rev. Proc. 2004-34.	d by se	ection
С	If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information require 8.03(2)(a)-(f) of Rev. Proc. 2004-34.	d by se	ction
2	If the applicant is requesting to change to the deferral method for advance payments described in Regulat 1.451-5(b)(1)(ii), attach the following.	ons se	ction
a	A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).		
b	A statement explaining what portions of the advance payments, if any, are attributable to services, whether such integral to the provisions of goods or items, and whether any portions of the advance payments that are at non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(2)	tributal	ble to
C	A statement explaining that the advance payments will be included in income no later than when included in gros	receip	its for

d A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when

purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).

substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income. Form **3115** (Rev. 12-2009) Form 3115 (Rev. 12-2009)

Schedule C-Changes Within the LIFO Inventory Method (see instructions)

Part I General LIFO Information

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
- a Valuing inventory (e.g., unit method or dollar-value method).
- b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
- c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
- d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
- a A description of the types of products produced by the applicant. If possible, attach a brochure.
- b A description of the types of processes and raw materials used to produce the products in each proposed pool.
- c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
- d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
- e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
- f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
- g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Form 3115 (Rev. 12-2009) Page 6 Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions) Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities. 2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? . . No ☐ Yes b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)? Yes No If line 2b is "No," attach an explanation. c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-Yes ☐ No d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion Yes ☐ No If line 2d is "Yes," attach an explanation of what cost comparison the applicant will use to determine a contract's completion factor. If line 2d is "No," attach an explanation of what method the applicant is using and the authority for its use. 3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? Yes No b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for longterm manufacturing contracts. c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods. To determine a contract's completion factor using the percentage-of-completion method: a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? Yes ☐ No If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Yes ☐ No Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts. Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A Part II Attach a description of the inventory goods being changed. Attach a description of the inventory goods (if any) NOT being changed. Yes _ No Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? Yes ■ No Inventory Not Inventory Being Changed 4a Check the appropriate boxes below. Being Changed Identification methods: Present method Proposed method Present method Specific identification . . Other (attach explanation) . . . Valuation methods: Cost or market, whichever is lower . . . Retail cost Retail, lower of cost or market . . . b Enter the value at the end of the tax year preceding the year of change If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see a Copies of Form(s) 970 filed to adopt or expand the use of the method.

Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method

Only for applicants requesting an automatic change. The statement required by section 22.01(5) of the Appendix of Rev.

required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.

Form **3115** (Rev. 12-2009)

Proc. 2008-52 (or its successor).

Form 3115 (Rev. 12-2009)

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)).

N/A

Section A-Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B-Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	4690 E 5 00	Present method	Proposed method
1	Direct material		
2	Direct labor		
3	Indirect labor		
4	Officers' compensation (not including selling activities)		
5	Pension and other related costs		
6	Employee benefits		
7	Indirect materials and supplies		
8	Purchasing costs		
9	Handling, processing, assembly, and repackaging costs		
10	Offsite storage and warehousing costs		
11	Depreciation, amortization, and cost recovery allowance for equipment and facilities		
	placed in service and not temporarily idle		
12	Depletion		
13	Rent		
14	Taxes other than state, local, and foreign income taxes		
15	Insurance		
16	Utilities		
17	Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18	Engineering and design costs (not including section 174 research and experimental		
	expenses)		
19	Rework labor, scrap, and spoilage		
20	Tools and equipment		
21	Quality control and inspection		
22	Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23	Licensing and franchise costs		
24	Capitalizable service costs (including mixed service costs)		
25	Administrative costs (not including any costs of selling or any return on capital)		
26	Research and experimental expenses attributable to long-term contracts		
27	Interest		
28	Interest		
_	the state of the s		

Form 3115 (Rev. 12-2009) Page 8 Part III Method of Cost Allocation (see instructions) (continued) N/A Section C-Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs.) Present method Proposed method 1 2 Research and experimental expenses not included in Section B, line 26 3 4 General and administrative costs not included in Section B 5 6 Cost of strikes 7 8 9 10 Depreciation, amortization, and cost recovery allowance not included in Section B, ******************** Other costs (Attach a list of these costs.) 11 Schedule E—Change in Depreciation or Amortization (see instructions) Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants must provide this information for each item or class of property for which a change is requested. Note. See the List of Automatic Accounting Method Changes in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections and election revocations (see instructions). Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? _ Yes ☐ No If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii). Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section Yes No If "Yes," enter the applicable section ▶ Has a depreciation, amortization, or expense election been made for the property (e.g., the election under Yes ☐ No If "Yes," state the election made ▶ 4a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity. b If the property is residential rental property, did the applicant live in the property before renting it? . . c Is the property public utility property? Yes No To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.). If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property. If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods: a The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)). The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant. c The facts to support the asset class for the proposed method. d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)). The useful life, recovery period, or amortization period of the property.

g A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation

Form 3115 (Rev. 12-2009)

The applicable convention of the property.

as to why no special depreciation allowance was or will be claimed.

Automatic change to deduct amounts paid or incurred for repairs and maintenance Filed under Rev. Proc. 2013-24

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code	
Avista Corporation	91-0462470	221100	

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number: Donald Falkner (509) 495-4326

Authorized Representatives' Fax Numbers:

Scott Mackay (844) 511-2786 Renae Davis (866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Automatic change to deduct amounts paid or incurred for repairs and maintenance Filed under Rev. Proc. 2013-24

Entity making request	Description of change	Consent Obtained	Tax Year
Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009
Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2011-43 to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263.	Automatic pursuant to Rev. Proc. 2015-14, section 3.09	2014
Avista Corporation (EIN: 91-0462470)	Change its method of accounting from capitalizing under § 263(a) certain costs paid or incurred for gas transmission and distribution property to deducting these amounts as repair and maintenance costs under § 162 and Treas. Reg. § 1.162-4	Automatic pursuant to Rev. Proc. 2011-14, Appendix § 10.11(3)(a) (v), as added and modified by Rev. Proc. 2014-16	2014

Automatic change to deduct amounts paid or incurred for repairs and maintenance Filed under Rev. Proc. 2013-24

Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric generation assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain gas transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014

Automatic change to deduct amounts paid or incurred for repairs and maintenance Filed under Rev. Proc. 2013-24

Avista Corporation (EIN: 91-0462470) Change to late partial disposition elections for generation assets, electric transmission and distribution, and gas transmission and distribution assets made under § 1.168(i)- 8(d)(2)(i) Automatic pursuant to Rev. Proc. 2015-14, section 6.33
--

Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is requesting a change in its method of accounting for defining units of property related to certain generation assets, as provided in Rev. Proc. 2013-24, for purposes of determining whether expenditures to maintain, replace, or improve generation property must be capitalized under §263(a) or are deductible under §162. Specifically, the Taxpayer will adopt the unit of property and major component definitions described in Appendix A, Sections 2 through 4 of Rev. Proc. 2013-24. As required under section 3.02 of Rev. Proc. 2013-24, this change does not include property used to produce electricity from alternative energy sources such as wind or photovoltaic. The Taxpayer is concurrently changing its method of accounting to comply with the final tangible property regulations to apply the improvement standards of Treas. Reg. § 1.263(a)-3(d) to the newly defined units of property and major components.

b) The applicant's present method for the item being changed:

The Taxpayer determines whether a cost incurred in performing repairs and maintenance is capitalized as an improvement or treated as an otherwise deductible repair. The Taxpayer maintains its books and records in accordance with a Uniform System of Accounts set forth by the Federal Energy Regulatory Commission (FERC). In its books and records, the Taxpayer currently categorizes components of its electric generation system using a common chart of accounts. In addition, individual items of those systems are recorded into subaccounts. For federal income tax purposes, the Taxpayer follows its book method of accounting and capitalizes expenditures incurred in repairing, replacing, and renewing generation plant assets. Furthermore, these items are recovered, for federal income tax purposes, under §168 over a period of up to 20 years.

Because the Taxpayer's present tax method of accounting generally follows its financial statement method, the Taxpayer currently does not undertake an affirmative assessment for federal income tax purposes of its units of property as required under Treas. Reg. §1.263(a)-3 with respect to the aforementioned items.

Automatic change to deduct amounts paid or incurred for repairs and maintenance Filed under Rev. Proc. 2013-24

c) The applicant's proposed method for the item being changed:

The Taxpayer will adopt the definition of generation property as provided in Section 4.01 of Rev. Proc. 2013-24 for determining whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under §263(a). Specifically, the Taxpayer will determine its units of property in accordance with the requirements set forth in Appendix A and as outlined in Sections 2 – Units of Property for Coal-Fired Power Stations, Section 3 – Units of Property for Natural Gas or Oil Filed Power Stations, and Section 4 – Units of Property for Hydroelectric Power Stations. Taxpayer will then determine whether expenditures to maintain, replace, or improve generation property must be capitalized under § 263(a) or are deductible under § 162 using the units of property for generation as adopted. Consistent with the concurrent change – (Automatic #184), the Taxpayer will apply the improvement standards to the newly defined units of property and major components.

d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2013-24, the privilege of a

Automatic change to deduct amounts paid or incurred for repairs and maintenance Filed under Rev. Proc. 2013-24

conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Scott Mackay Ernst & Young LLP 1101 New York Avenue, N.W. Washington, DC 20005

Or

Renae Davis Ernst & Young LLP 1120 NW Couch Street Portland, OR 97209

Page 3, Part IV, Line 25

Amount of repairs and maintenance deducted under present method: \$

Amount of repairs and maintenance deductible under proposed method: \$(40,051,773)

Difference – Negative § 481(a) adjustment: \$(40,051,773)

The Taxpayer incurred expenses for repairs and maintenance that were previously capitalized and depreciated over recovery periods up to twenty years for assets placed in service beginning January 1, 1993 through December 31, 2013. Under the proposed method, the amounts would have been expensed during the tax year incurred. The difference between the current method and proposed method is the remaining basis in the capitalized repairs and maintenance and other costs reflected above.

In determining the §481(a) adjustment for its generation assets, the Taxpayer computed a repair deduction percentage using specific data for the taxable years beginning January 1, 2011 through December 31, 2014 and extrapolated this repair deduction percentage to the taxable years beginning January 1, 1993 through December 31, 2010 following guidance provided within Appendix B to Rev. Proc. 2013-24. Additionally, the §481(a) adjustment does not include any amount attributable to property for which the Taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2) for any taxable year in which the election was made.

Exhibit C

Form 3115, Application for Change of Accounting Method

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property filed under Rev. Proc. 2011-14, Appendix§ 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Form 3115

(Rev. December 2009) Department of the Treasury Internal Revenue Service

Application for Change in Accounting Method

OMB No. 1545-0152

Name	of filer (name of parent corporation if a consoli	dated group) (see instructions)	Identification number	(see instructions)		
Avista Corporation			91-0462470			
			Principal business activity code number (see instructions)			
				221100	10.00	
Numbe	er, street, and room or suite no. If a P.O. box, s	see the instructions.	Tax year of change beg	4 14 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	01/201	1
1411	East Mission Avenue		Tax year of change end		1/2014	
City or	town, state, and ZIP code		Name of contact perso	1210	1/2014	
Spoka	ane, WA 99202		Scott Mackay	MINERAL CONTROL TO TO TO THE TOP OF THE TOP		
Name o	of applicant(s) (if different than filer) and identif	ication number(s) (see instructions)	- Joseph Madridy	Contact person's teleph	one nu	mber
				1 (202) 327-6069		11197001
If the	applicant is a member of a consolid	ated group, check this box .			V	
	m 2848, Power of Attorney and Dec		ached (see instructions	for when Form 2848 is		
requir	ed), check this box				V	
Chec	k the box to indicate the type of a	pplicant.		ate box to indicate the		
☐ In	dividual	Cooperative (Sec. 1381)				
V C	orporation	☐ Partnership	of accounting method change being re (see instructions)		steu.	
	ontrolled foreign corporation	☐ S corporation	Depreciation or A	mortization		
	ec. 957)	Insurance co. (Sec. 816(a))		ts and/or Financial Activit	dee of	
□ 10	0/50 corporation (Sec. 904(d)(2)(E))	☐ Insurance co. (Sec. 831)	Financial Institution		ies or	
	ualified personal service	☐ Other (specify) ►		Rev. Proc. 2014-16		
	erporation (Sec. 448(d)(2))	П (органи))	E Other (specify)	Repairs and Maintenance	Conto	
☐ Ex	empt organization. Enter Code sect	ion ▶		repairs and maintenance	JUSIS	
rorm .	nt to the taxpayer or to the taxpayer's 3115 (including its instructions), as we taxpayer must attach all applicable	I as any other information that is n	ot specifically requested		this	
Part	Information For Automatic	Change Request				
1	Enter the applicable designated auto- only one designated automatic acco- IRS. If the requested change has no both a description of the change and (a) Change No. 184	unting method change number, ex- designated automatic accounting r citation of the IRS guidance provid (b) Other Description	ccept as provided for in g nethod change number, ch ding the automatic change N/A	uidance published by the neck "Other," and provide . See instructions.	Yes	No
2	Do any of the scope limitations de	escribed in section 4.02 of Rev.	Proc. 2008-52 cause a	utomatic consent to be		
Moto	unavailable for the applicant's requ	ested change? If "Yes," attach	an explanation			~
Port	Complete Part II below and then Pa	art IV, and also Schedules A thro	ugh E of this form (if app	licable).		
Part					Yes	No
3	Did or will the applicant cease to	engage in the trade or busine	ess to which the reques	sted change relates, or		
	terminate its existence, in the tax y	ear of change (see instructions)?				V
	If "Yes," the applicant is not eligible					
4a	Does the applicant (or any present	or former consolidated group in	which the applicant wa	s a member during the		
	applicable tax year(s)) have any Fe	deral income tax return(s) under	examination (see instruc	tions)?		~
	If "No," go to line 5.	W 2 8 8				
b	Is the method of accounting the ap	pplicant is requesting to change	an issue (with respect to	either the applicant or		
	any present or former consolidated	group in which the applicant w	as a member during the	applicable tax year(s))		
	either (i) under consideration or (ii)	placed in suspense (see instructi	ons)?			~
Under pe the appl nformat	enalties of perjury, I declare that I have exami- ication contains all the relevant facts relating ion of which preparer has any knowledge. Filer	Signature (see instru- ned this application, including accompan- to the application, and it is true, correct,	ying schedules and statements, and complete. Declaration of p		ige and s based	l belief, d on all
^	Om Jalkrun	9/8/15 R	enal -	r than filer/applicant)		
	Signature and date	1 1 -	Signature of individual pr	reparing the application and d	ate	
DONAL	D FALKNER, TAX DIRECTOR & ASST	TREASURER REN	AE DAVIS			
	Name and title (print or typ		The state of the s	ring the application (print or ty	(pe)	
		ERN	ST & YOUNG LLP	M.	E 15	
				reparing the application		
or Priv	vacy Act and Paperwork Reduction Ac	t Notice, see the instructions	Cat No. 10290E		Day 40	200001

