e-FILING REPORT COVER SHEET

COMPANY NAME: Avista Corporation

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? ☒ No ☐ Yes If yes, submit a redacted public version (or a cover letter) by email. Submit the confidential information as directed in OAR 860-001-0070 or the terms of an applicable protective order.

Select report type: ☐ RE (Electric) ☒ RG (Gas) ☐ RW (Water) ☐ RT (Telecommunications)
☐ RO (Other, for example, industry safety information)

Did you previously file a similar report? ☒ No ☐ Yes, report docket number:

Report is required by: ☐ OAR
☒ Statute ORS 757
☐ Order
Note: A one-time submission required by an order is a compliance filing and not a report (file compliance in the applicable docket)
☐ Other
(For example, federal regulations, or requested by Staff)

Is this report associated with a specific docket/case? ☒ No ☐ Yes, docket number:

List Key Words for this report. We use these to improve search results.

Annual Reports for the year ending December 31, 2016 for Avista Corporation; Form 2; Oregon Supplement to Form 2

Send the completed Cover Sheet and the Report in an email addressed to PUC.FilingCenter@state.or.us

Send confidential information, voluminous reports, or energy utility Results of Operations Reports to PUC Filing Center, PO Box 1088, Salem, OR 97308-1088 or by delivery service to 201 High Street SE Suite 100, Salem, OR 97301.

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THIS FILING IS		
Item 1: ☒ An Initial (Original) Submission	OR ☐	Resubmission No. ____

Form 2 Approved
OMB No.1902-0028
(Expires 09/30/2017)

Form 3-Q Approved
OMB No.1902-0205
(Expires 11/30/2016)

FERC FINANCIAL REPORT
FERC FORM No. 2: Annual Report of Major Natural Gas Companies and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Natural Gas Act, Sections 10(a), and 16 and 18 CFR Parts 260.1 and 260.300. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year/Period of Report
Avista Corporation	End of 2016/Q4

QUARTERLY/ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES

IDENTIFICATION

01 Exact Legal Name of Respondent Avista Corporation	Year/Period of Report End of 2016/Q4
03 Previous Name and Date of Change (If name changed during year)	
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 1411 East Mission Avenue, Spokane, WA 99207	
05 Name of Contact Person Ryan L. Krasselt	06 Title of Contact Person VP, Controller, Prin. Acctg Officer
07 Address of Contact Person (Street, City, State, Zip Code) 1411 East Mission Avenue, Spokane, WA 99207	
08 Telephone of Contact Person, Including Area Code 509-495-2273	This Report Is: (1) [X] An Original (2) [ ] A Resubmission 10 Date of Report *(Mo, Da, Yr)* 03/31/2017

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

11 Name Ryan L. Krasselt	12 Title VP, Controller, Prin. Acctg Officer
13 Signature Ryan L. Krasselt Ryan L Krasselt	14 Date Signed 03/31/2017

Title 18, U.S.C. 1001, makes it a crime for any person knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

List of Schedules (Natural Gas Company)

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Line No.	Title of Schedule (a)	Reference Page No. (b)	Date Revised (c)	Remarks (d)
	GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS			
1	General Information	101		
2	Control Over Respondent	102		N/A
3	Corporations Controlled by Respondent	103		
4	Security Holders and Voting Powers	107		
5	Important Changes During the Year	108		
6	Comparative Balance Sheet	110-113		
7	Statement of Income for the Year	114-116		
8	Statement of Accumulated Comprehensive Income and Hedging Activities	117		
9	Statement of Retained Earnings for the Year	118-119		
10	Statements of Cash Flows	120-121		
11	Notes to Financial Statements	122		
	BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits)			
12	Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion	200-201		
13	Gas Plant in Service	204-209		
14	Gas Property and Capacity Leased from Others	212		N/A
15	Gas Property and Capacity Leased to Others	213		N/A
16	Gas Plant Held for Future Use	214		
17	Construction Work in Progress-Gas	216		
18	Non-Traditional Rate Treatment Afforded New Projects	217		N/A
19	General Description of Construction Overhead Procedure	218		
20	Accumulated Provision for Depreciation of Gas Utility Plant	219		
21	Gas Stored	220		
22	Investments	222-223		
23	Investments in Subsidiary Companies	224-225		
24	Prepayments	230		
25	Extraordinary Property Losses	230		N/A
26	Unrecovered Plant and Regulatory Study Costs	230		N/A
27	Other Regulatory Assets	232		
28	Miscellaneous Deferred Debits	233		
29	Accumulated Deferred Income Taxes	234-235		
	BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits)			
30	Capital Stock	250-251		
31	Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock	252		N/A
32	Other Paid-in Capital	253		
33	Discount on Capital Stock	254		N/A
34	Capital Stock Expense	254		
35	Securities issued or Assumed and Securities Refunded or Retired During the Year	255		
36	Long-Term Debt	256-257		
37	Unamortized Debt Expense, Premium, and Discount on Long-Term Debt	258-259		

List of Schedules (Natural Gas Company) (continued)

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Line No.	Title of Schedule (a)	Reference Page No. (b)	Date Revised (c)	Remarks (d)
38	Unamortized Loss and Gain on Reacquired Debt	260		
39	Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	261		
40	Taxes Accrued, Prepaid, and Charged During Year	262-263		
41	Miscellaneous Current and Accrued Liabilities	268		
42	Other Deferred Credits	269		
43	Accumulated Deferred Income Taxes-Other Property	274-275		
44	Accumulated Deferred Income Taxes-Other	276-277		
45	Other Regulatory Liabilities	278		
	INCOME ACCOUNT SUPPORTING SCHEDULES			
46	Monthly Quantity & Revenue Data by Rate Schedule	299		N/A
47	Gas Operating Revenues	300-301		
48	Revenues from Transportation of Gas of Others Through Gathering Facilities	302-303		N/A
49	Revenues from Transportation of Gas of Others Through Transmission Facilities	304-305		N/A
50	Revenues from Storage Gas of Others	306-307		N/A
51	Other Gas Revenues	308		
52	Discounted Rate Services and Negotiated Rate Services	313		N/A
53	Gas Operation and Maintenance Expenses	317-325		
54	Exchange and Imbalance Transactions	328		N/A
55	Gas Used in Utility Operations	331		
56	Transmission and Compression of Gas by Others	332		N/A
57	Other Gas Supply Expenses	334		
58	Miscellaneous General Expenses-Gas	335		
59	Depreciation, Depletion, and Amortization of Gas Plant	336-338		
60	Particulars Concerning Certain Income Deduction and Interest Charges Accounts	340		
	COMMON SECTION			
61	Regulatory Commission Expenses	350-351		
62	Employee Pensions and Benefits (Account 926)	352		
63	Distribution of Salaries and Wages	354-355		
64	Charges for Outside Professional and Other Consultative Services	357		
65	Transactions with Associated (Affiliated) Companies	358		
	GAS PLANT STATISTICAL DATA			
66	Compressor Stations	508-509		N/A
67	Gas Storage Projects	512-513		
68	Transmission Lines	514		N/A
69	Transmission System Peak Deliveries	518		N/A
70	Auxiliary Peaking Facilities	519		
71	Gas Account-Natural Gas	520		
72	Shipper Supplied Gas for the Current Quarter	521		N/A
73	System Map	522		N/A
74	Footnote Reference	551		
75	Footnote Text	552		
76	Stockholder's Reports (check appropriate box)			
	[X] Four copies will be submitted [ ] No annual report to stockholders is prepared			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

General Information

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Ryan Krasselt, Vice President and Controller, Principal Accounting Officer
1411 E Mission Avenue
Spokane, WA 99207

2. Provide the name of the State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

State of Washington, Incorporated March 15, 1889

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not Applicable

4. State the classes of utility and other services furnished by respondent during the year in each State in which the respondent operated.

Electric service in the states of Washington, Idaho and Montana
Natural gas service in the states of Washington, Idaho and Oregon

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes... Enter the date when such independent accountant was initially engaged:
(2) [X] No

Corporations Controlled by Respondent

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.
4. In column (b) designate type of control of the respondent as "D" for direct, an "I" for indirect, or a "J" for joint control.

DEFINITIONS

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1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary that exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Type of Control (b)	Kind of Business (c)	Percent Voting Stock Owned (d)	Footnote Reference (e)
1	Avista Capital	D	Parent to the Company's	100	Not used
2			subsidiaries		
3	Avista Development	I	Maintains investment portfolio incl Real Estate.	100	Not used
4	Avista Energy	I	Inactive	100	Not used
5	Pentzer Corporation	I	Parent of Bay Area Mfg and Penture Venture Hldngs	100	Not used
6	Bay Area Manufacturing	I	Holding co of AM&D dba MetalFX	100	Not used
7	Advanced Manufacturing & Development	I	Custom mfg of electronic enclosures	83	Not used
8	dba MetalFX				Not used
9					
10	Avista Capital II	D	Affiliated business trust issue pref trust sec	100	Not used
11	Avista Northwest Resources, LLC	I	Owns an interest in a venture fund investment	100	Not used
12	Steam Plant Square, LLC	I	Commercial office and Retail leasing	85	Not used
13	Courtyard Office Center, LLC	I	Commercial office and retail leasing	100	Not used
14	Steam Plant Brew Pub, LLC	I	Restaurant Operations	85	Not used
15					
16	Alaska Energy and Resources Company	D	Parent company of Alaska operations	100	Not used
17	Alaska Electric Light and Power Company	I	Utiltiy operations based in the city and borough	100	Not used
18			Of Juneau, AK		
19	AJT Mining Properties, Inc	I	Inactive mining company holding certain properties	100	Not used
20	Snettisham Electric Company	I	Holds certain rights to purchase the Snettisham	100	Not used
21			Hydroelectric project in the city & borough of		
22			Juneau, AK		
23	Salix, Inc	I	Liquefied Natural Gas Operations. See Footnote	100	Not used
24					
25					
26					
27					
28					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Security Holders and Voting Powers

1. Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes that each could cast on that date if a meeting were held. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the company did not close the stock book or did not compile a list of stockholders within one year prior to the end of the year, or if since it compiled the previous list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.
2. If any security other than stock carries voting rights, explain in a supplemental statement how such security became vested with voting rights and give other important details concerning the voting rights of such security. State whether voting rights are actual or contingent; if contingent, describe the contingency.
3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.
4. Furnish details concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets any officer, director, associated company, or any of the 10 largest security holders is entitled to purchase. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants, or rights were

1. Give date of the latest closing of the stock book prior to end of year, and, in a footnote, state the purpose of such closing:	2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy.	3. Give the date and place of such meeting:
11/18/2016	Total: 56709126 By Proxy: 56709126	5/12/2016 Spokane, Washington

Line No.	Name (Title) and Address of Security Holder (a)	VOTING SECURITIES 4. Number of votes as of (date): 11/18/2016 Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
5	TOTAL votes of all voting securities	62,726,621	62,726,621		
6	TOTAL number of security holders	8,440	8,440		
7	TOTAL votes of security holders listed below	675,124	675,124		
8	Computershare Trust Company NA as escrow agent for:				
9	William A Corbus, Juneau, AK	300,000	300,000		
10	Malcolm A Menzies, Juneau, AK	113,301	113,301		
11	Mark T Thies, Spokane, WA	54,678	54,678		
12	Gary Ely, LIberty Lake, WA	40,000	40,000		
13	Niels F Larsen & Wilhelmine J Larsen Jt Ten, Juneau, AK	39,312	39,312		
14	Jane N MacKinnon, Juneau, AK	37,347	37,347		
15	Roger D Woodworth, Colbert, WA	22,985	22,985		
16	T R Quinlan/A M Quinlan Trustees of Quinlan Trust	22,643	22,643		
17	John F Kelly	22,576	22,576		
18	T McLeod & G McLeod Ttees Tim & Geri McLeod Lv Tr, Juneau, AK	22,282	22,282		
19					
20					

Schedule Page: 107 Line No.: 1 Column: 1

To pay the 12/15/2016 dividend.

Important Changes During the Quarter/Year

Give details concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Answer each inquiry. Enter "none" or "not applicable" where applicable. If the answer is given elsewhere in the report, refer to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration and state from whom the franchise rights were acquired. If the franchise rights were acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Briefly describe the property, and the related transactions, and cite Commission authorization, if any was required. Give date journal entries called for by Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other conditions. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and cite Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service.

Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.

6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Cite Commission authorization if any was required.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. Estimated increase or decrease in annual revenues caused by important rate changes: State effective date and approximate amount of increase or decrease for each revenue classification. State the number of customers affected.
12. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
13. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

1. None
2. None
3. None
4. None
5. None
6. Avista Corp. has a committed line of credit with various financial institutions in the total amount of $400.0 million. A two-year option was exercised by the Company in May 2016 to extend the maturity of the facility agreement to April 2021.

Balances outstanding (including letters of credit) under the Company's revolving committed lines of credit were as follows as of December 31, 2016 and December 31, 2015 (dollars in thousands):

	December 31, 2016	December 31, 2015
Balance outstanding at end of period	$120,000	$105,000
Letters of credit outstanding at end of period	$34,353	$44,595

In August 2016, Avista Corp. entered into a term loan agreement with a commercial bank in the amount of $70.0 million with a maturity date of December 30, 2016. Loans under this agreement were unsecured and had a variable annual interest rate. The Company borrowed the entire $70.0 million available under this agreement, which was used to repay a portion of the $90.0 million in first mortgage bonds that matured in August 2016. This term loan was subsequently repaid in full in December using the proceeds from the first mortgage bonds issued in December 2016 (discussed below).

In December 2016, Avista Corp. issued and sold $175.0 million of 3.54 percent first mortgage bonds due in 2051 pursuant to a bond purchase agreement with institutional investors in the private placement market. The total net proceeds from the sale of the bonds were used to repay the $70.0 million term loan discussed above and to repay a portion of the borrowings outstanding under the Company's $400.0 million committed line of credit. In connection with the execution of the bond purchase agreement, the Company cash-settled seven interest rate swap derivatives (notional aggregate amount of $125.0 million) and paid a total of $54.0 million. The debt issuance was approved by regulatory commissions as follows: UTC (Docket No. UE-151822 Order 01) IPUC (Case No. AVU-U-15-01 Order No. 33401) and the OPUC (Docket UF 4294 Order No. 15-305).

7. None
8. Average annual wage increases were 2.5% for non-exempt employees effective February 22, 2016. Average annual wage increases were 3.0% for exempt employees effective February 22, 2016. Officers received average increases of 5.7% effective February 22, 2016. Certain bargaining unit employees received increases of 3.0% effective March 26, 2016.
9. Reference is made to Note 16 of the Notes to Financial Statements.
10. None
11.

Washington General Rate Cases

2015 General Rate Cases

In January 2016, we received an order (Order 05) that concluded our electric and natural gas general rate cases that were originally filed with the UTC in February 2015. New electric and natural gas rates were effective on January 11, 2016.

The UTC-approved rates are designed to provide a 1.6 percent, or $8.1 million decrease in electric base revenue, and a 7.4 percent, or $10.8 million increase in natural gas base revenue. The UTC also approved an rate of return on rate base (ROR) of 7.29 percent, with a common equity ratio of 48.5 percent and a 9.5 percent return on equity (ROE).

UTC Order Denying Industrial Customers of Northwest Utilities / Public Counsel Joint Motion for Clarification, UTC Staff Motion to Reconsider and UTC Staff Motion to Reopen Record

On January 19, 2016, the Industrial Customers of Northwest Utilities (ICNU) and the Public Counsel

Unit of the Washington State Office of the Attorney General (PC) filed a Joint Motion for Clarification with the UTC. In the Motion for Clarification, ICNU and PC requested that the UTC clarify the calculation of the electric attrition adjustment and the end-result revenue decrease of $8.1 million. ICNU and PC provided their own calculations in their Motion, and suggested that the revenue decrease should have been $19.8 million based on their reading of the UTC's Order.

On January 19, 2016, the UTC Staff, which is a separate party in the general rate case proceedings from the UTC Advisory Staff, filed a Motion to Reconsider with the UTC. In its Motion to Reconsider, the Staff provided calculations and explanations that suggested that the electric revenue decrease should have been a revenue decrease of $27.4 million instead of $8.1 million, based on its reading of the UTC's Order. Further, on February 4, 2016, the UTC Staff filed a Motion to Reopen Record for the Limited Purpose of Receiving into Evidence Instruction on Use and Application of Staff's Attrition Model, and sought to supplement the record "to incorporate all aspects of the Company' Power Cost Update." Within this Motion, UTC Staff updated its suggested electric revenue decrease to $19.6 million.

None of the parties in their Motions raised issues with the UTC's decision on the natural gas revenue increase of $10.8 million.

On February 19, 2016, the UTC issued an order (Order 06) denying the Motions summarized above and affirmed Order 05 including an $8.1 million decrease in electric base revenue.

PC Petition for Judicial Review

On March 18, 2016, PC filed in Thurston County Superior Court a Petition for Judicial Review of the UTC's Order 05 and Order 06 described above that concluded our 2015 electric and natural gas general rate cases. In its Petition for Judicial Review, PC seeks judicial review of five aspects of Order 05 and Order 06, alleging, among other things, that (1) the UTC exceeded its statutory authority by setting rates for our natural gas and electric services based on amounts for utility plant and facilities that are not "used and useful" in providing utility service to customers; (2) the UTC acted arbitrarily and capriciously in granting an attrition adjustment for our electric operations after finding that the we did not meet the newly articulated standard regarding attrition adjustments; (3) the UTC erred in applying the "end results test" to set rates for our electric operations that are not supported by the record; (4) the UTC did not correct its calculation of our electric rates after significant errors were brought to its attention; and (5) the UTC's calculation of our electric rates lacks substantial evidence.

PC is requesting that the Court (1) vacate or set aside portions of the UTC’s orders; (2) identify the errors contained in the UTC’s orders; (3) find that the rates approved in Order 05 and reaffirmed in Order 06 are unlawful and not fair, just and reasonable; (4) remand the matter to the UTC for further proceedings consistent with these rulings, including a determination of our revenue requirement for electric and natural gas services; and (5) find the customers are entitled to a refund.

On April 18, 2016, PC filed an application with the Thurston County Superior Court to certify this matter for review directly by the Court of Appeals, an intermediate appellate court in the State of Washington. After briefing and argument, the matter was certified on April 29, 2016 and accepted by the Court of Appeals on July 29, 2016. The parties are providing briefs to the Court, after which the Court will set the matter for argument. A decision from the Court is not expected until late 2017, at the earliest.

The new rates established by Order 05 will continue in effect while the Petition for Judicial Review is being considered. We believe the UTC's Order 05 and Order 06 finalizing the electric and natural gas general rate cases provide a reasonable end result for all parties. If the outcome of the judicial review were to result in an electric rate reduction greater than the decrease ordered by the UTC, it may not provide us with a reasonable opportunity to earn the rate of return authorized by the UTC.

2016 General Rate Cases

On December 15, 2016, the UTC issued an order related to our Washington electric and natural gas general rate cases that were originally filed with the UTC in February 2016. The UTC order denied the Company's proposed electric and natural gas rate increase requests of $38.6 million and $4.4 million, respectively. Accordingly, our current electric and natural gas retail rates will remain unchanged in Washington State.

Our original requests were based on a proposed ROR of 7.64 percent with a common equity ratio of 48.5 percent and a 9.9 percent ROE.

On December 23, 2016 we filed a Petition for Reconsideration or, in the alternative, Rehearing (Petition) with the UTC related to our 2016 general rate cases.

The UTC's Order and Avista Corp.'s Response

The primary reason given by the UTC in reaching its conclusion is that, in our request, we did not follow an "appropriate methodology" to show the existence of attrition, as between historical data and current and projected data. Further, the order states that, among other things, we did not demonstrate, as a necessary condition to being allowed an attrition adjustment, that we have suffered from chronic under-earning caused by circumstances beyond our ability to control. We disagree with the UTC as to various questions of fact and law.

In support of its decision, the UTC stated that we did not demonstrate that our current revenue is insufficient for covering costs and providing the opportunity to earn a reasonable return during the 2017 rate period. The UTC also stated that we did not demonstrate that our capital expenditures and increased operating costs are both necessary and immediate.

Our Petition responding to the UTC's order points to evidence in the case that demonstrates, contrary to the UTC's findings, the following:

- Current retail rates are not sufficient for the 2017 rate period, and therefore a revenue increase is necessary. In previously filed testimony, UTC Staff agreed that current rates were not sufficient.
- The costs associated with the growth in rate base and operating expenses are growing at a faster pace than revenue from retail sales, and therefore a revenue adjustment is necessary to close this gap. The revenue adjustment to close this gap is sometimes called an attrition adjustment. In previously filed testimony, UTC Staff agreed that a revenue adjustment is necessary to close this gap.
- All of the capital projects and operating expenses we included in the case are necessary in the time frame proposed in order for us to continue to provide safe, reliable service to customers. No party in the case identified a single capital project that should not be completed in the time frame we proposed (other than Public Counsel's general opposition to Advanced Metering Infrastructure).
- We presented all of the studies and analyses in this case, consistent with our previous filings with the UTC, and the UTC Staff acknowledged in previously filed testimony, that we provided such studies.
- We earned close to our allowed return on equity during each of the years 2013 through 2015, and into 2016. This opportunity was possible only with the revenue increases related to attrition adjustments, and an attrition adjustment is also necessary for 2017.

In previously filed testimony, the UTC Staff supported electric and natural gas revenue increases totaling $28.4 million. Commissioner Jones dissented and did not support the decision. In his dissent, Commissioner Jones supported an electric revenue increase of $26.0 million, and a natural gas increase of $2.4 million, based on UTC Staff's analysis.

On February 27, 2017, we received an order from the UTC denying our Petition and the UTC confirmed its previous order in the case. In its order denying the Petition, the UTC generally referred back to its prior findings and conclusions. Consistent with the original order, Commissioner Jones dissented and did not support the decision in the latest order.

We evaluated all options for appeal of the Commission's latest order and determined that appeal of the Commission’s decision to the courts would bring a significant amount of uncertainty regarding the level of success of such an appeal, as well as the timing of any value that might come following a process that would take between one and two years. The Company believes greater long-term value can be achieved through focusing on upcoming new general rate cases, than through appealing the recent decision in the courts.

Now that the 2016 case is concluded, we will request meetings with the Commissioners to better understand their concerns and their expectations going forward. The Company will also reach out to Commission Staff and other parties to discuss needs and expectations prior to filing the next general rate case. The Company plans to file a general rate case in the second quarter of 2017.

Idaho General Rate Cases

2015 General Rate Cases

In December 2015, the IPUC approved a settlement agreement between Avista Utilities and all interested parties related to our electric and natural gas general rate cases, which were originally filed with the IPUC on June 1, 2015. New rates were effective on January 1, 2016.

The settlement agreement is designed to increase annual electric base revenues by $1.7 million or 0.7 percent and annual natural gas base revenues by $2.5 million or 3.5 percent. The settlement is based on an ROR of 7.42 percent with a common equity ratio of 50 percent and a 9.5 percent ROE.

The settlement agreement also reflects the following:

- the discontinuation of the after-the-fact earnings test (provision for earnings sharing) that was originally agreed to as part of the settlement of our 2012 electric and natural gas general rate cases, and
- the implementation of electric and natural gas Fixed Cost Adjustment mechanisms, as discussed below.

2016 General Rate Cases

In December 2016, the IPUC approved a settlement agreement between us and other parties in our electric general rate case, concluding our Idaho electric general rate case originally filed in May 2016. New rates took effect on January 1, 2017 under the settlement agreement. We did not file a natural gas general rate case in 2016.

The settlement agreement increases annual electric base rates by 2.6 percent (designed to increase annual electric revenues by $6.3 million). The settlement revenue increase is based on a ROR of 7.58 percent with a common equity ratio of 50 percent and a 9.5 percent ROE.

In addition to the agreed upon increase in electric revenues to recover costs primarily driven by our increased capital investments in infrastructure to serve customers, the settlement agreement includes the continued recovery of approximately $4.1 million in costs related to the Palouse Wind Project through the PCA mechanism rather than through base rates.

In our original request we requested an overall increase in base electric rates of 6.3 percent (designed to increase annual electric revenues by $15.4 million), effective January 1, 2017.

Our original request was based on a proposed ROR of 7.78 percent with a common equity ratio of 50 percent and a 9.9 percent ROE.

Oregon General Rate Cases

2014 General Rate Case

In March 2015, we filed an all-party settlement agreement with the OPUC related to our natural gas general rate case, which was originally filed in September 2014. The settlement agreement was designed to increase base natural gas revenues by $5.3 million. Included in this base rate increase is $0.3 million in base revenues that we were already receiving from customers through a separate rate adjustment. Therefore, the net increase in base revenues was $5.0 million, or 4.9 percent on a billed basis. The parties requested that new retail rates become effective on April 16, 2015. On April 9, 2015, the OPUC issued an Order approving the settlement agreement as filed.

This settlement agreement provided for an overall authorized ROR of 7.516 percent with a common equity ratio of 51 percent and a 9.5 percent ROE.

2015 General Rate Case

On February 29, 2016, the OPUC issued a preliminary order (and a final order on March 15, 2016) concluding our natural gas general rate case, which was originally filed with OPUC in May 2015. The OPUC order approved rates designed to increase overall billed natural gas rates by 4.9 percent (designed to increase annual natural gas revenues by $4.5 million). New rates went into effect on March 1, 2016. The final OPUC order incorporated two partial settlement agreements which were entered into during November 2015 and January 2016.

The OPUC order provided an authorized ROR of 7.46 percent with a common equity ratio of 50 percent and a 9.4 percent ROE.

The November 2015 partial settlement agreement, approved by the OPUC, included a provision for the implementation of a decoupling mechanism, similar to the Washington and Idaho mechanisms described below. See further description and a summary of the balances recorded under this mechanism below.

2016 General Rate Case

On November 30, 2016 we filed a natural gas general rate case with the OPUC. We have requested an overall increase in base natural gas rates of 14.5 percent (designed to increase annual natural gas revenues by $8.5 million). Our request is based on a proposed ROR of 7.83 percent with a common equity ratio of 50 percent and a 9.9 percent ROE. The OPUC has up to 10 months to review our request and issue a decision.

12. On May 16, 2016 Marian Durkin was named Corporate Secretary, in addition to her current role as Senior Vice President, General Counsel and Chief Compliance Officer. The former Corporate Secretary, Karen Feltes, will retain her previous responsibilities as Senior Vice President and Chief Human Resources Officer and continue to serve as the lead executive for the Board of Directors Compensation and Organization Committee.

On June 30, 2016, Avista Corp.'s Board of Directors decided to increase the number of board members from 10 to 11 and elected Scott H. Maw to fill the vacancy and serve as a director on the board effective August 1, 2016.

On July 31, 2016, Roger Woodworth, Vice President of Avista Corp. retired.

13. Proprietary capital is not less than 30 percent.

Comparative Balance Sheet (Assets and Other Debits)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	5,304,257,392	4,923,194,978
3	Construction Work in Progress (107)	200-201	144,751,274	190,108,665
4	TOTAL Utility Plant (Total of lines 2 and 3)	200-201	5,449,008,666	5,113,303,643
5	(Less) Accum. Provision for Depr., Amort., Depl. (108, 111, 115)		1,770,511,420	1,680,907,938
6	Net Utility Plant (Total of line 4 less 5)		3,678,497,246	3,432,395,705
7	Nuclear Fuel (120.1 thru 120.4, and 120.6)		0	0
8	(Less) Accum. Provision for Amort., of Nuclear Fuel Assemblies (120.5)		0	0
9	Nuclear Fuel (Total of line 7 less 8)		0	0
10	Net Utility Plant (Total of lines 6 and 9)		3,678,497,246	3,432,395,705
11	Utility Plant Adjustments (116)	122	0	0
12	Gas Stored-Base Gas (117.1)	220	6,992,076	6,992,076
13	System Balancing Gas (117.2)	220	0	0
14	Gas Stored in Reservoirs and Pipelines-Noncurrent (117.3)	220	0	0
15	Gas Owed to System Gas (117.4)	220	0	0
16	**OTHER PROPERTY AND INVESTMENTS**			
17	Nonutility Property (121)		3,058,415	2,740,379
18	(Less) Accum. Provision for Depreciation and Amortization (122)		211,651	201,768
19	Investments in Associated Companies (123)	222-223	11,547,000	11,547,000
20	Investments in Subsidiary Companies (123.1)	224-225	161,804,156	157,515,280
21	(For Cost of Account 123.1 See Footnote Page 224, line 40)			
22	Noncurrent Portion of Allowances		0	0
23	Other Investments (124)	222-223	6,945,185	23,760,324
24	Sinking Funds (125)		0	0
25	Depreciation Fund (126)		0	0
26	Amortization Fund - Federal (127)		0	0
27	Other Special Funds (128)		13,611,799	20,755,670
28	Long-Term Portion of Derivative Assets (175)		5,356,765	22,687
29	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
30	TOTAL Other Property and Investments (Total of lines 17-20, 22-29)		202,111,669	216,139,572
31	**CURRENT AND ACCRUED ASSETS**			
32	Cash (131)		1,373,667	2,074,149
33	Special Deposits (132-134)		7,540,762	14,430,708
34	Working Funds (135)		1,138,883	691,896
35	Temporary Cash Investments (136)	222-223	22,854	204,231
36	Notes Receivable (141)		0	0
37	Customer Accounts Receivable (142)		172,903,052	160,488,098
38	Other Accounts Receivable (143)		4,163,026	5,500,743
39	(Less) Accum. Provision for Uncollectible Accounts - Credit (144)		4,961,486	4,469,344
40	Notes Receivable from Associated Companies (145)		0	0
41	Accounts Receivable from Associated Companies (146)		462,036	469,096
42	Fuel Stock (151)		3,566,367	3,293,585
43	Fuel Stock Expenses Undistributed (152)		0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Comparative Balance Sheet (Assets and Other Debits)(continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
44	Residuals (Elec) and Extracted Products (Gas) (153)		0	0
45	Plant Materials and Operating Supplies (154)		37,423,657	33,931,771
46	Merchandise (155)		0	0
47	Other Materials and Supplies (156)		0	0
48	Nuclear Materials Held for Sale (157)		0	0
49	Allowances (158.1 and 158.2)		0	0
50	(Less) Noncurrent Portion of Allowances		0	0
51	Stores Expense Undistributed (163)		(86)	0
52	Gas Stored Underground-Current (164.1)	220	8,029,020	12,774,487
53	Liquefied Natural Gas Stored and Held for Processing (164.2 thru 164.3)	220	0	0
54	Prepayments (165)	230	14,459,235	10,580,934
55	Advances for Gas (166 thru 167)		0	0
56	Interest and Dividends Receivable (171)		107,608	39,738
57	Rents Receivable (172)		1,429,562	1,749,949
58	Accrued Utility Revenues (173)		0	0
59	Miscellaneous Current and Accrued Assets (174)		537,127	527,051
60	Derivative Instrument Assets (175)		10,644,436	706,117
61	(Less) Long-Term Portion of Derivative Instrument Assets (175)		5,356,765	22,687
62	Derivative Instrument Assets - Hedges (176)		0	0
63	(Less) Long-Term Portion of Derivative Instrument Assests - Hedges (176)		0	0
64	TOTAL Current and Accrued Assets (Total of lines 32 thru 63)		253,482,955	242,970,522
65	**DEFERRED DEBITS**			
66	Unamortized Debt Expense (181)		11,690,512	11,527,001
67	Extraordinary Property Losses (182.1)	230	0	0
68	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
69	Other Regulatory Assets (182.3)	232	622,464,411	573,031,070
70	Preliminary Survey and Investigation Charges (Electric)(183)		0	467,080
71	Preliminary Survey and Investigation Charges (Gas)(183.1 and 183.2)		0	0
72	Clearing Accounts (184)		13,933	527
73	Temporary Facilities (185)		0	0
74	Miscellaneous Deferred Debits (186)	233	43,850,403	26,759,597
75	Deferred Losses from Disposition of Utility Plant (187)		0	0
76	Research, Development, and Demonstration Expend. (188)		0	0
77	Unamortized Loss on Reacquired Debt (189)		13,699,992	15,520,432
78	Accumulated Deferred Income Taxes (190)	234-235	147,354,707	136,036,119
79	Unrecovered Purchased Gas Costs (191)		(30,819,635)	(17,880,236)
80	TOTAL Deferred Debits (Total of lines 66 thru 79)		808,254,323	745,461,590
81	TOTAL Assets and Other Debits (Total of lines 10-15,30,64,and 80)		4,949,338,269	4,643,959,465

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Comparative Balance Sheet (Liabilities and Other Credits)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance	Prior Year End Balance 12/31 (d)
1	**PROPRIETARY CAPITAL**			
2	Common Stock Issued (201)	250-251	1,052,578,756	984,603,843
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	0	0
7	Other Paid-In Capital (208-211)	253	(9,506,476)	(9,506,476)
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254	(32,208,771)	(29,238,213)
11	Retained Earnings (215, 215.1, 216)	118-119	582,156,946	536,821,476
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	(1,143,222)	(5,881,619)
13	(Less) Reacquired Capital Stock (217)	250-251	0	0
14	Accumulated Other Comprehensive Income (219)	117	(7,567,509)	(6,649,771)
15	TOTAL Proprietary Capital (Total of lines 2 thru 14)		1,648,727,266	1,528,625,666
16	**LONG TERM DEBT**			
17	Bonds (221)	256-257	1,621,700,000	1,536,700,000
18	(Less) Reacquired Bonds (222)	256-257	83,700,000	83,700,000
19	Advances from Associated Companies (223)	256-257	51,547,000	51,547,000
20	Other Long-Term Debt (224)	256-257	0	0
21	Unamortized Premium on Long-Term Debt (225)	258-259	168,783	177,666
22	(Less) Unamortized Discount on Long-Term Debt-Dr (226)	258-259	960,522	1,134,563
23	(Less) Current Portion of Long-Term Debt		0	0
24	TOTAL Long-Term Debt (Total of lines 17 thru 23)		1,588,755,261	1,503,590,103
25	**OTHER NONCURRENT LIABILITIES**			
26	Obligations Under Capital Leases-Noncurrent (227)		2,402,917	3,274,583
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		260,000	239,910
29	Accumulated Provision for Pensions and Benefits (228.3)		226,551,767	201,453,549
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		6,600,086	11,476,706

Comparative Balance Sheet (Liabilities and Other Credits)(continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance	Prior Year End Balance 12/31 (d)
32	Long-Term Portion of Derivative Instrument Liabilities		41,994,092	52,248,445
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		15,514,534	15,996,704
35	TOTAL Other Noncurrent Liabilities (Total of lines 26 thru 34)		293,323,396	284,689,897
36	**CURRENT AND ACCRUED LIABILITIES**			
37	Current Portion of Long-Term Debt		0	0
38	Notes Payable (231)		120,000,000	105,000,000
39	Accounts Payable (232)		111,124,132	109,244,954
40	Notes Payable to Associated Companies (233)		5,634,684	22,177,680
41	Accounts Payable to Associated Companies (234)		37,625	18,798
42	Customer Deposits (235)		3,808,551	3,273,927
43	Taxes Accrued (236)	262-263	(16,431,293)	7,186,818
44	Interest Accrued (237)		14,676,249	14,179,517
45	Dividends Declared (238)		0	0
46	Matured Long-Term Debt (239)		0	0
47	Matured Interest (240)		0	0
48	Tax Collections Payable (241)		1,431,933	1,759,040
49	Miscellaneous Current and Accrued Liabilities (242)	268	58,068,093	57,577,117
50	Obligations Under Capital Leases-Current (243)		871,667	871,667
51	Derivative Instrument Liabilities (244)		55,076,777	85,797,553
52	(Less) Long-Term Portion of Derivative Instrument Liabilities		41,994,092	52,248,445
53	Derivative Instrument Liabilities - Hedges (245)		0	0
54	(Less) Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
55	TOTAL Current and Accrued Liabilities (Total of lines 37 thru 54)		312,304,326	354,838,626
56	**DEFERRED CREDITS**			
57	Customer Advances for Construction (252)		2,266,861	2,161,687
58	Accumulated Deferred Investment Tax Credits (255)		31,501,931	12,639,187
59	Deferred Gains from Disposition of Utility Plant (256)		0	0
60	Other Deferred Credits (253)	269	15,262,118	39,790,303
61	Other Regulatory Liabilities (254)	278	77,740,268	40,976,484
62	Unamortized Gain on Reacquired Debt (257)	260	1,836,970	1,966,507
63	Accumulated Deferred Income Taxes - Accelerated Amortization (281)		0	0
64	Accumulated Deferred Income Taxes - Other Property (282)		731,162,121	646,870,366
65	Accumulated Deferred Income Taxes - Other (283)		246,457,751	227,810,639
66	TOTAL Deferred Credits (Total of lines 57 thru 65)		1,106,228,020	972,215,173
67	TOTAL Liabilities and Other Credits (Total of lines 15,24,35,55,and 66)		4,949,338,269	4,643,959,465

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Statement of Income

Quarterly
1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year.
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in (k) the quarter to date amounts for other utility function for the prior year quarter.
4. If additional columns are needed place them in a footnote.

Annual or Quarterly, if applicable
5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.
9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting mehods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current Three Months Ended Quarterly Only No Fourth Quarter (e)	Prior Three Months Ended Quarterly Only No Fourth Quarter (f)
1	UTILITY OPERATING INCOME					
2	Gas Operating Revenues (400)	300-301	1,476,215,123	1,530,543,739	0	0
3	Operating Expenses					
4	Operation Expenses (401)	317-325	858,140,856	980,245,446	0	0
5	Maintenance Expenses (402)	317-325	68,632,689	64,022,756	0	0
6	Depreciation Expense (403)	336-338	130,221,417	122,488,709	0	0
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-338	0	0	0	0
8	Amortization and Depletion of Utility Plant (404-405)	336-338	26,554,225	21,544,004	0	0
9	Amortization of Utility Plant Acu. Adjustment (406)	336-338	99,047	99,047	0	0
10	Amort. of Prop. Losses, Unrecovered Plant and Reg. Study Costs (407.1)		0	0	0	0
11	Amortization of Conversion Expenses (407.2)		0	0	0	0
12	Regulatory Debits (407.3)		2,541,927	1,619,427	0	0
13	(Less) Regulatory Credits (407.4)		1,790,145	12,818,909	0	0
14	Taxes Other than Income Taxes (408.1)	262-263	96,218,096	95,109,798	0	0
15	Income Taxes-Federal (409.1)	262-263	(37,366,331)	5,601,404	0	0
16	Income Taxes-Other (409.1)	262-263	379,481	919,149	0	0
17	Provision of Deferred Income Taxes (410.1)	234-235	102,646,826	65,371,809	0	0
18	(Less) Provision for Deferred Income Taxes-Credit (411.1)	234-235	1,622,706	2,423,024	0	0
19	Investment Tax Credit Adjustment-Net (411.4)		18,862,745	481,680	0	0
20	(Less) Gains from Disposition of Utility Plant (411.6)		0	0	0	0
21	Losses from Disposition of Utility Plant (411.7)		0	0	0	0
22	(Less) Gains from Disposition of Allowances (411.8)		0	0	0	0
23	Losses from Disposition of Allowances (411.9)		0	0	0	0
24	Accretion Expense (411.10)		0	0	0	0
25	TOTAL Utility Operating Expenses (Total of lines 4 thru 24)		1,263,518,127	1,342,261,296	0	0
26	Net Utility Operating Income (Total of lines 2 less 25) (Carry forward to page 116, line 27)		212,696,996	188,282,443	0	0

Statement of Income

Line No.	Elec. Utility Current Year to Date (in dollars) (g)	Elec. Utility Previous Year to Date (in dollars) (h)	Gas Utility Current Year to Date (in dollars) (i)	Gas Utility Previous Year to Date (in dollars) (j)	Other Utility Current Year to Date (in dollars) (k)	Other Utility Previous Year to Date (in dollars) (l)
1						
2	1,004,897,624	1,006,140,061	471,317,499	524,403,678	0	0
3						
4	523,294,682	567,238,063	334,846,174	413,007,383	0	0
5	53,468,423	50,148,482	15,164,266	13,874,274	0	0
6	101,769,331	95,895,130	28,452,086	26,593,579	0	0
7	0	0	0	0	0	0
8	20,106,387	16,519,997	6,447,838	5,024,007	0	0
9	99,047	99,047	0	0	0	0
10	0	0	0	0	0	0
11	0	0	0	0	0	0
12	2,573,428	2,650,525	(31,501)	(1,031,098)	0	0
13	1,781,713	12,146,367	8,432	672,542	0	0
14	74,172,165	72,133,173	22,045,931	22,976,625	0	0
15	(34,063,947)	10,884,847	(3,302,384)	(5,283,443)	0	0
16	365,911	936,622	13,570	(17,473)	0	0
17	79,435,289	54,107,931	23,211,537	11,263,878	0	0
18	1,397,052	2,599,365	225,654	(176,341)	0	0
19	18,887,909	511,740	(25,164)	(30,060)	0	0
20	0	0	0	0	0	0
21	0	0	0	0	0	0
22	0	0	0	0	0	0
23	0	0	0	0	0	0
24	0	0	0	0	0	0
25	836,929,860	856,379,825	426,588,267	485,881,471	0	0
26	167,967,764	149,760,236	44,729,232	38,522,207	0	0

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Statement of Income(continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current Three Months Ended Quarterly Only No Fourth Quarter (e)	Prior Three Months Ended Quarterly Only No Fourth Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		212,696,996	188,282,443	0	0
28	OTHER INCOME AND DEDUCTIONS					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues form Merchandising, Jobbing and Contract Work (415)		0	0	0	0
32	(Less) Costs and Expense of Merchandising, Job & Contract Work (416)		0	0	0	0
33	Revenues from Nonutility Operations (417)		0	0	0	0
34	(Less) Expenses of Nonutility Operations (417.1)		11,653,482	9,566,840	0	0
35	Nonoperating Rental Income (418)		(939)	(939)	0	0
36	Equity in Earnings of Subsidiary Companies (418.1)	119	6,288,876	11,164,785	0	0
37	Interest and Dividend Income (419)		2,719,466	645,403	0	0
38	Allowance for Other Funds Used During Construction (419.1)		7,298,983	7,961,552	0	0
39	Miscellaneous Nonoperating Income (421)		0	795,424	0	0
40	Gain on Disposition of Property (421.1)		240,297	142,552	0	0
41	TOTAL Other Income (Total of lines 31 thru 40)		4,893,201	11,141,937	0	0
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		0	0	0	0
44	Miscellaneous Amortization (425)		0	0	0	0
45	Donations (426.1)	340	2,837,164	3,208,021	0	0
46	Life Insurance (426.2)		2,589,158	3,079,994	0	0
47	Penalties (426.3)		(64,095)	70,316	0	0
48	Expenditures for Certain Civic, Political and Related Activities (426.4)		1,788,417	1,625,650	0	0
49	Other Deductions (426.5)		1,915,238	1,386,500	0	0
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)	340	9,065,882	9,370,481	0	0
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other than Income Taxes (408.2)	262-263	192,113	202,511	0	0
53	Income Taxes-Federal (409.2)	262-263	(10,041,967)	(715,329)	0	0
54	Income Taxes-Other (409.2)	262-263	(834,874)	(886,632)	0	0
55	Provision for Deferred Income Taxes (410.2)	234-235	1,585,996	1,006,935	0	0
56	(Less) Provision for Deferred Income Taxes-Credit (411.2)	234-235	322,781	5,704,734	0	0
57	Investment Tax Credit Adjustments-Net (411.5)		0	0	0	0
58	(Less) Investment Tax Credits (420)		0	0	0	0
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		(9,421,513)	(6,097,249)	0	0
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		5,248,832	7,868,705	0	0
61	INTEREST CHARGES					
62	Interest on Long-Term Debt (427)		74,527,233	69,747,769	0	0
63	Amortization of Debt Disc. and Expense (428)	258-259	458,080	419,914	0	0
64	Amortization of Loss on Reacquired Debt (428.1)		2,941,399	3,004,198	0	0
65	(Less) Amortization of Premium on Debt-Credit (429)	258-259	8,883	8,883	0	0
66	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)		0	0	0	0
67	Interest on Debt to Associated Companies (430)	340	766,389	605,274	0	0
68	Other Interest Expense (431)	340	4,386,030	2,636,227	0	0
69	(Less) Allowance for Borrowed Funds Used During Construction-Credit (432)		2,352,527	3,480,392	0	0
70	Net Interest Charges (Total of lines 62 thru 69)		80,717,721	72,924,107	0	0
71	Income Before Extraordinary Items (Total of lines 27,60 and 70)		137,228,107	123,227,041	0	0
72	EXTRAORDINARY ITEMS					
73	Extraordinary Income (434)		0	0	0	0
74	(Less) Extraordinary Deductions (435)		0	0	0	0
75	Net Extraordinary Items (Total of line 73 less line 74)		0	0	0	0
76	Income Taxes-Federal and Other (409.3)	262-263	0	0	0	0
77	Extraordinary Items after Taxes (Total of line 75 less line 76)		0	0	0	0
78	Net Income (Total of lines 71 and 77)		137,228,107	123,227,041	0	0

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Statement of Accumulated Comprehensive Income and Hedging Activities

1. Report in columns (b) (c) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item (a)	Unrealized Gains and Losses on available-for-sale securities (b)	Minimum Pension liabililty Adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year		(7,887,881)		
2	Preceding Quarter/Year to Date Reclassifications from Account 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value		1,238,110		
4	Total (lines 2 and 3)		1,238,110		
5	Balance of Account 219 at End of Preceding Quarter/Year		(6,649,771)		
6	Balance of Account 219 at Beginning of Current Year		(6,649,771)		
7	Current Quarter/Year to Date Reclassifications from Account 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value		(917,738)		
9	Total (lines 7 and 8)		(917,738)		
10	Balance of Account 219 at End of Current Quarter/Year		(7,567,509)		

Statement of Accumulated Comprehensive Income and Hedging Activities(continued)

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Insert Footnote at Line 1 to specify category] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 116, Line 78) (i)	Total Comprehensive Income (j)
1			(7,887,881)		
2					
3			1,238,110		
4			1,238,110	123,227,041	124,465,151
5			(6,649,771)		
6			(6,649,771)		
7					
8			(917,738)		
9			(917,738)	137,228,107	136,310,369
10			(7,567,509)		

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Statement of Retained Earnings

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.
5. Show dividends for each class and series of capital stock.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter Year to Date Balance (c)	Previous Quarter Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS			
1	Balance-Beginning of Period		517,393,547	492,987,406
2	Changes (Identify by prescribed retained earnings accounts)			
3	Adjustments to Retained Earnings (Account 439)			
4	TOTAL Credits to Retained Earnings (Account 439) (footnote details)			(1,488,991)
5	TOTAL Debits to Retained Earnings (Account 439) (footnote details)			
6	Balance Transferred from Income (Acct 433 less Acct 418.1)		130,939,231	112,062,256
7	Appropriations of Retained Earnings (Account 436)		(4,441,571)	(5,158,174)
8	TOTAL Appropriations of Retained Earnings (Account 436) (footnote details)			
9	Dividends Declared-Preferred Stock (Account 437)			
10	TOTAL Dividends Declared-Preferred Stock (Account 437) (footnote details)			
11	Dividends Declared-Common Stock (Account 438)			
12	TOTAL Dividends Declared-Common Stock (Account 438) (footnote details)		87,154,240	82,396,803
13	Transfers from Account 216.1, Unappropriated Undistributed Subsidiary Earnings		1,550,479	1,387,851
14	Balance-End of Period (Total of lines 1, 4, 5, 6, 8, 10, 12, and 13)		562,729,017	522,551,719
15	APPROPRIATED RETAINED EARNINGS (Account 215)			
16	TOTAL Appropriated Retained Earnings (Account 215) (footnote details)		23,869,500	19,427,931
17	APPROPRIATED RETAINED EARNINGS-AMORTIZATION RESERVE, FEDERAL (Account			
18	TOTAL Appropriated Retained Earnings-Amortization Reserve, Federal (Account		(4,441,571)	(5,158,174)
19	TOTAL Appropriated Retained Earnings (Accounts 215, 215.1) (Total of lines		19,427,929	14,269,757
20	TOTAL Retained Earnings (Accounts 215, 215.1, 216) (Total of lines 14 and 1		582,156,946	536,821,476
21	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)			
	Report only on an Annual Basis no Quarterly			
22	Balance-Beginning of Year (Debit or Credit)		(5,881,619)	(15,658,553)
23	Equity in Earnings for Year (Credit) (Account 418.1)		6,288,876	11,164,785
24	(Less) Dividends Received (Debit)			
25	Other Changes (Explain)		(1,550,479)	(1,387,851)
26	Balance-End of Year		(1,143,222)	(5,881,619)

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Statement of Cash Flows

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 25) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instructions for explanation of codes) (a)	Current Year to Date Quarter/Year	Previous Year to Date Quarter/Year
1	Net Cash Flow from Operating Activities		
2	Net Income (Line 78(c) on page 116)	137,228,107	123,227,041
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	155,162,338	138,235,780
5	Amortization of deferred power and gas costs, debt expense and exchange power	22,675,618	27,223,055
6	Deferred Income Taxes (Net)	102,361,230	53,931,102
7	Investment Tax Credit Adjustments (Net)	18,862,744	481,680
8	Net (Increase) Decrease in Receivables	(16,916,930)	(3,884,715)
9	Net (Increase) Decrease in Inventory	980,885	12,267,853
10	Net (Increase) Decrease in Allowances Inventory		
11	Net Increase (Decrease) in Payables and Accrued Expenses	(26,152,468)	6,880,544
12	Net (Increase) Decrease in Other Regulatory Assets	(38,029,474)	(4,114,779)
13	Net Increase (Decrease) in Other Regulatory Liabilities	2,936,022	2,007,784
14	(Less) Allowance for Other Funds Used During Construction	7,298,983	7,961,552
15	(Less) Undistributed Earnings from Subsidiary Companies	6,288,876	11,164,785
16	Other (footnote details):	(7,763,331)	16,024,447
17	Net Cash Provided by (Used in) Operating Activities		
18	(Total of Lines 2 thru 16)	337,756,882	353,153,455
19			
20	Cash Flows from Investment Activities:		
21	Construction and Acquisition of Plant (including land):		
22	Gross Additions to Utility Plant (less nuclear fuel)	(390,690,230)	(381,174,406)
23	Gross Additions to Nuclear Fuel		
24	Gross Additions to Common Utility Plant		
25	Gross Additions to Nonutility Plant		
26	(Less) Allowance for Other Funds Used During Construction		
27	Other (footnote details):		
28	Cash Outflows for Plant (Total of lines 22 thru 27)	(390,690,230)	(381,174,406)
29			
30	Acquisition of Other Noncurrent Assets (d)		
31	Proceeds from Disposal of Noncurrent Assets (d)	1,288,524	272,897
32	Federal and state grant payments received	512,000	2,730,166
33	Investments in and Advances to Assoc. and Subsidiary Companies	(16,517,111)	
34	Contributions and Advances from Assoc. and Subsidiary Companies	2,000,000	14,185,571
35	Disposition of Investments in (and Advances to)		
36	Associated and Subsidiary Companies		
37	Cash paid for acquisition		(94,643)
38	Purchase of Investment Securities (a)		
39	Proceeds from Sales of Investment Securities (a)		

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Statement of Cash Flows (continued)

Line No.	Description (See Instructions for explanation of codes) (a)	Current Year to Date Quarter/Year	Previous Year to Date Quarter/Year
40	Loans Made or Purchased		
41	Collections on Loans		
42	Restricted cash	(25,425)	(62,284)
43	Net (Increase) Decrease in Receivables		
44	Net (Increase) Decrease in Inventory		
45	Net (Increase) Decrease in Allowances Held for Speculation		
46	Net Increase (Decrease) in Payables and Accrued Expenses		
47	Changes in other property and investments	(8,915,798)	(7,992,961)
48	Net Cash Provided by (Used in) Investing Activities		
49	(Total of lines 28 thru 47)	(412,348,040)	(372,135,660)
50			
51	Cash Flows from Financing Activities:		
52	Proceeds from Issuance of:		
53	Long-Term Debt (b)	245,000,000	100,000,000
54	Preferred Stock		
55	Common Stock	66,952,672	1,559,840
56	Other (footnote details):		
57	Net Increase in Short-term Debt (c)	15,000,000	
58	Cash received for settlement of interest rate swap agreements		
59	Cash Provided by Outside Sources (Total of lines 53 thru 58)	326,952,672	101,559,840
60			
61	Payments for Retirement of:		
62	Long-Term Debt (b)	(160,871,667)	(734,802)
63	Preferred Stock		
64	Common Stock		(2,919,781)
65	Other	(4,770,479)	(11,571,217)
66	Net Decrease in Short-Term Debt (c)		
67	Premium paid to repurchase long-term debt		
68	Dividends on Preferred Stock		
69	Dividends on Common Stock	(87,154,240)	(82,396,801)
70	Net Cash Provided by (Used in) Financing Activities		
71	(Total of lines 59 thru 69)	74,156,286	3,937,239
72			
73	Net Increase (Decrease) in Cash and Cash Equivalents		
74	(Total of line 18, 49 and 71)	(434,872)	(15,044,966)
75			
76	Cash and Cash Equivalents at Beginning of Period	2,970,276	18,015,242
77			
78	Cash and Cash Equivalents at End of Period	2,535,404	2,970,276

Schedule Page: 120 Line No.: 16 Column: c

Power and natural gas deferrals	1,121,287
Change in special deposits	(13,301,265)
Change in other current assets	2,856,640
Non-cash stock compensation	6,913,619
Other non-current assets and liabilities	5,891,691
Allowance for doubtful accounts	5,749,995
Amortization of Spokane Energy contract	9,499,494
Change in Coyote Springs 2 O&M LTSA	(2,260,661)
Preliminary survey and investigation costs	(301,214)
Gain on sale of property and equipment	(142,552)
Other	(2,587)

Schedule Page: 120 Line No.: 34 Column: c

Notes receivable from subsidiaries	12,185,571
Dividends received from subsidiaries	2,000,000

Schedule Page: 120 Line No.: 65 Column: c

Minimum tax withholdings for share based compensation	(1,831,678)
Cash paid for settlement of interest rate swap	(9,326,000)
Long-term debt issuance costs	(593,969)
Excess tax benefits	180,430

Schedule Page: 120 Line No.: 16 Column: b

Power and natural gas deferrals	1,408,987
Change in special deposits	10,712,388
Change in other current assets	(3,635,861)
Non-cash stock compensation	7,890,705
Other non-current assets and liabilities	4,190,684
Allowance for doubtful accounts	6,000,000
Amortization of Spokane Energy contract	14,694,374
Change in Coyote Springs 2 O&M LTSA	4,705,259
Preliminary survey and investigation costs	467,080
Gain on sale of property and equipment	(240,297)
Cash paid for settlement of interest rate swaps	(53,966,197)
Other	9,547

Schedule Page: 120 Line No.: 65 Column: b

Minimum tax withholdings for share based compensation	(3,072,433)
Long-term debt issuance costs	(1,698,046)

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1. Provide important disclosures regarding the Balance Sheet, Statement of Income for the Year, Statement of Retained Earnings for the Year, and Statement of Cash Flow, or any account thereof. Classify the disclosures according to each financial statement, providing a subheading for each statement except where a disclosure is applicable to more than one statement. The disclosures must be on the same subject matters and in the same level of detail that would be required if the respondent issued general purpose financial statements to the public or shareholders.
2. Furnish details as to any significant contingent assets or liabilities existing at year end, and briefly explain any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or a claim for refund of income taxes of a material amount initiated by the utility. Also, briefly explain any dividends in arrears on cumulative preferred stock.
3. Furnish details on the respondent's pension plans, post-retirement benefits other than pensions (PBOP) plans, and post-employment benefit plans as required by instruction no. 1 and, in addition, disclose for each individual plan the current year's cash contributions. Furnish details on the accounting for the plans and any changes in the method of accounting for them. Include details on the accounting for transition obligations or assets, gains or losses, the amounts deferred and the expected recovery periods. Also, disclose any current year's plan or trust curtailments, terminations, transfers, or reversions of assets. Entities that participate in multiemployer postretirement benefit plans (e.g. parent company sponsored pension plans) disclose in addition to the required disclosures for the consolidated plan, (1) the amount of cost recognized in the respondent's financial statements for each plan for the period presented, and (2) the basis for determining the respondent's share of the total plan costs.
4. Furnish details on the respondent's asset retirement obligations (ARO) as required by instruction no. 1 and, in addition, disclose the amounts recovered through rates to settle such obligations. Identify any mechanism or account in which recovered funds are being placed (i.e. trust funds, insurance policies, surety bonds). Furnish details on the accounting for the asset retirement obligations and any changes in the measurement or method of accounting for the obligations. Include details on the accounting for settlement of the obligations and any gains or losses expected or incurred on the settlement.
5. Provide a list of all environmental credits received during the reporting period.
6. Provide a summary of revenues and expenses for each tracked cost and special surcharge.
7. Where Account 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these item. See General Instruction 17 of the Uniform System of Accounts.
8. Explain concisely any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
9. Disclose details on any significant financial changes during the reporting year to the respondent or the respondent's consolidated group that directly affect the respondent's gas pipeline operations, including: sales, transfers or mergers of affiliates, investments in new partnerships, sales of gas pipeline facilities or the sale of ownership interests in the gas pipeline to limited partnerships, investments in related industries (i.e., production, gathering), major pipeline investments, acquisitions by the parent corporation(s), and distributions of capital.
10. Explain concisely unsettled rate proceedings where a contingency exists such that the company may need to refund a material amount to the utility's customers or that the utility may receive a material refund with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects and explain the major factors that affect the rights of the utility to retain such revenues or to recover amounts paid with respect to power and gas purchases.
11. Explain concisely significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and summarize the adjustments made to balance sheet, income, and expense accounts.
12. Explain concisely only those significant changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
13. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
14. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
15. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Avista Corp. (the Company) is primarily an electric and natural gas utility with certain other business ventures. Avista Corp. provides electric distribution and transmission, and natural gas distribution services in parts of eastern Washington and northern Idaho. Avista Corp. also provides natural gas distribution service in parts of northeastern and southwestern Oregon. Avista Corp. has electric generating facilities in Washington, Idaho, Oregon and Montana. Avista Corp. also supplies electricity to a small number of customers in Montana, most of whom are employees who operate Avista Corp.'s Noxon Rapids generating facility.

AERC is a wholly-owned subsidiary of Avista Corp. The primary subsidiary of AERC is AEL&P, which comprises Avista Corp.'s regulated utility operations in Alaska. AERC was acquired by Avista Corp. on July 1, 2014 and there are no AERC earnings included in the overall results of Avista Corp. prior to that date. See Note 3 for information regarding the acquisition of AERC.

Avista Capital, a wholly owned non-regulated subsidiary of Avista Corp., is the parent company of all of the subsidiary companies except AERC (and its subsidiaries). During the first half of 2014 and prior, Avista Capital's subsidiaries included Ecova, which was an 80.2 percent owned subsidiary prior to its disposition on June 30, 2014. See Note 4 for information regarding the disposition of Ecova.

Basis of Reporting

The financial statements include the assets, liabilities, revenues and expenses of the Company and have been prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission (FERC) as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). As required by the FERC, the Company accounts for its investment in majority-owned subsidiaries on the equity method rather than consolidating the assets, liabilities, revenues, and expenses of these subsidiaries, as required by U.S. GAAP. The accompanying financial statements include the Company's proportionate share of utility plant and related operations resulting from its interests in jointly owned plants. In addition, under the requirements of the FERC, there are differences from U.S. GAAP in the presentation of (1) current portion of long-term debt (2) assets and liabilities for cost of removal of assets, (3) assets held for sale, (4) regulatory assets and liabilities, (5) deferred income taxes associated with accounts other than utility property, plant and equipment, (6) comprehensive income, (7) unamortized debt issuance costs and (8) operating revenues and resource costs associated with settled energy contracts that are "booked out" (not physically delivered).

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include:

- determining the market value of energy commodity derivative assets and liabilities,
- pension and other postretirement benefit plan obligations,
- contingent liabilities,
- goodwill impairment testing,
- recoverability of regulatory assets, and
- unbilled revenues.

Changes in these estimates and assumptions are considered reasonably possible and may have a material effect on the financial statements and thus actual results could differ from the amounts reported and disclosed herein.

System of Accounts

The accounting records of the Company's utility operations are maintained in accordance with the uniform system of accounts prescribed by the FERC and adopted by the state regulatory commissions in Washington, Idaho, Montana and Oregon.

Regulation

The Company is subject to state regulation in Washington, Idaho, Montana and Oregon. The Company is also subject to federal regulation primarily by the FERC, as well as various other federal agencies with regulatory oversight of particular aspects of its operations.

Operating Revenues

Operating revenues related to the sale of energy are recorded when service is rendered or energy is delivered to customers. The determination of the energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each calendar month, the amount of energy delivered to customers since the date of the last meter reading is estimated and the corresponding unbilled revenue is estimated and recorded. Our estimate of unbilled revenue is based on:

- the number of customers,
- current rates,
- meter reading dates,
- actual native load for electricity,
- actual throughput for natural gas, and
- electric line losses and natural gas system losses.

Any difference between actual and estimated revenue is automatically corrected in the following month when the actual meter reading and customer billing occurs.

Accounts receivable includes unbilled energy revenues of the following amounts as of December 31 (dollars in thousands):

	2016	2015
Unbilled accounts receivable	$ 69,544	$ 59,405

Depreciation

For utility operations, depreciation expense is estimated by a method of depreciation accounting utilizing composite rates for utility plant. Such rates are designed to provide for retirements of properties at the expiration of their service lives. For utility operations, the ratio of depreciation provisions to average depreciable property was as follows for the years ended December 31:

	2016	2015
Ratio of depreciation to average depreciable property	3.11%	3.09%

The average service lives for the following broad categories of utility plant in service are (in years):

	Avista Corp.
Electric thermal/other production	41
Hydroelectric production	78
Electric transmission	57
Electric distribution	35
Natural gas distribution property	45
Other shorter-lived general plant	9

Taxes Other Than Income Taxes

Taxes other than income taxes include state excise taxes, city occupational and franchise taxes, real and personal property taxes and certain other taxes not based on income. These taxes are generally based on revenues or the value of property. Utility related taxes collected from customers (primarily state excise taxes and city utility taxes) are recorded as operating revenue and expense. Taxes other than income taxes consisted of the following items for the years ended December 31 (dollars in thousands):

	2016	2015
Utility related taxes	$ 56,286	$ 57,716
Property taxes	38,505	35,948
Other taxes	1,619	1,648
Total	$ 96,410	$ 95,312

Allowance for Funds Used During Construction

AFUDC represents the cost of both the debt and equity funds used to finance utility plant additions during the construction period. As prescribed by regulatory authorities, AFUDC is capitalized as a part of the cost of utility plant. The debt component of AFUDC is credited against total interest expense in the Statements of Income in the line item “capitalized interest.” The equity component of AFUDC is included in the Statement of Income in the line item “other income-net.” The Company is permitted, under established regulatory rate practices, to recover the capitalized AFUDC, and a reasonable return thereon, through its inclusion in rate base and the provision for depreciation after the related utility plant is placed in service. Cash inflow related to AFUDC does not occur until the related utility plant is placed in service and included in rate base. The effective AFUDC rate was the following for the years ended December 31:

	2016	2015
Effective AFUDC rate	7.29%	7.32%

Income Taxes

Deferred income tax assets represent future income tax deductions the Company expects to utilize in future tax returns to reduce taxable income. Deferred income tax liabilities represent future taxable income the Company expects to recognize in future tax returns. Deferred tax assets and liabilities arise when there are temporary differences resulting from differing treatment of items for tax and accounting purposes (such as depreciation). A deferred income tax asset or liability is determined based on the enacted tax rates that will be in effect when the temporary differences between the financial statement carrying amounts and tax basis of existing assets and liabilities are expected to be reported in the Company’s consolidated income tax returns. The deferred income tax expense for the period is equal to the net change in the deferred income tax asset and liability accounts from the beginning to the end of the period. The effect on deferred income taxes from a change in tax rates is recognized in income in the period that includes the enactment date unless a regulatory order specifies deferral of the effect of the change in tax rates over a longer period of time. The Company establishes a valuation allowance when it is more likely than not that all, or a portion, of a deferred tax asset will not be realized. Deferred income tax liabilities and regulatory assets are established for income tax benefits flowed through to customers. The Company did not incur any penalties on income tax positions in 2016 or 2015. The Company would recognize interest accrued related to income tax positions as interest expense and any penalties incurred as income deductions.

Stock-Based Compensation

The Company currently issues three types of stock-based compensation awards - restricted shares, market-based awards and performance-based awards. Historically, these stock compensation awards have not been material to the Company's overall financial results. Compensation cost relating to share-based payment transactions is recognized in the Company’s financial statements based on the fair value of the equity or liability instruments issued and recorded over the requisite service period.

The Company recorded stock-based compensation expense (included in other operating expenses) and income tax benefits in the Statements of Income of the following amounts for the years ended December 31 (dollars in thousands):

	2016	2015
Stock-based compensation expense	$ 7,891	$ 6,914
Income tax benefits (1)	4,359	2,420

(1) Income tax benefits for 2016 include $1.6 million associated with excess tax benefits on settled share-based employee payments. The excess tax benefits were recognized in the Statement of Income for 2016 due to the adoption of ASU 2016-09, effective January 1, 2016. See Note 2 for further discussion.

Restricted share awards vest in equal thirds each year over a three-year period and are payable in Avista Corp. common stock at the end of each year if the service condition is met. In addition to the service condition, the Company must meet a return on equity target in order for the Chief Executive Officer's restricted shares to vest. Restricted stock is valued at the close of market of the Company's common stock on the grant date.

Total Shareholder Return (TSR) awards are market-based awards and Cumulative Earnings Per Share (CEPS) awards are performance awards. CEPS awards were first granted in 2014. Both types of awards vest after a period of three years and are payable in cash or Avista Corp. common stock at the end of the three-year period. The method of settlement is at the discretion of the Company and historically the Company has settled these awards through issuance of Avista Corp. common stock and intends to continue this practice. Both types of awards entitle the recipients to dividend equivalent rights, are subject to forfeiture under certain circumstances, and are subject to meeting specific market or performance conditions. Based on the level of attainment of the market or performance conditions, the amount of cash paid or common stock issued will range from 0 to 200 percent of the initial awards granted. Dividend equivalent rights are accumulated and paid out only on shares that eventually vest and have met the market and performance conditions.

For both the TSR awards and the CEPS awards, the Company accounts for them as equity awards and compensation cost for these awards is recognized over the requisite service period, provided that the requisite service period is rendered. For TSR awards, if the market condition is not met at the end of the three-year service period, there will be no change in the cumulative amount of compensation cost recognized, since the awards are still considered vested even though the market metric was not met. For CEPS awards, at the end of the three-year service period, if the internal performance metric of cumulative earnings per share is not met, all compensation cost for these awards is reversed as these awards are not considered vested.

The fair value of each TSR award is estimated on the date of grant using a statistical model that incorporates the probability of meeting the market targets based on historical returns relative to a peer group. The estimated fair value of the equity component of CEPS awards was estimated on the date of grant as the share price of Avista Corp. common stock on the date of grant, less the net present value of the estimated dividends over the three-year period.

The following table summarizes the number of grants, vested and unvested shares, earned shares (based on market metrics), and other pertinent information related to the Company's stock compensation awards for the years ended December 31:

	2016	2015
Restricted Shares		
Shares granted during the year	58,610	58,302
Shares vested during the year	(52,385)	(60,379))
Unvested shares at end of year	109,806	106,091
Unrecognized compensation expense at end of year (in thousands)	$ 1,853	$ 1,705
TSR Awards		
TSR shares granted during the year	116,435	116,435

TSR shares vested during the year	(111,665)	(171,334))
TSR shares earned based on market metrics	132,887	222,734
Unvested TSR shares at end of year	222,228	223,697
Unrecognized compensation expense (in thousands)	$ 3,409	$ 3,219
CEPS Awards		
CEPS shares granted during the year	57,521	58,259
CEPS shares vested during the year	(55,835)	—
CEPS shares earned based on market metrics	90,460	—
Unvested CEPS shares at end of year	110,452	111,887
Unrecognized compensation expense (in thousands)	$ 1,671	$ 1,840

Outstanding TSR and CEPS share awards include a dividend component that is paid in cash. This component of the share grants is accounted for as a liability award. These liability awards are revalued on a quarterly basis taking into account the number of awards outstanding, historical dividend rate, the change in the value of the Company's common stock relative to an external benchmark (TSR awards only) and the amount of CEPS earned to date compared to estimated CEPS over the performance period (CEPS awards only). Over the life of these awards, the cumulative amount of compensation expense recognized will match the actual cash paid. As of December 31, 2016 and 2015, the Company had recognized cumulative compensation expense and a liability of $1.5 million, respectively, related to the dividend component on the outstanding and unvested share grants.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, the Company considers all temporary investments with a maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts to provide for estimated and potential losses on accounts receivable. The Company determines the allowance for utility and other customer accounts receivable based on historical write-offs as compared to accounts receivable and operating revenues. Additionally, the Company establishes specific allowances for certain individual accounts.

Utility Plant in Service

The cost of additions to utility plant in service, including an allowance for funds used during construction and replacements of units of property and improvements, is capitalized. The cost of depreciable units of property retired plus the cost of removal less salvage is charged to accumulated depreciation.

Asset Retirement Obligations

The Company records the fair value of a liability for an ARO in the period in which it is incurred. When the liability is initially recorded, the associated costs of the ARO are capitalized as part of the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the related capitalized costs are depreciated over the useful life of the related asset. In addition, if there are changes in the estimated timing or estimated costs of the AROs, adjustments are recorded during the period new information becomes available as an increase or decrease to the liability, with the offset recorded to the related long-lived asset. Upon retirement of the asset, the Company either settles the ARO for its recorded amount or incurs a gain or loss. The Company records regulatory assets and liabilities for the difference between asset retirement costs currently recovered in rates and AROs recorded since asset retirement costs are recovered through rates charged to customers (see Note 7 for further discussion of the Company's asset retirement obligations).

Goodwill

Goodwill arising from acquisitions represents the future economic benefit arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company evaluates goodwill for impairment using a qualitative analysis (Step 0) for AEL&P and a combination of discounted cash flow models and a market approach for the other subsidiaries on at least an annual basis or more frequently if impairment indicators arise. The Company completed its annual evaluation of goodwill for potential impairment as of November 30, 2016 and determined that goodwill was not impaired at that time. While, the Company does not have any goodwill amounts recorded on its FERC balance sheets, it does have goodwill at its subsidiaries and the amounts for goodwill are reflected in the investment in subsidiary companies.

The following amounts were recorded as goodwill at the subsidiary companies and reflected through the investment in subsidiary companies on the FERC balance sheets (dollars in thousands):

	AEL&P	Other	Accumulated Impairment Losses	Total
Balance as of the December 31, 2015	$ 52,426	$ 12,979	$ (7,733)	$ 57,672
Balance as of the December 31, 2016	$ 52,426	$ 12,979	$ (7,733)	$ 57,672

Accumulated impairment losses are attributable to the other businesses.

Derivative Assets and Liabilities

Derivatives are recorded as either assets or liabilities on the Balance Sheets measured at estimated fair value.

The UTC and the IPUC issued accounting orders authorizing Avista Corp. to offset energy commodity derivative assets or liabilities with a regulatory asset or liability. This accounting treatment is intended to defer the recognition of mark-to-market gains and losses on energy commodity transactions until the period of delivery. Realized benefits and costs result in adjustments to retail rates through PGAs, the ERM in Washington, the PCA mechanism in Idaho, and periodic general rates cases. The resulting regulatory assets have been concluded to be probable of recovery through future rates.

Substantially all forward contracts to purchase or sell power and natural gas are recorded as derivative assets or liabilities at estimated fair value with an offsetting regulatory asset or liability. Contracts that are not considered derivatives are accounted for on the accrual basis until they are settled or realized unless there is a decline in the fair value of the contract that is determined to be other-than-temporary.

For interest rate swap derivatives, Avista Corp. records all mark-to-market gains and losses in each accounting period as assets and liabilities, as well as offsetting regulatory assets and liabilities, such that there is no income statement impact. The interest rate swap derivatives are risk management tools similar to energy commodity derivatives. Upon settlement of interest rate swap derivatives, the regulatory asset or liability is amortized as a component of interest expense over the term of the associated debt. The Company records an offset of interest rate swap derivative assets and liabilities with regulatory assets and liabilities, based on the prior practice of the commissions to provide recovery through the ratemaking process.

As of December 31, 2016, the Company has multiple master netting agreements with a variety of entities that allow for cross-commodity netting of derivative agreements with the same counterparty (i.e. power derivatives can be netted with natural gas derivatives). In addition, some master netting agreements allow for the netting of commodity derivatives and interest rate swap derivatives for the same counterparty. The Company does not have any agreements which allow for cross-affiliate netting among multiple affiliated legal entities. The Company nets all derivative instruments when allowed by the agreement for presentation in the Balance Sheets.