-	5115 (Rev. 12-2009)	D	- N		F	Page
Par	Information For All	Requests (continu	ied)		Yes	No
4c	applicant or any present or	r former consolidated	group in which the applic	issue pending (with respect to either the cant was a member during the applicable		~
d	Is the request to change the	he method of account the filing of the requi	ating being filed under the est (see instructions)? .	procedures requiring that the operating		v
е	Is the request to change the If "Yes," check the box for	e method of accounti	ing being filed under the 9 w period and attach the re	00-day or 120-day window period? equired statement (see instructions).		~
f	If you answered "Yes" to lir year(s) under examination. Name ►	ne 4a, enter the name	and telephone number of Telephone number	f the examining agent and the tax Tax year(s) ▶		
g	Has a copy of this Form 31	15 been provided to	the examining agent ident	tified on line 4f?		V
5a	Does the applicant (or any applicable tax year(s)) have If "Yes," enter the name of telephone number, and the	any Federal income the (check the box)	tax return(s) before Appea Appeals officer and	or counsel for the government,		V
	Name ►		Telephone number ▶	Tax year(s) ►		
b	Has a copy of this Form 3 on line 5a?	115 been provided to		or counsel for the government identified	N	A
С	Is the method of accounting	g the applicant is required the applicant or any p	uesting to change an issu	e under consideration by Appeals and/or		
	If "Yes," attach an explanat	ion.	iombor) (see instructions)		N	A
6	If the applicant answered 'attach a statement that pro	"Yes" to line 4a and/ ovides each parent co which the applicant w	orporation's (a) name.	y present or former consolidated group, (b) identification number, (c) address, er examination, before an Appeals office,		
7	a partnership or an S corporation in an examination in an examinat	oration, is it requestir ation, before Appeals	ng a change from a meth s, or before a Federal cou	ing a limited liability company) treated as nod of accounting that is an issue under art, with respect to a Federal income tax	N	7
	If "Yes," the applicant is no				IN	A
8a		e procedure (advance	e consent or automatic co	onsent) state that the applicant does not		,
b	If "Yes," attach an explanati		350 0 3	N/A		
9a	×1/400/					
b	If "Yes," for each trade or business, attach a description of each requested change in method of accounting				V	
С	DID DIAIBMENT					
10a	Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?			_		
b	If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s)					
44	in the request(s).			SEE STATEMENT		
11	to the applicant requesting to change its overall method of accounting?					~
	If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form. N/A					
	Present method:	☐ Cash	☐ Accrual	☐ Hybrid (attach description)		
	Proposed method:	☐ Cash	☐ Accrual	☐ Hybrid (attach description)		

Pai	Information For All Requests (continued)		No		
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following:	163	140		
а	The item(s) being changed. SEE STATEMENT				
b	The applicant's present method for the item(s) being changed. SEE STATEMENT				
d	The applicant's proposed method for the item(s) being changed. SEE STATEMENT The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT				
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT				
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions		v		
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?		v		
b 16	the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application.				
17	and the first real time in the first real time in the proposes an adverse response?				
	1st preceding 2nd preceding 2rd preceding year ended: mo. yr. 2nd preceding year ended: mo. yr. 2nd preceding year ended: mo. yr. yr. 2nd preceding year ended: mo. yr. yr.				
D-1	\$ N/A \$ N/A \$ N/A		L.		
Pari 18	N/A	Yes	No		
10	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request?				
	If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.				
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.				
20	Attach a copy of all documents related to the proposed change (see instructions).				
21 22	Attach a statement of the applicant's reasons for the proposed change.				
	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed?				
23a	Enter the amount of user fee attached to this application (see instructions). > \$				
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions)				
Part	Section 481(a) Adjustment	Yes	No		
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes." do not complete lines 25, 26, and 27 below.		v		
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. \(\bigsimes\) \(\bigsimes\) \(\cdot\) \(\cdo\) \(\cdot\) \(\cdot\) \(\cdot\) \(\cdot\) \(\cdo\) \(\cdot\) \(\cdo\)				

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Pa	Section 481(a) Adjustment (continued)	_	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?	N	A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group a		
	consolidated group, a controlled group, or other related parties?		V
	If "Yes," attach an explanation.		
Sch	edule A-Change in Overall Method of Accounting (If Schedule A applies, Part I below must be complete	ed.)	,
	rt Change in Overall Method (see instructions)	,	
1	Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also		N/A
0.50	statement providing a breakdown of the amounts entered on lines 1a through 1g.	, atta	ch a
		nount	
а	Income accrued but not received (such as accounts receivable)		
b	Income received or reported before it was earned (such as advanced payments). Attach a description of		
	the income and the legal basis for the proposed method		
С	Expenses accrued but not paid (such as accounts payable)		
d	Prepaid expenses previously deducted		
е	Supplies on hand previously deducted and/or not previously reported		
f	Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II		
g	Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the		
	calculation of the section 481(a) adjustment. ▶		
h	110 300 and 10 (a) adjustment (combine lines 14-10.) Indicate whether the adjustment is an increase (+)		
	or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV,		
	line 25		
2	Is the applicant also requesting the recurring item exception under section 461(h)(3)?	_	
3	Attach copies of the profit and loss statement (Schodule F (Form 1940) for formal and loss statement (Ш	No
	Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applications the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method	able,	as of
	preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submittee	usea	wnen
	rederal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in P	art I	linge
	a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a	state	ment
	explaining the differences.		
Par			N/A
Applic	cants requesting a change to the cash method must attach the following information:		
1	A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and mat	erials	and
0	supplies used in carrying out the business.		
2	An explanation as to whether the applicant is required to use the accrual method under any section of the Code or re	gulati	ons.
Sche	dule B—Change to the Deferral Method for Advance Payments (see instructions)		
1			N/A
	If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of 2004-34, 2004-1 C.B. 991, attach the following information:	Rev.	Proc.
а	A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.		
b	If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required I	hv co	ction
	8.02(3)(a)-(c) of Rev. Proc. 2004-34.	Jy 36	SHOTT
C	If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required to	V SEC	ction
	8.03(2)(a)-(t) of Rev. Proc. 2004-34.	8	
2	If the applicant is requesting to change to the deferral method for advance payments described in Regulation	is sec	tion
	1.451-5(b)(1)(ii), attach the following.		
a	A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).		
b	A statement explaining what portions of the advance payments, if any, are attributable to services, whether such seintered to the advance payments.	ervice	s are
	integral to the provisions of goods or items, and whether any portions of the advance payments that are attrib	A	1-4-
	fron-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) a	nd (3)	
С	A statement explaining that the advance payments will be included in income no later than when included in gross re	eceipt	s for

purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).

d A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

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Schedule C-Changes Within the LIFO Inventory Method (see instructions)

Part I General LIFO Information

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items;
- a Valuing inventory (e.g., unit method or dollar-value method).
- b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
- c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
- d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part | Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
- a A description of the types of products produced by the applicant. If possible, attach a brochure.
- b A description of the types of processes and raw materials used to produce the products in each proposed pool.
- c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
- d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
- e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
- f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
- g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

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Schedule D-Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions) Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities. 2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? . . Yes No b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)? ☐ Yes ☐ No If line 2b is "No," attach an explanation. c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-tocost under Regulations section 1.460-4(b)? Yes No If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion Yes ☐ No If line 2d is "Yes," attach an explanation of what cost comparison the applicant will use to determine a contract's completion factor. If line 2d is "No," attach an explanation of what method the applicant is using and the authority for its use. 3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? Yes No b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for longterm manufacturing contracts. c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods. To determine a contract's completion factor using the percentage-of-completion method: a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? ☐ No If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Yes No Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts. Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A Part II Attach a description of the inventory goods being changed. Attach a description of the inventory goods (if any) NOT being changed. Yes ☐ No b Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? If "No," attach a detailed explanation __ Yes ☐ No Inventory Not Inventory Being Changed 4a Check the appropriate boxes below. Being Changed Identification methods: Present method Proposed method Present method Specific identification. Other (attach explanation) . . . Valuation methods: Cost or market, whichever is lower . Retail cost Retail, lower of cost or market b Enter the value at the end of the tax year preceding the year of change If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see 5 a Copies of Form(s) 970 filed to adopt or expand the use of the method. Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method. Only for applicants requesting an automatic change. The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

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Method of Cost Allocation (Complete this part if the requested change involves either property subject Part III to section 263A or long-term contracts as described in section 460 (see instructions)).

Section A-Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the laborbased allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation
- The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B-Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

Direct material Direct labor Indirect labor Officers' compensation (not including selling activities) Pension and other related costs Employee benefits Indirect materials and supplies Purchasing costs Handling, processing, assembly, and repackaging costs Handling, processing, assembly, and repackaging costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest Other costs (Attach a list of these costs.)			Present method	Proposed method
Direct labor Indirect labor Indirect labor Officers' compensation (not including selling activities) Pension and other related costs Employee benefits Indirect materials and supplies Purchasing costs Purchasing costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts. Interest	1	Direct material		
Indirect labor Officers' compensation (not including selling activities) Pension and other related costs Employee benefits Indirect materials and supplies Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts.	2	Direct labor		
Officers' compensation (not including selling activities) Pension and other related costs Employee benefits Indirect materials and supplies Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	3	Indirect labor		
Fension and other related costs Employee benefits Indirect materials and supplies Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (including any costs of selling or any return on capital) Interest Interest	4	Officers' compensation (not including selling activities)		
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Indirect materials and supplies	6	Employee benefits		
Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes. Insurance Utilities Utilities Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts.	7	Indirect materials and supplies		
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Taxes other than state, local, and foreign income taxes. Insurance. Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment. Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs. Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital). Research and experimental expenses attributable to long-term contracts. Interest	13	Rent		
Insurance . Utilities . Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage . Tools and equipment . Quality control and inspection . Bidding expenses incurred in the solicitation of contracts awarded to the applicant . Licensing and franchise costs . Capitalizable service costs (including mixed service costs) . Administrative costs (not including any costs of selling or any return on capital) . Research and experimental expenses attributable to long-term contracts . Interest .	14	Taxes other than state, local, and foreign income taxes		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity 18 Engineering and design costs (not including section 174 research and experimental expenses) 19 Rework labor, scrap, and spoilage 20 Tools and equipment 21 Quality control and inspection 22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant 23 Licensing and franchise costs 24 Capitalizable service costs (including mixed service costs) 25 Administrative costs (not including any costs of selling or any return on capital) 26 Research and experimental expenses attributable to long-term contracts 27 Interest	15	Insurance		
Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	16			
Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	17	Maintenance and repairs that relate to a production, resale, or long-term contract activity		
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Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest		expenses)		
Capitalizable service costs (including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts.	19	Rework labor, scrap, and spoilage		
Quality control and inspection	20	Tools and equipment		
Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest Interest	21	Quality control and inspection		
Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest Interest	22	Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest	23	Licensing and franchise costs		
Administrative costs (not including any costs of selling or any return on capital)	24	Capitalizable service costs (including mixed service costs)		
Research and experimental expenses attributable to long-term contracts	25	Administrative costs (not including any costs of selling or any return on capital)		
27 Interest	26	Research and experimental expenses attributable to long-term contracts		
28 Other costs (Attach a list of these costs.)	27			
	28	Other costs (Attach a list of these costs.)		

Form 3115 (Rev. 12-2009)

N/A

Form 3115 (Rev. 12-2009)

THE PERSON NAMED IN	till Netherles Oct Alles to the Netherles			Page 8
	Method of Cost Allocation (see instructions) (continued)			N/A
meth	ion C-Other Costs Not Required To Be Allocated (Complete Section C only if the ap od for these costs.)		2075	hange its
	Manager 1980 and 1980	Present method	Propose	d method
1	Marketing, selling, advertising, and distribution expenses			
2	Research and experimental expenses not included in Section B, line 26			
3	Bidding expenses not included in Section B, line 22			
4	General and administrative costs not included in Section B			
5	Income taxes			
6	Cost of strikes			
7	Warranty and product liability costs			
8	Section 179 costs			
9	On-site storage			
10	Depreciation, amortization, and cost recovery allowance not included in Section B,			
	line 11			
11	Other costs (Attach a list of these costs.)			
	edule E—Change in Depreciation or Amortization (see instructions)			
Appli	cants requesting approval to change their method of accounting for depreciation or a cants <i>must</i> provide this information for each item or class of property for which a change is re	equested.	2-0 2 2-0	
Note.	. See the List of Automatic Accounting Method Changes in the instructions for inform	ation regarding	automatic	changes
undei	r sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 w	ith respect to c	ertain late	elections
and e	lection revocations (see instructions).			
1	Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).		☐ Yes	☐ No
2	Is any of the depreciation or amortization required to be capitalized under any Code section 263A)?	(e.g., section	☐ Yes	□No
	If "Yes," enter the applicable section ▶		time. House	
3	Has a depreciation, amortization, or expense election been made for the property (e.g., the esections 168(f)(1), 179, or 179C)?	election under	☐ Yes	□ No
4a				
	To the extent not already provided, attach a statement describing the property being chartype of property, the year the property was placed in service, and the property's use in the income-producing activity.	iged. Include in he applicant's t	the descri rade or bu	ption the siness or
b	If the property is residential rental property, did the applicant live in the property before renti	na i+2	□ v	
С	Is the property public utility property?		☐ Yes	□ No
5			☐ Yes	☐ No
	To the extent not already provided in the applicant's description of its present method, atta property is treated under the applicant's present method (e.g., depreciable property, i Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as	nventory prope	rty suppli	how the es under
6	If the property is not currently treated as depreciable or amortizable property, attach a sta proposed change to depreciate or amortize the property.	tement of the f	acts suppo	
7	If the property is currently treated and/or will be treated as depreciable or amortizable information for both the present (if applicable) and proposed methods:		ovide the	following
а	The Code section under which the property is or will be depreciated or amortized (e.g., section as a section under which the property is or will be depreciated or amortized (e.g., section as a section under which the property is or will be depreciated or amortized (e.g., section as a section under which the property is or will be depreciated or amortized (e.g., section as a section under which the property is or will be depreciated or amortized (e.g., section as a section under which the property is or will be depreciated or amortized (e.g., section as a section under which the property is or will be depreciated or amortized (e.g., section as a section under which as a section under which as a section under which are a section under whi	on 168(g)).		
b	The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset deprecia	ted under section	on 168 (MA	CRS) or
	under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, former section 168 (ACRS); an explanation why no asset class is identified for each asset	for each asset	depreciate	ed under
	been identified by the applicant.			
С	The facts to support the asset class for the proposed method.			
d	The depreciation or amortization method of the property, including the applicable Code second method under section 168(b)(1)).	tion (e.g., 2009	6 declining	balance
е	The useful life, recovery period, or amortization period of the property.			
f	The applicable convention of the property.			
g	A statement of whether or not the additional first-year special depreciation allowance (for	r example, as p	rovided by	section
	168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. as to why no special depreciation allowance was or will be claimed.	If not, also pro	vide an exp	lanation

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code
Avista Corporation	91-0462470	221100

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number:	Donald Falkner	(509) 495-4326
------------------------	----------------	----------------

Authorized Representatives' Fax Numbers:

Scott Mackay	(844) 511-2786
Renae Davis	(866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Entity making request	Description of change	Consent Obtained	Tax Year
Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009
Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2013-24 to determine whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under § 263(a)	Automatic pursuant to Rev. Proc. 2015-14, section 3.20	2014
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2011-43 to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263.	Automatic pursuant to Rev. Proc. 2015-14, section 3.09	2014

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric generation assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain gas transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91- 0462470)	Change to late partial disposition elections for generation assets, electric transmission and	Automatic pursuant to Rev. Proc. 2015-14,	2014

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

	distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	section 6.33	
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Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is filing change 184 to change its method of accounting to comply with Treas. Reg. Section 1.263(a)-3 and Treas. Reg. Section 1.162-4 pertaining to the capitalization of improvement expenditures, the deduction of repair and maintenance expenditures, and the identification of the appropriate unit of property. Specifically, the Taxpayer is changing its method of accounting from capitalizing under §263(a) certain costs paid or incurred for certain: (1) non-linear electric transmission & distribution property, (2) gas transmission & distribution property, (3) electric generation property, (4) building property, and (5) other tangible property owned by the taxpayer' to deducting these amounts as repair and maintenance costs under §162. In addition, the Taxpayer is changing its unit of property for any property owned by the taxpayer that is not: (1) electric generation property, or (2) electric transmission & distribution property.

b) The applicant's present method for the item being changed:

The Taxpayer determines whether a cost incurred in performing repairs and maintenance is capitalized as an improvement or treated as an otherwise deductible repair. The Taxpayer maintains its books and records in accordance with a Uniform System of Accounts set forth by the Federal Energy Regulatory Commission (FERC). In its books and records, the Taxpayer currently categorizes components of its gas distribution system using a common chart of accounts. In addition, individual items of those systems are recorded into subaccounts. For federal income tax purposes, the Taxpayer follows its book method of accounting and capitalizes expenditures incurred in repairing, replacing, and renewing, distribution mains and services. Furthermore, these items are recovered, for federal income tax purposes, under §168 over a period of 20 years.

Because the Taxpayer's present tax method of accounting generally follows its financial statement method, the Taxpayer currently does not undertake an affirmative assessment for federal income tax purposes of its units of property as required under Treas. Reg. §1.263(a)-3 with respect to the aforementioned items. For example, under the present method, each power operated valve that is 6" or larger would be the unit of property as that is the unit of property for FERC purposes which is what the Taxpayer currently uses

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

in its analysis. Similarly, the following are additional examples of units of property based upon FERC; cathodic protection, lines including pipe, valves, fittings and supports, scrubbers, power operated pressure reducing, atmospheric relief valves, 6" nominal pipe and larger, among others.

c) The applicant's proposed method for the item being changed:

The Taxpayer will deduct under §162 and Treas. Reg. §1.162-4 amounts paid for repairs and maintenance to mains and services if such amounts paid are not otherwise required to be capitalized. Section 162 provides that a taxpayer may generally deduct all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including incidental repairs. Treas. Reg. §1.162-4 provides that amounts paid for repairs and maintenance may be deducted if not otherwise required to be capitalized.

As such, under its proposed method the Taxpayer will examine the facts and circumstances of its repair and maintenance activities and apply the principles of Treas. Reg. §1.263(a)-3 ("the improvement rules") to determine whether the amounts for repairs and maintenance to mains and services are required to be capitalized.

Units of Linear Property

Under the proposed method, the Taxpayer will also determine its units of property for purposes of the above analysis in accordance with Treas. Reg. §1.263(a)-3(e), which defines a "unit of property." Generally, for tangible property other than a building, the unit of property determination is based upon a functional interdependence standard. Components of property are functionally interdependent if the placing in service of one component by the taxpayer is dependent on the placing in service of another component by the taxpayer. Further, all the components that are functionally interdependent with each other comprise a single unit of property.

Plant property is functionally interdependent machinery or equipment, other than "network assets" (defined below) that perform an industrial process, such as manufacturing, generation, warehousing, distribution, automated materials handling in service industries, or other similar activities. A gas distribution system consists of many functionally interdependent components including, for example, the gas storage area, intake valves, transmission and distribution piping (including mains), regulators, service lines, meters, and other related components.¹

¹ See, e.g., Public Service Co. of New Mexico v. United States, 431 F.2d 980 (10th Cir. 1970) (all of the component assets constituted a complete unit that was operational and placed in service when operational);

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

For gas transmission and distribution network assets, the unit of property is determined by the taxpayer's particular facts and circumstances, except as provided in published guidance; the functional interdependence standard is not determinative. The IRS issued guidance defining units of property for the telecommunications industry and for electric transmission and distribution assets.² Under Treas. Reg. §1.263(a)-3(e)(3)(iii), network assets means railroad track, oil and gas pipelines, water and sewage pipelines, power transmission and distribution lines, and telephone and cable lines that are owned or leased by taxpayers in those respective industries.

For example, Rev. Proc. 2011-43 pertains to taxpayers engaged in the business of electric transmission and distribution ("T&D"). These taxpayers typically incur significant costs to maintain, replace, and improve T&D property and have historically faced difficulties in determining the appropriate tax treatment of such expenditures (i.e., whether they should be capitalized as improvements under § 263(a) or deductible as repairs under § 162). This difficulty arises from the nature of electricity T&D property, which consists of networks of interconnected items, such as poles, conductors, and transformers.

Similarly and by analogy (as the cited revenue procedure is not applicable to gas distribution and service lines), the Taxpayer's property consists of networks of intermediate and low pressure mains ultimately arriving at the customer service main and meters to an individual residence or business.

The Taxpayer's method change request relates to its gas distribution network assets, specifically its distribution mains and services. The Taxpayer believes that using the total linear feet of mains and services by construction office is the appropriate definition for identifying the unit of property.

Under the Taxpayer's proposed method of accounting, the Taxpayer will utilize the standards described in Treasury Reg. Section 1.263(a)-3 (i.e., the betterment standards as provided in Treas. Reg. Section 1.263(a)-3(j), the restoration standards as provided in Treas. Reg. Section 1.263(a)-3(k), the adaptation to a new or different use standards as provided in Treas. Reg. Section 1.263(a)-3(l), the routine maintenance safe harbor standards as provided in Treas. Reg. Section 1.263(a)-3(i) and the removal cost standards for property not disposed of for tax purposes as provided in Treas. Reg. Section 1.263(a)-

Consumers power Co v. Commissioner, 89 T.C. 710 (1987) (plant must be viewed as one integrated unit because the physical plant and the reservoir operate simultaneously and as a unit in order to produce electrical power); Rev. Rul. 76-238, 1976-1 C.B. 55 (1976) (individual units of machinery and equipment not placed in service until entire production line was available); Rev. Rul. 76-428, 1976-2 C.B. 47 (1976).

² Revenue Procedure 2011-22 and Revenue Procedure 2011-43, respectively

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

3(g)(2)) for purposes of determining whether an expenditure on a unit of property results in a deductible repair or a capital improvement. Accordingly, the Taxpayer, under its proposed method of accounting, will properly capitalize all expenditures required to be capitalized as improvements pursuant to Treas. Reg. Section 1.263(a)-3(d). The Taxpayer will also deduct all expenditures that are not required to be capitalized as improvements pursuant to Treas. Reg. Section 1.263(a)-3(d), provided that such repair and maintenance expenditures are deductible under Treas. Reg. Section 1.162-4, the Taxpayer has not made an election under Treas. Reg. Section 1.263(a)-3(n) to capitalize such expenditures (to the extent the expenditures are also capitalized for the Taxpayer's books and records), and the expenditures are not otherwise required to be capitalized.

d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as amplified and modified by Rev. Proc. 2011-43, Rev. Proc. 2013-24, and Rev. Proc. 2014-16, the privilege of a conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Avista Corporation Attachment to Form 3115

EIN: 91-0462470 Tax Year Ending December 31, 2014

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Scott Mackay Ernst & Young LLP 1101 New York Avenue, N.W. Washington, DC 20005

Or

Renae Davis Ernst & Young LLP 1120 NW Couch Street Portland, OR 97209

Page 3, Part IV, Line 25

Amount of repairs and maintenance deducted under present method: \$ 0

Amount of repairs and maintenance deductible under proposed method: \$(15,935,262)

Difference – Negative § 481(a) adjustment: \$(15,935,262)

The Taxpayer incurred expenses for repairs and maintenance that were previously capitalized and depreciated over recovery periods up to twenty years for assets placed in service beginning January 1, 1993 through December 31, 2013. Under the proposed method, the amounts would have been expensed during the tax year incurred. The difference between the current method and proposed method is the remaining basis in the capitalized repairs and maintenance and other costs reflected above.

In determining the §481(a) adjustment for gas distribution assets, the Taxpayer computed a repair deduction percentage using specific data for the taxable years beginning January 1, 2005 through December 31, 2013.

Exhibit D

Form 3115, Application for Change of Accounting Method

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Electric Transmission and Distribution** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Form 3115

(Rev. December 2009)
Department of the Treasury
Internal Revenue Service

Application for Change in Accounting Method

OMB No. 1545-0152

Avista Corporation	91-0462470
Avista Corporation	
· · · · · · · · · · · · · · · · · · ·	Principal business activity code number (see instructions)
5 - 5 - 5 - 5 - 5 - 5 - 5 - 5 - 5 - 5 -	221100
Number, street, and room or suite no. If a P.O. box, see the instructions.	Tax year of change begins (MM/DD/YYYY) 01/01/2014
1411 East Mission Avenue	Tax year of change ends (MM/DD/YYYY) 12/31/2014
City or town, state, and ZIP code	Name of contact person (see instructions)
Spokane, WA 99202	Scott Mackay
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)	Contact person's telephone number
	1 (202) 327-6069
If the applicant is a member of a consolidated group, check this box	
If Form 2848, Power of Attorney and Declaration of Representative, is	s attached (see instructions for when Form 2848 is
required), check this box	
Check the box to indicate the type of applicant.	Check the appropriate box to indicate the type
☐ Individual ☐ Cooperative (Sec. 1381	of accounting method change being requested.
✓ Corporation ☐ Partnership	(see instructions)
☐ Controlled foreign corporation ☐ S corporation	☐ Depreciation or Amortization
(Sec. 957) Insurance co. (Sec. 816	
☐ 10/50 corporation (Sec. 904(d)(2)(E)) ☐ Insurance co. (Sec. 831	The second straight in the second straight is the second straight in the second straight in the second straight is the second straight in
☐ Qualified personal service ☐ Other (specify) ▶	✓ Other (specify) ➤ DISPOSITIONS OF TANGIBLE
corporation (Sec. 448(d)(2))	DEPRECIABLE ASSETS
□ Exempt organization. Enter Code section ▶	DEI NEUNDEL AGGETO
well as any other information that is not specifically requested. The taxpayer must attach all applicable supplemental statements re	quested throughout this form.
Part I Information For Automatic Change Request	
1 Enter the applicable designated automatic accounting method cha	nge number for the requested automatic change. Enter Vac No.
only one designated automatic accounting method change number	r, except as provided for in guidance published by the
IRS. If the requested change has no designated automatic accounti	ng method change number, check "Other," and provide
both a description of the change and citation of the IRS guidance pro-	roviding the automatic change. See instructions.
► (a) Change No	► N/A
2 Do any of the scope limitations described in section 4.02 of F	Rev. Proc. 2008-52 cause automatic consent to be
unavailable for the applicant's requested change? If "Yes," atta	ch an explanation.
Note. Complete Part II below and then Part IV, and also Schedules A	through E of this form (if applicable).
Part II Information For All Requests	Yes No
3 Did or will the applicant cease to engage in the trade or bu	siness to which the requested change relates or
terminate its existence, in the tax year of change (see instructio	ns)?
If "Yes," the applicant is not eligible to make the change under	automatic change request procedures.
4a Does the applicant (or any present or former consolidated ground	in which the applicant was a member during the
applicable tax year(s)) have any Federal income tax return(s) un	der examination (see instructions)?
If "No," go to line 5.	
b Is the method of accounting the applicant is requesting to char	ige an issue (with respect to either the applicant or
any present or former consolidated group in which the applican	of was a member during the applicable tay, year(s))
eitner (i) under consideration or (ii) placed in suspense (see instr	ructions)?
Signature (see in	estructions)
Under penalties of perjury, I declare that I have examined this application, including accome the application contains all the relevant facts relating to the application, and it is true, conformation of which preparer has any knowledge.	npanying schedules and statements, and to the best of my knowledge and belief, rect, and complete. Declaration of preparer (other than applicant) is based on all
Filer	Preparer (other than filer/applicant)
() stalk. alst	2 0
March 9/8/15	lena
Signature and date l	Signature of individual preparing the application and date
Donald Falkner, Tax Director and Asst. Treasurer	Renae Davis
Name and title (print or type)	Name of individual preparing the application (print or type)
	ERNST & YOUNG U.S. LLP
	Name of firm preparing the application
or Privacy Act and Paperwork Reduction Act Notice, see the instructions.	Cat. No. 19280E Form 3115 (Rev. 12-2009)

Part	I Information For All	Requests (continu	ed)		_	No
					100	140
4c	applicant or any present or tax year(s)) for any tax year	former consolidated under examination (s	group in which the ap ee instructions)? .	an issue pending (with respect to either the oplicant was a member during the applicable		1
d	Is the request to change to division director consent to If "Yes," attach the consen	the filing of the reque	est (see instructions)?	the procedures requiring that the operating		1
е	If "Yes," check the box for	e method of accounting the applicable window lay: Date examination	v period and attach th	ne 90-day or 120-day window period? e required statement (see instructions).		1
f	year(s) under examination.			er of the examining agent and the tax		
_	Name ▶		elephone number >	Tax year(s) ▶		
5a	Has a copy of this Form 31 Does the applicant (or any applicable tax year(s)) have If "Yes," enter the name of	present or former cor any Federal income t	nsolidated group in w ax return(s) before Ap	hich the applicant was a member during the peals and/or a Federal court?		✓ ✓
	telephone number, and the		55 %	l court.		
	Name ► N/A		elephone number >	N/A Tax year(s) ► N/A		
b	Has a copy of this Form 3 on line 5a?	115 been provided to	the Appeals officer a	and/or counsel for the government identified		12
С	secure of the property of the	the applicant is requ	lesting to change an i	ssue under consideration by Appeals and/or	N	A
	a Federal court (for either t	ne applicant or any pr	resent or former cons	olidated group in which the applicant was a		
	member for the tax year(s)	the applicant was a m	ember) (see instructio	ns)?	N	A
6	attach a statement that pro	"Yes" to line 4a and/o ovides each parent co which the applicant wa	orporation's (a) nam	any present or former consolidated group, e, (b) identification number, (c) address, ander examination, before an Appeals office,		
7	a partnership or an S corp consideration in an examin	oration, is it requestir ation, before Appeals	ng a change from a n , or before a Federal	cluding a limited liability company) treated as nethod of accounting that is an issue under court, with respect to a Federal income tax	N	A
	If "Yes," the applicant is no				2.4	
8a	receive audit protection for	the requested change	e consent or automati e (see instructions)?	c consent) state that the applicant does not	E	V
-	If "Yes," attach an explanat			N/A		
9a	procedure or a procedure of the re-	requiring advance cor	d party requested or nsent) a change in me	made (under either an automatic change ethod of accounting within the past 5 years	1	
b		business, attach a d	description of each re ner the applicant recei	equested change in method of accounting ived consent. SEE STATEMENT		
С	signed and returned to the an explanation. SEE S'	IRS, or the change wa TATEMENT	as not made or not ma	sent Agreement granting a change was not ade in the requested year of change, attach		
10a	Does the applicant, its proconcurrently filed request) for	edecessor, or a rela or a private letter rulin	ated party currently g, change in method	have pending any request (including any of accounting, or technical advice?	1	
b	type of request (private letter in the request(s). SEE	er ruling, change in me STATEMENT	ethod of accounting, o	of the taxpayer, identification number(s), the per technical advice), and the specific issue(s)		
11	Is the applicant requesting t If "Yes," check the appro accounting. Also, complete	priate boxes below t	to indicate the appli	cant's present and proposed methods of		1
	Present method:	☐ Cash	☐ Accrual	N/A Hybrid (attach description)		
	Proposed method:	☐ Cash	☐ Accrual	☐ Hybrid (attach description)		