Fair Value Measurements

Fair value represents the price that would be received when selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Energy commodity derivative assets and liabilities, deferred compensation assets, as well as derivatives related to interest rate swap derivatives and foreign currency exchange derivatives, are reported at estimated fair value on the Balance Sheets. See Note 14 for the Company’s fair value disclosures.

Regulatory Deferred Charges and Credits

The Company prepares its financial statements in accordance with regulatory accounting practices because:

- rates for regulated services are established by or subject to approval by independent third-party regulators,
- the regulated rates are designed to recover the cost of providing the regulated services, and
- in view of demand for the regulated services and the level of competition, it is reasonable to assume that rates can be charged to and collected from customers at levels that will recover costs.

Regulatory accounting practices require that certain costs and/or obligations (such as incurred power and natural gas costs not currently included in rates, but expected to be recovered or refunded in the future), are reflected as deferred charges or credits on the Balance Sheets. These costs and/or obligations are not reflected in the Statements of Income until the period during which matching revenues are recognized. The Company also has decoupling revenue deferrals, which began in 2015. Decoupling revenue deferrals are recognized in the Statements of Income during the period they occur (i.e. during the period of revenue shortfall or excess due to fluctuations in customer usage), subject to certain limitations, and a regulatory asset/liability is established which will be surcharged or rebated to customers in future periods. GAAP requires that for any alternative regulatory revenue program, like decoupling, the revenue must be expected to be collected from customers within 24 months of the deferral to qualify for recognition in the current period Statement of Income. Any amounts included in the Company's decoupling program that are not expected to be collected from customers within 24 months are not recorded in the financial statements until the period in which revenue recognition criteria are met. This could ultimately result in decoupling revenue being recognized in a future period.

If at some point in the future the Company determines that it no longer meets the criteria for continued application of regulatory accounting practices for all or a portion of its regulated operations, the Company could be:

- required to write off its regulatory assets, and
- precluded from the future deferral of costs or decoupled revenues not recovered through rates at the time such amounts are incurred, even if the Company expected to recover these amounts from customers in the future.

Unamortized Debt Expense

Unamortized debt expense includes debt issuance costs that are amortized over the life of the related debt.

Unamortized Gain/Loss on Reacquired Debt

For the Company’s Washington regulatory jurisdiction and for any debt repurchases beginning in 2007 in all jurisdictions, premiums or discounts paid to repurchase debt are amortized over the remaining life of the original debt that was repurchased or, if new debt is issued in connection with the repurchase, these amounts are amortized over the life of the new debt. In the Company’s other regulatory jurisdictions, premiums or discounts paid to repurchase debt prior to 2007 are being amortized over the average remaining maturity of outstanding debt when no new debt was issued in connection with the debt repurchase. The premiums and discounts are recovered or returned to customers through retail rates as a component of interest expense.

Appropriated Retained Earnings

In accordance with the hydroelectric licensing requirements of section 10(d) of the Federal Power Act (FPA), the Company maintains an appropriated retained earnings account for any earnings in excess of the specified rate of return on the Company's investment in the licenses for its various hydroelectric projects. Per section 10(d) of the FPA, the Company must maintain these excess earnings in an appropriated retained earnings account until the termination of the licensing agreements or apply them to reduce the net investment in the licenses of the hydroelectric projects at the discretion of the FERC. The Company typically calculates the earnings in excess of the specified rate of return on an annual basis, usually during the second quarter.

The appropriated retained earnings amounts included in retained earnings were as follows as of December 31 (dollars in thousands):

	2016	2015
Appropriated retained earnings	$ 23,869	$ 19,428

Operating Leases

The Company has multiple lease arrangements involving various assets, with minimum terms ranging from 1 to 45 years. Future minimum lease payments required under operating leases having initial or remaining noncancelable lease terms in excess of one year were not material as of December 31, 2016.

Equity in Earnings (Losses) of Subsidiaries

The Company records all the earnings (losses) from its subsidiaries under the equity method. The Company had the following equity in earnings (losses) of its subsidiaries for the years ended December 31 (dollars in thousands):

	2016	2015
Avista Capital	$ (1,434)	$ 4,857
Alaska Energy and Resources Company	7,723	6,308
Total equity in earnings of subsidiary companies	$ 6,289	$ 11,165

Subsequent Events

Management has evaluated the impact of events occurring after December 31, 2016 up to February 21, 2017, the date that Avista Corp.’s U.S. GAAP financial statements were issued and has updated such evaluation for disclosure purposes through March 31, 2017. These financial statements include all necessary adjustments and disclosures resulting from these evaluations.

Contingencies

The Company has unresolved regulatory, legal and tax issues which have inherently uncertain outcomes. The Company accrues a loss contingency if it is probable that a liability has been incurred and the amount of the loss or impairment can be reasonably estimated. The Company also discloses losses that do not meet these conditions for accrual, if there is a reasonable possibility that a material loss may be incurred. As of December 31, 2016, the Company has not recorded any significant amounts related to unresolved contingencies. See Note 16 for further discussion of the Company's commitments and contingencies.

NOTE 2. NEW ACCOUNTING STANDARDS

ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)"

In May 2014, the FASB issued ASU No. 2014-09, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should identify the various performance obligations in a contract, allocate the transaction price among the performance obligations and recognize revenue when (or as) the entity satisfies each performance obligation. This ASU was originally effective for periods beginning after December 15, 2016 and early adoption was not permitted. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which deferred the effective date of ASU No. 2014-09 for one year, with adoption as of the original date permitted.

The Company has formed a revenue recognition standard implementation team that is working through several implementation issues described below. The Company has evaluated this standard and is planning to adopt this standard in 2018 upon its effective date. The Company is currently expecting to use a modified retrospective method of adoption, which would require a cumulative adjustment to opening retained earnings, as opposed to a full retrospective application. The Company is not far enough along in the adoption process to determine the amount, if any, of cumulative adjustment necessary.

Since the vast majority of Avista Corp.'s revenue is from rate-regulated sales of electricity and natural gas to retail customers and revenue is recognized as energy is delivered to these customers, the Company does not expect a significant change in operating revenues or net income. The Company is in the process of reviewing and analyzing certain contracts with customers (most of which are related to wholesale sales of power and natural gas), but has not yet identified any significant differences in revenue recognition between current GAAP and ASU 2014-09.

During the implementation process, the Company has identified several unresolved issues, the most significant of which are as follows based on our current assessment:

Contributions in Aid of Construction – There is the potential that CIACs could be recognized as revenue upon the adoption of ASU 2014-09. Under current GAAP, CIACs are accounted for as an offset to the cost of utility plant in service.

Utility Related Taxes Collected from Customers – There are questions on the presentation of utility related taxes collected from customers (primarily state excise taxes and city utility taxes) on a gross basis. Under current GAAP, the Company is allowed to record these utility related taxes on a gross basis in revenue when billed to customers with an offset included in taxes other than income taxes in operating expenses. The Company is evaluating whether this presentation is appropriate under ASU 2014-09 or whether they should be presented on a net basis. To qualify for gross presentation under the new guidance, the Company must perform an analysis to determine if it is the principal or the agent in regards to utility related taxes.

Collectibility - There are questions regarding the requirement that collection of a sale be probable and how, or if, utilities should consider bad debt collection mechanisms (riders, base rate adjustments, etc.) in assessing probability of collection on sales to low income customers. Within the utility industry, there is support for and against considering these recovery mechanisms when assessing collectibility of a sale. If the bad debt recovery mechanisms cannot be considered, there is the potential that certain sales to low income customers cannot be recognized as revenue until payment is received from the customers, which could result in revenues being recognized in periods other than when the energy was delivered to customers or not recognized at all.

The Company is monitoring utility industry implementation guidance as it relates to unresolved issues to determine if there will be an industry consensus regarding accounting and presentation of these items.

ASU No. 2016-02 "Leases (Topic 842)."

In February 2016, the FASB issued ASU No. 2016-02. This ASU introduces a new lessee model that requires most leases to be capitalized and shown on the balance sheet with corresponding lease assets and liabilities. The standard also aligns certain of the underlying principles of the new lessor model with those in Topic 606, the FASB's new revenue recognition standard. Furthermore, this ASU addresses other issues that arise under the current lease model; for example, eliminating the required use of bright-line tests in current GAAP for determining lease classification (operating leases versus capital leases). This ASU also includes enhanced disclosures surrounding leases. This ASU is effective for periods beginning on or after December 15, 2018; however, early adoption is permitted. Upon adoption, this ASU must be applied using a modified retrospective approach to the earliest period presented, which will likely require restatements of previously issued financial statements. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. The Company evaluated this standard and determined that it will most likely not early adopt this standard before its effective date in 2019. The Company has formed a lease standard implementation team that is working through the implementation process. The most significant implementation challenge identified thus far relates to identifying a complete population of leases and potential leases under the new lease standard. Also, the Company is monitoring utility industry implementation guidance as it relates to several unresolved issues to determine if there will be an industry consensus, including whether right-of-ways are considered leases. The Company cannot, at this time, estimate the potential impact on its future financial condition, results of operations and cash flows.

ASU No. 2016-09 "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting."

In March 2016, the FASB issued ASU No. 2016-09. This ASU simplifies several aspects of the accounting for employee share-based payment transactions including:

- allowing excess tax benefits or tax deficiencies to be recognized as income tax benefits or expenses in the Statements of Income rather than in Additional Paid in Capital (APIC),
- excess tax benefits no longer represent a financing cash inflow on the Statements of Cash Flows and instead will be included as an operating activity,
- excess tax benefits and tax deficiencies will be excluded from the calculation of diluted earnings per share, whereas under current accounting guidance, these amounts must be estimated and included in the calculation,
- allowing forfeitures to be accounted for as they occur, instead of estimating forfeitures, and
- changing the statutory tax withholding requirements for share-based payments.

This ASU is effective for periods beginning after December 15, 2016 and early adoption is permitted. The Company early adopted this standard during the second quarter of 2016, with a retrospective effective date of January 1, 2016. The adoption of this standard resulted in a recognized income tax benefit of $1.6 million in 2016 associated with excess tax benefits on settled share-based employee payments. In addition, the Statement of Cash Flows for 2016 included the excess tax benefits as an operating activity rather than as a financing activity. Periods prior to 2016 were not restated for the adoption of this accounting standard as the Company has adopted this standard on a prospective basis beginning January 1, 2016.

ASU No. 2017-07 "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost"

In March 2017, the FASB issued ASU No. 2017-07, which amends the income statement presentation of the components of net period benefit cost for an entity's defined benefit pension and other postretirement plans. Under current GAAP, net benefit cost consists of several components that reflect different aspects of an employer's financial arrangements as well as the cost of benefits earned by employees. These components are aggregated and reported net in the financial statements. ASU 2017-07 requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost (other components) and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations.

In addition, only the service-cost component of net benefit cost is eligible for capitalization (e.g., as part of property, plant, and equipment). This is a change from current practice, under which entities capitalize the aggregate net benefit cost when applicable. Because Avista Corp. is a rate-regulated entity and all components of net benefit cost are required to be capitalized within utility plant when applicable, this will result in a Regulatory/GAAP difference because for GAAP, the other components of net benefit cost will be capitalized as regulatory assets (because they are still allowable costs) but for regulatory reporting, they will be included in utility plant.

This ASU is effective for periods beginning after December 15, 2017 and early adoption is permitted. Upon adoption entities must use a retrospective transition method to adopt the requirement for separate presentation in the income statement and a prospective transition method to adopt the requirement to limit the capitalization of benefit costs to the service cost component. The Company evaluated this standard and does not expect to early adopt this standard. Also, the Company is still evaluating the impact to its financial statements upon adoption of this standard.

NOTE 3. BUSINESS ACQUISITIONS

Alaska Energy and Resources Company

On July 1, 2014, the Company acquired AERC, based in Juneau, Alaska, and as of that date, AERC became a wholly-owned subsidiary of Avista Corp.

The primary subsidiary of AERC is AEL&P, a regulated utility which provides electric services to approximately 17,000 customers in Juneau, Alaska. In addition to the regulated utility, AERC owns AJT Mining, which is an inactive mining company holding certain properties.

The purpose of the acquisition was to expand and diversify Avista Corp.'s energy assets and deliver long-term value to its customers, communities and investors.

In connection with the closing, Avista Corp. issued 4,501,441 new shares of common stock to the shareholders of AERC based on a contractual formula that resulted in a price of $32.46 per share, reflecting a purchase price of $170.0 million, plus acquired cash, less outstanding debt and other closing adjustments. Avista Corp. also paid $4.8 million in cash. The total fair value of all consideration transferred was $154.9 million and resulted in goodwill of $52.4 million, which is not deductible for tax purposes.

The majority of AERC's operations are subject to the rate-setting authority of the RCA and are accounted for pursuant to GAAP, including the accounting guidance for regulated operations. The rate-setting and cost recovery provisions currently in place for AERC's regulated operations provide revenues derived from costs, including a return on investment, of assets and liabilities included in rate base. Due to this regulation, the fair values of AERC's assets and liabilities subject to these rate-setting provisions were assumed to approximate their carrying values. There were not any identifiable intangible assets associated with this acquisition. The excess of the purchase consideration over the estimated fair values of the assets acquired and liabilities assumed was recognized as goodwill at the acquisition date. The goodwill reflects the value paid for the expected continued growth of a rate-regulated business located in a defined service area with a constructive regulatory environment, the attractiveness of stable, growing cash flows, as well as providing a platform for potential future growth outside of the rate-regulated electric utility in Alaska and potential additional utility investment.

NOTE 4. DISCONTINUED OPERATIONS

On June 30, 2014, Avista Capital, completed the sale of its interest in Ecova to Cofely USA Inc., an unrelated party to Avista Corp. The sales price was $335.0 million in cash, less the payment of debt and other customary closing adjustments. At the closing of the transaction on June 30, 2014, Ecova became a wholly-owned subsidiary of Cofely USA Inc. and the Company has not had and will not have any further involvement with Ecova after such date.

The purchase price of $335.0 million, as adjusted, was divided among all the security holders of Ecova pro rata based on ownership. After consideration of all escrow amounts received, the sales transaction provided cash proceeds to Avista Corp., net of debt, payment to option and minority holders, income taxes and transaction expenses, of $143.7 million, and resulted in a net gain of $74.8 million. Almost all of the net gain was recognized in 2014 with some true-ups during 2015.

NOTE 5. DERIVATIVES AND RISK MANAGEMENT

Energy Commodity Derivatives

Avista Corp. is exposed to market risks relating to changes in electricity and natural gas commodity prices and certain other fuel prices. Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative commodity instruments. Avista Corp. utilizes derivative instruments, such as forwards, futures, swaps and options in order to manage the various risks relating to these commodity price exposures. The Company has an energy resources risk policy and control procedures to manage these risks.

As part of the Company's resource procurement and management operations in the electric business, the Company engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve the Company's load obligations and the use of these resources to capture available economic value. The Company transacts in wholesale markets by selling and purchasing electric capacity and energy, fuel for electric generation, and derivative contracts related to capacity, energy and fuel. Such transactions are part of the process of matching resources with load obligations and hedging the related financial risks. These transactions range from terms of intra-hour up to multiple years.

As part of its resource procurement and management of its natural gas business, the Company makes continuing projections of its natural gas loads and assesses available natural gas resources including natural gas storage availability. Natural gas resource planning typically includes peak requirements, low and average monthly requirements and delivery constraints from natural gas supply locations to the Company's distribution system. However, daily variations in natural gas demand can be significantly different than monthly demand projections. On the basis of these projections, the Company plans and executes a series of transactions to hedge a portion of its projected natural gas requirements through forward market transactions and derivative instruments. These transactions may extend as much as four natural gas operating years (November through October) into the future. Avista Corp. also leaves a significant portion of its natural gas supply requirements unhedged for purchase in short-term and spot markets.

The Company is required to plan for sufficient natural gas delivery capacity to serve its retail customers for a theoretical peak day event. The Company generally has more pipeline and storage capacity than what is needed during periods other than a peak day. The Company optimizes its natural gas resources by using market opportunities to generate economic value that helps mitigate fixed costs. Avista Corp. also optimizes its natural gas storage capacity by purchasing and storing natural gas when prices are traditionally lower, typically in the summer, and withdrawing during higher priced months, typically during the winter. However, if market conditions and prices indicate that the Company should buy or sell natural gas during other times in the year, the Company engages in optimization transactions to capture value in the marketplace. Natural gas optimization activities include, but are not limited to, wholesale market sales of surplus natural gas supplies, purchases and sales of natural gas to optimize use of pipeline and storage capacity, and participation in the transportation capacity release market.

The following table presents the underlying energy commodity derivative volumes as of December 31, 2016 that are expected to be settled in each respective year (in thousands of MWhs and mmBTUs):

	Purchases		Sales	
	Electric Derivatives	Gas Derivatives	Electric Derivatives	Gas Derivatives

Year	Physical (1) MWh	Financial (1) MWh	Physical (1) mmBTUs	Financial (1) mmBTUs	Physical (1) MWh	Financial (1) MWh	Physical (1) mmBTUs	Financial (1) mmBTUs
2017	510	907	15,475	110,380	316	1,552	4,165	73,110
2018	397	—	—	52,755	286	1,244	1,360	15,113
2019	235	—	610	29,475	158	982	1,345	4,020
2020	—	—	910	2,725	—	—	1,430	—
2021	—	—	—	—	—	—	1,060	—
Thereafter	—	—	—	—	—	—	—	—

The following table presents the underlying energy commodity derivative volumes as of December 31, 2015 that were expected to be settled in each respective year (in thousands of MWhs and mmBTUs):

	Purchases				Sales			
	Electric Derivatives		Gas Derivatives		Electric Derivatives		Gas Derivatives	
Year	Physical (1) MWh	Financial (1) MWh	Physical (1) mmBTUs	Financial (1) mmBTUs	Physical (1) MWh	Financial (1) MWh	Physical (1) mmBTUs	Financial (1) mmBTUs
2016	407	1,954	17,252	142,693	280	2,656	3,182	112,233
2017	397	97	675	49,200	255	483	1,360	26,965
2018	397	—	—	15,118	286	—	1,360	2,738
2019	235	—	305	6,935	158	—	1,345	—
2020	—	—	455	905	—	—	1,430	—
Thereafter	—	—	—	—	—	—	1,060	—

(1) Physical transactions represent commodity transactions in which Avista Corp. will take or make delivery of either electricity or natural gas; financial transactions represent derivative instruments with delivery of cash in the amount of benefit or cost but with no physical delivery of the commodity, such as futures, swaps, options, or forward contracts.

The electric and natural gas derivative contracts above will be included in either power supply costs or natural gas supply costs during the period they are settled and will be included in the various recovery mechanisms (ERM, PCA, and PGAs), or in the general rate case process, and are expected to be collected through retail rates from customers. Any transactions that result in gains will be used to reduce retail rates charged to customers in the future.

Foreign Currency Exchange Derivatives

A significant portion of Avista Corp.'s natural gas supply (including fuel for power generation) is obtained from Canadian sources. Most of those transactions are executed in U.S. dollars, which avoids foreign currency risk. A portion of Avista Corp.'s short-term natural gas transactions and long-term Canadian transportation contracts are committed based on Canadian currency prices and settled within 60 days with U.S. dollars. Avista Corp. hedges a portion of the foreign currency risk by purchasing Canadian currency exchange derivatives when such commodity transactions are initiated. The foreign currency exchange derivatives and the unhedged foreign currency risk have not had a material effect on the Company's financial condition, results of operations or cash flows and these differences in cost related to currency fluctuations are included with natural gas supply costs for ratemaking.

The following table summarizes the foreign currency hedges that the Company has entered into as of December 31 (dollars in thousands):

	2016	2015

Number of contracts	21	24
Notional amount (in United States dollars)	$ 2,819	$ 1,463
Notional amount (in Canadian dollars)	3,754	2,002

Interest Rate Swap Derivatives

Avista Corp. is affected by fluctuating interest rates related to a portion of its existing debt, and future borrowing requirements. The Company hedges a portion of its interest rate risk with financial derivative instruments, which may include interest rate swap derivatives and U.S. Treasury lock agreements. These interest rate swap derivatives and U.S. Treasury lock agreements are considered economic hedges against fluctuations in future cash flows associated with anticipated debt issuances.

The following table summarizes the unsettled interest rate swap derivatives that the Company has outstanding as of the balance sheet date indicated below (dollars in thousands):

Balance Sheet Date	Number of Contracts	Notional Amount	Mandatory Cash Settlement Date
December 31, 2016	6	75,000	2017
	14	275,000	2018
	6	70,000	2019
	2	20,000	2020
	5	60,000	2022
December 31, 2015	6	115,000	2016
	3	45,000	2017
	11	245,000	2018
	2	30,000	2019
	1	20,000	2022

During the third quarter 2016, in connection with the execution of a purchase agreement for bonds that the Company issued in December 2016, the Company cash-settled seven interest rate swap derivatives (notional aggregate amount of $125.0 million) and paid a total of $54.0 million. The interest rate swap derivatives were settled in connection with the pricing of $175.0 million of Avista Corp. first mortgage bonds that were issued in December 2016 (see Note 12). Upon settlement of interest rate swap derivatives, the cash payments made or received are recorded as a regulatory asset or liability and are subsequently amortized as a component of interest expense over the life of the associated debt. The settled interest rate swap derivatives are also included as a part of the Company's cost of debt calculation for ratemaking purposes.

The fair value of outstanding interest rate swap derivatives can vary significantly from period to period depending on the total notional amount of swaps outstanding and fluctuations in market interest rates compared to the interest rates fixed by the swaps. The Company would be required to make cash payments to settle the interest rate swap derivatives if the fixed rates are higher than prevailing market rates at the date of settlement. Conversely, the Company receives cash to settle its interest rate swap derivatives when prevailing market rates at the time of settlement exceed the fixed swap rates.

Summary of Outstanding Derivative Instruments

The amounts recorded on the Balance Sheet as of December 31, 2016 and December 31, 2015 reflect the offsetting of derivative assets and liabilities where a legal right of offset exists.

The following table presents the fair values and locations of derivative instruments recorded on the Balance Sheet as of December 31, 2016 (in thousands):

	Fair Value			
Derivative and Balance Sheet Location	Gross	Gross	Collateral	Net Asset (Liability) in Balance Sheet
Foreign currency exchange derivatives				
Derivative instrument liabilities current	$ 5	$ (28)	$ —	$ (23)
Interest rate swap derivatives				
Derivative instrument assets current	3,393	—	—	3,393
Long-term portion of derivative assets	5,754	(397)	—	5,357
Derivative instrument liabilities current	—	(15,756)	9,731	(6,025)
Long-term portion of derivative liabilities	3,951	(57,825)	25,169	(28,705)
Energy commodity derivatives				
Derivative instrument assets current	18,682	(16,787)	—	1,895
Derivative instrument liabilities current	16,335	(29,598)	6,228	(7,035)
Long-term portion of derivative liabilities	13,071	(29,990)	3,630	(13,289)
Total derivative instruments recorded on the balance sheet	$ 61,191	$ (150,381)	$ 44,758	$ (44,432)

The following table presents the fair values and locations of derivative instruments recorded on the Balance Sheet as of December 31, 2015 (in thousands):

	Fair Value			
Derivative and Balance Sheet Location	Gross	Gross	Collateral	Net Asset (Liability) in Balance Sheet
Foreign currency exchange derivatives				
Derivative instrument liabilities current	$ 2	$ (19)	$ —	$ (17)
Interest rate swap derivatives				
Long-term portion of derivative assets	23	—	—	23
Derivative instrument liabilities current	118	(23,262)	3,880	(19,264)
Long-term portion of derivative liabilities	1,407	(62,236)	30,150	(30,679)
Energy commodity derivatives				
Derivative instrument assets current	1,236	(553)	—	683
Derivative instrument liabilities current	67,466	(85,409)	3,675	(14,268)
Long-term portion of derivative liabilities	6,613	(39,033)	10,851	(21,569)
Total derivative instruments recorded on the balance sheet	$ 76,865	$ (210,512)	$ 48,556	$ (85,091)

Exposure to Demands for Collateral

The Company's derivative contracts often require collateral (in the form of cash or letters of credit) or other credit enhancements, or reductions or terminations of a portion of the contract through cash settlement, in the event of a downgrade in the Company's credit ratings or changes in market prices. In periods of price volatility, the level of exposure can change significantly. As a result, sudden and significant demands may be made against the Company's credit facilities and cash. The Company actively monitors the exposure to possible collateral calls and takes steps to mitigate capital requirements.

The following table presents the Company's collateral outstanding related to its derivative instruments as of as of December 31 (in thousands):

	2016	2015
Energy commodity derivatives		
Cash collateral posted	$ 17,134	$ 28,716
Letters of credit outstanding	24,400	28,200
Balance sheet offsetting (cash collateral against net derivative positions)	9,858	14,526
Interest rate swap derivatives		
Cash collateral posted	34,900	34,030
Letters of credit outstanding	3,600	9,600
Balance sheet offsetting (cash collateral against net derivative positions)	34,900	34,030

Certain of the Company’s derivative instruments contain provisions that require the Company to maintain an "investment grade" credit rating from the major credit rating agencies. If the Company’s credit ratings were to fall below “investment grade,” it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing collateralization on derivative instruments in net liability positions.

The following table presents the aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position and the amount of additional collateral the Company could be required to post as of December 31 (in thousands):

	2016	2015
Energy commodity derivatives		
Liabilities with credit-risk-related contingent features	$ 1,124	$ 7,090
Additional collateral to post	1,046	6,980
Interest rate swap derivatives		
Liabilities with credit-risk-related contingent features	73,978	85,498
Additional collateral to post	21,100	18,750

NOTE 6. JOINTLY OWNED ELECTRIC FACILITIES

The Company has a 15 percent ownership interest in a twin-unit coal-fired generating facility, Colstrip, located in southeastern Montana, and provides financing for its ownership interest in the project. The Company’s share of related fuel costs as well as operating expenses for plant in service are included in the corresponding accounts in the Statements of Income. The Company’s share of utility plant in service for Colstrip and accumulated depreciation (inclusive of the ARO assets and accumulated amortization) were as follows as of December 31 (dollars in thousands):

	2016	2015
Utility plant in service	$ 380,406	$ 362,199

Accumulated depreciation	(249,359)	(243,363)

See Note 7 for further discussion of AROs.

NOTE 7. ASSET RETIREMENT OBLIGATIONS

The Company has recorded liabilities for future AROs to:

- restore coal ash containment ponds at Colstrip,
- cap a landfill at the Kettle Falls Plant,
- remove plant and restore the land at the Coyote Springs 2 site at the termination of the land lease, and
- dispose of PCBs in certain transformers.

Due to an inability to estimate a range of settlement dates, the Company cannot estimate a liability for the:

- removal and disposal of certain transmission and distribution assets, and
- abandonment and decommissioning of certain hydroelectric generation and natural gas storage facilities.

On April 17, 2015, the EPA published a final rule regarding coal combustion residuals (CCR), also termed coal combustion byproducts or coal ash, in the Federal Register, and this rule became effective on October 15, 2015. Colstrip, of which Avista Corp. is a 15 percent owner of units 3 & 4, produces this byproduct. The rule established technical requirements for CCR landfills and surface impoundments under Subtitle D of the Resource Conservation and Recovery Act, the nation's primary law for regulating solid waste. The Company, in conjunction with the other Colstrip owners, developed a multi-year compliance plan to strategically address the CCR requirements and existing state obligations while maintaining operational stability. During 2015, the operator of Colstrip provided an initial cost estimate of the expected retirement costs associated with complying with the new CCR rule. Based on the initial assessments, Avista Corp. recorded an increase to its ARO of $12.5 million during 2015 with a corresponding increase in the cost basis of the utility plant. During 2016, due to additional information and updated estimates, the ARO increased to $13.6 million (including accretion of $0.7 million).

The actual asset retirement costs related to the CCR rule requirements may vary substantially from the estimates used to record the increased ARO due to uncertainty about the compliance strategies that will be used and the preliminary nature of available data used to estimate costs, such as the quantity of coal ash present at certain sites and the volume of fill that will be needed to cap and cover certain impoundments. Avista Corp. will coordinate with the plant operator and continue to gather additional data in future periods to make decisions about compliance strategies and the timing of closure activities. As additional information becomes available, Avista Corp. will update the ARO for these changes in estimates, which could be material. The Company expects to seek recovery of any increased costs related to complying with the new rule through customer rates.

The following table documents the changes in the Company’s asset retirement obligation during the years ended December 31 (dollars in thousands):

	2016	2015
Asset retirement obligation at beginning of year	$ 15,997	$ 3,028
Liabilities incurred	430	12,539
Liabilities settled	(1,529)	(29)
Accretion expense	617	459
Asset retirement obligation at end of year	$ 15,515	$ 15,997

NOTE 8. PENSION PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company has a defined benefit pension plan covering the majority of all regular full-time employees at Avista Corp. that were hired prior to January 1, 2014. Individual benefits under this plan are based upon the employee's years of service, date of hire and average compensation as specified in the plan. Non-union employees hired on or after January 1, 2014 participate in a defined contribution 401(k) plan in lieu of a defined benefit pension plan. The Company's funding policy is to contribute at least the minimum amounts that are required to be funded under the Employee Retirement Income Security Act, but not more than the maximum amounts that are currently deductible for income tax purposes. The Company contributed $12.0 million in cash to the pension plan in 2016, $12.0 million in 2015 and $32.0 million in 2014. The Company expects to contribute $22.0 million in cash to the pension plan in 2017.

The Company also has a SERP that provides additional pension benefits to executive officers and certain key employees of the Company. The SERP is intended to provide benefits to individuals whose benefits under the defined benefit pension plan are reduced due to the application of Section 415 of the Internal Revenue Code of 1986 and the deferral of salary under deferred compensation plans. The liability and expense for this plan are included as pension benefits in the tables included in this Note.

The Company expects that benefit payments under the pension plan and the SERP will total (dollars in thousands):

	2017	2018	2019	2020	2021	Total 2022-2026
Expected benefit payments	$ 30,971	$ 32,014	$ 33,047	$ 34,545	$ 35,892	$ 196,322

The expected long-term rate of return on plan assets is based on past performance and economic forecasts for the types of investments held by the plan. In selecting a discount rate, the Company considers yield rates for highly rated corporate bond portfolios with maturities similar to that of the expected term of pension benefits.

The Company provides certain health care and life insurance benefits for eligible retired employees that were hired prior to January 1, 2014. The Company accrues the estimated cost of postretirement benefit obligations during the years that employees provide services. The liability and expense of this plan are included as other postretirement benefits. Non-union employees hired on or after January 1, 2014, will have access to the retiree medical plan upon retirement; however, Avista Corp. will no longer provide a contribution toward their medical premium.

The Company has a Health Reimbursement Arrangement (HRA) to provide employees with tax-advantaged funds to pay for allowable medical expenses upon retirement. The amount earned by the employee is fixed on the retirement date based on the employee's years of service and the ending salary. The liability and expense of the HRA are included as other postretirement benefits.

The Company provides death benefits to beneficiaries of executive officers who die during their term of office or after retirement. Under the plan, an executive officer's designated beneficiary will receive a payment equal to twice the executive officer's annual base salary at the time of death (or if death occurs after retirement, a payment equal to twice the executive officer's total annual pension benefit). The liability and expense for this plan are included as other postretirement benefits.

The Company expects that benefit payments under other postretirement benefit plans will total (dollars in thousands):

	2017	2018	2019	2020	2021	Total 2022-2026
Expected benefit payments	$ 6,991	$ 7,302	$ 7,580	$ 6,479	$ 6,675	$ 34,704

The Company expects to contribute $7.0 million to other postretirement benefit plans in 2017, representing expected benefit payments to be paid during the year excluding the Medicare Part D subsidy. The Company uses a December 31 measurement date for its pension and other postretirement benefit plans.

The following table sets forth the pension and other postretirement benefit plan disclosures as of December 31, 2016 and 2015 and the components of net periodic benefit costs for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Pension Benefits		Other Post-retirement Benefits	
	2016	2015	2016	2015
Change in benefit obligation:				
Benefit obligation as of beginning of year	$ 613,503	$ 634,674	$ 138,795	$ 127,989
Service cost	18,302	19,791	3,205	2,925
Interest cost	27,544	26,117	6,110	5,158
Actuarial (gain)/loss	39,997	(35,790)	(3,648)	12,668
Plan change	—	(228)	—	(1,000)
Cumulative adjustment to reclassify liability	—	—	(1,042)	(1,521)
Benefits paid	(32,874)	(31,061)	(6,967)	(7,424)
Benefit obligation as of end of year	$ 666,472	$ 613,503	$ 136,453	$ 138,795
Change in plan assets:				
Fair value of plan assets as of beginning of year	$ 517,234	$ 539,311	$ 30,868	$ 31,312
Actual return on plan assets	43,212	(4,305)	2,497	(444)
Employer contributions	12,000	12,000	—	—
Benefits paid	(31,532)	(29,772)	—	—
Fair value of plan assets as of end of year	$ 540,914	$ 517,234	$ 33,365	$ 30,868
Funded status	$ (125,558)	$ (96,269)	$ (103,088)	$ (107,927)
Unrecognized net actuarial loss	178,783	162,961	81,979	92,433
Unrecognized prior service cost	23	25	(8,981)	(10,180)
Prepaid (accrued) benefit cost	53,248	66,717	(30,090)	(25,674)
Additional liability	(178,806)	(162,986)	(72,998)	(82,253)
Accrued benefit liability	$ (125,558)	$ (96,269)	$ (103,088)	$ (107,927)
Accumulated pension benefit obligation	$ 583,498	$ 542,209	—	—
Accumulated postretirement benefit obligation:				
For retirees			$ 60,670	$ 65,652
For fully eligible employees			$ 34,429	$ 34,498
For other participants			$ 41,354	$ 38,645
Included in accumulated other comprehensive loss (income) (net of tax):				
Unrecognized prior service cost	$ 15	$ 16	$ (5,854)	$ (6,617)
Unrecognized net actuarial loss	116,209	105,925	53,303	60,081
Total	116,224	105,941	47,449	53,464
Less regulatory asset	(108,903)	(99,414)	(47,202)	(53,341)
Accumulated other comprehensive loss for unfunded benefit				

obligation for pensions and other postretirement benefit plans	$ 7,321	$ 6,527	$ 247	$ 123

	Pension Benefits		Other Post-retirement Benefits	
	2016	2015	2016	2015
Weighted-average assumptions as of December 31:				
Discount rate for benefit obligation	4.26%	4.57%	4.23%	4.57%
Discount rate for annual expense	4.57%	4.21%	4.57%	4.16%
Expected long-term return on plan assets	5.40%	5.30%	6.03%	6.36%
Rate of compensation increase	4.78%	4.87%		
Medical cost trend pre-age 65 – initial			7.00%	7.00%
Medical cost trend pre-age 65 – ultimate			5.00%	5.00%
Ultimate medical cost trend year pre-age 65			2023	2022
Medical cost trend post-age 65 – initial			7.00%	7.00%
Medical cost trend post-age 65 – ultimate			5.00%	5.00%
Ultimate medical cost trend year post-age 65			2024	2023

	Pension Benefits		Other Post-retirement Benefits	
	2016	2015	2016	2015
Components of net periodic benefit cost:				
Service cost	$ 18,302	$ 19,791	$ 3,205	$ 2,925
Interest cost	27,544	26,117	6,110	5,158
Expected return on plan assets	(27,547)	(28,299))	(1,861)	(1,991)
Amortization of prior service cost	2	2	(1,208)	(1,199)
Net loss recognition	8,511	9,451	5,728	5,095
Net periodic benefit cost	$ 26,812	$ 27,062	$ 11,974	$ 9,988

Plan Assets

The Finance Committee of the Company's Board of Directors approves investment policies, objectives and strategies that seek an appropriate return for the pension plan and other postretirement benefit plans and reviews and approves changes to the investment and funding policies.

The Company has contracted with investment consultants who are responsible for managing/monitoring the individual investment managers. The investment managers' performance and related individual fund performance is periodically reviewed by an internal benefits committee and by the Finance Committee to monitor compliance with investment policy objectives and strategies.

Pension plan assets are invested in mutual funds, trusts and partnerships that hold marketable debt and equity securities, real estate, absolute return and commodity funds. In seeking to obtain the desired return to fund the pension plan, the investment consultant recommends allocation percentages by asset classes. These recommendations are reviewed by the internal benefits committee, which then recommends their adoption by the Finance Committee. The Finance Committee has established target investment allocation percentages by asset classes and also investment ranges for each asset class. The target investment allocation percentages are typically the midpoint of the established range. The target investment allocation percentages by asset classes are indicated in the table below:

	2016	2015
Equity securities	37%	27%
Debt securities	45%	58%
Real estate	8%	6%
Absolute return	10%	9%

The 2016 target investment allocation percentages were revised in the fourth quarter of 2016 and the pension plan assets were subsequently reinvested during the fourth quarter of 2016 and first quarter of 2017 to move toward the new target investment allocation percentages. The target asset allocation percentages were modified to better align the asset allocations with the funded status of the pension plan. Future contributions to the plan will also be increased to improve the funded status of the plan.

The fair value of pension plan assets invested in debt and equity securities was based primarily on fair value (market prices). The fair value of investment securities traded on a national securities exchange is determined based on the reported last sales price; securities traded in the over-the-counter market are valued at the last reported bid price. Investment securities for which market prices are not readily available or for which market prices do not represent the value at the time of pricing, the investment manager estimates fair value based upon other inputs (including valuations of securities that are comparable in coupon, rating, maturity and industry). Investments in common/collective trust funds are presented at estimated fair value, which is determined based on the unit value of the fund. Unit value is determined by an independent trustee, which sponsors the fund, by dividing the fund’s net assets by its units outstanding at the valuation date. The Company's investments in common/collective trusts have redemption limitations that permit quarterly redemptions following notice requirements of 45 to 60 days. The fair values of the closely held investments and partnership interests are based upon the allocated share of the fair value of the underlying assets as well as the allocated share of the undistributed profits and losses, including realized and unrealized gains and losses. Most of the Company's investments in closely held investments and partnership interests have redemption limitations that range from bi-monthly to semi-annually following redemption notice requirements of 60 to 90 days. One investment in a partnership has a lock-up for redemption currently expiring in 2022 and is subject to extension.

The fair value of pension plan assets invested in real estate was determined by the investment manager based on three basic approaches:

- properties are externally appraised on an annual basis by independent appraisers, additional appraisals may be performed as warranted by specific asset or market conditions,
- property valuations are reviewed quarterly and adjusted as necessary, and
- loans are reflected at fair value.

The fair value of pension plan assets was determined as of December 31, 2016 and 2015.

Pension plan other postretirement plan assets whose fair values are measured using net asset value (NAV) are excluded from the fair value hierarchy and are included as reconciling items in the tables below.

The following table discloses by level within the fair value hierarchy (see Note 14 for a description of the fair value hierarchy) of the pension plan’s assets measured and reported as of December 31, 2016 at fair value (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ —	$ 10,179	$ —	$ 10,179
Fixed income securities:				
U.S. government issues	—	30,919	—	30,919
Corporate issues	—	193,563	—	193,563
International issues	—	34,145	—	34,145
Municipal issues	—	18,888	—	18,888
Mutual funds:				
U.S. equity securities	120,856	—	—	120,856
International equity securities	30,025	—	—	30,025
Absolute return (1)	6,622	—	—	6,622
Plan assets measured at NAV (not subject to hierarchy disclosure)				
Common/collective trusts:				
Real estate	—	—	—	19,779
International equity securities	—	—	—	29,140
Partnership/closely held investments:				
Absolute return (1)	—	—	—	39,077
Private equity funds (2)	—	—	—	72
Real estate	—	—	—	7,649
Total	$ 157,503	$ 287,694	$ —	$ 540,914

The following table discloses by level within the fair value hierarchy (see Note 14 for a description of the fair value hierarchy) of the pension plan's assets measured and reported as of December 31, 2015 at fair value (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 86	$ 10,641	$ —	$ 10,727
Fixed income securities:				
U.S. government issues	—	47,845	—	47,845
Corporate issues	—	187,308	—	187,308
International issues	—	34,458	—	34,458
Municipal issues	—	22,416	—	22,416
Mutual funds:				
U.S. equity securities	87,678	—	—	87,678
International equity securities	40,343	—	—	40,343
Absolute return (1)	13,996	—	—	13,996
Plan assets measured at NAV (not subject to hierarchy disclosure)				
Common/collective trusts:				
Real estate	—	—	—	24,147
Partnership/closely held investments:				
Absolute return (1)	—	—	—	38,302

Private equity funds (2)	—	—	—	73
Real estate	—	—	—	9,941
Total	$ 142,103	$ 302,668	$ —	$ 517,234

(1) This category invests in multiple strategies to diversify risk and reduce volatility. The strategies include: (a) event driven, relative value, convertible, and fixed income arbitrage, (b) distressed investments, (c) long/short equity and fixed income, and (d) market neutral strategies.
(2) This category includes private equity funds that invest primarily in U.S. companies.

The fair value of other postretirement plan assets invested in debt and equity securities was based primarily on market prices. The fair value of investment securities traded on a national securities exchange is determined based on the last reported sales price; securities traded in the over-the-counter market are valued at the last reported bid price. Investment securities for which market prices are not readily available are fair-valued by the investment manager based upon other inputs (including valuations of securities that are comparable in coupon, rating, maturity and industry). The target asset allocation was 60 percent equity securities and 40 percent debt securities in both 2016 and 2015.

The fair value of other postretirement plan assets was determined as of December 31, 2016 and 2015.

The following table discloses by level within the fair value hierarchy (see Note 14 for a description of the fair value hierarchy) of other postretirement plan assets measured and reported as of December 31, 2016 at fair value (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ —	$ 6	$ —	$ 6
Mutual funds:				
Balanced index fund (1)	33,359	—	—	33,359
Total	$ 33,359	$ 6	$ —	$ 33,365

(1) The balanced index fund is a single mutual fund that includes a percentage of U.S. equity securities, fixed income securities and International securities.

The following table discloses by level within the fair value hierarchy (see Note 14 for a description of the fair value hierarchy) of other postretirement plan assets measured and reported as of December 31, 2015 at fair value (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ —	$ 9	$ —	$ 9
Mutual funds:				
Fixed income securities	12,000	—	—	12,000
U.S. equity securities	13,224	—	—	13,224
International equity securities	5,635	—	—	5,635
Total	$ 30,859	$ 9	$ —	$ 30,868

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 2016 by $8.6 million and the service and interest cost by $1.0 million. A one-percentage-point decrease in the assumed health care cost trend rate for each year would decrease the accumulated postretirement benefit obligation as of December 31, 2016 by $6.7 million and the service and interest cost by $0.7 million.

401(k) Plans and Executive Deferral Plan

Avista Corp. has a salary deferral 401(k) plans that is a defined contribution plan and covers substantially all employees. Employees can make contributions to their respective accounts in the plans on a pre-tax basis up to the maximum amount permitted by law. The Company matches a portion of the salary deferred by each participant according to the schedule in the respective plan.

Employer matching contributions were as follows for the years ended December 31 (dollars in thousands):

	2016	2015
Employer 401(k) matching contributions	$ 8,555	$ 7,875

The Company has an Executive Deferral Plan. This plan allows executive officers and other key employees the opportunity to defer until the earlier of their retirement, termination, disability or death, up to 75 percent of their base salary and/or up to 100 percent of their incentive payments. Deferred compensation funds are held by the Company in a Rabbi Trust.

There were deferred compensation assets and corresponding deferred compensation liabilities on the Balance Sheets of the following amounts as of December 31 (dollars in thousands):

	2016	2015
Deferred compensation assets and liabilities	$ 7,679	$ 8,093

NOTE 9. ACCOUNTING FOR INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and tax credit carryforwards.

The realization of deferred income tax assets is dependent upon the ability to generate taxable income in future periods. The Company evaluated available evidence supporting the realization of its deferred income tax assets and determined it is more likely than not that deferred income tax assets will be realized.

As of December 31, 2016, the Company had $17.1 million of state tax credit carryforwards of which it is expected $7.9 million may expire unused; the Company has reflected the net amount of $9.2 million as an asset at December 31, 2016. State tax credits expire from 2019 to 2028.

The Company and its eligible subsidiaries file consolidated federal income tax returns. The Company also files state income tax returns in certain jurisdictions, including Idaho, Oregon and Montana. Subsidiaries are charged or credited with the tax effects of their operations on a stand-alone basis. The Internal Revenue Service (IRS) has completed its examination of all tax years through 2011 and all issues were resolved related to these years. The statute of limitations for the IRS to review the 2012 tax year has expired, leaving the 2013 through 2015 tax years still open for review. The Company believes that any open tax years for federal or state income taxes will not result in adjustments that would be significant to the financial statements.

The Company had net regulatory assets related to the probable recovery of certain deferred income tax liabilities from customers through future rates as of December 31 (dollars in thousands):

	2016	2015
Regulatory assets for deferred income taxes	$ 109,853	$ 101,240

Regulatory liabilities for deferred income taxes	28,966	17,609

NOTE 10. ENERGY PURCHASE CONTRACTS

Avista Corp. has contracts for the purchase of fuel for thermal generation, natural gas for resale and various agreements for the purchase or exchange of electric energy with other entities. The remaining term of the contracts range from one month to twenty-five years.

Total expenses for power purchased, natural gas purchased, fuel for generation and other fuel costs, which are included in utility resource costs in the Statements of Income, were as follows for the years ended December 31 (dollars in thousands):

	2016	2015
Utility power resources	$ 402,575	$ 511,937

The following table details Avista Corp.'s future contractual commitments for power resources (including transmission contracts) and natural gas resources (including transportation contracts) (dollars in thousands):

	2017	2018	2019	2020	2021	Thereafter	Total
Power resources	$ 202,494	$ 187,080	$ 174,285	$ 109,878	$ 96,485	$ 775,548	$ 1,545,770
Natural gas resources	95,549	65,230	53,860	41,340	29,306	349,468	634,753
Total	$ 298,043	$ 252,310	$ 228,145	$ 151,218	$ 125,791	$ 1,125,016	$ 2,180,523

These energy purchase contracts were entered into as part of Avista Corp.'s obligation to serve its retail electric and natural gas customers' energy requirements, including contracts entered into for resource optimization. As a result, these costs are recovered either through base retail rates or adjustments to retail rates as part of the power and natural gas cost deferral and recovery mechanisms.

The above future contractual commitments for power resources include fixed contractual amounts related to the Company's contracts with certain PUDs to purchase portions of the output of certain generating facilities. Although Avista Corp. has no investment in the PUD generating facilities, the fixed contracts obligate Avista Corp. to pay certain minimum amounts whether or not the facilities are operating. The cost of power obtained under the contracts, including payments made when a facility is not operating, is included in utility resource costs in the Statements of Income. The contractual amounts included above consist of Avista Corp.'s share of existing debt service cost and its proportionate share of the variable operating expenses of these projects. The minimum amounts payable under these contracts are based in part on the proportionate share of the debt service requirements of the PUD's revenue bonds for which the Company is indirectly responsible. The Company's total future debt service obligation associated with the revenue bonds outstanding at December 31, 2016 (principal and interest) was $65.2 million.

In addition, Avista Corp. has operating agreements, settlements and other contractual obligations related to its generating facilities and transmission and distribution services. The following table details future contractual commitments under these agreements (dollars in thousands):

	2017	2018	2019	2020	2021	Thereafter	Total
Contractual obligations	$ 33,922	$ 28,783	$ 32,549	$ 32,160	$ 27,019	$ 189,000	$ 343,433

NOTE 11. NOTES PAYABLE

Avista Corp.

Avista Corp. has a committed line of credit with various financial institutions in the total amount of $400.0 million. A two-year option was exercised by the Company in 2016 to extend the maturity of the facility agreement to April 2021.

The committed line of credit agreement contains customary covenants and default provisions. The credit agreement has a covenant which does not permit the ratio of "consolidated total debt" to "consolidated total capitalization" of Avista Corp. to be greater than 65 percent at any time. As of December 31, 2016, the Company was in compliance with this covenant.

Balances outstanding and interest rates of borrowings (excluding letters of credit) under the Company's revolving committed lines of credit were as follows as of December 31 (dollars in thousands):

	2016	2015
Balance outstanding at end of period	$ 120,000	$ 105,000
Letters of credit outstanding at end of period	$ 34,353	$ 44,595
Average interest rate at end of period	1.50%	1.18%

As of December 31, 2016 and 2015, the borrowings outstanding under Avista Corp.'s committed line of credit were classified as short-term borrowings on the Balance Sheet.

NOTE 12. BONDS

The following details long-term debt outstanding as of December 31 (dollars in thousands):

Maturity Year	Description	Interest Rate	2016	2015
2016	First Mortgage Bonds (1)	0.84%	$ —	$ 90,000
2018	First Mortgage Bonds	5.95%	250,000	250,000
2018	Secured Medium-Term Notes	7.39%-7.45%	22,500	22,500
2019	First Mortgage Bonds	5.45%	90,000	90,000
2020	First Mortgage Bonds	3.89%	52,000	52,000
2022	First Mortgage Bonds	5.13%	250,000	250,000
2023	Secured Medium-Term Notes	7.18%-7.54%	13,500	13,500
2028	Secured Medium-Term Notes	6.37%	25,000	25,000
2032	Secured Pollution Control Bonds (2)	(2)	66,700	66,700
2034	Secured Pollution Control Bonds (2)	(2)	17,000	17,000
2035	First Mortgage Bonds	6.25%	150,000	150,000
2037	First Mortgage Bonds	5.70%	150,000	150,000
2040	First Mortgage Bonds	5.55%	35,000	35,000
2041	First Mortgage Bonds	4.45%	85,000	85,000
2044	First Mortgage Bonds	4.11%	60,000	60,000
2045	First Mortgage Bonds	4.37%	100,000	100,000
2047	First Mortgage Bonds	4.23%	80,000	80,000
2051	First Mortgage Bonds (3)	3.54%	175,000	—
	Total secured bonds		1,621,700	1,536,700
	Secured Pollution Control Bonds held by Avista Corporation (2)		(83,700)	(83,700)
	Total long-term debt		$ 1,538,000	$ 1,453,000

(1) In August 2016, Avista Corp. entered into a term loan agreement with a commercial bank in the amount of $70.0 million with a maturity date of December 30, 2016. Loans under this agreement were unsecured and had a variable annual interest rate. The Company borrowed the entire $70.0 million available under this agreement, which was used to repay a portion of the $90.0 million in first mortgage bonds that matured in August 2016. This term loan was subsequently repaid in full in December using the proceeds from the first mortgage bonds issued in December 2016 (discussed below).

(2) In December 2010, $66.7 million and $17.0 million of the City of Forsyth, Montana Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) due in 2032 and 2034, respectively, which had been held by Avista Corp. since 2008 and 2009, respectively, were refunded by new bond issues (Series 2010A and Series 2010B). The new bonds were not offered to the public and were purchased by Avista Corp. due to market conditions. The Company expects that at a later date, subject to market conditions, these bonds may be remarketed to unaffiliated investors. So long as Avista Corp. is the holder of these bonds, the bonds will not be reflected as an asset or a liability on Avista Corp.'s Balance Sheets.

(3) In December 2016, Avista Corp. issued and sold $175.0 million of 3.54 percent first mortgage bonds due in 2051 pursuant to a bond purchase agreement with institutional investors in the private placement market. The total net proceeds from the sale of the bonds were used to repay the $70.0 million term loan discussed above and to repay a portion of the borrowings outstanding under the Company's $400.0 million committed line of credit. In connection with the execution of the bond purchase agreement, the Company cash-settled seven interest rate swap derivatives (notional aggregate amount of $125.0 million) and paid a total of $54.0 million.

The following table details future long-term debt maturities including advances from associated companies (see Note 13) (dollars in thousands):

	2017	2018	2019	2020	2021	Thereafter	Total
Debt maturities	$ —	$ 272,500	$ 90,000	$ 52,000	$ —	$ 1,175,047	$ 1,589,547

Substantially all of Avista Corp.'s owned properties are subject to the lien of its mortgage indenture. Under the Mortgage and Deed of Trust (Mortgage) securing its first mortgage bonds (including secured medium-term notes), Avista Corp. may issue additional first mortgage bonds under its mortgage in an aggregate principal amount equal to the sum of:

- 66-2/3 percent of the cost or fair value (whichever is lower) of property additions which have not previously been made the basis of any application under the Mortgage, or
- an equal principal amount of retired first mortgage bonds which have not previously been made the basis of any application under the Mortgage, or
- deposit of cash.

However, Avista Corp. may not issue any additional first mortgage bonds (with certain exceptions in the case of bonds issued on the basis of retired bonds) unless it has "net earnings" (as defined in the Mortgage) for any period of 12 consecutive calendar months out of the preceding 18 calendar months that were at least twice the annual interest requirements on all mortgage securities at the time outstanding, including the first mortgage bonds to be issued, and on all indebtedness of prior rank. As of December 31, 2016, property additions and retired bonds would have allowed, and the net earnings test would not have prohibited, the issuance of $1.2 billion in aggregate principal amount of additional first mortgage bonds at Avista Corp.

NOTE 13. ADVANCES FROM ASSOCIATED COMPANIES

In 1997, the Company issued Floating Rate Junior Subordinated Deferrable Interest Debentures, Series B, with a principal amount of

$51.5 million to Avista Capital II, an affiliated business trust formed by the Company. Avista Capital II issued $50.0 million of Preferred Trust Securities with a floating distribution rate of LIBOR plus 0.875 percent, calculated and reset quarterly.

The distribution rates paid were as follows during the years ended December 31:

	2016	2015
Low distribution rate	1.29%	1.11%
High distribution rate	1.81%	1.29%
Distribution rate at the end of the year	1.81%	1.29%

Concurrent with the issuance of the Preferred Trust Securities, Avista Capital II issued $1.5 million of Common Trust Securities to the Company. These debt securities may be redeemed at the option of Avista Capital II at any time and mature on June 1, 2037. In December 2000, the Company purchased $10.0 million of these Preferred Trust Securities.

The Company owns 100 percent of Avista Capital II and has solely and unconditionally guaranteed the payment of distributions on, and redemption price and liquidation amount for, the Preferred Trust Securities to the extent that Avista Capital II has funds available for such payments from the respective debt securities. Upon maturity or prior redemption of such debt securities, the Preferred Trust Securities will be mandatorily redeemed.

NOTE 14. FAIR VALUE

The carrying values of cash and cash equivalents, special deposits, accounts and notes receivable, accounts payable and notes payable are reasonable estimates of their fair values. Bonds and advances from associated companies are reported at carrying value on the Balance Sheets.

The fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to fair values derived from unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, but which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The determination of the fair values incorporates various factors that not only include the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits and letters of credit), but also the impact of Avista Corp.'s nonperformance risk on its liabilities.

The following table sets forth the carrying value and estimated fair value of the Company's financial instruments not reported at estimated fair value on the Balance Sheets as of December 31 (dollars in thousands):

	2016		2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Bonds (Level 2)	$ 951,000	$ 1,048,661	$ 951,000	$ 1,055,797
Bonds (Level 3)	587,000	583,073	502,000	505,768
Advances from associated companies (Level 3)	51,547	38,660	51,547	36,083

These estimates of fair value of long-term debt and long-term debt to affiliated trusts were primarily based on available market information, which generally consists of estimated market prices from third party brokers for debt with similar risk and terms. The price ranges obtained from the third party brokers consisted of par values of 75.00 to 122.59, where a par value of 100.00 represents the carrying value recorded on the Balance Sheets. Level 2 long-term debt represents publicly issued bonds with quoted market prices; however, due to their limited trading activity, they are classified as Level 2 because brokers must generate quotes and make estimates using comparable debt with similar risk and terms if there is no trading activity near a period end. Level 3 long-term debt consists of private placement bonds and debt to affiliated trusts, which typically have no secondary trading activity. Fair values in Level 3 are estimated based on market prices from third party brokers using secondary market quotes for debt with similar risk and terms to generate quotes for Avista Corp. bonds.

The following table discloses by level within the fair value hierarchy the Company's assets and liabilities measured and reported on the Balance Sheets as of December 31, 2016 and 2015 at fair value on a recurring basis (dollars in thousands):

	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting (1)	Total
December 31, 2016					
Assets:					
Energy commodity derivatives	$ —	$ 47,994	$ —	$ (46,099)	$ 1,895
Level 3 energy commodity derivatives:					
Natural gas exchange agreements	—	—	69	(69)	—
Power exchange agreement	—	—	25	(25)	—
Foreign currency exchange derivatives	—	5	—	(5)	—
Interest rate swap derivatives	—	13,098	—	(4,348)	8,750
Deferred compensation assets:					
Fixed income securities	1,789	—	—	—	1,789
Equity securities	5,481	—	—	—	5,481
Total	$ 7,270	$ 61,097	$ 94	$ (50,546)	$ 17,915
Liabilities:					

Energy commodity derivatives	$ —	$ 56,871	$ —	$ (55,957)	$ 914
Level 3 energy commodity derivatives:					
Natural gas exchange agreement	—	—	5,954	(69)	5,885
Power exchange agreement	—	—	13,474	(25)	13,449
Power option agreement	—	—	76	—	76
Interest rate swap derivatives	—	73,978	—	(39,248)	34,730
Foreign currency exchange derivatives	—	28	—	(5)	23
Total	$ —	$ 130,877	$ 19,504	$ (95,304)	$ 55,077

	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting (1)	Total
December 31, 2015					
Assets:					
Energy commodity derivatives	$ —	$ 74,637	$ —	$ (73,954)	$ 683
Level 3 energy commodity derivatives:					
Natural gas exchange agreement	—	—	678	(678)	—
Foreign currency exchange derivatives	—	2	—	(2)	—
Interest rate swap derivatives	—	1,548	—	—	1,548
Deferred compensation assets:					
Fixed income securities	1,727	—	—	—	1,727
Equity securities	5,761	—	—	—	5,761
Total	$ 7,488	$ 76,187	$ 678	$ (74,634)	$ 9,719
Liabilities:					
Energy commodity derivatives	$ —	$ 97,193	$ —	$ (88,480)	$ 8,713
Level 3 energy commodity derivatives:					
Natural gas exchange agreement	—	—	5,717	(678)	5,039
Power exchange agreement	—	—	21,961	—	21,961
Power option agreement	—	—	124	—	124
Foreign currency exchange derivatives	—	19	—	(2)	17
Interest rate swap derivatives	—	85,498	—	—	85,498
Total	$ —	$ 182,710	$ 27,802	$ (89,160)	$ 121,352

(1) The Company is permitted to net derivative assets and derivative liabilities with the same counterparty when a legally enforceable master netting agreement exists. In addition, the Company nets derivative assets and derivative liabilities against any payables and receivables for cash collateral held or placed with these same counterparties.

The difference between the amount of derivative assets and liabilities disclosed in respective levels in the table above and the amount of derivative assets and liabilities disclosed on the Balance Sheets is due to netting arrangements with certain counterparties. See Note 5 for additional discussion of derivative netting.

To establish fair value for energy commodity derivatives, the Company uses quoted market prices and forward price curves to estimate the fair value of utility derivative commodity instruments included in Level 2. In particular, electric derivative valuations are performed using market quotes, adjusted for periods in between quotable periods. Natural gas derivative valuations are estimated using New York Mercantile Exchange (NYMEX) pricing for similar instruments, adjusted for basin differences, using market quotes. Where observable inputs are available for substantially the full term of the contract, the derivative asset or liability is included in Level 2.

To establish fair values for interest rate swap derivatives, the Company uses forward market curves for interest rates for the term of the swaps and discounts the cash flows back to present value using an appropriate discount rate. The discount rate is calculated by third party brokers according to the terms of the swap derivatives and evaluated by the Company for reasonableness, with consideration given to the potential non-performance risk by the Company. Future cash flows of the interest rate swap derivatives are equal to the fixed interest rate in the swap compared to the floating market interest rate multiplied by the notional amount for each period.

To establish fair value for foreign currency derivatives, the Company uses forward market curves for Canadian dollars against the US dollar and multiplies the difference between the locked-in price and the market price by the notional amount of the derivative. Forward foreign currency market curves are provided by third party brokers. The Company's credit spread is factored into the locked-in price of the foreign exchange contracts.

Deferred compensation assets and liabilities represent funds held by the Company in a Rabbi Trust for an executive deferral plan. These funds consist of actively traded equity and bond funds with quoted prices in active markets. The balance disclosed in the table above excludes cash and cash equivalents of $0.4 million as of December 31, 2016 and $0.6 million as of December 31, 2015.

Level 3 Fair Value

Under the power exchange agreement the Company purchases power at a price that is based on the average operating and maintenance (O&M) charges from three surrogate nuclear power plants around the country. To estimate the fair value of this agreement the Company estimates the difference between the purchase price based on the future O&M charges and forward prices for energy. The Company compares the Level 2 brokered quotes and forward price curves described above to an internally developed forward price which is based on the average O&M charges from the three surrogate nuclear power plants for the current year. Because the nuclear power plant O&M charges are only known for one year, all forward years are estimated assuming an annual escalation. In addition to the forward price being estimated using unobservable inputs, the Company also estimates the volumes of the transactions that will take place in the future based on historical average transaction volumes per delivery year (November to April). Significant increases or decreases in any of these inputs in isolation would result in a significantly higher or lower fair value measurement. Generally, a change in the current year O&M charges for the surrogate plants is accompanied by a directionally similar change in O&M charges in future years. There is generally not a correlation between external market prices and the O&M charges used to develop the internal forward price.

For the power commodity option agreement, the Company uses the Black-Scholes-Merton valuation model to estimate the fair value, and this model includes significant inputs not observable or corroborated in the market. These inputs include: 1) the strike price (which is an internally derived price based on a combination of generation plant heat rate factors, natural gas market pricing, delivery and other O&M charges), 2) estimated delivery volumes, and 3) volatility rates. Significant increases or decreases in any of these inputs in isolation would result in a significantly higher or lower fair value measurement. Generally, changes in overall commodity market prices and volatility rates are accompanied by directionally similar changes in the strike price and volatility assumptions used in the calculation.

For the natural gas commodity exchange agreement, the Company uses the same Level 2 brokered quotes described above; however, the Company also estimates the purchase and sales volumes (within contractual limits) as well as the timing of those transactions. Changing the timing of volume estimates changes the timing of purchases and sales, impacting which brokered quote is used. Because the brokered quotes can vary significantly from period to period, the unobservable estimates of the timing and volume of transactions can have a significant impact on the calculated fair value. The Company currently estimates volumes and timing of transactions based on a most likely scenario using historical data. Historically, the timing and volume of transactions have not been highly correlated with market prices and market volatility.

The following table presents the quantitative information which was used to estimate the fair values of the Level 3 assets and liabilities above as of December 31, 2016 (dollars in thousands):

	Fair Value (Net) at December 31, 2016	Valuation Technique	Unobservable Input	Range
Power exchange agreement	$ (13,449)	Surrogate facility pricing	O&M charges	$33.59-$49.15/MWh (1)
			Escalation factor	3% - 2017 to 2019
			Transaction volumes	241,558 - 396,984 MWhs
Power option agreement	(76)	Black-Scholes-Merton	Strike price	$37.83/MWh - 2019
				$54.40/MWh - 2018
			Delivery volumes	157,517 - 285,979 MWhs
			Volatility rates	0.20 (2)
Natural gas exchange agreement	(5,885)	Internally derived weighted-average cost of gas	Forward purchase prices	$1.83 - $3.06/mmBTU
			Forward sales prices	$1.90 - $5.14/mmBTU
			Purchase volumes	115,000 - 310,000 mmBTUs
			Sales volumes	60,000 - 310,000 mmBTUs

(1) The average O&M charges for the delivery year beginning in November 2016 were $39.22 per MWh. For ratemaking purposes the average O&M charges to be included for recovery in retail rates vary slightly between regulatory jurisdictions. The average O&M charges for the delivery year beginning in 2016 were $44.33 for Washington and $39.22 for Idaho.

(2) The estimated volatility rate of 0.20 is compared to actual quoted volatility rates of 0.35 for 2017 to 0.26 in December 2018.

The valuation methods, significant inputs and resulting fair values described above were developed by the Company's management and are reviewed on at least a quarterly basis to ensure they provide a reasonable estimate of fair value each reporting period.

The following table presents activity for energy commodity derivative assets (liabilities) measured at fair value using significant unobservable inputs (Level 3) for the years ended December 31 (dollars in thousands):

	Natural Gas Exchange Agreement	Power Exchange Agreement	Power Option Agreement	Total

Year ended December 31, 2016:				
Balance as of January 1, 2016	$ (5,039)	$ (21,961)	$ (124)	$ (27,124)
Total gains or (losses) (realized/unrealized):				
Included in regulatory assets/liabilities (1)	259	400	48	707
Settlements	(1,105)	8,112	—	7,007
Ending balance as of December 31, 2016 (2)	$ (5,885)	$ (13,449)	$ (76)	$ (19,410)
Year ended December 31, 2015:				
Balance as of January 1, 2015	$ (35)	$ (23,299)	$ (424)	$ (23,758)
Total gains or (losses) (realized/unrealized):				
Included in regulatory assets/liabilities (1)	(6,008)	(6,198)	300	(11,906)
Settlements	1,004	7,536	—	8,540
Ending balance as of December 31, 2015 (2)	$ (5,039)	$ (21,961)	$ (124)	$ (27,124)

(1) All gains and losses are included in other regulatory assets and liabilities. There were no gains and losses included in either net income or other comprehensive income during any of the periods presented in the table above.

(2) There were no purchases, issuances or transfers from other categories of any derivatives instruments during the periods presented in the table above.

NOTE 15. COMMON STOCK

The payment of dividends on common stock could be limited by:

- certain covenants applicable to preferred stock (when outstanding) contained in the Company's Restated Articles of Incorporation, as amended (currently there are no preferred shares outstanding),
- certain covenants applicable to the Company's outstanding long-term debt and committed line of credit agreements,
- the hydroelectric licensing requirements of section 10(d) of the FPA (see Note 1), and
- certain requirements under the OPUC approval of the AERC acquisition in 2014. The OPUC's AERC acquisition order requires Avista Corp. to maintain a capital structure of no less than 40 percent common equity (inclusive of short-term debt). This limitation may be revised upon request by the Company with approval from the OPUC.

The Company declared the following dividends for the year ended December 31:

	2016	2015
Dividends paid per common share	$ 1.37	$ 1.32

Under the most restrictive of the dividend limitations discussed above, which are the requirements of the OPUC approval of the AERC acquisition, the amount available for dividends at December 31, 2016 was limited to $263.4 million.

The Company has 10 million authorized shares of preferred stock. The Company did not have any preferred stock outstanding as of December 31, 2016 and 2015.

Stock Repurchase Programs

During 2014 and 2015, Avista Corp.'s Board of Directors approved programs to repurchase shares of the Company's outstanding common stock. The number of shares repurchased and the total cost of repurchases are disclosed in the Statements of Equity and Redeemable Noncontrolling Interests. The average repurchase price was $31.57 in 2014 and $32.66 in 2015. All repurchased shares reverted to the status of authorized but unissued shares.

Equity Issuances

In March 2016, the Company entered into four separate sales agency agreements under which Avista Corp.'s sales agents may offer and sell up to 3.8 million new shares of Avista Corp.'s common stock, no par value, from time to time. The sales agency agreements expire on February 29, 2020. In 2016, 1.6 million shares were issued under these agreements resulting in total net proceeds of $65.3 million, leaving 2.2 million shares remaining to be issued.

In 2016, the Company also issued $1.7 million (net of issuance costs) of common stock under the employee plans.

NOTE 16. COMMITMENTS AND CONTINGENCIES

In the course of its business, the Company becomes involved in various claims, controversies, disputes and other contingent matters, including the items described in this Note. Some of these claims, controversies, disputes and other contingent matters involve litigation or other contested proceedings. For all such matters, the Company intends to vigorously protect and defend its interests and pursue its rights. However, no assurance can be given as to the ultimate outcome of any particular matter because litigation and other contested proceedings are inherently subject to numerous uncertainties. For matters that affect Avista Corp.'s operations, the Company intends to seek, to the extent appropriate, recovery of incurred costs through the ratemaking process.

California Refund Proceeding

In February 2016, APX, a market maker in the California Refund Proceedings in whose markets Avista Energy participated in the summer of 2000, asserted that Avista Energy and its other customer/participants may be responsible for a share of the disgorgement penalty APX may be found to owe to Pacific Gas & Electric (PG&E), Southern California Edison, San Diego Gas & Electric, the California Attorney General (AG), the California Department of Water Resources (CERS), and the California Public Utilities Commission (together, the "California Parties"). The penalty arises as a result of the FERC's finding that APX committed violations in the California market in the summer of 2000. APX is making these assertions despite Avista Energy having been dismissed in FERC Opinion No. 536 from the on-going administrative proceeding at the FERC regarding potential wrongdoing in the California markets in the summer of 2000. APX has identified Avista Energy's share of APX's exposure to be as much as $16.0 million even though no wrongdoing allegations are specifically attributable to Avista Energy. Avista Energy believes its settlement with the California Parties in 2014 insulates it from any such liability and that as a dismissed party it cannot be drawn back into the litigation. Avista Energy intends to vigorously dispute APX's assertions of indirect liability, but cannot at this time predict the eventual outcome.

Pacific Northwest Refund Proceeding

In July 2001, the FERC initiated a preliminary evidentiary hearing to develop a factual record as to whether prices for spot market sales of wholesale energy in the Pacific Northwest between December 25, 2000 and June 20, 2001 were just and reasonable. In June 2003, the FERC terminated the Pacific Northwest refund proceedings, after finding that the equities do not justify the imposition of refunds. In August 2007, the Ninth Circuit found that the FERC had failed to take into account new evidence of market manipulation and that such failure was arbitrary and capricious and, accordingly, remanded the case to the FERC, stating that the FERC's findings must be reevaluated in light of the new evidence. The Ninth Circuit expressly declined to direct the FERC to grant refunds. On October 3, 2011, the FERC issued an Order on Remand and on April 5, 2013 expanded the temporal scope of the proceeding to permit parties to submit evidence on transactions during the period from January 1, 2000 through and including June 20, 2001.

On July 11, 2012 and March 28, 2013, Avista Energy and Avista Corp. filed settlements of all issues in this docket with regard to the claims made by the City of Tacoma and the California AG (on behalf of the California Department of Water Resources). The FERC approved the settlements and they are final.

The remaining direct claimant against Avista Corp. and Avista Energy in this proceeding was the City of Seattle, Washington (Seattle). An evidentiary, trial type hearing before an Administrative Law Judge (ALJ) to permit parties to present evidence of unlawful market activity was conducted in 2013.

With regard to the Seattle claims, on March 28, 2014, the Presiding ALJ issued an Initial Decision finding that: 1) Seattle failed to demonstrate that either Avista Corp. or Avista Energy engaged in unlawful market activity and also failed to identify any specific contracts at issue; 2) Seattle failed to demonstrate that contracts with either Avista Corp. or Avista Energy imposed an excessive burden on consumers or seriously harmed the public interest; and that 3) Seattle failed to demonstrate that either Avista Corp. or Avista Energy engaged in any specific violations of substantive provisions of the FPA or any filed tariffs or rate schedules. Accordingly, the ALJ denied all of Seattle’s claims under both section 206 and section 309 of the FPA. On May 22, 2015, the FERC issued its Order on Initial Decision in which it upheld the ALJ’s Initial Decision denying all of Seattle’s claims against Avista Corp. and Avista Energy. Seattle filed a Request for Rehearing of the FERC’s Order on Initial Decision which was denied on December 31, 2015. Seattle appealed the FERC’s decision to the Ninth Circuit. In October 2016, Seattle settled all of the matters with the remaining parties and withdrew its appeal at the Ninth Circuit. All the remaining parties signed the settlement agreement and a petition to dismiss the case was filed with the Ninth Circuit on October 27, 2016. There are no remaining claims outstanding under this proceeding. The settlement did not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Sierra Club and Montana Environmental Information Center Litigation

In 2013, the Sierra Club and Montana Environmental Information Center (MEIC) (collectively "Plaintiffs"), filed a Complaint in the United States District Court for the District of Montana, Billings Division, against the Owners of the Colstrip Generating Project ("Colstrip"); Avista Corp. owns a 15 percent interest in Units 3 & 4 of Colstrip. The other Colstrip co-Owners are Talen Montana, LLC (formerly PPL Montana, LLC, an indirect subsidiary of Talen Energy Corporation), Puget Sound Energy, Portland General Electric Company, NorthWestern Energy and PacifiCorp. The Complaint alleged certain violations of the Clean Air Act, including the New Source Review, Title V and opacity requirements with respect to post-January 1, 2001 Colstrip projects. The Plaintiffs requested that the Court grant injunctive and declaratory relief, order remediation of alleged environmental damages, impose civil penalties, require a beneficial environmental project in the areas affected by the alleged air pollution and require payment of Plaintiffs’ costs of litigation and attorney fees.