Par	Information For All Requests (continued)	Yes	No			
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and					
	complete description for each of the following:					
а	The item(s) being changed. SEE STATEMENT					
b	The applicant's present method for the item(s) being changed. SEE STATEMENT					
C	c The applicant's proposed method for the item(s) being changed. SEE STATEMENT					
d	The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT					
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT					
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions		1			
	If "No," attach an explanation. SEE STATEMENT					
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?		_			
b 16	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. N/A Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response?					
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of					
	change.					
	year ended: mo. yr. year ended: mo. yr. year ended: mo. yr. year ended: mo. yr.					
Part	Information For Advance Concert Powers					
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request?	Yes	No			
	If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.					
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.					
20	Attach a copy of all documents related to the proposed change (see instructions).					
21	Attach a statement of the applicant's reasons for the proposed change.					
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the					
	consolidated group use the proposed method of accounting for the item being changed?					
23a	Enter the amount of user fee attached to this application (see instructions). > \$					
b Part	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions). V Section 481(a) Adjustment					
24		Yes	No			
	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below.		1			
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. -2,636 Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. SEE STATEMENT					

Page 3

Part Section 481(a) Adjustment (continued) Ves Notes	Form 3	115 (Rev. 12-2009)	F	age 4
the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change? It is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? N/A Schedule A—Change in Overall Method of Accounting (if Schedule A applies, Part I below must be completed.) N/A Part I Change in Overall Method (see instructions) I Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1 a through 1g. I Income accrued but not received (such as accounts receivable). I Income accrued but not received four has accounts receivable). I Income accrued but not received four has a second seen the complete of the income and the legal basis for the proposed method of Expenses accrued but not paid (such as accounts payable). I Prepald expenses previously deducted and/or not previously reported. Complete Schedule D, Part II. Of Other amounts (specify). Attach a description of the tem and the legal basis for its inclusion in the calculation of the section 481(a) adjustment (Combine lines 1a-1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25. I Is the applicant also requesting the recurring item exception under section 481(a) adjustment amount on Part IV, line 25. I Is the applicant also requesting the recurring item exception under section 481(a) adjustment amount on Part IV, line 25. I Is the applicant also requesting the recurring item exception under section 481(a) adjustment amount on Part IV, line 25. I Is the applicant also requesting the clash method for Advance Payments (see instructions) A description of inventory items (any see of change, Asia attach	Par	t IV Section 481(a) Adjustment (continued)		
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	d	A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and it substantial advance payments will be received under the contracts, and how the exception will limit the deferral of incomparison.	come.	

Form 3115 (Rev. 12-2009)

Schedule C-Changes Within the LIFO Inventory Method (see instructions)

Part I General LIFO Information

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
- a Valuing inventory (e.g., unit method or dollar-value method).
- b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
- c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
- d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

N/A

- If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
- a A description of the types of products produced by the applicant. If possible, attach a brochure.
- b A description of the types of processes and raw materials used to produce the products in each proposed pool.
- c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
- d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
- e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
- f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
- g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Form 3115 (Rev. 12-2009) Page 6 Schedule D-Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions) Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities. 2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? . . ☐ Yes No b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)? ☐ Yes ☐ No If line 2b is "No," attach an explanation. c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-☐ Yes ☐ No d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion ☐ Yes ☐ No If line 2d is "Yes," attach an explanation of what cost comparison the applicant will use to determine a contract's completion factor. If line 2d is "No," attach an explanation of what method the applicant is using and the authority for its use. 3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? Yes ☐ No b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for longterm manufacturing contracts. c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods. To determine a contract's completion factor using the percentage-of-completion method: a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? ☐ Yes ☐ No If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Yes ☐ No Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts. Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A Part II Attach a description of the inventory goods being changed. Attach a description of the inventory goods (if any) NOT being changed. Yes ☐ No Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? If "No," attach a detailed explanation ☐ Yes ☐ No Inventory Not Inventory Being Changed 4a Check the appropriate boxes below. Being Changed Identification methods: Present method Proposed method Present method Specific identification . . . Other (attach explanation) . . . Valuation methods: Cost or market, whichever is lower . Retail cost Retail, lower of cost or market . . . b Enter the value at the end of the tax year preceding the year of change

- If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see
- a Copies of Form(s) 970 filed to adopt or expand the use of the method.
- Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
- Only for applicants requesting an automatic change. The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Form 3115 (Rev. 12-2009)

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)).

N/A

Section A-Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B-Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	test.	Present method	Proposed method
1	Direct material		
2	Direct labor		
3	Indirect labor		
4	Officers' compensation (not including selling activities)		
5	Pension and other related costs		
6	Employee henefits		
7	Indirect meterials and augustics		
8	Purchasing costs		
9	Handling, processing, assembly, and repackaging costs		
10	Offsite storage and warehousing costs		
11	Depreciation, amortization, and cost recovery allowance for equipment and facilities		
	placed in service and not temporarily idle		
12	Depletion		
13	Dent		
14	Taxes other than state, local, and foreign income taxes		
15			
16	Utilities		
17	Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18	Engineering and design costs (not including section 174 research and experimental		
	expenses)		
19	Rework labor, scrap, and spoilage		
20	Tools and equipment		
21	Quality control and inspection		
22	Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23	Licensing and tranchise costs		
24	Capitalizable service costs (including mixed service costs)		
25	Administrative costs (not including any costs of selling or any return on capital)		
26	Research and experimental expenses attributable to long-term contracts		
27	Interest		
28	Other costs (Attach a list of these costs.)		

Form 3	:115 (Rev. 12-2009)		Page 8		
	Method of Cost Allocation (see instructions) (continued)		NT / 7		
Secti	on C-Other Costs Not Required To Be Allocated (Complete Section C only if the ac	plicant is reques	sting to change its		
meth	od for these costs.)				
1220	W. 1 100 1000 10 100 0 10 0	Present method	Proposed method		
1	Marketing, selling, advertising, and distribution expenses				
2	Research and experimental expenses not included in Section B, line 26				
3	Bidding expenses not included in Section B, line 22				
4	General and administrative costs not included in Section B				
5	Income taxes				
6	Cost of strikes				
7	Warranty and product liability costs				
8	Section 179 costs				
9	On-site storage				
10	Depreciation, amortization, and cost recovery allowance not included in Section B, line 11				
11	Other costs (Attach a list of these costs.)				
Sche	dule E—Change in Depreciation or Amortization (see instructions)				
Applic	cants requesting approval to change their method of accounting for depreciation or an cants must provide this information for each item or class of property for which a change is re	guested.			
Note.	See the List of Automatic Accounting Method Changes in the instructions for inform	ation regarding a	nutomatic changes		
uriuei	secuons 56, 167, 168, 197, 14001, 1400L, or former section 168. Do not file Form 3115 w	ith respect to ce	rtain late elections		
and e	ection revocations (see instructions).	a review (1 ib. 1 to a table a # trend to the first 1,1 to the at wheter to the			
1	Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)?		☐ Yes ☑ No		
	If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).		□ 162 ☑ NO		
2	Is any of the depreciation or amortization required to be capitalized under any Code section	log postion			
	263A)?	(e.g., section	✓ Yes □ No		
	If "Voc " optor the opplicable section & Coeffee 0008		⊻ res ⊔ No		
3	Has a depreciation, amortization, or expense election been made for the property (e.g., the	alootion under			
10.00	sections 168(f)(1), 179, or 179C)?	election under	☐ Yes ☑ No		
	If "Yes," state the election made ▶		_ res		
4a	To the extent not already provided, attach a statement describing the property being char		Energy in Engine Constitution (CENTRAL)		
	type of property, the year the property was placed in service, and the property's use in the	iged. Include in t	he description the		
	income-producing activity. SEE STATEMENTS	ie applicant's tra	de or business or		
b	If the property is residential rental property, did the applicant live in the property before renting	ocito NT/70	7v		
C	Is the property public utility property?	ngitr . N./A t			
5	To the extent not already provided in the applicant's description of the applicant in the a				
	To the extent not already provided in the applicant's description of its present method, atta property is treated under the applicant's present method (e.g., depreciable property, in Begulations section, 1.162.3, pandapprovided acetica 200(a)	nuontoni proport	or more than a second		
6	Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as If the property is not currently treated as depreciable or amortizable property, attach a star proposed change to depreciable as	s a current expen	se etc.). SEE STATEMENT		
U	proposed change to depreciate or amortize the property. N/A	tement of the fac	ets supporting the		
7	If the property is currently treated and/or will be treated as depreciable or amortizable	e property, prov	ride the following		
2	information for both the present (if applicable) and proposed methods: SEE STATEMENTS				
a	The Code section under which the property is or will be depreciated or amortized (e.g., section				
b	The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset deprecial under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, former section 168 (ACRS); an explanation why no asset class is identified for each asset been identified by the applicant.	for each asset of	lenreciated under		
C	The facts to support the asset class for the proposed method.				
d		l'/ 2008/	William P. Co.		
77	The depreciation or amortization method of the property, including the applicable Code segmethod under section 168(b)(1)).	uon (e.g., 200%	declining balance		
е	The useful life, recovery period, or amortization period of the property.				
f	The applicable convention of the property.				
g	A statement of whether or not the additional first-year special depreciation allowance (for	evample so ===	wided by a - +t'		
	100% 100% 100% 100% 100%	example, as pro	vided by section		

168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation

as to why no special depreciation allowance was or will be claimed.

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code	
Avista Corporation	91-0462470	221100	

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number:	Donald Falkner	(509) 495-4326
Authorized Representatives' Fax Numbers:		
	Scott Mackay	(844) 511-2786
	Renae Davis	(866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Entity making request	Description of change	Consent Obtained	Tax Year
Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009
Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2013-24 to determine whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under § 263(a)	Automatic pursuant to Rev. Proc. 2015-14, section 3.20	2014
Avista Corporation (EIN: 91-0462470)	Change its method of accounting from capitalizing under § 263(a) certain costs paid or incurred for gas transmission and distribution property to deducting these amounts as repair and maintenance costs under § 162 and Treas. Reg. § 1.162-4	Automatic pursuant to Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16	2014
Avista Corporation (EIN: 91-0462470) Change to the safe harbor method of accounting under Rev. Proc. 2011-43 to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263.		Automatic pursuant to Rev. Proc. 2015-14, section 3.09	2014

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric generation assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain gas transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to late partial disposition elections for generation, electric transmission and distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	Automatic pursuant to Rev. Proc. 2015-14, section 6.33	2014

Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is filing change #206 for certain non-building assets (i.e., assets other that buildings, condominium units, cooperative units, or improvements thereto, as provided in Appendix Section 6.39(1)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54) in its Electric Transmission and Distribution Division (i.e., poles, conductors, and street lights), to

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

change from determining the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-8(c)(4) to determining the asset in accordance with Treas. Reg. Section 1.168(i)-8(c)(4). Specifically, the Taxpayer is reversing certain partial disposition losses that it recognized in taxable years prior to the year of change as a result of determining the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-8(c)(4). Rather than preserving such losses through the filing of a late partial disposition election under Appendix Section 6.33 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, the Taxpayer has chosen to simply make the change under Appendix Section 6.39(4)(a) to define the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4) (i.e., the Taxpayer will not recognize the partial disposition losses and will instead continue to depreciate the portion of the asset that was disposed of).

The table below contains descriptions of the non-building assets and the related partial dispositions that are within the scope of this method change. The first column contains a description of the underlying non-building asset (i.e., asset as determined under Treas. Reg. Section 1.168(i)-8(c)(4)). The second column contains a description of the portion of the non-building asset that the Taxpayer disposed of and determined to be the asset for disposition purposes under its present method of accounting. Each of the underlying non-building assets subject to this change (as described in the table below) meets the following criteria -

- The assets are owned by the Taxpayer as of the beginning of the year of change.
- The Taxpayer depreciates the assets under Section 168 under its present and proposed method.
- The assets are not accounted for in a general asset account.
- The assets are either section 1245 property or depreciable land improvements and are not buildings, condominium units, cooperative units, or improvements thereto.

Further, this change does not include any partial dispositions of non-building assets that were disposed of in an event described in Treas. Reg. Section 1.168(i)-8(d)(1) (i.e., an event, such as a sale, that requires the Taxpayer to recognize the partial disposition for tax purposes).

Assets/Dispositions within the Scope of This Change

Description of underlying asset of which the disposed portion was a part	Description of the portion of the asset that was disposed of	Placed in Service Year	Tax Year in which the partial disposition occurred	Use in Taxpayer's Trade or Business
Conductors and any associated devices, by circuit, by vintage	Certain linear feet of electrical lines used to facilitate the flow of electricity less than 10% of the average of the linear feet of per circuit.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Towers, poles, structures and fittings mounted to towers, by circuit, by vintage	Towers, poles, structures and fittings mounted to towers used to complete a full circuit of linear property that is less than 10% of the unit of property.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Underground conduit, by circuit, by vintage	Certain linear feet of underground conduit used to facilitate the flow of electricity that are less than 10% of the average of the linear feet of per circuit.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Boxes, vaults, structures and fittings mounted in boxes and	Certain electrical enclosures used to house electrical	Various	Various	This asset is used in the Taxpayer's trade or business

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

or vaults, by circuit,	junctions that are			that is described in
by vintage	less than 10% of			the Line 13
	the average number			statement
	per individual			
	circuit.			
Customer service	Certain customer	Various	Various	This asset is used
drops, by circuit, by	service drops used			in the Taxpayer's
vintage	to facilitate the flow			trade or business
	of electricity that			that is described in
	are less than 10%			the Line 13
	of the average			statement
	number of customer			
	service drops per			
	circuit.			
Street lighting, by	Certain street	Various	Various	This asset is used
circuit, by vintage	lighting connected		4	in the Taxpayer's
	to the electric			trade or business
	circuit that are less			that is described in
	than 10% of the			the Line 13
	average number of			statement
	streetlights per			
	circuit.			
Traffic and similar	Certain traffic and	Various	Various	This asset is used
signals, by circuit, by	similar signals			in the Taxpayer's
vintage	connected to the			trade or business
	electric circuit that			that is described in
	are less than 10%			the Line 13
	of the average			statement
	number of traffic			
	and similar signals			
	per circuit.			
Smart grid property	Certain smart grid	Various	Various	This asset is used
not located at a	property, not			in the Taxpayer's

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

substation, excluding	including smart	trade or business
smart meters, by	meters, that are less	that is described in
circuit, by vintage	than 10% of the	the Line 13
	average number of	statement
	smart grid property,	
	excluding smart	
	meters, per circuit.	

b) The applicant's present method for the item being changed:

Under the Taxpayer's present method of accounting for the non-building assets and dispositions, the Taxpayer determines the asset for disposition purposes in accordance with its FERC retirement unit definition, for example, each 70' cedar pole or each bracket. See the second column in the table in 12(a) for a description of such determinations.

c) The applicant's proposed method for the item being changed:

Under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), the Taxpayer will determine the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4).