The liability trial was scheduled to start on May 31, 2016. The parties engaged in settlement discussions with the Plaintiffs to resolve the claims raised in the litigation. On July 12, 2016, the parties filed a proposed Consent Decree with the court which contained the terms of the settlement of the matter with respect to all four units at Colstrip. The settlement does not include any monetary payments by any party, dismisses all claims against all four units, and provides for the shut-down of units 1 & 2 (which are owned solely by Talen Montana, LLC and Puget Sound Energy) no later than July, 2022. The Consent Decree was entered on September 6, 2016. The parties have petitioned the Court for costs and attorneys’ fees. The Court denied the defendant's claim for fees and reduced the plaintiff's claimed fees from approximately $3.0 million to $1.6 million. On February 15, 2017 the Court issued an Order adopting this resolution in full and closing the case.

The Company does not expect that this matter will have a material adverse effect on its financial condition, results of operations or cash flows.

Cabinet Gorge Total Dissolved Gas Abatement Plan

Dissolved atmospheric gas levels (referred to as "Total Dissolved Gas" or "TDG") in the Clark Fork River exceed state of Idaho and federal water quality numeric standards downstream of Cabinet Gorge particularly during periods when excess river flows must be diverted over the spillway. Under the terms of the Clark Fork Settlement Agreement (CFSA) as incorporated in Avista Corp.'s FERC license for the Clark Fork Project, Avista Corp. has worked in consultation with agencies, tribes and other stakeholders to address this issue. Under the terms of a gas supersaturation mitigation plan, Avista is reducing TDG by constructing spill crest modifications on spill gates at the dam, and the Company expects to continue spill crest modifications over the next several years, in ongoing consultation with key stakeholders. Avista Corp. cannot at this time predict the outcome or estimate a range of costs associated with this contingency; however, the Company will continue to seek recovery, through the ratemaking process, of all operating and capitalized costs related to this issue.

Fish Passage at Cabinet Gorge and Noxon Rapids

In 1999, the United States Fish and Wildlife Service (USFWS) listed bull trout as threatened under the Endangered Species Act. In 2010, the USFWS issued a revised designation of critical habitat for bull trout, which includes the lower Clark Fork River. The USFWS issued a final recovery plan in October 2015.

The CFSA describes programs intended to help restore bull trout populations in the project area. Using the concept of adaptive management and working closely with the USFWS, the Company evaluated the feasibility of fish passage at Cabinet Gorge and Noxon Rapids. The results of these studies led, in part, to the decision to move forward with development of permanent facilities, among other bull trout enhancement efforts. Parties to the CFSA are working to resolve several issues. The Company believes its ongoing efforts through the CFSA continue to effectively address issues related to bull trout. Avista Corp. cannot at this time predict the outcome or estimate a range of costs associated with this contingency; however, the Company will continue to seek recovery, through the ratemaking process, of all operating and capitalized costs related to fish passage at Cabinet Gorge and Noxon Rapids.

Collective Bargaining Agreements

The Company's collective bargaining agreements with the IBEW represent approximately 45 percent of all of Avista Corp.'s employees. A new three-year agreement with the local union in Washington and Idaho representing the majority (approximately 90 percent) of the Avista Corp.'s bargaining unit employees was approved in March 2016 and expires in March 2019.

A three-year agreement in Oregon, which covers approximately 50 employees was set to expire in March 2017. A new three-year agreement has been approved by the IBEW membership that will expire in March 2020. It is still awaiting approval from the National IBEW.

There is a risk that if collective bargaining agreements expire and new agreements are not reached in each of our jurisdictions, employees could strike. Given the magnitude of employees that are covered by collective bargaining agreements, this could result in disruptions of our operations. However, the Company believes that the possibility of this occurring is remote.

Other Contingencies

In the normal course of business, the Company has various other legal claims and contingent matters outstanding. The Company believes that any ultimate liability arising from these actions will not have a material impact on its financial condition, results of operations or cash flows. It is possible that a change could occur in the Company's estimates of the probability or amount of a liability being incurred. Such a change, should it occur, could be significant.

The Company routinely assesses, based on studies, expert analyses and legal reviews, its contingencies, obligations and commitments for remediation of contaminated sites, including assessments of ranges and probabilities of recoveries from other responsible parties who either have or have not agreed to a settlement as well as recoveries from insurance carriers. The Company's policy is to accrue and charge to current expense identified exposures related to environmental remediation sites based on estimates of investigation, cleanup and monitoring costs to be incurred. For matters that affect Avista Corp.'s or AEL&P's operations, the Company seeks, to the extent appropriate, recovery of incurred costs through the ratemaking process.

The Company has potential liabilities under the Endangered Species Act for species of fish, plants and wildlife that have either already been added to the endangered species list, listed as “threatened” or petitioned for listing. Thus far, measures adopted and implemented have had minimal impact on the Company. However, the Company will continue to seek recovery, through the ratemaking process, of all operating and capitalized costs related to these issues.

Under the federal licenses for its hydroelectric projects, the Company is obligated to protect its property rights, including water rights. In addition, the company holds additional non-hydro water rights. The state of Montana is examining the status of all water right claims within state boundaries through a general adjudication. Claims within the Clark Fork River basin could adversely affect the energy production of the Company’s Cabinet Gorge and Noxon Rapids hydroelectric facilities. The state of Idaho has initiated adjudication in northern Idaho, which will ultimately include the lower Clark Fork River, the Spokane River and the Coeur d’Alene basin. The Company is and will continue to be a participant in these and any other relevant adjudication processes. The complexity of such adjudications makes each unlikely to be concluded in the foreseeable future. As such, it is not possible for the Company to estimate the impact of any outcome at this time. The Company will continue to seek recovery, through the ratemaking process, of all operating and capitalized costs related to this issue.

NOTE 17. REGULATORY MATTERS

Power Cost Deferrals and Recovery Mechanisms

Deferred power supply costs are recorded as a deferred charge on the Balance Sheets for future prudence review and recovery through retail rates. The power supply costs deferred include certain differences between actual net power supply costs incurred by Avista Corp. and the costs included in base retail rates. This difference in net power supply costs primarily results from changes in:

- short-term wholesale market prices and sales and purchase volumes,
- the level and availability of hydroelectric generation,
- the level and availability of thermal generation (including changes in fuel prices), and
- retail loads.

In Washington, the ERM allows Avista Corp. to periodically increase or decrease electric rates with UTC approval to reflect changes in power supply costs. The ERM is an accounting method used to track certain differences between actual power supply costs, net of wholesale sales and sales of fuel, and the amount included in base retail rates for Washington customers. The Washington ERM calculation is subject to certain deadbands and sharing bands. For 2016, the Company recognized a pre-tax benefit of $5.1 million under the ERM in Washington compared to a benefit of $6.3 million for 2015. Total net deferred power costs under the ERM were a liability of $21.3 million as of December 31, 2016 compared to a liability of $18.0 million as of December 31, 2015, and these deferred power cost balances represent amounts due to customers.

Avista Corp. has a PCA mechanism in Idaho that allows it to modify electric rates on October 1 of each year with IPUC approval. Under the PCA mechanism, Avista Corp. defers 90 percent of the difference between certain actual net power supply expenses and the amount included in base retail rates for its Idaho customers. The October 1 rate adjustments recover or rebate power costs deferred during the preceding July-June twelve-month period. Total net power supply costs deferred under the PCA mechanism were a liability of $2.2 million as of December 31, 2016 compared to an asset of $0.2 million as of December 31, 2015.

Natural Gas Cost Deferrals and Recovery Mechanisms

Avista Corp. files a PGA in all three states it serves to adjust natural gas rates for: 1) estimated commodity and pipeline transportation costs to serve natural gas customers for the coming year, and 2) the difference between actual and estimated commodity and transportation costs for the prior year. Total net deferred natural gas costs to be refunded to customers were a liability of $30.8 million as of December 31, 2016 compared to a liability of $17.9 million as of December 31, 2015.

Decoupling and Earnings Sharing Mechanisms

Decoupling is a mechanism designed to sever the link between a utility's revenues and consumers' energy usage. In each of Avista Corp.'s jurisdictions, each month Avista Corp.'s electric and natural gas revenues are adjusted so as to be based on the number of customers in certain customer rate classes, rather than KWh and therm sales. The difference between revenues based on the number of customers and revenues based on actual usage is deferred and either surcharged or rebated to customers beginning in the following year.

Washington Decoupling and Earnings Sharing

In Washington, the UTC approved the Company's decoupling mechanisms for electric and natural gas for a five-year period beginning January 1, 2015. Electric and natural gas decoupling surcharge rate adjustments to customers are limited to 3 percent on an annual basis, with any remaining surcharge balance carried forward for recovery in a future period. There is no limit on the level of rebate rate adjustments.

The electric and natural gas decoupling mechanisms each include an after-the-fact earnings test. At the end of each calendar year, separate electric and natural gas earnings calculations will be made for the prior calendar year. These earnings tests will reflect actual decoupled revenues, normalized power supply costs and other normalizing adjustments. See below for a summary of cumulative balances under the decoupling and earnings sharing mechanisms.

Idaho Fixed Cost Adjustment (FCA) and Earnings Sharing Mechanisms

In Idaho, the IPUC approved the implementation of FCAs for electric and natural gas (similar in operation and effect to the Washington decoupling mechanisms) for an initial term of three years, beginning January 1, 2016.

For the period 2013 through 2015 the Company had an after-the-fact earnings test, such that if Avista Corp., on a consolidated basis for electric and natural gas operations in Idaho, earned more than a 9.8 percent ROE, the Company was required to share with customers 50 percent of any earnings above the 9.8 percent. There was no provision for a surcharge to customers if the Company's ROE was less than 9.8 percent. This after-the-fact earnings test was discontinued as part of the settlement of the Company's 2015 Idaho electric and natural gas general rates cases. See below for a summary of cumulative balances under the decoupling and earnings sharing mechanisms.

Oregon Decoupling Mechanism

In February 2016, the OPUC approved the implementation of a decoupling mechanism for natural gas, similar to the Washington and Idaho mechanisms described above. The decoupling mechanism became effective on March 1, 2016 and there will be an opportunity for interested parties to review the mechanism and recommend changes, if any, by September 2019. An earnings review is conducted on an annual basis, which is filed by the Company with the OPUC on or before June 1 of each year for the prior calendar year. In the annual earnings review, if the Company earns more than 100 basis points above its allowed return on equity, one-third of the earnings above the 100 basis points would be deferred and later returned to customers. The earnings review is separate from the decoupling mechanism and was in place prior to decoupling. See below for a summary of cumulative balances under the decoupling and earnings sharing mechanisms.

Cumulative Decoupling and Earnings Sharing Mechanism Balances

As of December 31, 2016 and December 31, 2015, the Company had the following cumulative balances outstanding related to decoupling and earnings sharing mechanisms in its various jurisdictions (dollars in thousands):

	December 31, 2016	December 31, 2015
Washington		
Decoupling surcharge	$ 30,408	$ 10,933
Provision for earnings sharing rebate	(5,113)	(3,422)
Idaho		
Decoupling surcharge	$ 8,292	n/a
Provision for earnings sharing rebate	(5,184)	(8,814)
Oregon		
Decoupling surcharge	$ 2,021	n/a
Provision for earnings sharing rebate	—	—

(n/a) This mechanism did not exist during this time period.

NOTE 18. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information consisted of the following items for the years ended December 31 (dollars in thousands):

	2016	2015
Cash paid for interest	$ 79,183	$ 72,405
Cash received for income taxes, net	(14,624)	(10,506)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion

Line No.	Item (a)	Total Company For the Current Quarter/Year
1	UTILITY PLANT	
2	In Service	
3	Plant in Service (Classified)	5,288,471,667
4	Property Under Capital Leases	5,843,742
5	Plant Purchased or Sold	
6	Completed Construction not Classified	
7	Experimental Plant Unclassified	
8	TOTAL Utility Plant (Total of lines 3 thru 7)	5,294,315,409
9	Leased to Others	
10	Held for Future Use	9,941,983
11	Construction Work in Progress	144,751,274
12	Acquisition Adjustments	
13	TOTAL Utility Plant (Total of lines 8 thru 12)	5,449,008,666
14	Accumulated Provisions for Depreciation, Amortization, & Depletion	1,770,511,420
15	Net Utility Plant (Total of lines 13 and 14)	3,678,497,246
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION	
17	In Service:	
18	Depreciation	1,701,243,278
19	Amortization and Depletion of Producing Natural Gas Land and Land Rights	
20	Amortization of Underground Storage Land and Land Rights	
21	Amortization of Other Utility Plant	69,268,142
22	TOTAL In Service (Total of lines 18 thru 21)	1,770,511,420
23	Leased to Others	
24	Depreciation	
25	Amortization and Depletion	
26	TOTAL Leased to Others (Total of lines 24 and 25)	
27	Held for Future Use	
28	Depreciation	
29	Amortization	
30	TOTAL Held for Future Use (Total of lines 28 and 29)	
31	Abandonment of Leases (Natural Gas)	
32	Amortization of Plant Acquisition Adjustment	
33	TOTAL Accum. Provisions (Should agree with line 14 above)(Total of lines 22, 26, 30, 31, and 32)	1,770,511,420

Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion (continued)

Line No.	Electric (c)	Gas (d)	Other (specify) (e)	Common (f)
1				
2				
3	3,782,482,769	1,041,145,791		464,843,107
4	289,388	254,354		5,300,000
5				
6				
7				
8	3,782,772,157	1,041,400,145		470,143,107
9				
10	9,751,398	190,585		
11	82,968,637	7,987,817		53,794,820
12				
13	3,875,492,192	1,049,578,547		523,937,927
14	1,313,645,015	337,046,928		119,819,477
15	2,561,847,177	712,531,619		404,118,450
16				
17				
18	1,294,760,452	335,655,367		70,827,459
19				
20				
21	18,884,562	1,391,561		48,992,019
22	1,313,645,014	337,046,928		119,819,478
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33	1,313,645,014	337,046,928		119,819,478

Gas Plant in Service (Accounts 101, 102, 103, and 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts.
2. In addition to Account 101, Gas Plant in Service (Classified), this page and the next include Account 102, Gas Plant Purchased or Sold, Account 103, Experimental Gas Plant Unclassified, and Account 106, Completed Construction Not Classified-Gas.
3. Include in column (c) and (d), as appropriate corrections of additions and retirements for the current or preceding year.
4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.
5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c).Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d),

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1	INTANGIBLE PLANT		
2	301 Organization		
3	302 Franchises and Consents		
4	303 Miscellaneous Intangible Plant	4,470,328	(583,192)
5	TOTAL Intangible Plant (Enter Total of lines 2 thru 4)	4,470,328	(583,192)
6	PRODUCTION PLANT		
7	Natural Gas Production and Gathering Plant		
8	325.1 Producing Lands		
9	325.2 Producing Leaseholds		
10	325.3 Gas Rights		
11	325.4 Rights-of-Way		
12	325.5 Other Land and Land Rights		
13	326 Gas Well Structures		
14	327 Field Compressor Station Structures		
15	328 Field Measuring and Regulating Station Equipment		
16	329 Other Structures		
17	330 Producing Gas Wells-Well Construction		
18	331 Producing Gas Wells-Well Equipment		
19	332 Field Lines		
20	333 Field Compressor Station Equipment		
21	334 Field Measuring and Regulating Station Equipment		
22	335 Drilling and Cleaning Equipment		
23	336 Purification Equipment		
24	337 Other Equipment		
25	338 Unsuccessful Exploration and Development Costs		
26	339 Asset Retirement Costs for Natural Gas Production and		
27	TOTAL Production and Gathering Plant (Enter Total of lines 8		
28	PRODUCTS EXTRACTION PLANT		
29	340 Land and Land Rights		
30	341 Structures and Improvements		
31	342 Extraction and Refining Equipment		
32	343 Pipe Lines		
33	344 Extracted Products Storage Equipment		

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
1				
2				
3				
4	415,249			3,471,887
5	415,249			3,471,887
6				
7				
8				
9				
10				
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33				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
34	345 Compressor Equipment		
35	346 Gas Measuring and Regulating Equipment		
36	347 Other Equipment		
37	348 Asset Retirement Costs for Products Extraction Plant		
38	TOTAL Products Extraction Plant (Enter Total of lines 29 thru 37)		
39	TOTAL Natural Gas Production Plant (Enter Total of lines 27 and		
40	Manufactured Gas Production Plant (Submit Supplementary	7,628	
41	TOTAL Production Plant (Enter Total of lines 39 and 40)	7,628	
42	NATURAL GAS STORAGE AND PROCESSING PLANT		
43	Underground Storage Plant		
44	350.1 Land	407,111	806,641
45	350.2 Rights-of-Way	59,812	
46	351 Structures and Improvements	1,906,462	194,889
47	352 Wells	13,904,797	194,889
48	352.1 Storage Leaseholds and Rights	254,354	
49	352.2 Reservoirs	1,667,492	
50	352.3 Non-recoverable Natural Gas	5,810,311	
51	353 Lines	1,106,781	
52	354 Compressor Station Equipment	14,876,708	194,890
53	355 Other Equipment	683,401	194,890
54	356 Purification Equipment	403,712	
55	357 Other Equipment	1,998,758	194,889
56	358 Asset Retirement Costs for Underground Storage Plant		
57	TOTAL Underground Storage Plant (Enter Total of lines 44 thru	43,079,699	1,781,088
58	Other Storage Plant		
59	360 Land and Land Rights		
60	361 Structures and Improvements		
61	362 Gas Holders		
62	363 Purification Equipment		
63	363.1 Liquefaction Equipment		
64	363.2 Vaporizing Equipment		
65	363.3 Compressor Equipment		
66	363.4 Measuring and Regulating Equipment		
67	363.5 Other Equipment		
68	363.6 Asset Retirement Costs for Other Storage Plant		
69	TOTAL Other Storage Plant (Enter Total of lines 58 thru 68)		
70	Base Load Liquefied Natural Gas Terminaling and Processing Plant		
71	364.1 Land and Land Rights		
72	364.2 Structures and Improvements		
73	364.3 LNG Processing Terminal Equipment		
74	364.4 LNG Transportation Equipment		
75	364.5 Measuring and Regulating Equipment		
76	364.6 Compressor Station Equipment		
77	364.7 Communications Equipment		
78	364.8 Other Equipment		
79	364.9 Asset Retirement Costs for Base Load Liquefied Natural Gas		
80	TOTAL Base Load Liquefied Nat'l Gas, Terminaling and Processing		

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
34				
35				
36				
37				
38				
39				
40				7,628
41				7,628
42				
43				
44				1,213,752
45				59,812
46				2,101,351
47	169,344			13,930,342
48				254,354
49				1,667,492
50				5,810,311
51				1,106,781
52				15,071,598
53				878,291
54				403,712
55	14,677			2,178,970
56				
57	184,021			44,676,766
58				
59				
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80				

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
81	TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 57,	43,079,699	1,781,088
82	TRANSMISSION PLAN		
83	365.1 Land and Land Rights		
84	365.2 Rights-of-Way		
85	366 Structures and Improvements		
86	367 Mains		
87	368 Compressor Station Equipment		
88	369 Measuring and Regulating Station Equipment		
89	370 Communication Equipment		
90	371 Other Equipment		
91	372 Asset Retirement Costs for Transmission Plant		
92	TOTAL Transmission Plant (Enter Totals of lines 83 thru 91)		
93	DISTRIBUTION PLANT		
94	374 Land and Land Rights	886,774	
95	375 Structures and Improvements	1,329,682	(14,729)
96	376 Mains	462,357,449	43,326,258
97	377 Compressor Station Equipment		
98	378 Measuring and Regulating Station Equipment-General	10,715,743	419,258
99	379 Measuring and Regulating Station Equipment-City Gate	9,354,043	(488,377)
100	380 Services	277,347,039	28,469,585
101	381 Meters	111,868,077	7,083,144
102	382 Meter Installations		
103	383 House Regulators		
104	384 House Regulator Installations		
105	385 Industrial Measuring and Regulating Station Equipment	4,932,890	(21,525)
106	386 Other Property on Customers' Premises		
107	387 Other Equipment	539	
108	388 Asset Retirement Costs for Distribution Plant		
109	TOTAL Distribution Plant (Enter Total of lines 94 thru 108)	878,792,236	78,773,614
110	GENERAL PLANT		
111	389 Land and Land Rights	1,325,709	
112	390 Structures and Improvements	5,848,464	(7,508)
113	391 Office Furniture and Equipment	634,332	19,922
114	392 Transportation Equipment	14,217,573	2,695,887
115	393 Stores Equipment	141,498	3,888
116	394 Tools, Shop, and Garage Equipment	6,265,019	741,307
117	395 Laboratory Equipment	431,414	
118	396 Power Operated Equipment	4,700,726	148,016
119	397 Communication Equipment	3,469,372	19,966
120	398 Miscellaneous Equipment	2,367	
121	Subtotal (Enter Total of lines 111 thru 120)	37,036,474	3,621,478
122	399 Other Tangible Property		
123	399.1 Asset Retirement Costs for General Plant		
124	TOTAL General Plant (Enter Total of lines 121, 122 and 123)	37,036,474	3,621,478
125	TOTAL (Accounts 101 and 106)	963,386,365	83,592,988
126	Gas Plant Purchased (See Instruction 8)		
127	(Less) Gas Plant Sold (See Instruction 8)		
128	Experimental Gas Plant Unclassified		
129	TOTAL Gas Plant In Service (Enter Total of lines 125 thru 128)	963,386,365	83,592,988

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
81	184,021			44,676,766
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				886,774
95	4,154			1,310,799
96	1,665,979			504,017,728
97				
98	18,404			11,116,597
99	33,383		74,303	8,906,586
100	348,901			305,467,723
101	1,466,841			117,484,380
102				
103				
104				
105				4,911,365
106				
107				539
108				
109	3,537,662		74,303	954,102,491
110				
111			124,007	1,449,716
112	5,858		2,741	5,837,839
113	32,672			621,582
114	605,297		48,353	16,356,516
115				145,386
116	107,147			6,899,179
117	88,948			342,466
118	654,749		(113,443)	4,080,550
119	9,002		(74,563)	3,405,773
120				2,367
121	1,503,673		(12,905)	39,141,374
122				
123				
124	1,503,673		(12,905)	39,141,374
125	5,640,605		61,398	1,041,400,146
126				
127				
128				
129	5,640,605		61,398	1,041,400,146

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Gas Plant Held for Future Use (Account 105)

1. Report separately each property held for future use at end of the year having an original cost of $1,000,000 or more. Group other items of property held for future use.
2. For property having an original cost of $1,000,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location of Property (a)	Date Originally Included in this Account (b)	Date Expected to be Used in Utility Service (c)	Balance at End of Year (d)
1	Gas Distribution Mains and Services	03/01/2007		190,585
2	located in Coeur d'Alene, Idaho			
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45	**Total**			**190,585**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Construction Work in Progress-Gas (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (Account 107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $1,000,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Gas HP Pipeline Remediation Program	2,346,405	
2	Dollar Rd Service Center Addition and Remodel	2,110,929	
3	Minor Projects under $1,000,000	3,530,483	112,640,000
4			
5			
6	Notes:		
7	Estimated additional cost amounts represent a five year		
8	budget total.		
9			
10			
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44			
45	**Total**	**7,987,817**	**112,640,000**

General Description of Construction Overhead Procedure

1. For each construction overhead explain: (a) the nature and extent of work, etc., the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.
2. Show below the computation of allowance for funds used during construction rates, in accordance with the provisions of Gas Plant Instructions 3 (17) of the Uniform System of Accounts.
3. Where a net-of-tax rate for borrowed funds is used, show the appropriate tax effect adjustment to the computations below in a manner that clearly indicates the amount of reduction in the gross rate for tax effects.

Construction costs with a direct relationship to new construction and capital replacement activities that cannot be clearly identified with specific projects are charged to overhead pools. The established pools are:

- Construction Overhead North Gas
- Construction Overhead South Gas

Pool costs are allocated monthly to gas construction projects on a percent rate applied to direct project costs, excluding AFUDC. Each pool's rate is calculated separately and applied only to the related gas construction projects for allocation.

Allowance for Funds Used During Construction is calculated system wide using a rate that is equivalent to the allowed rate of return approved in the latest rate order from the company's primary state commission (Washington State). For 2016, Avista used a rate of 7.29% which is the allowed Rate of Return contained in the Washington Utilities and Transportation Commission Final Order 05 dated January 6, 2016 for consolidated dockets UE-150204 and UG-150205.

General Description of Construction Overhead Procedure (continued)

COMPUTATION OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATES

1. For line (5), column (d) below, enter the rate granted in the last rate proceeding. If not available, use the average rate earned during the preceding 3 years.
2. Identify, in a footnote, the specific entity used as the source for the capital structure figures.
3. Indicate, in a footnote, if the reported rate of return is one that has been approved in a rate case, black-box settlement rate, or an actual three-year average rate.

1. Components of Formula (Derived from actual book balances and actual cost rates):

Line No.	Title (a)	Amount (b)	Capitalization Ration (percent) (c)	Cost Rate Percentage (d)
	(1) Average Short-Term Debt	S		
	(2) Short-Term Interest			s
	(3) Long-Term Debt	D		d
	(4) Preferred Stock	P		p
	(5) Common Equity	C		c
	(6) Total Capitalization			
	(7) Average Construction Work In Progress Balance	W		

2. Gross Rate for Borrowed Funds s(S/W) + d[(D/(D+P+C)) (1-(S/W))]

3. Rate for Other Funds [1-(S/W)] [p(P/(D+P+C)) + c(C/(D+P+C))]

4. Weighted Average Rate Actually Used for the Year:

a. Rate for Borrowed Funds - 2.65

b. Rate for Other Funds - 4.64

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Accumulated Provision for Depreciation of Gas Utility Plant (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, line 10, column (c), and that reported for gas plant in service, page 204-209, column (d), excluding retirements of nondepreciable property.
3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.
5. At lines 7 and 14, add rows as necessary to report all data. Additional rows should be numbered in sequence, e.g., 7.01, 7.02, etc.

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
	Section A. BALANCES AND CHANGES DURING YEAR				
1	Balance Beginning of Year	316,058,414	316,058,414		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	22,966,032	22,966,032		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Expense of Gas Plant Leased to Others				
6	Transportation Expenses - Clearing	1,934,537	1,934,537		
7	Other Clearing Accounts				
8	Other Clearing (Specify) (footnote details):				
9					
10	TOTAL Deprec. Prov. for Year (Total of lines 3 thru 8)	24,900,569	24,900,569		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	(4,618,982)	(4,618,982)		
13	Cost of Removal	(83,181)	(83,181)		
14	Salvage (Credit)	109,110	109,110		
15	TOTAL Net Chrgs for Plant Ret. (Total of lines 12 thru 14)	(4,811,273)	(4,811,273)		
16	Other Debit or Credit Items (Describe) (footnote details):	(492,343)	(492,343)		
17					
18	Book Cost of Asset Retirement Costs				
19	Balance End of Year (Total of lines 1,10,15,16 and 18)	335,655,367	335,655,367		
	Section B. BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS				
21	Productions-Manufactured Gas				
22	Production and Gathering-Natural Gas				
23	Products Extraction-Natural Gas				
24	Underground Gas Storage				
25	Other Storage Plant	15,483,192	15,483,192		
26	Base Load LNG Terminaling and Processing Plant				
27	Transmission				
28	Distribution	304,045,605	304,045,605		
29	General	16,126,570	16,126,570		
30	TOTAL (Total of lines 21 thru 29)	335,655,367	335,655,367		

FOOTNOTE DATA

Schedule Page: 219 Line No.: 16 Column: c

Schedule Page: 219 Line No. 16

Change in Removal Work in Progress ($492,343)

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Gas Stored (Accounts 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, and 164.3)

1. If during the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.
2. Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas property recordable in the plant accounts.
3. State in a footnote the basis of segregation of inventory between current and noncurrent portions. Also, state in a footnote the method used to report storage (i.e., fixed asset method or inventory method).

Line No.	Description (a)	(Account 117.1) (b)	(Account 117.2) (c)	Noncurrent (Account 117.3) (d)	(Account 117.4) (e)	Current (Account 164.1) (f)	LNG (Account 164.2) (g)	LNG (Account 164.3) (h)	Total (i)
1	Balance at Beginning of	6,992,076				12,774,487			19,766,563
2	Gas Delivered to Storage					18,187,452			18,187,452
3	Gas Withdrawn from					22,932,919			22,932,919
4	Other Debits and Credits								
5	Balance at End of Year	6,992,076				8,029,020			15,021,096
6	Dth	1,253,060				4,631,092			5,884,152
7	Amount Per Dth	5.5800				1.7337			2.5528

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Investments (Account 123, 124, and 136)

1. Report below investments in Accounts 123, Investments in Associated Companies, 124, Other Investments, and 136, Temporary Cash Investments.
2. Provide a subheading for each account and list thereunder the information called for:

(a) Investment in Securities-List and describe each security owned, giving name of issuer, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included in Account 124, Other Investments) state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, Temporary Cash Investments, also may be grouped by classes.

(b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances that are properly includable in Account 123. Include advances subject to current repayment in Account 145 and 146. With respect to each advance, show whether the advance is a note or open account.

Line No.	Description of Investment (a)	* (b)	Book Cost at Beginning of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (c)	Purchases or Additions During the Year (d)
1	Investment in Spokane Energy (123000)			
2	Investment in Avista Capital II (123010)		11,547,000	
3	Other Investment - WZN Loans Sandpoint (124350)		59,355	
4	Other Investment - Coli Cash Value (124600)		19,717,504	
5	Other Investment - Coli Borrowings (124610)		(19,717,504)	
6	Other Investment - WZN Loans Oregon (124680)		23,541	
7	Other Investment - WNP3 Exchange Power (124900)		79,626,000	
8	Other Investment - AMT WNP3 Exchange (124930)		(70,642,947)	
9	Temp Cash Investments (136000)		22,854	
10	Energy Commodity Contract (124020)		14,694,374	
11	Other Investment-Non Affilicated LT Note Rec			
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Investments (Account 123, 124, and 136) (continued)

List each note, giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees.

3. Designate with an asterisk in column (b) any securities, notes or accounts that were pledged, and in a footnote state the name of pledges and purpose of the pledge.
4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and cite Commission, date of authorization, and case or docket number.
5. Report in column (h) interest and dividend revenues from investments including such revenues from securities disposed of during the year.
6. In column (i) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (h).

Line No.	Sales or Other Dispositions During Year (e)	Principal Amount or No. of Shares at End of Year (f)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (g)	Revenues for Year (h)	Gain or Loss from Investment Disposed of (i)
1					
2			11,547,000		
3			59,355		
4	(1,990,408)		21,707,912		
5	1,990,408		(21,707,912)		
6	2,568		20,973		
7			79,626,000		
8	2,450,031		(73,092,978)		
9			22,854		
10	14,694,374				
11	(331,835)		331,835		
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Investments in Subsidiary Companies (Account 123.1)

1. Report below investments in Account 123.1, Investments in Subsidiary Companies.
2. Provide a subheading for each company and list thereunder the information called for below. Sub-total by company and give a total in columns (e), (f), (g) and (h).
(a) Investment in Securities-List and describe each security owned. For bonds give also principal amount, date of issue, maturity, and interest rate.
(b) Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.
3. Report separately the equity in undistributed subsidiary earnings since acquisition. The total in column (e) should equal the amount entered for Account 418.1.

Line No.	Description of Investment (a)	Date Acquired (b)	Date of Maturity (c)	Amount of Investment at Beginning of Year (d)
1	Investment in Avista Capital	01/01/1997		206,138,971
2	Avista Capital - Equity in Earnings			(144,021,712)
3	Investment in AERC	07/01/2014		89,816,380
4	AERC- Equity in Earnings			5,581,641
5				
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40	**TOTAL Cost of Account 123.1 $**		**TOTAL**	157,515,280

Investments in Subsidiary Companies (Account 123.1) (continued)

4. Designate in a footnote, any securities, notes, or accounts that were pledged, and state the name of pledgee and purpose of the pledge.
5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.
6. Report in column (f) interest and dividend revenues from investments, including such revenues from securities disposed of during the year.
7. In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost), and the selling price thereof, not including interest adjustments includible in column (f).
8. Report on Line 40, column (a) the total cost of Account 123.1.

Line No.	Equity in Subsidiary Earnings for Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)
1			206,138,971	
2	(1,433,856)		(145,455,568)	
3			89,816,380	
4	7,722,732	2,000,000	11,304,373	
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40	6,288,876	2,000,000	161,804,156	

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Prepayments (Acct 165), Extraordinary Property Losses (Acct 182.1), Unrecovered Plant and Regulatory Study Costs (Acct 182.2)

PREPAYMENTS (ACCOUNT 165)

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Payment (a)	Balance at End of Year (in dollars) (b)
1	Prepaid Insurance	1,507,107
2	Prepaid Rents	
3	Prepaid Taxes	
4	Prepaid Interest	
5	Miscellaneous Prepayments	12,952,128
6	TOTAL	14,459,235

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Other Regulatory Assets (Account 182.3)

1. Report below the details called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includable in other accounts).
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 182.3 or amounts less than $250,000, whichever is less) may be grouped by classes.
4. Report separately any "Deferred Regulatory Commission Expenses" that are also reported on pages 350-351, Regulatory Commission Expenses.
5. Provide in a footnote, for each line item, the regulatory citation where authorization for the regulatory asset has been granted (e.g. Commission Order, state commission order, court decision).

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning Current Quarter/Year (b)	Debits (c)	Written off During Quarter/Year Account Charged (d)	Written off During Period Amount Recovered (e)	Written off During Period Amount Deemed Unrecoverable (f)	Balance at End of Current Quarter/Year (g)
1	WA Excess Nat Gas Line Extension Allowance		1,444,028				1,444,028
2	Reg Asset Post Ret Liab	235,008,848	5,105,058				240,113,906
3	Regulatory Asset FAS 109 Utility Plant	42,104,242	56,282,205				98,386,447
4	Regulatory Asset FAS109 DSIT Non Plant	51,827,593		283	50,774,151		1,053,442
5	Regulatory Asset FAS109 DFIT State Tax Cr	4,652,121		283	4,652,121		
6	Regulatory Asset FAS109 WNP3	2,703,891		283	737,482		1,966,409
7	Regulatory Asset-Spokane River Relicense	386,154		407	78,736		307,418
8	Regulatory Asset-Spokane River PM&E	355,950		557	73,312		282,638
9	Regulatory Asset-Lake CDA Fund	8,804,404		407	211,065		8,593,339
10	Regulatory Asset-Lake CDA IPA Fund	2,000,000					2,000,000
11	Regulatory Asset-Spokane River TDG Idaho	468,893		407	117,223		351,670
12	Reg Assets-Decoupling Surcharge	5,640	11,828,860				11,834,500
13	Regulatory Asset-Lake CDA DEF Costs	1,244,703		407	32,719		1,211,984
14	DEF CS2 & COLSTRIP	4,823,298		407	2,151,630		2,671,668
15	Commodity MTM St Regulatory Asset	17,260,177		244	5,895,089		11,365,088
16	Commodity MTM Lt Regulatory Asset	32,419,723		244	15,500,519		16,919,204
17	Regulatory Asset FAS143 Asset Retirement Obligation	2,875,898	495,837				3,371,735
18	Reg Asset AN-CDA Lake Settlement	33,632,090		407	884,086		32,748,004
19	Reg Asset WA-CDA Lake Settlement	747,916		407	152,118		595,798
20	Regulatory Asset Workers Comp	2,047,832		407	835,020		1,212,812
21	Regulatory Asset ID PCA Deferral 1	932,887		557	932,887		
22	Spokane River TDG	580,789		407	290,395		290,394
23	Settled Interest Rate Swap Asset	40,786,512	51,092,099				91,878,611
24	DSM Asset	3,167,519	12,502,132				15,669,651
25	Unsettled Interest Rate Swaps Asset	83,972,777		245	14,343,183		69,629,594
26	Deferred ITC		8,481,289				8,481,289
27	Other Reg Assets	221,213		254	136,431		84,782
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40	**Total**	573,031,070	147,231,508	[redacted]	97,798,167	0	622,464,411

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Miscellaneous Deferred Debits (Account 186)

1. Report below the details called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a).
3. Minor items (less than $250,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	Credits Account Charged (d)	Credits Amount (e)	Balance at End of Year (f)
1						
2	Colstrip Common Fac.	1,110,999		406		1,110,999
3	Regulatory Asset-Mt Lease Pymt	270,513		540	270,513	
4	Regulatory Asset-Mt Lease Pymt	676,584		540	676,584	
5	Colstrip Common Fac.	2,355,642				2,355,642
6	Prepaid plane Lease LT-3 yr amort	441,966			196,429	245,537
7	Misc DD- Airplane Lease-3yr amort	515,400			229,067	286,333
8	Plant Alloc of Clearing Jrl	1,888,049	1,632,106			3,520,155
9	Misc Posting Suspense	115,295	169,179	VAR		284,474
10	Renewable Energy-Cert Fees	21,750		557	21,750	
11	Nez Perce Settlement	145,113		557	5,212	139,901
12	Reg Asset ID-Lake CDA- 10 yr amort	147,131		506	30,975	116,156
13	Credit Union Labor & Expense	62,978	44,379			107,357
14	Misc Work Orders <$50,000	(92,021)		VAR	395,354	(487,375)
15	Subsidiary Billings	471,651		VAR	44,658	426,993
16	Misc Deferred Debits (WA)	16,568			1,405,199	(1,388,631)
17	Regulatory Assets Consv	2,154,581			1,112,190	1,042,391
18	Reg Asset-Decoupling deferred	13,305,979	19,846,225			33,152,204
19	Optional Wind Power	(206,235)	271,553			65,318
20	Gas Telemetry equip	4,823			651	4,172
21	Deferred Project Compass (ID) 4 yr	3,346,902			836,726	2,510,176
22	Saddle Mountain East Trans Line	5,929	53,265			59,194
23	AMI Suspense SA Base Chg out		299,407			299,407
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39	Miscellaneous Work in Progress					
40	**Total**	26,759,597	22,316,114		5,225,308	43,850,403

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Accumulated Deferred Income Taxes (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.
3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410.1 (c)	Changes During Year Amounts Credited to Account 411.1 (d)
1	Account 190			
2	Electric	10,573,200		
3	Gas	750,527		
4	Other (Define) (footnote details)	124,712,392		
5	Total (Total of lines 2 thru 4)	136,036,119		
6	Other (Specify) (footnote details)			
7	TOTAL Account 190 (Total of lines 5 thru 6)	136,036,119		
8	Classification of TOTAL			
9	Federal Income Tax	136,036,119		
10	State Income Tax			
11	Local Income Tax			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Accumulated Deferred Income Taxes (Account 190) (continued)

Line No.	Changes During Year Amounts Debited to Account 410.2 (e)	Changes During Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Account No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2				(8,988,638)			19,561,838
3				(1,817,652)			2,568,179
4				(512,298)			125,224,690
5				(11,318,588)			147,354,707
6							
7				(11,318,588)			147,354,707
8							
9				(11,318,588)			147,354,707
10							
11							

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Capital Stock (Accounts 201 and 204)

1. Report below the details called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.
3. Give details concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.

Line No.	Class and Series of Stock and Name of Stock Exchange (a)	Number of Shares Authorized by Charter (b)	Par or Stated Value per Share (c)	Call Price at End of Year (d)
1	Acct. 201 - Common Stock Issued:			
2	No Par Value	200,000,000		
3	Restriced shares			
4	TOTAL Common	200,000,000		
5				
6				
7	Account 204 - Preferred Stock Issued	10,000,000		
8				
9	Total Preferred	10,000,000		
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Capital Stock (Accounts 201 and 204)

4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or noncumulative.
5. State in a footnote if any capital stock that has been nominally issued is nominally outstanding at end of year.
6. Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purpose of pledge.

Line No.	Outstanding per Bal. Sheet (total amt outstanding without reduction for amts held by respondent) Shares (e)	Outstanding per Bal. Sheet Amount (f)	Held by Respondent As Reacquired Stock (Acct 217) Shares (g)	Held by Respondent As Reacquired Stock (Acct 217) Cost (h)	Held by Respondent In Sinking and Other Funds Shares (i)	Held by Respondent In Sinking and Other Funds Amount (j)
1						
2	64,187,934	1,052,578,756			109,806.00	4,127,608.00
3						
4	64,187,934	1,052,578,756			109,806.00	4,127,608.00
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Schedule Page: 250   Line No.: 2   Column: i

Restricted share awards vest in equal thirds each year over a three-year period and are payable in Avista Corp. common stock at the end of each year if the service condition is met. In addition to the service condition, the Company must meet a return on equity target in order for the CEO's restricted shares to vest. Restricted stock is valued at the close of market of the Company's common stock on the grant date.

Other Paid-In Capital (Accounts 208-211)

1. Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as a total of all accounts for reconciliation with the balance sheet, page 112. Explain changes made in any account during the year and give the accounting entries effecting such change.
(a) Donations Received from Stockholders (Account 208) - State amount and briefly explain the origin and purpose of each donation.
(b) Reduction in Par or Stated Value of Capital Stock (Account 209) - State amount and briefly explain the capital changes that gave rise to amounts reported under this caption including identification with the class and series of stock to which related.
(c) Gain or Resale or Cancellation of Reacquired Capital Stock (Account 210) - Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.
(d) Miscellaneous Paid-In Capital (Account 211) - Classify amounts included in this account according to captions that, together with brief explanations, disclose the general nature of the transactions that gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	Equity Transactions of Subsidiaries	(9,506,476)
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40	**Total**	**(9,506,476)**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

DISCOUNT ON CAPITAL STOCK (ACCOUNT 213)

1. Report the balance at end of year of discount on capital stock for each class and series of capital stock. Use as many rows as necessary to report all data.
2. If any change occurred during the year in the balance with respect to any class or series of stock, attach a statement giving details of the change. State the reason for any charge-off during the year and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
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14		
	TOTAL	

CAPITAL STOCK EXPENSE (ACCOUNT 214)

1. Report the balance at end of year of capital stock expenses for each class and series of capital stock. Use as many rows as necessary to report all data. Number the rows in sequence starting from the last row number used for Discount on Capital Stock above.
2. If any change occurred during the year in the balance with respect to any class or series of stock, attach a statement giving details of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
16	Common Stock - no par	(32,208,771)
17		
18		
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28		
	TOTAL	(32,208,771)

FOOTNOTE DATA

Schedule Page: 254 Line No.: 16 Column: b

Beginning Balance	$	(29,238,213)
Issuance of Common Stock	$	1,022,242
Payment of Minimum Tax Withholdings for Share-Based Payment awards	$	3,072,433
Vested Stock Compensation	$	(31,835,414)
Stock Compensation Accrual	$	24,770,181
Ending Balance	$	(32,208,771)

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Securities Issued or Assumed and Securities Refunded or Retired During the Year

1. Furnish a supplemental statement briefly describing security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses. Identify as to Commission authorization numbers and dates.
2. Provide details showing the full accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gain or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.
3. Include in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance of redemption price and name of the principal underwriting firm through which the security transactions were consummated.
4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, cite the Commission authorization for the different accounting and state the accounting method.
5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as details of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

In December 2016, Avista Corp. issued and sold $175.0 million of 3.54 percent first mortgage bonds due in 2051 pursuant to a bond purchase agreement with institutional investors in the private placement market. The total net proceeds from the sale of the bonds were used to repay the $70.0 million term loan discussed above and to repay a portion of the borrowings outstanding under the Company’s $400.0 million committed line of credit. In connection with the execution of the bond purchase agreement, the Company cash-settled seven interest rate swap derivatives (notional aggregate amount of $125.0 million) and paid a total of $54.0 million.

The new issuance is based on the following state commission orders:

1. Order of the Washington Utilities and Transportation Commission entered July 13, 2011, as amended on August 24, 2011 in Docket No. U-111176 and in Docket No. UE-151822, entered October 29, 2015;

2. Order of the Idaho Public Utilities Commission, Order No. 32338, entered August 25, 2011 and Order No. 33401, entered October 23, 2015;

3. Order of the Public Utility Commission of Oregon, Order No. 15305, entered October 6, 2015;

Order of the Public Service Commission of the State of Montana, Default Order No. 4535

In March 2016, the Company entered into four separate sales agency agreements under which Avista Corp.’s sales agents may offer and sell up to 3.8 million new shares of Avista Corp.'s common stock, no par value, from time to time. The sales agency agreements expire on February 29, 2020. In 2016, 1.6 million shares were issued under these agreements resulting in total net proceeds of $65.3 million, leaving 2.2 million shares remaining to be issued.

In 2016, the Company also issued $1.7 million (net of issuance costs) of common stock under the employee plans.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Long-Term Debt (Accounts 221, 222, 223, and 224)

1. Report by Balance Sheet Account the details concerning long-term debt included in Account 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.
2. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
3. For Advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
4. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.

Line No.	Class and Series of Obligation and Name of Stock Exchange (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (Total amount outstanding without reduction for amts held by respondent) (d)
1	FMBS - SERIES A - 7.53% DUE 05/05/2023	05/06/1993	05/05/2023	5,500,000
2	FMBS - SERIES A - 7.54% DUE 05/05/2023	05/07/1993	05/05/2023	1,000,000
3	FMBS - SERIES A - 7.39% DUE 05/11/2018	05/11/1993	05/11/2018	7,000,000
4	FMBS - SERIES A - 7.45% DUE 06/11/2018	06/09/1993	06/11/2018	15,500,000
5	FMBS - SERIES A - 7.18% DUE 08/11/2023	08/12/1993	08/11/2023	7,000,000
6				
7	ADVANCE ASSOCIATED-AVISTA CAPITAL II (ToPRS)	06/03/1997	06/01/2037	51,547,000
8	FMBS - 6.37% SERIES C	06/19/1998	06/19/2028	25,000,000
9	FMBS - 5.45% SERIES	11/18/2004	12/01/2019	90,000,000
10	FMBS - 6.25% SERIES	11/17/2005	12/01/2035	150,000,000
11	FMBS - 5.70% SERIES	12/15/2006	07/01/2037	150,000,000
12	FMBS - 5.95% SERIES	04/02/2008	06/01/2018	250,000,000
13	FMBS - 5.125% SERIES	09/22/2009	04/01/2022	250,000,000
14	COLSTRIP 2010A PCRBs DUE 2032	12/15/2010	10/01/2032	66,700,000
15	COLSTRIP 2010B PCRBs DUE 2034	12/15/2010	03/01/2034	17,000,000
16	FMBS - 3.89% SERIES	12/20/2010	12/20/2020	52,000,000
17	FMBS - 5.55% SERIES	12/20/2010	12/20/2040	35,000,000
18	4.45% SERIES DUE 12-14-2041	12/14/2011	12/14/2041	85,000,000
19	4.23% SERIES DUE 11-29-2047	11/30/2012	11/29/2047	80,000,000
20	FMBS - 4.11% SERIES	12/18/2014	12/01/2044	60,000,000
21	FMBS - 4.37% SERIES	12/16/2015	12/01/2045	100,000,000
22	FMBS - 3.54% SERIES	12/15/2016	12/01/2051	175,000,000
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40	**TOTAL**			1,673,247,000

Long-Term Debt (Accounts 221, 222, 223, and 224)

5. In a supplemental statement, give explanatory details for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.
6. If the respondent has pledged any of its long-term debt securities, give particulars (details) in a footnote, including name of the pledgee and purpose of the pledge.
7. If the respondent has any long-term securities that have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
8. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (f). Explain in a footnote any difference between the total of column (f) and the total Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
9. Give details concerning any long-term debt authorized by a regulatory commission but not yet issued.

Line No.	Interest for Year Rate (in %) (e)	Interest for Year Amount (f)	Held by Respondent Reacquired Bonds (Acct 222) (g)	Held by Respondent Sinking and Other Funds (h)	Redemption Price per $100 at End of Year (i)
1	7.530	414,150			
2	7.540	75,400			
3	7.390	517,300			
4	7.450	1,154,750			
5	7.180	502,600			
6					
7	1.806	634,372			
8	6.370	1,592,500			
9	5.450	4,905,000			
10	6.250	9,375,000			
11	5.700	8,550,000			
12	5.950	14,875,000			
13	5.125	12,812,500			
14	1.050	484,176	66,700,000		
15	1.050	123,403	17,000,000		
16	3.890	2,022,800			
17	5.550	1,942,500			
18	4.450	3,782,500			
19	4.230	3,384,000			
20	4.110	2,466,000			
21	4.370	4,370,000			
22	3.540	275,333			
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Schedule Page: 256 Line No.: 7 Column: a

Upon issuance Avista Capital II issued $1.5 million of Common Trust Securities to the Company. In December 2000, the Company purchased $10.0 million of these Preferred Trust Securities. The interest for the year disclosed in column (i) reflects the net amount owed to third parties.

Schedule Page: 256 Line No.: 14 Column: a

The Company reacquired this debt in 2010. These bonds have not been retired or canceled; the Company plans, based on liquidity needs and market conditions, to remarket these bonds at a future date.

Schedule Page: 256 Line No.: 15 Column: a

The Company reacquired this debt in 2010. These bonds have not been retired or canceled; the Company plans, based on liquidity needs and market conditions, to remarket these bonds at a future date.

Schedule Page: 256 Line No.: 22 Column: a

The new issuance is based on the following state commission orders:

1. Order of the Washington Utilities and Transportation Commission entered July 13, 2011, as amended on August 24, 2011 in Docket No. U-111176 and in Docket No. UE-151822, entered October 29, 2015;

2. Order of the Idaho Public Utilities Commission, Order No. 32338, entered August 25, 2011 and Order No. 33401, entered October 23, 2015;

3. Order of the Public Utility Commission of Oregon, Order No. 15305, entered October 6, 2015;

Order of the Public Service Commission of the State of Montana, Default Order No. 4535

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Unamortized Debt Expense, Premium and Discount on Long-Term Debt (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, details of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt Issued (b)	Total Expense Premium or Discount (c)	Amortization Period Date From (d)	Amortization Period Date To (e)
1	FMBS - SERIES A - 7.53% DUE 05/05/2023	5,500,000	42,712	05/06/1993	05/05/2023
2	FMBS - SERIES A - 7.54% DUE 5/05/2023	1,000,000	7,766	05/07/1993	05/05/2023
3	FMBS - SERIES A - 7.39% DUE 5/11/2018	7,000,000	54,364	05/11/1993	05/11/2018
4	FMBS - SERIES A - 7.45% DUE 6/11/2018	15,500,000	170,597	06/09/1993	06/11/2018
5	FMBS - SERIES A - 7.18% DUE 8/11/2023	7,000,000	54,364	08/12/1993	08/11/2023
6	ADVANCE ASSOCIATED-AVISTA CAPITAL II (ToPRS)	51,547,000	1,296,086	06/03/1197	06/01/2037
7	FMBS - 6.37% SERIES C	25,000,000	158,304	06/19/1998	06/19/2028
8	FMBS - 5.45% SERIES	90,000,000	1,432,081	11/18/2004	12/01/2019
9	FMBS - 6.25% SERIES	150,000,000	2,180,435	11/17/2005	12/01/2035
10	FMBS - 5.70% SERIES	150,000,000	4,924,304	12/15/2006	07/01/2037
11	FMBS - 5.95% SERIES	250,000,000	3,081,419	04/02/2008	06/01/2018
12	FMBS - 5.125% SERIES	250,000,000	2,859,788	09/22/2009	04/01/2022
13	FMBS - 3.89% SERIES	52,000,000	385,129	12/20/2010	12/20/2020
14	FMBS - 5.55% SERIES	35,000,000	258,834	12/20/2010	12/20/2040
15	Short-Term Credit Facility		4,635,960	12/14/2011	04/18/2019
16	4.45% SERIES DUE 12-14-2041	85,000,000	692,833	12/14/2011	12/14/2041
17	4.23% SERIES DUE 11-29-2047	80,000,000	730,833	11/30/2012	11/29/2047
18	4.11% Seires Due 12-1-2044	60,000,000	428,205	12/18/2014	12/01/2044
19	4.37% Series Due 12-1-2045	100,000,000	590,761	12/16/2015	12/01/2045
20	3.54% Series Due 12-1-2051	175,000,000	1,001,382	12/15/2016	12/01/2051
21	Rathrum 2005		71,646	09/30/2005	12/01/2035
22	Debt Strategies		858	08/01/2005	08/01/2035
23	WKSI Shelf Registration Statement		16,064	03/01/2013	03/01/2018
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Unamortized Debt Expense, Premium and Discount on Long-Term Debt (Accounts 181, 225, 226)

5. Furnish in a footnote details regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

6. Identify separately undisposed amounts applicable to issues which were redeemed in prior years.

7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt-Credit.

Line No.	Balance at Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance at End of Year (i)
1	10,559		1,424	9,135
2	1,920		259	1,661
3	5,254		2,175	3,079
4	17,060		6,824	10,236
5	13,893		1,812	12,081
6	301,318		14,015	287,303
7	65,959		5,277	60,682
8	343,841		85,960	257,881
9	1,451,378		72,569	1,378,809
10	3,475,599		161,032	3,314,567
11	732,469		303,090	429,379
12	1,441,216		227,561	1,213,655
13	193,096		38,619	154,477
14	215,702		8,628	207,074
15	1,776,797	676,511	571,205	1,882,103
16	600,702		23,104	577,598
17	666,615		20,886	645,729
18	414,779		14,878	399,901
19	564,165	26,597	19,417	571,345
20		1,001,382		1,001,382
21	47,371		2,368	45,003
22	563		29	534
23	6,205		2,900	3,305
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FOOTNOTE DATA

Schedule Page: 258 Line No.: 20 Column: c

Expenses may change as more invoices related to this issuance become known

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Unamortized Loss and Gain on Reacquired Debt (Accounts 189, 257)

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, details of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts.
4. Show loss amounts by enclosing the figures in parentheses.
5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	Misc Debt Repurchases I	05/10/1993		(4,695,395)	(692,787)	(513,818)
2	ADVANCE ASSOCIATED-AVISTA CAPITAL II (ToPRS)	12/18/2000	10,000,000	1,769,125	1,045,207	996,404
3	Misc 2002 Repurchase	12/31/2002	10,000,000	2,228,153	620,760	568,668
4	Misc 2003 Repurchase	12/31/2003	25,330,000	315,274	99,861	92,861
5	Misc 2004 Repurchase	12/31/2004	36,590,000	(7,244,895)	(785,339)	(487,046)
6	Misc 2005 Repurchase	12/31/2005	26,000,000	(1,700,371)	(637,031)	(602,027)
7	Misc 2006 Repurchase	12/31/2006	6,875,000	483,582	(32,733)	(16,768)
8	Misc 2008 Repurchase Costs	12/31/2008		43,132	21,705	19,009
9	AVA Capital Trust III (2022)	04/01/2009	60,000,000	(2,875,817)	(1,452,072)	(1,222,798)
10	COLSTRIP 2010A PCRBs DUE 2032	12/14/2010	66,700,000	(3,709,174)	(2,620,408)	(2,464,740)
11	COLSTRIP 2010B PCRBs DUE 2034	12/14/2010	17,000,000	(1,916,297)	(1,501,969)	(1,419,475)
12	FMBS - 7.25% SERIES (2040)	12/20/2010	30,000,000	(5,263,822)	(4,386,518)	(4,211,057)
13	FMBS - 6.125% SERIES (2020)	12/20/2010	45,000,000	(6,273,664)	(3,136,832)	(2,509,466)
14	KETTLE FALLS P C REV BONDS DUE 14 (2047)	06/28/2012	4,100,000	(105,020)	(95,769)	(92,768)
15						
16						
17						
18						
19						
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22						
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Reconciliation of Reported Net Income with Taxable Income for Feder Income Taxes

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal Income Tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group that files consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignments, or sharing of the consolidated tax among the group members.

Line No.	Details (a)	Amount (b)
1	Net Income for the Year (Page 116)	137,228,107
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5		5,326,302
6		
7		
8	TOTAL	5,326,302
9	Deductions Recorded on Books Not Deducted for Return	
10		(2,613,289)
11	Income Tax Expense	74,121,263
12		
13	TOTAL	71,507,974
14	Income Recorded on Books Not Included in Return	
15		(39,942,100)
16		
17		
18	TOTAL	(39,942,100)
19	Deductions on Return Not Charged Against Book Income	
20		(254,132,226)
21		
22		
23	Equity in Sub Earnings	(6,288,876)
24	Corporate Overhead Unallocated Subs	2,385,355
25		
26	TOTAL	(258,035,747)
27	Federal Tax Net Income	(83,915,464)
28	Show Computation of Tax:	
29	State Tax	379,481
30	Federal Tax Net Income, less state tax	(83,535,983)
31	Federal Tax @ 35%	(29,237,594)
32	Nine Mile ITC	(19,418,459)
33	Prior years true ups and misc adjustments	1,414,639
34	Cabinet Gorge tax credits	(166,884)
35	Total Federal Tax Expense	(47,408,298)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)

1. Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes charged to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See Instruction 5) (a)	Balance at Beg. of Year Taxes Accrued (b)	Balance at Beg. of Year Prepaid Taxes (c)
1	FEDERAL:		
2	Income Tax 2013	806,204	
3	Income Tax 2014	514,866	
4	Income Tax 2015	(18,877,196)	
5	Income Tax (Current)		
6	Prior Retained Earnings (2013)	(483,257)	
7	Prior Retained Earnings (2015)	(1,920,588)	
8	Current Retained Earnings		
9	Total Federal	(19,959,971)	
10			
11	STATE OF WASHINGTON		
12	Property Tax (2014)	(3,344)	
13	Property Tax (2015)	15,559,562	
14	Property Tax (2016)		
15	Excise Tax (2014)	(1)	
16	Excise Tax (2015)	2,706,504	
17	Excise Tax (2016)		
18	Natural Gas Use Tax	537	
19	Municipal Occupation Tax	2,902,651	
20	Community Solar	(105,669)	
21	Sales & Use Tax (2014)	344	
22	Sales & Use Tax (2015)	127,828	
23	Sales & Use Tax (2016)		
24	Total Washington	21,188,412	
25			
26	STATE OF IDAHO:		
27	Income Tax (2013)	41,220	
28	Income Tax (2014)	(142,202)	
29	Income Tax (2015)	(57,305)	
30	Income Tax (2016)		
31	Property Tax (2014)	52,403	
32	Property Tax (2015)	3,557,972	
33	Property Tax (2016)		
34	Sales & Use Tax (2015)	12,784	
35	Sales & Use Tax (2016)		
36	KWH Tax (2015)	24,195	
37	KWH Tax (2016)		
38	Franchise Tax (2015)	1,526,981	
39	Franchise Fee (2016)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Show in columns (i) thru (p) how the taxes accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.
10. Items under $250,000 may be grouped.
11. Report in column (q) the applicable effective state income tax rate.

Line No.	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	Balance at End of Year Taxes Accrued (Account 236) (g)	Balance at End of Year Prepaid Taxes (Included in Acct 165) (h)
1					
2				806,204	
3	325,206			840,072	
4	1,784,007	(19,013,777)	(1,920,588)		
5	(40,949,517)	4,378,957		(45,328,474)	
6				(483,257)	
7			1,920,588		
8	(3,371,282)			(3,371,282)	
9	(42,211,586)	(14,634,820)		(47,536,737)	
10					
11					
12	(15,470)	(18,813)	1		
13	271,617	15,837,020		(5,841)	
14	16,219,999			16,219,999	
15			1		
16	(7,150)	2,699,353	(1)		
17	26,587,557	22,789,011		3,798,546	
18	3,569	3,452		654	
19	23,115,318	23,095,318	1	2,922,652	
20	(615,995)	(696,151)		(25,513)	
21		344			
22		127,828			
23	1,124,451	967,442		157,008	
24	66,683,896	64,804,804	2	23,067,505	
25					
26					
27		(100,982)	(142,202)		
28	270		141,932		
29	530,100	(215,096)	(687,891)		
30	511,938	500,000		11,938	
31	(52,002)	401			
32		3,557,985		(13)	
33	7,145,215	3,572,839		3,572,375	
34		12,784			
35	360,849	337,305		23,544	
36	824	25,019			
37	414,153	383,274		30,880	
38		1,526,982	1	1	
39	4,440,675	2,951,606		1,489,069	

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)

1. Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes charged to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Electric (Account 408.1, 409.1) (i)	Gas (Account 408.1, 409.1) (j)	Other Utility Dept. (Account 408.1, 409.1) (k)	Other Income and Deductions (Account 408.2, 409.2) (l)
1				
2				
3	325,206			
4	(5,173,655)			7,356,217
5	(34,563,043)	(5,452,168)		(10,735,729)
6				
7				
8				
9	(39,411,492)	(5,452,168)		(3,379,512)
10				
11				
12	(23,274)	952		6,852
13	626,771	(374,926)		19,772
14	13,357,998	2,826,001		36,355
15				
16	(12,176)	(1,869)		6,895
17	20,023,590	5,499,149		112,573
18	3,569			
19	17,746,956	5,188,440		
20				
21				
22				
23				
24	51,723,434	13,137,747		182,447
25				
26				
27				
28				
29	(65,276)	(16,319)		
30	435,148	76,791		
31	(43,579)	(3,651)		(4,772)
32	4,564			
33	5,694,596	1,470,048		10,575
34				
35				
36	824			
37	414,863			
38				
39	3,352,949	1,064,090		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Show in columns (i) thru (p) how the taxes accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.
10. Items under $250,000 may be grouped.
11. Report in column (q) the applicable effective state income tax rate.

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Extraordinary Items (Account 409.3) (m)	Other Utility Opn. Income (Account 408.1, 409.1) (n)	Adjustment to Ret. Earnings (Account 439) (o)	Other (p)	State/Local Income Tax Rate (q)
1					
2					
3					
4				(398,555)	
5				9,801,424	
6					
7					
8				(3,371,282)	
9				6,031,587	
10					
11					
12					
13					
14				(355)	
15					
16					
17				952,245	
18					
19				179,922	
20				(615,995)	
21					
22					
23				1,124,451	
24				1,640,268	
25					
26					
27					
28				270	
29				611,695	
30				(1)	
31					
32				(4,564)	
33				(30,005)	
34					
35				360,849	
36					
37				(710)	
38					
39				23,637	

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

Line No.	Kind of Tax (See Instruction 5) (a)	Balance at Beg. of Year Taxes Accrued (b)	Balance at Beg. of Year Prepaid Taxes (c)
1	Total Idaho	5,016,048	
2			
3	STATE OF MONTANA		
4	Income Tax (2014)	(74,950)	
5	Income Tax (2015)	(413,607)	
6	Income Tax (2016)		
7	Property Tax (2014)	9,257	
8	Property Tax (2015)	4,233,693	
9	Property Tax (2016)		
10	Colstrip Generation Tax		
11	KWH Tax (2015)	240,112	
12	KWH Tax (2016)		
13	Consumer Council Fee	23	
14	Public Commission Fee	60	
15	Total Montana	3,994,588	
16			
17	STATE OF OREGON		
18	Income Tax (2014)	(100,000)	
19	Income Tax (2015)	(378,037)	
20	Property Tax (2015)	(2,722,849)	
21	Property Tax (2016)		
22	BETC Credit (2010)	(17,483)	
23	BETC Credit (2011)	(29,962)	
24	BETC Credit (2012)	(57,789)	
25	Glendale Regulatory Cr. 2009	(34,911)	
26	Franchise Fee (2015)	920,340	
27	Franchise Fee (2016)		
28	Total Oregon	(2,420,691)	
29			
30	STATE OF CALIFORNIA		
31	Income Tax (2016)		
32	Total California		
33			
34	MISCELLANEOUS STATES:		
35	Income Tax (2013)	1	
36	Income Tax (2014)	28,632	
37	Income Tax (2015)	(646,729)	
38	Total Misc States	(618,096)	
39			

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

Line No.	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	Balance at End of Year Taxes Accrued (Account 236) (g)	Balance at End of Year Prepaid Taxes (Included in Acct 165) (h)
1	13,352,022	12,552,117	(688,160)	5,127,794	
2					
3					
4	233,684	(74,950)	(233,684)		
5	(11,057)		119,714	(304,950)	
6	118,720			118,720	
7	(9,257)				
8	(422,070)	3,811,623			
9	9,750,999	4,886,505		4,864,493	
10	3,686	3,686			
11		240,112			
12	1,079,381	804,965		274,416	
13	(3)	45	36	11	
14	112	93	(36)	43	
15	10,744,195	9,672,079	(113,970)	4,952,733	
16					
17					
18		(100,000)			
19	378,036		2	1	
20	2,722,849				
21	2,854,826	5,709,653		(2,854,826)	
22				(17,483)	
23				(29,962)	
24				(57,789)	
25				(34,911)	
26	(338)	920,001			
27	3,448,708	2,519,669		929,039	
28	9,404,081	9,049,323	2	(2,065,931)	
29					
30					
31		1,600		(1,600)	
32		1,600		(1,600)	
33					
34					
35			(1)		
36				28,632	
37	(155,403)		802,132		
38	(155,403)		802,131	28,632	
39					

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Electric (Account 408.1, 409.1) (i)	Gas (Account 408.1, 409.1) (j)	Other Utility Dept. (Account 408.1, 409.1) (k)	Other Income and Deductions (Account 408.2, 409.2) (l)
1	9,794,089	2,590,959		5,803
2				
3				
4				
5	(11,057)			
6	118,720			
7	(9,257)			
8	(422,070)			
9	9,750,999			
10	3,686			
11				
12	1,079,381			
13	(3)			
14	112			
15	10,510,511			
16				
17				
18				
19	(781)	(2,342)		
20	1,358,912	1,363,937		
21	1,262,754	1,592,072		
22				
23				
24				
25				
26				
27		3,421,688		
28	2,620,885	6,375,355		
29				
30				
31				
32				
33				
34				
35				
36				
37				(155,403)
38				(155,403)
39				

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Extraordinary Items (Account 409.3) (m)	Other Utility Opn. Income (Account 408.1, 409.1) (n)	Adjustment to Ret. Earnings (Account 439) (o)	Other (p)	State/Local Income Tax Rate (q)
1				961,171	
2					
3					
4				233,684	
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15				233,684	
16					
17					
18					
19				381,159	
20					
21					
22					
23					
24					
25					
26				(338)	
27				27,020	
28				407,841	
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

Line No.	Kind of Tax (See Instruction 5) (a)	Balance at Beg. of Year Taxes Accrued (b)	Balance at Beg. of Year Prepaid Taxes (c)
1	COUNTY & MUNICIPAL		
2	WA Renewable Energy	(561)	
3	Vehicle Excise Tax 2015	(13,850)	
4	Misc.	939	
5	Total County	(13,472)	
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
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39			
	TOTAL	7,186,818	

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

Line No.	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	Balance at End of Year Taxes Accrued (Account 236) (g)	Balance at End of Year Prepaid Taxes (Included in Acct 165) (h)
1					
2	(544,804)	(539,726)		(5,638)	
3	13,850				
4	58,508	57,495	(3)	1,949	
5	(472,446)	(482,231)	(3)	(3,689)	
6					
7					
8					
9					
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11					
12					
13					
14					
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TOTAL	57,344,759	80,962,872	2	(16,431,293)	

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Electric (Account 408.1, 409.1) (i)	Gas (Account 408.1, 409.1) (j)	Other Utility Dept. (Account 408.1, 409.1) (k)	Other Income and Deductions (Account 408.2, 409.2) (l)
1				
2				561
3				
4				3,304
5				3,865
6				
7				
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9				
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39				
TOTAL	35,237,427	16,651,893		(3,342,800)

Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Extraordinary Items (Account 409.3) (m)	Other Utility Opn. Income (Account 408.1, 409.1) (n)	Adjustment to Ret. Earnings (Account 439) (o)	Other (p)	State/Local Income Tax Rate (q)
1					
2				(545,365)	
3				13,850	
4				55,204	
5				(476,311)	
6					
7					
8					
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TOTAL				8,798,240	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Miscellaneous Current and Accrued Liabilities (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.
2. Minor items (less than $250,000) may be grouped under appropriate title.

Line No.	Item (a)	Balance at End of Year (b)
1	242050- Margin Call Deposit	2,270,000
2	242060- Forest Use Permits	3,022,955
3	242300- FERC Admin Fee Acc	500,000
4	242310-FERC Elec Admin Chg	141,667
5	242375- MT Lease Payments	4,618,600
6	242700-Payroll EQLZTN	19,394,131
7	242770-Low Income Energy Assit	2,463,360
8	242780- Avista Grants Eng Sustain	35,437
9	242790- Mobius	50,000
10	242830- Workers Comp Liability	1,212,812
11	242910-Accts payable Expense Accrual	3,034,342
12	242999- Current Portion Benefit Liability	10,993,908
13	Misc Liabilities	10,330,879
14		
15		
16		
17		
18		
19		2
20		
21		
22		
23		
24		
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44		
45	**Total**	**58,068,093**

Other Deferred Credits (Account 253)

1. Report below the details called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (less than $250,000) may be grouped by classes.

Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	Debit Contra Account (c)	Debit Amount (d)	Credits (e)	Balance at End of Year (f)
1	Defer Gas Exchange (253028)	1,125,000				1,125,000
2	Rathdrum Refund (253120)	138,110	550	33,822		104,288
3	NE Tank Spill (253130)	3,230				3,230
4	Bills Pole Rentals (253140)	184,401	454	21,459		162,942
5	CR-CS2 GE LTSA (253150)					
6	Credit Resource Actg					
7	DOC EECE Grant	17,918			7,910	25,828
8	Defer Comp Retired Execs (253900)					
9	Defer Comp Active Execs (253910)	8,093,780	426	410,580		7,683,200
10	Executive Incent Plan (253920)	140,000				140,000
11	Unbilled Revenue (253990)	848,734			1,249,835	2,098,569
12	WA Energy Recovery Mechanism	11,535,183	186	8,192,200		3,342,983
13	Misc Deferred Credits	2,773,438	407	2,573,455		199,983
14	REC Deferral					
15	Kettle Falls Diesel Leak	236,135			139,960	376,095
16	Energy Commodity (253020)	14,694,374	124	14,694,374		
17						
18						
19						
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22						
23						
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44						
45	**Total**	39,790,303		25,925,890	1,397,705	15,262,118

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Accumulated Deferred Income Taxes-Other Property (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	443,772,673	59,131,206	
3	Gas	135,611,950	18,297,477	
4	Other (Define) (footnote details)	67,485,743	6,863,072	
5	Total (Enter Total of lines 2 thru 4)	646,870,366	84,291,755	
6	Other (Specify) (footnote details)			
7	TOTAL Account 282 (Enter Total of lines 5 thr	646,870,366	84,291,755	
8	Classification of TOTAL			
9	Federal Income Tax	630,447,007	84,291,755	
10	State Income Tax	16,423,359		
11	Local Income Tax			

Accumulated Deferred Income Taxes-Other Property (Account 282) (continued)

3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Changes during Year Amounts Debited to Account 410.2 (e)	Changes during Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Acct. No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2							502,903,879
3							153,909,427
4							74,348,815
5							731,162,121
6							
7							731,162,121
8							
9							714,738,762
10							16,423,359
11							

Accumulated Deferred Income Taxes-Other (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410.1 (c)	Changes During Year Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric	16,367,410	1,760,464	
3	Gas	(3,286,746)	14,626	
4	Other (Define) (footnote details)	214,729,975	16,799,765	
5	Total (Total of lines 2 thru 4)	227,810,639	18,574,855	
6	Other (Specify) (footnote details)			
7	TOTAL Account 283 (Total of lines 5 thru	227,810,639	18,574,855	
8	Classification of TOTAL			
9	Federal Income Tax	227,810,639	18,574,855	
10	State Income Tax			
11	Local Income Tax			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Accumulated Deferred Income Taxes-Other (Account 283) (continued)

3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Changes during Year Amounts Debited to Account 410.2 (e)	Changes during Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Acct. No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2				(737,482)			17,390,392
3				(16,669)			(3,288,789)
4				(4,602,839)			226,926,901
5				(5,356,990)			241,028,504
6	5,429,247						5,429,247
7	5,429,247			(5,356,990)			246,457,751
8							
9	5,429,247			(5,356,990)			246,457,751
10							
11							

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Other Regulatory Liabilities (Account 254)

1. Report below the details called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
2. For regulatory liabilities being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than $250,000, whichever is less) may be grouped by classes.
4. Provide in a footnote, for each line item, the regulatory citation where the respondent was directed to refund the regulatory liability (e.g. Commission Order, state commission order, court decision).

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Beginning of Current Quarter/Year (b)	Written off during Quarter/Period Account Credited (c)	Written off During Period Amount Refunded (d)	Written off During Period Amount Deemed Non-Refundable (e)	Credits (f)	Balance at End of Current Quarter/Year (g)
1	Idaho Investment Tax Credit (254005)	11,288,009	190	2,093,606			9,194,403
2	Oregon BETC (254010)	1,099,872	190	88,443			1,011,429
3	Settled Int Rate Swaps (254090)	14,271,547	428	1,829,707			12,441,840
4	Unsettled Int Rate Swaps (254100)	22,687				8,726,868	8,749,555
5	FAS 109 Invest Credit (254180)	47,712	190	13,551			34,161
6	Nez Perce (254220)	616,340	557	22,008			594,332
7	Idaho Earnings Test (254229)	760,068				2,936,805	3,696,873
8	Decoupling Rebate					2,404,916	2,404,916
9	BPA Res Exchange (254345)	428,624				239,001	667,625
10	Other Regulatory Liabilities	1,841,650	190	27,105			1,814,545
11	WA ERM	6,457,271				11,490,399	17,947,670
12	ID PCA	754,958				1,482,439	2,237,397
13	Roseburg/Medford	8,729	182	8,729			
14	Deferred Federal ITC	3,379,017	190	62,400		13,628,905	16,945,522
15							
16							
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44							
45	**Total**	40,976,484		4,145,549	0	40,909,333	77,740,268

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Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Gas Operating Revenues

1. Report below natural gas operating revenues for each prescribed account total. The amounts must be consistent with the detailed data on succeeding pages.
2. Revenues in columns (b) and (c) include transition costs from upstream pipelines.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges, less revenues reflected in columns (b) through (e). Include in columns (f) and (g) revenues for Accounts 480-495.

Line No.	Title of Account (a)	Revenues for Transition Costs and Take-or-Pay Amount for Current Year (b)	Revenues for Transition Costs and Take-or-Pay Amount for Previous Year (c)	Revenues for GRI and ACA Amount for Current Year (d)	Revenues for GRI and ACA Amount for Previous Year (e)
1	480 Residential Sales				
2	481 Commercial and Industrial Sales				
3	482 Other Sales to Public Authorities				
4	483 Sales for Resale				
5	484 Interdepartmental Sales				
6	485 Intracompany Transfers				
7	487 Forfeited Discounts				
8	488 Miscellaneous Service Revenues				
9	489.1 Revenues from Transportation of Gas of Others Through Gathering Facilities				
10	489.2 Revenues from Transportation of Gas of Others Through Transmission Facilities				
11	489.3 Revenues from Transportation of Gas of Others Through Distribution Facilities				
12	489.4 Revenues from Storing Gas of Others				
13	490 Sales of Prod. Ext. from Natural Gas				
14	491 Revenues from Natural Gas Proc. by Others				
15	492 Incidental Gasoline and Oil Sales				
16	493 Rent from Gas Property				
17	494 Interdepartmental Rents				
18	495 Other Gas Revenues				
19	Subtotal:				
20	496 (Less) Provision for Rate Refunds				
21	TOTAL:				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Gas Operating Revenues

4. If increases or decreases from previous year are not derived from previously reported figures, explain any inconsistencies in a footnote.
5. On Page 108, include information on major changes during the year, new service, and important rate increases or decreases.
6. Report the revenue from transportation services that are bundled with storage services as transportation service revenue.

Line No.	Other Revenues Amount for Current Year (f)	Other Revenues Amount for Previous Year (g)	Total Operating Revenues Amount for Current Year (h)	Total Operating Revenues Amount for Previous Year (i)	Dekatherm of Natural Gas Amount for Current Year (j)	Dekatherm of Natural Gas Amount for Previous Year (k)
1	195,275,153	193,825,126	195,275,153	193,825,126	18,656,462	17,661,330
2	98,504,799	103,325,365	98,504,799	103,325,365	12,361,947	11,767,225
3						
4	154,435,624	208,128,979	154,435,624	208,128,978	69,373,309	83,131,135
5	288,085	281,994	288,085	281,994	37,818	33,451
6						
7						
8	139,015	80,331	139,015	80,331		
9						
10						
11	8,338,713	7,988,080	8,338,713	7,988,080	18,047,825	16,723,353
12						
13						
14						
15						
16	3,293	3,211	3,293	3,211		
17						
18	17,100,272	10,770,592	17,100,272	10,770,593		
19	474,084,954	524,403,678	474,084,954	524,403,678		
20	2,767,455		2,767,455			
21	471,317,499	524,403,678	471,317,499	524,403,678		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Other Gas Revenues (Account 495)

Report below transactions of $250,000 or more included in Account 495, Other Gas Revenues. Group all transactions below $250,000 in one amount and provide the number of items.

Line No.	Description of Transaction (a)	Amount (in dollars) (b)
1	Commissions on Sale or Distribution of Gas of Others	
2	Compensation for Minor or Incidental Services Provided for Others	
3	Profit or Loss on Sale of Material and Supplies not Ordinarily Purchased for Resale	
4	Sales of Stream, Water, or Electricity, including Sales or Transfers to Other Departments	
5	Miscellaneous Royalties	
6	Revenues from Dehydration and Other Processing of Gas of Others except as provided for in the Instructions to Account 495	
7	Revenues for Right and/or Benefits Received from Others which are Realized Through Research, Development, and Demonstration Ventures	
8	Gains on Settlements of Imbalance Receivables and Payables	
9	Revenues from Penalties earned Pursuant to Tariff Provisions, including Penalties Associated with Cash-out Settlements	
10	Revenues from Shipper Supplied Gas	
11	Other revenues (Specify):	
12	Misc Bills	291,066
13	Deferred Exchange Revenue	4,500,000
14	Decoupling Deferred Revenue	12,309,206
15		
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	Total	**17,100,272**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Gas Operation and Maintenance Expenses

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production		
3	Manufactured Gas Production (Submit Supplemental Statement)	0	0
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation		
7	750 Operation Supervision and Engineering	0	0
8	751 Production Maps and Records	0	0
9	752 Gas Well Expenses	0	0
10	753 Field Lines Expenses	0	0
11	754 Field Compressor Station Expenses	0	0
12	755 Field Compressor Station Fuel and Power	0	0
13	756 Field Measuring and Regulating Station Expenses	0	0
14	757 Purification Expenses	0	0
15	758 Gas Well Royalties	0	0
16	759 Other Expenses	0	0
17	760 Rents	0	0
18	TOTAL Operation (Total of lines 7 thru 17)	0	0
19	Maintenance		
20	761 Maintenance Supervision and Engineering	0	0
21	762 Maintenance of Structures and Improvements	0	0
22	763 Maintenance of Producing Gas Wells	0	0
23	764 Maintenance of Field Lines	0	0
24	765 Maintenance of Field Compressor Station Equipment	0	0
25	766 Maintenance of Field Measuring and Regulating Station Equipment	0	0
26	767 Maintenance of Purification Equipment	0	0
27	768 Maintenance of Drilling and Cleaning Equipment	0	0
28	769 Maintenance of Other Equipment	0	0
29	TOTAL Maintenance (Total of lines 20 thru 28)	0	0
30	TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29)	0	0

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering	0	0
34	771 Operation Labor	0	0
35	772 Gas Shrinkage	0	0
36	773 Fuel	0	0
37	774 Power	0	0
38	775 Materials	0	0
39	776 Operation Supplies and Expenses	0	0
40	777 Gas Processed by Others	0	0
41	778 Royalties on Products Extracted	0	0
42	779 Marketing Expenses	0	0
43	780 Products Purchased for Resale	0	0
44	781 Variation in Products Inventory	0	0
45	(Less) 782 Extracted Products Used by the Utility-Credit	0	0
46	783 Rents	0	0
47	TOTAL Operation (Total of lines 33 thru 46)	0	0
48	Maintenance		
49	784 Maintenance Supervision and Engineering	0	0
50	785 Maintenance of Structures and Improvements	0	0
51	786 Maintenance of Extraction and Refining Equipment	0	0
52	787 Maintenance of Pipe Lines	0	0
53	788 Maintenance of Extracted Products Storage Equipment	0	0
54	789 Maintenance of Compressor Equipment	0	0
55	790 Maintenance of Gas Measuring and Regulating Equipment	0	0
56	791 Maintenance of Other Equipment	0	0
57	TOTAL Maintenance (Total of lines 49 thru 56)	0	0
58	TOTAL Products Extraction (Total of lines 47 and 57)	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals	0	0
62	796 Nonproductive Well Drilling	0	0
63	797 Abandoned Leases	0	0
64	798 Other Exploration	0	0
65	TOTAL Exploration and Development (Total of lines 61 thru 64)	0	0
66	D. Other Gas Supply Expenses		
67	Operation		
68	800 Natural Gas Well Head Purchases	0	0
69	800.1 Natural Gas Well Head Purchases, Intracompany Transfers	0	0
70	801 Natural Gas Field Line Purchases	0	0
71	802 Natural Gas Gasoline Plant Outlet Purchases	0	0
72	803 Natural Gas Transmission Line Purchases	0	0
73	804 Natural Gas City Gate Purchases	247,457,293	319,282,550
74	804.1 Liquefied Natural Gas Purchases	0	0
75	805 Other Gas Purchases	(1,814)	0
76	(Less) 805.1 Purchases Gas Cost Adjustments	(12,157,352)	(13,720,762)
77	TOTAL Purchased Gas (Total of lines 68 thru 76)	259,612,831	333,003,312
78	806 Exchange Gas	0	0
79	Purchased Gas Expenses		
80	807.1 Well Expense-Purchased Gas	0	0
81	807.2 Operation of Purchased Gas Measuring Stations	0	0
82	807.3 Maintenance of Purchased Gas Measuring Stations	0	0
83	807.4 Purchased Gas Calculations Expenses	0	0
84	807.5 Other Purchased Gas Expenses	0	0
85	TOTAL Purchased Gas Expenses (Total of lines 80 thru 84)	0	0

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
86	808.1 Gas Withdrawn from Storage-Debit	22,932,919	45,198,194
87	(Less) 808.2 Gas Delivered to Storage-Credit	18,187,452	29,241,184
88	809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit	0	0
89	(Less) 809.2 Deliveries of Natural Gas for Processing-Credit	0	0
90	Gas used in Utility Operation-Credit		
91	810 Gas Used for Compressor Station Fuel-Credit	0	0
92	811 Gas Used for Products Extraction-Credit	566,023	446,368
93	812 Gas Used for Other Utility Operations-Credit	0	0
94	TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93)	566,023	446,368
95	813 Other Gas Supply Expenses	2,072,264	1,750,521
96	TOTAL Other Gas Supply Exp. (Total of lines 77,78,85,86 thru 89,94,95)	265,864,539	350,264,475
97	TOTAL Production Expenses (Total of lines 3, 30, 58, 65, and 96)	265,864,539	350,264,475
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	16,127	13,588
102	815 Maps and Records	0	0
103	816 Wells Expenses	0	0
104	817 Lines Expense	0	0
105	818 Compressor Station Expenses	0	0
106	819 Compressor Station Fuel and Power	0	0
107	820 Measuring and Regulating Station Expenses	0	0
108	821 Purification Expenses	0	0
109	822 Exploration and Development	0	0
110	823 Gas Losses	0	0
111	824 Other Expenses	705,893	677,721
112	825 Storage Well Royalties	0	0
113	826 Rents	0	0
114	TOTAL Operation (Total of lines of 101 thru 113)	722,020	691,309

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
115	Maintenance		
116	830 Maintenance Supervision and Engineering	0	0
117	831 Maintenance of Structures and Improvements	0	0
118	832 Maintenance of Reservoirs and Wells	0	0
119	833 Maintenance of Lines	0	0
120	834 Maintenance of Compressor Station Equipment	0	0
121	835 Maintenance of Measuring and Regulating Station Equipment	0	0
122	836 Maintenance of Purification Equipment	0	0
123	837 Maintenance of Other Equipment	804,745	648,898
124	TOTAL Maintenance (Total of lines 116 thru 123)	804,745	648,898
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	1,526,765	1,340,207
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering	0	0
129	841 Operation Labor and Expenses	0	0
130	842 Rents	0	0
131	842.1 Fuel	0	0
132	842.2 Power	0	0
133	842.3 Gas Losses	0	0
134	TOTAL Operation (Total of lines 128 thru 133)	0	0
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering	0	0
137	843.2 Maintenance of Structures	0	0
138	843.3 Maintenance of Gas Holders	0	0
139	843.4 Maintenance of Purification Equipment	0	0
140	843.5 Maintenance of Liquefaction Equipment	0	0
141	843.6 Maintenance of Vaporizing Equipment	0	0
142	843.7 Maintenance of Compressor Equipment	0	0
143	843.8 Maintenance of Measuring and Regulating Equipment	0	0
144	843.9 Maintenance of Other Equipment	0	0
145	TOTAL Maintenance (Total of lines 136 thru 144)	0	0
146	TOTAL Other Storage Expenses (Total of lines 134 and 145)	0	0

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering	0	0
150	844.2 LNG Processing Terminal Labor and Expenses	0	0
151	844.3 Liquefaction Processing Labor and Expenses	0	0
152	844.4 Liquefaction Transportation Labor and Expenses	0	0
153	844.5 Measuring and Regulating Labor and Expenses	0	0
154	844.6 Compressor Station Labor and Expenses	0	0
155	844.7 Communication System Expenses	0	0
156	844.8 System Control and Load Dispatching	0	0
157	845.1 Fuel	0	0
158	845.2 Power	0	0
159	845.3 Rents	0	0
160	845.4 Demurrage Charges	0	0
161	(less) 845.5 Wharfage Receipts-Credit	0	0
162	845.6 Processing Liquefied or Vaporized Gas by Others	0	0
163	846.1 Gas Losses	0	0
164	846.2 Other Expenses	0	0
165	TOTAL Operation (Total of lines 149 thru 164)	0	0
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering	0	0
168	847.2 Maintenance of Structures and Improvements	0	0
169	847.3 Maintenance of LNG Processing Terminal Equipment	0	0
170	847.4 Maintenance of LNG Transportation Equipment	0	0
171	847.5 Maintenance of Measuring and Regulating Equipment	0	0
172	847.6 Maintenance of Compressor Station Equipment	0	0
173	847.7 Maintenance of Communication Equipment	0	0
174	847.8 Maintenance of Other Equipment	0	0
175	TOTAL Maintenance (Total of lines 167 thru 174)	0	0
176	TOTAL Liquefied Nat Gas Terminaling and Proc Exp (Total of lines 165 and 175)	0	0
177	TOTAL Natural Gas Storage (Total of lines 125, 146, and 176)	1,526,765	1,340,207

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	0	0
181	851 System Control and Load Dispatching	0	0
182	852 Communication System Expenses	0	0
183	853 Compressor Station Labor and Expenses	0	0
184	854 Gas for Compressor Station Fuel	0	0
185	855 Other Fuel and Power for Compressor Stations	0	0
186	856 Mains Expenses	0	0
187	857 Measuring and Regulating Station Expenses	0	0
188	858 Transmission and Compression of Gas by Others	0	0
189	859 Other Expenses	0	0
190	860 Rents	0	0
191	TOTAL Operation (Total of lines 180 thru 190)	0	0
192	Maintenance		
193	861 Maintenance Supervision and Engineering	0	0
194	862 Maintenance of Structures and Improvements	0	0
195	863 Maintenance of Mains	0	0
196	864 Maintenance of Compressor Station Equipment	0	0
197	865 Maintenance of Measuring and Regulating Station Equipment	0	0
198	866 Maintenance of Communication Equipment	0	0
199	867 Maintenance of Other Equipment	0	0
200	TOTAL Maintenance (Total of lines 193 thru 199)	0	0
201	TOTAL Transmission Expenses (Total of lines 191 and 200)	0	0
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	2,394,089	2,335,426
205	871 Distribution Load Dispatching	0	0
206	872 Compressor Station Labor and Expenses	0	0
207	873 Compressor Station Fuel and Power	0	0

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
208	874 Mains and Services Expenses	6,223,508	5,809,786
209	875 Measuring and Regulating Station Expenses-General	214,642	192,859
210	876 Measuring and Regulating Station Expenses-Industrial	10,564	8,087
211	877 Measuring and Regulating Station Expenses-City Gas Check Station	137,442	131,087
212	878 Meter and House Regulator Expenses	1,339,147	1,069,806
213	879 Customer Installations Expenses	3,147,738	3,226,050
214	880 Other Expenses	3,417,541	3,026,742
215	881 Rents	61,234	57,176
216	TOTAL Operation (Total of lines 204 thru 215)	16,945,905	15,857,019
217	Maintenance		
218	885 Maintenance Supervision and Engineering	330,676	179,467
219	886 Maintenance of Structures and Improvements	0	0
220	887 Maintenance of Mains	2,564,071	2,552,162
221	888 Maintenance of Compressor Station Equipment	0	0
222	889 Maintenance of Measuring and Regulating Station Equipment-General	485,016	531,220
223	890 Maintenance of Meas. and Reg. Station Equipment-Industrial	281,286	240,023
224	891 Maintenance of Meas. and Reg. Station Equip-City Gate Check Station	102,696	118,017
225	892 Maintenance of Services	3,508,248	2,688,703
226	893 Maintenance of Meters and House Regulators	2,491,230	2,739,937
227	894 Maintenance of Other Equipment	432,383	349,692
228	TOTAL Maintenance (Total of lines 218 thru 227)	10,195,606	9,399,221
229	TOTAL Distribution Expenses (Total of lines 216 and 228)	27,141,511	25,256,240
230	5. CUSTOMER ACCOUNTS EXPENSES		
231	Operation		
232	901 Supervision	307,187	310,965
233	902 Meter Reading Expenses	2,334,815	2,232,796
234	903 Customer Records and Collection Expenses	8,757,532	7,748,363

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
235	904 Uncollectible Accounts	2,829,960	2,708,708
236	905 Miscellaneous Customer Accounts Expenses	218,799	234,815
237	TOTAL Customer Accounts Expenses (Total of lines 232 thru 236)	14,448,293	13,235,647
238	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
239	Operation		
240	907 Supervision	0	0
241	908 Customer Assistance Expenses	11,349,685	7,622,111
242	909 Informational and Instructional Expenses	1,037,214	886,365
243	910 Miscellaneous Customer Service and Informational Expenses	210,950	95,402
244	TOTAL Customer Service and Information Expenses (Total of lines 240 thru 243)	12,597,849	8,603,878
245	7. SALES EXPENSES		
246	Operation		
247	911 Supervision	0	0
248	912 Demonstrating and Selling Expenses	293	0
249	913 Advertising Expenses	0	0
250	916 Miscellaneous Sales Expenses	0	0
251	TOTAL Sales Expenses (Total of lines 247 thru 250)	293	0
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Salaries	13,045,177	12,117,128
255	921 Office Supplies and Expenses	1,701,627	1,634,570
256	(Less) 922 Administrative Expenses Transferred-Credit	19,751	18,378
257	923 Outside Services Employed	2,889,143	3,629,636
258	924 Property Insurance	456,130	467,995
259	925 Injuries and Damages	1,284,519	1,353,757
260	926 Employee Pensions and Benefits	591,155	671,836
261	927 Franchise Requirements	0	0
262	928 Regulatory Commission Expenses	2,251,001	2,481,480
263	(Less) 929 Duplicate Charges-Credit	0	0
264	930.1General Advertising Expenses	0	878
265	930.2Miscellaneous General Expenses	1,674,151	1,662,443
266	931 Rents	394,123	353,710
267	TOTAL Operation (Total of lines 254 thru 266)	24,267,275	24,355,055
268	Maintenance		
269	932 Maintenance of General Plant	4,163,915	3,826,155
270	TOTAL Administrative and General Expenses (Total of lines 267 and 269)	28,431,190	28,181,210
271	TOTAL Gas O&M Expenses (Total of lines 97,177,201,229,237,244,251, and 270)	350,010,440	426,881,657

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Gas Used in Utility Operations

1. Report below details of credits during the year to Accounts 810, 811, and 812.
2. If any natural gas was used by the respondent for which a charge was not made to the appropriate operating expense or other account, list separately in column (c) the Dth of gas used, omitting entries in column (d).

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Natural Gas Gas Used Dth (c)	Natural Gas Amount of Credit (in dollars) (d)	Natural Gas Amount of Credit (in dollars) (d)	Natural Gas Amount of Credit (in dollars) (d)
1	810 Gas Used for Compressor Station Fuel - Credit		1,301,506	0		
2	811 Gas Used for Products Extraction - Credit		3,192,085	566,023		
3	Gas Shrinkage and Other Usage in Respondent's Own Processing					
4	Gas Shrinkage, etc. for Respondent's Gas Processed by Others					
5	812 Gas Used for Other Utility Operations - Credit (Report separately for each principal use. Group minor uses.)					
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25	**Total**		4,493,591	566,023		

FOOTNOTE DATA

Schedule Page: 331 Line No.: 1 Column: d

Dollar value related to compressor fuel are not separately recorded. These dollars are included in total gas purchase costs.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Other Gas Supply Expenses (Account 813)

1. Report other gas supply expenses by descriptive titles that clearly indicate the nature of such expenses. Show maintenance expenses, revaluation of monthly encroachments recorded in Account 117.4, and losses on settlements of imbalances and gas losses not associated with storage separately. Indicate the functional classification and purpose of property to which any expenses relate. List separately items of $250,000 or more.

Line No.	Description (a)	Amount (in dollars) (b)
1	Gas Resource Management	
2	Labor	866,194
3	Labor Loading	797,340
4	Other Expenses (Professional Services, Travel, Transportation, Office Supplies, Training)	201,093
5		
6	Regulatory Affairs	
7	Labor	33,404
8	Labor Loading	31,703
9	Other Expenses (Travel, Transportation, Gas Technology Institute Payments)	142,529
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25	**Total**	2,072,263

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Miscellaneous General Expenses (Account 930.2)

1. Provide the information requested below on miscellaneous general expenses.
2. For Other Expenses, show the (a) purpose, (b) recipient and (c) amount of such items. List separately amounts of $250,000 or more however, amounts less than $250,000 may be grouped if the number of items of so grouped is shown.

Line No.	Description (a)	Amount (in dollars) (b)
1	Industry association dues.	298,630
2	Experimental and general research expenses.	
	a. Gas Research Institute (GRI)	
	b. Other	
3	Publishing and distributing information and reports to stockholders, trustee, registrar, and transfer	
	agent fees and expenses, and other expenses of servicing outstanding securities of the respondent	163,193
4	Community Relations	32,248
5	Director Expenses	282,944
6	Education and information	19,663
7	Rating Agency Fees	73,119
8	Aircraft operation and fees	73,199
9	Misc Vendors >5k	314,799
10	Misc Vendors <5k	416,356
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25	**Total**	1,674,151

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments)

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.
2. Report in Section B, column (b) all depreciable or amortizable plant balances to which rates are applied and show a composite total. (If more desirable, report by plant account, subaccount or functional classifications other than those pre-printed in column (a). Indicate in a footnote the manner in which column (b) balances are

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization and Depletion of Producing Natural Gas Land and Land Rights (Account 404.1) (d)	Amortization of Underground Storage Land and Land Rights (Account 404.2) (e)
1	Intangible plant				227
2	Production plant, manufactured gas				
3	Production and gathering plant, natural gas				
4	Products extraction plant				
5	Underground gas storage plant	824,853			
6	Other storage plant				
7	Base load LNG terminaling and processing plant				
8	Transmission plant				
9	Distribution plant	21,348,622			
10	General plant	792,557			
11	Common plant-gas	5,486,054			5,728
12	TOTAL	28,452,086			5,955

Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (continued)

obtained. If average balances are used, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine depreciation charges, show in a footnote any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state in a footnote the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Amortization of Other Limited-term Gas Plant (Account 404.3) (f)	Amortization of Other Gas Plant (Account 405) (g)	Total (b to g) (h)	Functional Classification (a)
1	362,505		362,732	Intangible plant
2				Production plant, manufactured gas
3				Production and gathering plant, natural gas
4				Products extraction plant
5			824,853	Underground gas storage plant
6				Other storage plant
7				Base load LNG terminaling and processing plant
8				Transmission plant
9			21,348,622	Distribution plant
10	110,171		902,728	General plant
11	5,969,207		11,460,989	Common plant-gas
12	6,441,883		34,899,924	TOTAL

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (continued)

4. Add rows as necessary to completely report all data. Number the additional rows in sequence as 2.01, 2.02, 3.01, 3.02, etc.

Section B. Factors Used in Estimating Depreciation Charges

Line No.	Functional Classification (a)	Plant Bases (in thousands) (b)	Applied Depreciation or Amortization Rates (percent) (c)
1	Production and Gathering Plant		
2	Offshore (footnote details)		
3	Onshore (footnote details)		
4	Underground Gas Storage Plant (footnote details)		
5	Transmission Plant		
6	Offshore (footnote details)		
7	Onshore (footnote details)		
8	General Plant (footnote details)		
9			
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11			
12			
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14			
15			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Particulars Concerning Certain Income Deductions and Interest Charges Accounts

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts.

(a) Miscellaneous Amortization (Account 425)-Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization.

(b) Miscellaneous Income Deductions-Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than $250,000 may be grouped by classes within the above accounts.

(c) Interest on Debt to Associated Companies (Account 430)-For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

(d) Other Interest Expense (Account 431) - Report details including the amount and interest rate for other interest charges incurred during the year.

Line No.	Item (a)	Amount (b)
1	Donations 426.10	2,837,164
2	Total 426.1	2,837,164
3	Life Insurance 426.2	
4	Officers Life	160,479
5	SERP	2,286,064
6	Items under $250,000	142,615
7	Total 426.2	2,589,158
8	Penalties 426.3	(64,095)
9	Total 426.3	(64,095)
10	Expenditures for Certain Civic, Political 426.4	1,788,417
11	Total 426.4	1,788,417
12	Other Deductions 426.5	
13	Executive Deferred Compensation	372,180
14	Pump Schedule Refund	285,000
15	Items under $250,000	1,258,058
16	Total 426.5	1,915,238
17	Interest on Debt to Assoc Companies 430	
18	Avista Capital II	634,432
19	Avista Capital Inc	131,957
20	Total 430	766,389
21	Other Interest Expense 431	
22	Interest on electric deferrals	625,432
23	Interest on natural gas deferrrals	879,016
24	Interest on committed line of credit	2,588,401
25	Other	293,181
26	Total 431	4,386,030
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Regulatory Commission Expenses (Account 928)

1. Report below details of regulatory commission expenses incurred during the current year (or in previous years, if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.
2. In column (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.

Line No.	Description (Furnish name of regulatory commission or body, the docket number, and a description of the case.) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	Federal Energy Regulatory Commission				
2	Charges include annual fee and license fee				
3	for the Spokane River Project, the Cabinet				
4	Gorge Project and Noxon Rapids Project	2,246,103	(106,164)	2,139,939	
5					
6	Washington Utilities and Transportation Commission				
7	Includes annual fee and various other electric dockets	1,032,055	1,236,417	2,268,472	
8					
9	Includes annual fee and various other natural gas dockets	304,371	334,817	639,188	
10					
11	Idaho Public Utilities Commission				
12	Includes annual fee and various other electric dockets	471,762	340,209	811,971	
13					
14	Includes annual fee and various other natural gas dockets	116,264	98,220	214,484	
15					
16	Public Utility Commission of Oregon				
17	Includes annual fee and various other dockets	562,683	448,061	1,010,744	
18					
19	Not directly assigned electric		948,166	948,166	
20	Not directly assigned natural gas		386,585	386,585	
21					
22					
23					
24					
25	**Total**	4,733,238	3,686,311	8,419,549	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Regulatory Commission Expenses (Account 928)

3. Show in column (k) any expenses incurred in prior years that are being amortized. List in column (a) the period of amortization.
4. Identify separately all annual charge adjustments (ACA).
5. List in column (f), (g), and (h) expenses incurred during year which were charges currently to income, plant, or other accounts.
6. Minor items (less than $250,000) may be grouped.

Line No.	Expenses Incurred During Year Charged Currently To Department (f)	Expenses Incurred During Year Charged Currently To Account No. (g)	Expenses Incurred During Year Charged Currently To Amount (h)	Expenses Incurred During Year Deferred to Account 182.3 (i)	Amortized During Year Contra Account (j)	Amortized During Year Amount (k)	Deferred in Account 182.3 End of Year (l)
1							
2							
3							
4	Electric	928	2,139,939				
5							
6							
7	Electric	928	2,268,472				
8							
9	Gas	928	639,188				
10							
11							
12	Electric	928	811,971				
13							
14	Gas	928	214,484				
15							
16							
17	Gas	928	1,010,744				
18							
19	Electric	928	948,166				
20	Gas	928	386,585				
21							
22							
23							
24							
25			8,419,549				

Employee Pensions and Benefits (Account 926)

1. Report below the items contained in Account 926, Employee Pensions and Benefits.

Line No.	Expense (a)	Amount (b)
1	Pensions – defined benefit plans	
2	Pensions – other	
3	Post-retirement benefits other than pensions (PBOP)	
4	Post- employment benefit plans	
5	Other (Specify)	
6	A& G Common Training	561,961
7	Benefits Admin	29,194
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	Total	**591,155**

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Name of Respondent Avista Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2017	Year/Period of Report End of 2016/Q4

Distribution of Salaries and Wages

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals and Other Accounts, and enter such amounts in the appropriate lines and columns provided. Salaries and wages billed to the Respondent by an affiliated company must be assigned to the particular operating function(s) relating to the expenses.

In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used. When reporting detail of other accounts, enter as many rows as necessary numbered sequentially starting with 75.01, 75.02, etc.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Payroll Billed by Affiliated Companies (c)	Allocation of Payroll Charged for Clearing Accounts (d)	Total (e)
1	Electric				
2	Operation				
3	Production	11,358,057		11,930,143	23,288,200
4	Transmission	3,220,245			3,220,245
5	Distribution	8,375,670			8,375,670
6	Customer Accounts	7,757,556			7,757,556
7	Customer Service and Informational	630,144			630,144
8	Sales				
9	Administrative and General	19,342,684			19,342,684
10	TOTAL Operation (Total of lines 3 thru 9)	50,684,356		11,930,143	62,614,499
11	Maintenance				
12	Production	3,887,678			3,887,678
13	Transmission	1,311,928			1,311,928
14	Distribution	3,397,070			3,397,070
15	Administrative and General				
16	TOTAL Maintenance (Total of lines 12 thru 15)	8,596,676			8,596,676
17	Total Operation and Maintenance				
18	Production (Total of lines 3 and 12)	15,245,735		11,930,143	27,175,878
19	Transmission (Total of lines 4 and 13)	4,532,173			4,532,173
20	Distribution (Total of lines 5 and 14)	11,772,740			11,772,740
21	Customer Accounts (line 6)	7,757,556			7,757,556
22	Customer Service and Informational (line 7)	630,144			630,144
23	Sales (line 8)				
24	Administrative and General (Total of lines 9 and 15)	19,342,684			19,342,684
25	TOTAL Operation and Maintenance (Total of lines 18 thru 24)	59,281,032		11,930,143	71,211,175
26	Gas				
27	Operation				
28	Production - Manufactured Gas				
29	Production - Natural Gas(Including Exploration and Development)				
30	Other Gas Supply	898,675			898,675
31	Storage, LNG Terminaling and Processing	7,675			7,675
32	Transmission				
33	Distribution	5,389,950			5,389,950
34	Customer Accounts	8,470,701			8,470,701
35	Customer Service and Informational	387,720			387,720
36	Sales				
37	Administrative and General	24,859,969			24,859,969
38	TOTAL Operation (Total of lines 28 thru 37)	40,014,690			40,014,690
39	Maintenance				
40	Production - Manufactured Gas				
41	Production - Natural Gas(Including Exploration and Development)				
42	Other Gas Supply				
43	Storage, LNG Terminaling and Processing				
44	Transmission	1,210,230			1,210,230
45	Distribution	3,426,536			3,426,536

Distribution of Salaries and Wages (continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Payroll Billed by Affiliated Companies (c)	Allocation of Payroll Charged for Clearing Accounts (d)	Total (e)
46	Administrative and General			8,894,311	8,894,311
47	TOTAL Maintenance (Total of lines 40 thru 46)	4,636,766		8,894,311	13,531,077
48	Gas (Continued)				
49	Total Operation and Maintenance				
50	Production - Manufactured Gas (Total of lines 28 and 40)				
51	Production - Natural Gas (Including Expl. and Dev.)(ll. 29 and 41)				
52	Other Gas Supply (Total of lines 30 and 42)	898,675			898,675
53	Storage, LNG Terminaling and Processing (Total of ll. 31 and 43)	7,675			7,675
54	Transmission (Total of lines 32 and 44)	1,210,230			1,210,230
55	Distribution (Total of lines 33 and 45)	8,816,486			8,816,486
56	Customer Accounts (Total of line 34)	8,470,701			8,470,701
57	Customer Service and Informational (Total of line 35)	387,720			387,720
58	Sales (Total of line 36)				
59	Administrative and General (Total of lines 37 and 46)	24,859,969		8,894,311	33,754,280
60	Total Operation and Maintenance (Total of lines 50 thru 59)	44,651,456		8,894,311	53,545,767
61	Other Utility Departments				
62	Operation and Maintenance				
63	TOTAL ALL Utility Dept. (Total of lines 25, 60, and 62)	103,932,488		20,824,454	124,756,942
64	Utility Plant				
65	Construction (By Utility Departments)				
66	Electric Plant	38,997,474		11,373,996	50,371,470
67	Gas Plant	13,947,088		10,382,141	24,329,229
68	Other				
69	TOTAL Construction (Total of lines 66 thru 68)	52,944,562		21,756,137	74,700,699
70	Plant Removal (By Utility Departments)				
71	Electric Plant	2,293,857		452,706	2,746,563
72	Gas Plant	250,212		49,380	299,592
73	Other				
74	TOTAL Plant Removal (Total of lines 71 thru 73)	2,544,069		502,086	3,046,155
75	Other Accounts	43,345,354		(38,595,743)	4,749,611
76	TOTAL Other Accounts	43,345,354		(38,595,743)	4,749,611
77	TOTAL SALARIES AND WAGES	202,766,473		4,486,934	207,253,407

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Charges for Outside Professional and Other Consultative Services

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising,labor relations, and public relations, rendered for the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than $250,000, including payments for legislative services, except those which should be reported in Account 426.4 Expenditures for Certain Civic, Political and Related Activities.
(a) Name of person or organization rendering services.
(b) Total charges for the year.
2. Sum under a description "Other", all of the aforementioned services amounting to $250,000 or less.
3. Total under a description "Total", the total of all of the aforementioned services.
4. Charges for outside professional and other consultative services provided by associated (affiliated) companies should be excluded from this schedule and be reported on Page 358, according to the instructions for that schedule.

Line No.	Description (a)	Amount (in dollars) (b)
1	ABB Ent Software	286,207
2	Baker Construction	1,313,478
3	Black & Veatch	301,823
4	Cirrlus Design	342,316
5	Coeur D Alene Tribe	795,606
6	Common Wealth Associates	570,634
7	Connective DX	1,215,896
8	Evco sound & Electronics	456,604
9	garco construciton	438,551
10	General Electric	279,444
11	Green Mountain	285,800
12	H2E	300,803
13	Hanna and Associates	508,972
14	HRD Engineering	259,272
15	HRD	253,391
16	Historical research associates	349,977
17	Idaho Dept of Fish and Game	275,463
18	International Line Builders	303,582
19	Itron	524,585
20	Klundt Hosmer Design	291,388
21	Land Expressions	380,827
22	Landau Associates	429,504
23	Max J Kuney Co	948,375
24	McKinistry Essention LLC	1,296,756
25	McMillion	7,426,253
26	MWH Americas	285,210
27	Peak Reliabity	680,429
28	Power Plan	546,342
29	Russel Electrical	290,795
30	Sapere Consulting	1,218,032
31	strata	411,927
32	TD&H Engineerin	366,470
33	Telvent USA	426,512
34	Tilton Excavating	269,464
35	Triniti Consulting	4,380,776

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Charges for Outside Professional and Other Consultative Services (continued)

Line No.	Description (a)	Amount (in dollars) (b)
1	URS Energy	2,461,744
2	US Forest Service	260,236
3	Western Electricity	455,395
4	Other	24,293,235
5	Total	56,182,074
6		
7		
8		
9		
10		
11		
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Transactions with Associated (Affiliated) Companies

1. Report below the information called for concerning all goods or services received from or provided to associated (affiliated) companies amounting to more than $250,000.
2. Sum under a description “Other”, all of the aforementioned goods and services amounting to $250,000 or less.
3. Total under a description “Total”, the total of all of the aforementioned goods and services.
4. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote the basis of the allocation.

Line No.	Description of the Good or Service (a)	Name of Associated/Affiliated Company (b)	Account(s) Charged or Credited (c)	Amount Charged or Credited (d)
1	Goods or Services Provided by Affiliated Company			
2	Other	Steam Plant Square	931000	98,100
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20	Goods or Services Provided for Affiliated Company			
21	Corporate Supprt	Salix	146000	759,855
22	Corporate Support	Avista Development	146000	346,058
23	Other	Courtyard Office Center	146000	56,627
24	Other	Steam Plant Square	146000	87,574
25	Other	Avista Capital	146000	59,632
26	Other	AELP	146000	34,015
27	Other	AJT	146000	13,070
28	Other	Steam Plant Brew Pub		123,754
29				
30				
31				
32				
33				
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35				
36				
37				
38				
39				
40				

Gas Storage Projects

1. Report injections and withdrawals of gas for all storage projects used by respondent.

Line No.	Item (a)	Gas Belonging to Respondent (Dth) (b)	Gas Belonging to Others (Dth) (c)	Total Amount (Dth) (d)
	STORAGE OPERATIONS (in Dth)			
1	Gas Delivered to Storage			
2	January	211,243		211,243
3	February	62,679		62,679
4	March	287,737		287,737
5	April	1,899,575		1,899,575
6	May	2,725,325		2,725,325
7	June	1,814,804		1,814,804
8	July	831,005		831,005
9	August	1,038,563		1,038,563
10	September	1,428,810		1,428,810
11	October	94,778		94,778
12	November	420,930		420,930
13	December	155,278		155,278
14	TOTAL (Total of lines 2 thru 13)	10,970,727		10,970,727
15	Gas Withdrawn from Storage			
16	January	1,473,440		1,473,440
17	February	3,537,202		3,537,202
18	March	500,805		500,805
19	April	403,198		403,198
20	May	267,406		267,406
21	June	410,156		410,156
22	July	623,405		623,405
23	August	50,330		50,330
24	September	3,457		3,457
25	October	338,137		338,137
26	November	470,258		470,258
27	December	3,720,538		3,720,538
28	TOTAL (Total of lines 16 thru 27)	11,798,332		11,798,332

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Gas Storage Projects

1. On line 4, enter the total storage capacity certificated by FERC.
2. Report total amount in Dth or other unit, as applicable on lines 2, 3, 4, 7. If quantity is converted from Mcf to Dth, provide conversion factor in a footnote.

Line No.	Item (a)	Total Amount (b)
	STORAGE OPERATIONS	
1	Top or Working Gas End of Year	8,528,000
2	Cushion Gas (Including Native Gas)	7,730,668
3	Total Gas in Reservoir (Total of line 1 and 2)	16,258,668
4	Certificated Storage Capacity	16,258,668
5	Number of Injection - Withdrawal Wells	54
6	Number of Observation Wells	48
7	Maximum Days' Withdrawal from Storage	206,531
8	Date of Maximum Days' Withdrawal	12/08/2016
9	LNG Terminal Companies (in Dth)	
10	Number of Tanks	
11	Capacity of Tanks	
12	LNG Volume	
13	Received at "Ship Rail"	
14	Transferred to Tanks	
15	Withdrawn from Tanks	
16	"Boil Off" Vaporization Loss	

Schedule Page: 513   Line No.: 7   Column: b

Mcf converted to Dth using a factor of 1.04

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	03/31/2017	End of 2016/Q4

Auxiliary Peaking Facilities

1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum gas installations, gas liquefaction plants, oil gas sets, etc.
2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is submitted. For other facilities, report the rated maximum daily delivery capacities.
3. For column (d), include or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominant use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.

Line No.	Location of Facility (a)	Type of Facility (b)	Maximum Daily Delivery Capacity of Facility Dth (c)	Cost of Facility (in dollars) (d)	Was Facility Operated on Day of Highest Transmission Peak Delivery?
1					
2	Chehalis, Washington	Underground Natural Gas	346,667	38,486,577	
3		Storage Field			
4		Washington & Idaho Supply			
5					
6	Chehalis, Washington	Underground Natural Gas	52,000	6,190,186	
7		Storage Field			
8		Oregon Supply			
9					
10	Chehalis, Washington	Underground Natural Gas	2,623	0	
11		Storage Field			
12		Oregon Supply			
13					
14	Rock Springs, Wyoming	Underground Natural Gas	186,125	0	
15		Storage Field			
16		Washington & Idaho Supply			
17					
18	Rock Springs, Wyoming	Underground Natural Gas	63,875	0	
19		Storage Field			
20		Oregon Supply			
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					

Schedule Page: 519 Line No.: 10 Column: d

Respondent is a participant in the facilities, not an owner, and is charged a fee for demand deliverability and capacity.

Schedule Page: 519 Line No.: 14 Column: d

Respondent is a participant in the facilities, not an owner, and is charged a fee for demand deliverability and capacity.

Schedule Page: 519 Line No.: 18 Column: d

Respondent is a participant in the facilities, not an owner, and is charged a fee for demand deliverability and capacity.

Gas Account - Natural Gas

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent.
2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3. Enter in column (c) the year to date Dth as reported in the schedules indicated for the items of receipts and deliveries.
4. Enter in column (d) the respective quarter's Dth as reported in the schedules indicated for the items of receipts and deliveries.
5. Indicate in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.
6. If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose.
7. Indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quantities that the reporting pipeline transported or sold through its local distribution facilities or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.
8. Indicate in a footnote the specific gas purchase expense account(s) and related to which the aggregate volumes reported on line No. 3 relate.
9. Indicate in a footnote (1) the system supply quantities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales,transportation and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage quantities.
10. Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional information as necessary to the footnotes.

Line No.	Item (a)	Ref. Page No. of (FERC Form Nos. 2/2-A) (b)	Total Amount of Dth Year to Date (c)	Current Three Months Ended Amount of Dth Quarterly Only (d)
01	Name of System:			
2	GAS RECEIVED			
3	Gas Purchases (Accounts 800-805)		101,013,255	26,060,155
4	Gas of Others Received for Gathering (Account 489.1)	303		
5	Gas of Others Received for Transmission (Account 489.2)	305		
6	Gas of Others Received for Distribution (Account 489.3)	301	17,837,701	4,871,645
7	Gas of Others Received for Contract Storage (Account 489.4)	307		
8	Gas of Others Received for Production/Extraction/Processing (Account 490 and 491)			
9	Exchanged Gas Received from Others (Account 806)	328		
10	Gas Received as Imbalances (Account 806)	328	(64,831)	(55,666)
11	Receipts of Respondent's Gas Transported by Others (Account 858)	332		
12	Other Gas Withdrawn from Storage (Explain)		782,618	3,800,122
13	Gas Received from Shippers as Compressor Station Fuel			
14	Gas Received from Shippers as Lost and Unaccounted for			
15	Other Receipts (Specify) (footnote details)			
16	Total Receipts (Total of lines 3 thru 15)		119,568,743	34,676,256
17	GAS DELIVERED			
18	Gas Sales (Accounts 480-484)		100,429,536	29,258,222
19	Deliveries of Gas Gathered for Others (Account 489.1)	303		
20	Deliveries of Gas Transported for Others (Account 489.2)	305		
21	Deliveries of Gas Distributed for Others (Account 489.3)	301	17,837,701	4,871,645
22	Deliveries of Contract Storage Gas (Account 489.4)	307		
23	Gas of Others Delivered for Production/Extraction/Processing (Account 490 and 491)			
24	Exchange Gas Delivered to Others (Account 806)	328		
25	Gas Delivered as Imbalances (Account 806)	328		
26	Deliveries of Gas to Others for Transportation (Account 858)	332		
27	Other Gas Delivered to Storage (Explain)			
28	Gas Used for Compressor Station Fuel	509	1,301,506	546,389
29	Other Deliveries and Gas Used for Other Operations			
30	Total Deliveries (Total of lines 18 thru 29)		119,568,743	34,676,256
31	GAS LOSSES AND GAS UNACCOUNTED FOR			
32	Gas Losses and Gas Unaccounted For			
33	TOTALS			
34	Total Deliveries, Gas Losses & Unaccounted For (Total of lines 30 and 32)		119,568,743	34,676,256

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	*(M, D, Y)* April 28, 2017	Dec. 31, 2016

STATE OF OREGON - STATEMENT OF OPERATING INCOME FOR THE YEAR

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	2	$156,148,758	$166,153,077
3	Operating Expenses			
4	Operation Expenses (401)	4 - 9	116,421,923	133,310,156
5	Maintenance Expenses (402)	4 - 9	4,684,889	4,270,712
6	Depreciation Expense (403)	10	8,592,142	7,827,551
7	Amort. & Depl. of Utility Plant (404-405)	10	1,917,033	1,678,694
8	Amort. of Utility Plant Acq. Adj. (406)(See Note 1)	10		
9	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407)			
10	Senate Bill 408 (407330/407408/407431)		(9,936)	(1,488)
11	Reg Credit Roseburg/Medford Deferral (407421)		0	0
12	Taxes Other Than Income Taxes (408.1)	11	6,409,563	6,034,708
13	Income Taxes - Federal (409.1)	12	(5,495,698)	(3,015,341)
14	- Other (409.1)	13	(2,342)	2,342
15	Provision for Deferred Income Taxes (410.1) (410.2)	14 - 21	9,934,768	6,053,499
16	(Less) Prov. for Def. Inc. Taxes-Cr. (411.1)	14 - 21	12,848	(25,796)
17	Investment Tax Credit Adj. - Net (411.4)	22		
18	(Less) Gains from Disp. of Utility Plant (411.7)			
19	Losses from Disp. of Utility Plant (411.7)			
20	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 18)		142,439,494	156,186,629
21	Net Utility Operating Income Enter Total of Line 2 less Line 19		$13,709,264	$9,966,448

Note 1: Amortization of Gas Plant Acquisition Adjustment was charged to Account 425, Miscellaneous Amortization, classified as Other Income and Income Deductions.

Name of Respondent	This Report Is:	Date of Report (M, Y, D)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - GAS OPERATING REVENUES (Account 400)

Line No.	Title of Account (a)	OPERATING REVENUES Current Year (b)	OPERATING REVENUES Previous Year (c)	THERMS OF GAS SOLD Current Year (d)	THERMS OF GAS SOLD Previous Year (e)	AVG. NO. OF GAS CUST. PER MO. Current Year (f)	AVG. NO. OF GAS CUST. PER MO. Previous Year (g)	Line No.
1	GAS SERVICE REVENUES							1
2	(480) Residential Sales	56,895,245	56,956,101	44,769,628 **	43,212,830	87,644	87,590	2
3	(481) Commercial and Industrial Sales							3
4	Small (or Comm.) (See Instr. 6)	28,731,173	29,768,314	30,497,905 **	29,248,611	11,660	11,450	4
5	Large (or Ind.) (See Instr. 6)	1,218,235	1,203,247	2,994,939 **	1,866,020	39	38	5
6	(482) Other Sales to Public Authorities							6
7	(484) Interdepartmental Sales	13,491	14,042	12,010	12,113	12	11	7
8	TOTAL Sales to Ultimate Consumers	86,858,144 *	87,941,704	78,274,482 **	74,339,574	99,355	99,089	8
9	(483) Sales for Resale	64,073,557	74,772,059	279,403,430	294,158,980			9
10	TOTAL Nat. Gas Service Revenues	150,931,701	162,713,763	357,677,912	368,498,554	99,355	99,089	10
11	Revenues from Manufactured Gas			0	-	-	-	11
12	TOTAL Gas Service Revenues	150,931,701	162,713,763					12
13	OTHER OPERATING REVENUES							13
14	(485) Intracompany Transfers							14
15	(487) Forfeited Discounts							15
16	(488) Misc. Service Revenues	118,300	67,829					16
17	(489) Rev. from Trans. of Gas of Others	3,186,006 *	3,368,608	Notes:				17
18	(490) Sales of Prod. Ext. from Nat. Gas							18
19	(491) Rev. from Nat. Gas Proc. by Others			* Includes unbilled revenues.				19
20	(492) Incidental Gasoline and Oil Sales							20
21	(493) Rent from Gas Property	757	766	** Includes unbilled therms.				21
22	(494) Interdepartmental Rents							22
23	(495) Other Gas Revenues	1,911,994	2,111					23
24	TOTAL Other Operating Revenues	5,217,057	3,439,314					24
25	TOTAL Gas Operating Revenues	156,148,758	166,153,077					25
26	(Less) (496) Provision for Rate Refunds							26
27	TOTAL Gas Operating Revenues Net of Provision for Refunds	156,148,758						27
28	Dis. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.)	85,626,418		75,267,533				28
29	Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities)	1,218,235		2,994,939				29
30	Sales for Resale	64,073,557		279,403,430				30
31	Other Sales to Pub. Auth. (Local Dist. Only)							31
32	Interdepartmental Sales	13,491		12,010				32
33	TOTAL (Same as Line 10, Columns (b) and (d))	150,931,701		357,677,912				33
		0						

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - INTERDEPARTMENTAL SALES - NATURAL GAS (Account 484)

Report particulars concerning sales of natural gas included in Account 484.

Line No.	Department and Basis of Charges (a)	Point of Delivery *(b)*	Mcf (14.73 psia at 60• F) *(c)*	Revenue *(d)*
1				
2				
3	Natural gas supply for operation	Avista facility	1,178	13,491
4	of Avista's facilities			
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21	TOTAL		1,178	13,491

RENT FROM GAS PROPERTY AND INTERDEPARTMENTAL RENTS (Accounts 493 and 494)

1. Report particulars concerning rents received included in Accounts 493 and 494.
2. Minor rents may be entered at the total amount for each class of such rents.
3. If rents are included which were arrived at under an arrangement for apportioning expenses of a joint facility, whereby the amount included in this account represents profit or return on property, depreciation, and taxes, give particulars and the basis of apportionment of such charges to Account 493 or 494.
4. Provide a subheading and total for each account.

Line No.	Name of Lessee or Department (Designate associated companies) (a)	Description of property *(b)*	Amount of Revenue for Year Natural Gas Property *(c)*	Amount of Revenue for Year Manufactured Gas Property *(d)*
1				
2				
3	Other		757	
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19	TOTAL		757	

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Amount *(a)*	Amount for Current Year *(b)*	Amount for Previous Year *(c)*
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production	-	-
3	Manufactured Gas Production (Submit Supplemental Statement)		
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation	-	-
7	750 Operation Supervision and Engineering	-	-
8	751 Production Maps and Records	-	-
9	752 Gas Wells Expenses	-	-
10	753 Field Lines Expenses	-	-
11	754 Field Compressor Station Expenses	-	-
12	755 Field Compressor Station Fuel and Power	-	-
13	756 Field Measuring and Regulating Station Expenses	-	-
14	757 Purification Expenses	-	-
15	758 Gas Well Royalties	-	-
16	759 Other Expenses	-	-
17	760 Rents	-	-
18	TOTAL Operation (Enter Total of lines 7 thru 17)	-	-
19	Maintenance		
20	761 Maintenance Supervision and Engineering	-	-
21	762 Maintenance of Structures and Improvements	-	-
22	763 Maintenance of Producing Gas Wells	-	-
23	764 Maintenance of Field Lines	-	-
24	765 Maintenance of Field Compressor Station Equipment	-	-
25	766 Maintenance of Field Meas. and Reg. Sta. Equipment	-	-
26	767 Maintenance of Purification Equipment	-	-
27	768 Maintenance of Drilling and Cleaning Equipment	-	-
28	769 Maintenance of Other Equipment	-	-
29	TOTAL Maintenance (Enter Total of lines 20 thru 28)	-	-
30	TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29)	-	-
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering	-	-
34	771 Operation Labor	-	-
35	772 Gas Shrinkage	-	-
36	773 Fuel	-	-
37	774 Power	-	-
38	775 Materials	-	-
39	776 Operation Supplies and Expenses	-	-
40	777 Gas Processed by Others	-	-
41	778 Royalties on Products Extracted	-	-
42	779 Marketing Expenses	-	-
43	780 Products Purchased for Resale	-	-
44	781 Variation in Products Inventory	-	-
45	(Less) 782 Extracted Products Used by the Utility-Credit	-	-
46	783 Rents	-	-
47	TOTAL Operation (Enter Total of Lines 33 thru 46)	-	-

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STATE OF OREGON - ALLOCATED GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Amount *(a)*	Amount for Current Year *(b)*	Amount for Previous Year *(c)*
	B2. Products Extraction (Continued)		
48	Maintenance		
49	784 Maintenance Supervision and Engineering	-	-
50	785 Maintenance of Structures and Improvements	-	-
51	786 Maintenance of Extraction and Refining Equipment	-	-
52	787 Maintenance of Pipe Lines	-	-
53	788 Maintenance of Extracted Products Storage Equipment	-	-
54	789 Maintenance of Compressor Equipment	-	-
55	790 Maintenance of Gas Measuring and Reg. Equipment	-	-
56	791 Maintenance of Other Equipment	-	-
57	TOTAL Maintenance (Enter Total of lines 49 thru 56)	-	-
58	TOTAL Products Extraction (Enter Total of lines 47 and 57)	-	-
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals	-	-
62	796 Nonproductive Well Drilling	-	-
63	797 Abandoned Leases	-	-
64	798 Other Exploration	-	-
65	TOTAL Exploration and Development (Enter Total of lines 61 thru 64)	-	-
	D. Other Gas Supply Expenses		
66	Operation		
67	800 Natural Gas Well Head Purchases	-	-
68	800.1 Natural Gas Well Head Purchases, Intracompany Transfers	-	-
69	801 Natural Gas Field Line Purchases	-	-
70	802 Natural Gas Gasoline Plant Outlet Pruchases	-	-
71	803 Natural Gas Transmission Line Purchases	-	-
72	804 Natural Gas City Gate Purchases	93,251,493	109,172,765
73	804.1 Liquefied Natural Gas Purchases	-	-
74	805 Other Gas Purchases	(1,817)	-
75	(Less) 805.1 Purchased Gas Cost Adjustments	1,262,628	3,897,152
76			
77	TOTAL Purchased Gas (Enter Total of lines 67 to 76)	94,512,304	113,069,917
78	806 Exchange Gas	-	-
79	Purchased Gas Expenses		
80	807.1 Well Expenses-Purchased Gas	-	-
81	807.2 Operation of Purchased Gas Measuring Stations	-	-
82	807.3 Maintenance of Purchased Gas Measuring Stations	-	-
83	807.4 Purchased Gas Calculations Expenses	-	-
84	807.5 Other Purchased Gas Expenses	-	-
85	TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84)	-	-
86	808.1 Gas Withdrawn from Storage-Debit	2,213,208	4,601,394
87	(Less) 808.2 Gas Delivered to Storage-Credit	(1,714,020)	(3,053,999)
88	809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit	-	-
89	(Less) 809.2 Deliveries of Natural Gas for Processing-Credit	-	-
90	Gas Used in Utility Operations-Credit		
91	810 Gas Used for Compressor Station Fuel-Credit	-	-
92	811 Gas Used for Products Extraction-Credit	(165,448)	(135,220)
93	812 Gas used for Other Utility Operations-Credit	-	-
94	TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93)	(165,448)	(135,220)
95	813 Other Gas Supply Expenses	629,136	539,963
96	TOTAL Other Gas Supply Exp (Total of lines 77,78,85,86 thru 89,94,95)	95,475,180	115,022,055
97	TOTAL Production Expenses (Enter Total of lines 3,30,58,65, and 96)	95,475,180	115,022,055

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Amount *(a)*	Amount for Current Year *(b)*	Amount for Previous Year *(c)*
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	-	-
102	815 Maps and Records	-	-
103	816 Wells Expenses	-	-
104	817 Lines Expense	-	-
105	818 Compressor Station Expenses	-	-
106	819 Compressor Station Fuel and Power	-	-
107	820 Measuring and Regulating Station Expenses	-	-
108	821 Purification Expenses	-	-
109	822 Exploration and Development	-	-
110	823 Gas Losses	-	-
111	824 Other Expenses	68,119	65,400
112	825 Storage Well Royalties	-	-
113	826 Rents	-	-
114	TOTAL Operation (Enter Total of lines 101 thru 113)	68,119	65,400
115	Maintenance		
116	830 Maintenance Supervision and Engineering	-	-
117	831 Maintenance of Structures and Improvements	-	-
118	832 Maintenance of Reservoirs and Wells	-	-
119	833 Maintenance of Lines	-	-
120	834 Maintenance of Compressor Station Equipment	-	-
121	835 Maintenance of Measuring and Regulating Station Equipment	-	-
122	836 Maintenance of Purification Equipment	-	-
123	837 Maintenance of Other Equipment	77,658	62,619
124	TOTAL Maintenance (Enter Total of lines 116 thru 123)	77,658	62,619
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	145,777	128,019
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering	-	-
129	841 Operation Labor and Expenses	-	-
130	842 Rents	-	-
131	842.1 Fuel	-	-
132	842.2 Power	-	-
133	842.3 Gas Losses	-	-
134	TOTAL Operation (Enter Total of lines 128 thru 133)	-	-
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering	-	-
137	843.2 Maintenance of Structures and Improvements	-	-
138	843.3 Maintenance of Gas Holders	-	-
139	843.4 Maintenance of Purification Equipment	-	-
140	843.5 Maintenance of Liquefaction Equipment	-	-
141	843.6 Maintenance of Vaporizing Equipment	-	-
142	843.7 Maintenance of Compressor Equipment	-	-
143	843.8 Maintenance of Measuring and Regulating Equipment	-	-
144	843.9 Maintenance of Other Equipment	-	-
145	TOTAL Maintenance (Enter Total of lines 136 thru 144)	-	-
146	TOTAL Other Storage Expenses (Enter Total of lines 134 and 145)	-	-

Name of Respondent	This Report Is:	Date of Report	Year of Report
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STATE OF OREGON - ALLOCATED GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Amount *(a)*	Amount for Current Year *(b)*	Amount for Previous Year *(c)*
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering	-	-
150	844.2 LNG Processing Terminal Labor and Expenses	-	-
151	844.3 Liquefaction Processing Labor and Expenses	-	-
152	844.4 Liquefaction Transportation Labor and Expenses	-	-
153	844.5 Measuring and Regulating Labor and Expenses	-	-
154	844.6 Compressor Station Labor and Expenses	-	-
155	844.7 Communication System Expenses	-	-
156	844.8 System Control and Load Dispatching	-	-
157	845.1 Fuel	-	-
158	845.2 Power	-	-
159	845.3 Rents	-	-
160	845.4 Demurrage Charges	-	-
161	(Less) 845.5 Wharfage Receipts-Credit	-	-
162	845.6 Processing Liquefied or Vaporized Gas by Others	-	-
163	846.1 Gas Losses	-	-
164	846.2 Other Expenses	-	-
165	TOTAL Operation (Enter Total of lines 149 thru 164)	-	-
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering	-	-
168	847.2 Maintenance of Structures and Improvements	-	-
169	847.3 Maintenance of LNG Processing Terminal Equipment	-	-
170	847.4 Maintenance of LNG Transportation Equipment	-	-
171	847.5 Maintenance of Measuring and Regulating Equipment	-	-
172	847.6 Miantenance of Compressor Station Equipment	-	-
173	847.7 Maintenance of Communication Equipment	-	-
174	847.8 Maintenance of Other Equipment	-	-
175	TOTAL Maintenance (Enter Total of lines 167 thru 174)	-	-
176	TOTAL Liquefied Nat Gas Terminaling and Processing Exp (Lines 165 & 175)	-	-
177	TOTAL Natural Gas storage (Enter Total of lines 125, 146, and 176)	145,777	128,019
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	-	-
181	851 System Control and Load Dispatching	-	-
182	852 Communication System Expenses	-	-
183	853 Compressor Station Labor and Expenses	-	-
184	854 Gas for Compressor Station Fuel	-	-
185	855 Other Fuel and Power for Compressor Stations	-	-
186	856 Mains Expenses	-	-
187	857 Measuring and Regulating Station Expenses	-	-
188	858 Transmission and Compression of Gas by Others	-	-
189	859 Other Expenses	-	-
190	860 Rents	-	-
191	TOTAL Operation (Enter Total of lines 180 thru 190)	-	-

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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STATE OF OREGON - ALLOCATED GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Amount *(a)*	Amount for Current Year *(b)*	Amount for Previous Year *(c)*
	3. TRANSMISSION EXPENSES (Continued)		
192	Maintenance		
193	861 Maintenance Supervision and Engineering	-	-
194	862 Maintenance of Structures and Improvements	-	-
195	863 Maintenance of Mains	-	-
196	864 Maintenance of Compressor Station Equipment	-	-
197	865 Maintenance of Measuring and Reg. Station Equipment	-	-
198	866 Maintenance of Communication Equipment	-	-
199	867 Maintenance of Other Equipment	-	-
200	TOTAL Maintenance (Enter Total of lines 193 thru 199)	-	-
201	TOTAL Transmission Expenses (Enter Total of lines 191 and 200)	-	-
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	747,030	712,485
205	871 Distribution Load Dispatching	-	-
206	872 Compressor Station Labor and Expenses	-	-
207	873 Compressor Station Fuel and Power	-	-
208	874 Mains and Services Expenses	1,824,873	1,700,596
209	875 Measuring and Regulating Station Expenses-General	123,490	77,066
210	876 Measuring and Regulating Station Expenses-Industrial	5,410	1,909
211	877 Measuring and Regulating Station Expenses-City Gate Check Station	11,419	4,672
212	878 Meter and House Regulator Expenses	720,411	47,875
213	879 Customer Installations Expenses	1,080,156	1,112,587
214	880 Other Expenses	1,045,181	1,040,781
215	881 Rents	18,730	16,214
216	TOTAL Operation (Enter Total of lines 204 thru 215)	5,576,700	4,714,185
217	Maintenance		
218	885 Maintenance Supervision and Engineering	160,135	75,251
219	886 Maintenance of Structures and Improvements	-	-
220	887 Maintenance of Mains	1,365,204	1,281,396
221	888 Maintenance of Compressor Station Equipment	-	-
222	889 Maintenance of Meas. and Reg. Sta. Equip.-General	244,184	252,162
223	890 Maintenance of Meas. and Reg. Sta. Equip.-Industrial	13,456	12,174
224	891 Maintenance of Meas. and Reg. Sta. Equip.-City Gate Check Station	8,449	11,653
225	892 Maintenance of Services	908,665	836,188
226	893 Maintenance of Meters and House Regulators	467,330	479,067
227	894 Maintenance of Other Equipment	219,833	163,667
228	TOTAL Maintenance (Enter Total of lines 218 thru 227)	3,387,256	3,111,558
229	TOTAL Distribution Expenses (Enter Total of lines 216 and 228)	8,963,956	7,825,743
230	5. CUSTOMER ACCOUNTS EXPENSES		
231	Operation		
232	901 Supervision	94,532	88,168
233	902 Meter Reading Expenses	242,936	305,792
234	903 Customer Records and Collection Expenses	2,843,524	2,330,292
235	904 Uncollectible Accounts	840,000	806,667
236	905 Miscellaneous Customer Accounts Expenses	64,945	69,929
237	TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236)	4,085,937	3,600,848

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STATE OF OREGON - ALLOCATED GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Amount *(a)*	Amount for Current Year *(b)*	Amount for Previous Year *(c)*
238	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
239	Operation		
240	907 Supervision	-	-
241	908 Customer Assistance Expenses	3,054,054	1,574,924
242	909 Informational and Instructional Expenses	346,287	346,423
243	910 Miscellaneous Customer Service and Informational Expenses	62,615	28,411
244	TOTAL Customer Service and Information Expenses (Lines 240 thru 243)	3,462,956	1,949,758
245	7. SALES EXPENSES		
246	Operation		
247	911 Supervision	-	-
248	912 Demonstrating and Selling Expenses	293	-
249	913 Advertising Expenses	-	-
250	916 Miscellaneous Sales Expenses	-	-
251	TOTAL Sales Expenses (Enter Total of lines 247 thru 250)	293	-
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Salaries	3,944,769	3,615,208
255	921 Office Supplies and Expenses	523,205	517,204
256	(Less) (922) Administrative Expenses Transferred-Cr.	-	-
257	923 Outside Services Employed	853,710	1,105,111
258	924 Property Insurance	138,646	143,168
259	925 Injuries and Damages	390,978	408,050
260	926 Employee Pensions and Benefits	171,137	206,363
261	927 Franchise Requirements	-	-
262	928 Regulartory Commission Expenses	1,127,244	1,374,996
263	(Less) (929) Duplicate Charges-Cr.	-	-
264	930.1 General Advertising Expenses	-	268
265	930.2 Miscellaneous General Expenses	505,013	499,033
266	931 Rents	98,036	88,509
267	TOTAL Operation (Enter Total of lines 254 thru 266)	7,752,738	7,957,910
268	Maintenance		
269	935 Maintenance of General Plant	1,219,975	1,096,535
270	TOTAL Administrative and General Exp (Total of lines 267 and 269)	8,972,713	9,054,445
271	TOTAL Gas O. and M. Exp (Lines 97,177,201,229,237,244,251,and 270)	121,106,812	137,580,868

NUMBER OF GAS DEPARTMENT EMPLOYEES		
1. The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31. 2. If the respondent's payroll for the reporting period includes any special constrction personnel, include such employees on line 3, and show the number of such special construction employees in a foonote. 3. The number of employees assignable to the gas department from joint function of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.		
1. Payroll Period Ended (Date) December 31, 2014		
2. Total Regular Full-Time Employees	53	50
3. Total Part-Time and Temporary Employees allocation of General Employees	7	8
4. Total Employees	60	58

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	[X] An Original [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED DEPRECIATION, DEPLETION AND AMORTIZATION OF GAS PLANT (ACCT 403, 404.1,404.2, 404.3, 405)

(Except Amortization of Acquisition Adjustments)

Report the amounts of depreciation expense, depletion and amortization for the accounts indicated and classify according to the plant functional groups shown.

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization and Depletion of Producing Natural Gas Land & Land Rights (Account 404.1) (c)	Amortization of Underground Storage Land and Land Rights (Account 404.2) (d)	Amortization of Other Limited-Term Gas Plant (Account 404.3) (e)	Amortization of Leasehold Improvements (Account 404.6) (f)	Amortization of Other Gas Plant (Account 405) (g)	Total (h)
1	Intangible plant				7,642			7,642
2	Production plant, manufactured gas							0
3	Production and gathering plant, natural gas							
4	Products extraction plant							
5	Undergound gas storage plant	127,426						127,426
6	Other storage plant							
7	Base load LNG terminaling and processing plant							
8	Transmission plant							0
9	Distribution plant	6,581,776						6,581,776
10	General plant	193,368						193,368
11	Common plant-gas	1,689,572			1,813,720	95,671		3,598,963
12								
13								
14								
15								
16								
17								
18								
19	TOTAL	8,592,142	0	0	1,821,362	95,671	0	10,509,175

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED TAXES, OTHER THAN INCOME TAXES (Account 408.1)

Line No.	Kind of Tax *(a)*	Amount *(b)*
1		
2		
3	Real and Personal Property Tax	2,987,875
4		
5	Municipal Occupation & License Tax	3,421,688
6		
7		
8		
9		
10		
11		
12		
13		
14		
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45		
46		
47		
48	TOTAL (Must agree with page 1, line 11)	6,409,563

Name of Respondent	This Report Is:	Date of Report	Year of Report
	(1) [X] An Original	(M, D, Y)	
Avista Corp.	(2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON -
ALLOCATED CALCULATION OF CURRENT FEDERAL INCOME TAX EXPENSE (Account 409.1)

1. Report amounts used to derive current Federal income tax expense, Account 409.1, for the reporting period. If amounts are shown in thousands, show (000) in the heading for column (b).
2. Show amounts increasing taxable income as positive values and amounts decreasing taxable income as negative.
3. Current tax expense on this schedule must match the amount reported on page 1, line 12 of this report. Separately identify adjustments arising from revisions of prior year accruals.
4. Minor amounts of other additions (subtractions) may be grouped.

Line No.	Particulars (Details) *(a)*	Amount *(b)*
1		
2	Operating Revenue	156,148,758
3	Operating & Maintenance Expense	(121,106,812)
4	Senate Bill 408 (net)	9,936
5	Book Depreciation & Amortization	(10,509,175)
6	Taxes Other than FIT	(6,407,221)
7		
8	Net Operating Income Before FIT	18,135,486
9		
10	Interest Expense	(5,930,406)
11	Schedule M Adjustments	(27,907,075)
12		
13	Taxable Net Operating Income (loss)	(15,701,995)
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income (loss)	(15,701,995)
28	Show computation of Tax:	
	Tax Rate	35%
	Total Federal Income Tax	(5,495,698)
	Deferred FIT	9,921,920
	Total FIT/Deferred FIT	4,426,222

The Federal Income Tax computation is from the Avista Corporation's Results of Operations System. As the "Results" system includes allocations of various indirect revenue and cost elements, the values in the allocation of Federal income taxes will not agree with certain supporting schedules.

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED CALCULATION OF CURRENT STATE INCOME (EXCISE) TAX EXP. (Account 409.1)

1. Report amounts used to derive current state income (excise) tax expense, Account 409.1, for the reporting period. If amounts are shown in thousands, show (000) in the heading for column (b).
2. Show amounts increasing taxable income as positive values and amounts decreasing taxable income as negative.
3. Current tax expense on this schedule must match the amount reported on page 1, line 13 of this report. Separately identify adjustments arising from revisions of prior year accruals.
4. Minor amounts of other additions (subtractions) may be grouped.

Line No.	Particulars (Details) *(a)*	Amount *(b)*
1	Operating Revenue	156,148,758
2	Operating & Maintenance Expense	(121,106,812)
3	Senate Bill 408 (net)	9,936
4	Book Depreciation & Amortization	(10,509,175)
5	Taxes Other than Income	(6,407,221)
6	Interest Expense	(5,930,406)
7	Schedule M Adjustments	(27,907,075)
8		
9	Net Operating Loss (NOL) Carryforward	15,701,995
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27	State Tax Net Income	0
28	Show Computation of Tax:	
	2016 Oregon State Income Tax	(2,342)

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOC. ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. In the space provided:
   (a) Identify, by amount and classification, significant items for which deferred taxes are being provided.

Line No.	Account Subdivisions *(a)*	Balance at Beginning of Year *(b)*	CHANGES DURING YEAR Amounts Debited to Account 410.1 *(c)*	CHANGES DURING YEAR Amounts Credited to Account 411.1 *(d)*
1	Electric			
2				
3				
4				
5				
6				
7	Other			
8	TOTAL ELECTRIC			
9	Gas Purchased Gas Adjustment			
10				
11	All Other			
12				
13				
14				
15	Other			
16	TOTAL GAS	N/A	9,934,768	(12,848)
17	Other (Specify)			
18	TOTAL (ACCOUNT 190)			
19	Classification of Totals			
20	Federal Income Tax	N/A	9,934,768	(12,848)
21	State Income Tax			
22	Local Income Tax			

Allocation to balance sheet accounts by state is not available. Total expense/credit to 410.1 and 411.1 is reflected in Account 190 for reporting purposes.

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOC. ACCUM. DEF. INCOME TAXES (Acct. 190) (Con't.)

(b) Indicate insignificant amounts under OTHER.
3. Beginning balance may be omitted if not readily available. Report gas utility deferred taxes only.
4. Use separate pages as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		Balance at End of Year	Line No.
		Acct. No.	Amount	Acct. No.	Amount		
(e)	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	*(k)*	
							1
							2
							3
							4
							5
							6
							7
							8
						0	9
							10
						0	11
							12
							13
							14
							15
						N/A	16
							17
							18
							19
						N/A	20
							21
							22

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED ACCUMULATED DEFERRED INCOME TAXES

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amortizable property.
2. In the space provided furnish explanations, including the following in columnar order:
   (a) State each certification number with a brief description of property.
   (b) Total and amortizable cost of such property.
   (c) Date amortization for tax purposes commenced.
   (d) "Normal" depreciation rate used in computing the deferred tax.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Accelerated Amortization (Account 281)			
2	Electric			
3	Defense Facilities			
4	Pollution Control Facilities			
5	Other			
6				
7				
8	TOTAL Electric (Total of lines 3 thru 7)	0		
9	Gas			
10	Defense Facilities			
11	Pollution Control Facilities			
12	Other			
13				
14				
15	Total Gas (Total of lines 10 thru 14)	0		
16	Other (Specify)			
17	Total (Acct 281) (Total of 8, 15 & 16)	0		
18	Classification of TOTAL			
19	Federal Income tax			
20	State Income Tax			
21	Local Income Tax			

Allocation to balance sheet accounts by state is not available. Total expense/credit to 410.1 and 411.1 is reflected in Account 190 for reporting purposes.

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOC. ACCELERATED AMORTIZATION PROPERTY (Acct. 281) Con't.

(e) Tax rate used to originally defer amounts and the tax rate used during the current year to amortize previous deferrals.
3. Beginning balance may be omitted if not readily available. Report gas utility deferred taxes only.
4. Use separate pages as required.