Thus, for items properly included in one of the asset classes 00.11 through 00.4 of Rev. Proc. 87-56 or properly classified within one of the categories under Section 168(e)(3) (except for a category that includes buildings or structural components), the Taxpayer will define each such item as the asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(C). For items that are not properly included in the above referenced asset classes or Section 168(e)(3) categories, the Taxpayer will follow Treas. Reg. Section 1.168(i)-8(c)(4)(i) and consider the facts and circumstances of each disposition in determining the asset disposed of and will not treat items placed in service on different dates as the asset for disposition purposes. Lastly, with respect to improvements to an asset, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

As this change relates to improvements to electric transmission and distribution property, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

Page 7 of 14

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Accordingly, under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), it will not recognize disposition losses upon the disposition of a portion of an asset and will instead continue to deprecate the portion of the asset disposed of (utilizing the same depreciation methods, conventions, and recovery periods as the underlying non-building asset of which it was a part).

Public Utility Property Statement - Appendix Section 6.39(5)(a)(v) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Certain property described in 12(a) above is public utility property within the meaning of Section 168(i)(10). The Taxpayer agrees to the following terms and conditions with respect to such public utility property:

- A normalization method of accounting (within the meaning of Section 168(i)(9))
 will be used to account for such property.
- Within 30 calendar days of filing the federal income tax return for the year of change, the Taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over such property.
- As of the beginning of the year of change, the Taxpayer will adjust its deferred tax
 reserve account or similar account in the Taxpayer's regulatory books of account
 by the amount of the deferral of federal income tax liability associated with the
 Section 481(a) adjustment applicable to such property.
- d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

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Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54 (for example, the Taxpayer changed to a method of accounting that varies from the applicable accounting method described in Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, or the Taxpayer is outside the scope of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54), the privilege of a conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Scott Mackay Ernst & Young LLP 1101 New York Avenue, N.W. Washington, DC 20005

Or

Renae Davis Ernst & Young LLP 1120 NW Couch Street Portland, OR 97209

Page 3, Part IV, Line 25

Partial disposition loss recognized under present method Depreciation taken since the partial disposition event under proposed method

\$ 275,779 (278,415)

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Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Difference – Negative § 481(a) adjustment:

\$ (2,636)

The Section 481(a) adjustment has been calculated as the difference between the partial disposition losses recognized for the taxable years prior to the year of change under the Taxpayer's present method of accounting (i.e., the losses recognized as a result of determining the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-1(c)(4)) and the depreciation that would have been deducted since the partial disposition events in the taxable years prior to the year of change under the Taxpayer's proposed method of accounting (i.e., the depreciation that would have been deducted had the Taxpayer determined the asset for disposition purposes in accord with Treas. Reg. Section 1.168(i)-1(c)(4)) assuring that there are no omissions or duplications of income or expense, resulting in a negative Section 481(a) adjustment.

The Taxpayer currently includes depreciation and disposition losses in its Section 263A UNICAP calculation. The Section 481(a) adjustment above considers the effect of Section 263A.

Page 8, Schedule E, Line 4a and Line 5

Please refer to the response in line 12 and the table in the Schedule E, lines 7a - g.

Page 8, Schedule E, Line 7a - 7g

The table below provides details regarding the portions of the non-building assets that were treated as the asset for disposition purposes under the Taxpayer's present method of accounting. Under the Taxpayer's proposed method of accounting, such portions will be depreciated consistent with the depreciation methods, conventions, and recovery periods that the Taxpayer has historically used to depreciate the underlying non-building assets of which the disposed portions were a part. Refer to line 12 for additional details (e.g., placed in service dates, etc.)

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Conductors and any associated devices under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should

Page 10 of 14

			be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	All towers, poles, structures, and fittings mounted to towers, by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Underground conduit by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4.

			As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Boxes, vaults, structures and fittings mounted in boxes and/or vaults by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Customer service drops by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an

			electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Street lighting by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Traffic and similar signals by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

(e)	Recovery Period	N/A	20 years	
(f)	Applicable Convention	N/A	Half-Year	

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Smart grid property not located at a substation by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

Item 7(g) – To the extent the aforementioned property was eligible and the additional first-year depreciation allowed was not elected out of, then additional first-year bonus depreciation was/will be claimed on the property.

Exhibit E

Form 3115, Application for Change of Accounting Method

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Electrical Generation** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Form 3115

(Rev. December 2009)
Department of the Treasury
Internal Revenue Service

Application for Change in Accounting Method

OMB No. 1545-0152

Internal	Revenue Service				- 1		
Name	of filer (name of parent corporation if a consoli	cated group) (see instructions)		Identification number (s	ee instructions) 91-0462470		
Avis	ta Corporation			Principal business activity	code number (see instruct	ionel	
7415	a corporation			Trinopar Basinoss double	221100	ioriaj	
Numbe	er, street, and room or suite no. If a P.O. box, s	see the instructions.		Tax year of change begin		/01/201	14
1411	East Mission Avenue			Tax year of change ends		31/201	
City or	town, state, and ZIP code			Name of contact person (Proceedings of the Control of the Co	017201	-
	ane, WA 99202			Scott Mackay			
Name (of applicant(s) (if different than filer) and identif	ication number(s) (see instructions)			Contact person's tele	ohone nu	mber
					1 (202) 327-	6069	
If the	applicant is a member of a consolid	lated group, check this box				- 1	
If For	m 2848, Power of Attorney and Dec	claration of Representative,	is attached	d (see instructions for	r when Form 2848 is		
Chan	red), check this box	F F F F F F F F F F F				► ✓	
	k the box to indicate the type of a				e box to indicate the		
-	dividual	Cooperative (Sec. 138	100		d change being requ	ested.	
-	orporation	☐ Partnership	100	ee instructions)	SE 2		
	ontrolled foreign corporation ec. 957)	S corporation		Depreciation or Am			
	0/50 corporation (Sec. 904(d)(2)(E))	☐ Insurance co. (Sec. 81)	6(a)) L		and/or Financial Activ	ities of	ž.
		☐ Insurance co. (Sec. 83		Financial Institution			
	ualified personal service prporation (Sec. 448(d)(2))	☐ Other (specify) ►			DISPOSITIONS OF	TANGI	BLE
	empt organization. Enter Code sect	ion N		DEPRECIABLE A	SSETS		
	on. To be eligible for approval of the reque		ation the tou		*		
or to ti well a:	ne taxpayer's requested change in method of a any other information that is not spec taxpayer must attach all applicable	of accounting. This includes all int cifically requested.	formation re	quested on this Form 31	15 (including its instru	ctions),	as
_	Information For Automatic						
1	Enter the applicable designated auto		anga numb	or for the requires of a	desertion to the Fig.	1	T.,
	only one designated automatic acco	ounting method change numb	er, except	as provided for in quid	dance published by the	Yes	No
	IRS. If the requested change has no	designated automatic account	ting method	d change number, che	ck "Other," and provide	é	
	both a description of the change and	citation of the IRS guidance p	oroviding th	ne automatic change. S	See instructions.		
	► (a) Change No. 206	(b) Other Description	n >				
2	Do any of the scope limitations de	escribed in section 4.02 of	Rev. Proc	. 2008-52 cause aut	omatic consent to be	-	
	unavailable for the applicant's requ	uested change? If "Yes," atta	ach an exp	olanation			1
	Complete Part II below and then Pa	art IV, and also Schedules A	through E	of this form (if applic	cable).		
Part	I Information For All Reques	sts				Yes	No
3	Did or will the applicant cease to	engage in the trade or b	usiness to	which the requeste	ed change relates, o		
	terminate its existence, in the tax y	ear of change (see instruction	ons)?				1
	If "Yes," the applicant is not eligible						
4a	Does the applicant (or any present	or former consolidated gro	up in whic	h the applicant was	a member during the	,	84.8
	applicable tax year(s)) have any Fe	deral income tax return(s) ur	nder exam	ination (see instruction	ons)?		1
4200	If "No," go to line 5.						
b	Is the method of accounting the ap	oplicant is requesting to cha	ange an iss	sue (with respect to e	either the applicant of		100
	any present or former consolidated	group in which the applica	ant was a		7.77		
	either (i) under consideration or (ii)				* * * * * * *		1
Under n	enalties of perium. I declare that I have evami	Signature (see i	Instruction	S)			
the app nformal	enalties of perjury, I declare that I have exami lication contains all the relevant facts relating ion of which preparer has any knowledge,	to the application, and it is true, co	orrect, and co			edge and) is base	d belief, d on all
-	Filer		27.00	Preparer (other	than filer/applicant)		
1	In talky-		Rom	00-			
_/	Signature and date		Iun				
Dona	ld Falkner, Tax Director and Asst.	Trageller			paring the application and	date	
20110	Name and title (print or ty)		Renae Da		ng the application (print or	tune)	
	and the state of the			YOUNG U.S. LLP	ы але аррисацоп (print of	typej	
					paring the application		
For Pri	vacy Act and Paperwork Reduction Ac	ct Notice, see the instructions		Cat. No. 19280E	Form 3115	(Dev. 4)	2.2000
nes ysis			**	Oat. NO. 1928UE	romi 3113	(nev. 12	2-2009)

					F	age Z
Part	Information For All Re	quests (continu	ied)		Yes	No
4c	Is the method of accounting applicant or any present or fo tax year(s)) for any tax year un	rmer consolidated	group in which the applic	ssue pending (with respect to either the eant was a member during the applicable		,
d	Is the request to change the	method of accour e filing of the requ	nting being filed under the est (see instructions)?	procedures requiring that the operating		1
е	Is the request to change the m If "Yes," check the box for the	nethod of account	ing being filed under the 90 w period and attach the re	0-day or 120-day window period? quired statement (see instructions).		1
f	If you answered "Yes" to line 4 year(s) under examination.	1a, enter the name	and telephone number of	the examining agent and the tax		
~	Name ►		Telephone number >	fied on line 4f?	V	
g 5a	Does the applicant (or any pre applicable tax year(s)) have an If "Yes," enter the name of the	esent or former co y Federal income (check the box)	nsolidated group in which tax return(s) before Appea Appeals officer and/o	the applicant was a member during the ls and/or a Federal court? or counsel for the government,		1
	telephone number, and the tax Name ► N/A		peals and/or a Federal col Felephone number ▶			
b	Has a copy of this Form 3115		the Appeals officer and/	N/A Tax year(s) ► N/A or counsel for the government identified) T	7
С	Is the method of accounting the a Federal court (for either the	ne applicant is req applicant or any p	uesting to change an issue	e under consideration by Appeals and/or ated group in which the applicant was a	N	_A_
6	If "Yes," attach an explanation If the applicant answered "Ye attach a statement that provide	s" to line 4a and des each parent c	or 5a with respect to any	present or former consolidated group, (b) identification number, (c) address, r examination, before an Appeals office,	N	A
7	a partnership or an S corpora consideration in an examination	tion, is it requesti on, before Appeals	ng a change from a meth s, or before a Federal cou	ng a limited liability company) treated as od of accounting that is an issue under rt, with respect to a Federal income tax	N	A
	If "Yes," the applicant is not e	eligible to make th	e change.		- N	
8a	receive audit protection for the	requested chang	e consent or automatic co e (see instructions)?	onsent) state that the applicant does not		1
	If "Yes," attach an explanation		74 FERRO SEC. 19 11 15	N/A		
9a	procedure or a procedure required including the year of the required.	uiring advance co	nsent) a change in metho	de (under either an automatic change d of accounting within the past 5 years	1	
b	If "Yes," for each trade or but (including the tax year of change	siness, attach a ge) and state whet	description of each reque her the applicant received	ested change in method of accounting consent. SEE STATEMENT		
С	If any application was withdraw signed and returned to the IRS an explanation.	vn, not perfected, , or the change w TEMENT	or denied, or if a Consen as not made or not made	t Agreement granting a change was not in the requested year of change, attach		
10a	Does the applicant, its pred concurrently filed request) for a	ecessor, or a rel private letter rulir	ated party currently have	e pending any request (including any counting, or technical advice?	1	11
b	If "Yes," for each request atta type of request (private letter ru in the request(s).	ch a statement pr uling, change in m	roviding the name(s) of the ethod of accounting, or te	e taxpayer, identification number(s), the chnical advice), and the specific issue(s) SEE STATEMENT		
11	Is the applicant requesting to c If "Yes," check the appropria accounting. Also, complete Sci	ate boxes below	to indicate the applicant	s's present and proposed methods of	31	/
	Present method:	☐ Cash	☐ Accrual	N/A Hybrid (attach description)		
	Proposed method:	☐ Cash	☐ Accrual	☐ Hybrid (attach description)		
					411	

Par	Information For All Requests (continued)	Yes	No
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following:		
а	The item(s) being changed. SEE STATEMENT		
b	The applicant's present method for the item(s) being changed. SEE STATEMENT		
d	The applicant's proposed method for the item(s) being changed. SEE STATEMENT The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT		
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT		
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions		1
46-	If "No," attach an explanation. SEE STATEMENT		
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?		1
b 16	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. N/A Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response?	1	
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or		
	inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change.		
	1st preceding year ended: mo. 2nd preceding year ended: mo. 3rd preceding year ended: mo. yr. year ended: mo. yr. yr. yr.		
	\$ N/A \$ N/A \$ N/A	-01	
Part	IV/A	Yes	No
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request?		
	If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.		
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.		
20	Attach a copy of all documents related to the proposed change (see instructions).		
21	Attach a statement of the applicant's reasons for the proposed change.		
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed?		
23a	If "No," attach an explanation. Enter the amount of user fee attached to this application (see instructions). ▶ \$		
	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).		
Part	V Section (81(a) Adjustment	Yes	No
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment?		/
Tar Car	If "Yes," do not complete lines 25, 26, and 27 below.	5	
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. \(\bracesis \) \(\brace		

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- Landace a	t IV Section 481(a) Adjustment (continued)	Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?	N	A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties?		/
	If "Yes," attach an explanation.		
Sche	edule A-Change in Overall Method of Accounting (If Schedule A applies, Part I below must be complete	ad)	
2000	rt I Change in Overall Method (see instructions)		N/A
1			N/A
	Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also statement providing a breakdown of the amounts entered on lines 1a through 1g.	, atta	ch a
		nount	
а	Income accrued but not received (such as accounts receivable)		
b	The second of th		
	the income and the legal basis for the proposed method		
c d	Expenses accrued but not paid (such as accounts payable)		
e	Supplies on hand previously deducted and/or not previously reported		
f	Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II		
g			
h	Net section 481(a) adjustment (Combine lines 1a-1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV,		
	line 25		
2	Is the applicant also requesting the recurring item exception under section 461(h)(3)?		No
3	Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applications are statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applications are statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applications are statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applications are statement (Schedule F (Form 1040) for farmers) and the balance sheet if applications are statement (Schedule F (Form 1040) for farmers).	able :	as of
	the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in P	used ed wit	when h the lines
	1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a explaining the differences.	state	ment
Par	Change to the Cash Method For Advance Consent Request (see instructions)	-	N/A
Applio	cants requesting a change to the cash method must attach the following information:		N/A
1	A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and mat supplies used in carrying out the business.	erials	and
2	An explanation as to whether the applicant is required to use the accrual method under any section of the Code or re	gulati	ons.
Sche	dule B—Change to the Deferral Method for Advance Payments (see instructions)	1	N/A
1	If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of 2004-34, 2004-1 C.B. 991, attach the following information:	Rev. I	Proc.
a	A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.		
b	If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required 8.02(3)(a)-(c) of Rev. Proc. 2004-34.		
С	If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required to 8.03(2)(a)-(f) of Rev. Proc. 2004-34.	y sec	tion
2	If the applicant is requesting to change to the deferral method for advance payments described in Regulation 1.451-5(b)(1)(ii), attach the following.	s sec	tion
а	A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).		
b	A statement explaining what portions of the advance payments, if any, are attributable to services, whether such se integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) at	outab	le to
С	A statement explaining that the advance payments will be included in income no later than when included in gross repurposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).	eceipt	s for
d	A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if substantial advance payments will be received under the contracts, and how the exception will limit the deferral of inc	ome.	
	Form 3115 (F	tev. 12-	2009)