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits		Credits			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Acct. No. (g)	Amount (h)	Acct. No. (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
							2
							3
							4
							5
							6
							7
						0	8
							9
							10
							11
							12
							13
							14
						0	15
							16
						0	17
							18
							19
							20
							21

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	*(M, D, Y)* April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOC. ACCUM. DEFERRED INCOME TAXES (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred taxes related to property not subject to accelerated amortization.
2. In the space provided furnish explanations, including the following in columnar order:
   (a) State the general method or methods of liberalized depreciation being used (sum-of-year digits, declining balance, etc.)
   (b) Estimated lives (i.e. useful life, guideline life, guideline class life, etc.)
   (c) Classes of plant to which each method is being applied and date method was adopted

Line No.	Account Subdivisions *(a)*	Balance at Beginning of Year *(b)*	CHANGES DURING YEAR: Amounts Debited to Account 410.1 *(c)*	CHANGES DURING YEAR: Amounts Credited to Account 411.1 *(d)*
1	Account 282			
2	Electric			
3	Gas			
4	Other (Define)			
5	TOTAL (Lines 2 thru 4)			
6	Other (Specify)			
7	Acquisition Adjustment			
8				
9	TOTAL Account 282 (Lines 5 thru 8)	0	0	
10	Classification of TOTAL			
11	Federal Income Tax			
12	State Income Tax			
13	Local Income Tax			

Allocation to balance sheet accounts by state is not available. Total expense/credit to 410.1 and 411.1 is reflected in Account 190 for reporting purposes.

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED OTHER PROPERTY (Acct. 282) (Con't.)

3. Beginning balance may be omitted if not readily available. Report gas utility deferred taxes only.
4. Use separate pages as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		Balance at End of Year	Line No.
		Acct. No.	Amount	Acct. No.	Amount		
(e)	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	*(k)*	
							1
							2
						0	3
							4
						0	5
							6
						0	7
							8
0						0	9
							10
						0	11
						0	12
							13

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOC. ACCUM. DEF. INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. In the space provided below include amounts relating to insignificant items under Other.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3	Electric			
4				
5				
6				
7				
8	Other			
9	TOTAL Electric (Total Lines 3 thru 8)			
10	Gas			
11	Gas			
12				
13	Deferred Gas Estimate			
14				
15				
16	Other			
17	TOTAL Gas (Total Lines 11 thru 16)	0	0	
18	Other (Specify)			
19	TOTAL Account 283 (Enter Total lines 9, 17 and 18)	0	0	
20	Classification of TOTAL			
21	Federal Income Tax	0	0	
22	State Income Tax			
23	Local Income Tax			

Allocation to balance sheet accounts by state is not available. Total expense/credit to 410.1 and 411.1 is reflected in Account 190 for reporting purposes.

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOC. ACCUM. DEF. INCOME TAXES - OTHER (Acct. 283) (Con't)

3. Beginning balance may be omitted if not readily available. Report gas utility deferred taxes only.
4. Use separate pages as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits Acct. No. (g)	Debits Amount (h)	Credits Acct. No. (i)	Credits Amount (j)	Balance at End of Year (k)	Line No.
							1
							2
							3
							4
							5
							6
							7
							8
							9
							10
						0	11
							12
						0	13
							14
							15
							16
						0	17
							18
						0	19
							20
						0	21
							22
							23

Name of Respondent	This Report Is:	Date of Report ((M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Explain by footnote any correction adjustments to the account balance shown in column (g). Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions *(a)*	Balance at Beginning of Year *(b)*	Deferred for Year Account No. *(c)*	Deferred for Year Amount *(d)*	Allocations to Current Year's Income Account No. (e)	Allocations to Current Year's Income Amount (f)	Adjustments (g)	Balance at End of Year (h)	Average Period of Allocation to Income (i)
1									
2									
3									
4									
5									
6									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									

Name of Respondent	This Report Is:	Date of Report ((M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Explain by footnote any correction adjustments to the account balance shown in column (g). Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year Account No. (c)	Deferred for Year Amount (d)	Allocations to Current Year's Income Account No. (e)	Allocations to Current Year's Income Amount (f)	Adjustments (g)	Balance at End of Year (h)	Average Period of Allocation to Income (i)
1	Gas Utility								
2	3%								
3	4%								
4	7%								
5	10%								
6	TOTAL	0.00						0.00	
7	Other (List separately and show 3%, 4%, 7%, 10%, and TOTAL)								
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	[X] An Original [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - SITUS UTILITY PLANT
SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Line No.	Item (a)	Total (b)	Electric (c)	Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Common (g)
1	UTILITY PLANT						
2	In Service						
3	Plant In Service (Classified)	544,765,466	193,587,380	351,078,295			99,791
4	Property Under Capital Leases	0		0			
5	Plant Purchased or Sold						
6	Completed Construction not Classified						
7	Experimental Plant Unclassified						
8	TOTAL (Enter Total of lines 3 thru 7)	544,765,466	193,587,380	351,078,295			99,791
9	Leased to Others						
10	Held for Future Use						
11	Construction Work in Progress	3,586,478		3,586,478			
12	Acquisition Adjustments	0					
13	TOTAL Utility Plant (Lines 8 thru 12)	548,351,944	193,587,380	354,664,773			99,791
14	Accum. Prov. for Depr., Amort., Depl.	162,935,346	55,057,718	107,829,880			47,748
15	Net Utility Plant (Line 13 less 14)	385,416,598	138,529,662	246,834,893			52,043
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION & DEPLETION						
17	In Service:						
18	Depreciation	162,763,346	54,966,336	107,749,261			47,749
19	Amort. & Depl. of Producing Natural Gas Land & Land Rights						
20	Amort. of Underground Storage Land & Land Rights						
21	Amort. of Other Utility Plant	172,000	91,381	80,619			0
22	TOTAL in Service (lines 18 thru 21)	162,935,346	55,057,717	107,829,880			47,749
23	Leased to Others						
24	Depreciation						
25	Amortization and Depletion						
26	TOTAL Leased to Others (Lines 24 & 25)	0	0	0			
27	Held for Future Use						
28	Depreciation						
29	Amortization						
30	TOTAL Held for Future Use (Lines 28 & 29)	0	0	0			
31	Abandonment of Leases (Natural Gas)						
32	Amort. of Plant Acquisition Adj.	0	0				
33	TOTAL Accumulated Provisions (Should agree with line 14) (Lines 22, 26, 30, 31 & 32)	162,935,346	55,057,717	107,829,880			47,749

NOTE: Electric plant represents the Coyote Springs 2 plant, which was placed in service on July 1, 2003. Electric depreciation expense is charged to the states of Washington and Idaho.

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - SITUS GAS PLANT IN SERVICE

1. Report below the original cost of gas plant in service according to the prescribed accounts.
2. In addition to Account 101, Gas Plant in Service (Classified), this page and the next include Account 102, Gas Plant Purchased or Sold; Account 103, Experimental Gas Plant Unclassified; and Account 106, Completed Construction Not Classified-Gas.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at the end of the year. (Continued on page 25)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
1	1. Intangible Plant								1
2	301 Organization						0	301	2
3	302 Franchises and Consents							302	3
4	303 Miscellaneous Intangible Plant	989,395	(563,270)	0	0		426,125	303	4
5	TOTAL Intangible Plant	989,395	(563,270)	0	0	0	426,125		5
6	2. Production Plant								6
7	Natural Gas Production and Gathering Plant								7
8	325.1 Producing Lands	0					0	325.1	8
9	325.2 Producing Leaseholds							325.2	9
10	325.3 Gas Rights							325.3	10
11	325.4 Rights-of-Way							325.4	11
12	325.5 Other Land and Land Rights							325.5	12
13	326 Gas Well Structures							326	13
14	327 Field Compressor Station Structures							327	14
15	328 Field Meas. and Reg. Sta. Structures							328	15
16	329 Other Structures							329	16
17	330 Producing Gas Wells-Well Construction							330	17
18	331 Producing Gas Wells-Well Equipment							331	18
19	332 Field Lines							332	19
20	333 Field Compressor Station Equipment							333	20
21	334 Field Meas. and Reg. Sta. Equipment							334	21
22	335 Drilling and Clearing Equipment							335	22
23	336 Purification Equipment							336	23
24	337 Other Equipment							337	24
25	338 Unsuccessful Exploration & Devel. Costs							338	25
26	TOTAL Production and Gathering Plant	0	0	0	0	0	0		26
27	Products Extraction Plant								27
28	340 Land and Land Rights							340	28
29	341 Structures and Improvements							341	29
30	342 Extraction and Refining Equipment							342	30
31	343 Pipe Lines							343	31
32	344 Extracted Products Storage Equipment							344	32

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - SITUS GAS PLANT IN SERVICE

6. Show in column (f) reclassifications or transfers within utility plant acounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount, submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entires have been filed with the Commission as required by the Uniform System of Accounts, give also date of such filing.

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
33	345 Compressor Equipment							345	33
34	346 Gas Meas. and Reg. Equipment							346	34
35	347 Other Equipment							347	35
36	TOTAL Products Extraction Plant	0	0	0	0	0	0		36
37	TOTAL Nat. Gas Production Plant	0	0	0	0	0	0		37
38	Mfd. Gas Prod. Plant (Submit Suppl. Statement)	7,628	0	0	0	0	7,628		38
39	TOTAL Production Plant	7,628	0	0	0	0	7,628		39
40	3. Natural Gas Storage and Processing Plant								40
41	Underground Storage Plant								41
42	350.1 Land						0	350.1	42
43	350.2 Rights-of-Way						0	350.2	43
44	351 Structures and Improvements						0	351	44
45	352 Wells						0	352	45
46	352.1 Storage Leaseholds and Rights						0	352.1	46
47	352.2 Reservoirs						0	352.2	47
48	352.3 Non-recoverable Natural Gas						0	352.3	48
49	353 Lines						0	353	49
50	354 Compressor Station Equipment						0	354	50
51	355 Measuring and Reg. Equipment						0	355	51
52	356 Purification Equipment						0	356	52
53	357 Other Equipment						0	357	53
54	TOTAL Underground Storage Plant	0	0	0	0	0	0		54
55	Other Storage Plant								55
56	360 Land and Land Rights							360	56
57	361 Structures and Improvements							361	57
58	362 Gas Holders							362	58
59	363 Purification Equipment							363	59
60	363.1 Liquefaction Equipment							363.1	60
61	363.2 Vaporizing Equipment							363.2	61
62	363.3 Compressor Equipment							363.3	62
63	363.4 Meas. and Reg. Equipment							363.4	63
64	363.5 Other Equipment							363.5	64
65	TOTAL Other Storage Plant	0	0	0	0	0	0		65

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - SITUS GAS PLANT IN SERVICE

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
66	Base Load Liquefied Natural Gas Terminaling and Processing Plant								66
67	364.1 Land and Land Rights							364.1	67
68	364.2 Structures and Improvements							364.2	68
69	364.3 LNG Processing Terminal Equipment							364.3	69
70	364.4 LNG Transportation Equipment							364.4	70
71	364.5 Measuring and Regulating Equipment							364.5	71
72	364.6 Compressor Station Equipment							364.6	72
73	364.7 Communications Equipment							364.7	73
74	364.8 Other Equipment							364.8	74
75	TOTAL Base Load Liquefied Natural	0	0	0	0	0	0		75
76	Gas, Terminaling and Processing Plant								76
77	TOTAL Nat. Gas Storage and Proc. Plant	0	0	0	0	0	0		77
78	4. Transmission Plant								78
79	365.1 Land and Land Rights							365.1	79
80	365.2 Rights-of-Way							365.2	80
81	366 Structures and Improvements							366	81
82	367 Mains							367	82
83	368 Compressor Station Equipment							368	83
84	369 Measuring and Reg. Sta. Equipment							369	84
85	370 Communication Equipment							370	85
86	371 Other Equipment							371	86
87	TOTAL Transmission Plant	0	0	0	0	0	0		87
88	5. Distribution Plant								88
89	374 Land and Land Rights	611,781					611,781	374	89
90	375 Structures and Improvements	408,943	(30,914)				378,029	375	90
91	376 Mains	175,414,997	22,815,164	331,420			197,898,741	376	91
92	377 Compressor Station Equipment	0					0	377	92
93	378 Meas. and Reg. Sta. Equip. - General	5,041,818	146,192	12,805			5,175,205	378	93
94	379 Meas. and Reg. Sta. Equip. - City Gate	2,765,016	(732,348)			16,006	2,048,674	379	94
95	380 Services	83,979,474	6,722,519	130,996			90,570,997	380	95
96	381 Meters	38,171,378	3,944,718	697,162			41,418,934	381	96
97	382 Meter Installations	0					0	382	97
98	383 House Regulators	0					0	383	98
99	384 House Reg. Installations	0					0	384	99
100	385 Industrial Meas. and Reg. Sta. Equipment	1,537,298	12,797				1,550,095	385	100
101	386 Other Prop. on Customers' Premises	0					0	386	101
102	387 Other Equipment	539					539	387	102
103	TOTAL Distribution Plant	307,931,244	32,878,128	1,172,383	0	16,006	339,652,995		103

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - SITUS GAS PLANT IN SERVICE

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
104	6. General Plant								104
105	389 Land and Land Rights	848,544					848,544	389	105
106	390 Structures and Improvements	3,605,776		1,223			3,604,553	390	106
107	391 Office Furniture and Equipment	0					0	391	107
108	392 Transportation Equipment	3,532,377	752,713	72,828			4,212,262	392	108
109	393 Stores Equipment	57,226	0				57,226	393	109
110	394 Tools, Shop, and Garage Equipment	965,091		14,015			951,076	394	110
111	395 Laboratory Equipment	50,177		9,261			40,916	395	111
112	396 Power Operated Equipment	43,834					43,834	396	112
113	397 Communication Equipment	1,224,539	19,966	391		(16,006)	1,228,108	397	113
114	398 Miscellaneous Equipment	2,367					2,367	398	114
115	Subtotal	10,329,931	772,679	97,718	0	(16,006)	10,988,886		115
116	399 Other Tangible Property							399	116
117	TOTAL General Plant	10,329,931	772,679	97,718	0	(16,006)	10,988,886		117
118	TOTAL (Accounts 101 and 106)	319,258,198	33,087,537	1,270,101	0	0	351,075,634		118
119	Gas Plant Purchased (See Instr. 8)								119
120	(Less) Gas Plant Sold (See Instr. 8)								120
121	Experimental Gas Plant Unclassified								121
122	TOTAL Gas Plant in Service	319,258,198	33,087,537	1,270,101	0	0	351,075,634		122

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - SITUS GAS PLANT IN SERVICE

SUPPLEMENT TO PAGE 25

Line No.	Account *(a)*	Balance at Beginning of Year *(b)*	Additions *(c)*	Retirements *(d)*	Adjustments *(e)*	Transfers *(f)*	Balance at End of Year *(g)*		Line No.
	304 Land and Land Rights	7,628					7,628	304	
	305 Structures and Improvements						0	305	
	311 Liquified Petroleum Gas Equipment	0					0	311	
38	Total Mfd. Gas Prod. Plant	7,628	0	0	0	0	7,628		38

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - SITUS GAS PLANT HELD FOR FUTURE USE

1. Report separately each property held for future use at end of the year having an original cost of $100,000 or more. Other items of property held for future use may be grouped provided that the number of properties so grouped is indicated.
2. For property having an original cost of $100,000 or more previously used in utility operations, now held for future use, give, in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location of Property (a)	Date Originally Included In This Account (b)	Dated Expected To Be Used In Utility Service (c)	Balance at End of Year (d)
1				
2	NONE			
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
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43				
44	TOTALS			

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - SITUS CONSTRUCTION WORK IN PROGRESS - (Account 107)

1. Report below descriptions and balances at end of year of project in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects may be grouped.

Line No.	Description of Project *(a)*	Construction Work in Progress-Gas (Account 107) *(b)*	Estimated Additional Cost of Project *(c)*
1	Gas HP Pipeline Remediation Program	2,346,382	
2			
3	Minor Projects Under $1,000,000	1,240,096	29,619,943
4			
5			
9			
10			
11			
12			
13			
14			
15	**Notes for the The Estimated Additional Cost of the Project**		
16	(1) Minor Projects Under $1,000,000 represents mains and		
17	service replacements, regulator reliability programs, gas		
18	telemetry, etc.		
19	(2) Estimated additional cost amounts represent a five year		
20	buget total.		
21			
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38	TOTALS	3,586,478	29,619,943

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - SITUS ACC. PROV. FOR DEPR. OF GAS UTILITY PLANT (Acct. 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, line 11, column (c), and that reported for gas plant in service, pages 24-27, column (d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 of the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
	Section A. Balances and Changes During Year				
1	Balance Beginning of Year	102,453,537	102,453,537	0	0
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	6,775,144	6,775,144		
4	(413) Exp. of Gas Plt. Leas. to Others				
5	Transportation Expenses-Clearing	312,928	312,928		
6	Other Clearing Accounts				
7	Other Accounts (Specify):	(747,633)	(747,633)		
8					
9	TOTAL Deprec. Prov. for Year (Enter Total of lines 3 thru 8)	6,340,439	6,340,439	0	0
10	Net Charges for Plant Retired:				
11	Book Cost of Plant Retired	1,270,102	1,270,102		
12	Cost of Removal	6,827	6,827		
13	Salvage (Credit)	0	0		
14	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 11 thru 13)	1,276,929	1,276,929	0	0
15	Other Debit or Credit Items (Describe)	232,214	232,214		
16	Transfer of Intang Plt & Exclude Comm. Plt.				
17	Balance End of Year (Enter Total of lines 1, 9, 14, 15, and 16)	107,749,261	107,749,261	0	0
	Section B. Balances at End of Year According to Functional Classifications				
18	Production-Manufactured Gas				
19	Prod. and Gathering-Natural Gas				
20	Products Extraction-Natural Gas				
21	Underground Gas Storage	0	0		
22	Other Storage Plant				
23	Base Load LNG Term and Proc. Plt.				
24	Transmission				
25	Distribution	103,085,024	103,085,024		
26	General	4,664,237	4,664,237		
27	TOTAL (Enter Total of lines 18 thru 26)	107,749,261	107,749,261	0	0

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED
SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Line No.	Item (a)	Total (b)	Electric (c)	Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Common (g)
1	UTILITY PLANT						
2	In Service						
3	Plant In Service (Classified)	43,678,737		8,108,043			35,570,694
4	Property Under Capital Leases						
5	Plant Purchased or Sold						
6	Completed Construction not Classified						
7	Experimental Plant Unclassified						
8	TOTAL (Enter Total of lines 3 thru 7)	43,678,737		8,108,043			35,570,694
9	Leased to Others						
10	Held for Future Use						
11	Construction Work in Progress						
12	Acquisition Adjustments						
13	TOTAL Utility Plant (Lines 8 thru 12)	43,678,737		8,108,043			35,570,694
14	Accum. Prov. for Depr., Amort., Depl.	9,533,040		1,154,234			8,378,806
15	Net Utility Plant (Line 13 less 14)	34,145,697		6,953,809			27,191,888
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION & DEPLETION						
17	In Service:						
18	Depreciation	5,227,685		901,360			4,326,325
19	Amort. & Depl. of Producing Natural Gas Land & Land Rights						
20	Amort. of Underground Storage Land & Land Rights						
21	Amort. of Other Utility Plant	4,305,355		252,874			4,052,481
22	TOTAL in Service (lines 18 thru 21)	9,533,040		1,154,234			8,378,806
23	Leased to Others						
24	Depreciation						
25	Amortization and Depletion						
26	TOTAL Leased to Others (Lines 24 & 25)	0		0			
27	Held for Future Use						
28	Depreciation						
29	Amortization						
30	TOTAL Held for Future Use (Lines 28 & 29)	0		0			
31	Abandonment of Leases (Natural Gas)						
32	Amort. of Plant Acquisition Adj.						
33	TOTAL Accumulated Provisions (Should agree with line 14) (Lines 22, 26, 30, 31 & 32)	9,533,040		1,154,234			8,378,806

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED GAS PLANT IN SERVICE

1. Report below the original cost of gas plant in service according to the prescribed accounts.
2. In addition to Account 101, Gas Plant in Service (Classified), this page and the next include Account 102, Gas Plant Purchased or Sold; Account 103, Experimental Gas Plant Unclassified; and Account 106, Completed Construction Not Classified-Gas.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at the end of the year. (Continued on page 33)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
1	1. Intangible Plant								1
2	301 Organization						0	301	2
3	302 Franchises and Consents						0	302	3
4	303 Miscellaneous Intangible Plant	519,030			(141,411)		377,619	303	4
5	TOTAL Intangible Plant	519,030	0	0	(141,411)	0	377,619		5
6	2. Production Plant								6
7	Natural Gas Production and Gathering Plant								7
8	325.1 Producing Lands						0	325.1	8
9	325.2 Producing Leaseholds						0	325.2	9
10	325.3 Gas Rights						0	325.3	10
11	325.4 Rights-of-Way						0	325.4	11
12	325.5 Other Land and Land Rights						0	325.5	12
13	326 Gas Well Structures						0	326	13
14	327 Field Compressor Station Structures						0	327	14
15	328 Field Meas. and Reg. Sta. Structures						0	328	15
16	329 Other Structures						0	329	16
17	330 Producing Gas Wells-Well Construction						0	330	17
18	331 Producing Gas Wells-Well Equipment						0	331	18
19	332 Field Lines						0	332	19
20	333 Field Compressor Station Equipment						0	333	20
21	334 Field Meas. and Reg. Sta. Equipment						0	334	21
22	335 Drilling and Clearing Equipment						0	335	22
23	336 Purification Equipment						0	336	23
24	337 Other Equipment						0	337	24
25	338 Unsuccessful Exploration & Devel. Costs						0	338	25
26	TOTAL Production and Gathering Plant	0	0	0	0	0	0		26
27	Products Extraction Plant								27
28	340 Land and Land Rights						0	340	28
29	341 Structures and Improvements						0	341	29
30	342 Extraction and Refining Equipment						0	342	30
31	343 Pipe Lines						0	343	31
32	344 Extracted Products Storage Equipment						0	344	32

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED GAS PLANT IN SERVICE

6. Show in column (f) reclassifications or transfers within utility plant acounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount, submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entires have been filed with the Commission as required by the Uniform System of Accounts, give also date of such filing.

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
33	345 Compressor Equipment						0	345	33
34	346 Gas Meas. and Reg. Equipment						0	346	34
35	347 Other Equipment						0	347	35
36	TOTAL Products Extraction Plant	0	0	0	0	0	0		36
37	TOTAL Nat. Gas Production Plant	0	0	0	0	0	0		37
38	Mfd. Gas Prod. Plant (Submit Suppl. Statement)						0		38
39	TOTAL Production Plant	0	0	0	0	0	0		39
40	3. Natural Gas Storage and Processing Plant								40
41	Underground Storage Plant								41
42	350.1 Land	117			77,841		77,958	350.1	42
43	350.2 Rights-of-Way	0					0	350.2	43
44	351 Structures and Improvements	69,578			18,807		88,385	351	44
45	352 Wells	945,111			18,807		963,918	352	45
46	352.1 Storage Leaseholds and Rights	0					0	352.1	46
47	352.2 Reservoirs	1,464,162					1,464,162	352.2	47
48	352.3 Non-recoverable Natural Gas	450,620					450,620	352.3	48
49	353 Lines	62,304					62,304	353	49
50	354 Compressor Station Equipment	2,916,309			18,807		2,935,116	354	50
51	355 Measuring and Reg. Equipment	52,247			18,807		71,054	355	51
52	356 Purification Equipment	0					0	356	52
53	357 Other Equipment	57,865			18,806		76,671	357	53
54	TOTAL Underground Storage Plant	6,018,313	0	0	171,874	0	6,190,187		54
55	Other Storage Plant								55
56	360 Land and Land Rights						0	360	56
57	361 Structures and Improvements						0	361	57
58	362 Gas Holders						0	362	58
59	363 Purification Equipment						0	363	59
60	363.1 Liquefaction Equipment						0	363.1	60
61	363.2 Vaporizing Equipment						0	363.2	61
62	363.3 Compressor Equipment						0	363.3	62
63	363.4 Meas. and Reg. Equipment						0	363.4	63
64	363.5 Other Equipment						0	363.5	64
65	TOTAL Other Storage Plant	0	0	0	0	0	0		65

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED GAS PLANT IN SERVICE

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
66	Base Load Liquefied Natural Gas Terminaling and Processing Plant								66
67	364.1 Land and Land Rights						0	364.1	67
68	364.2 Structures and Improvements						0	364.2	68
69	364.3 LNG Processing Terminal Equipment						0	364.3	69
70	364.4 LNG Transportation Equipment						0	364.4	70
71	364.5 Measuring and Regulating Equipment						0	364.5	71
72	364.6 Compressor Station Equipment						0	364.6	72
73	364.7 Communications Equipment						0	364.7	73
74	364.8 Other Equipment						0	364.8	74
75	TOTAL Base Load Liquefied Natural	0	0	0	0	0	0		75
76	Gas, Terminaling and Processing Plant						0		76
77	TOTAL Nat. Gas Storage and Proc. Plant	6,018,313	0	0	171,874	0	6,190,187		77
78	4. Transmission Plant								78
79	365.1 Land and Land Rights						0	365.1	79
80	365.2 Rights-of-Way						0	365.2	80
81	366 Structures and Improvements						0	366	81
82	367 Mains						0	367	82
83	368 Compressor Station Equipment						0	368	83
84	369 Measuring and Reg. Sta. Equipment						0	369	84
85	370 Communication Equipment						0	370	85
86	371 Other Equipment						0	371	86
87	TOTAL Transmission Plant	0	0	0	0	0	0		87
88	5. Distribution Plant								88
89	374 Land and Land Rights	2			(2)		0	374	89
90	375 Structures and Improvements	(1)			1		0	375	90
91	376 Mains	1			(1)		0	376	91
92	377 Compressor Station Equipment	0					0	377	92
93	378 Meas. and Reg. Sta. Equip. - General	0					0	378	93
94	379 Meas. and Reg. Sta. Equip. - City Gate	1			(1)		0	379	94
95	380 Services	1			(1)		0	380	95
96	381 Meters	0					0	381	96
97	382 Meter Installations	0					0	382	97
98	383 House Regulators	0					0	383	98
99	384 House Reg. Installations	0					0	384	99
100	385 Industrial Meas. and Reg. Sta. Equipment	0					0	385	100
101	386 Other Prop. on Customers' Premises	0					0	386	101
102	387 Other Equipment	0					0	387	102
103	TOTAL Distribution Plant	4	0	0	(4)	0	0		103

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED GAS PLANT IN SERVICE

Line No.		Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
104		6. General Plant								104
105	389	Land and Land Rights	(1)			1		0	389	105
106	390	Structures and Improvements	(0)			0		(0)	390	106
107	391	Office Furniture and Equipment	194,067			(7,336)		186,731	391	107
108	392	Transportation Equipment	0			0		0	392	108
109	393	Stores Equipment	0					0	393	109
110	394	Tools, Shop, and Garage Equipment	809,655			196,017		1,005,672	394	110
111	395	Laboratory Equipment	74,510			(25,528)		48,982	395	111
112	396	Power Operated Equipment	0			0		0	396	112
113	397	Communication Equipment	306,995			(5,481)		301,514	397	113
114	398	Miscellaneous Equipment	0			0		0	398	114
115		Subtotal	1,385,226	0	0	157,673	0	1,542,898		115
116	399	Other Tangible Property	0					0	399	116
117		TOTAL General Plant	1,385,226	0	0	157,673	0	1,542,898		117
118		TOTAL (Accounts 101 and 106)	7,922,573	0	0	188,131	0	8,110,704		118
119		Gas Plant Purchased (See Instr. 8)								119
120		(Less) Gas Plant Sold (See Instr. 8)								120
121		Experimental Gas Plant Unclassified								121
122		TOTAL Gas Plant in Service	7,922,573	0	0	188,131	0	8,110,704		122

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED GAS PLANT HELD FOR FUTURE USE (ACCOUNT 105)

1. Report separately each property held for future use at end of the year having an original cost of $100,000 or more. Other items of property held for future use may be grouped provided that the number of properties so grouped is indicated.
2. For property having an original cost of $100,000 or more previously used in utility operations, now held for future use, give, in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location of Property (a)	Date Originally Included In This Account (b)	Date Expected To Be Used In Utility Service (c)	Balance At End of Year (d)
1				
2	NONE			
3				
4				
5				
6				
7				
8				
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44	TOTALS			

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOCATED CONSTRUCTION WORK IN PROGRESS - (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1			
2	None		
3			
4			
5			
6			
7			
8			
9			
10			
11			
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43	TOTALS	0	0

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - ALLOC. ACC. PROV. FOR DEPR. OF GAS UTILITY PLANT (Acct. 119)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, line 11, column (c), and that reported for gas plant in service, pages 32-35, column (d), excluding retirements of non-depreciable property.
3. The provisions of Account 119 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
1	Balance Beginning of Year	4,329,999	4,329,999	0	0
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	1,691,187	1,691,187		
4	(413) Exp. of Gas Plt. Leas. to Others				
5	Transportation Expenses-Clearing	0	0		
6	Other Clearing Accounts				
7	Other Accounts (Specify):	(1,457,114)	(1,457,114)		
8					
9	TOTAL Deprec. Prov. for Year (Enter Total of lines 3 thru 8)	234,073	234,073	0	0
10	Net Charges for Plant Retired:				
11	Book Cost of Plant Retired	0	0		
12	Cost of Removal	0	0		
13	Salvage (Credit)	0	0		
14	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 11 thru 13)	0	0	0	0
15	Other Debit or Credit Items (Describe):	(3,662,712)	(3,662,712)		
16					
17	Balance End of Year (Enter Total of lines 1, 9, 14, 15, and 16)	901,360	901,360	0	0
	Section B. Balances at End of Year According to Functional Classifications				
18	Production-Manufactured Gas				
19	Prod. and Gathering-Natural Gas				
20	Products Extraction-Natural Gas				
21	Underground Gas Storage	875,787	875,787		
22	Other Storage Plant				
23	Base Load LNG Term and Proc. Plt.				
24	Transmission				
25	Distribution	(666,582)	(666,582)		
26	General	692,155	692,155		
27	TOTAL (Enter Total of lines 18 thru 26)	901,360	901,360	0	0

Name of Respondent	This Report Is:	Date of Report (M,D,Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - GAS STORED (117, 164.1, 164.2, AND 164.3)

1. Report below the information called for concerning inventories of gas stored.
2. The Uniform System of Accounts provides that inventory cost records be maintained on a consolidated basis for all storage projects with separate records showing the Mcf of inputs and withdrawals and balance for each project, except under specified circumstances. If the respondent's inventory cost records are not maintained on a consolidated basis for all storage projects, furnish an explanation of the accounting followed and reason for any deviation from the general basis provided by the Uniform System of Accounts. Separate schedules on this schedule form should be furnished for each group of storage projects for which separate inventory cost records are maintained.
3. If during the year adjustment was made of the stored gas inventory, such as to correct for cumulative inaccuracies of gas measurements, furnish an explanation of the reason for the adjustment, the Mcf and dollar amount of adjustment and account charged or credited.
4. Give a concise statement of the facts and the accounting performed with respect to any encroachment of withdrawals during the year, or restoration of previous encroachment, upon native gas constituting the "gas cushion" of any storage reservoir.
5. If the respondent uses a "base stock" in connection with its inventory accounting, give a concise statement of the basis of establishing such "base stock" and the inventory basis and the accounting performed with respect to any encroachment of withdrawals on "base stock", or restoration of previous encroachment, including brief particulars of any such accounting during the year.
6. If respondent has provided accumulated provision for stored gas which may not eventually be fully recovered from any storage project furnish a statement showing: (a) date of Commission authorization of such accumulated provision (b) explanation of circumstances requiring such provision (c) basis of provision and factors of calculation (d) estimated ultimate accumulated provision accumulation (e) a summary showing balance of accumulated provision and entries during year.
7. Pressure base of gas volume reported in this schedule is 14.73 psia at 60° F.

Line No.	Description	Noncurrent (Account 117) *(a)*	Current (Account 164.1) *(b)*	LNG (Account 164.2) *(e)*	LNG (Account 164.3) *(d)*	Total *(e)*
1	Balance, beginning of year	1,261,012	1,532,717	0	0	2,793,729
2	Gas delivered to storage		1,714,020			1,714,020
3	(contra account)					
4	Gas withdrawn from storage		2,213,208			2,213,208
5	(contra account)					
6	Other debits and credits net		0			0
7						
8						
9						
10						
11						
12	Balance, end of year	1,261,012	1,033,529	0	0	2,294,541
13	Therm	2,259,880	5,874,550			8,134,430
14	Amount per Mcf	$5.58	$1.76			$2.82

Line No.			
15	State basis of segregation of inventory between current and noncurrent portions.		
16	Current portion is gas expected to be sold within a 24-month period. All other gas is considered non-current.		
17	Gas delivered to storage:	Current	LNG
18	Therm	10,324,950	
19	Amount per therm	$1.66	
20	Cost basis of gas delivered to storage:		
21	Specify: Own production (give production area, see		Average Cost
22	uniform system of accounts); average system purchases;		
23	specific purchases (state which purchases).		
24	Does cost of gas delivered to storage include any expenses		
25	for use of respondent's transmission, storage or other		
26	facilities? If so, give particulars and date of Commision	No	
27	approval of accounting.		
28			
29	Gas withdrawn from storage:		
30	Therm	11,097,670	
31	Amount per therm	$1.99	
32	Cost basis of withdrawal		
33	Specify: average cost, lifo, fifo, (Explain any change in		Average Cost
34	inventory basis during year and give date of Commission		
35	approval of the change or approval of an inventory basis		
36	different from that referred to in uniform system of accounts)		
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Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - GAS PURCHASES (Accounts 800, 801,803, 804, 804.1 and 805)

Line No.	Name of Seller (Designate Associated Companies) (a)	Name of Producing Field or Gasoline Plant (b)	Net Rate Effective December 31 (c)
1	Refer to Note (1)		
2	Note (1) The following are the major gas suppliers for the State of Oregon:		
3	Bank of Nova Scotia		
4	BP Canada Energy Group ULC		
5	BP Energy Company		
6	Cargill Inc.		
7	Cargill Limited		
8	Citadel Energy Marketing LLC		
9	Concord Energy, LLC		
10	ConocoPhillips Company		
11	EDF Trading North America, LLC		
12	Encana Marketing (USA) Inc.		
13	Enstor Energy Services, LLC		
14	FortisBC Energy Inc.		
15	J. Aron & Company		
16	Koch Energy Services, LLC		
17	Macquarie Energy Canada Ltd		
18	Macquarie Energy LLC		
19	Mieco, Inc.		
20	Morgan Stanley Capital Group Inc.		
21	National Bank of Canada		
22	Natural Gas Exchange, Inc.		
23	NJR Energy Services Company		
24	Noble America Gas & Power Corp.		
25	Occidental Energy Marketing, Inc.		
26	Powerex		
27	Puget Sound Energy, Inc.		
28	QEP Energy Company		
29	QEP Marketing Company		
30	Sacramento Municipal Utility District		
31	Sequent Energy Management, L.P.		
32	Shell Energy North America (Canada) Inc.		
33	Shell Energy North America (US) L.P.		
34	Suncor Energy Marketing Inc.		
35	Tenaska Marketing Ventures		
36	Twin Eagle Resource Management, LLC		
37	United Energy Trading LLC		
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Name of Respondent	This Report is	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - GAS PURCHASES (Accounts 800, 801, 802, 803, 804, 804.1 and 805) (Con't)

Seller Code (d)	State Code (e)	Count Code (f)	Schedule No. (g)	Suffix (h)	Date of Contract (i)	Approx BTU Per CU FT (j)	Gas Purchased - Mcf (14.73 PSIA 60°) (k)	Cost of Gas (l)	Cost Per Mcf (Dollars) (m)	Line No.
Refer to Note (1)					Various		43,228,300	$93,251,493.28	$2.16	1
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Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 810, 811, 812)

1. Report below particulars of credits during the year to Accounts 810, 811 and 812, which offset charges to operating expenses or other accounts or the cost of gas from the respondent's own supply.
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. If the reported MCF for any use is an estimated quantity, state such fact.
4. If any natural gas was used by the respondent for which charge was not made to the appropriate operating expense or other account, list separately in column (c) the MCF of gas so used, omitting entries in columns (d) and (e).
5. Pressure base of measurement, to be reported in columns (c) and (f) is 14.73 psia at 60° F.

			Natural Gas			Manufactured Gas	
Line No.	Purpose for Which Gas was Used (a)	Account Charged (b)	MCF of Gas Used (14.73 PSIA at 60°F) (c)	Amount of Credit (d)	Amount Per MCF (Cents) (e)	MCF of Gas Used (14.73 PSIA at 60°) (f)	Amount of Credit (g)
1	810 Gas used for Compressor Station Fuel - Credit						
2	811 Gas used for Products Extraction - Credit		16,544,753	$165,448	$0.01		
3	(a) Gas shrinkage & other usage in respondent's own processing						
4	(b) Gas shrinkage, etc. for respondent's gas processed by others						
5	812 Gas used for Other Utility Operations - Credit						
6	(Report separately for each principal use. Group minor uses.)						
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Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016
Year: 201212			

STATE OF OREGON - GAS ACCOUNT - NATURAL GAS

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent taking into consideration differences in pressure bases used in measuring MCF of natural gas received and delivered.
2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3. Enter in column (c) the MCF as reported in the schedules indicated for the respective items of receipts and deliveries.

Line No.	Item *(a)*	Ref. Page No. *(b)*	Therms *(c)*
1	GAS RECEIVED		
2	Natural Gas Produced		
3	LPG Gas Produced and Mixed with Natural Gas		
4	Manufactured Gas Produced and Mixed with Natural Gas		
5	Purchased Gas		
6	Wellhead		
7	Field Lines		
8	Gasoline Plants		
9	Transmission Line		
10	City Gate Under FERC Rate Schedules		365,188,270
11	LNG		
12	Other (imbalances)		(1,205,300)
13	TOTAL GAS PURCHASED		363,982,970
14	Gas of Others Received for Transportation		44,388,007
15	Receipts of Respondents' Gas Transported or Compressed by Others		
16	Exchange Gas Received		
17	Gas Withdrawn from Underground Storage		11,097,670
18	Gas Received from LNG Storage		
19	Gas Received from LNG Processing		
20	Other Receipts (Specify): Storage Injections		
	TOTAL RECEIPTS		419,468,647

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - GAS ACCOUNT - NATURAL GAS (Con't)

4. In a footnote report the volumes of gas from respondent's own production delivered to respondent's transmission system and included in natural gas sale.
5. If the respondent operates two or more systems which are not interconnected, separate schedules should be submitted. Insert pages should be used for this purpose.

Line No.	Item (a)	Ref. Page No. (b)	Amount of Therms (c)
	GAS DELIVERED		
22	Natural Gas Sales		
23	a. Field Sales		
24	(i) To Interstate Pipeline Companies for Resale		
25	Pursuant to FERC Rate Schedules		
26	(ii) Retail Industrial Sales		
27	(iii) Other Field Sales		
28	TOTAL FIELD SALES		0
29	b. Transmission Systems Sales		
30	(i) To Interstate Pipeline Co. for Resale Under FERC Rate Schedules		
31	(ii) To Intrastate Pipeline Co. and Gas Utilities for resale under		
32	FERC rate schedules		
33	(iii) Mainline Industrial Sales Under FERC Certification		
34	(iv) Other Mainline Industrial Sales		
35	(v) Other Transmission System Sales		
36	TOTAL TRANSMISSION SYSTEM SALES		0
37	c. Local Distribution by Respondent		
38	(i) Retail Industrial Sales		2,994,938
39	(ii) Other Distribution System Sales		75,267,533
40	TOTAL DISTRIBUTION SYSTEM SALES		78,262,471
41	d. Interdepartmental sales		12,010
42	TOTAL SALES		78,274,481
43			
44	Deliveries of Gas Transported or Compressed for:		
45	a. Other Interstate Pipeline Companies		
46	b. Others		44,388,007
47	TOTAL GAS TRANSPORTED OR COMPRESSED FOR OTHERS		44,388,007
48	Deliveries of Respondent's Gas for Trans. or Compression by Others		
49	Exchange Gas Delivered		
50	Natural Gas Used by Respondent		
51	Natural Gas Delivered to Underground Storage		10,324,950
52	Natural Gas Delivered to LNG Storage		
53	Natural Gas Delivered to LNG Processing		
54	Natural Gas for Franchise Requirements		
55	Other Deliveries (Specify): Sales for Resale		279,403,430
56	TOTAL SALES & OTHER DELIVERIES UNACCOUNTED FOR		412,390,868
57	Production System Losses		
58	Storage Losses		
59	Transmission System Losses		7,077,779
60	Distribution System Losses		
61	Other Losses (Specify in so far as possible):		
62	TOTAL UNACCOUNTED FOR		
63	TOTAL SALES, OTHER DELIVERIES, AND UNACCOUNTED FOR		419,468,647

Name of Respondent	This Report Is:	Date of Report	Year of Report
	(1) [X] An Original	(M, D, Y)	
Avista Corp.	(2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - MISCELLANEOUS GENERAL EXPENSES (Account 930.2)

Report below the information called for concerning items included in miscellaneous general expenses.

Line No.	Items (a)	Total (b)	Amount Applicable to Oregon (c)	Amount Applicable to Other States (d)
1	Industry Association Dues	298,629	84,220	214,410
2	Experimental and General Research Expenses			
3	Publishing and Distributing Information and Reports to Stockholders; Trustee, Registrar and Transfer Agent Fees and Expenses, and Other Expenses of Servicing Outstanding Securities of the Respondent	163,193	49,606	113,588
4	Other Expenses (List items of $5,000 or more in this column showing the (1) purpose, (2) recipient and (3) amount of such items, Group amounts of less than $5,000 by classes if the number of items so grouped is shown)			
5				
6	Items less than $5,000	416,355	122,901	293,454
7				
8				
9	**Items greater than $5,000**			
10	See Attached Footnote Professional Services	314,799	103,508	211,291
11				
12				
13				
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15				
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21				
22	Community Relations	32,248	8,454	23,794
23				
24				
25	**Director Fees and Expenses**			
26	JANET WIDMANN	27,416	8,334	19,083
27	HEIDI B STANLEY	29,628	9,006	20,622
28	MARC F RACICOT	26,753	8,132	18,621
29	ERIK J ANDERSON	29,030	8,824	20,206
30	KRISTIANNE BLAKE	34,373	10,448	23,925
31	REBECCA A KLEIN	31,307	9,516	21,791
32	JOHN F KELLY	36,580	11,119	25,460
33	R JOHN TAYLOR	33,247	10,106	23,141
34	Morris, Scott L	4,215	1,156	3,059
35	DONALD C BURKE	30,394	9,239	21,155
36				
37				
38				
39	Educational - Informational	19,664	5,977	13,687
40	Rating Agency Fees	73,119	22,226	50,893
41	Aircraft Operations and Fees	73,199	22,241	50,958
42				
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51				
52	TOTAL	1,674,151	505,013	1,169,138

Selection: Year : '2016'

Vendor Name	Vendor Nu	Top Expen	Ferc Acct	Task Nur	Electric Amt SUM
ADVENTURES IN ADVERTISING	2613	Miscellane	930200	930200	6,834.06
ALLURESOFT LLC	104415	Subscriptio	930200	930200	6,573.61
Andrea, Michael G	20890	Employee I	930200	930200	18,307.96
BAKER BOTTS LLP	101877	Professiona	930200	930200	30,000.00
BANK OF NEW YORK MELLON	33658	Miscellane	930200	930200	6,275.26
CEATI INTERNATIONAL INC	61686	Fees - Gen	930200	930200	35,816.65
CITIBANK NA	6009	Miscellane	930200	930200	60,389.81
COMMON GROUND ALLIANCE	9092	Miscellane	930200	930200	.00
COMPLIANCE WAVE LLC	104250	Subscriptio	930200	930200	10,931.93
CORP CREDIT CARD	6445	Subscriptio	930200	930200	150,979.12
Durkin, Marian McMahon	11424	Employee I	930200	930200	7,212.47
E SOURCE COMPANIES LLC	16377	DSM	930200	930200	5,621.02
ENCOMPASS NW SERVICES LLC	99493	Professiona	930200	930200	6,283.98
ENTERPRISE RENT A CAR	5184	Miscellane	930200	930200	7,453.33
Faulkenberry, Michael J	5197	Employee I	930200	930200	.00
GARTNER INC	5255	Professiona	930200	930200	29,410.10
GUCKENHEIMER SERVICES LLC	101737	Employee I	930200	930200	8,558.39
INLAND NORTHWEST PARTNERS	6811	Subscriptio	930200	930200	5,886.16
Kimmell, Paul J	24775	Employee I	930200	930200	6,156.74
KLUNDT HOSMER DESIGN	27242	Professiona	930200	930200	35,295.21
MDC RESEARCH	99443	Professiona	930200	930200	6,241.03
MEDIA WORKS RESOURCE GROUP	104277	Professiona	930200	930200	19,703.42
MERIDIAN COMPENSATION PARTNERS LLC	93413	Professiona	930200	930200	33,848.46
MITCHELL HAMLINE SCHOOL OF LAW	105087	Conference	930200	930200	4,775.99
NATIONAL COLOR GRAPHICS INC	8988	Printing	930200	930200	3,767.72
NORTHWEST GAS ASSOCIATION	27208	Lease Expe	930200	930200	.00
PCAOB	8307	Professiona	930200	930200	11,483.49
ROCKY MOUNTAIN INSTITUTE	94897	Professiona	930200	930200	20,000.00
SCOTT H MAW	105298	Miscellane	930200	930200	23,480.85
STRATEGIC RESEARCH ASSOCIATES	10686	Professiona	930200	930200	6,604.87
Taylor, Brian A	18785	Employee I	930200	930200	.00
Thackston, Jason R	7732	Employee I	930200	930200	14,347.73
THE COEUR D ALENE RESORT	8897	Miscellane	930200	930200	12,564.43
Thies, Mark T	38010	Employee I	930200	930200	10,039.97
UNION BANK OF CALIFORNIA	6183	Miscellane	930200	930200	25,820.01
UNIVERSITY OF ILLINOIS	105294	Professiona	930200	930200	25,000.00
VOLT MANAGEMENT CORP	55617	Subscriptio	930200	930200	29,911.68
WILMINGTON TRUST COMPANY	8111	Miscellane	930200	930200	3,566.30
Wood, Patricia Prouty	36578	Employee I	930200	930200	3,731.64
Total	0	bscriptions	0	0	692,873.39

Gas North Amt SUM	Gas South Amt SUM	Transaction Amt SUM	
1,858.15	811.43	9,503.64	
1,839.38	803.29	9,216.28	
3,569.54	1,558.58	23,436.08	
.00	.00	30,000.00	
1,755.90	766.84	8,798.00	
.00	.00	35,816.65	
16,897.91	7,379.60	84,667.32	
7,659.74	3,340.26	11,000.00	
3,058.90	1,335.87	15,326.70	
38,854.62	30,191.48	220,025.22	
510.12	222.78	7,945.37	
1,572.84	686.89	7,880.75	
125.73	54.91	6,464.62	
1,895.21	809.47	10,158.01	
6,016.23	2,623.58	8,639.81	
8,229.34	3,593.90	41,233.34	
2,391.56	976.25	11,926.20	
1,613.84	.00	7,500.00	
1,688.03	.00	7,844.77	
6,144.07	2,683.22	44,122.50	
1,746.33	762.64	8,750.00	
5,513.28	2,407.75	27,624.45	
9,471.27	4,136.27	47,456.00	
1,336.39	583.62	6,696.00	
999.70	436.58	5,204.00	
43,739.90	19,074.10	62,814.00	
3,213.24	1,403.27	16,100.00	
.00	.00	20,000.00	
6,570.26	2,869.35	32,920.46	
1,848.13	807.12	9,260.12	
3,690.51	1,609.35	5,299.86	
4,014.75	1,753.11	20,115.59	
3,515.70	1,535.37	17,615.50	
2,479.18	1,082.71	13,601.86	
7,224.80	3,155.19	36,200.00	
.00	.00	25,000.00	
8,349.85	3,224.93	41,486.46	
997.90	435.80	5,000.00	
899.02	392.63	5,023.29	
211,291.32	103,508.14	1,007,672.85	

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - POLITICAL ADVERTISING

1. List all payments for advertising, the purpose of which is to aid or defeat any measure before the people or to promote or prevent the enactment of any national, state, district or municipal legislation.
2. Give the specific purpose of such advertising, when and where placed, and the account or accounts charged.
3. Report whole dollars only. Provide a total for each account and a grand total.

Line No.	Description *(a)*	Account Charged *(b)*	Amount *(c)*
1			
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3	NONE		
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Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - POLITICAL CONTRIBUTIONS

1. List all payments or contributions to persons and organizations for the purpose of aiding or defeating any measure before the people or to promote or prevent the enactment of any national, state, district or municipal legislation.
2. The purpose of all contributions or payments should be clearly explained.
3. Report whole dollars only. Provide a total for each account and a grand total.

Line No.	Description (a)	Account Charged (b)	Amount (c)
1	Friends of Richard Devlin	426.4	1,000
2	Kate Brown Committee	426.4	2,500
3	Friends of Tobias Read	426.4	1,500
4	Friends of Herman Baertschiger	426.4	1,000
5	Boquist Leadership Fund	426.4	1,000
6	Friends of Ted Ferrioli	426.4	2,000
7	Friends of Bill Hansell	426.4	1,000
8	Tim Knopp for State Senate	426.4	1,000
9	Committee to Elect Jeff Kruse	426.4	1,000
10	Peter Courtney for State Senate	426.4	1,000
11	Friends of Mark Hass	426.4	1,000
12	Committee to Elect Betsy Johnson	426.4	1,000
13	Friends of Arnie Roblan	426.4	1,000
14	Barreto for HD 58	426.4	500
15	Cliff Bentz for State Representative Committee	426.4	1,000
16	Buehler For a United Oregon	426.4	1,000
17	Lori DeRemer for State Representative	426.4	1,000
18	Friends of Dallas Heard	426.4	500
19	Committee to Elect Sal Esquivel	426.4	1,000
20	Hayden for Oregon	426.4	500
21	Friends of Mark Johnson	426.4	1,000
22	Caddy McKeown for Representative	426.4	1,000
23	Committee to Elect Mike McLane	426.4	2,000
24	Friends of Patti Milne	426.4	1,000
25	Committee to Re-Elect Greg Smith	426.4	500
26	Friends of Duane Stark	426.4	500
27	Citizens to Elect Carl Wilson	426.4	1,500
28	Brad Witt for State Representative	426.4	1,000
29	Alan DeBoer for State Senate	426.4	2,500
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42	TOTAL		32,500

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	(M, D, Y) April 28, 2017	Dec. 31, 2016

STATE OF OREGON - EXPENDITURES TO ANY PERSON OR ORGANIZATION HAVING AN AFFILIATED INTEREST FOR SERVICES, ETC.

1. Report all expenditures to any person or organization having an affiliated interest for service, advice, auditing associating, sponsoring, engineering, managing, operating, financial, legal or other services. See Oregon Revised Statute 757.015 for definition of "affiliated interest."
2. Give reference if such expenditures have in the past been approved by the Commission. Describe the services received and the account or accounts charged. Report whole dollars only.

Line No.	Description (a)	Account Number (b)	Total Amount (c)	Amount Assigned to Oregon (d)
1				
2	Please refer to the Annual Affiliated Interest Report			
3	pursuant to OAR 860-27-100.			
4				
5	This report will be filed with the Public Utility			
6	Commission of Oregon in June 2017.			
7				
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Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - DONATIONS AND MEMBERSHIPS

1. List all donations and membership expenditures made by the utility during the year and the amounts charged (items less than $1,000 may be consolidated by category stating the number of organizations included). Give the name, city and state of each organization to whom a donation has been made. Group donations under headings as:
   a. Contributions to and memberships in charitable organizations
   b. Organizations of the utility industry
   c. Technical and professional organizations
   d. Commercial and trade organizations
   e. All other organizations and kinds of donations and contributions
2. List donations by type and group by the accounts charged. Report whole dollars only. Provide a total for each group of donations.

Line No.	Description (a)	Account Number (b)	Total Amount (c)	Amount Assigned To Oregon (d)
1	a. Contributions to and memberships in charitable organizations			
2	a Less than $1,000		7,138	7,138
3	a Greater than $1,000			
4	-Union County Extension - 4H		1,863	1,863
5				
6	a Total Contributions to and memberships in charitable orgs	426.1	9,001	9,001
7				
8				
9	d. Commercial and trade organizations			
10	d Less than $1,000		3,159	3,159
11	d Greater than $1,000			
12	-Kerney County Economic Development Agency		3,500	3,500
13	-Southern Oregon Regional Economic Development		2,500	2,500
14	-Douglas County and Roseburg Economic Development		2,500	2,500
15	-Oregon Economic Development Association		5,000	5,000
16				
17	d Total Commercial and Trade Organizations	426.1	16,659	16,659
18				
19				
20	Subtotal	426.1	25,660	25,660
21				
22	b Organizations of the utility industry (none)			
23	c Technical and professional organizations (none)			
24	e All other organizations and kinds of donations and contributions (none)			
25				
26				
27				
28			25,660	25,660

	This Report Is:	Date of Report	Year of Report
	(1) [X] An Original	(M, D, Y)	
Avista Corp.	(2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - OFFICERS' SALARIES

1. Report below the name, title and salary for the year for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance) and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent and date change in incumbency was made.
3. Utilities which are required to file similar data with the Securities and Exchange Commission, may substitute a copy of Item 4, Regulation S-K, identified as this schedule page. The substituted page(s) should be conformed to the size of this page.

Line No.	Title (a)	Name of Officer (b)	Salary for Year Total (c)	Salary for Year Oregon (d)

See the attached Executive Compensation Table from Avista Corp.'s Proxy Statement.

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table—2016

Name and Principal Position	Year	Salary(1)	Bonus	Stock Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension and Non-Qualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total Compensation ($)
S. L. Morris	2016	$796,922		$1,878,223	$ 1,086,642	$ 723,970	$ 11,925	$ 4,497,682
Chairman,	2015	$804,231		$1,945,304	$ 704,170	$ 176,319	$ 11,925	$ 3,641,949
President & CEO	2014	$747,114	$191,506	$1,540,351	$ 1,120,642	$ 1,613,380	$ 238,340	$ 5,451,333
M. T. Thies	2016	$411,452		$ 596,958	$ 336,620	$ 186,415	$ 15,900	$ 1,547,345
Sr. Vice President,	2015	$421,769		$ 618,285	$ 221,576	$ 97,970	$ 15,900	$ 1,375,501
CFO & Treasurer	2014	$396,462	$153,127	$ 489,648	$ 356,806	$ 211,017	$ 61,474	$ 1,668,534
D. P. Vermillion	2016	$396,384		$ 608,106	$ 324,293	$ 486,562	$ 15,000	$ 1,830,345
Sr. Vice President	2015	$387,520		$ 629,821	$ 203,583	$ 162,606	$ 14,850	$ 1,398,380
& ECO	2014	$357,251		$ 395,289	$ 321,517	$ 671,920	$ 14,850	$ 1,760,827
M. M. Durkin	2016	$355,155		$ 466,520	$ 290,562	$ 213,817	$ 11,925	$ 1,337,979
Sr. Vice President,	2015	$356,155		$ 483,169	$ 187,106	$ 144,278	$ 11,925	$ 1,182,633
General Counsel,	2014	$330,347	$121,127	$ 382,538	$ 297,304	$ 281,334	$ 57,574	$ 1,470,224
Corporate Secretary								
& CCO								
K. S. Feltes	2016	$322,846		$ 466,520	$ 264,130	$ 322,985	$ 11,925	$ 1,388,406
Sr. Vice President &	2015	$320,845		$ 493,205	$ 168,556	$ 170,254	$ 11,925	$ 1,164,785
CHRO	2014	$297,115	$104,127	$ 382,538	$ 267,396	$ 411,178	$ 57,574	$ 1,519,928

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

STATE OF OREGON - DONATIONS OR PAYMENTS FOR SERVICES RENDERED BY PERSONS OTHER THAN EMPLOYEES AND CHARGED TO OREGON OPERATING ACCOUNTS

1. Report for each service rendered (including materials furnished incidental to the service which are impracticable of separation) by recipient and in total the aggregate of all payments made during the year where the aggregate of such payments to a recipient was $25,000 or more including fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payments for services, traffic settlements, amounts paid for general services and licenses, accruals paid to trustees of pension and other employee benefit funds, and amounts paid for construction or maintenance of plant to persons other than affiliates) to any one corporation, institution, association, firm, partnership, committee, or person (not an employee of the respondent). Indicate by an asterisk in column (c) each item that includes payments for materials furnished incidental to the service performed. Payments to a recipient by two or more companies within a single system under a cost sharing or other joint arrangement shall be considered a single item for reporting in this schedule and shall be shown in the report of the principal company in the joint arrangement (as measured by gross operating revenues) with references thereto in the reports of the other system companies in the joint arranement.
2. If more convenient, this schedule may be filled out for a group of companies considered as one system and shown only in the report of the principal company in the system, with references thereto in the reports of the other companies.

Line No.	Name of Recipient (a)	Nature of Service (b)	Amount of Payment (c)
1	ABB ENT SOFTWARE INC	Consulting	286,207.42
2	BAKER CONSTRUCTION & DEVELOPMENT INC	construction	1,313,478.22
3	BLACK & VEATCH CORPORATION	construction	301,823.30
4	CIRRUS DESIGN INDUSTRIES INC	construction	342,316.00
5	COEUR D ALENE TRIBE	Consulting	795,606.68
6	COMMONWEALTH ASSOCIATES INC	Consulting	570,634.86
7	CONNECTIVE DX INC	Consulting	1,215,896.01
8	EVCO SOUND & ELECTRONICS	Consulting	456,604.13
9	GARCO CONSTRUCTION INC	Construction	438,551.14
10	GENERAL ELECTRIC INTERNATIONAL	Consulting	279,443.78
11	GREEN MOUNTAIN	Construction	285,800.00
12	H2E INC	Consulting	300,803.69
13	HANNA & ASSOCIATES INC	Consulting	508,971.79
14	HDR ENGINEERING, INC.	Consulting	259,272.69
15	HDR INC	Consulting	253,391.96
16	HISTORICAL RESEARCH ASSOCIATES IN	Consulting	349,977.08
17	IDAHO DEPT OF FISH & GAME	Consulting	275,463.51
18	INTERNATIONAL LINE BUILDERS INC	Construciton	303,581.52
19	ITRON INC	consulting	524,584.50
20	KLUNDT HOSMER DESIGN	consulting	291,388.08
21	LAND EXPRESSIONS	construction	380,827.44
22	LANDAU ASSOCIATES	construction	429,504.97
23	MAX J KUNEY COMPANY	Consulting	948,375.29
24	MCKINSTRY ESSENTION LLC	construction	1,296,756.17
25	MCMILLEN LLC	legal	7,426,252.59
26	MWH AMERICAS INC	Consulting	285,210.19
27	PEAK RELIABILITY	Consulting	680,429.00
28	POWER PLAN INC	Consulting	546,342.71
29	RUSSELL ELECTRICAL CONSULTING PLLC	Consulting	290,795.26
30	SAPERE CONSULTING INC	Consulting	1,218,031.69
31	STRATA	Consulting	411,927.10
32	TD&H ENGINEERING	Consulting	366,469.68
33	TELVENT USA LLC	Consulting	426,511.67
34	TILTON EXCAVATON LLC	Construction	269,464.92
35	TRINITI CONSULTING LLC	Consulting	4,380,776.41
36	URS ENERGY & CONSTRUCTION INC	Construciton	2,461,744.55
37	US FOREST SERVICE	Consulting	260,236.78
38	WESTERN ELECTRICITY	Consulting	455,395.68
39	Other	Consulting	24,293,225.36
40			
41			
42			
43			
44			
45			
46			
47			
48	Note: the above amounts are for the entire Company, as Oregon specific information is not available.		
49			56,182,074

Name of Respondent	This Report Is:	Date of Report	Year of Report
	(1) [X] An Original	*(M, D, Y)*	
Avista Corp.	(2) [ ] A Resubmission	April 28, 2017	Dec. 31, 2016

In order to help us with production of our Oregon Utility Statistics publication, please indicate:

Oregon Production Statistics (therms)	
Gas Produced	0
Gas Purchased	363,982,970
Total Receipts	363,982,970
Gas Sales	78,262,472
Gas Used by Company	12,010
Gas Delivered to Storage - Net	-772,720
Sales for Resale	279,403,430
Losses and billing delay	7,077,778
Total Disbursements	363,982,970
Oregon Revenue by Service Class	
Residential Sales	56,895,245
Commercial and Industrial Sales	
Firm Sales	28,367,583
Interruptible Sales	1,581,825
Transportation	3,186,006
Total	90,030,659
Gas Delivered in Therms (Oregon)	
Residential Sales	44,769,628
Commercial and Industrial Sales	
Firm	28,767,239
Interruptible	4,725,605
Transportation	44,388,007
Total	122,650,479
Average Number of Oregon Customers	
Residential Sales	87,644
Commercial and Industrial	
Firm	11,664
Interruptible	35
Transportation	40
Total	99,383

Name of Respondent

This Report Is:
(1)An Original
(2)A Resubmission

Date of Report
(Mo, Da, Yr)

Year/Period of Report
End of

Distribution of Salaries and Wages

Oregon Jurisdiction

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals 'and Other Accounts, and enter such amounts in the appropriate lines and columns provided. Salaries and wages billed to the Respondent by an affiliated company must be assigned to the particular operating function(s) relating to the expenses.

In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used. When 'reporting detail of other accounts, enter as many rows as necessary numbered sequentially starting with 75.01, 75.02, etc.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production			
4	Transmission			
5	Regional Market			
6	Distribution			
7	Customer Accounts			
8	Customer Service and Informational			
9	Sales			
10	Administrative and General			
11	TOTAL Operation (Total of lines 3 thru 10)			
12	Maintenance			
13	Production			
14	Regional Market			
15	Transmission			
16	Distribution			
17	Administrative and General			
18	TOTAL Maintenance (Total of lines 13 thru 17)			
19	Total Operation and Maintenance			
20	Production (Total of lines 3 and 13)			
21	Transmission (Total of lines 4 and 14)			
22	Regional Market (Total of Lines 5 and 15)			
23	Distribution (Total of lines 6 and 16)			
24	Customer Accounts (line 7)			
25	Customer Service and Informational (line 8)			
26	Sales (line 9)			
27	Administrative and General (Total of lines 10 and 17)			
28	TOTAL Operation and Maintenance (Total of lines 20 thru 27)			
29	**Gas**			
30	**Operation**			
31	Production - Manufactured Gas			
32	Production - Natural Gas(Including Exploration and Development)			
33	Other Gas Supply	272,892	[redacted]	272,892
34	Storage, LNG Terminaling and Processing		[redacted]	-
35	Transmission		[redacted]	-
36	Distribution	1,574,261	[redacted]	1,574,261
37	Customer Accounts	1,397,222	[redacted]	1,397,222
38	Customer Service and Informational	133,960	[redacted]	133,960
39	Sales		[redacted]	-
40	Administrative and General	2,256,296	[redacted]	2,256,296
41	TOTAL Operation (Total of lines 31 thru 40)	5,634,631	[redacted]	5,634,631
42	**Maintenance**		[redacted]	-

43	Production - Manufactured Gas		[redacted]	-
44	Production - Natural Gas(Including Exploration and Development)		[redacted]	-
45	Other Gas Supply		[redacted]	-
46	Storage, LNG Terminaling and Processing		[redacted]	-
47	Transmission	370,753	[redacted]	370,753
48	Distribution	849,559	[redacted]	849,559
49	Administrative and General		[redacted]	-
50	TOTAL Maint. (Enter Total of lines 43 thru 49)	1,220,312	[redacted]	1,220,312
51	Total Operation and Maintenance	6,854,943	[redacted]	6,854,943
63	Other Utility Departments		[redacted]	-
64	Operation and Maintenance		[redacted]	-
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)		[redacted]	-
66	Utility Plant		[redacted]	-
67	Construction (By Utility Departments)		[redacted]	-
68	Electric Plant		[redacted]	-
69	Gas Plant	1,497,388	[redacted]	1,497,388
70	Other (provide details in footnote):		[redacted]	-
71	TOTAL Construction (Total of lines 68 thru 70)	1,497,388	[redacted]	1,497,388
72	Plant Removal (By Utility Departments)		[redacted]	-
73	Electric Plant		[redacted]	-
74	Gas Plant		[redacted]	
75	Other (provide details in footnote):		[redacted]	-
76	TOTAL Plant Removal (Total of lines 73 thru 75)		[redacted]	-
77	Other Accounts (Specify, provide details in footnote):		[redacted]	-
78			[redacted]	-
79	Regulatory Asset Conservation	69,943	[redacted]	69,943
80	DSM Tariff Rider	107,933	[redacted]	107,933
81			[redacted]	-
82			[redacted]	-
93			[redacted]	-
94			[redacted]	-
95	TOTAL Other Accounts	177,876	[redacted]	177,876
96	TOTAL SALARIES AND WAGES	8,530,207	[redacted]	8,530,207

AVISTA

BUILDING A BRIGHTER FUTURE

2016 ANNUAL REPORT

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Spokane's University District serves as a Smart City living lab for the development and testing of innovative technologies.

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The future of energy is being influenced by the creative, hard-working people at Avista. Our company is committed to leading, innovating and exploring opportunities to position Avista and its stakeholders for what lies ahead.

TO OUR SHAREHOLDERS

This is a fascinating time in the energy industry. Technology is transforming our landscape. Across our business, it is changing our infrastructure, how we manage our electric and natural gas systems and the ways we engage with our customers.

While the pace of change is increasing, we're building on a history and culture of innovation to embrace a brighter future, together.

Modernizing Infrastructure

To build for the future, we must have a solid foundation. Prudent and essential capital investments in our hydro plants, transmission and distribution systems, and natural gas pipelines enhance reliability and prepare for increased energy needs.

After two years of work, we put the finishing touches on the Post Falls South Channel Dam upgrades and reopened the dam in early 2016. The improvements, which include upgraded control systems and spillway technology along with new concrete facing, support the ongoing reliable operation of this historic facility. In March, one of the overhauled Little Falls hydro plant generating units returned to service. In July, we reached a milestone in the Nine Mile Dam rehabilitation project — two new generating units went into service, increasing the generating capacity and efficiency of the plant.

This year marked the 25th anniversary of Avista proudly serving natural gas customers in Oregon. Throughout the year, we continued to invest in our natural gas infrastructure across our service territory to increase capacity in areas of growth, support economic development and enhance the integrity and efficiency of the system for years to come.

Connecting People to Energy

Beyond investments in our physical infrastructure, we continue to plan for the evolving needs and preferences of our customers so we can remain their trusted energy resource and advisor. The Advanced Metering Infrastructure (AMI) program planning progressed to help enable this effort, and earlier this year, we launched our first mobile application to provide proactive, near real-time, customer-specific outage information. The implementation of a natural gas line extension allowance program in Washington has expanded access to clean burning natural gas for our customers. This program provides an enhanced allowance toward natural gas construction and new heating equipment. Compared to the previous year, electric to natural gas conversions increased by over 100 percent in 2016.

Investing in Communities

We're investing in our collective energy future through the implementation of partnerships and pilot programs that give us the opportunity to explore and experiment with technologies and leverage the expertise of partners to gain insights we can put into practice.

We are fortunate to have Spokane's University District, which is an ideal place to demonstrate and test our ideas. This 770-acre education and business hub is central to our Smart City efforts and living laboratory, Urbanova. Here, we are testing ideas and technology on a smaller scale, such as our Shared Energy Economy model and smart, connected streetlights. We've invested in the University District to drive opportunities for new businesses, jobs and expertise to advance the technology of the future, which benefits our community and our utility.

As one of the nation's 100 largest electric power producers, we maintain our commitment to environmental stewardship and are ranked among the lowest for rates of carbon dioxide emissions in the country, according to the July 2016 Benchmarking Air Emissions report from the Natural Resources Defense Council. Amid the changing political climate, we continue to look for ways to implement environmental policy in a manner that aligns with the best interests of all our stakeholders. This year, we partnered with the Lands Council to plant thousands of trees along the Spokane River, engaged in ongoing habitat restoration efforts, and provided recreation resources to help people explore and enjoy the rivers throughout our service territory.

An Overview of 2016 Financial Results

Our financial results this year were strong. This is due to lower resource costs, general rate case decisions in Idaho, Oregon and Washington, and decoupling mechanisms in these states that helped offset impacts of fluctuating weather patterns throughout the year.

Consolidated earnings were $2.15 per diluted share, with net income of $137.2 million for the year ended Dec. 31, 2016.

Our balance sheet and credit ratings remain healthy. At year-end, Avista Corp. had $245.6 million of available liquidity under our $400 million line of credit. We added cost-effective long-term debt through the private placement market by issuing $175 million of Avista Corp. first mortgage bonds, bearing an interest rate of 3.54 percent (5.6 percent effective interest rate), which will mature in December 2051.

Long-term corporate earnings growth of 4 percent to 5 percent continues to be our target. We believe earnings growth will come through our focus on updating and replacing aging infrastructure, continued effective cost management, investment in essential digital technologies and other growth platforms. Our projection for customer and load growth remains near 1 percent.

And, I'm pleased to note, that in 2016 the board of directors raised the dividend on Avista Corp. common stock for the 14th consecutive year, for an annualized dividend of $1.37.

NINE MILE POWERHOUSE PROJECT

We are in the midst of a multi-year project to rehabilitate the 108-year-old Nine Mile Powerhouse to increase the generation of clean, renewable, low-cost hydropower. In 2016, the last two (of four) original turbine generating units were replaced with new, more efficient units. Work on the project continues to update electrical systems and intake gates, and install a new sediment bypass system to extend the life of the plant.

Regulated Operations

Avista Utilities

Avista Utilities contributed $2.07 per diluted share to earnings in 2016. Continuing our investment in replacing and updating aging infrastructure resulted in total capital costs of $403 million for the year. We plan to continue making capital investments near this level in 2017 and 2018 to maintain the reliability and strength of our electric and natural gas energy systems.

The timely recovery of these costs is essential to earning an adequate return on our shareholders' investment. In Washington, the utility commission granted new electric and natural gas rates that went into effect on Jan. 11, 2016. In March, the Public Counsel Section of the Attorney General's office filed a Petition for Judicial Review related to the 2015 electric general rate case, and in April this was moved to the Court of Appeals. We will participate in the case and cannot predict the outcome of this matter or the timing of a resolution. On Dec. 15, the utility commission denied Avista's 2016 general rate request. In our view, this decision is irreconcilable with the evidence presented in the case, which shows that current revenue is insufficient for providing the opportunity to earn a reasonable return in 2017. This is why on Dec. 23, we filed a petition with the commission for reconsideration and/or rehearing in this case. The commission intends to enter an order resolving the petition no later than March 16, 2017.

In Idaho, we received approval for new electric rates that went into effect on Jan. 1, 2017. New natural gas rates went into effect in Oregon in March 2016. In November 2016, we filed a new natural gas rate case in Oregon, and the state utility commission has up to 10 months to decide on that request.

Alaska Electric Light and Power Company (AEL&P)

Operations at our Juneau, Alaska subsidiary, Alaska Electric Light and Power Company (AEL&P), went smoothly this year. AEL&P operations contributed $0.13 per diluted share to Avista Corp.'s earnings and made $16 million in capital expenditures. They plan to invest $7 million in capital projects in 2017.

In September, AEL&P filed an electric general rate case seeking an interim rate increase of 3.86 percent to recover costs related to a new backup generator and other capital investments. The Regulatory Commission of Alaska approved the interim rate increase, effective Nov. 23, 2016. A final order in the case is scheduled to be issued in February of 2018.

We continue to evaluate opportunities to grow our presence in Alaska beyond our AEL&P operations. We have been focused on exploring the viability of building a natural gas local distribution company (LDC) in Juneau to bring this energy option to residents. The analysis has been challenged by economic conditions, relatively low heating oil prices, customer equipment conversion costs and access to low-cost debt financing for the project. While we do not see a viable path forward at this time, we will continue to monitor these conditions. If they change favorably in the future, we may proceed with the regulatory process to request authority to build and operate a gas utility in Juneau.

Non-Regulated Operations

Through Avista Capital, we continue to explore strategic opportunities for corporate growth. In 2014, we formed Salix, a non-utility subsidiary that focuses on exploring markets that could be served with liquefied natural gas (LNG). We continue to explore LNG opportunities in North America.

During the third quarter, we committed to making investments up to a total of $25 million over five years in a private equity fund comprised of strategic utility partners. The fund will invest in emerging technologies, products and services throughout the electricity supply chain.