Schedule C-Changes Within the LIFO Inventory Method (see instructions)

Part I General LIFO Information

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
- a Valuing inventory (e.g., unit method or dollar-value method).
- b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
- c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
- d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

N/A

- If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
- a A description of the types of products produced by the applicant. If possible, attach a brochure.
- b A description of the types of processes and raw materials used to produce the products in each proposed pool.
- c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
- d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
- e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
- f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
- g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions)

Pa	Change in Reporting Income From Long-Term Contract	ts (Also complet	e Part III on pac	es 7 and	18.) N/A
1	To the extent not already provided, attach a description of the applicant and expenses from long-term contracts. Also, attach a representative a change. If the applicant is a construction contractor, attach a detailed de	escription of its co	posed methods f hout any deletion nstruction activiti	or reportion) for the ies.	ng income requested
2a	Are the applicant's contracts long-term contracts as defined in section 4	160(f)(1) (see instruc	ctions)?	☐ Yes	☐ No
b	If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)?	☐ Yes	☐ No
	If line 2b is "No," attach an explanation.				
С	If line 2b is "Yes," is the applicant requesting to use the percentage-of-cost under Regulations section 1.460-4(b)?			☐ Yes	□ No
d	If line 2c is "No," is the applicant requesting to use the exempt-comethod under Regulations section 1.460-4(c)(2)?	* * * * * *		☐ Yes	□ No
	If line 2d is "Yes," attach an explanation of what cost comparison the contract's completion factor.	applicant will use	to determine a		
	If line 2d is "No," attach an explanation of what method the applicant is	using and the author	ority for its use.		
3a	Does the applicant have long-term manufacturing contracts as defined in	n section 460(f)(2)?		Yes	☐ No
b	If "Yes," attach an explanation of the applicant's present and proposed term manufacturing contracts.	method(s) of accou	unting for long-		
C	Attach a description of the applicant's manufacturing activities, including a	anv required installa	ation of manufacti	ured appo	Q
4	To determine a contract's completion factor using the percentage-of-cor	mpletion method:	anon or manaraot	aroa good	.
а	Will the applicant use the cost-to-cost method in Regulations section 1.4	160-4(b)?		☐ Yes	□ No
b	If line 4a is "No," is the applicant electing the simplified cost-to-cost m	nethod (see section	460(b)(3) and		
-	Regulations section 1.460-5(c))?			☐ Yes	□ No
5	Attach a statement indicating whether any of the applicant's contract	ts are either cost-	plus long-term		
Par	contracts or Federal long-term contracts.	/ 61	1		
		anges (Also com	plete Part III on p	pages 7 a	nd 8.) N/A
1	Attach a description of the inventory goods being changed.				
2	Attach a description of the inventory goods (if any) NOT being changed.				
3a	Is the applicant subject to section 263A? If "No," go to line 4a			Yes	∐ No
b	Is the applicant's present inventory valuation method in compliance with If "No," attach a detailed explanation	section 263A (see	instructions)?	☐ Yes	□ No
4a	Check the appropriate boxes below.	Inventory Be	ing Changed		ory Not Changed
	Identification methods:	Present method	Proposed method	Presen	t method
	Specific identification				-
	FIFO				
	LIFO				
	Other (attach explanation)			+	
	Valuation methods:				
	SOUNDED THE SERVE I SOUTHERN A CONTROL OF THE SERVE				
	Cost				
	Cost or market, whichever is lower				
	Retail cost				
	Retail, lower of cost or market				
	Other (attach explanation)				
b	Enter the value at the end of the tax year preceding the year of change				
5	If the applicant is changing from the LIFO inventory method to a non-	-LIFO method, at	tach the followin	g informa	tion (see
	instructions).			3	1000
а	Copies of Form(s) 970 filed to adopt or expand the use of the method.				
b	Only for applicants requesting advance consent. A statement descri-	bing whether the s	policant is chance	aina to the	e method
	required by Regulations section 1.472-6(a) or (b), or whether the applican Only for applicants requesting an automatic change. The statement Proc. 2008-52 (or its successor).	t is proposing a dif	ferent method		

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)).

N/A

Section A-Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B-Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Con 10 10 3 4	Present method	Proposed method
1	Direct material		
2	Direct labor		
3	Indirect labor		
4	Officers' compensation (not including selling activities)		
5	Pension and other related costs		
6	Employee benefits		
7	Indirect materials and supplies		
8	Purchasing costs		
9	Handling, processing, assembly, and repackaging costs		
10	Offsite storage and warehousing costs		
11	Depreciation, amortization, and cost recovery allowance for equipment and facilities		
	placed in service and not temporarily idle		
12	Depletion		
13	Rent		
14	Taxes other than state, local, and foreign income taxes		
15	Insurance		
16	Utilities		
17	Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18	Engineering and design costs (not including section 174 research and experimental		
	expenses)		
19	Rework labor, scrap, and spoilage		
20	Tools and equipment		
21	Quality control and inspection		
22	Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23	Licensing and franchise costs		
24	Capitalizable service costs (including mixed service costs)		
25	Administrative costs (not including any costs of selling or any return on capital)		
26	Research and experimental expenses attributable to long-term contracts		
27	Interest		
28	Other costs (Attach a list of these costs.)		

Par	Method of Cost Allocation (see instructions) (continued)			Page O
	on C-Other Costs Not Required To Be Allocated (Complete Section C only if the ap	nlicant is reque	nting to s	N/A
meth	od for these costs.)	plicant is reque	sung to c	mange its
		Present method	Propos	ed method
1	Marketing, selling, advertising, and distribution expenses	Tresent method	rioposi	ed method
2	Research and experimental expenses not included in Section B, line 26		-	
3	Bidding expenses not included in Section B, line 22		-	
4	General and administrative costs not included in Section B			
5				
6	- Opportunity of the contract			
7	Cost of strikes		+	
8	Warranty and product liability costs		-	
9	Section 179 costs			
10	On-site storage		-	
10	Depreciation, amortization, and cost recovery allowance not included in Section B, line 11			
11	Other costs (Attach a list of these costs.)			
	dule E—Change in Depreciation or Amortization (see instructions)			
Applic	cants requesting approval to change their method of accounting for depreciation or areants must provide this information for each item or class of property for which a change is re	quested.	0)	
Note.	See the List of Automatic Accounting Method Changes in the instructions for information 107 107 107 107 107 107 107 107 107 107	ation regarding a	automatic	changes
unaer	sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 w	ith respect to ce	rtain late	elections
	ection revocations (see instructions).			
1	Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).		☐ Yes	✓ No
2	Is any of the depreciation or amortization required to be capitalized under any Code section 263A)?	(e.g., section	☑ Yes	□ No
	If "Yes," enter the applicable section ▶ Section 263A		L 103	□ 110
3	Has a depreciation, amortization, or expense election been made for the property (e.g., the esections 168(f)(1), 179, or 179C)?	election under	☐ Yes	✓ No
	If "Yes," state the election made ▶			
4a	To the extent not already provided, attach a statement describing the property being chan	ged Include in	he descr	intion the
	type of property, the year the property was placed in service, and the property's use in the	ne applicant's tra	ade or bu	siness or
	income-producing activity. SEE STATEMENTS			0111000 01
b	If the property is residential rental property, did the applicant live in the property before rentil	ng it? . N./A	☐ Yes	☐ No
С	Is the property public utility property?		✓ Yes	☐ No
5	To the extent not already provided in the applicant's description of its present method, atta	ch a statement	explaining	how the
	property is treated under the applicant's present method (e.g. depreciable property is	aventory proper	hy cumpli	on under
6	Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as If the property is not currently treated as depreciable or amortizable property, attach a stap proposed change to depreciate or amortize the property. N/A	tement of the fa	Cts suppo	TEMENTS orting the
7	If the property is currently treated and/or will be treated as depreciable or amortizable information for both the present (if applicable) and proposed methods: SEE STATEMEN	e property, pro	vide the	following
а	The Code section under which the property is or will be depreciated or amortized (e.g., section			
b	The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciation		160 /\	CDC) or
	under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, former section 168 (ACRS); an explanation why no asset class is identified for each asset been identified by the applicant.	for each asset	denreciat	ed under
C	The facts to support the asset class for the proposed method.			
d	The depreciation or amortization method of the property, including the applicable Code segmethod under section 168(b)(1)).	tion (e.g., 200%	declining	balance
е	The useful life, recovery period, or amortization period of the property.			
f	The applicable convention of the property.			
g	A statement of whether or not the additional first-year special depreciation allowance (for	example as pro	ovided by	/ section
	168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. as to why no special depreciation allowance was or will be claimed.	If not, also provi	de an exp	planation

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code
Avista Corporation	91-0462470	221100

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number:	Donald Falkner	(509) 495-4326
Authorized Representatives' Fax Numbers:		
	Scott Mackay	(844) 511-2786
	Renae Davis	(866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Entity making request	Description of change	Consent Obtained	Tax Year
Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009
Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2013-24 to determine whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under § 263(a)	Automatic pursuant to Rev. Proc. 2015-14, section 3.20	2014
Avista Corporation (EIN: 91-0462470)	Change its method of accounting from capitalizing under § 263(a) certain costs paid or incurred for gas transmission and distribution property to deducting these amounts as repair and maintenance costs under § 162 and Treas. Reg. § 1.162-4	Automatic pursuant to Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16	2014
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2011-43 to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263.	Automatic pursuant to Rev. Proc. 2015-14, section 3.09	2014

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain gas transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to late partial disposition elections for generation, electric transmission and distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	Automatic pursuant to Rev. Proc. 2015-14, section 6.33	2014

Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is filing change #206 for certain non-building assets (i.e., assets other than buildings, condominium units, cooperative units, or improvements thereto, as provided in Appendix Section 6.39(1)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54) with respect to its Electric Generation assets (i.e., property described in Appendix A, Sections 2 through 4 of Rev. Proc. 2013-24), to change from determining the asset for disposition

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

purposes in accordance with its FERC retirement unit definition to determining the asset in accordance with Treas. Reg. Section 1.168(i)-8(c)(4). Specifically, the Taxpayer is reversing certain partial disposition losses that it recognized in taxable years prior to the year of change as a result of determining the asset for disposition purposes in accordance with FERC, for example, each 3" or larger valve or each bypass valve. Rather than preserving such losses through the filing of a late partial disposition election under Appendix Section 6.33 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, the Taxpayer has chosen to simply make the change under Appendix Section 6.39(4)(a) to define the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4) (i.e., the Taxpayer will not recognize the partial disposition losses and will instead continue to depreciate the portion of the asset that was disposed of).

The table below contains descriptions of the non-building assets and the related partial dispositions that are within the scope of this method change. The first column contains a description of the underlying non-building asset (i.e., asset as determined under Treas. Reg. Section 1.168(i)-8(c)(4)). The second column contains a description of the portion of the non-building asset that the Taxpayer disposed of and determined to be the asset for disposition purposes under its present method of accounting. Each of the underlying non-building assets subject to this change (as described in the table below) meets the following criteria -

- The assets are owned by the Taxpayer as of the beginning of the year of change.
- The Taxpayer depreciates the assets under Section 168 under its present and proposed method.
- The assets are not accounted for in a general asset account.
- The assets are either section 1245 property or depreciable land improvements and are not buildings, condominium units, cooperative units, or improvements thereto.

Further, this change does not include any partial dispositions of non-building assets that were disposed of in an event described in Treas. Reg. Section 1.168(i)-8(d)(1) (i.e., an event, such as a sale, that requires the Taxpayer to recognize the partial disposition for tax purposes).

Assets/Dispositions within the Scope of This Change

Description of underlying asset of which the disposed portion was a part	Description of the portion of the asset that was disposed of	Placed in Service Year	Tax Year in which the partial disposition occurred	Use in Taxpayer's Trade or Business
---	--	------------------------------	--	--

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Units of property and major components applicable to coal- fired power stations	Certain components and units of property for coal- fired power stations as defined in Rev. Proc. 2013-24, Appendix § 2.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Units of property and major components applicable to natural gas or oil fired power stations	Certain components and units of property for natural gas or oil fired power stations as defined in Rev. Proc. 2013-24, Appendix § 3.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Units of property and major components applicable to hydroelectric power stations	Certain components and units of property for hydroelectric power stations as defined in Rev. Proc. 2013- 24, Appendix § 4.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement

b) The applicant's present method for the item being changed:

Under the Taxpayer's present method of accounting for the non-building assets and dispositions, the Taxpayer determines the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-8(c)(4). See the second column in the table in 12(a) for a description of such determinations.

As a result of determining the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-8(c)(4), the Taxpayer, under its present method of accounting, recognized disposition losses upon the disposition of a portion of an entire asset rather than upon the disposition of the entire asset (as determined under Treas. Reg. Section 1.168(i)-8(c)(4)).

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

c) The applicant's proposed method for the item being changed:

Under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), the Taxpayer will determine the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4). Specifically, Taxpayer will adopt the Units of Property and major components related to its coal-fired power stations as defined in Rev. Proc. 2013-24, Appendix § 2, for its natural gas or oil fired power stations as defined in Rev. Proc. 2013-24, Appendix § 3, and for its hydroelectric power stations as defined in Rev. Proc. 2013-24, Appendix § 4.

Thus, for items properly included in one of the asset classes 00.11 through 00.4 of Rev. Proc. 87-56 or properly classified within one of the categories under Section 168(e)(3) (except for a category that includes buildings or structural components), the Taxpayer will define each such item as the asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(C). For items that are not properly included in the above referenced asset classes or Section 168(e)(3) categories, the Taxpayer will follow Treas. Reg. Section 1.168(i)-8(c)(4)(i) and consider the facts and circumstances of each disposition in determining the asset disposed of and will not treat items placed in service on different dates as the asset for disposition purposes. Lastly, with respect to improvements to an asset, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

As this change relates to improvements to electric generation property, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

Accordingly, under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), it will not recognize disposition losses upon the disposition of a portion of an asset and will instead continue to deprecate the portion of the asset disposed of (utilizing the same depreciation methods, conventions, and recovery periods as the underlying non-building asset of which it was a part). Further, the Taxpayer will wait until the taxable year in which the entire non-building asset (as determined in Treas. Reg. Section 1.168(i)-8(c)(4)) is disposed of to recognize any disposition gains or losses.