Avista Development, a subsidiary that focuses on growth opportunities in the realm of economic vitality in the communities we serve, has a new senior vice president, Latisha Hill, following the retirement of Roger Woodworth. Latisha brings a wealth of experience to this role as she focuses on community economic development through optimizing strategic investments that leverage the strengths of local and regional partnerships. She was previously an analytics and consulting manager in human resources and a regional business manager. I want to thank Roger for his service, leadership and innovative thinking over the years.

Energy to Innovate

Avista's creative and resourceful employees have been using technology to shape the energy landscape since 1889 and this history encourages our actions.

I am proud of our employees and am thankful for their dedication and commitment as we work together to build a brighter energy future.

Scott L. Morris

Chairman, President and Chief Executive Officer

BUILDING THE FOUNDATION FOR THE FUTURE

4

Avista's core focus is providing safe and reliable energy on-demand when our customers expect it. This focus is the key driver behind ongoing investments in updating and modernizing our electric and natural gas systems and infrastructure. These updates enable us to meet the needs of our customers and ensure we are equipped to navigate change and prepare for the future.

Upgrades to two legacy hydroelectric projects on the Spokane River reached milestones in 2016. After completing construction in March, the Post Falls South Channel Dam reopened just in time for the spring runoff. The dam in northern Idaho, built more than a century ago, was upgraded and refurbished with new spillway gates and controls, concrete facing and electrical distribution equipment. The new equipment allows for operational efficiencies and increased flexibility in responding to changing hydro conditions and customer demand.

As part of the multi-year project to rehabilitate the Nine Mile Hydroelectric Development, two new generating units went into service in July. The new units replaced Units 1 and 2, which were original to the plant and had been generating power for more than 100 years. These units provide an additional 10 megawatts of generation capacity, allowing us to continue to serve our customers with clean, reliable hydropower.

In recent years, Avista added technology to our distribution system that has improved reliability, resulting in fewer and shorter power outages. These kinds of investments have been the first in building a technology foundation that enables tangible benefits for customers and Avista. The next step is the installation of Advanced Metering Infrastructure (AMI) for Avista customers in Washington state. AMI technology will open the door to two-way communication between Avista and our customers for faster outage detection, provide near real-time energy usage information for customers and improve efficiencies in Avista's operations. AMI provides a platform for accommodating more technology into the future.

RELIABILITY IN RUGGED TERRAIN

For Avista subsidiary Alaska Electric Light and Power Company (AEL&P), reliably providing power to customers takes on a whole new meaning. The majority of the utility's power travels just 44 miles from its main hydroelectric generating source, but the route it takes traverses steep, rugged mountains, avalanche-prone areas, undersea cables and forested regions. Any interruption along the way can mean no power for the city of nearly 33,000.

As an isolated community without connection to other power grids, Juneau relies on AEL&P's backup generation units to keep power flowing for customers in the event of a disruption of its normal hydroelectric generation. A new backup generating unit was brought online in November 2016, adding 23 megawatts of generation capacity.

5 BUILDING ON A HISTORY OF INNOVATION

Since our founding, innovation has been a vital part of Avista's culture and has resulted in significant achievements. We built the largest spillway in the world, at the time. Later, we built the first biomass plant in the United States solely to generate electricity. We created the first System Benefits Charge in North America to support energy efficiency. We also launched innovative companies like Itron, ReliOn and Ecova.

As the energy industry evolves, Avista consistently looks ahead, embracing change and identifying innovative ways to create value for all stakeholders. Today, this innovation continues as we engage in projects that will shape how the new energy future looks.

Realizing Opportunity Through Storage

As customers in Avista's service area and across the country discuss connecting more renewable resources like wind and solar onto the grid, utilities are looking at ways to do so while ensuring that customers have reliable power even when there is a lack of sun or wind. Energy storage is one way we address this challenge. Through Avista's Energy Storage Project in Pullman, Wash., funded jointly by Avista and a grant from the Washington State Department of Commerce Clean Energy Fund, ongoing research and testing seeks to leverage a one-megawatt battery system in a variety of ways to maximize value. Through this project, we're learning how energy storage can help our grid become more flexible, reliable and resilient.

Building a Shared Energy Economy

With a grant from the Washington Department of Commerce and Governor Jay Inslee's Clean Energy Fund 2, Avista will build upon the information gained from the Energy Storage Project and pilot a Shared Energy Economy model with several partners in Spokane's University District.

The term "Shared Energy Economy" may be new to some people. However, a shared economy is something many of us use frequently to allow us to enjoy the benefits without having to own the resource. More modern examples are the concept of car sharing or Airbnb. A similar model applies to energy assets, including distributed energy resources like residential solar panels and battery storage, or traditional large-scale utility generation.

URBAN ALLIANCES

Smart City strategies can shape the way customers understand and use electricity and other resources. The University District, a 770-acre area adjoining downtown Spokane, Wash., is a hub of health care and higher education. It's where Urbanova partner WSU is part of building a Shared Energy Economy model that may influence future building energy management systems. With a Smart City partner like WSU, the District is a prime location for Avista to prove its Smart City technologies.

Avista's vision of a Shared Energy Economy allows these assets to be shared and leveraged for multiple purposes. The project will create a local "microgrid" in the University District. The microgrid will consist of renewable solar generation, battery storage and automated buildings, and will facilitate the sharing of energy among buildings. Avista will work with our partners to optimize the microgrid and develop a model for how customers can participate in a Shared Energy Economy. With this project, Avista is part of creating a sustainable solution for integrating more renewable energy into the distribution system.

Designing Smarter Cities

Since 2014, Avista and partner organizations: Itron, the City of Spokane, McKinstry, the University District Development Association and Washington State University (WSU), have worked together to formalize the vision and planning for a Smart City initiative in Spokane. The group has been mentored and encouraged by the national Smart Cities Council and some of the world's leading providers of information, data and communications technologies. In 2016, this vision was recognized when Spokane was selected as one of the first 10 cities nationwide to participate in Envision America.

The six founding partners signed a Memorandum of Understanding that formalizes our collaboration and collective vision for the effort: to enable healthier citizens, safer neighborhoods, smarter infrastructures, a more sustainable environment and a stronger economy while harnessing data, empowering people and solving urban challenges in new ways. The initiative, known as "Urbanova," is a Smart City living lab located in Spokane's University District, that will serve as a proving ground for development and testing of Smart City applications.

Avista's first step in the effort is the installation of smart and connected streetlights in the University District that will serve to demonstrate how utilities can play a pivotal role in the implementation of Smart City solutions. The smart lights, developed in partnership with Itron and WSU, will save energy by reducing brightness during low traffic. They will also be the integration point for a variety of sensors to monitor conditions such as air quality in the urban environment.

Paving the Way for Electric Vehicles

The electrification of transportation isn't a new concept for Avista. In the early 1900s, Avista's electric streetcars transported thousands of Spokane residents to their destinations in the greater downtown area. In recent years, consumers and businesses alike are expressing more interest and seeing value in the use of electric vehicles (EVs). To meet customer expectations, provide value beyond traditional energy service, further our commitment to the environment and prepare for the future, Avista implemented a strategic initiative focused on electrification of transportation. In 2016, we launched a pilot program related to Electric Vehicle Supply Equipment (EVSE). The program, the first of its kind in Washington state and one of a few in the nation, will include installation of 272 Avista-owned electric vehicle charging port connections in approximately 200 locations in our Washington service area. Current plans include the installation of charging stations in the homes of 120 customers and 80 workplace and public locations, including seven high-power DC fast chargers that will support regional travel. Through this pilot, Avista will gain an understanding of customer EV charging behavior. We'll learn how the electric loads from additional EVs will impact the system and how we can maximize the value of EVs for customers and Avista. The pilot is scheduled to run for two years.

DRIVEN BY ENERGY

The adoption of EVs by more drivers, like the Avista customer in Spokane shown below, provides Avista with new opportunities. Current technologies enable EVs to achieve energy costs per mile of less than $1.00 per equivalent gallon of gasoline, while reducing CO_2 and other pollutants by more than 75 percent. Avista has initiated a two-year pilot program by offering installation of 120 residential EV charging stations.

7 BUILDING THE FUTURE OF OUR COMMUNITIES

Our commitment to building strong communities goes beyond providing reliable energy service to customers and is evidenced through the ways we continuously partner on projects to further understand and shape our shared future.

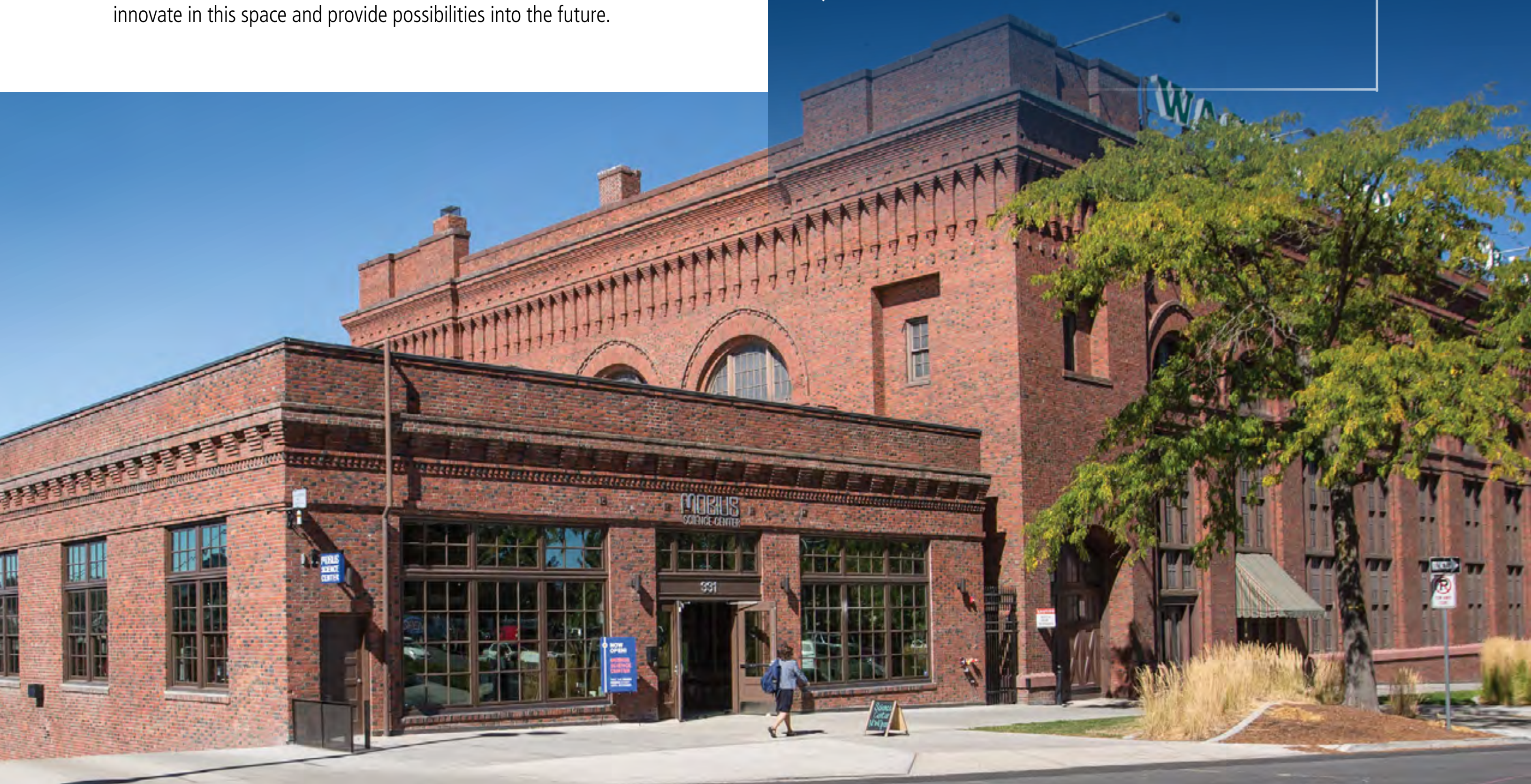
Avista helps build value for our communities through active involvement and leadership in organizations and efforts that grow jobs and improve the quality of life in our region. As employees and as a company, we partner, advocate and bring energy to strengthen the areas we serve by supporting entrepreneurship, STEM (Science, Technology, Engineering and Math) education and providing assistance to vulnerable and limited income populations. We invest in the unique needs of each community to enhance economic vitality across our service area.

One way we are strengthening the Spokane area is through the transformation of the University District and the positive impact these collective efforts can have on our local and regional economies. The University District is home to six higher education campuses, two medical schools, a research facility and more. The knowledge and innovation growing here is shaping the future of energy, driving economic development, and attracting students and businesses. We are proud to play a key role in the vibrant growth of the University District. In its role as an urban, living laboratory, the University District will invite others to innovate in this space and provide possibilities into the future.

EDUCATING THE NEXT GENERATION

Avista's investment in the community applies to individuals of all ages. Just above Huntington Park on the banks of the Spokane River in downtown Spokane sits Avista's Post Street Substation Annex.

Built in 1911 to house backup generation for the Monroe Street Hydroelectric Project, the building gained new life in 2016 as it became the home of the Mobius Science Center. Mobius needed a long-term location where it could continue to provide children and families with quality science exhibits and education. Avista saw the opportunity to further our commitment to STEM education, as well as educate our customers and the community on the generation of hydropower. We developed and installed a unique exhibit that brings the story of electric generation in downtown Spokane to life, which will educate and inspire the next generation.



8

BOARD OF DIRECTORS

ERIK J. ANDERSON, 58
CEO, Westriver Group
Kirkland, Washington
Director since 2000

KRISTIANNE BLAKE, 63
President, Kristianne Gates Blake, P.S.
Spokane, Washington
Director since 2000

DONALD C. BURKE, 56
Donald C. Burke, CPA
Langhorne, Pennsylvania
Director since 2011

JOHN F. KELLY, 72
President & CEO,
John F. Kelly & Associates
Winter Park, Florida
Director since 1997

REBECCA A. KLEIN, 51
Principal, Klein Energy, LLC
Austin, Texas
Director since 2010

SCOTT H. MAW, 49
Executive VP & CFO,
Starbucks Coffee Co.
Seattle, Washington
Director since 2016

SCOTT L. MORRIS, 59
Chairman of the Board,
President & CEO, Avista Corp.
Spokane, Washington
Director since 2007

MARC F. RACICOT, 68
Bigfork, Montana
Director since 2009

HEIDI B. STANLEY, 60
Co-owner & Chair,
Empire Bolt & Screw Inc.
Spokane, Washington
Director since 2006

R. JOHN TAYLOR, 67
Chairman & CEO, Green Leaf Alliance
Lewiston, Idaho
Director since 1985

JANET D. WIDMANN, 50
President & CEO, Kids Care Dental
San Francisco, California
Director since 2014

BOARD COMMITTEES

CORPORATE GOVERNANCE/ NOMINATING COMMITTEE
Kristianne Blake
Donald C. Burke
R. John Taylor
John F. Kelly — Chair

EXECUTIVE COMMITTEE
Kristianne Blake
John F. Kelly
R. John Taylor
Scott L. Morris — Chair

AUDIT COMMITTEE
Donald C. Burke (Financial Expert)
Heidi B. Stanley
Kristianne Blake — Chair

COMPENSATION & ORGANIZATION COMMITTEE
John F. Kelly
Rebecca A. Klein
Scott H. Maw
Heidi B. Stanley
R. John Taylor — Chair

FINANCE COMMITTEE
Scott H. Maw
Marc F. Racicot
Janet D. Widmann
Erik J. Anderson — Chair

ENVIRONMENTAL, TECHNOLOGY & OPERATIONS COMMITTEE
Erik J. Anderson
Marc F. Racicot
Janet D. Widmann
Rebecca A. Klein — Chair

CORPORATE & BUSINESS UNIT OFFICERS

SCOTT L. MORRIS, 59
Chairman of the Board,
President & CEO

MARK T. THIES, 53
Senior Vice President, CFO & Treasurer

MARIAN M. DURKIN, 63
Senior Vice President, General Counsel, Corporate Secretary & Chief Compliance Officer

KAREN S. FELTES, 61
Senior Vice President & Chief HR Officer

DENNIS P. VERMILLION, 55
Senior Vice President & Environmental Compliance Officer
President, Avista Utilities

JASON R. THACKSTON, 47
Senior Vice President, Energy Resources

KEVIN J. CHRISTIE, 49
Vice President, Customer Solutions

JAMES M. KENSOK, 58
Vice President, CIO & Chief Security Officer

RYAN L. KRASSELT, 47
Vice President, Controller & Principal Accounting Officer

DAVID J. MEYER, 63
Vice President & Chief Counsel for Regulatory & Governmental Affairs

KELLY O. NORWOOD, 58
Vice President, State & Federal Regulation

HEATHER L. ROSENTRATER, 39
Vice President, Energy Delivery

EDWARD D. SCHLECT, JR., 56
Vice President & Chief Strategy Officer

TIMOTHY D. MCLEOD, 65
President & General Manager,
Alaska Electric Light & Power Co.

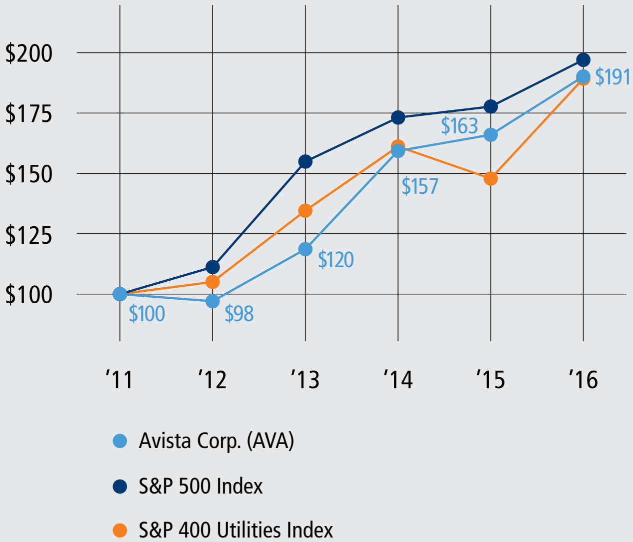
Ages are as of the proxy date — March 31, 2017

9

FINANCIAL AND OPERATING HIGHLIGHTS

TOTAL SHAREHOLDER RETURN

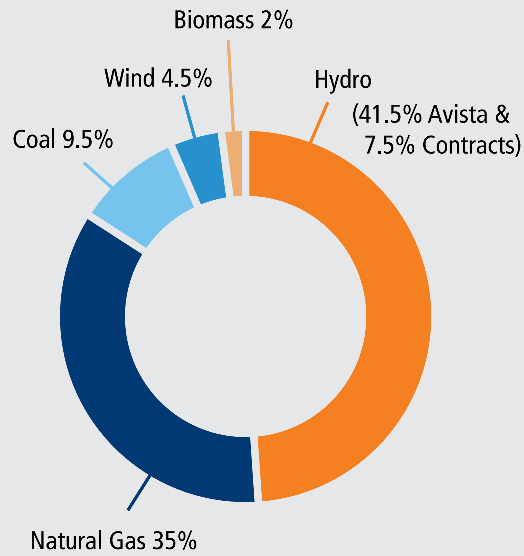
Assumes $100 was invested in Avista Corp. and each index on Dec. 31, 2011, and that all dividends were reinvested when paid.



ELECTRICITY GENERATION RESOURCE MIX

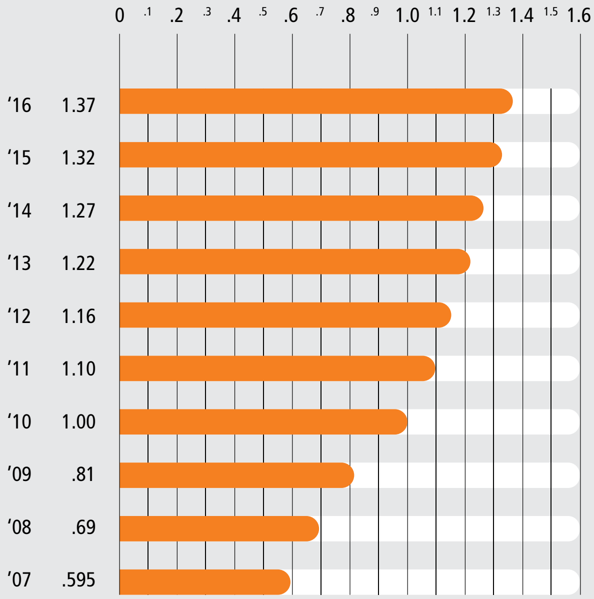
As of Dec. 31, 2016

Excludes AEL&P



COMMON STOCK DIVIDENDS PAID BY AVISTA CORP.

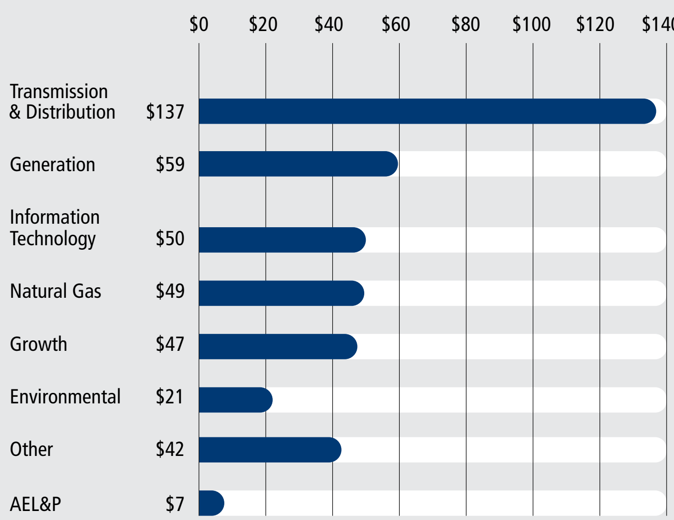
Annualized Dividend (paid in dollars)



Avista Corp.'s board of directors raised the dividend in each of the last 14 years, reflecting their confidence in the financial strength of the company.

2017 CAPITAL BUDGET

Total capital budget $412 million ($ in millions)



(dollars in thousands except statistics and per share amounts or as otherwise indicated)	2016	2015	2014
Financial Results			
Operating revenues	$ 1,442,483	$ 1,484,776	$ 1,472,562
Operating expenses	1,152,680	1,231,562	1,219,974
Income from operations	289,803	253,214	252,588
Net income from continuing operations	137,316	118,170	119,866
Net income from discontinued operations	—	5,147	72,411
Net income attributable to Avista Corp. shareholders	137,228	123,227	192,041
Earnings per common share from continuing operations—diluted	2.15	1.89	1.93
Earnings per common share from discontinued operations—diluted	—	0.08	1.17
Total earnings per common share attributable to Avista Corp. shareholders—diluted	2.15	1.97	3.10
Dividends paid per common share	1.37	1.32	1.27
Book value per common share	$ 25.69	$ 24.53	$ 23.84
Average common shares outstanding	63,508	62,301	61,632
Return on average Avista Corp. stockholders' equity	8.6%	8.2%	13.7%
Common stock closing price	$ 39.99	$ 35.37	$ 35.35
Operating Results			
Avista Utilities			
Retail electric revenues	$ 759,781	$ 762,809	$ 757,130
Retail kWh sales (in millions)	8,497	8,603	8,776
Retail electric customers at year-end	377,159	374,848	370,086
Wholesale electric revenues	$ 112,071	$ 127,253	$ 138,162
Wholesale kWh sales (in millions)	2,998	3,145	3,686
Sales of fuel	$ 78,334	$ 82,853	$ 83,732
Other electric revenues	28,492	25,839	27,467
Decoupling (electric)	17,349	4,740	—
Provision for electric earnings sharing	932	(5,621)	(7,503)
Retail natural gas revenues	293,780	297,150	313,502
Wholesale natural gas revenues	153,446	204,289	228,187
Transportation and other natural gas revenues	14,126	13,566	15,196
Decoupling (natural gas)	12,309	6,004	—
Provision for natural gas earnings sharing	$ (2,767)	$ —	$ (221)
Total therms delivered (in thousands)	1,173,257	1,268,431	1,025,942
Retail natural gas customers at year-end	340,131	334,573	329,564
Net income attributable to Avista Corp. shareholders	$ 132,490	$ 113,360	$ 113,263
Alaska Electric Light and Power Company			
Revenues	$ 46,276	$ 44,778	$ 21,644
Retail kWh sales (in millions)	393	398	189
Retail electric customers at year-end	16,798	16,672	16,394
Net income attributable to Avista Corp. shareholders	7,968	6,641	3,152
Other			
Revenues	$ 23,569	$ 28,685	$ 39,219
Net income (loss) attributable to Avista Corp. shareholders	(3,230)	(1,921)	3,236
Financial Condition			
Total assets	$ 5,309,755	$ 4,906,649	$ 4,700,971
Long-term debt and capital leases (including current portion)	1,682,004	1,573,278	1,487,126
Nonrecourse long-term debt of Spokane Energy (including current portion)	—	—	1,431
Long-term debt to affiliated trusts	51,547	51,547	51,547
Total Avista Corp. stockholders' equity	$ 1,648,727	$ 1,528,626	$ 1,483,671

FILED: FEBRUARY 21, 2017
(PERIOD: DECEMBER 31, 2016)
ANNUAL REPORT WHICH PROVIDES A COMPREHENSIVE OVERVIEW OF THE COMPANY FOR THE PAST YEAR.

AVISTA CORP: (AVA)
FORM 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED **DECEMBER 31, 2016** OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM __________ TO ____________

Commission file number 1-3701

AVISTA CORPORATION

(Exact name of Registrant as specified in its charter)

Washington	91-0462470
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1411 East Mission Avenue, Spokane, Washington	99202-2600
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 509-489-0500
website: http://www.avistacorp.com

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Common Stock, no par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of Class
Preferred Stock, Cumulative, Without Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

The aggregate market value of the Registrant's outstanding Common Stock, no par value (the only class of voting stock), held by non-affiliates is $2,853,952,416 based on the last reported sale price thereof on the consolidated tape on June 30, 2016.

As of January 31, 2017, 64,311,891 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

Documents Incorporated By Reference

Document	Part of Form 10-K into Which Document is Incorporated
Proxy Statement to be filed in connection with the annual meeting of shareholders to be held May 11, 2017. Prior to such filing, the Proxy Statement filed in connection with the annual meeting of shareholders held on May 12, 2016.	Part III, Items 10, 11, 12, 13 and 14

INDEX

ITEM NO.		PAGE NO.
	Acronyms and Terms	IV
	Forward-Looking Statements	1
	Available Information	2

PART I

1.	Business	
	Company Overview	3
	Avista Utilities	3
	General	3
	Electric Operations	3
	Electric Requirements	4
	Electric Resources	4
	Hydroelectric Licenses	6
	Future Resource Needs	6
	Natural Gas Operations	8
	Regulatory Issues	9
	Federal Laws Related to Wholesale Competition	10
	Regional Transmission Organizations	10
	Regional Transmission Planning	10
	Regional Energy Markets	10
	Reliability Standards	10
	Avista Utilities Operating Statistics	11
	Alaska Electric Light and Power Company	14
	Alaska Electric Light and Power Company Operating Statistics	15
	Other Businesses	16
1A.	Risk Factors	17
1B.	Unresolved Staff Comments	21
2.	Properties	22
	Avista Utilities	22
	Alaska Electric Light and Power Company	23
3.	Legal Proceedings	24
4.	Mine Safety Disclosures	24*

PART II

5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
6.	Selected Financial Data	25
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
	Business Segments	27
	Executive Level Summary	27
	Regulatory Matters	28
	Results of Operations—Overall	33
	Results of Operations—Avista Utilities	35
	Results of Operations—Alaska Electric Light and Power Company	43
	Results of Operations—Ecova—Discontinued Operations	43
	Results of Operations—Other Businesses	43
	Accounting Standards to be Adopted in 2017	43
	Critical Accounting Policies and Estimates	44
	Liquidity and Capital Resources	46
	Overall Liquidity	46
	Review of Consolidated Cash Flow Statement	46
	Capital Resources	48
	Capital Expenditures	50

INDEX (CONTINUED)

ITEM NO.		PAGE NO.
	Off-Balance Sheet Arrangements	51
	Pension Plan	51
	Credit Ratings	51
	Dividends	51
	Contractual Obligations	51
	Competition	52
	Economic Conditions and Utility Load Growth	53
	Environmental Issues and Other Contingencies	53
	Enterprise Risk Management	57
7A.	Quantitative and Qualitative Disclosures about Market Risk	62
8.	Financial Statements and Supplementary Data	62
	Report of Independent Registered Public Accounting Firm	63
	Financial Statements	64
	Consolidated Statements of Income	64
	Consolidated Statements of Comprehensive Income	65
	Consolidated Balance Sheets	66
	Consolidated Statements of Cash Flows	68
	Consolidated Statements of Equity and Redeemable Noncontrolling Interests	70
	Notes to Consolidated Financial Statements	72
	Note 1. Summary of Significant Accounting Policies	72
	Note 2. New Accounting Standards	79
	Note 3. Variable Interest Entities	80
	Note 4. Business Acquisitions	81
	Note 5. Discontinued Operations	82
	Note 6. Derivatives and Risk Management	83
	Note 7. Jointly Owned Electric Facilities	87
	Note 8. Property, Plant and Equipment	88
	Note 9. Asset Retirement Obligations	88
	Note 10. Pension Plans and Other Postretirement Benefit Plans	89
	Note 11. Accounting for Income Taxes	94
	Note 12. Energy Purchase Contracts	96
	Note 13. Committed Lines of Credit	97
	Note 14. Long-Term Debt and Capital Leases	98
	Note 15. Long-Term Debt to Affiliated Trusts	100
	Note 16. Fair Value	101
	Note 17. Common Stock	105
	Note 18. Earnings per Common Share Attributable to Avista Corporation Shareholders	105
	Note 19. Commitments and Contingencies	106
	Note 20. Regulatory Matters	108
	Note 21. Information by Business Segments	110
	Note 22. Selected Quarterly Financial Data (Unaudited)	112
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	113*
9A.	Controls and Procedures	113
9B.	Other Information	115

PART III

10.	Directors, Executive Officers and Corporate Governance	115
11.	Executive Compensation	116
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	117
13.	Certain Relationships and Related Transactions, and Director Independence	118
14.	Principal Accounting Fees and Services	118

ITEM NO. **PAGE NO.**

PART IV

15. Exhibits, Financial Statement Schedules 118
Signatures 119
Exhibit Index 120

* *not an applicable item in the 2016 calendar year for Avista Corp.*

ACRONYMS AND TERMS

(The following acronyms and terms are found in multiple locations within the document)

Acronym/Term	Meaning
aMW	– Average Megawatt—a measure of the average rate at which a particular generating source produces energy over a period of time
AEL&P	– Alaska Electric Light and Power Company, the primary operating subsidiary of AERC, which provides electric services in Juneau, Alaska
AERC	– Alaska Energy and Resources Company, the Company's wholly-owned subsidiary based in Juneau, Alaska
AFUDC	– Allowance for Funds Used During Construction; represents the cost of both the debt and equity funds used to finance utility plant additions during the construction period
AM&D	– Advanced Manufacturing and Development, does business as METALfx
ASC	– Accounting Standards Codification
ASU	– Accounting Standards Update
Avista Capital	– Parent company to the Company's non-utility businesses
Avista Corp.	– Avista Corporation, the Company
Avista Energy	– Avista Energy, Inc., an inactive electricity and natural gas marketing, trading and resource management business, subsidiary of Avista Capital
Avista Utilities	– Operating division of Avista Corp. (not a subsidiary) comprising the regulated utility operations in the Pacific Northwest
BPA	– Bonneville Power Administration
Capacity	– The rate at which a particular generating source is capable of producing energy, measured in kW or MW
Cabinet Gorge	– The Cabinet Gorge Hydroelectric Generating Project, located on the Clark Fork River in Idaho
CIAC	– Contribution In Aid of Construction
Colstrip	– The coal-fired Colstrip Generating Plant in southeastern Montana
Coyote Springs 2	– The natural gas-fired combined-cycle Coyote Springs 2 Generating Plant located near Boardman, Oregon
CT	– Combustion turbine
Deadband or ERM deadband	– The first $4.0 million in annual power supply costs above or below the amount included in base retail rates in Washington under the ERM in the state of Washington
Dekatherm	– Unit of measurement for natural gas; a dekatherm is equal to approximately one thousand cubic feet (volume) or 1,000,000 BTUs (energy)
Ecology	– The state of Washington's Department of Ecology
Ecova	– Ecova, Inc., a provider of facility information and cost management services for multi-site customers and energy efficiency program management for commercial enterprises and utilities throughout North America, subsidiary of Avista Capital. Ecova was sold on June 30, 2014.

ACRONYMS AND TERMS (CONTINUED)

(The following acronyms and terms are found in multiple locations within the document)

Acronym/Term	Meaning
EIM	– Energy Imbalance Market
Energy	– The amount of electricity produced or consumed over a period of time, measured in kWh or MWh. Also, refers to natural gas consumed and is measured in dekatherms.
EPA	– Environmental Protection Agency
ERM	– The Energy Recovery Mechanism, a mechanism for accounting and rate recovery of certain power supply costs accepted by the utility commission in the state of Washington
FASB	– Financial Accounting Standards Board
FCA	– Fixed Cost Adjustment, the electric and natural gas decoupling mechanism in Idaho
FERC	– Federal Energy Regulatory Commission
GAAP	– Generally Accepted Accounting Principles
GHG	– Greenhouse gas
GS	– Generating station
IPUC	– Idaho Public Utilities Commission
IRP	– Integrated Resource Plan
Jackson Prairie	– Jackson Prairie Natural Gas Storage Project, an underground natural gas storage field located near Chehalis, Washington
Juneau	– The City and Borough of Juneau, Alaska
kV	– Kilovolt (1000 volts): a measure of capacity on transmission lines
kW, kWh	– Kilowatt (1000 watts): a measure of generating output or capability. Kilowatt-hour (1000 watt hours): a measure of energy produced
Lancaster Plant	– A natural gas-fired combined cycle combustion turbine plant located in Idaho
LNG	– Liquefied Natural Gas
MPSC	– Public Service Commission of the state of Montana
MW, MWh	– Megawatt: 1000 kW. Megawatt-hour: 1000 kWh
NERC	– North American Electricity Reliability Corporation
Noxon Rapids	– The Noxon Rapids Hydroelectric Generating Project, located on the Clark Fork River in Montana
OPUC	– The Public Utility Commission of Oregon
PCA	– The Power Cost Adjustment mechanism, a procedure for accounting and rate recovery of certain power supply costs accepted by the utility commission in the state of Idaho

ACRONYMS AND TERMS (CONTINUED)

(The following acronyms and terms are found in multiple locations within the document)

Acronym/Term	Meaning
PGA	– Purchased Gas Adjustment
PPA	– Power Purchase Agreement
PUD	– Public Utility District
PURPA	– The Public Utility Regulatory Policies Act of 1978, as amended
RCA	– The Regulatory Commission of Alaska
REC	– Renewable energy credit
Salix	– Salix, Inc., a subsidiary of Avista Capital, launched in 2014 to explore markets that could be served with LNG, primarily in western North America
Spokane Energy	– Spokane Energy, LLC (dissolved in the third quarter of 2015), a special purpose limited liability company and all of its membership capital was owned by Avista Corp.
Therm	– Unit of measurement for natural gas; a therm is equal to approximately one hundred cubic feet (volume) or 100,000 BTUs (energy)
UTC	– Washington Utilities and Transportation Commission
Watt	– Unit of measurement for electricity; a watt is equal to the rate of work represented by a current of one ampere under a pressure of one volt

FORWARD-LOOKING STATEMENTS

From time-to-time, we make forward-looking statements such as statements regarding projected or future:

- financial performance;
- cash flows;
- capital expenditures;
- dividends;
- capital structure;
- other financial items;
- strategic goals and objectives;
- business environment; and
- plans for operations.

These statements are based upon underlying assumptions (many of which are based, in turn, upon further assumptions). Such statements are made both in our reports filed under the Securities Exchange Act of 1934, as amended (including this Annual Report on Form 10-K), and elsewhere. Forward-looking statements are all statements except those of historical fact including, without limitation, those that are identified by the use of words that include "will," "may," "could," "should," "intends," "plans," "seeks," "anticipates," "estimates," "expects," "forecasts," "projects," "predicts," and similar expressions.

Forward-looking statements (including those made in this Annual Report on Form 10-K) are subject to a variety of risks and uncertainties and other factors. Most of these factors are beyond our control and may have a significant effect on our operations, results of operations, financial condition or cash flows, which could cause actual results to differ materially from those anticipated in our statements. Such risks, uncertainties and other factors include, among others:

Financial Risk

- weather conditions (temperatures, precipitation levels and wind patterns), including those from long-term climate change, which affect both energy demand and electric generating capability, including the effect of precipitation and temperature on hydroelectric resources, the effect of wind patterns on wind-generated power, weather-sensitive customer demand, and similar effects on supply and demand in the wholesale energy markets;
- our ability to obtain financing through the issuance of debt and/or equity securities, which can be affected by various factors including our credit ratings, interest rates and other capital market conditions and the global economy;
- changes in interest rates that affect borrowing costs, our ability to effectively hedge interest rates for anticipated debt issuances, variable interest rate borrowing and the extent to which we recover interest costs through retail rates collected from customers;
- changes in actuarial assumptions, interest rates and the actual return on plan assets for our pension and other postretirement benefit plans, which can affect future funding obligations, pension and other postretirement benefit expense and the related liabilities;
- deterioration in the creditworthiness of our customers;
- the outcome of legal proceedings and other contingencies;
- economic conditions in our service areas, including the economy's effects on customer demand for utility services;
- declining energy demand related to customer energy efficiency and/or conservation measures;

Utility Regulatory Risk

- state and federal regulatory decisions or related judicial decisions that affect our ability to recover costs and earn a reasonable return including, but not limited to, disallowance or delay in the recovery of capital investments, operating costs, financing costs and commodity costs and regulatory discretion over authorized return on investment;
- possibility that our integrated resource plans for electric and natural gas will not be acknowledged by the state commissions;
- the effect on any or all of the foregoing, resulting from changes in general economic or political factors;

Energy Commodity Risk

- volatility and illiquidity in wholesale energy markets, including the availability of willing buyers and sellers, changes in wholesale energy prices that can affect operating income, cash requirements to purchase electricity and natural gas, value received for wholesale sales, collateral required of us by counterparties in wholesale energy transactions and credit risk to us from such transactions, and the market value of derivative assets and liabilities;
- default or nonperformance on the part of any parties from whom we purchase and/or sell capacity or energy;
- potential environmental regulations affecting our ability to utilize or resulting in the obsolescence of our power supply resources;

Operational Risk

- severe weather or natural disasters, including, but not limited to, avalanches, wind storms, wildfires, earthquakes, snow and ice storms, that can disrupt energy generation, transmission and distribution, as well as the availability and costs of materials, equipment, supplies and support services;
- explosions, fires, accidents, mechanical breakdowns or other incidents that may impair assets and may disrupt operations of any of our generation facilities, transmission, and electric and natural gas distribution systems or other operations and may require us to purchase replacement power;
- wildfires, including those caused by our transmission or electric distribution systems that may result in public injuries or property damage;
- public injuries or damage arising from or allegedly arising from our operations;
- blackouts or disruptions of interconnected transmission systems (the regional power grid);
- terrorist attacks, cyber attacks or other malicious acts that may disrupt or cause damage to our utility assets or to the national or regional economy in general, including any effects of terrorism, cyber attacks or vandalism that damage or disrupt information technology systems;
- work force issues, including changes in collective bargaining unit agreements, strikes, work stoppages, the loss of key executives, availability of workers in a variety of skill areas, and our ability to recruit and retain employees;
- increasing costs of insurance, more restrictive coverage terms and our ability to obtain insurance;

- delays or changes in construction costs, and/or our ability to obtain required permits and materials for present or prospective facilities;
- increasing health care costs and cost of health insurance provided to our employees and retirees;
- third party construction of buildings, billboard signs, towers or other structures within our rights of way, or placement of fuel receptacles within close proximity to our transformers or other equipment, including overbuild atop natural gas distribution lines;
- the loss of key suppliers for materials or services or disruptions to the supply chain;
- adverse impacts to our Alaska operations that could result from an extended outage of its hydroelectric generating resources or their inability to deliver energy, due to their lack of interconnectivity to any other electrical grids and the extensive cost of replacement power (diesel);
- changing river regulation at hydroelectric facilities not owned by us, which could impact our hydroelectric facilities downstream;

Compliance Risk

- compliance with extensive federal, state and local legislation and regulation, including numerous environmental, health, safety, infrastructure protection, reliability and other laws and regulations that affect our operations and costs;
- the ability to comply with the terms of the licenses and permits for our hydroelectric or thermal generating facilities at cost-effective levels;

Technology Risk

- cyber attacks on us or our vendors or other potential lapses that result in unauthorized disclosure of private information, which could result in liabilities against us, costs to investigate, remediate and defend, and damage to our reputation;
- disruption to or breakdowns of information systems, automated controls and other technologies that we rely on for our operations, communications and customer service;
- changes in costs that impede our ability to effectively implement new information technology systems or to operate and maintain our current production technology;
- changes in technologies, possibly making some of the current technology we utilize obsolete or the introduction of new technology that may create new cyber security risk;
- insufficient technology skills, which could lead to the inability to develop, modify or maintain our information systems;

Strategic Risk

- growth or decline of our customer base and the extent to which new uses for our services may materialize or existing uses may decline, including, but not limited to, the effect of the trend toward distributed generation at customer sites;
- potential difficulties in integrating acquired operations and in realizing expected opportunities, diversions of management resources, loss of key employees, challenges with respect to operating new businesses and other unanticipated risks and liabilities;
- the potential effects of negative publicity regarding business practices, whether true or not, which could result in litigation or a decline in our common stock price;
- changes in our strategic business plans, which may be affected by any or all of the foregoing, including the entry into new businesses and/or the exit from existing businesses and the extent of our business development efforts where potential future business is uncertain;
- non-regulated activities may increase earnings volatility;

External Mandates Risk

- changes in environmental laws, regulations, decisions and policies, including present and potential environmental remediation costs and our compliance with these matters;
- the potential effects of legislation or administrative rulemaking at the federal, state or local levels, including possible effects on our generating resources of restrictions on greenhouse gas emissions to mitigate concerns over global climate changes;
- political pressures or regulatory practices that could constrain or place additional cost burdens on our distribution systems through accelerated adoption of distributed generation or electric-powered transportation or on our energy supply sources, such as campaigns to halt coal-fired power generation and opposition to other thermal generation, wind turbines or hydroelectric facilities;
- wholesale and retail competition including alternative energy sources, growth in customer-owned power resource technologies that displace utility-supplied energy or that may be sold back to the utility, and alternative energy suppliers and delivery arrangements;
- failure to identify changes in legislation, taxation and regulatory issues which are detrimental or beneficial to our overall business;
- policy and/or legislative changes resulting from the new presidential administration in various regulated areas, including, but not limited to, potential tax reform, environmental regulation and healthcare regulations; and
- the risk of municipalization in any of our service territories.

Our expectations, beliefs and projections are expressed in good faith. We believe they are reasonably based on, without limitation, an examination of historical operating trends, our records and other information available from third parties. However, there can be no assurance that our expectations, beliefs or projections will be achieved or accomplished. Furthermore, any forward-looking statement speaks only as of the date on which such statement is made. We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to reflect the occurrence of unanticipated events. New risks, uncertainties and other factors emerge from time-to-time, and it is not possible for us to predict all such factors, nor can we assess the effect of each such factor on our business or the extent that any such factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement.

AVAILABLE INFORMATION

Our website address is www.avistacorp.com. We make annual, quarterly and current reports available on our website as soon as practicable after electronically filing these reports with the U.S. Securities and Exchange Commission (SEC). Information contained on our website is not part of this report.

PART I

Item 1. Business

COMPANY OVERVIEW

Avista Corp., incorporated in the territory of Washington in 1889, is primarily an electric and natural gas utility with certain other business ventures. As of December 31, 2016, we employed 1,742 people in our Pacific Northwest utility operations (Avista Utilities) and 240 people in our subsidiary businesses (including our Juneau, Alaska utility operations). Our corporate headquarters are in Spokane, Washington, the second-largest city in Washington. Spokane serves as the business, transportation, medical, industrial and cultural hub of the Inland Northwest region (eastern Washington and northern Idaho). Regional services include government and higher education, medical services, retail trade and finance. Through our subsidiary AEL&P, we also provide electric utility services in Juneau, Alaska.

As of December 31, 2016, we have two reportable business segments as follows:

- **Avista Utilities**—an operating division of Avista Corp. (not a subsidiary) that comprises our regulated utility operations in the Pacific Northwest. Avista Utilities generates, transmits and distributes electricity and distributes natural gas, serving electric and natural gas customers in eastern Washington and northern Idaho and natural gas customers in parts of Oregon. We also supply electricity to a small number of customers in Montana, most of whom are our employees who operate our Noxon Rapids generating facility. Avista Utilities also engages in wholesale purchases and sales of electricity and natural gas as an integral part of energy resource management and our load-serving obligation.
- **AEL&P**—a utility providing electric services in Juneau, Alaska that is a wholly-owned subsidiary and the primary operating subsidiary of AERC. We acquired AERC on July 1, 2014, and as of that date, AERC became a wholly-owned subsidiary of Avista Corp. See "Note 4 of the Notes to Consolidated Financial Statements" for further discussion regarding this acquisition.

We have other businesses, including sheet metal fabrication, venture fund investments, real estate investments, a company that explores markets that could be served with LNG, as well as certain other investments of Avista Capital, which is a direct, wholly owned subsidiary of Avista Corp. These activities do not represent a reportable business segment and are conducted by various direct and indirect subsidiaries of Avista Corp., including AM&D, doing business as METALfx.

Total Avista Corp. shareholders' equity was $1,648.7 million as of December 31, 2016, of which $60.7 million represented our investment in Avista Capital and $101.1 million represented our investment in AERC.

See "Item 6. Selected Financial Data" and "Note 21 of the Notes to Consolidated Financial Statements" for information with respect to the operating performance of each business segment (and other subsidiaries).

AVISTA UTILITIES

General

At the end of 2016, Avista Utilities supplied retail electric service to 377,000 customers and retail natural gas service to 340,000 customers across its service territory. Avista Utilities' service territory covers 30,000 square miles with a population of 1.6 million. See "Item 2. Properties" for further information on our utility assets. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Economic Conditions and Utility Load Growth" for information on economic conditions in our service territory.

Electric Operations

General—Avista Utilities generates, transmits and distributes electricity, serving electric customers in eastern Washington, northern Idaho and a small number of customers in Montana.

Avista Utilities generates electricity from facilities that we own and purchases capacity, energy and fuel for generation under long-term and short-term contracts to meet customer load obligations. We also sell electric capacity and energy, as well as surplus fuel in the wholesale market in connection with our resource optimization activities as described below.

As part of Avista Utilities' resource procurement and management operations in the electric business, we engage in an ongoing process of resource optimization, which involves the economic selection of energy resources from those available to serve our load obligations and the capture of additional economic value through market transactions. We engage in transactions in the wholesale markets by selling and purchasing electric capacity and energy, fuel for electric generation, and derivative instruments related to capacity, energy, fuel and fuel transportation. Such transactions are part of the process of matching available resources with load obligations and hedging the related financial risks. These transactions range from terms of intra-hour up to multiple years. We make continuing projections of:

- electric loads at various points in time (ranging from intra-hour to multiple years) based on, among other things, estimates of customer usage and weather, historical data and contract terms, and
- resource availability at these points in time based on, among other things, fuel choices and fuel markets, estimates of streamflows, availability of generating units, historic and forward market information, contract terms and experience.

On the basis of these projections, we make purchases and sales of electric capacity and energy, fuel for electric generation, and related derivative instruments to match expected resources to expected electric load requirements and reduce our exposure to electricity (or fuel) market price changes. Resource optimization involves scheduling and dispatching available resources as well as the following:

- purchasing fuel for generation,
- when economical, selling fuel and substituting wholesale electric purchases, and
- other wholesale transactions to capture the value of generating resources, transmission contract rights and fuel delivery (transport) capacity contracts.

This optimization process includes entering into hedging transactions to manage risks. Transactions include both physical energy contracts and related derivative instruments.

Avista Utilities' generation assets are interconnected through the regional transmission system and are operated on a coordinated basis to enhance load-serving capability and reliability. Avista acquires both long-term and short-term transmission capacity to facilitate all of our energy and capacity transactions. We provide transmission and ancillary services in eastern Washington, northern Idaho and western Montana.

Electric Requirements

Avista Utilities' peak electric native load requirement for 2016 was 1,655 MW, which occurred on December 17, 2016. In 2015, our peak electric native load was 1,638 MW, which occurred during the summer, and in 2014, it was 1,715 MW, which occurred during the winter.

Electric Resources

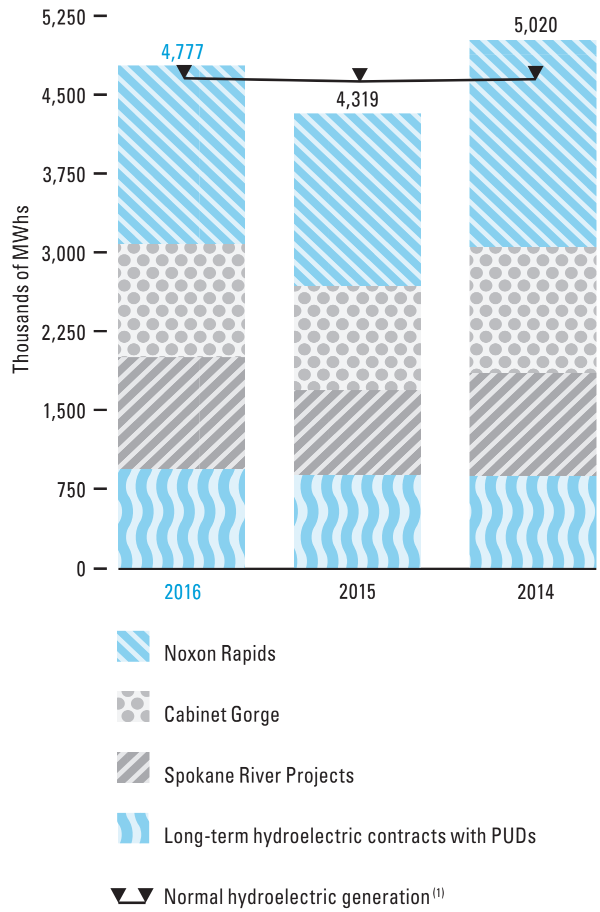
Avista Utilities has a diverse electric resource mix of Company-owned and contracted hydroelectric, thermal and wind generation facilities, and other contracts for power purchases and exchanges.

At the end of 2016, our Company-owned facilities had a total net capability of 1,862 MW, of which 55 percent was hydroelectric and 45 percent was thermal. See "Item 2. Properties" for detailed information on generating facilities.

Hydroelectric Resources—Avista Utilities owns and operates six hydroelectric projects on the Spokane River and two hydroelectric projects on the Clark Fork River. Hydroelectric generation is typically our lowest cost source per MWh of electric energy and the availability of hydroelectric generation has a significant effect on total power supply costs. Under normal streamflow and operating conditions, we estimate that we would be able to meet approximately one-half of our total average electric requirements (both retail and long-term wholesale) with the combination of our hydroelectric generation and long-term hydroelectric purchase contracts with certain PUDs in the state of Washington. Our estimate of normal annual hydroelectric generation for 2017 (including resources purchased under long-term hydroelectric contracts with certain PUDs) is 538 aMW (or 4.7 million MWhs).

The following graph shows Avista Utilities' hydroelectric generation (in thousands of MWhs) during the year ended December 31:

HYDROELECTRIC GENERATION



(1) *Normal hydroelectric generation is determined by applying an upstream dam regulation calculation to median natural water flow information. Natural water flow is the flow of the rivers without the influence of dams, whereas regulated water flow takes into account any water flow changes from upstream dams due to releasing or holding back water. The calculation of normal varies annually due to the timing of upstream dam regulation throughout the year.*

Thermal Resources—Avista Utilities owns the following thermal generating resources:

- the combined cycle CT natural gas-fired Coyote Springs 2 located near Boardman, Oregon,
- a 15 percent interest in a twin-unit, coal-fired boiler generating facility, Colstrip 3 and 4, located in southeastern Montana,
- a wood waste-fired boiler generating facility known as the Kettle Falls Generating Station (Kettle Falls GS) in northeastern Washington,
- a two-unit natural gas-fired CT generating facility, located in northeastern Spokane (Northeast CT),
- a two-unit natural gas-fired CT generating facility in northern Idaho (Rathdrum CT), and
- two small natural gas-fired generating facilities (Boulder Park GS and Kettle Falls CT).

Coyote Springs 2, which is operated by Portland General Electric Company, is supplied with natural gas under a combination of term contracts and spot market purchases, including transportation agreements with bilateral renewal rights.

Colstrip, which is operated by Talen Energy LLC, is supplied with fuel from adjacent coal reserves under coal supply and transportation agreements in effect through 2019. During 2016, Talen Energy LLC provided notice to the Colstrip owners that it no longer plans to operate Units 3 & 4 after May 2018. The Colstrip owners are searching for a replacement operator for Units 3 & 4. In addition, see "Item 7. Management's Discussion and Analysis, Environmental Issues and Contingencies" for further discussion regarding environmental issues surrounding Colstrip.

The primary fuel for the Kettle Falls GS is wood waste generated as a by-product and delivered by trucks from forest industry operations within 100 miles of the plant. A combination of long-term contracts and spot purchases has provided, and is expected to meet, fuel requirements for the Kettle Falls GS.

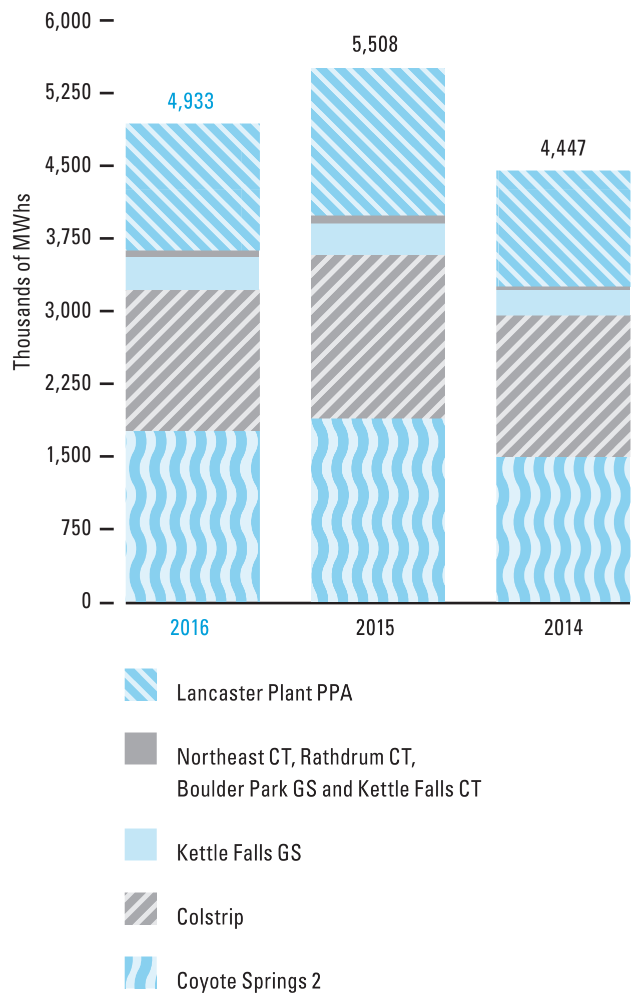
The Northeast CT, Rathdrum CT, Boulder Park GS and Kettle Falls CT generating units are primarily used to meet peaking electric requirements. We also operate these facilities when marginal costs are below prevailing wholesale electric prices. These generating facilities have access to natural gas supplies that are adequate to meet their respective operating needs.

See "Item 2. Properties—Avista Utilities—Generation Properties" for the nameplate rating and present generating capabilities of the above thermal resources.

We have the exclusive rights to all the capacity of the Lancaster Plant, a 270 MW natural gas-fired combined cycle combustion turbine plant located in northern Idaho, owned by an unrelated third-party. All of the output from the Lancaster Plant is contracted to us through 2026 under a PPA. Under the terms of the PPA, we make the dispatch decisions, provide all natural gas fuel and receive all of the electric energy output from the Lancaster Plant; therefore, we consider this plant in our baseload resources. See "Note 3 of the Notes to Consolidated Financial Statements" for further discussion of this PPA.

The following graph shows Avista Utilities' thermal generation (in thousands of MWhs) during the year ended December 31:

THERMAL GENERATION



Wind Resources—We have exclusive rights to all the capacity of Palouse Wind, a wind generation project developed, owned and managed by an unrelated third-party and located in Whitman County, Washington. We have a PPA that expires in 2042 and allows us to acquire all of the power and renewable attributes produced by the project at a fixed price per MWh with a fixed escalation of the price over the term of the agreement. The project has a nameplate capacity of 105 MW. Generation from Palouse Wind was 349,771 MWhs in 2016, 293,563 MWhs in 2015 and 335,291 MWhs in 2014. We have an annual option to purchase the wind project beginning in December 2022. The purchase price per the PPA is a fixed price per kW of in-service capacity with a fixed decline in the price per kW over the remaining 20-year term of the agreement. Under the terms of the PPA, we do not have any input into the day-to-day operation of the project, including maintenance decisions. All such rights are held by the owner.

Other Purchases, Exchanges and Sales—In addition to the resources described above, we purchase and sell power under various long-term contracts, and we also enter into short-term purchases and sales. Further, pursuant to PURPA, as amended, we are required to purchase generation from qualifying facilities. This includes, among other resources, hydroelectric projects, cogeneration projects and wind generation projects at rates approved by the UTC and the IPUC.

See “Avista Utilities Electric Operating Statistics—Electric Operations” for annual quantities of purchased power, wholesale power sales and power from exchanges in 2016, 2015 and 2014. See “Electric Operations” above for additional information with respect to the use of wholesale purchases and sales as part of our resource optimization process and also see “Future Resource Needs” below for the magnitude of these power purchase and sales contracts in future periods.

Hydroelectric Licenses

Avista Corp. is a licensee under the Federal Power Act (FPA) as administered by the FERC, which includes regulation of hydroelectric generation resources. Excluding the Little Falls Hydroelectric Generating Project (Little Falls), our other seven hydroelectric plants are regulated by the FERC through two project licenses. The licensed projects are subject to the provisions of Part I of the FPA. These provisions include payment for headwater benefits, condemnation of licensed projects upon payment of just compensation, and take-over by the federal government of such projects after the expiration of the license upon payment of the lesser of “net investment” or “fair value” of the project, in either case, plus severance damages. In the unlikely event that a take-over occurs, it could lead to either the decommissioning of the hydroelectric project or offering the project to another party (likely through sale and transfer of the license).

Cabinet Gorge and Noxon Rapids are under one 45-year FERC license issued in March 2001. See “Cabinet Gorge Total Dissolved Gas Abatement Plan” in “Note 19 of the Notes to Consolidated Financial Statements” for discussion of dissolved atmospheric gas levels that exceed state of Idaho and federal numeric water quality standards downstream of Cabinet Gorge during periods when we must divert excess river flows over the spillway, as well as our mitigation plans and efforts.

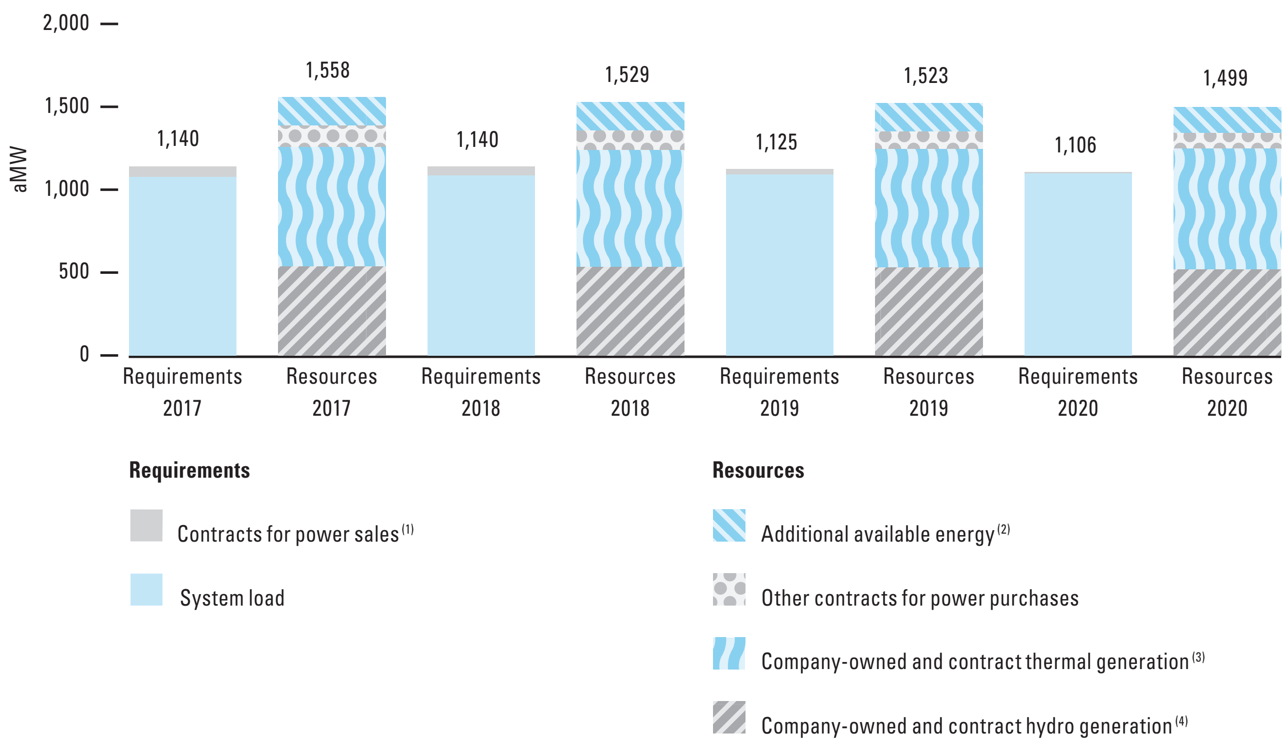
Five of our six hydroelectric projects on the Spokane River (Long Lake, Nine Mile, Upper Falls, Monroe Street and Post Falls) are under one 50-year FERC license issued in June 2009 and are referred to collectively as the Spokane River Project. The sixth, Little Falls, is operated under separate Congressional authority and is not licensed by the FERC.

Future Resource Needs

Avista Utilities has operational strategies to provide sufficient resources to meet our energy requirements under a range of operating conditions. These operational strategies consider the amount of energy needed, which varies widely because of the factors that influence demand over intra-hour, hourly, daily, monthly and annual durations. Our average hourly load was 1,033 aMW in 2016, 1,047 aMW in 2015 and 1,062 aMW in 2014.

The following graph shows our forecast of our average annual energy requirements and our available resources for 2017 through 2020:

FORECASTED ELECTRIC ENERGY REQUIREMENTS AND RESOURCES



(1) The contracts for power sales decrease due to certain contracts expiring in each of these years. We are evaluating the future plan for the additional resources made available due to the expiration of these contracts.

(2) The combined maximum capacity of Boulder Park GS, Kettle Falls CT, Northeast CT and Rathdrum CT is 278 MW, with estimated available energy production as indicated for each year.

(3) Includes the Lancaster Plant PPA. Excludes Boulder Park GS, Kettle Falls CT, Northeast CT and Rathdrum CT, as these are considered peaking facilities and are generally not used to meet our base load requirements.

(4) The forecast assumes near normal hydroelectric generation.

In August 2015, we filed our 2015 Electric IRP with the UTC and the IPUC. The UTC and IPUC review the IRPs and give the public the opportunity to comment. The UTC and IPUC do not approve or disapprove of the content in the IRPs; rather they acknowledge that the IRPs were prepared in accordance with applicable standards if that is the case. The IRP details projected growth in demand for energy and the new resources needed to serve customers over the next 20 years. We regard the IRP as a tool for resource evaluation, rather than an acquisition plan for a particular project.

Highlights of the 2015 IRP include the following expectations and projections:

- We will have adequate resources between our owned and contractually controlled generation, combined with conservation and market purchases, to meet customer needs through 2020.
- 565 MW of additional generation capacity is required for the period 2020 through 2034.
- We will meet or exceed the renewable energy requirements of the Washington state Energy Independence Act through the 20-year IRP time frame with a combination of qualifying hydroelectric upgrades, the 30-year PPA with Palouse Wind, the Kettle Falls GS and selective REC purchases.
- Load growth will be approximately 0.6 percent, a decline from the growth of 1.0 percent forecasted in 2013. This delays the need for a new natural gas-fired resource by one year. The decrease in expected load growth is primarily due to energy efficiency programs (using less energy to perform activities) employed by our customers over the next 20 years and the load impacts of increased prices. See "Item 7. Management Discussion and Analysis—Economic Conditions and Utility Load Growth" for further discussion regarding utility customer growth, load growth, and the general economic conditions in our service territory. The estimates of future load growth in the IRP and at "Item 7. Management Discussion and Analysis—Economic Conditions and Utility Load Growth" differ slightly due to the timing of when the two estimates were prepared and due to the time period that each estimate is focused on.
- Colstrip will remain a cost effective and reliable source of power to meet future customer needs.
- Energy efficiency will offset more than half of projected load growth through the 20-year IRP time frame.

Demand response (temporarily reducing the demand for energy) was eliminated from the Preferred Resource Strategy due to higher estimated costs.

We are required to file an IRP every two years, with the next IRP expected to be filed during the third quarter of 2017. Our resource strategy may change from the 2015 IRP based on market, legislative and regulatory developments.

We are subject to the Washington state Energy Independence Act, which requires us to obtain a portion of our electricity from qualifying renewable resources or through purchase of RECs and acquiring all cost effective conservation measures. Future generation resource decisions will be impacted by legislation for restrictions on GHG emissions and renewable energy requirements.

See "Item 7. Management's Discussion and Analysis of Financial Condition—Environmental Issues and Contingencies" for information related to existing laws, as well as potential legislation that could influence our future electric resource mix.

Natural Gas Operations

General—Avista Utilities provides natural gas distribution services to retail customers in parts of eastern Washington, northern Idaho, and northeastern and southwestern Oregon.

Market prices for natural gas, like other commodities, can be volatile. Our natural gas procurement strategy is to provide a reliable supply to our customers with some level of price certainty. We procure natural gas from various supply basins and over varying time periods. The resulting portfolio is a diversified mix of forward fixed price purchases, index and spot market purchases, utilizing physical and financial derivative instruments. We also use natural gas storage to support high demand periods and to procure natural gas when prices may be lower. Securing prices throughout the year and even into subsequent years provides a level of price certainty and can mitigate price volatility to customers between years.

Weather is a key component of our natural gas customer load. This load is highly variable and daily natural gas loads can differ significantly from the monthly forecasted load projections. We make continuing projections of our natural gas loads and assess available natural gas resources. On the basis of these projections, we plan and execute a series of transactions to hedge a portion of our customers' projected natural gas requirements through forward market transactions and derivative instruments. These transactions may extend for multiple years into the future. We also leave a portion of our natural gas supply requirements unhedged for purchase in the short-term spot markets.

Our purchase of natural gas supply is governed by our procurement plan and is reviewed and approved annually by the Risk Management Committee (RMC), which is comprised of certain officers and other management personnel. Once approval is received, the plan is implemented and monitored by our gas supply and risk management groups.

The plan's progress is also presented to the UTC and IPUC staff in semi-annual meetings, and updates are given to the OPUC staff quarterly. Other stakeholders, such as the Public Counsel Unit of the Office of the Attorney General or the Citizen Utility Board, are invited to participate. The RMC is provided with an update on plan results and changes in their monthly meetings. These activities provide transparency for the natural gas supply procurement plan. Any material changes to the plan are documented and communicated to RMC members.

As part of the process of balancing natural gas retail load requirements with resources, we engage in the wholesale purchase and sale of natural gas. We plan for sufficient natural gas delivery capacity to serve our retail customers for a theoretical peak day event. As such, we generally have more pipeline and storage capacity than what is needed during periods other than a peak day. We optimize our natural gas resources by using market opportunities to generate economic value that helps mitigate fixed costs. Wholesale sales are delivered through wholesale market facilities outside of our natural gas distribution system. Natural gas resource optimization activities include, but are not limited to:

- wholesale market sales of surplus natural gas supplies,
- purchases and sales of natural gas to optimize use of pipeline and storage capacity, and
- participation in the transportation capacity release market.

We also provide distribution transportation service to qualified, large commercial and industrial natural gas customers who purchase natural gas through third-party marketers. For these customers, we receive their purchased natural gas from such third-party marketers into our distribution system and deliver it to the customers' premise.

Optimization transactions that we engage in throughout the year are included in our annual purchased gas cost adjustment filings with the various commissions and they are subject to review for prudence during this process.

Natural Gas Supply—Avista Utilities purchases all of its natural gas in wholesale markets. We are connected to multiple supply basins in the western United States and Canada through firm capacity transportation rights on six different pipeline networks. Access to this diverse portfolio of natural gas resources allows us to make natural gas procurement decisions that benefit our natural gas customers. These interstate pipeline transportation rights provide the capacity to serve approximately 25 percent of peak natural gas customer demands from domestic sources and 75 percent from Canadian sourced supply. Natural gas prices in the Pacific Northwest are affected by global energy markets, as well as supply and demand factors in other regions of the United States and Canada. Future prices and delivery constraints may cause our resource mix to vary.

Natural Gas Storage—Avista Utilities owns a one-third interest in Jackson Prairie, an underground aquifer natural gas storage field located near Chehalis, Washington. Jackson Prairie has a total peak day deliverability of 12 million therms, with a total working natural gas capacity of 256 million therms. As an owner, our share is one-third of the peak day deliverability and total working capacity. We also contract for additional storage capacity and delivery at Jackson Prairie from Northwest Pipeline for a portion of their one-third share of the storage project.

We optimize our natural gas storage capacity throughout the year by executing transactions that capture favorable market price spreads. Natural gas buyers identify opportunities to purchase lower cost natural gas in the immediate term to inject into storage, and then sell the gas in a forward market to be withdrawn at a later time. The reverse of this type of transaction also occurs. These transactions lock in incremental value for customers. Jackson Prairie is also used as a variable peaking resource, and to protect from extreme daily price volatility during cold weather or other events affecting the market.

Future Resource Needs—In August 2016, we filed our 2016 Natural Gas IRP with the UTC, IPUC and the OPUC. The natural gas IRPs are similar in nature to the electric IRPs and the process for preparation and review by the state commissions of both the electric and natural gas IRPs is similar. The IRP details projected growth in demand for energy and the new resources needed to serve customers over the next 20 years. We regard the IRP as a tool for resource evaluation, rather than an acquisition plan for a particular project.

Highlights of the 2016 natural gas IRP include the following expectations and projections:

- We will have sufficient natural gas transportation resources well into the future with resource needs not occurring during the 20-year planning horizon in Washington, Idaho, or Oregon.
- Natural gas commodity prices will continue to be relatively stable due to robust North American supplies led by shale gas development.
- Future customer growth in our service territory will increase slightly compared to the 2014 IRP. There will be increasing interest from customers to utilize natural gas due to its abundant supply and subsequent low cost. We anticipate that increased demand in the region will primarily come from power generation as natural gas is increasingly being used to back up solar and wind technology, as well as replace retired coal plants. There is also potential for increased usage in other markets, such as transportation and as an industrial feedstock.
- The availability of natural gas in North America will continue to change global LNG dynamics. Existing and new LNG facilities will look to export low cost North American natural gas to the higher priced Asian and European markets. This could alter the price of natural gas and/or transportation, constrain existing pipeline networks, stimulate development of new pipeline resources, and change flows of natural gas across North America.

Since forecasted demand is relatively flat, we will monitor actual demand for signs of increased growth which could accelerate resource needs.

Our resource strategy in our 2018 IRP may change from the 2016 IRP based on market, legislative and regulatory developments.

Regulatory Issues

General—As a public utility, Avista Corp. is subject to regulation by state utility commissions for prices, accounting, the issuance of securities and other matters. The retail electric and natural gas operations are subject to the jurisdiction of the UTC, IPUC, OPUC and MPSC. Approval of the issuance of securities is not required from the MPSC. We are also subject to the jurisdiction of the FERC for licensing of hydroelectric generation resources, and for electric transmission services and wholesale sales.

Since Avista Corp. is a "holding company" (in addition to being itself an operating utility), we are also subject to the jurisdiction of the FERC under the Public Utility Holding Company Act of 2005, which imposes certain reporting and other requirements. We, and all of our subsidiaries (whether or not engaged in any energy related business), are required to maintain books, accounts and other records in accordance with the FERC regulations and to make them available to the FERC and the state utility commissions. In addition, upon the request of any jurisdictional state utility commission, or of Avista Corp., the FERC would have the authority to review assignment of costs of non-power goods and administrative services among us and our subsidiaries. The FERC has the authority generally to require that rates subject to its jurisdiction be just and reasonable and in this context would continue to be able to, among other things, review transactions of any affiliated company.

Our rates for retail electric and natural gas services (other than specially negotiated retail rates for industrial or large commercial customers, which are subject to regulatory review and approval) are generally determined on a "cost of service" basis.

Rates are designed to provide an opportunity for us to recover allowable operating expenses and earn a return of and a reasonable return on "rate base." Rate base is generally determined by reference to the original cost (net of accumulated depreciation) of utility plant in service, subject to various adjustments for deferred income taxes and other items. Over time, rate base is increased by additions to utility plant in service and reduced by depreciation and retirement of utility plant and write-offs as authorized by the utility commissions. Our operating expenses and rate base are allocated or directly assigned to five regulatory jurisdictions: electric in Washington and Idaho, and natural gas in Washington, Idaho and Oregon. In general, requests for new retail rates are made on the basis of revenues, operating expenses and net investment for a test year that ended prior to the date of the request, subject to possible adjustments, which differ among the various jurisdictions, designed to reflect the expected revenues, operating expenses and net investment during the period new retail rates will be in effect. The retail rates approved by the state commissions in a rate proceeding may not provide sufficient revenues to provide recovery of costs and a reasonable return on investment for a number of reasons, including, but not limited to, unexpected changes in revenues, expenses and investment following the time new retail rates are requested in the rate proceeding, the denial by the commission of recovery, or timely recovery, of certain expenses or investment and the limitation by the commission of the authorized return on investment.

Our rates for wholesale electric and natural gas transmission services are based on either "cost of service" principles or market-based rates as set forth by the FERC. See "Notes 1 and 20 of the Notes to Consolidated Financial Statements" for additional information about regulation, depreciation and deferred income taxes.

General Rate Cases—Avista Utilities regularly reviews the need for electric and natural gas rate changes in each state in which we provide service. See "Item 7. Management's Discussion and Analysis—Regulatory Matters—General Rate Cases" for information on general rate case activity.

Power Cost Deferrals—Avista Utilities defers the recognition in the income statement of certain power supply costs that vary from the level currently recovered from our retail customers as authorized by the UTC and the IPUC. See "Item 7. Management's Discussion and Analysis—Regulatory Matters—Power Cost Deferrals and Recovery Mechanisms" and "Note 20 of the Notes to Consolidated Financial Statements" for information on power cost deferrals and recovery mechanisms in Washington and Idaho.

Purchased Gas Adjustment (PGA)—Under established regulatory practices in each state, Avista Utilities defers the recognition in the income statement of the natural gas costs that vary from the level currently recovered from our retail customers as authorized by each of our jurisdictions. See "Item 7. Management's Discussion and Analysis—Regulatory Matters—Purchased Gas Adjustments" and "Note 20 of the Notes to Consolidated Financial Statements" for information on natural gas cost deferrals and recovery mechanisms in Washington, Idaho and Oregon.

Decoupling and Earnings Sharing Mechanisms—Decoupling is a mechanism designed to sever the link between a utility's revenues and consumers' energy usage. In each of Avista Utilities' jurisdictions, each month Avista Utilities' electric and natural gas revenues are adjusted so as to reflect revenues based on the number of customers in certain customer rate classes, rather than kilowatt hour and therm sales. The difference between revenues based on the number of customers and revenues based on actual usage is deferred, and either surcharged or rebated to customers beginning in the following year. In conjunction with the decoupling mechanisms, Washington includes an after-the-fact earnings test. At the end of each calendar year, earnings calculations are made for the prior calendar year and a portion of any earnings above a certain threshold are deferred and later returned to customers. Oregon also has an annual earnings review, not directly associated with the decoupling mechanism, where earnings above a certain threshold are deferred and later returned to customers. See "Item 7. Management's Discussion and Analysis—Regulatory Matters—Decoupling and Earnings Sharing Mechanisms" for further discussion of these mechanisms.

Federal Laws Related to Wholesale Competition

Federal law promotes practices that foster competition in the electric wholesale energy market. The FERC requires electric utilities to transmit power and energy to or for wholesale purchasers and sellers, and requires electric utilities to enhance or construct transmission facilities to create additional transmission capacity for the purpose of providing these services. Public utilities (through subsidiaries or affiliates) and other entities may participate in the development of independent electric generating plants for sales to wholesale customers.

Public utilities operating under the FPA are required to provide open and non-discriminatory access to their transmission systems to third parties and establish an Open Access Same-Time Information System to provide an electronic means by which transmission customers can obtain information about available transmission capacity and purchase transmission access. The FERC also requires each public utility subject to the rules to operate its transmission and wholesale power merchant operating functions separately and to comply with standards of conduct designed to ensure that all wholesale users, including the public utility's power merchant operations, have equal access to the public utility's transmission system. Our compliance with these standards has not had any substantive impact on the operation, maintenance and marketing of our transmission system or our ability to provide service to customers.

See "Item 7. Management's Discussion and Analysis—Competition" for further information.

Regional Transmission Organizations

Beginning with FERC Order No. 888 and continuing with subsequent rulemakings and policies, the FERC has encouraged better coordination and operational consistency aimed to capture efficiencies that might otherwise be gained through the formation of a Regional Transmission Organization or an independent system operator (ISO).

Regional Transmission Planning

Avista Utilities meets its FERC requirements to coordinate transmission planning activities with other regional entities through ColumbiaGrid. ColumbiaGrid is a Washington nonprofit membership corporation with an independent board formed to improve the operational efficiency, reliability, and planned expansion of the transmission grid in the Pacific Northwest. We became a member of ColumbiaGrid in 2006 during its formation. ColumbiaGrid is not an ISO, but performs those functions that its members request from time-to-time. Currently, ColumbiaGrid fills the role of facilitating our regional transmission planning as required in FERC Order No. 1000 and other clarifying FERC Orders. ColumbiaGrid and its members also work with other western organizations to address transmission planning, including WestConnect and the Northern Tier Transmission Group (NTTG). In 2011, we became a registered Planning Participant of the NTTG. We will continue to assess the benefits of entering into other functional agreements with ColumbiaGrid and/or participating in other forums to attain operational efficiencies and to meet FERC policy objectives.

Regional Energy Markets

The California Independent System Operator (CAISO) recently implemented an EIM in the western United States. Most investor-owned utilities in the Pacific Northwest are either participants in the CAISO EIM or plan to integrate into the market in the near future, which could reduce bilateral market liquidity and opportunities for wholesale transactions in the Pacific Northwest. Avista Utilities will continue to monitor the CAISO EIM expansion and the associated impacts. As market fundamentals and our business needs evolve, we will weigh the advantages and disadvantages of joining the CAISO EIM or other organized energy markets in the future.

Reliability Standards

Among its other provisions, the U.S. Energy Policy Act provides for the implementation of mandatory reliability standards and authorizes the FERC to assess penalties for non-compliance with these standards and other FERC regulations.

The FERC certified the NERC as the single Electric Reliability Organization authorized to establish and enforce reliability standards and delegate authority to regional entities for the purpose of establishing and enforcing reliability standards. The FERC approved the NERC Reliability Standards, including western region standards, making up the set of legally enforceable standards for the United States bulk electric system. The first of these reliability standards became effective in 2007. We are required to self-certify our compliance with these standards on an annual basis and undergo regularly scheduled periodic reviews by the NERC and its regional entity, the Western Electricity Coordinating Council (WECC). Our failure to comply with these standards could result in financial penalties of up to $1 million per day per violation. Annual self-certification and audit processes to date have demonstrated our substantial compliance with these standards. Requirements relating to cyber security are continually evolving. Our compliance with version 5 of the NERC's Critical Infrastructure Protection standard continues to drive several physical security initiatives at our generating stations and substations. We do not expect the costs of these physical security initiatives to have a material impact on our financial results.

Avista Utilities Electric Operating Statistics
Years Ended December 31,

	2016	2015	2014
Electric Operations			
Operating revenues (Dollars in Thousands):			
Residential	$ 339,210	$ 335,552	$ 338,697
Commercial	305,613	308,210	300,109
Industrial	107,296	111,770	110,775
Public street and highway lighting	7,662	7,277	7,549
Total retail	759,781	762,809	757,130
Wholesale	112,071	127,253	138,162
Sales of fuel	78,334	82,853	83,732
Other	28,492	25,839	27,467
Decoupling	17,349	4,740	—
Provision for earnings sharing	932	(5,621)	(7,503)
Total electric operating revenues	$ 996,959	$ 997,873	$ 998,988
Energy sales (Thousands of MWhs):			
Residential	3,528	3,571	3,694
Commercial	3,183	3,197	3,189
Industrial	1,763	1,812	1,868
Public street and highway lighting	23	23	25
Total retail	8,497	8,603	8,776
Wholesale	2,998	3,145	3,686
Total electric energy sales	11,495	11,748	12,462
Energy Resources (Thousands of MWhs):			
Hydro generation (from Company facilities)	3,836	3,434	4,143
Thermal generation (from Company facilities)	3,626	3,983	3,252
Purchased power	4,597	4,899	5,615
Power exchanges	(6)	(2)	(25)
Total power resources	12,053	12,314	12,985
Energy losses and Company use	(558)	(566)	(523)
Total energy resources (net of losses)	11,495	11,748	12,462
Number of Retail Customers (Average for Period):			
Residential	330,699	327,057	324,188
Commercial	41,785	41,296	40,988
Industrial	1,342	1,353	1,385
Public street and highway lighting	558	529	531
Total electric retail customers	374,384	370,235	367,092
Residential Service Averages:			
Annual use per customer (kWh) [1]	10,667	10,827	11,394
Revenue per kWh (in cents)	9.62	9.40	9.17
Annual revenue per customer	$ 1,025.74	$ 1,017.21	$ 1,044.76
Average Hourly Load (aMW)	1,033	1,047	1,062

(1) There has been a trending decline in use per customer during the three-year period primarily due to weather fluctuations but also due in part to energy efficiency measures adopted by customers.

Avista Utilities Electric Operating Statistics

Years Ended December 31,

	2016	2015	2014
Electric Operations (continued)			
Retail Native Load at time of system peak (MW):			
Winter	1,655	1,529	1,715
Summer	1,587	1,638	1,606
Cooling degree days: (2)			
Spokane, WA			
Actual	474	805	631
Historical average	367	334	394
% of average	129%	241%	160%
Heating Degree Days: (3)			
Spokane, WA			
Actual	5,790	5,614	6,215
Historical average	6,482	6,491	6,820
% of average	89%	86%	91%

(2) Cooling degree days are the measure of the warmness of weather experienced, based on the extent to which the average of high and low temperatures for a day exceeds 65 degrees Fahrenheit (annual degree days above historic indicate warmer than average temperatures). In 2015, we switched to a rolling 20-year average for calculating cooling degree days, whereas in prior years we used a 30-year rolling average.

(3) Heating degree days are the measure of the coldness of weather experienced, based on the extent to which the average of high and low temperatures for a day falls below 65 degrees Fahrenheit (annual degree days below historic indicate warmer than average temperatures). In 2015, we switched to a rolling 20-year average for calculating heating degree days, whereas in prior years we used a 30-year rolling average.

Avista Utilities Natural Gas Operating Statistics

Years Ended December 31,

	2016	2015	2014
Natural Gas Operations			
Operating Revenues (Dollars in Thousands):			
Residential	$ 195,275	$ 193,825	$ 203,373
Commercial	92,978	96,751	103,179
Interruptible	2,179	2,782	2,792
Industrial	3,348	3,792	4,158
Total retail	293,780	297,150	313,502
Wholesale	153,446	204,289	228,187
Transportation	8,339	7,988	7,735
Other	5,787	5,578	7,461
Decoupling	12,309	6,004	—
Provision for earnings sharing	(2,767)	—	(221)
Total natural gas operating revenues	$ 470,894	$ 521,009	$ 556,664
Therms Delivered (Thousands of Therms):			
Residential	186,565	176,613	190,171
Commercial	112,686	107,894	116,748
Interruptible	5,700	4,708	5,033
Industrial	5,234	5,070	5,648
Total retail	310,185	294,285	317,600
Wholesale	684,317	809,132	545,620
Transportation	178,377	164,679	162,311
Interdepartmental and Company use	378	335	411
Total therms delivered	1,173,257	1,268,431	1,025,942
Number of Retail Customers (Average for Period):			
Residential	300,883	296,005	291,928
Commercial	34,868	34,229	34,047
Interruptible	37	35	37
Industrial	255	261	264
Total natural gas retail customers	336,043	330,530	326,276
Residential Service Averages:			
Annual use per customer (therms)	620	593	651
Revenue per therm (in dollars)	$ 1.05	$ 1.10	$ 1.07
Annual revenue per customer	$ 649.01	$ 650.83	$ 696.66
Heating Degree Days: (1)			
Spokane, WA			
Actual	5,790	5,614	6,215
Historical average (2)	6,482	6,491	6,820
% of average	89%	86%	91%
Medford, OR			
Actual	3,637	3,534	3,382
Historical average (2)	4,129	4,150	4,539
% of average	88%	85%	75%

(1) Heating degree days are the measure of the coldness of weather experienced, based on the extent to which the average of high and low temperatures for a day falls below 65 degrees Fahrenheit (annual degree days below historic indicate warmer than average temperatures).

(2) In 2015, we switched to a rolling 20-year average for calculating heating degree days, whereas in prior years we used a 30-year rolling average.

ALASKA ELECTRIC LIGHT AND POWER COMPANY

AEL&P is the primary operating subsidiary of AERC. AEL&P is the sole utility providing electrical energy in Juneau, Alaska. Juneau is a geographically isolated community with no electric interconnections with the transmission facilities of other utilities and no pipeline access to natural gas or other fuels. Juneau's economy is primarily driven by government activities, tourism, commercial fishing, and mining, as well as activities as the commercial hub of southeast Alaska.

AEL&P owns and operates electric generation, transmission and distribution facilities located in Juneau. AEL&P operates five hydroelectric generation facilities with 102.7 MW of hydroelectric generation capacity as of December 31, 2016. AEL&P owns four of these generation facilities (totaling 24.5 MW of capacity) and has a PPA for the output of the Snettisham hydroelectric project (totaling 78.2 MW of capacity).

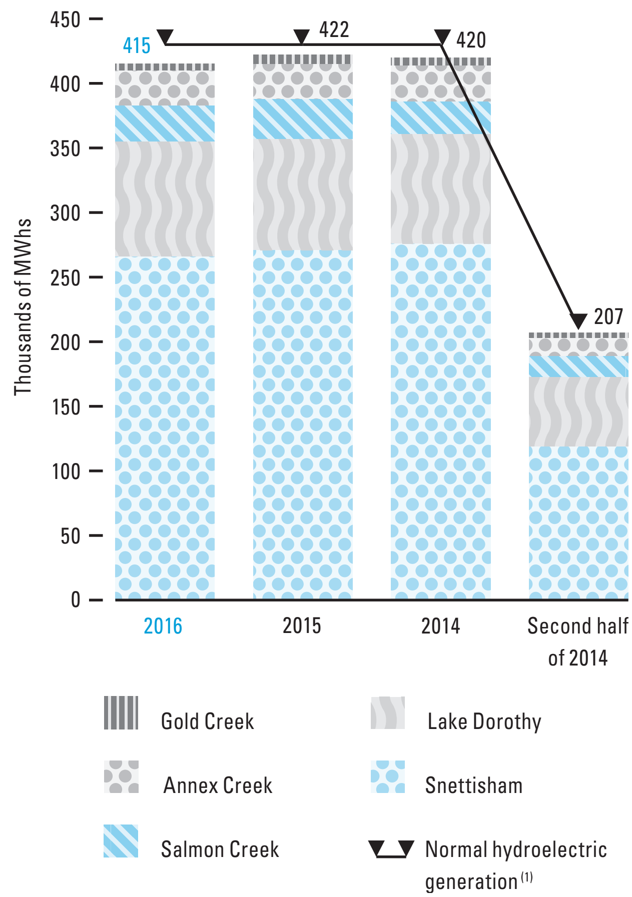
The Snettisham hydroelectric project is owned by the Alaska Industrial Development and Export Authority (AIDEA), a public corporation of the State of Alaska. AEL&P has a PPA and operating and maintenance agreement with the AIDEA to operate and maintain the facility. This PPA is a take-or-pay obligation expiring in December 2038, to purchase all of the output of the project.

For accounting purposes, this PPA is treated as a capital lease and as of December 31, 2016, the capital lease obligation was $62.2 million. Snettisham Electric Company, a non-operating subsidiary of AERC, has the option to purchase the Snettisham project at any time for a price equal to the principal amount of the bonds outstanding at that time. See "Note 14 of the Notes to Consolidated Financial Statements" for further discussion of the Snettisham capital lease obligation.

As of December 31, 2016, AEL&P also had 107.5 MW of diesel generating capacity from four facilities to provide back-up service to firm customers when necessary.

The following graph shows AEL&P's hydroelectric generation (in thousands of MWhs) during the time periods indicated below:

HYDROELECTRIC GENERATION



(1) Normal hydroelectric generation is defined as the energy output of the plant during a year with average inflows to the reservoir.

Only the hydroelectric generation for the second half of 2014 in the graph above was included in Avista Corp.'s overall results for 2014. The full 12 months of 2014 in the graph above is presented for information purposes only.

As of December 31, 2016, AEL&P served approximately 17,000 customers. Its primary customers include city, state and federal governmental entities located in Juneau, as well as a mine located in the Juneau area. Most of AEL&P's customers are served on a firm basis while certain of its customers, including its largest customer, are served on an interruptible sales basis. AEL&P maintains separate rate tariffs for each of its customer classes, as well as seasonal rates.

AEL&P's operations are subject to regulation by the RCA with respect to rates, standard of service, facilities, accounting and certain other matters, but not with respect to the issuance of securities. Rate adjustments for AEL&P's customers require approval by the RCA pursuant to RCA regulations. AEL&P filed an electric general rate case during 2016. See "Item 7. Management's Discussion and Analysis—Regulatory Matters" for further discussion of this general rate case filing, including the proposed capital structure.

AEL&P is also subject to the jurisdiction of the FERC concerning the permits and licenses necessary to operate certain of its hydroelectric facilities. One of these licenses (for the Salmon Creek and Annex Creek hydroelectric projects) expires in 2018, but AEL&P plans to extend this license. Since AEL&P has no electric interconnection with other utilities and makes no wholesale sales, it is not subject to general FERC jurisdiction, other than the reporting and other requirements of the Public Utility Holding Company Act of 2005 as an Avista Corp. subsidiary.

The Snettisham hydroelectric project is subject to regulation by the State of Alaska with respect to dam safety and certain aspects of its operations. In addition, AEL&P is subject to regulation with respect to air and water quality, land use and other environmental matters under both federal and state laws.

AEL&P ELECTRIC OPERATING STATISTICS

	Years Ended December 31, 2016	2015	Second half of 2014
Electric Operations			
Operating Revenues (Dollars in Thousands):			
Residential	$ 18,207	$ 18,017	$ 8,283
Commercial and government	27,322	26,049	12,948
Public street and highway lighting	266	215	150
Total retail	45,795	44,281	21,381
Other	481	497	263
Total electric operating revenues	$ 46,276	$ 44,778	$ 21,644
Energy Sales (Thousands of MWhs):			
Residential	139	139	63
Commercial and government	253	258	125
Public street and highway lighting	1	1	1
Total electric energy sales	393	398	189
Number of Retail Customers (Average for Period):			
Residential	14,448	14,285	14,121
Commercial and government	2,181	2,179	2,148
Public street and highway lighting	211	210	213
Total electric retail customers	16,840	16,674	16,482
Residential Service Averages:			
Annual use per customer (kWh)	9,621	9,730	4,461
Revenue per kWh (in cents)	13.10	12.96	13.15
Annual revenue per customer	$ 1,260.17	$ 1,261.25	$ 586.57
Heating Degree Days: (1)			
Juneau, AK			
Actual	7,301	7,395	3,381
Historical average	8,351	8,351	3,721
% of average	87%	89%	91%

(1) Heating degree days are the measure of the coldness of weather experienced, based on the extent to which the average of high and low temperatures for a day falls below 65 degrees Fahrenheit (annual heating degree days below historical average indicate warmer than average temperatures).

OTHER BUSINESSES

The following table shows our assets related to our other businesses, excluding intracompany amounts as of December 31, 2016 and 2015 (dollars in thousands):

Entity and Asset Type	2016	2015
Avista Capital		
Salix—wholly-owned subsidiary	$ 3,842	$ 2,500
Equity investments	3,000	3,039
Other assets	123	28
Avista Development		
Equity investments	11,530	5,107
Real estate	11,359	6,718
Notes receivable and other assets	5,444	951
METALfx—wholly-owned subsidiary	11,568	12,779
Alaska companies (AERC and AJT Mining)	8,390	8,084
Total	$ 55,256	$ 39,206

Avista Capital

- Salix is a wholly-owned subsidiary of Avista Capital that explores markets that could be served with LNG.
- Equity investments are primarily in an emerging technology venture capital fund.

Avista Development

- Equity investments are primarily in emerging technology venture capital funds and companies, including an investment in a technology company that delivers scalable smart grid solutions to global partners and customers, and a predictive data science company.
- Real estate consists primarily of mixed use commercial and retail office space.
- Notes receivable and other assets are primarily long-term notes receivable made to a company focused on spurring economic development throughout Washington State.
- AM&D doing business as METALfx performs custom sheet metal fabrication of electronic enclosures, parts and systems for the computer, construction, telecom, renewable energy and medical industries. The asset balance above excludes an intercompany loan from METALfx to Avista Corp. The loan balance was $4.0 million as of December 31, 2016 and $1.0 million as of December 31, 2015.

Alaska Companies

- Includes AERC and AJT Mining, which is a wholly-owned subsidiary of AERC and is an inactive mining company holding certain properties.

Over time as opportunities arise, we dispose of investments and phase out operations that do not fit with our overall corporate strategy. However, we may invest incremental funds to protect our existing investments and invest in new businesses that we believe fit with our overall corporate strategy.

Juneau Local Distribution Company (LDC) Project

We continue to evaluate opportunities to grow our presence in Alaska beyond our current AEL&P operations. We have been focused on exploring the viability of building a natural gas LDC in Juneau to bring this energy option to residents. The opportunity has been challenged by difficult economic conditions in Alaska (which are largely caused by low oil prices), relatively low heating oil prices and customer equipment conversion costs. At this time, due to a combination of unfavorable factors, we have suspended our work on this project for the foreseeable future. If conditions change favorably in the future, we may proceed with the regulatory process to request authority to build and operate a gas utility in Juneau.

Salix LNG Project

In early 2016, Salix was selected as the preferred respondent to a request for proposal (RFP) issued by AIDEA that sought a qualified candidate to develop a new LNG facility to serve the Fairbanks, Alaska area as part of the Interior Energy Project (IEP). Commercial discussions in late 2016 led Salix and AIDEA to enter into an agreement that concluded Salix's involvement in the IEP.

Item 1A. Risk Factors

RISK FACTORS

The following factors could have a significant impact on our operations, results of operations, financial condition or cash flows. These factors could cause future results or outcomes to differ materially from those discussed in our reports filed with the SEC (including this Annual Report on Form 10-K), and elsewhere. Please also see "Forward-Looking Statements" for additional factors which could have a significant impact on our operations, results of operations, financial condition or cash flows and could cause actual results to differ materially from those anticipated in such statements.

Financial Risk Factors

Weather (temperatures, precipitation levels, wind patterns and storms) has a significant effect on our results of operations, financial condition and cash flows.

Weather impacts are described in the following subtopics:

- certain retail electricity and natural gas sales,
- the cost of natural gas supply, and
- the cost of power supply.

Certain retail electricity and natural gas sales volumes vary directly with changes in temperatures. We normally have our highest retail (electric and natural gas) energy sales during the winter heating season in the first and fourth quarters of the year. We also have high electricity demand for air conditioning during the summer (third quarter) in the Pacific Northwest. In general, warmer weather in the heating season and cooler weather in the cooling season will reduce our customers' energy demand and retail operating revenues. The revenue and earnings impact of weather fluctuations is somewhat mitigated by our decoupling mechanisms; however, we could experience liquidity constraints during the period between when decoupling revenue is earned and when it is subsequently collected from customers through retail rates.

The cost of natural gas supply tends to increase with higher demand during periods of cold weather. Increased costs adversely affect cash flows when we purchase natural gas for retail supply at prices above the amount then allowed for recovery in retail rates. We defer differences between actual natural gas supply costs and the amount currently recovered in retail rates and we are generally allowed to recover substantially all of these differences after regulatory review. However, these deferred costs require cash outflows from the time of natural gas purchases until the costs are later recovered through retail sales. Inter-regional natural gas pipelines and competition for supply can allow demand-driven price volatility in other regions of North America to affect prices in our region, even though there may be less extreme weather conditions in our area.

The cost of power supply can be significantly affected by weather. Precipitation (consisting of snowpack, its water content and melting pattern plus rainfall) and other streamflow conditions (such as regional water storage operations) significantly affect hydroelectric generation capability. Variations in hydroelectric generation inversely affect our reliance on market purchases and thermal generation. To the extent that hydroelectric generation is less than normal, significantly more costly power supply resources must be acquired and the ability to realize net benefits from surplus hydroelectric wholesale sales is reduced. Wholesale prices also vary based on wind patterns as wind generation capacity is material in our region but its contribution to supply is inconsistent.

The price of power in the wholesale energy markets tends to be higher during periods of high regional demand, such as occurs with temperature extremes. We may need to purchase power in the wholesale market during peak price periods. The price of natural gas as fuel for natural gas-fired electric generation also tends to increase during periods of high demand which are often related to temperature extremes. We may need to purchase natural gas fuel in these periods of high prices to meet electric demands. The cost of power supply during peak usage periods may be higher than the retail sales price or the amount allowed in retail rates by our regulators. To the extent that power supply costs are above the amount allowed currently in retail rates, the difference is partially absorbed by the Company in current expense and it is partially deferred or shared with customers through regulatory mechanisms.

The price of power tends to be lower during periods with excess supply, such as the spring when hydroelectric conditions are usually at their maximum and various facilities are required to operate to meet environmental mandates. Oversupply can be exacerbated when intermittent resources such as wind generation are producing output that may be supported by price subsidies. In extreme situations, we may be required to sell excess energy at negative prices.

As a result of these combined factors, our net cost of power supply—the difference between our costs of generation and market purchases, reduced by our revenue from wholesale sales—varies significantly because of weather.

We rely on regular access to financial markets but we cannot assure favorable or reasonable financing terms will be available when we need them.

Access to capital markets is critical to our operations and our capital structure. We have significant capital requirements that we expect to fund, in part, by accessing capital markets. As such, the state of financial markets and credit availability in the global, United States and regional economies impacts our financial condition. We could experience increased borrowing costs or limited access to capital on reasonable terms.

We access long-term capital markets to finance capital expenditures, repay maturing long-term debt and obtain additional working capital from time-to-time. Our ability to access capital on reasonable terms is subject to numerous factors and market conditions, many of which are beyond our control. If we are unable to obtain capital on reasonable terms, it may limit or prohibit our ability to finance capital expenditures and repay maturing long-term debt. Our liquidity needs could exceed our short-term credit availability and lead to defaults on various financing arrangements. We would also likely be prohibited from paying dividends on our common stock.

Performance of the financial markets could also result in significant declines in the market values of assets held by our pension plan and/or a significant increase in the pension liability (which impacts the funded status of the plan) and could increase future funding obligations and pension expense.

We rely on credit from financial institutions for short-term borrowings. We need adequate levels of credit with financial institutions for short-term liquidity. We have a $400.0 million committed line of credit that expires in April 2021. Our subsidiary AEL&P has a

$25.0 million committed line of credit that expires in November 2019. There is no assurance that we will have access to credit beyond these expiration dates. The committed line of credit agreements contain customary covenants and default provisions.

Any default on the lines of credit or other financing arrangements of Avista Corp. or any of our "significant subsidiaries," if any, could result in cross-defaults to other agreements of such entity, and/or to the line of credit or other financing arrangements of any other of such entities. Any defaults could also induce vendors and other counterparties to demand collateral. In the event of any such default, it would be difficult for us to obtain financing on reasonable terms to pay creditors or fund operations. We would also likely be prohibited from paying dividends on our common stock.

We hedge a portion of our interest rate risk with financial derivative instruments, which may include interest rate swap derivatives and U.S. Treasury lock agreements. If market interest rates decrease below the interest rates we have locked in, this will result in a liability related to our interest rate swap derivatives, which can be significant. As of December 31, 2016, we had a net interest rate swap derivative liability of $60.9 million, reflecting a decline in interest rates since the time we entered into the agreements. We did not have any U.S. Treasury lock agreements outstanding as of December 31, 2016. We may be required to post cash or letters of credit as collateral depending on fluctuations in the fair value of the derivative instruments. Settlement of interest rate swap derivative instruments in a liability position could require a significant amount of cash, which could negatively impact our liquidity and short-term credit availability and increase interest expense over the term of the associated debt.

Downgrades in our credit ratings could impede our ability to obtain financing, adversely affect the terms of financing and impact our ability to transact for or hedge energy resources. If we do not maintain our investment grade credit rating with the major credit rating agencies, we could expect increased debt service costs, limitations on our ability to access capital markets or obtain other financing on reasonable terms, and requirements to provide collateral (in the form of cash or letters of credit) to lenders and counterparties. In addition, credit rating downgrades could reduce the number of counterparties willing to do business with us or result in the termination of outstanding regulatory authorizations for certain financing activities.

Credit risk may be affected by industry concentration and geographic concentration.

We have concentrations of suppliers and customers in the electric and natural gas industries including:

- electric and natural gas utilities,
- electric generators and transmission providers,
- oil and natural gas producers and pipelines,
- financial institutions including commodity clearing exchanges and related parties, and
- energy marketing and trading companies.

We have concentrations of credit risk related to our geographic location in the western United States and western Canada energy markets. These concentrations of counterparties and concentrations of geographic location may affect our overall exposure to credit risk because the counterparties may be similarly affected by changes in conditions.

Utility Regulatory Risk Factors

Regulators may not grant rates that provide timely or sufficient recovery of our costs or allow a reasonable rate of return for our shareholders.

Avista Utilities' annual operating expenses and the costs associated with incremental investments in utility assets continue to grow at a faster rate than revenue growth. Our ability to recover these expenses and capital costs depends on the amount and timeliness of retail rate changes allowed by regulatory agencies. We expect to periodically file for rate increases with regulatory agencies to recover our expenses and capital costs and provide an opportunity to earn a reasonable rate of return for shareholders. If regulators do not grant rate increases or grant substantially lower rate increases than our requests in the future or if recovery of deferred expenses is disallowed, it could have a negative effect on our operating revenues, net income and cash flows. During December 2016, the UTC denied our most recent electric and natural gas general rate requests and granted zero rate relief. Pending before the UTC is our petition for reconsideration and alternately for rehearing (Petition) of our 2016 general rate cases to arrive at new electric and natural gas rates. The UTC has provided notice that it expects to rule on the Petition on or before March 16, 2017. If our efforts to obtain rates that are fair, just, reasonable and sufficient are not successful, our 2017 earnings are expected to decrease by $0.20 to $0.30 per diluted share as compared to 2016 actual results. See further discussion in "Item 7. Management's Discussion and Analysis—Regulatory Matters."

In the future, we may no longer meet the criteria for continued application of regulatory accounting practices for all or a portion of our regulated operations.

If we could no longer apply regulatory accounting, we could be:

- required to write off our regulatory assets, and
- precluded from the future deferral of costs or decoupled revenues not recovered through rates at the time such amounts are incurred, even if we are expected to recover these amounts from customers in the future.

See further discussion at "Note 1 of the Notes to Consolidated Financial Statements—Regulatory Deferred Charges and Credits."

Energy Commodity Risk Factors

Energy commodity price changes affect our cash flows and results of operations.

Energy commodity prices can be volatile. We rely on energy markets and other counterparties for energy supply, surplus and optimization transactions and commodity price hedging. A combination of factors exposes our operations to commodity price risks, including:

- our obligation to serve our retail customers at rates set through the regulatory process—we cannot change retail rates to reflect current energy prices unless and until we receive regulatory approval,
- customer demand, which is beyond our control because of weather, customer choices, prevailing economic conditions and other factors,

- some of our energy supply cost is fixed by the nature of the energy-producing assets or through contractual arrangements (however, a significant portion of our energy resource costs are not fixed), and
- the potential non-performance by commodity counterparties, which could lead to replacement of the scheduled energy or natural gas at higher prices.

Because we must supply the amount of energy demanded by our customers and we must sell it at fixed rates and only a portion of our energy supply costs are fixed, we are subject to the risk of buying energy at higher prices in wholesale energy markets (and the risk of selling energy at lower prices if we are in a surplus position). Electricity and natural gas in wholesale markets are commodities with historically high price volatility. Changes in wholesale energy prices affect, among other things, the cash requirements to purchase electricity and natural gas for retail customers or wholesale obligations and the market value of derivative assets and liabilities.

When we enter into fixed price energy commodity transactions for future delivery, we are subject to credit terms that may require us to provide collateral to wholesale counterparties related to the difference between current prices and the agreed upon fixed prices. These collateral requirements can place significant demands on our cash flows or borrowing arrangements. Price volatility can cause collateral requirements to change quickly and significantly.

Cash flow deferrals related to energy commodities can be significant. We are permitted to collect from customers only amounts approved by regulatory commissions. However, our costs to provide energy service can be much higher or lower than the amounts currently billed to customers. We are permitted to defer income statement recognition and recovery from customers for some of these differences, which are recorded as deferred charges with the opportunity for future recovery through retail rates. These deferred costs are subject to review for prudence and potential disallowance by regulators, who have discretion as to the extent and timing of future recovery or refund to customers.

Power and natural gas costs higher than those recovered in retail rates reduce cash flows. Amounts that are not allowed for deferral or which are not approved to become part of customer rates affect our results of operations.

Even if our regulators ultimately allow us to recover deferred power and natural gas costs, our operating cash flows can be negatively affected until these costs are recovered from customers.

Fluctuating energy commodity prices and volumes in relation to our energy risk management process can cause volatility in our cash flows and results of operations. We engage in active hedging and resource optimization practices to reduce energy cost volatility and economic exposure related to commodity price fluctuations. We routinely enter into contracts to hedge a portion of our purchase and sale commitments for electricity and natural gas, as well as forecasted excess or deficit energy positions and inventories of natural gas. We use physical energy contracts and derivative instruments, such as forwards, futures, swaps and options traded in the over-the-counter markets or on exchanges. We do not attempt to fully hedge our energy resource assets or our forecasted net positions for various time horizons. To the extent we have positions that are not hedged, or if hedging positions do not fully match the corresponding purchase or sale, fluctuating commodity prices could have a material effect on our operating revenues, resource costs, derivative assets and liabilities, and operating cash flows. In addition, actual loads and resources typically vary from forecasts, sometimes to a significant degree, which require additional transactions or dispatch decisions that impact cash flows.

The hedges we enter into are reviewed for prudence by our various regulators and any deferred costs (including those as a result of our hedging transactions) are subject to review for prudence and potential disallowance by regulators.

Generation plants may become obsolete. We rely on a variety of generation and energy commodity market sources to fulfill our obligation to serve customers and meet the demands of our counterparty agreements. There is the potential that some of our generation sources, such as coal, may become obsolete. This could result in higher commodity costs to replace the lost generation, as well as higher costs to retire the generation source before the end of its expected life.

Operational Risk Factors

We are subject to various operational and event risks.

Our operations are subject to operational and event risks that include:

- severe weather or natural disasters, including, but not limited to, avalanches, wind storms, wildfires, earthquakes, snow and ice storms, which can disrupt energy generation, transmission and distribution, as well as the availability and costs of materials, equipment, supplies support services and general business operations,
- blackouts or disruptions of interconnected transmission systems (the regional power grid),
- unplanned outages at generating plants,
- fuel cost and availability, including delivery constraints,
- explosions, fires, accidents, or mechanical breakdowns that may occur while operating and maintaining our generation, transmission and distribution systems,
- damage or injuries to third parties caused by our generation, transmission and distribution systems,
- natural disasters that can disrupt energy generation, transmission and distribution, and general business operations, and
- terrorist attacks or other malicious acts that may disrupt or cause damage to our utility assets or the vendors we utilize.

Disasters may affect the general economy, financial and capital markets, specific industries, or our ability to conduct business. As protection against operational and event risks, we maintain business continuity and disaster recovery plans, maintain insurance coverage against some, but not all, potential losses and we seek to negotiate indemnification arrangements with contractors for certain event risks. However, insurance or indemnification agreements may not be adequate to protect us against liability, extra expenses and operating disruptions from all of the operational and event risks described above. In addition, we are subject to the risk that insurers and/or other parties will dispute or be unable to perform on their obligations to us.

Damage to facilities may be caused by severe weather, such as snow, ice, wind storms or avalanches. The cost to implement rapid or any repair to such facilities can be significant. Overhead electric lines are most susceptible to damage caused by severe weather.

Adverse impacts may occur at our Alaska operations that could result from an extended outage of their hydroelectric generating resources or its inability to deliver energy, due to their lack of interconnectivity to any other electrical grids and the extensive cost of replacement power (diesel).

AEL&P operates several hydroelectric power generation facilities and has diesel generating capacity from multiple facilities to provide backup service to firm customers when necessary; however, a single hydroelectric power generation facility, the Snettisham hydroelectric project, provides approximately two-thirds of AEL&P's hydroelectric power generation. Any issues that negatively affect AEL&P's ability to generate or transmit power or any decrease in the demand for the power generated by AEL&P could negatively affect our results of operations, financial condition and cash flows.

Compliance Risk Factors

There have been numerous changes in legislation, related administrative rulemakings, and Executive Orders, including periodic audits of compliance with such rules, which may adversely affect our operational and financial performance.

We expect to continue to be affected by legislation at the national, state and local level, as well as by administrative rules and requirements published by government agencies, including but not limited to the FERC, the EPA and state regulators. We are also subject to NERC and WECC reliability standards. The FERC, the NERC and the WECC perform periodic audits of the Company. Failure to comply with the FERC, the NERC, or the WECC requirements can result in financial penalties of up to $1 million per day per violation.

Future legislation or administrative rules could have a material adverse effect on our operations, results of operations, financial condition and cash flows.

Actions or limitations to address concerns over the long-term global and our utilities' service area climate changes may affect our operations and financial performance.

Legislative, regulatory and advocacy efforts at the state, national and international levels concerning climate change and other environmental issues could have significant impacts on our operations. The electric and natural gas utility industries are frequently affected by proposals to curb greenhouse gas and other air emissions. Various regulatory and legislative proposals have been made to limit or further restrict byproducts of combustion, including that resulting from the use of natural gas by our customers. Such proposals, if adopted, could restrict the operation and raise the costs of our power generation resources as well as the distribution of natural gas to our customers.

We expect continuing activity in the future and we are evaluating the extent to which potential changes to environmental laws and regulations may:

- increase the operating costs of generating plants,
- increase the lead time and capital costs for the construction of new generating plants,
- require modification of our existing generating plants,
- require existing generating plant operations to be curtailed or shut down,
- reduce the amount of energy available from our generating plants,
- restrict the types of generating plants that can be built or contracted with,
- require construction of specific types of generation plants at higher cost, and
- increase the cost of distributing natural gas to customers.

We have contingent liabilities, including certain matters related to potential environmental liabilities, and cannot predict the outcome of these matters.

In the normal course of our business, we have matters that are the subject of ongoing litigation, mediation, investigation and/or negotiation. We cannot predict the ultimate outcome or potential impact of any particular issue, including the extent, if any, of insurance coverage or that amounts payable by us may be recoverable through the ratemaking process. We are subject to environmental regulation by federal, state and local authorities related to our past, present and future operations. See "Note 19 of the Notes to Consolidated Financial Statements" for further details of these matters.

Technology Risk Factors

Cyber attacks, terrorism or other malicious acts could disrupt our businesses and have a negative impact on our results of operations and cash flows.

In the course of our operations, we rely on interconnected technology systems for operation of our generating plants, electric transmission and distribution systems, natural gas distribution systems, customer billing and customer service, accounting and other administrative processes and compliance with various regulations. In addition, in the ordinary course of business, we collect and retain sensitive information including personal information about our customers and employees.

There are various risks associated with technology systems such as hardware or software failure, communications failure, data distortion or destruction, unauthorized access to data, misuse of proprietary or confidential data, unauthorized control through electronic means, programming mistakes and other deliberate or inadvertent human errors. In particular, cyber attacks, terrorism or other malicious acts could damage, destroy or disrupt these systems. Additionally, the facilities and systems of clients, suppliers and third party service providers could be vulnerable to these same risks and, to the extent of interconnection to our technology, may impact us. Any failure, unexpected, or unauthorized use of technology systems could result in the unavailability of such systems, and could result in a loss of operating revenues, an increase in operating expenses and costs to repair or replace damaged assets. Any of the above could also result in the loss or release of confidential customer and/or employee information or other proprietary data that could adversely affect our reputation and competitiveness, could result in costly litigation and negatively impact our results of operations. As these potential cyber attacks become more common and sophisticated, we could be required to incur costs to strengthen our systems and respond to emerging concerns.

Terrorist attacks could also be directed at physical electric and natural gas facilities, as well as technology systems.

We may be adversely affected by our inability to successfully implement certain technology projects.

We are currently planning to replace all of our electric meter infrastructure in Washington state with two-way communication advanced metering infrastructure (AMI). There is the risk that regulators will not allow the full recovery of new AMI. In addition, there are inherent risks associated with replacing and changing these types of systems, such as incorrect or nonfunctioning metering and/or delayed or inaccurate customer bills or unplanned outages, which could have a material adverse effect on our results of operations, financial condition and cash flows. Finally, there is the risk that we ultimately do not complete the project and will incur contract cancellation or other costs, which could be significant.

Strategic Risk Factors

Our strategic business plans, which may be affected by any or all of the foregoing, may change, including the entry into new businesses and/or the exit from existing businesses and the extent of our business development efforts where potential future business is uncertain.

Our strategic business plans could be affected by or result in any of the following:

- disruptive innovations in the marketplace may outpace our ability to compete or manage our risk,
- potential difficulties in integrating acquired operations and in realizing expected opportunities, diversions of management resources and losses of key employees, challenges with respect to operating new businesses and other unanticipated risks and liabilities,
- market or other conditions may adversely affect our operations or require changes to our business strategy, which could result in a non-cash goodwill impairment charge that would reduce assets and reduce our net income, and
- potential reputational risk arising from repeated general rate case filings, degradation in the quality of service, or from failed strategic investments and opportunities, which could erode shareholder, customer and community satisfaction with our Company.

External Mandates Risk Factors

External mandate risk involves forces outside the Company, which may include significant changes in customer expectations, disruptive technologies that result in obsolescence of our business model and government action that could impact our Company. See "Item 7. Management's Discussion and Analysis—Environmental Issues and Contingencies" and "Forward-Looking Statements" for discussion of or reference to external mandates which could have a material adverse effect on our results of operations, financial condition and cash flows.

Item 1B. Unresolved Staff Comments

As of the filing date of this Annual Report on Form 10-K, we have no unresolved comments from the staff of the SEC.

Item 2. Properties

AVISTA UTILITIES

Substantially all of Avista Utilities' properties are subject to the lien of Avista Corp.'s mortgage indenture.

Our utility electric properties, located in the states of Washington, Idaho, Montana and Oregon, include the following:

GENERATION PROPERTIES

	No. of Units	Nameplate Rating (MW) [1]	Present Capability (MW) [2]
Hydroelectric Generating Stations (River)			
Washington:			
Long Lake (Spokane)	4	70.0	88.0
Little Falls (Spokane)	4	32.0	35.6
Nine Mile (Spokane) [3]	4	36.8	29.0
Upper Falls (Spokane)	1	10.0	10.2
Monroe Street (Spokane)	1	14.8	15.0
Idaho:			
Cabinet Gorge (Clark Fork) [4]	4	265.0	273.0
Post Falls (Spokane)	6	14.8	15.4
Montana:			
Noxon Rapids (Clark Fork)	5	487.8	562.4
Total Hydroelectric		931.2	1,028.6
Thermal Generating Stations (cycle, fuel source)			
Washington:			
Kettle Falls GS (combined-cycle, wood waste) [5]	1	50.7	53.5
Kettle Falls CT (combined-cycle, natural gas) [5]	1	7.2	6.9
Northeast CT (simple-cycle, natural gas)	2	61.8	64.8
Boulder Park GS (simple-cycle, natural gas)	6	24.6	24.6
Idaho:			
Rathdrum CT (simple-cycle, natural gas)	2	166.5	166.5
Montana:			
Colstrip Units 3 & 4 (simple-cycle, coal) [6]	2	233.4	222.0
Oregon:			
Coyote Springs 2 (combined-cycle, natural gas)	1	295.0	295.0
Total Thermal		839.2	833.3
Total Generation Properties		1,770.4	1,861.9

(1) Nameplate rating, also referred to as "installed capacity," is the manufacturer's assigned power capability under specified conditions.

(2) Present capability is the maximum capacity of the plant under standard test conditions without exceeding specified limits of temperature, stress and environmental conditions. Information is provided as of December 31, 2016.

(3) The project to replace Units 1 and 2 was completed during 2016. The present capability shown is the maximum plant generation we have seen given the water we have had available, because we have not yet had peak water conditions since Units 1 and 2 went into service. As conditions change, we will test plant capability and revise this number accordingly.

(4) For Cabinet Gorge, we have water rights permitting generation up to 265 MW. However, if natural stream flows will allow for generation above our water rights, we are able to generate above our water rights. If natural stream flows only allow for generation at or below 265 MW, we are limited to generation of 265 MW. The present capability disclosed above represents the capability based on maximum stream flow conditions when we are allowed to generate above our water rights.

(5) These generating stations can operate as separate single-cycle plants or combined-cycle with the natural gas plant providing exhaust heat to the wood boiler to increase efficiency.

(6) Jointly owned; data refers to our 15 percent interest.

Electric Distribution and Transmission Plant

Avista Utilities owns and operates approximately 19,000 miles of primary and secondary electric distribution lines providing service to retail customers. We have an electric transmission system of 685 miles of 230 kV line and 1,565 miles of 115 kV line. We also own an 11 percent interest in approximately 500 miles of a 500 kV line between Colstrip, Montana and Townsend, Montana. Our transmission and distribution systems also include numerous substations with transformers, switches, monitoring and metering devices, and other equipment.

The 230 kV lines are the backbone of our transmission grid and are used to transmit power from generation resources, including Noxon Rapids, Cabinet Gorge and the Mid-Columbia hydroelectric projects, to the major load centers in our service area, as well as to transfer power between points of interconnection with adjoining electric transmission systems. These lines interconnect at various locations with the BPA, Grant County PUD, PacifiCorp, NorthWestern Energy and Idaho Power Company and serve as points of delivery for power from generating facilities outside of our service area, including Colstrip, Coyote Springs 2 and the Lancaster Plant.

These lines also provide a means for us to optimize resources by entering into short-term purchases and sales of power with entities within and outside of the Pacific Northwest.

The 115 kV lines provide for transmission of energy and the integration of smaller generation facilities with our service-area load centers, including the Spokane River hydroelectric projects, the Kettle Falls projects, Rathdrum CT, Boulder Park GS and the Northeast CT. These lines interconnect with the BPA, Chelan County PUD, the Grand Coulee Project Hydroelectric Authority, Grant County PUD, NorthWestern Energy, PacifiCorp and Pend Oreille County PUD. Both the 115 kV and 230 kV interconnections with the BPA are used to transfer energy to facilitate service to each other's customers that are connected through the other's transmission system. We hold a long-term transmission agreement with the BPA that allows us to serve our native load customers that are connected through the BPA's transmission system.

Natural Gas Plant

Avista Utilities has natural gas distribution mains of approximately 3,400 miles in Washington, 2,000 miles in Idaho and 2,300 miles in Oregon. We have natural gas transmission mains of approximately 75 miles in Washington and 50 miles in Oregon. Our natural gas system includes numerous regulator stations, service distribution lines, monitoring and metering devices, and other equipment.

We own a one-third interest in Jackson Prairie, an underground natural gas storage field located near Chehalis, Washington. See "Part 1—Item 1. Business—Avista Utilities—Natural Gas Operations" for further discussion of Jackson Prairie.

ALASKA ELECTRIC LIGHT AND POWER COMPANY

Substantially all of AEL&P's utility properties are subject to the lien of the AEL&P mortgage indenture.

AEL&P's utility electric properties, located in Alaska include the following:

GENERATION PROPERTIES AND TRANSMISSION AND DISTRIBUTION LINES

	No. of Units	Nameplate Rating (MW) (1)	Present Capability (MW) (2)
Hydroelectric Generating Stations			
Snettisham (3)	3	78.2	78.2
Lake Dorothy	1	14.3	14.3
Salmon Creek	1	8.4	5.0
Annex Creek	2	4.1	3.6
Gold Creek	3	1.6	1.6
Total Hydroelectric		106.6	102.7
Diesel Generating Stations			
Lemon Creek	11	61.4	51.8
Auke Bay	3	28.4	25.2
Gold Creek	5	8.2	7
Industrial Blvd. Plant	1	23.5	23.5
Total Diesel		121.5	107.5
Total Generation Properties		228.1	210.2

(1) Nameplate rating, also referred to as "installed capacity," is the manufacturer's assigned power capability under specified conditions.

(2) Present capability is the maximum capacity of the plant under standard test conditions without exceeding specified limits of temperature, stress and environmental conditions. Information is provided as of December 31, 2016.

(3) AEL&P does not own this generating facility but has a PPA under which it has the right to purchase, and the obligation to pay for (whether or not energy is received), all of the capacity and energy of this facility. See further information at "Part 1. Item 1. Business—Alaska Electric Light and Power Company."

In addition to the generation properties above, AEL&P owns approximately 61 miles of transmission lines, which are primarily comprised of 69 kV line, and approximately 184 miles of distribution lines.

Item 3. Legal Proceedings

See "Note 19 of Notes to Consolidated Financial Statements" for information with respect to legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Avista Corp. Market Information and Dividend Policy

Avista Corp.'s common stock is listed on the New York Stock Exchange under the ticker symbol "AVA." As of January 31, 2017, there were 8,410 registered shareholders of our common stock.

Avista Corp.'s Board of Directors considers the level of dividends on our common stock on a regular basis, taking into account numerous factors including, without limitation:

- our results of operations, cash flows and financial condition,
- the success of our business strategies, and
- general economic and competitive conditions.

Avista Corp.'s net income available for dividends is generally derived from our regulated utility operations (Avista Utilities and AEL&P).

The payment of dividends on common stock could be limited by:

- certain covenants applicable to the Company's outstanding long-term debt and committed line of credit agreements (see "Item 7. Management's Discussion and Analysis—Capital Resources" for compliance with these covenants),
- the hydroelectric licensing requirements of section 10(d) of the FPA (see "Note 1 of Notes to Consolidated Financial Statements"),
- certain requirements under the OPUC approval of the AERC acquisition in 2014. The OPUC's AERC acquisition order requires Avista Utilities to maintain a capital structure of no less than 40 percent common equity (inclusive of short-term debt). This limitation may be revised upon request by the Company with approval from the OPUC, and
- certain covenants applicable to preferred stock (when outstanding) contained in the Company's Restated Articles of Incorporation, as amended (currently there are no preferred shares outstanding).

On February 3, 2017, Avista Corp.'s Board of Directors declared a quarterly dividend of $0.3575 per share on the Company's common stock. This was an increase of $0.0150 per share, or 4.4 percent from the previous quarterly dividend of $0.3425 per share.

For additional information, see "Notes 1, 17 and 18 of Notes to Consolidated Financial Statements."

The following table presents quarterly high and low stock prices as reported on the consolidated reporting system, as well as dividend information:

	Three Months Ended			
	March 31	June 30	September 30	December 31
2016				
Dividends paid per common share	$ 0.3425	$ 0.3425	$ 0.3425	$ 0.3425
Trading price range per common share:				
High	$ 41.12	$ 44.80	$ 44.97	$ 42.63
Low	$ 34.67	$ 38.70	$ 40.43	$ 39.11
2015				
Dividends paid per common share	$ 0.33	$ 0.33	$ 0.33	$ 0.33
Trading price range per common share:				
High	$ 38.30	$ 34.25	$ 33.99	$ 36.06
Low	$ 32.22	$ 30.41	$ 29.93	$ 32.86

For information with respect to securities authorized for issuance under equity compensation plans, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Item 6.

SELECTED FINANCIAL DATA

Avista Corporation
(in thousands, except per share data and ratios)
Years Ended December 31,

	2016	2015	2014	2013	2012
Operating Revenues:					
Avista Utilities	$ 1,372,638	$ 1,411,863	$ 1,413,499	$ 1,403,995	$ 1,354,185
AEL&P	46,276	44,778	21,644	—	—
Other	23,569	28,685	39,219	39,549	38,953
Intersegment eliminations	—	(550)	(1,800)	(1,800)	(1,800)
Total	$ 1,442,483	$ 1,484,776	$ 1,472,562	$ 1,441,744	$ 1,391,338
Income (Loss) from Operations (pre-tax):					
Avista Utilities	$ 277,070	$ 241,228	$ 239,976	$ 232,572	$ 188,778
AEL&P	15,434	14,072	6,221	—	—
Other	(2,701)	(2,086)	6,391	(1,483)	(1,680)
Total	$ 289,803	$ 253,214	$ 252,588	$ 231,089	$ 187,098
Net income from continuing operations	$ 137,316	$ 118,170	$ 119,866	$ 104,333	$ 76,803
Net income from discontinued operations	—	5,147	72,411	7,961	1,997
Net income	$ 137,316	$ 123,317	$ 192,277	$ 112,294	$ 78,800
Net income attributable to noncontrolling interests	$ (88)	$ (90)	$ (236)	$ (1,217)	$ (590)
Net Income (Loss) attributable to Avista Corporation shareholders:					
Avista Utilities	$ 132,490	$ 113,360	$ 113,263	$ 108,598	$ 81,704
AEL&P	7,968	6,641	3,152	—	—
Ecova—Discontinued operations	—	5,147	72,390	7,129	1,825
Other	(3,230)	(1,921)	3,236	(4,650)	(5,319)
Net income attributable to Avista Corp. shareholders	$ 137,228	$ 123,227	$ 192,041	$ 111,077	$ 78,210
Average common shares outstanding—basic	63,508	62,301	61,632	59,960	59,028
Average common shares outstanding—diluted	63,920	62,708	61,887	59,997	59,201
Common shares outstanding at year-end	64,188	62,313	62,243	60,077	59,813
Earnings per common share attributable to Avista Corp. shareholders—basic:					
Earnings per common share from continuing operations	$ 2.16	$ 1.90	$ 1.94	$ 1.74	$ 1.30
Earnings per common share from discontinued operations	—	0.08	1.18	0.11	0.02
Total earnings per common share attributable to Avista Corp. shareholders—basic	$ 2.16	$ 1.98	$ 3.12	$ 1.85	$ 1.32
Earnings per common share attributable to Avista Corp. shareholders—diluted:					
Earnings per common share from continuing operations	$ 2.15	$ 1.89	$ 1.93	$ 1.74	$ 1.30
Earnings per common share from discontinued operations	—	0.08	1.17	0.11	0.02
Total earnings per common share attributable to Avista Corp. shareholders—diluted	$ 2.15	$ 1.97	$ 3.10	$ 1.85	$ 1.32
Dividends declared per common share	$ 1.37	$ 1.32	$ 1.27	$ 1.22	$ 1.16
Book value per common share	$ 25.69	$ 24.53	$ 23.84	$ 21.61	$ 21.06

Avista Corporation
(in thousands, except per share data and ratios)
Years Ended December 31,

	2016	2015	2014	2013	2012
Total Assets at Year-End:					
Avista Utilities	$ 4,975,555	$ 4,601,708	$ 4,357,760	$ 3,930,251	$ 3,883,602
AEL&P	273,770	265,735	263,070	—	—
Other	60,430	39,206	80,141	81,282	95,638
Total [1]	$ 5,309,755	$ 4,906,649	$ 4,700,971	$ 4,011,533	$ 3,979,240
Long-Term Debt and Capital Leases (including current portion)	$ 1,682,004	$ 1,573,278	$ 1,487,126	$ 1,262,036	$ 1,217,520
Nonrecourse Long-Term Debt of Spokane Energy					
(including current portion)	$ —	$ —	$ 1,431	$ 17,838	$ 32,803
Long-Term Debt to Affiliated Trusts	$ 51,547	$ 51,547	$ 51,547	$ 51,547	$ 51,547
Total Avista Corp. Shareholders' Equity	$ 1,648,727	$ 1,528,626	$ 1,483,671	$ 1,298,266	$ 1,259,477
Ratio of Earnings to Fixed Charges [2]	3.32	3.13	3.39	3.02	2.48

(1) The total assets at year-end for the years 2013 and 2012 exclude the total assets associated with Ecova of $339.6 million and $322.7 million, respectively.

(2) See Exhibit 12 for computations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS SEGMENTS

As of December 31, 2016, we have two reportable business segments, Avista Utilities and AEL&P. We also have other businesses which do not represent a reportable business segment and are conducted by various direct and indirect subsidiaries of Avista Corp. See "Part I, Item 1. Business—Company Overview" for further discussion of our business segments.

The following table presents net income (loss) attributable to Avista Corp. shareholders for each of our business segments (and the other businesses) for the year ended December 31 (dollars in thousands):

	2016	2015	2014
Avista Utilities	$ 132,490	$ 113,360	$ 113,263
AEL&P	7,968	6,641	3,152
Ecova—Discontinued operations [1]	—	5,147	72,390
Other	(3,230)	(1,921)	3,236
Net income attributable to Avista Corporation shareholders	$ 137,228	$ 123,227	$ 192,041

(1) The results for the year ended December 31, 2014 include the net gain on sale of Ecova of $69.7 million.

EXECUTIVE LEVEL SUMMARY

Overall Results

Net income attributable to Avista Corp. shareholders was $137.2 million for 2016, an increase from $123.2 million for 2015. Avista Utilities' earnings increased primarily due to an increase in electric and natural gas gross margin as a result of general rate increases and the implementation of decoupling mechanisms in Idaho and Oregon. See "Results of Operations—Avista Utilities—Non-GAAP Financial Measures" for further discussion of gross margin. Also, there was a reduction in the electric provision for earnings sharing (which is an offset to revenue). Retail electric loads decreased as compared to prior year and retail natural gas loads increased as compared to prior year, but the impact of changes in load as compared to normal for electric and natural gas was mostly offset by decoupling mechanisms.

In addition to the fluctuations in gross margin, there were increases in other operating expenses, depreciation, and interest expense. There was also an increase in earnings at AEL&P offset by an increase in the net loss at the other businesses.

More detailed explanations of the fluctuations are provided in the results of operations and business segment discussions (Avista Utilities, AEL&P, and the other businesses) that follow this section.

2016 Washington General Rate Cases

In December 2016, the UTC issued an order related to our Washington electric and natural gas general rate cases that were originally filed with the UTC in February 2016. The UTC order denied the Company's proposed electric and natural gas rate increase requests totaling $43.0 million. Accordingly, our current electric and natural gas retail rates will remain unchanged in Washington State.

In December 2016, we filed a Petition for Reconsideration or, in the alternative, Rehearing (Petition) with the UTC. The UTC provided notice inviting parties to respond to our Petition, stating that it expects to rule on the Petition on or before March 16, 2017. If our efforts to obtain rates that are fair, just, reasonable and sufficient are not successful, our 2017 earnings will suffer a significant adverse impact. We believe the UTC order will not allow us to earn a reasonable return on investments that we have already made in our infrastructure. In addition, the order will provide no opportunity for us to earn the return on equity authorized by the UTC or a fair return for shareholders. In the order, the UTC did not specifically disallow any of our capital projects, and we continue to believe these investments are necessary and will be recoverable in rates in the future.

In 2017, we expect our operating costs to continue to grow along the same trend we have been experiencing recently; however, if our current Washington rates remain in effect, we expect to earn below our currently authorized return on equity (ROE). The order will result in regulatory lag, and, accordingly, we expect to experience earnings contraction in 2017 of $0.20 to $0.30 per diluted share as compared to 2016 actual results.

See "Item 7. Management's Discussion and Analysis—Regulatory Matters" for additional discussion surrounding this general rate case and all of our other outstanding general rate cases.

Alaska Energy and Resources Company Acquisition

On July 1, 2014, we acquired AERC, based in Juneau, Alaska. The completion of this transaction limits the comparability of the financial results for 2016 and 2015 to those for 2014 since the first half of 2014 does not contain any financial results from AERC. This transaction resulted in the recording of $52.4 million in goodwill. For additional information regarding the AERC transaction, including pro forma financial comparisons, see "Note 4 of the Notes to Consolidated Financial Statements."

Ecova Disposition

On June 30, 2014, Avista Capital completed the sale of its interest in Ecova for a sales price of $335.0 million in cash, less the payment of debt and other customary closing adjustments. The sale of Ecova provided total cash proceeds to Avista Corp., net of debt, payment to option and minority holders, income taxes and transaction expenses, of $143.7 million and resulted in a net gain of $74.8 million. Most of the net gain was recognized in 2014 with some minor true-ups during 2015.

The completion of this transaction limits the comparability of the financial results for 2016 and 2015 to those for 2014 since the first half of 2014 contains the financial results of Ecova (in discontinued operations) and 2015 and 2016 do not have any material results from Ecova. For additional information regarding the Ecova disposition, see "Note 5 of the Notes to Consolidated Financial Statements."

REGULATORY MATTERS

General Rate Cases

We regularly review the need for electric and natural gas rate changes in each state in which we provide service. We will continue to file for rate adjustments to:

- seek recovery of operating costs and capital investments, and
- seek the opportunity to earn reasonable returns as allowed by regulators.

With regards to the timing and plans for future filings, the assessment of our need for rate relief and the development of rate case plans takes into consideration short-term and long-term needs, as well as specific factors that can affect the timing of rate filings. Such factors include, but are not limited to, in-service dates of major capital investments and the timing of changes in major revenue and expense items.

AVISTA UTILITIES

Washington General Rate Cases

2014 General Rate Cases

In November 2014, the UTC approved an all-party settlement agreement related to our electric and natural gas general rate cases filed in February 2014 and new rates became effective on January 1, 2015. The settlement was designed to increase annual electric base revenues by $12.3 million, or 2.5 percent. The settlement was designed to increase annual natural gas base revenues by $8.5 million, or 5.6 percent. The settlement agreement also included the implementation of decoupling mechanisms for electric and natural gas and a related after-the-fact earnings test. See "Decoupling and Earnings Sharing Mechanisms" below for further discussion of these mechanisms.

Specific capital structure ratios and the cost of capital components were not agreed to in the settlement agreement. The revenue increases in the settlement were not tied to the 7.32 percent rate of return on rate base (ROR) used in conjunction with the after-the fact earnings test discussed under "Decoupling and Earnings Sharing Mechanisms" below. The electric and natural gas revenue increases were negotiated numbers, with each party using its own set of assumptions underlying its agreement to the revenue increases. The parties agreed that the 7.32 percent ROR will be used to calculate the AFUDC and will be used for other purposes.

2015 General Rate Cases

In January 2016, we received an order (Order 05) that concluded our electric and natural gas general rate cases that were originally filed with the UTC in February 2015. New electric and natural gas rates were effective on January 11, 2016.

The UTC-approved rates are designed to provide a 1.6 percent, or $8.1 million decrease in electric base revenue, and a 7.4 percent, or $10.8 million increase in natural gas base revenue. The UTC also approved an ROR of 7.29 percent, with a common equity ratio of 48.5 percent and a 9.5 percent ROE.

UTC Order Denying Industrial Customers of Northwest Utilities / Public Counsel Joint Motion for Clarification, UTC Staff Motion to Reconsider and UTC Staff Motion to Reopen Record

On January 19, 2016, the Industrial Customers of Northwest Utilities (ICNU) and the Public Counsel Unit of the Washington State Office of the Attorney General (PC) filed a Joint Motion for Clarification with the UTC. In the Motion for Clarification, ICNU and PC requested that the UTC clarify the calculation of the electric attrition adjustment and the end-result revenue decrease of $8.1 million. ICNU and PC provided their own calculations in their Motion, and suggested that the revenue decrease should have been $19.8 million based on their reading of the UTC's Order.

On January 19, 2016, the UTC Staff, which is a separate party in the general rate case proceedings from the UTC Advisory Staff, filed a Motion to Reconsider with the UTC. In its Motion to Reconsider, the Staff provided calculations and explanations that suggested that the electric revenue decrease should have been a revenue decrease of $27.4 million instead of $8.1 million, based on its reading of the UTC's Order. Further, on February 4, 2016, the UTC Staff filed a Motion to Reopen Record for the Limited Purpose of Receiving into Evidence Instruction on Use and Application of Staff's Attrition Model, and sought to supplement the record "to incorporate all aspects of the Company' Power Cost Update." Within this Motion, UTC Staff updated its suggested electric revenue decrease to $19.6 million.

None of the parties in their Motions raised issues with the UTC's decision on the natural gas revenue increase of $10.8 million.

On February 19, 2016, the UTC issued an order (Order 06) denying the Motions summarized above and affirmed Order 05 including an $8.1 million decrease in electric base revenue.

PC Petition for Judicial Review

On March 18, 2016, PC filed in Thurston County Superior Court a Petition for Judicial Review of the UTC's Order 05 and Order 06 described above that concluded our 2015 electric and natural gas general rate cases. In its Petition for Judicial Review, PC seeks judicial review of five aspects of Order 05 and Order 06, alleging, among other things, that (1) the UTC exceeded its statutory authority by setting rates for our natural gas and electric services based on amounts for utility plant and facilities that are not "used and useful" in providing utility service to customers; (2) the UTC acted arbitrarily and capriciously in granting an attrition adjustment for our electric operations after finding that the we did not meet the newly articulated standard regarding attrition adjustments; (3) the UTC erred in applying the "end results test" to set rates for our electric operations that are not supported by the record; (4) the UTC did not correct its calculation of our electric rates after significant errors were brought to its attention; and (5) the UTC's calculation of our electric rates lacks substantial evidence.

PC is requesting that the Court (1) vacate or set aside portions of the UTC's orders; (2) identify the errors contained in the UTC's orders; (3) find that the rates approved in Order 05 and reaffirmed in Order 06 are unlawful and not fair, just and reasonable; (4) remand the matter to the UTC for further proceedings consistent with these rulings, including a determination of our revenue requirement for electric and natural gas services; and (5) find the customers are entitled to a refund.

On April 18, 2016, PC filed an application with the Thurston County Superior Court to certify this matter for review directly by the Court of Appeals, an intermediate appellate court in the State of Washington. After briefing and argument, the matter was certified on April 29, 2016 and accepted by the Court of Appeals on July 29, 2016. The parties are providing briefs to the Court, after which the Court will set the matter for argument. A decision from the Court is not expected until late 2017, at the earliest.

The new rates established by Order 05 will continue in effect while the Petition for Judicial Review is being considered. We believe the UTC's Order 05 and Order 06 finalizing the electric and natural gas general rate cases provide a reasonable end result for all parties. If the outcome of the judicial review were to result in an electric rate reduction greater than the decrease ordered by the UTC, it may not provide us with a reasonable opportunity to earn the rate of return authorized by the UTC.

2016 General Rate Cases

On December 15, 2016, the UTC issued an order related to our Washington electric and natural gas general rate cases that were originally filed with the UTC in February 2016. The UTC order denied the Company's proposed electric and natural gas rate increase requests of $38.6 million and $4.4 million, respectively. Accordingly, our current electric and natural gas retail rates will remain unchanged in Washington State.

Our original requests were based on a proposed ROR of 7.64 percent with a common equity ratio of 48.5 percent and a 9.9 percent ROE.

On December 23, 2016 we filed a Petition for Reconsideration or, in the alternative, Rehearing (Petition) with the UTC related to our 2016 general rate cases.

The UTC's Order and Avista Corp.'s Response

The primary reason given by the UTC in reaching its conclusion is that, in our request, we did not follow an "appropriate methodology" to show the existence of attrition, as between historical data and current and projected data. Further, the order states that, among other things, we did not demonstrate, as a necessary condition to being allowed an attrition adjustment, that we have suffered from chronic under-earning caused by circumstances beyond our ability to control. We disagree with the UTC as to various questions of fact and law.

In support of its decision, the UTC stated that we did not demonstrate that our current revenue is insufficient for covering costs and providing the opportunity to earn a reasonable return during the 2017 rate period. The UTC also stated that we did not demonstrate that our capital expenditures and increased operating costs are both necessary and immediate.

Our Petition responding to the UTC's order points to evidence in the case that demonstrates, contrary to the UTC's findings, the following:

- Current retail rates are not sufficient for the 2017 rate period, and therefore a revenue increase is necessary. In previously filed testimony, UTC Staff agreed that current rates were not sufficient.
- The costs associated with the growth in rate base and operating expenses are growing at a faster pace than revenue from retail sales, and therefore a revenue adjustment is necessary to close this gap. The revenue adjustment to close this gap is sometimes called an attrition adjustment. In previously filed testimony, UTC Staff agreed that a revenue adjustment is necessary to close this gap.
- All of the capital projects and operating expenses we included in the case are necessary in the time frame proposed in order for us to continue to provide safe, reliable service to customers. No party in the case identified a single capital project that should not be completed in the time frame we proposed (other than Public Counsel's general opposition to AMI).
- We presented all of the studies and analyses in this case, consistent with our previous filings with the UTC, and the UTC Staff acknowledged in previously filed testimony, that we provided such studies.
- We earned close to our allowed return on equity during each of the years 2013 through 2015, and into 2016. This opportunity was possible only with the revenue increases related to attrition adjustments, and an attrition adjustment is also necessary for 2017.

In previously filed testimony, the UTC Staff supported electric and natural gas revenue increases totaling $28.4 million. Commissioner Jones dissented and did not support the decision. In his dissent, Commissioner Jones supported an electric revenue increase of $26.0 million, and a natural gas increase of $2.4 million, based on UTC Staff's analysis.

In response to our Petition, on December 27, 2016 the UTC issued a "Notice of Opportunity to File Answers to Petition for Reconsideration or Rehearing." In its Notice the UTC requested parties to the case to file written answers to our Petition and all interested parties filed written answers to the Petition in January 2017. The UTC's notice indicated that it expects to enter an order resolving the Petition no later than March 16, 2017.

In UTC Staff's Answer to our Petition, UTC Staff essentially abandoned its previous recommendations to the UTC, and supported no electric and natural gas revenue increases. In our Motion to Respond, and Response Comments, to the Answers of the parties, filed January 20, 2017, we noted the inappropriateness of UTC Staff's changed position, which was without any basis in new or changed facts or circumstances. The other parties generally supported the UTC decision in their Answers to our Petition.

Future General Rate Case Filings

We plan to file new electric and natural gas general rate cases in Washington in the second quarter of 2017. We will address the issues raised by the UTC in the most recent rate order, including, but not limited to, multi-year rate plans to address the concerns over frequency of filings, the necessity of an attrition adjustment for the opportunity to earn our allowed return in a period when growth rates in investment in plant and operating expenses outpace growth in energy sales, and whether our current spending levels are both necessary and immediate to provide safe and reliable service to our customers.

We may also seek an order from the UTC allowing for the deferral for later recovery of ongoing costs associated with AMI.

Accounting Order to Defer Existing Washington Electric Meters

In March 2016, the UTC granted our Petition for an Accounting Order to defer and include in a regulatory asset the undepreciated value of our existing Washington electric meters for the opportunity for later recovery. This accounting treatment is related to our plans to replace approximately 253,000 of our existing electric meters with new two-way digital meters and the related software and support services through our AMI project in Washington State. Replacement of the meters is expected to begin in the second half of 2017.

The prudence of the overall AMI project and ultimate recovery of the regulatory assets and the costs of the new meters will be addressed in a future regulatory proceeding. The undepreciated value estimated for the existing meters is approximately $19.1 million. For ratemaking purposes, the existing electric meters won't be recorded as regulatory assets until they are physically removed from service, but for GAAP purposes, they are regulatory assets upon the commitment by management to retire the meters.

Idaho General Rate Cases

2015 General Rate Cases

In December 2015, the IPUC approved a settlement agreement between Avista Utilities and all interested parties related to our electric and natural gas general rate cases, which were originally filed with the IPUC on June 1, 2015. New rates were effective on January 1, 2016.

The settlement agreement is designed to increase annual electric base revenues by $1.7 million or 0.7 percent and annual natural gas base revenues by $2.5 million or 3.5 percent. The settlement is based on an ROR of 7.42 percent with a common equity ratio of 50 percent and a 9.5 percent ROE.