Public Utility Property Statement - Appendix Section 6.39(5)(a)(v) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Certain property described in 12(a) above is public utility property within the meaning of Section 168(i)(10). The Taxpayer agrees to the following terms and conditions with respect to such public utility property:

- A normalization method of accounting (within the meaning of Section 168(i)(9))
 will be used to account for such property.
- Within 30 calendar days of filing the federal income tax return for the year of change, the Taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over such property.
- As of the beginning of the year of change, the Taxpayer will adjust its deferred tax
 reserve account or similar account in the Taxpayer's regulatory books of account
 by the amount of the deferral of federal income tax liability associated with the
 Section 481(a) adjustment applicable to such property.
- d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54 (for example, the Taxpayer changed to a method of accounting that varies from the applicable accounting method described in Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, or the Taxpayer is outside the scope of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54), the privilege of a conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Scott Mackay Ernst & Young LLP 1101 New York Avenue, N.W. Washington, DC 20005

Or

Renae Davis Ernst & Young LLP 1120 NW Couch Street Portland, OR 97209

Page 3, Part IV, Line 25

Partial disposition loss recognized under present method	\$ 4,415,316
Depreciation taken since the partial disposition event under proposed method	(3,325,127)
Difference – Positive § 481(a) adjustment:	\$ 1,090,188

The Section 481(a) adjustment has been calculated as the difference between the partial disposition losses recognized for the taxable years prior to the year of change under the Taxpayer's present method of accounting (i.e., the losses recognized as a result of

Page 8 of 11

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

determining the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-1(c)(4)) and the depreciation that would have been deducted since the partial disposition events in the taxable years prior to the year of change under the Taxpayer's proposed method of accounting (i.e., the depreciation that would have been deducted had the Taxpayer determined the asset for disposition purposes in accord with Treas. Reg. Section 1.168(i)-1(c)(4)) assuring that there are no omissions or duplications of income or expense, resulting in a positive Section 481(a) adjustment.

The Taxpayer currently includes depreciation and in its Section 263A UNICAP calculation. The Section 481(a) adjustment above considers the effect of Section 263A.

Page 8, Schedule E, Line 4a and Line 5

Please refer to the response in line 12 and the table in the Schedule E, lines 7a - g.

Page 8, Schedule E, Line 7a - 7g

The table below provides details regarding the portions of the non-building assets that were treated as the asset for disposition purposes under the Taxpayer's present method of accounting. Under the Taxpayer's proposed method of accounting, such portions will be depreciated consistent with the depreciation methods, conventions, and recovery periods that the Taxpayer has historically used to depreciate the underlying non-building assets of which the disposed portions were a part. Refer to line 12 for additional details (e.g., placed in service dates, etc.)

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Units of property for coal-fired power stations and any associated major components under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric generation systems should be classified under asset class 00.4. As the property subject to this method change is an electric generation station, or part of an electric generation station, the Taxpayer will classify it under asset class 00.4.

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

(d)	Depreciation Method	N/A	150% DB	
(e)	Recovery Period	N/A	20 years	
(f)	Applicable Convention	N/A	Half-Year	

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Units of property and major components of a natural gas power station under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric generation systems should be classified under asset class 00.4. As the property subject to this method change is an electric generation system, or part of an electric generation system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	15 years
(f)	Applicable Convention	N/A	Half-Year

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Units of property and major components of a hydroelectric power station under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric generation systems should be classified under asset class 00.4. As the property subject to this method change is an electric generation system, or part of an electric generation system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Item 7(g) – To the extent the aforementioned property was eligible and the additional first-year depreciation allowed was not elected out of, then additional first-year bonus depreciation was/will be claimed on the property.

Exhibit F

Form 3115, Application for Change of Accounting Method

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Gas Transmission and Distribution** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Form 3115

(Rev. December 2009)
Department of the Treasury

Application for Change in Accounting Method

OMB No. 1545-0152

-	Revenue Service					
Name	of filer (name of parent corporation if a consoli	dated group) (see instructions)	Identification number (s			
A	to Composition		Dringing business settivit	91-0462470	224	
AVIS	ta Corporation		Principal business activit	Principal business activity code number (see instructions) 221100		
Numbe	er, street, and room or suite no. If a P.O. box, s	ee the instructions.	Tax year of change begin	Tax year of change begins (MM/DD/YYYY) 01/01/2014		
1411	East Mission Avenue		···········	Tax year of change ends (MM/DD/YYYY) 12/31/2014		
City or	town, state, and ZIP code		Name of contact person	1 111 4	11201	
Spol	kane, WA 99202		Scott Mackay			
Name	of applicant(s) (if different than filer) and identif	ication number(s) (see instructions)		Contact person's teleph	one nur	nber
				1 (202) 327-6		
If the	applicant is a member of a consolid	ated group, check this box .			1	
If For	m 2848, Power of Attorney and Dec	claration of Representative, is at	ttached (see instructions fo	r when Form 2848 is		
requii	red), check this box					
	k the box to indicate the type of a			te box to indicate the t		
	dividual	Cooperative (Sec. 1381)		d change being reque	sted.	
	orporation	Partnership	(see instructions)			
	ontrolled foreign corporation sec. 957)	S corporation	Depreciation or An			
		Insurance co. (Sec. 816(a))		and/or Financial Activit	ies of	
	0/50 corporation (Sec. 904(d)(2)(E)) ualified personal service	Insurance co. (Sec. 831)	Financial Institution			AZVENINO
17 11-	orporation (Sec. 448(d)(2))	☐ Other (specify) ►		DISPOSITIONS OF T	ANGI	BLE
	kempt organization. Enter Code sect	ion >	DEPRECIABLE A	SSETS		
			4 1		55 25	
or to ti	on. To be eligible for approval of the reque the taxpayer's requested change in method of	isted change in method of accounting, of accounting. This includes all inform	, the taxpayer must provide all if	iformation that is relevant to	the tax	cpayer
well a	s any other information that is not spec	cifically requested.	auon requesteu on uns Form 3	i 15 (including its instructi	ions), a	15
The	taxpayer must attach all applicable	supplemental statements requ	ested throughout this form	1.		
Par	Information For Automatic	Change Request				
1	Enter the applicable designated auto	matic accounting method change	e number for the requested a	automatic change. Enter	Yes	No
	only one designated automatic acco	ounting method change number, e	except as provided for in qui	dance published by the	163	140
	IRS. If the requested change has no	designated automatic accounting	method change number, che	eck "Other," and provide		
	both a description of the change and	citation of the IRS guidance provi	iding the automatic change.	See instructions.		
	► (a) Change No 206	(b) Other ☐ Description ▶				
2	Do any of the scope limitations de	escribed in section 4.02 of Rev	/. Proc. 2008-52 cause au	tomatic consent to be		
	unavailable for the applicant's requ	lested change? If "Yes," attach	an explanation			1
	Complete Part II below and then Pa	art IV, and also Schedules A thro	ough E of this form (if appli	cable).		
Part					Yes	No
3	Did or will the applicant cease to	engage in the trade or busing	ness to which the request	ed change relates, or		
	terminate its existence, in the tax y	ear of change (see instructions))?			1
	If "Yes," the applicant is not eligible				== 1	
4a	and the applicant (of any process	or former consolidated group i	in which the applicant was	a member during the		
	applicable tax year(s)) have any Fe If "No," go to line 5.	deral income tax return(s) under	r examination (see instructi	ons)?		/
D	Is the method of accounting the ap	oplicant is requesting to change	an issue (with respect to	either the applicant or		
	any present or former consolidated either (i) under consideration or (ii)	group in which the applicant v				
	ouries (i) ander consideration of (ii)	Signature (see instruc		* * * * * * *		1
Under	penalties of perjury, I declare that I have exami	ined this application, including accompa-	nying cohodulos and statements	and to the best of an it.		
	fication contains all the relevant facts relating tion of which preparer has any knowledge.	to the application, and it is true, correct	t, and complete. Declaration of pre	eparer (other than applicant)	age and s based	d on all
monna	Filer		Prenarer (other	than filer/applicant)		
	0	-) Control	triari mer/applicant)		
1	In talken	ĸ	enal -			
	Signature and date		Signature of individual pre	paring the application and d	ate	
Dona	ld Falkner, Tax Director and Asst.	Treasurer Re	nae Davis	, spendadon dild d		
	Name and title (print or type		The state of the s	ng the application (print or ty	/pe)	
		ER	NST & YOUNG U.S. LLP	1		
				paring the application		
For Pri	vacy Act and Paperwork Reduction Act	ct Notice, see the instructions.	Cat. No. 19280E	Form 3115	Rev. 12	2-2009)

Part	Information For All	Requests (continue	ed)		Yes	No	
					100	110	
4c	applicant or any present of	r former consolidated	group in which the ap	n issue pending (with respect to either the plicant was a member during the applicable		1	
d	Is the request to change t	the method of account the filing of the reque	ing being filed under st (see instructions)?	the procedures requiring that the operating		1	
е	Is the request to change the If "Yes," check the box for	ne method of accountin	g being filed under the period and attach the	e 90-day or 120-day window period? e required statement (see instructions).		1	
f	If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination.						
	Name ►		elephone number 🕨	Tax year(s) ►			
g	Has a copy of this Form 31					1	
5a	Does the applicant (or any applicable tax year(s)) have If "Yes," enter the name of	e any Federal income ta	ax return(s) before App	ich the applicant was a member during the peals and/or a Federal court?		~	
	telephone number, and the		eals and/or a Federal	court.			
	Name ► N/A		elephone number 🕨	N/A Tax year(s) ► N/A			
b	on line 5a?	* * * * * * *			N	A	
С	a Federal court (for either t	the applicant or any pre	esent or former conso	ssue under consideration by Appeals and/or lidated group in which the applicant was a			
	If "Yes," attach an explana		ember) (see instruction	ns)?	N	A	
6	If the applicant answered attach a statement that pr	"Yes" to line 4a and/o ovides each parent co which the applicant wa	rporation's (a) name	any present or former consolidated group, e, (b) identification number, (c) address, nder examination, before an Appeals office,			
7	a partnership or an S corp consideration in an examir	oration, is it requesting nation, before Appeals,	g a change from a m or before a Federal of	uding a limited liability company) treated as ethod of accounting that is an issue under court, with respect to a Federal income tax	N	A	
	If "Yes," the applicant is n						
	receive audit protection for	the requested change	consent or automatic (see instructions)? .	consent) state that the applicant does not		1	
b	If "Yes," attach an explanat			N/A	TO A TO		
9a	Has the applicant, its pre procedure or a procedure (including the year of the re	requiring advance con	sent) a change in me	made (under either an automatic change thod of accounting within the past 5 years			
b	If "Yes," for each trade or	r business, attach a d	escription of each re	quested change in method of accounting			
	(including the tax year of change) and state whether the applicant received consent. SEE STATEMENT If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation. SEE STATEMENT						
	concurrently filed request) f	for a private letter ruling	g, change in method o	have pending any request (including any faccounting, or technical advice?	1		
	type of request (private letters), in the request(s).	er ruling, change in mei	thod of accounting, or	the taxpayer, identification number(s), the technical advice), and the specific issue(s) SEE STATEMENT			
	Is the applicant requesting If "Yes," check the approaccounting. Also, complete	priate boxes below to	o indicate the applic	?		_	
				_ N/A			
	Present method:	☐ Cash	☐ Accrual	☐ Hybrid (attach description)			
	Proposed method:	☐ Cash	☐ Accrual	☐ Hybrid (attach description)			

Par	t II Information For All Requests (continued)	Yes	No			
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following:					
a	The item(s) being changed. SEE STATEMENT					
c d	The applicant's present method for the item(s) being changed. SEE STATEMENT The applicant's proposed method for the item(s) being changed. SEE STATEMENT The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT					
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT Will the proposed method of accounting be used for the applicant's books and records and financial statements?					
	For insurance companies, see the instructions					
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?					
b 16	the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application.					
17						
	1st preceding 2nd preceding 3rd preceding year ended: mo. yr. year ended: mo. yr. year ended: mo. yr. yr.					
Dowl	\$ N/A \$ N/A \$ N/A					
Part 18	N/A	Yes	No			
10	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request?					
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.					
20	Attach a copy of all documents related to the proposed change (see instructions).					
21	Attach a statement of the applicant's reasons for the proposed change.					
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed?					
23a	If "No," attach an explanation.					
b	Enter the amount of user fee attached to this application (see instructions). \$ If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).					
Part	Continu 404(a) Adjustment	Yes	No			
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below.		<u>/</u>			
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. \$\Bigsline \frac{-63,007}{-63,007}\$ Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. SEE STATEMENT					

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Pai	t IV Section 481(a) Adjustment (continued)	_	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?	N	
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a	1/4	A
	consolidated group, a controlled group, or other related parties?		1
	If "Yes," attach an explanation. N/A		
Sch	edule A-Change in Overall Method of Accounting (If Schedule A applies, Part I below must be comple	ted.)	N/A
Pa	rt I Change in Overall Method (see instructions)		N/A
1	Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Als statement providing a breakdown of the amounts entered on lines 1a through 1g.	o, atta	ch a
		mount	
а	Income accrued but not received (such as accounts receivable)		
b	Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method		
С	Expenses accrued but not paid (such as accounts payable)		
d	Prepaid expenses previously deducted		
e	Supplies on hand previously deducted and/or not previously reported		_
f	Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II		
g	Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment.		
h			
	or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV,		
	line 25		
	V 70 V		
2	Is the applicant also requesting the recurring item exception under section 461(h)(3)?		No
	the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitt Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in I a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach explaining the differences.	ed wit	th the
Par	Change to the Cash Method For Advance Consent Request (see instructions)		
	cants requesting a change to the cash method must attach the following information:		N/A
1	A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and ma	en e	-0 TESTETTE
2	supplies used in carrying out the business. An explanation as to whether the applicant is required to use the accrual method under any section of the Code or n		
Sche	dule B—Change to the Deferral Method for Advance Payments (see instructions)	guiati	0113.
	due b change to the belefial Method for Advance Payments (see instructions)		N/A
1	If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of 2004-34, 2004-1 C.B. 991, attach the following information:	Rev.	Proc.
а	A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.		
b	If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required 8.02(3)(a)-(c) of Rev. Proc. 2004-34.	by se	ction
С	If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required 8.03(2)(a)-(f) of Rev. Proc. 2004-34.	by ser	ction
2	If the applicant is requesting to change to the deferral method for advance payments described in Regulatio 1.451-5(b)(1)(ii), attach the following.	ns sec	ction
а	A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).		
b	A statement explaining what portions of the advance payments, if any, are attributable to services, whether such sintegral to the provisions of goods or items, and whether any portions of the advance payments that are attrinon-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and the section of the total contract prices.	hutah	la to
С	A statement explaining that the advance payments will be included in income no later than when included in gross in purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).	eceipt	ts for
d	A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and substantial advance payments will be received under the contracts, and how the exception will limit the deferral of in	f so, \	when
	Form 3115		

Schedule C-Changes Within the LIFO Inventory Method (see instructions)

Part I General LIFO Information

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
- a Valuing inventory (e.g., unit method or dollar-value method).
- **b** Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
- c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
- d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
- a A description of the types of products produced by the applicant. If possible, attach a brochure.
- b A description of the types of processes and raw materials used to produce the products in each proposed pool.
- c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
- d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
- e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
- f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
- g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions)

Pa	Change in Reporting Income From Long-Term Contract	s (Also complet	e Part III on pac	es 7 and	8.) N/A
1	To the extent not already provided, attach a description of the applicant and expenses from long-term contracts. Also, attach a representative a change. If the applicant is a construction contractor, attach a detailed de	's present and pro actual contract (wit	posed methods f	or reportin	na income
2a b	Are the applicant's contracts long-term contracts as defined in section 4 lf "Yes," do all the contracts qualify for the exception under section 460(ctions)?	☐ Yes ☐ Yes	□ No	
	If line 2b is "No," attach an explanation.				
d	If line 2b is "Yes," is the applicant requesting to use the percentage-of-cost under Regulations section 1.460-4(b)?			☐ Yes	□No
u	d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)?				
	If line 2d is "Yes," attach an explanation of what cost comparison the contract's completion factor.	applicant will use	to determine a	☐ Yes	∐ No
	If line 2d is "No," attach an explanation of what method the applicant is	using and the author	ority for its use.		
3a	Does the applicant have long-term manufacturing contracts as defined in	section 460(f)(2)?		☐ Yes	☐ No
b	If "Yes," attach an explanation of the applicant's present and proposed term manufacturing contracts.				
C	Attach a description of the applicant's manufacturing activities, including	any required installa	ation of manufact	ured good	s.
4 a	To determine a contract's completion factor using the percentage-of-con	mpletion method:			-
b	Will the applicant use the cost-to-cost method in Regulations section 1.4 If line 4a is "No," is the applicant electing the simplified cost-to-cost method in Regulations section 1.4	16U-4(b)?		☐ Yes	☐ No
	Regulations section 1.460-5(c))?		F F N N G	☐ Yes	□ No
5	Attach a statement indicating whether any of the applicant's contract contracts or Federal long-term contracts.	s are either cost-	plus long-term		
Par	Change in Valuing Inventories Including Cost Allocation Ch	anges (Also com	olete Part III on r	ages 7 ar	nd 8 \ NI / 7
1	Attach a description of the inventory goods being changed.				10 0./11/ 2.
2 3a	Attach a description of the inventory goods (if any) NOT being changed. Is the applicant subject to section 263A? If "No," go to line 4a			☐ Yes	□No
b	Is the applicant's present inventory valuation method in compliance with If "No," attach a detailed explanation	section 263A (see	e instructions)?	□ Yes	□No
4a	Check the appropriate boxes below.		eing Changed	Invent	ory Not Changed
	Identification methods:	Present method	Proposed method	Present	method
	Specific identification				
	FIFO				
	LIFO				
	Other (attach explanation)				
	Coot				
	Cost or market, whichever is lower				
	Retail cost				
	Retail, lower of cost or market				
	Other (attach explanation)				
b	Enter the value at the end of the tax year preceding the year of change				
5	If the applicant is changing from the LIFO inventory method to a nor instructions).	-LIFO method, at	tach the followin	g informa	tion (see
а	Copies of Form(s) 970 filed to adopt or expand the use of the method.				
b	Only for applicants requesting advance consent. A statement descrive required by Regulations section 1.472-6(a) or (b), or whether the applicant Only for applicants requesting an automatic change. The statement Proc. 2008-52 (or its successor).	t is proposing a dif	forent method		

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)).

Section A-Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B-Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

Direct material Direct labor Indirect labor Officers' compensation (not including selling activities) Pension and other related costs Employee benefits Indirect materials and supplies Purchasing costs Handling, processing, assembly, and repackaging costs Handling, processing, assembly, and repackaging costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest Other costs (Attach a list of these costs.)			Present method	Proposed method
Indirect labor Officers' compensation (not including selling activities) Pension and other related costs Employee benefits Indirect materials and supplies Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	1	Direct material		
Indirect labor Officers' compensation (not including selling activities) Pension and other related costs Employee benefits Indirect materials and supplies Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	2	Direct labor		
Officers' compensation (not including selling activities) Pension and other related costs Employee benefits Indirect materials and supplies Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	3	Indirect labor		
Pension and other related costs Employee benefits Indirect materials and supplies Purchasing costs Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest Interest Interest	4	Officers' compensation (not including selling activities)		
Employee benefits Indirect materials and supplies Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest	5	Pension and other related costs		
Indirect materials and supplies Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	6	Employee benefits		
Purchasing costs Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes. Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts. Interest	7	Indirect materials and supplies		
Handling, processing, assembly, and repackaging costs Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	8			
Offsite storage and warehousing costs Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts.	9	Handling, processing, assembly, and repackaging costs		
Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	10	Offsite storage and warehousing costs		
placed in service and not temporarily idle Depletion Rent Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	11	Depreciation, amortization, and cost recovery allowance for equipment and facilities		
Depletion		placed in service and not temporarily idle		
Taxes other than state, local, and foreign income taxes. Insurance. Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment. Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs. Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts.	12	Depletion		
Taxes other than state, local, and foreign income taxes Insurance Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest	13	Rent		
Insurance	14			
Utilities Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest	15			
Maintenance and repairs that relate to a production, resale, or long-term contract activity Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest Interest	16			
Engineering and design costs (not including section 174 research and experimental expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts	17			
expenses) Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest	18			
Rework labor, scrap, and spoilage Tools and equipment Quality control and inspection Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest Interest		expenses)		
Tools and equipment	19	Rework labor, scrap, and spoilage		
Quality control and inspection	20	Tools and equipment		
Bidding expenses incurred in the solicitation of contracts awarded to the applicant Licensing and franchise costs Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest Interest	21	Quality control and inspection		
Licensing and franchise costs	22	Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
Capitalizable service costs (including mixed service costs) Administrative costs (not including any costs of selling or any return on capital) Research and experimental expenses attributable to long-term contracts Interest Interest	23	Licensing and franchise costs		
Administrative costs (not including any costs of selling or any return on capital)	24	Capitalizable service costs (including mixed service costs)		
Research and experimental expenses attributable to long-term contracts	25	Administrative costs (not including any costs of colling or any return on conital)		
27 Interest	26	Research and experimental expenses attributable to long-term contracts		
28 Other costs (Attach a list of these costs.)	27	Interest		
	28	Other costs (Attach a list of these costs.)		

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Part III Method of Cost Allocation (see instructions) (continued)

Section C-Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its

		Present method	Proposed method
1	Marketing, selling, advertising, and distribution expenses		
2	Research and experimental expenses not included in Section B, line 26		
3	Bidding expenses not included in Section B, line 22		
4	General and administrative costs not included in Section B		
5	Income taxes		
6	Cost of strikes		
7	Warranty and product liability costs		
8	Section 179 costs		
9	On-site storage		
10	Depreciation, amortization, and cost recovery allowance not included in Section B, line 11		
11	Other costs (Attach a list of these costs.)		

Schedule E-Change in Depreciation or Amortization (see instructions)

method for these costs.)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants *must* provide this information for each item or class of property for which a change is requested.

Note. See the List of Automatic Accounting Method Changes in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections and election revocations (see instructions).

1	Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)?	☐ Yes	☑ No
2	Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)?	✓ Yes	□ No
3	Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)?	☐ Yes	☑ No
4a		the descr	ription th

- To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity. SEE STATEMENTS
- To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.), SEE STATEMENTS
- If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property, N/A
- 7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods: SEE STATEMENTS
- a The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
- b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
- c The facts to support the asset class for the proposed method.
- d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
- e The useful life, recovery period, or amortization period of the property.
- f The applicable convention of the property.
- g A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code
Avista Corporation	91-0462470	221100

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number:	Donald Falkner	(509) 495-4326
Authorized Representatives'		
Fax Numbers:		
	Scott Mackay	(844) 511-2786
	Renae Davis	(866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Entity making request	Description of change	Consent	Tax
		Obtained	Year

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009
Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2013-24 to determine whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under § 263(a)	Automatic pursuant to Rev. Proc. 2015-14, section 3.20	2014
Avista Corporation (EIN: 91-0462470)	Change its method of accounting from capitalizing under § 263(a) certain costs paid or incurred for gas transmission and distribution property to deducting these amounts as repair and maintenance costs under § 162 and Treas. Reg. § 1.162-4	Automatic pursuant to Rev. Proc. 2011-14, Appendix § 10.11(3)(a) (v), as added and modified by Rev. Proc. 2014-16	2014

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2011-43 to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263.	Automatic pursuant to Rev. Proc. 2015-14, section 3.09	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric generation assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Avista Corporation (EIN: 91-0462470)	Change to late partial disposition elections for generation, electric transmission and distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	Automatic pursuant to Rev. Proc. 2015-14, section 6.33	2014
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Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is filing change #206 for certain non-building assets (i.e., assets other that buildings, condominium units, cooperative units, or improvements thereto, as provided in Appendix Section 6.39(1)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54) in its Gas Transmission and Distribution Division (i.e., intermediate and low pressure mains, regulators, valves, etc), to change from determining the asset for disposition purposes in accordance with its FERC retirement unit definition to determining the asset in accordance with Treas. Reg. Section 1.168(i)-8(c)(4). Specifically, the Taxpayer is reversing certain partial disposition losses that it recognized in taxable years prior to the year of change as a result of determining the asset for disposition purposes in accordance with FERC, for example, each power operated valve that is 6" or larger. Rather than preserving such losses through the filing of a late partial disposition election under Appendix Section 6.33 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, the Taxpayer has chosen to simply make the change under Appendix Section 6.39(4)(a) to define the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4) (i.e., the Taxpayer will not recognize the partial disposition losses and will instead continue to depreciate the portion of the asset that was disposed of).

The table below contains descriptions of the non-building assets and the related partial dispositions that are within the scope of this method change. The first column contains a description of the underlying non-building asset (i.e., asset as determined under Treas. Reg. Section 1.168(i)-8(c)(4)). The second column contains a description of the portion of the non-building asset that the Taxpayer disposed of and determined to be the asset for disposition purposes under its present method of accounting. Each of the underlying non-building assets subject to this change (as described in the table below) meets the following criteria -

The assets are owned by the Taxpayer as of the beginning of the year of change.

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

- The Taxpayer depreciates the assets under Section 168 under its present and proposed method.
- The assets are not accounted for in a general asset account.
- The assets are either section 1245 property or depreciable land improvements and are not buildings, condominium units, cooperative units, or improvements thereto.

Further, this change does not include any partial dispositions of non-building assets that were disposed of in an event described in Treas. Reg. Section 1.168(i)-8(d)(1) (i.e., an event, such as a sale, that requires the Taxpayer to recognize the partial disposition for tax purposes).

Assets/Dispositions within the Scope of This Change

Description of underlying asset of which the disposed portion was a part	Description of the portion of the asset that was disposed of	Placed in Service Year	Tax Year in which the partial disposition occurred	Use in Taxpayer's Trade or Business
Mains and piping, by geographic area, by vintage	Certain linear feet of main piping less than 10% of the average of the linear feet of mains per geographic area	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Service piping, by geographic area, by vintage	Certain linear feet of service piping less than 10% of the average of the linear feet of mains per geographic area	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement

b) The applicant's present method for the item being changed:

Under the Taxpayer's present method of accounting for the non-building assets and dispositions, the Taxpayer determines the asset for disposition purposes as something

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

smaller than permitted under Treas. Reg. Section 1.168(i)-8(c)(4). See the second column in the table in 12(a) for a description of such determinations.

As a result of determining the asset for disposition purposes in accordance with its FERC reporting, the Taxpayer, under its present method of accounting, recognized disposition losses upon the disposition of a portion of an entire asset rather than upon the disposition of the entire asset (as determined under Treas. Reg. Section 1.168(i)-8(c)(4)). For example, under the present method, each power operated valve that is 6" or larger would be the asset disposed.

c) The applicant's proposed method for the item being changed:

Under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), the Taxpayer will determine the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4).

The Taxpayer will follow Treas. Reg. Section 1.168(i)-8(c)(4)(i) and consider the facts and circumstances of each disposition in determining the asset disposed of and will not treat items placed in service on different dates as the asset for disposition purposes. Lastly, with respect to improvements to an asset, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

As this change relates to improvements to gas transmission and distribution property, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

Accordingly, under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), it will not recognize disposition losses upon the disposition of a portion of an asset and will instead continue to deprecate the portion of the asset disposed of (utilizing the same depreciation methods, conventions, and recovery periods as the underlying non-building asset of which it was a part). Further, the Taxpayer will wait until the taxable year in which the entire non-building asset (as determined in Treas. Reg. Section 1.168(i)-8(c)(4)) is disposed of to recognize any disposition gains or losses.

Public Utility Property Statement - Appendix Section 6.39(5)(a)(v) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Certain property described in 12(a) above is public utility property within the meaning of Section 168(i)(10). The Taxpayer agrees to the following terms and conditions with respect to such public utility property:

- A normalization method of accounting (within the meaning of Section 168(i)(9))
 will be used to account for such property.
- Within 30 calendar days of filing the federal income tax return for the year of change, the Taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over such property.
- As of the beginning of the year of change, the Taxpayer will adjust its deferred tax
 reserve account or similar account in the Taxpayer's regulatory books of account
 by the amount of the deferral of federal income tax liability associated with the
 Section 481(a) adjustment applicable to such property.
- d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54 (for example, the Taxpayer changed to a method of accounting that varies from the applicable accounting method described in Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, or the Taxpayer is outside the scope of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54), the privilege of a conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Scott Mackay Ernst & Young LLP 1101 New York Avenue, N.W. Washington, DC 20005

Or

Renae Davis Ernst & Young LLP 1120 NW Couch Street Portland, OR 97209

Page 3, Part IV, Line 25

Partial disposition loss recognized under present method	\$	398
Depreciation taken since the partial disposition event under proposed method	9	63,404
Difference – Negative § 481(a) adjustment:	\$(6	3,007)

The Section 481(a) adjustment has been calculated as the difference between the partial disposition losses recognized for the taxable years prior to the year of change under the Taxpayer's present method of accounting (i.e., the losses recognized as a result of determining the asset for disposition purposes in accordance with its FERC asset reporting and the depreciation that would have been deducted since the partial disposition events in the

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

taxable years prior to the year of change under the Taxpayer's proposed method of accounting (i.e., the depreciation that would have been deducted had the Taxpayer determined the asset for disposition purposes in accord with Treas. Reg. Section 1.168(i)-1(c)(4)) assuring that there are no omissions or duplications of income or expense, resulting in a negative Section 481(a) adjustment.

The Taxpayer currently includes depreciation and in its Section 263A UNICAP calculation. The Section 481(a) adjustment above considers the effect of Section 263A.

Page 8, Schedule E, Line 4a and Line 5

Please refer to the response in line 12 and the table in the Schedule E, lines 7a - g.

Page 8, Schedule E, Line 7a - 7g

The table below provides details regarding the portions of the non-building assets that were treated as the asset for disposition purposes under the Taxpayer's present method of accounting. Under the Taxpayer's proposed method of accounting, such portions will be depreciated consistent with the depreciation methods, conventions, and recovery periods that the Taxpayer has historically used to depreciate the underlying non-building assets of which the disposed portions were a part. Refer to line 12 for additional details (e.g., placed in service dates, etc.)

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Mains piping under asset class 46.0.
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that gas utility distribution systems should be classified under asset class 49.24. As the property subject to this method change is a gas utility distribution system, or part of a gas utility distribution system, the Taxpayer will classify it under asset class 46,0.
(d)	Depreciation Method	N/A	150DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

		Present Method	Proposed Method
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Service piping under asset class 46.0.
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that gas utility distribution systems should be classified under asset class 49.24. As the property subject to this method change is a gas utility distribution system, or part of a gas utility distribution system, the Taxpayer will classify it under asset class 46.0.
(d)	Depreciation Method	N/A	150DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

Item 7(g) – To the extent the aforementioned property was eligible and the additional first-year depreciation allowed was not elected out of, then additional first-year bonus depreciation will be claimed on the property.