The settlement agreement also reflects the following:

- the discontinuation of the after-the-fact earnings test (provision for earnings sharing) that was originally agreed to as part of the settlement of our 2012 electric and natural gas general rate cases, and
- the implementation of electric and natural gas Fixed Cost Adjustment mechanisms, as discussed below.

2016 General Rate Cases

In December 2016, the IPUC approved a settlement agreement between us and other parties in our electric general rate case, concluding our Idaho electric general rate case originally filed in May 2016. New rates took effect on January 1, 2017 under the settlement agreement. We did not file a natural gas general rate case in 2016.

The settlement agreement increases annual electric base rates by 2.6 percent (designed to increase annual electric revenues by $6.3 million). The settlement revenue increase is based on a ROR of 7.58 percent with a common equity ratio of 50 percent and a 9.5 percent ROE.

In addition to the agreed upon increase in electric revenues to recover costs primarily driven by our increased capital investments in infrastructure to serve customers, the settlement agreement includes the continued recovery of approximately $4.1 million in costs related to the Palouse Wind Project through the PCA mechanism rather than through base rates.

In our original request we requested an overall increase in base electric rates of 6.3 percent (designed to increase annual electric revenues by $15.4 million), effective January 1, 2017.

Our original request was based on a proposed ROR of 7.78 percent with a common equity ratio of 50 percent and a 9.9 percent ROE.

Oregon General Rate Cases

2013 General Rate Case

In January 2014, the OPUC approved a settlement agreement in our natural gas general rate case (originally filed in August 2013). As agreed to in the settlement, new rates were implemented in two phases: February 1, 2014 and November 1, 2014. Effective February 1, 2014, rates increased for Oregon natural gas customers on a billed basis by an overall 4.4 percent (designed to increase annual revenues by $3.8 million). Effective November 1, 2014, rates for Oregon natural gas customers were to increase on a billed basis by an overall 1.6 percent (designed to increase annual revenues by $1.4 million).

The billed rate increase on November 1, 2014 was dependent upon the completion of Project Compass and the actual costs incurred through September 30, 2014, and the actual costs incurred through June 30, 2014 related to the Company's Aldyl A distribution pipeline replacement program. Project Compass was completed in February 2015. The November 1, 2014 rate increase was reduced from $1.4 million to $0.3 million due to the delay of Project Compass.

The approved settlement agreement provided an authorized ROR of 7.47 percent, with a common equity ratio of 48 percent and a 9.65 percent ROE.

2014 General Rate Case

In March 2015, we filed an all-party settlement agreement with the OPUC related to our natural gas general rate case, which was originally filed in September 2014. The settlement agreement was designed to increase base natural gas revenues by $5.3 million. Included in this base rate increase is $0.3 million in base revenues that we were already receiving from customers through a separate rate adjustment. Therefore, the net increase in base revenues was $5.0 million, or 4.9 percent on a billed basis. The parties requested that new retail rates become effective on April 16, 2015. On April 9, 2015, the OPUC issued an Order approving the settlement agreement as filed.

This settlement agreement provided for an overall authorized ROR of 7.516 percent with a common equity ratio of 51 percent and a 9.5 percent ROE.

2015 General Rate Case

On February 29, 2016, the OPUC issued a preliminary order (and a final order on March 15, 2016) concluding our natural gas general rate case, which was originally filed with OPUC in May 2015. The OPUC order approved rates designed to increase overall billed natural gas rates by 4.9 percent (designed to increase annual natural gas revenues by $4.5 million). New rates went into effect on March 1, 2016. The final OPUC order incorporated two partial settlement agreements which were entered into during November 2015 and January 2016.

The OPUC order provided an authorized ROR of 7.46 percent with a common equity ratio of 50 percent and a 9.4 percent ROE.

The November 2015 partial settlement agreement, approved by the OPUC, included a provision for the implementation of a decoupling mechanism, similar to the Washington and Idaho mechanisms described below. See further description and a summary of the balances recorded under this mechanism below.

2016 General Rate Case

On November 30, 2016 we filed a natural gas general rate case with the OPUC. We have requested an overall increase in base natural gas rates of 14.5 percent (designed to increase annual natural gas revenues by $8.5 million). Our request is based on a proposed ROR of 7.83 percent with a common equity ratio of 50 percent and a 9.9 percent ROE. The OPUC has up to 10 months to review our request and issue a decision.

ALASKA ELECTRIC LIGHT AND POWER COMPANY

Alaska General Rate Case

In September 2016, AEL&P filed an electric general rate case with the RCA. AEL&P was granted a refundable interim base rate increase of 3.86 percent (designed to increase electric revenues by $1.3 million), that took effect in November 2016. AEL&P has also requested a permanent base rate increase of an additional 4.24 percent (designed to increase electric revenues by $1.5 million), which, if approved, could take effect in February 2018. This represents a combined total rate increase of 8.1 percent (designed to increase electric revenues by $2.8 million).

Included in the general rate case are additional annual revenues of $2.9 million from the Greens Creek Mine, which offsets a portion of the rate increase to retail customers that would otherwise occur.

The RCA must rule on permanent rate increase requests within 450 days (approximately 15 months) from the date of filing, unless otherwise extended by consent of the parties. The statutory timeline for the AEL&P GRC, with the consent of the parties, has been extended to February 8, 2018.

The rate request is based largely on the addition of a new backup generation plant (Industrial Blvd. Plant) to rate base.

AVISTA UTILITIES

Purchased Gas Adjustments

PGAs are designed to pass through changes in natural gas costs to Avista Utilities' customers with no change in gross margin (operating revenues less resource costs) or net income. In Oregon, we absorb (cost or benefit) 10 percent of the difference between actual and projected natural gas costs included in retail rates for supply that is not hedged. Total net deferred natural gas costs among all jurisdictions were a liability of $30.8 million as of December 31, 2016 and a liability of $17.9 million as of December 31, 2015, and these deferred natural gas costs balances represent amounts due to customers.

The following PGAs went into effect in our various jurisdictions during 2014, 2015 and 2016:

Jurisdiction	PGA Effective Date	Percentage Increase/ (Decrease) in Billed Rates
Washington	November 1, 2014	1.2%
	November 1, 2015	(15.0)%
	November 1, 2016	(8.0)%
Idaho	November 1, 2014	(2.1)%
	November 1, 2015	(14.5)%
	November 1, 2016	(7.8)%
Oregon	November 1, 2014	8.3%
	November 1, 2015	(14.1)%
	November 1, 2016	(6.0)%

Power Cost Deferrals and Recovery Mechanisms

The ERM is an accounting method used to track certain differences between Avista Utilities' actual power supply costs, net of wholesale sales and sales of fuel, and the amount included in base retail rates for our Washington customers. Total net deferred power costs under the ERM were a liability of $21.3 million as of December 31, 2016 compared to a liability $18.0 million as of December 31, 2015, and these deferred power cost balances represent amounts due to customers.

The difference in net power supply costs under the ERM primarily results from changes in:

- short-term wholesale market prices and sales and purchase volumes,
- the level and availability of hydroelectric generation,
- the level and availability of thermal generation (including changes in fuel prices), and
- retail loads.

Under the ERM, Avista Utilities absorbs the cost or receives the benefit from the initial amount of power supply costs in excess of or below the level in retail rates, which is referred to as the deadband. The annual (calendar year) deadband amount is $4.0 million.

The following is a summary of the ERM:

Annual Power Supply Cost Variability	Deferred for Future Surcharge or Rebate to Customers	Expense or Benefit to the Company
within +/- $0 to $4 million (deadband)	0%	100%
higher by $4 million to $10 million	50%	50%
lower by $4 million to $10 million	75%	25%
higher or lower by over $10 million	90%	10%

Under the ERM, Avista Utilities makes an annual filing on or before April 1 of each year to provide the opportunity for the UTC staff and other interested parties to review the prudence of and audit the ERM deferred power cost transactions for the prior calendar year. We made our annual filing on March 31, 2016. The ERM provides for a 90-day review period for the filing; however, the period may be extended by agreement of the parties or by UTC order. The 2015 ERM deferred power costs transactions were approved by an order from the UTC.

Avista Utilities has a PCA mechanism in Idaho that allows us to modify electric rates on October 1 of each year with IPUC approval. Under the PCA mechanism, we defer 90 percent of the difference between certain actual net power supply expenses and the amount included in base retail rates for our Idaho customers. The October 1 rate adjustments recover or rebate power supply costs deferred during the preceding July–June twelve-month period. Total net power supply costs deferred under the PCA mechanism were a liability of $2.2 million as of December 31, 2016 compared to an asset of $0.2 million as of December 31, 2015.

Decoupling and Earnings Sharing Mechanisms

Decoupling is a mechanism designed to sever the link between a utility's revenues and consumers' energy usage. In each of Avista Utilities' jurisdictions, each month Avista Utilities' electric and natural gas revenues are adjusted so as to be based on the number of customers in certain customer rate classes, rather than kilowatt hour and therm sales. The difference between revenues based on the number of customers and revenues based on actual usage is deferred and either surcharged or rebated to customers beginning in the following year.

Washington Decoupling and Earnings Sharing

In Washington, the UTC approved our decoupling mechanisms for electric and natural gas for a five-year period beginning January 1, 2015. Electric and natural gas decoupling surcharge rate adjustments to customers are limited to 3 percent on an annual basis, with any remaining surcharge balance carried forward for recovery in a future period. There is no limit on the level of rebate rate adjustments.

The decoupling mechanisms each include an after-the-fact earnings test. At the end of each calendar year, separate electric and natural gas earnings calculations are made for the prior calendar year. These earnings tests reflect actual decoupled revenues, normalized power supply costs and other normalizing adjustments.

- If we have a decoupling rebate balance for the prior year and earn in excess of the authorized ROR (7.32 percent for 2015 and 7.29 percent for 2016), the rebate to customers would be increased by 50 percent of the earnings in excess of the authorized ROR.
- If we have a decoupling rebate balance for the prior year and our earnings are equal to or less than the authorized ROR, only the base amount of the rebate to customers would be made.
- If we have a decoupling surcharge balance for the prior year and earn in excess of the authorized ROR, the surcharge to customers would be reduced by 50 percent of the earnings in excess of the authorized ROR (or eliminated). If 50 percent of the earnings in excess of the authorized ROR exceeds the decoupling surcharge balance, the dollar amount that exceeds the surcharge balance would create a rebate balance for customers.
- If we have a decoupling surcharge balance for the prior year and our earnings are equal to or less than the authorized ROR, the base amount of the surcharge to customers would be made.

See below for a summary of cumulative balances under the decoupling and earnings sharing mechanisms.

Idaho FCA and Earnings Sharing Mechanisms

In Idaho, the IPUC approved the implementation of FCAs for electric and natural gas (similar in operation and effect to the Washington decoupling mechanisms) for an initial term of three years, beginning January 1, 2016.

For the period 2013 through 2015, we had an after-the-fact earnings test, such that if Avista Corp., on a consolidated basis for electric and natural gas operations in Idaho, earned more than a 9.8 percent ROE, we were required to share with customers 50 percent of any earnings above the 9.8 percent. There was no provision for a surcharge to customers if our ROE was less than 9.8 percent. This after-the-fact earnings test was discontinued as part of the settlement of our 2015 Idaho electric and natural gas general rates cases (discussed in further detail above).

See below for a summary of cumulative balances under the decoupling and earnings sharing mechanisms.

Oregon Decoupling Mechanism

In February 2016, the OPUC approved the implementation of a decoupling mechanism for natural gas, similar to the Washington and Idaho mechanisms described above. The decoupling mechanism became effective on March 1, 2016. There will be an opportunity for interested parties to review the mechanism and recommend changes, if any, by September 2019. An earnings review is conducted on an annual basis, which is filed by us with the OPUC on or before June 1 of each year for the prior calendar year. In the annual earnings review, if we earn more than 100 basis points above our allowed return on equity, one-third of the earnings above the 100 basis points would be deferred and later returned to customers.

See below for a summary of cumulative balances under the decoupling and earnings sharing mechanisms.

Cumulative Decoupling and Earnings Sharing Mechanism Balances

As of December 31, 2016 and December 31, 2015, we had the following cumulative balances outstanding related to decoupling and earnings sharing mechanisms in our various jurisdictions (dollars in thousands):

	December 31, 2016	December 31, 2015
Washington		
Decoupling surcharge	$ 30,408	$ 10,933
Provision for earnings sharing rebate	(5,113)	(3,422)
Idaho		
Decoupling surcharge	$ 8,292	N/A
Provision for earnings sharing rebate	(5,184)	(8,814)
Oregon		
Decoupling surcharge	$ 2,021	N/A
Provision for earnings sharing rebate	—	—

(N/A) This mechanism did not exist during this time period.

See "Results of Operations—Avista Utilities" for further discussion of the amounts recorded to operating revenues in 2015 and 2016 related to the decoupling and earnings sharing mechanisms.

RESULTS OF OPERATIONS—OVERALL

The following provides an overview of changes in our Consolidated Statements of Income. More detailed explanations are provided, particularly for operating revenues and operating expenses, in the business segment discussions (Avista Utilities, AEL&P, Ecova—Discontinued Operations and the other businesses) that follow this section.

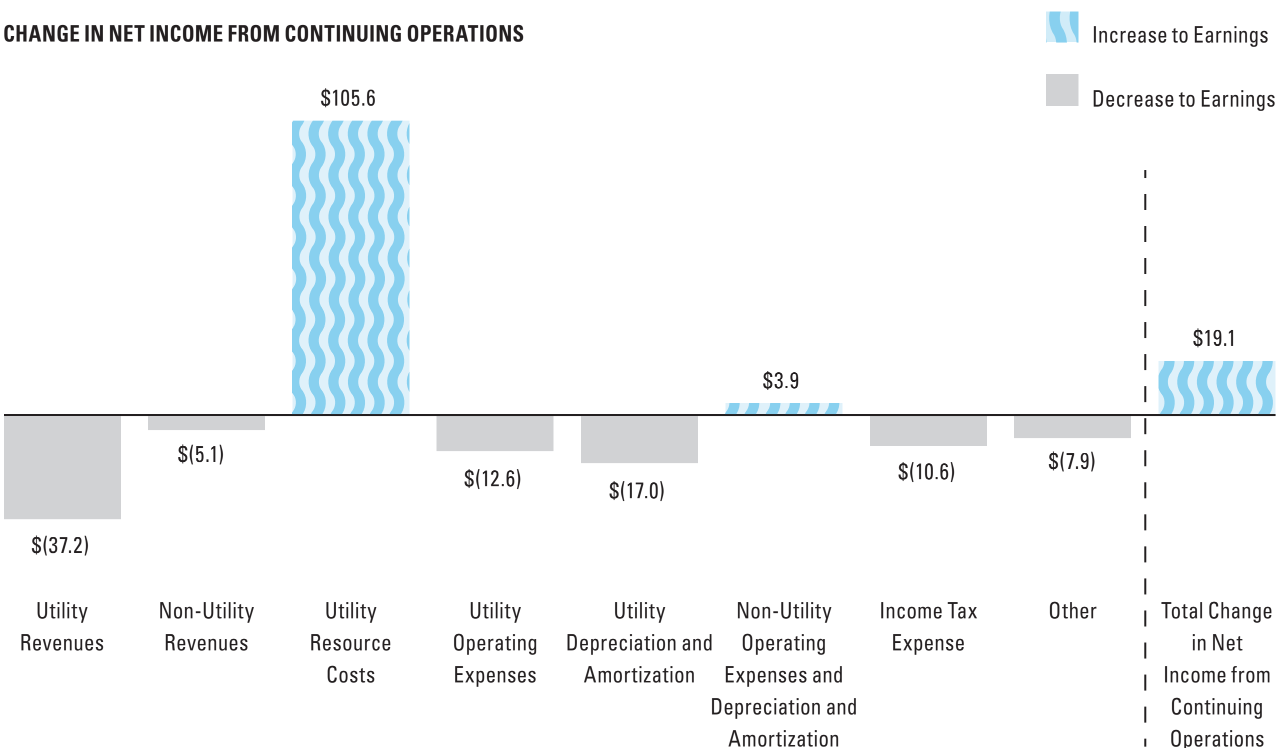
As discussed in "Executive Level Summary," Ecova was disposed of as of June 30, 2014. As a result, in accordance with GAAP, all of Ecova's operating results were removed from each line item on the Consolidated Statements of Income and reclassified into discontinued operations for all periods presented. The discussion of continuing operations below does not include any Ecova amounts. For our discussion of discontinued operations and Ecova, see "Ecova—Discontinued Operations."

The balances included below for utility operations reconcile to the Consolidated Statements of Income. Beginning on July 1, 2014, AEL&P is included in the overall utility results.

2016 Compared to 2015

The following graph shows the total change in net income from continuing operations for the year ended December 31, 2015 to the year ended December 31, 2016, as well as the various factors that caused such change (dollars in millions):

CHANGE IN NET INCOME FROM CONTINUING OPERATIONS



Utility revenues decreased due to a decrease at Avista Utilities, partially offset by a slight increase in AEL&P's revenues. Avista Utilities' electric revenues decreased primarily due to lower retail electric loads caused by weather fluctuations throughout the period, a general rate decrease in Washington and lower wholesale revenues resulting from lower volumes and lower wholesale prices. These revenue decreases were partially offset by a general rate increase in Idaho, the expiration of the ERM rebate to customers in Washington, increased decoupling revenues and a lower provision for earnings sharing. Natural gas revenues decreased primarily due to a decrease in wholesale activity (both a decrease in volumes and prices) and lower retail revenues due to lower prices, partially offset by higher natural gas heating volumes. The decreases in natural gas revenues were partially offset by general rate increases and higher decoupling revenues.

Non-utility revenues decreased due to the long-term fixed rate electric capacity contract that was previously held by Spokane Energy being transferred to Avista Corp. during the second quarter of 2015. The capacity revenue from this contract was included in non-utility revenues when it was held by Spokane Energy during the first quarter of 2015. After the transfer, the revenue is included in Avista Utilities' revenues. The contract expired during December 2016.

Utility resource costs decreased due to a decrease at Avista Utilities. Avista Utilities' electric resource costs decreased primarily due to a decrease in purchased power (from lower volumes purchased and lower wholesale prices) and a decrease in fuel for generation (due in part to increased hydroelectric generation). Natural gas resource costs decreased due to a decrease in natural gas purchased resulting from lower volumes and lower prices.

Utility operating expenses increased due to an increase at Avista Utilities and a slight increase at AEL&P. Avista Utilities' portion of other operating expenses increased due to an increase in medical costs of $3.0 million, electric generation operating and maintenance expenses of $6.8 million, natural gas distribution expenses of $2.2 million and other postretirement benefit expenses of $2.0 million.

Utility depreciation and amortization increased $17.0 million driven by additions to utility plant.

Income tax expense increased primarily due to an increase in income before income taxes, partially offset by excess tax benefits of

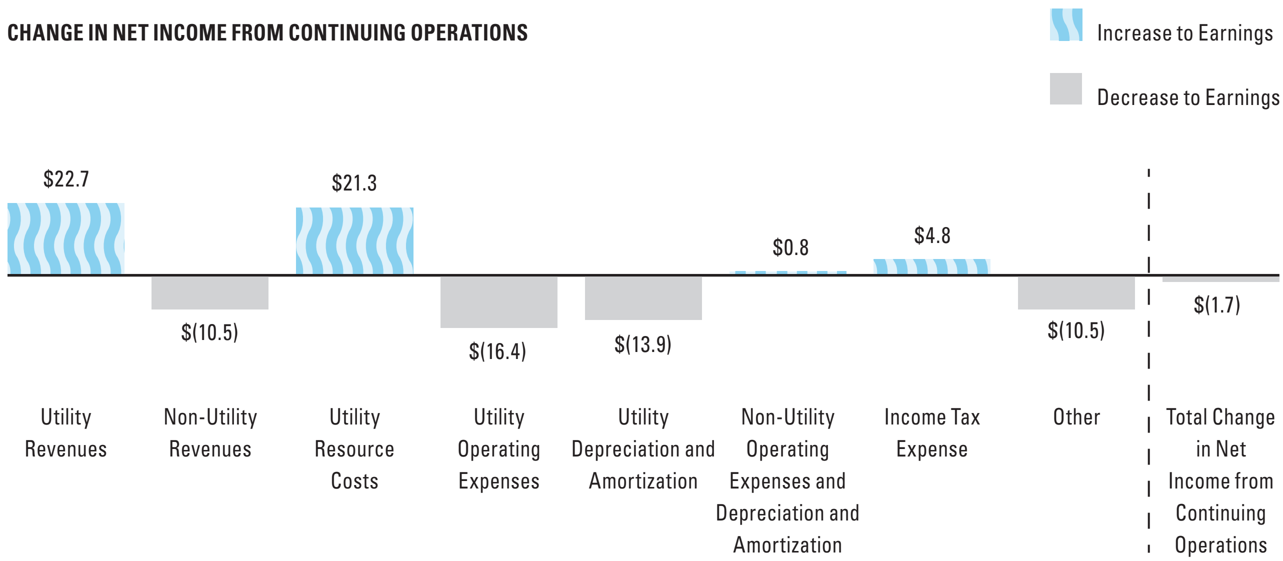
$1.6 million during 2016 relating to the settlement of share-based payment awards. See "Note 2 of the Notes to Consolidated Financial Statements" for further discussion of the excess tax benefits. Our effective tax rate was 36.3 percent for both 2016 and 2015.

Other was primarily related to an increase in interest expense, due to additional debt being outstanding during 2016 as compared to 2015 and partially due to an increase in the overall interest rate. Also, there were losses on investments at our subsidiaries, mainly due to initial organization costs and management fees associated with a new investment.

2015 Compared to 2014

The following graph shows the total change in net income from continuing operations for the year ended December 31, 2014 to the year ended December 31, 2015, as well as the various factors that caused such change (dollars in millions):

CHANGE IN NET INCOME FROM CONTINUING OPERATIONS



Utility revenues increased due to an increase at AEL&P, partially offset by a decrease at Avista Utilities. AEL&P's revenues increased $23.1 million due to a full year of AEL&P results in 2015 as compared to six months in 2014. Avista Utilities' electric revenues decreased due to lower loads from warmer weather, which were partially offset by the decoupling mechanism in Washington, a general rate increase in Washington and a decrease in the provision for earnings sharing (which is an offset to revenue). Avista Utilities' natural gas revenues decreased due to lower heating loads from significantly warmer weather that was partially offset by the decoupling mechanism in Washington and general rate increases.

Other non-utility revenues decreased primarily due to the long-term fixed rate electric capacity contract that was previously held by Spokane Energy being transferred to Avista Corp. during the second quarter of 2015. The capacity revenue from this contract was included in non-utility revenues when it was held by Spokane Energy. After the transfer, the revenue is included in Avista Utilities' revenues.

Utility resource costs decreased due to a decrease at Avista Utilities, partially offset by an increase at AEL&P. AEL&P's resource costs increased $6.1 million due to a full year of AEL&P results in 2015 as compared to six months in 2014. Avista Utilities' electric resource costs decreased primarily due to a decrease in purchased power (from lower volumes purchased, partially offset by higher wholesale prices) and a decrease in other fuel costs. Natural gas resource costs decreased due to a decrease in natural gas purchased resulting from lower prices, partially offset by higher volumes.

Utility operating expenses increased due to an increase at Avista Utilities and at AEL&P. Avista Utilities' portion of other operating expenses increased $11.1 million and AEL&P's other operating expenses increased $5.3 million due to a full year of AEL&P results in 2015 as compared to six months in 2014. Avista Utilities incurred increased generation, transmission and distribution operating expenses of $5.7 million, increased administrative and general wages of $9.8 million and increased pension and other postretirement benefit expenses of $10.0 million. In addition, Avista Utilities incurred incremental storm restoration costs associated with the November 2015 wind storm of approximately $2.9 million. These increases were partially offset by decreases in outside services and generation maintenance of $7.8 million.

Utility depreciation and amortization increased due to additions to utility plant and the inclusion of a full year of AEL&P depreciation as compared to only six months of AEL&P in 2014.

Income tax expense decreased and our effective tax rate was 36.3 percent for 2015 compared to 37.6 percent for 2014. The decrease in expense was primarily due to a decrease in income before income taxes.

Other was primarily related to an increase in interest expense, due to additional debt being outstanding during 2015 as compared to 2014. Also, there were losses on investments at our subsidiaries.

NON-GAAP FINANCIAL MEASURES

The following discussion for Avista Utilities includes two financial measures that are considered "non-GAAP financial measures," electric gross margin and natural gas gross margin. In the AEL&P section, we include a discussion of electric gross margin, which is also a non-GAAP financial measure.

Generally, a non-GAAP financial measure is a numerical measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are included (excluded) in the most directly comparable measure calculated and presented in accordance with GAAP. The presentation of electric gross margin and natural gas gross margin is intended to supplement an understanding of operating performance. We use these measures to determine whether the appropriate amount of revenue is being collected from our customers to allow for the recovery of energy resource costs and operating costs, as well as to analyze how changes in loads (due to weather, economic or other conditions), rates, supply costs and other factors impact our results of operations. In addition, we present electric and natural gas gross margin separately below for Avista Utilities since each business has different cost sources, cost recovery mechanisms and jurisdictions, such that separate analysis is beneficial. These measures are not intended to replace income from operations as determined in accordance with GAAP as an indicator of operating performance. The calculations of electric and natural gas gross margins are presented below.

RESULTS OF OPERATIONS—AVISTA UTILITIES

2016 Compared to 2015

The following table presents Avista Utilities' operating revenues, resource costs and resulting gross margin for the years ended December 31 (dollars in millions):

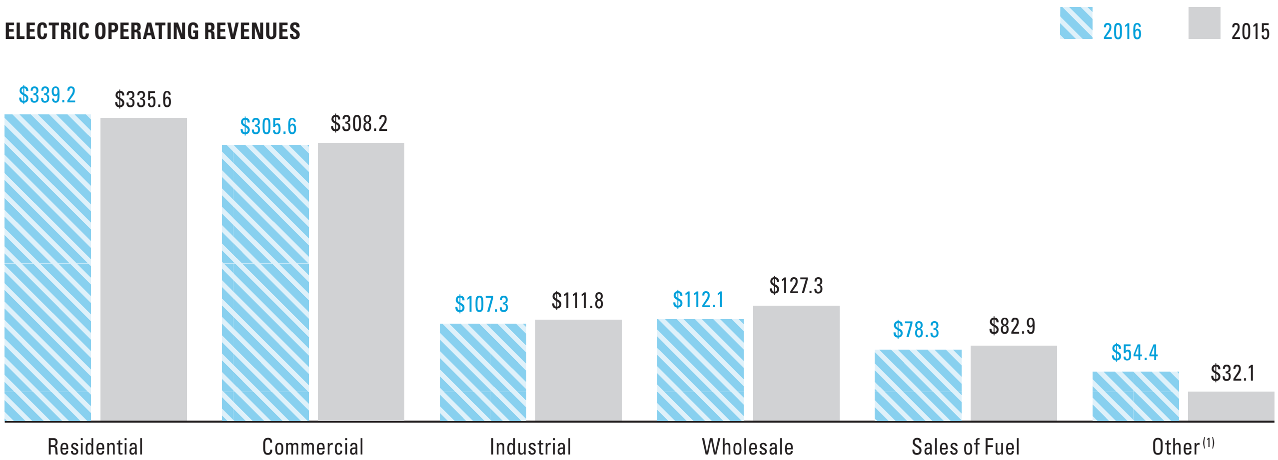
	Electric		Natural Gas		Intracompany		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Operating revenues	$ 996,959	$ 997,873	$ 470,894	$ 521,010	$ (95,215)	$ (107,020)	$ 1,372,638	$ 1,411,863
Resource costs	360,591	400,910	273,976	351,101	(95,215)	(107,020)	539,352	644,991
Gross margin	$ 636,368	$ 596,963	$ 196,918	$ 169,909	$ —	$ —	$ 833,286	$ 766,872

The gross margin on electric sales increased $39.4 million and the gross margin on natural gas sales increased $27.0 million. The increase in electric gross margin was primarily due to general rate increases, lower resource costs, the implementation of decoupling in Idaho and a $6.6 million decrease in the provision for earnings sharing (which is an offset to revenue), partially offset by lower electric loads. The weather was warmer than the prior year in April and May (which decreased electric heating loads) and cooler than the prior year June through August (which decreased electric cooling loads). This was partially offset by the effect of weather that was cooler than the prior year in the first and fourth quarters (which increased electric heating loads). Overall, weather was warmer than normal for most of the year. Retail electric loads decreased as compared to prior year and the impact as compared to normal was mostly offset by decoupling mechanisms. See the table below for a comparison of the amounts recorded for decoupling by jurisdiction. For 2016, we recognized a pre-tax benefit of $5.1 million under the ERM in Washington compared to a benefit of $6.3 million for 2015.

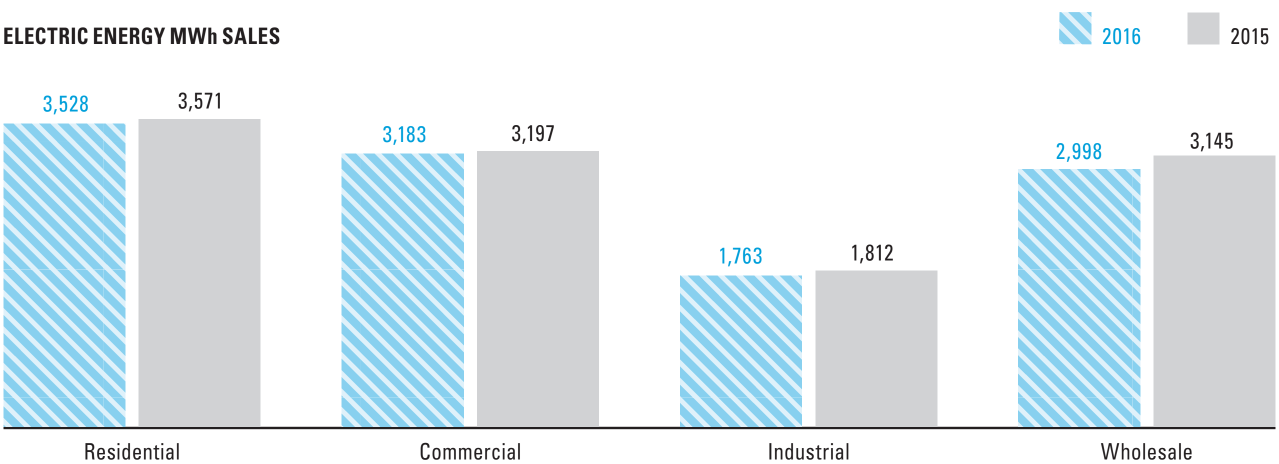
The increase in natural gas gross margin was primarily due to general rate increases in each of our jurisdictions, lower natural gas resources costs, the implementation of decoupling mechanisms in Idaho and Oregon, and higher natural gas retail loads. Weather was cooler in the first quarter (which increased natural gas heating loads), warmer in April and May (which reduced natural gas heating loads) and cooler in the fourth quarter (which increased natural gas heating loads) as compared to the prior year. The period June through September typically does not have significant natural gas retail loads. Overall, retail natural gas loads increased as compared to prior year and the impact as compared to normal (lower loads) was mostly offset by decoupling mechanisms. See the table below for a comparison of the amounts recorded for decoupling by jurisdiction.

Intracompany revenues and resource costs represent purchases and sales of natural gas between our natural gas distribution operations and our electric generation operations (as fuel for our generation plants). These transactions are eliminated in the presentation of total results for Avista Utilities and in the condensed consolidated financial statements but are included in the separate results for electric and natural gas presented below.

The following graphs present Avista Utilities' electric operating revenues and megawatt-hour (MWh) sales for the years ended December 31 (dollars in millions and MWhs in thousands):



(1) *Other electric revenues in the graph above includes public street and highway lighting, which is considered part of retail electric revenues.*



The following table presents Avista Utilities' decoupling and customer earnings sharing mechanisms by jurisdiction that are included in utility electric operating revenues for the years ended December 31 (dollars in thousands):

	Electric Operating Revenues	
	2016	**2015**
Washington		
Decoupling surcharge	$ 11,324	$ 4,740
Provision for earnings sharing (1)	221	(3,423)
Idaho		
Decoupling surcharge	$ 6,025	N/A
Provision for earnings sharing (2)	711	(2,198)

(1) *The provision for earnings sharing in Washington in 2016 resulted from a $2.5 million reduction in the 2015 provision for earnings sharing (which increased 2016 revenues) offset by a $2.3 million provision for earnings sharing for 2016 electric operations.*

(2) *The provision for earnings sharing in Idaho in 2016 resulted from a reduction in the 2015 provision for earnings sharing (which increased 2016 revenues). Beginning in 2016 there is no longer an earnings sharing mechanism in Idaho.*

(N/A) *This mechanism did not exist during this time period.*

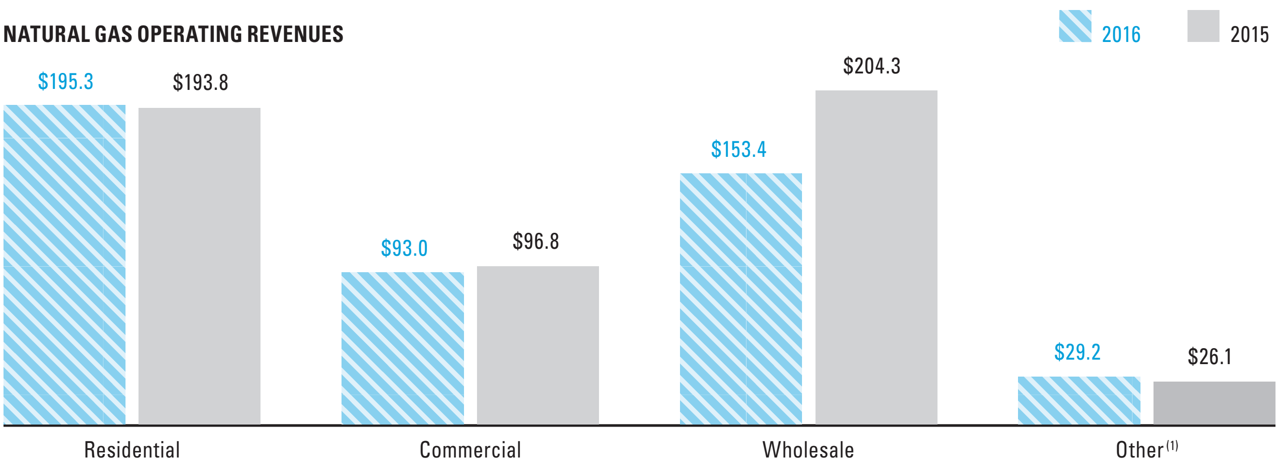
Total electric revenues decreased $0.9 million for 2016 as compared to 2015, affected by the following:

- a $3.0 million decrease in retail electric revenues due to a decrease in total MWhs sold (decreased revenues $9.5 million), partially offset by an increase in revenue per MWh (increased revenues $6.5 million).
  - The increase in revenue per MWh was primarily due to a general rate increase in Idaho and the expiration of the ERM rebate to customers in Washington, partially offset by a general rate decrease in Washington.
  - The decrease in total retail MWhs sold was the result of weather that was cooler in the first quarter (higher electric heating loads), warmer in April and May (lower electric heating loads), cooler June through August (lower electric cooling loads) and cooler in the fourth quarter (higher electric heating loads) as compared to the prior year (which overall decreased electric loads). Compared to 2015, residential electric use per customer decreased 1 percent and commercial use per customer decreased 1 percent. Heating degree days in Spokane were 11 percent below normal and 3 percent above 2015. The impact from increased heating loads was offset by decreased cooling loads in the summer. 2016 cooling degree

days were 29 percent above normal (mostly in June). However, cooling degree days were 41 percent below the prior year. The overall decrease in use per customer was partially offset by growth in the number of customers.
  - There has been a decline in residential use per customer during the last three years and is primarily due to weather fluctuations but also due in part to energy efficiency measures adopted by customers. See "Item 1. Business—Avista Utilities Operating Statistics" for the three-year summary of residential use per customer.
- a $15.2 million decrease in wholesale electric revenues due to a decrease in sales volumes (decreased revenues $5.5 million) and a decrease in sales prices (decreased revenues $9.7 million). The fluctuation in volumes and prices was primarily the result of our optimization activities.
- a $4.6 million decrease in sales of fuel due to a decrease in sales of natural gas fuel as part of thermal generation resource optimization activities. For 2016, $44.0 million of these sales were made to our natural gas operations and are included as intracompany revenues and resource costs. For 2015, $50.0 million of these sales were made to our natural gas operations.
- a $12.6 million increase in electric revenue due to decoupling, which reflected the implementation of a decoupling mechanism in Idaho effective January 1, 2016 and lower retail revenues in 2016 as compared to 2015.
- a $6.6 million decrease in the electric provision for earnings sharing (which increases revenues) due to a $2.5 million reduction in the 2015 provision for earnings sharing in Washington and a $0.7 million reduction in the 2015 provision for earnings sharing in Idaho recorded in 2016. For 2016 electric operations, we recorded a $2.3 million provision for earnings sharing.

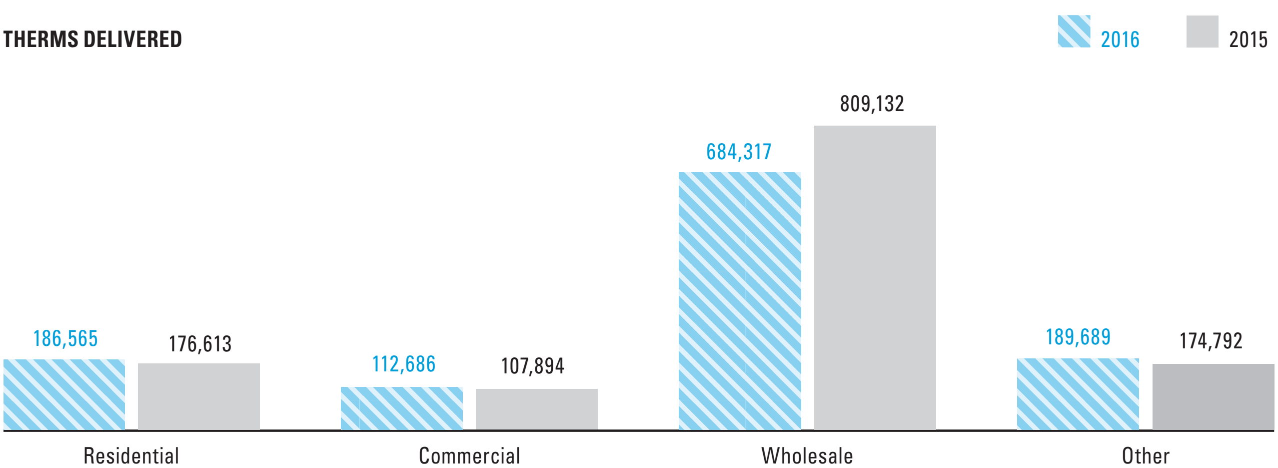
The following graphs present Avista Utilities' natural gas operating revenues and therms delivered for the years ended December 31 (dollars in millions and therms in thousands):

NATURAL GAS OPERATING REVENUES



(1) Other natural gas revenues in the graph above includes interruptible and industrial revenues, which are considered part of retail natural gas revenues.

THERMS DELIVERED



The following table presents Avista Utilities' decoupling and customer earnings sharing mechanisms by jurisdiction that are included in utility natural gas operating revenues for the years ended December 31 (dollars in thousands):

	Natural Gas Operating Revenues	
	2016	2015
Washington		
Decoupling surcharge	$ 8,191	$ 6,004
Provision for earnings sharing	(2,767)	—
Idaho		
Decoupling surcharge	$ 2,206	N/A
Provision for earnings sharing	N/A	—
Oregon		
Decoupling surcharge	1,912	N/A
Provision for earnings sharing	—	—

(N/A) This mechanism did not exist during this time period.

Total natural gas revenues decreased $50.1 million for 2016 as compared to 2015 due to the following:

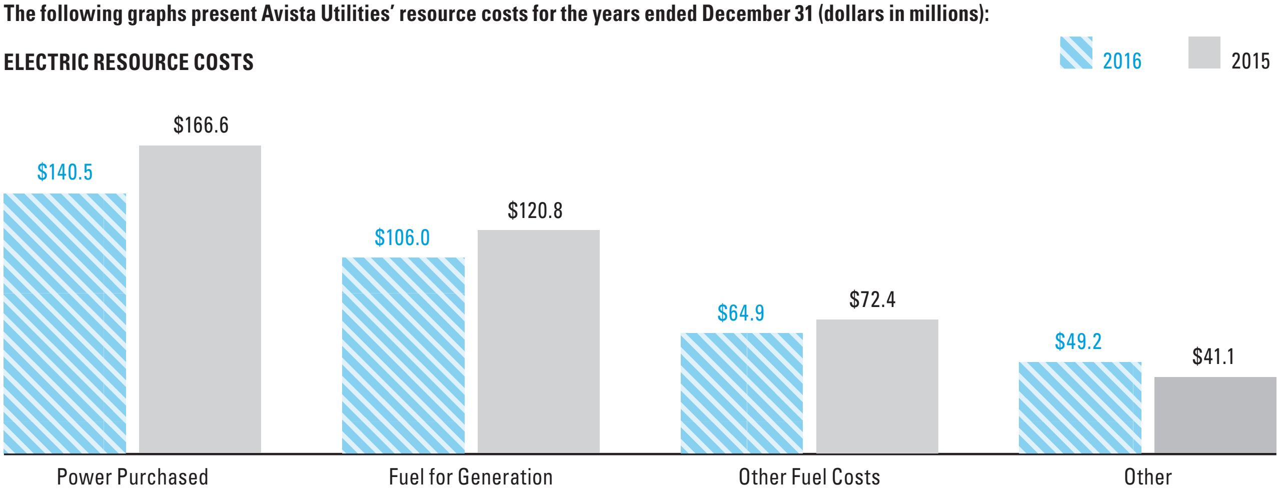
- a $3.4 million decrease in retail natural gas revenues due to lower retail rates (decreased revenues $18.4 million), partially offset by an increase in volumes (increased revenues $15.0 million).
  - Lower retail rates were due to PGAs, which passed through lower costs of natural gas, partially offset by general rate increases.
  - We sold more retail natural gas in 2016 as compared to 2015 primarily due to cooler weather in the first and fourth quarters, as well as customer growth. Compared to 2015, residential use per customer increased 5 percent and commercial use per customer increased 3 percent. Heating degree days in Spokane were 11 percent below historical average for 2016, and 3 percent above 2015. Heating degree days in Medford were 12 percent below historical average for 2016, and 3 percent above 2015.
- a $50.8 million decrease in wholesale natural gas revenues due to a decrease in prices (decreased revenues $22.8 million) and a decrease in volumes (decreased revenues $28.0 million). In 2016, $51.2 million of these sales were made to our electric generation operations and are included as intracompany revenues and resource costs. In 2015, $57.0 million of these sales were made to our electric generation operations. Differences between revenues and costs from sales of resources in excess of retail load requirements and from resource optimization are accounted for through the PGA mechanisms.
- a $6.3 million increase for natural gas decoupling revenues due primarily to the implementation of decoupling mechanisms in Idaho and Oregon, as well as an increase in the decoupling surcharge in Washington.
- a $2.8 million increase in the provision for earnings sharing (which decreases revenues) representing the 2016 provision for Washington natural gas operations.

The following table presents Avista Utilities' average number of electric and natural gas retail customers for the years ended December 31:

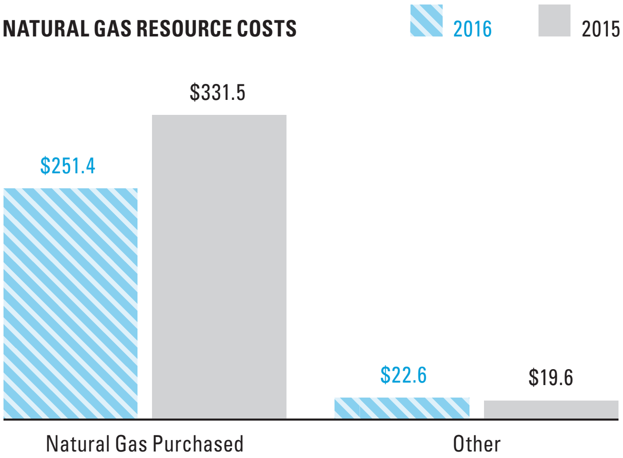
	Electric Customers		Natural Gas Customers	
	2016	2015	2016	2015
Residential	330,699	327,057	300,883	296,005
Commercial	41,785	41,296	34,868	34,229
Interruptible	—	—	37	35
Industrial	1,342	1,353	255	261
Public street and highway lighting	558	529	—	—
Total retail customers	374,384	370,235	336,043	330,530

The following graphs present Avista Utilities' resource costs for the years ended December 31 (dollars in millions):

ELECTRIC RESOURCE COSTS



NATURAL GAS RESOURCE COSTS



Total resource costs in the graphs above include intracompany resource costs of $95.2 million and $107.0 million for 2016 and 2015, respectively.

Total electric resource costs decreased $40.3 million for 2016 as compared to 2015 due to the following:

- a $26.1 million decrease in power purchased due to a decrease in the volume of power purchases (decreased costs $9.3 million) and a decrease in wholesale prices (decreased costs $16.8 million). The fluctuation in volumes and prices was primarily the result of our optimization activities.
- a $14.8 million decrease in fuel for generation primarily due to a decrease in thermal generation (due in part to increased hydroelectric generation) and a decrease in natural gas fuel prices.
- a $7.5 million decrease in other fuel costs.
- a $3.0 million decrease from amortizations and deferrals of power costs.
- a $5.6 million increase in other electric resource costs primarily due to a benefit that was recorded during 2015 related to a capacity contract of Spokane Energy. This benefit was mostly deferred for probable future benefit to customers through the ERM and PCA.
- a $5.4 million increase in other regulatory amortizations.

Total natural gas resource costs decreased $77.1 million for 2016 as compared to 2015 due to the following:

- an $80.1 million decrease in natural gas purchased due to a decrease in the price of natural gas (decreased costs $52.6 million) and a decrease in total therms purchased (decreased costs $27.5 million). Total therms purchased decreased due to a decrease in wholesale sales, partially offset by an increase in retail sales.
- a $1.6 million decrease from amortizations and deferrals of natural gas costs. This reflects lower natural gas prices and the deferral of lower costs for future rebate to customers, as well as current rebates to customers through PGAs.
- a $4.6 million increase in other regulatory amortizations.

2015 Compared to 2014

The following graphs presents Avista Utilities' operating revenues, resource costs and resulting gross margin for the years ended December 31 (dollars in millions):

	Electric		Natural Gas		Intracompany		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Operating revenues	$ 997,873	$ 998,988	$ 521,010	$ 556,664	$ (107,020)	$ (142,153)	$ 1,411,863	$ 1,413,499
Resource costs	400,910	418,541	351,101	395,956	(107,020)	(142,153)	644,991	672,344
Gross margin	$ 596,963	$ 580,447	$ 169,909	$ 160,708	$ —	$ —	$ 766,872	$ 741,155

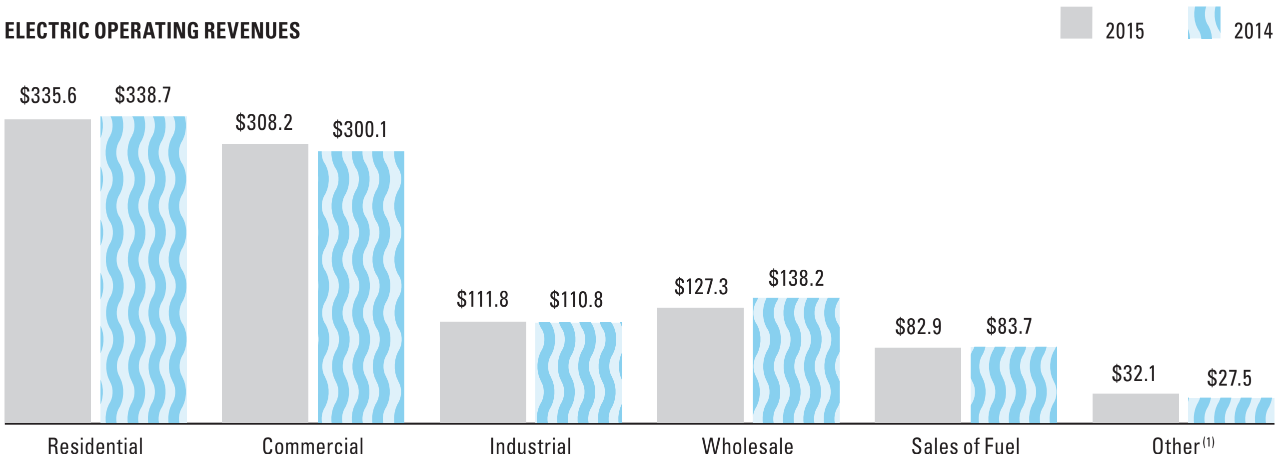
The gross margin on electric sales increased $16.5 million and the gross margin on natural gas sales increased $9.2 million. The increase in electric gross margin was primarily due to a general rate increase in Washington, lower net power supply costs and a $1.9 million decrease in the provision for earnings sharing (which is an offset to revenue). We experienced weather that was significantly warmer than normal and warmer than the prior year, which decreased heating loads in the first quarter and increased cooling loads in the second quarter. Loads in the third quarter were slightly higher than the prior year. Loads for the fourth quarter were lower than the prior year, particularly for residential and industrial customers. For 2015, the decoupling mechanism in Washington had a positive effect on each of electric revenues and gross margin as did the decrease in the overall provision for earnings sharing (see the details by jurisdiction in the table below). For 2015, we recognized a pre-tax benefit of $6.3 million under the ERM in Washington compared to a benefit of $5.4 million for 2014. This change represents a decrease in net power supply costs primarily due to lower natural gas fuel and purchased power prices in 2015, partially offset by lower hydroelectric generation (due to warm and dry conditions in the second and third quarters).

The increase in natural gas gross margin was primarily due to a decrease in natural gas resource costs and a decrease in the provision for earnings sharing, partially offset by a decrease in natural gas revenues. The decrease in natural gas revenues resulted from lower heating loads primarily from significantly warmer weather that was partially offset by general rate increases. The earnings impact of the decrease in heating loads was partially offset by the decoupling mechanism in Washington, which had a positive effect on natural gas revenues and gross margin (see the details by jurisdiction in the table below).

Intracompany revenues and resource costs represent purchases and sales of natural gas between our natural gas distribution operations and our electric generation operations (as fuel for our generation plants). These transactions are eliminated in the presentation of total results for Avista Utilities and in the consolidated financial statements but are reflected in the presentation of the separate results for electric and natural gas below.

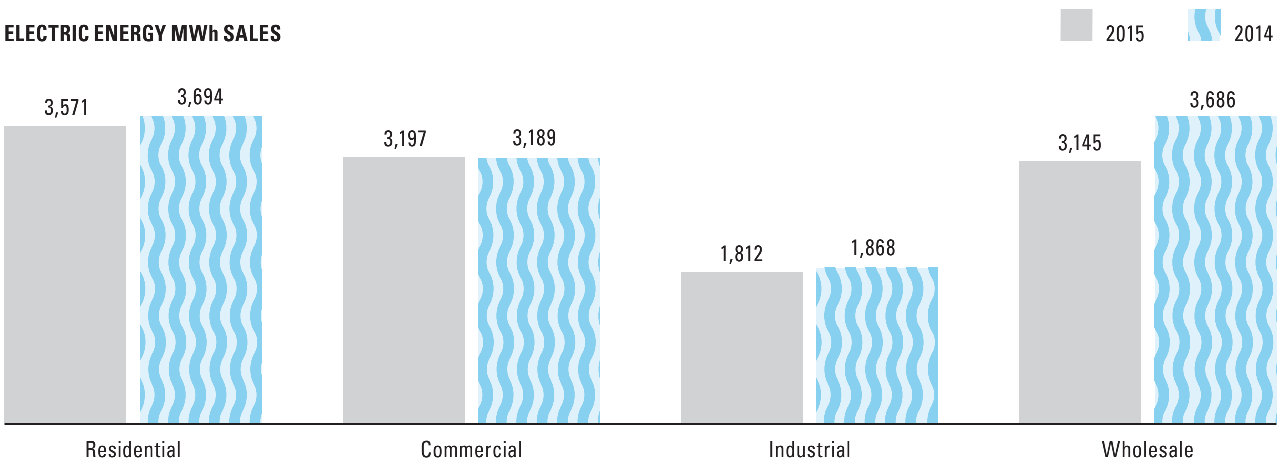
The following graphs present Avista Utilities' electric operating revenues and megawatt-hour (MWh) sales for the years ended December 31 (dollars in millions and MWhs in thousands):

ELECTRIC OPERATING REVENUES



(1) Other electric revenues in the graph above includes public street and highway lighting, which is considered part of retail electric revenues.

ELECTRIC ENERGY MWh SALES



The following table presents Avista Utilities' decoupling and customer earnings sharing mechanisms by jurisdiction that are included in utility electric operating revenues for the years ended December 31 (dollars in thousands):

	Electric Operating Revenues	
	2015	**2014**
Washington		
Decoupling	$ 4,740	N/A
Provision for earnings sharing	(3,423)	N/A
Idaho		
Decoupling	N/A	N/A
Provision for earnings sharing	(2,198)	(7,503)

(N/A) This mechanism did not exist during this time period.

Total electric revenues decreased $1.1 million for 2015 as compared to 2014, affected by the following:

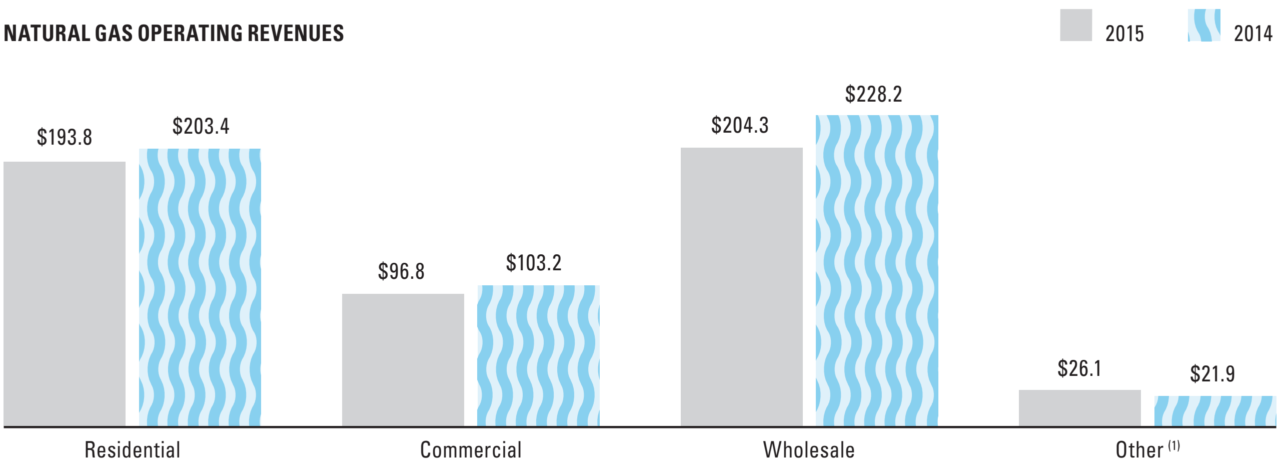
- a $5.7 million increase in retail electric revenues due to an increase in revenue per MWh (increased revenues $21.0 million), partially offset by a decrease in total MWhs sold (decreased revenues $15.3 million). The increase in revenue per MWh was primarily due to a general rate increase in Washington. The decrease in total MWhs sold was primarily the result of weather that was significantly warmer than normal and warmer than the prior year, which decreased the electric heating load in the first quarter. Compared to 2014, residential electric use per customer decreased 5 percent and commercial use per customer decreased 2 percent. Heating degree days in Spokane were 14 percent below normal and 10 percent below 2014. The impact from reduced heating loads was partially offset by increased cooling loads in the summer. Year-to-date cooling degree days were 141 percent above normal and 28 percent above the prior year.
- a $10.9 million decrease in wholesale electric revenues due to a decrease in sales volumes (decreased revenues $21.9 million), partially offset by an increase in sales prices (increased revenues $11.0 million). The fluctuation in volumes and prices was primarily the result of our optimization activities.
- a $0.9 million decrease in sales of fuel due to a decrease in sales of natural gas fuel as part of thermal generation resource optimization activities. For 2015, $50.0 million of these sales were made to our natural gas operations and are included as intracompany revenues and resource costs. For 2014, $67.4 million of these sales were made to our natural gas operations.
- a $4.7 million increase in electric revenue due to decoupling, which reflected decreased heating loads in the first and fourth

quarters, partially offset by increased cooling loads in the second and third quarters.

- a $1.9 million decrease in the provision for earnings sharing, primarily due to a decrease of $5.3 million for our Idaho electric operations, partially offset by an increase of $3.4 million for our Washington electric operations. In 2014, we recorded a provision for earnings sharing of $7.5 million for Idaho electric customers with $5.6 million representing our estimate for 2014 and $1.9 million representing an adjustment to our 2013 estimate.

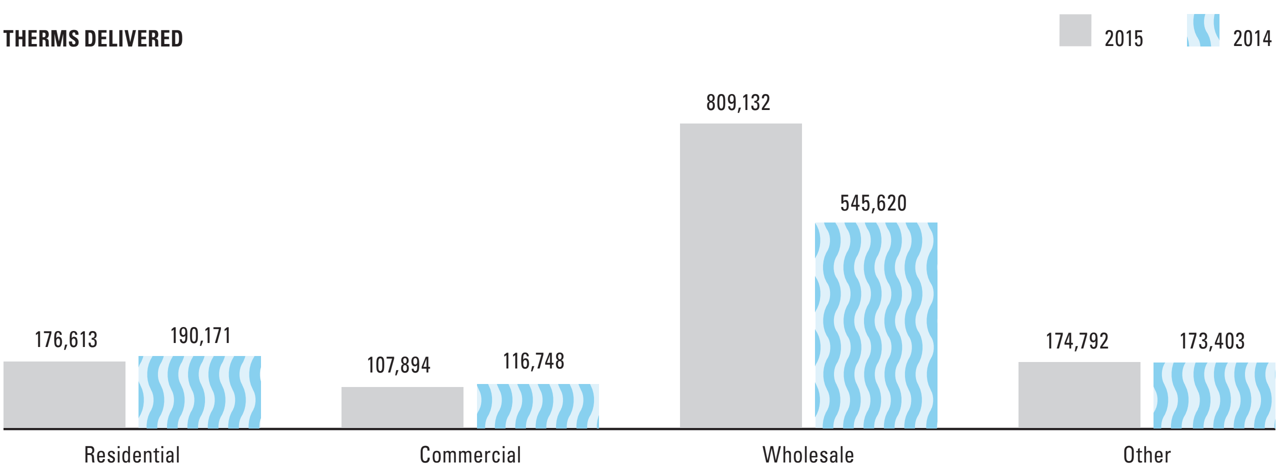
The following graphs present Avista Utilities' natural gas operating revenues and therms delivered for the years ended December 31 (dollars in millions and therms in thousands):

NATURAL GAS OPERATING REVENUES



(1) Other natural gas revenues in the graph above includes interruptible and industrial revenues, which are considered part of retail natural gas revenues.

THERMS DELIVERED



The following table presents Avista Utilities' decoupling and customer earnings sharing mechanisms by jurisdiction that are included in utility natural gas operating revenues for the years ended December 31 (dollars in thousands):

	Natural Gas Operating Revenues	
	2015	2014
Washington		
Decoupling	$ 6,004	N/A
Provision for earnings sharing	—	N/A
Idaho		
Decoupling	—	N/A
Provision for earnings sharing	—	(221)

(N/A) This mechanism did not exist during this time period.

Total natural gas revenues decreased $35.7 million for 2015 as compared to 2014 due to the following:

- a $16.4 million decrease in retail natural gas revenues due to a decrease in volumes (decreased revenues $23.6 million), partially offset by higher retail rates (increased revenues $7.2 million). Higher retail rates were due to PGAs implemented in November 2014, which passed through higher costs of natural gas, and general rate cases. This was partially offset by PGA rate decreases implemented in November 2015, which passed through lower costs. We sold less retail natural gas in 2015 as compared to 2014 primarily due to weather that was warmer than normal and warmer than the prior year. Compared to 2014, residential use per customer decreased 9 percent and commercial use per customer decreased 9 percent. Heating degree days in Spokane were 14 percent below historical average for 2015, and 10 percent below 2014. Heating degree days in Medford were 15 percent below historical average for 2015, and 4 percent above 2014.

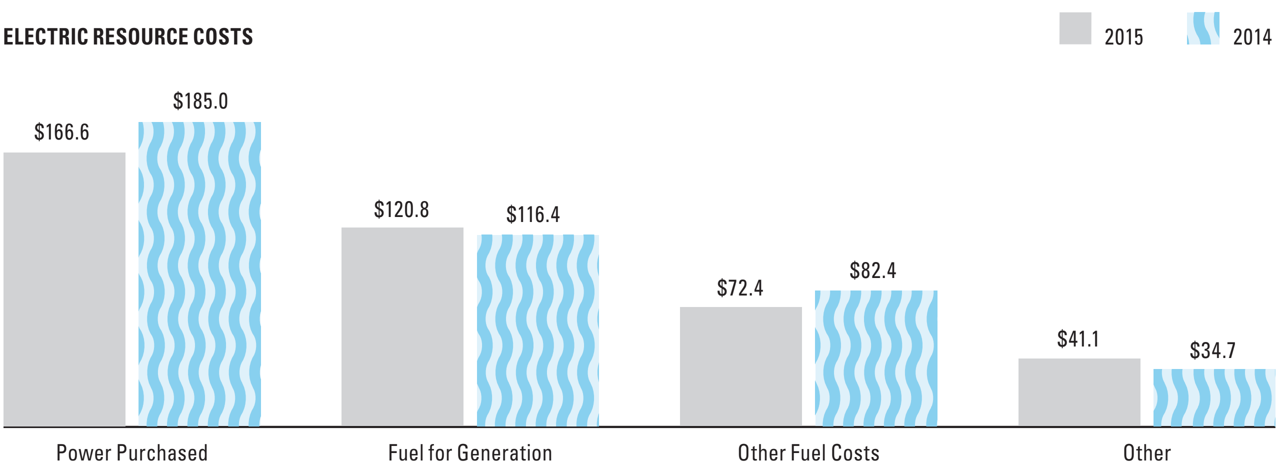
- a $23.9 million decrease in wholesale natural gas revenues due to a decrease in prices (decreased revenues $90.4 million), partially offset by an increase in volumes (increased revenues $66.5 million). In 2015, $57.0 million of these sales were made to our electric generation operations and are included as intracompany revenues and resource costs. In 2014, $74.7 million of these sales were made to our electric generation operations. Differences between revenues and costs from sales of resources in excess of retail load requirements and from resource optimization are accounted for through the PGA mechanisms.
- a $6.0 million increase for natural gas decoupling revenues due primarily to significantly warmer than normal weather and the impact on heating loads.

The following table presents Avista Utilities' average number of electric and natural gas retail customers for the years ended December 31:

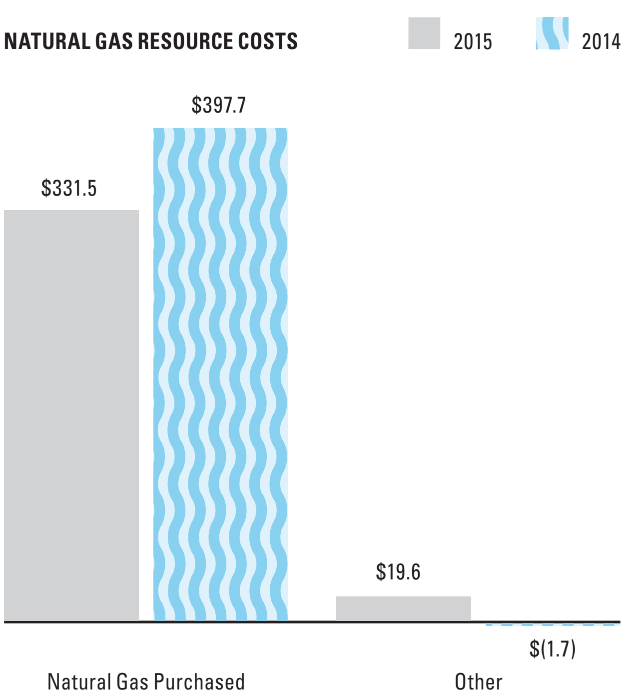
	Electric Customers		Natural Gas Customers	
	2015	2014	2015	2014
Residential	327,057	324,188	296,005	291,928
Commercial	41,296	40,988	34,229	34,047
Interruptible	—	—	35	37
Industrial	1,353	1,385	261	264
Public street and highway lighting	529	531	—	—
Total retail customers	370,235	367,092	330,530	326,276

The following graphs present Avista Utilities' resource costs for the years ended December 31 (dollars in millions):

ELECTRIC RESOURCE COSTS



NATURAL GAS RESOURCE COSTS



Total resource costs in the graphs above include intracompany resource costs of $107.0 million and $142.2 million for 2015 and 2014, respectively.

Total electric resource costs decreased $17.6 million for 2015 as compared to 2014 due to the following:

- an $18.3 million decrease in power purchased due to a decrease in the volume of power purchases (decreased costs $23.6 million), partially offset by an increase in wholesale prices (increased costs $5.3 million). The fluctuation in volumes and prices was primarily the result of our overall optimization activities.
- a $4.4 million increase in fuel for generation primarily due to an increase in thermal generation (due in part to decreased hydroelectric generation), partially offset by a decrease in natural gas fuel prices.
- a $10.0 million decrease in other fuel costs.
- a $14.2 million increase from amortizations and deferrals of power costs.
- a $7.7 million decrease in other electric resource costs primarily due to the benefit from a capacity contract of Spokane Energy, which was mostly deferred for probable future benefit to customers through the ERM and PCA.

Total natural gas resource costs decreased $44.9 million for 2015 as compared to 2014 due to the following:

- a $66.1 million decrease in natural gas purchased due to a decrease in the price of natural gas (decreased costs $138.3 million), partially offset by an increase in total therms purchased (increased costs $72.2 million). Total therms purchased increased due to an increase in wholesale sales, partially offset by a decrease in retail sales.
- a $21.8 million increase from amortizations and deferrals of natural gas costs. This reflects lower natural gas prices and the deferral of lower costs for future rebate to customers.

RESULTS OF OPERATIONS—ALASKA ELECTRIC LIGHT AND POWER COMPANY

AEL&P was acquired on July 1, 2014 and only the results for the second half of 2014 are included in the actual overall results of Avista Corp. The discussion below is only for AEL&P's earnings that were included in Avista Corp.'s overall earnings.

2016 Compared to 2015

Net income for AEL&P was $8.0 million for the year ended December 31, 2016, compared to $6.6 million for 2015. The increase in earnings for 2016 was primarily due to an increase in gross margin and an increase in equity-related AFUDC (increased earnings) due to the construction of an additional back-up generation plant which was completed during the fourth quarter of 2016.

The increase in gross margin was primarily related to a decrease in costs associated with the Snettisham hydroelectric project (due to a refinancing transaction during the second half of 2015 which lowered interest costs under the take-or-pay power purchase agreement), as well as an interim rate increase effective in November 2016. These were partially offset by a slight decrease in sales volumes to commercial and government customers and an increase in other resource costs.

AEL&P has a relatively stable load profile as it does not have a large population of customers in its service territory with electric heating and cooling requirements; therefore, its revenues are not as sensitive to weather fluctuations as Avista Utilities. However, AEL&P does have higher winter rates for its customers during the peak period of November through May of each year, which drives higher revenues during those periods.

2015 Compared to 2014

Net income for AEL&P was $6.6 million for the year ended December 31, 2015, compared to $3.2 million for the second half of 2014. Since AEL&P was acquired on July 1, 2014, the results for 2015 are not comparable to 2014 as 2014 only includes results for the second half of the year.

RESULTS OF OPERATIONS—ECOVA—DISCONTINUED OPERATIONS

Ecova was disposed of as of June 30, 2014. As a result, in accordance with GAAP, all of Ecova's operating results were removed from each line item on the Consolidated Statements of Income and reclassified into discontinued operations for all periods presented. In addition, since Ecova was a subsidiary of Avista Capital, the net gain recognized on the sale of Ecova was attributable to our other businesses. However, in accordance with GAAP, this gain is included in discontinued operations; therefore, we included the analysis of the gain in the Ecova discontinued operations section rather than in the other businesses section.

2016 Compared to 2015 and 2014

There was zero net income or loss for 2016. Ecova's net income was $5.1 million for 2015, compared to net income of $72.4 million for 2014. The net income for 2015 was primarily related to a tax benefit during 2015 that resulted from the reversal of a valuation allowance against net operating losses at Ecova because the net operating losses were deemed realizable under the current tax code. Additionally, there were some minor true-ups to the gain recognized on the sale due to the settlement of the working capital and indemnification escrow accounts during 2015. The results for 2014 included $69.7 million of the net gain recognized on the sale of Ecova.

RESULTS OF OPERATIONS—OTHER BUSINESSES

2016 Compared to 2015

The net loss from these operations was $3.2 million for 2016 compared to a net loss of $1.9 million for 2015. Net losses for 2016 were primarily related to an increase in losses on investments due to initial organization costs and management fees associated with a new investment, as well as an impairment recorded on a building we own. This was partially offset by a slight decrease in corporate costs (including costs associated with exploring strategic opportunities) and a slight increase in net income at METALfx for the year-to-date.

2015 Compared to 2014

The net loss from these operations was $1.9 million for 2015 compared to net income of $3.2 million for 2014. The decrease in net income compared to 2014 was primarily due to the settlement of the California power markets litigation in 2014, where Avista Energy received settlement proceeds from a litigation with various California parties related to the prices paid for power in the California spot markets during the years 2000 and 2001. This settlement resulted in an increase in pre-tax earnings of approximately $15.0 million. This was partially offset by a pre-tax contribution of $6.4 million of the proceeds to the Avista Foundation.

In addition, the decrease in earnings for 2015 related to an increase in net losses on investments, partially offset by an increase in net income at METALfx and a slight decrease in corporate costs, including costs associated with exploring strategic opportunities.

ACCOUNTING STANDARDS TO BE ADOPTED IN 2017

At this time, we are not expecting the adoption of accounting standards to have a material impact on our financial condition, results of operations and cash flows in 2017. However, we will be adopting ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)" in 2018 upon its effective date. This is a significant new accounting standard that requires an extensive amount of time and effort to implement. We currently expect to use a modified retrospective method of adoption, which would require a cumulative adjustment to opening retained earnings, as opposed to a full retrospective application. The

Company is not far enough along in the adoption process to determine the amount, if any, of cumulative adjustment necessary.

Since the vast majority of Avista Corp.'s revenue is from rate regulated sales of electricity and natural gas to retail customers and revenue is recognized as energy is delivered to these customers, we do not expect a significant change in operating revenues or net income due to adopting this standard.

The Company is in the process of reviewing and analyzing certain contracts with customers (most of which are related to wholesale sales of power and natural gas) but has not yet identified any significant differences in revenue recognition between current GAAP and the new revenue recognition standard.

There are unresolved issues associated with implementing this standard, including the presentation of CIACs, the presentation of utility taxes on a gross basis and determining collectibility of sales to low income customers. We are monitoring utility industry implementation guidance as it relates to unresolved issues to determine if there will be an industry consensus regarding accounting and presentation of these items.

For information on accounting standards adopted in 2016 and accounting standards expected to be adopted in future periods, see "Note 2 of the Notes to Consolidated Financial Statements."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material effect on our consolidated financial statements and thus actual results could differ from the amounts reported and disclosed herein. The following accounting policies represent those that our management believes are particularly important to the consolidated financial statements and require the use of estimates and assumptions:

- **Regulatory accounting**, which requires that certain costs and/or obligations be reflected as deferred charges on our Consolidated Balance Sheets and are not reflected in our Consolidated Statements of Income until the period during which matching revenues are recognized. We also have decoupling revenue deferrals. As opposed to cost deferrals which are not recognized in the Consolidated Statements of Income until they are included in rates, decoupling revenue is recognized in the Consolidated Statements of Income during the period in which it occurs (i.e. during the period of revenue shortfall or excess due to fluctuations in customer usage), subject to certain limitations, and a regulatory asset/liability is established which will be surcharged or rebated to customers in future periods. GAAP requires that for any alternative regulatory revenue program, like decoupling, the revenue must be expected to be collected from customers within 24 months of the deferral to qualify for recognition in the current period Consolidated Statement of Income. Any amounts included in the Company's decoupling program that are not expected to be collected from customers within 24 months are not recorded in the financial statements until the period in which revenue recognition criteria are met. This could ultimately result in more decoupling revenue being collected from customers over the life of the decoupling program than what is deferred and recognized in the current period financial statements. We make estimates regarding the amount of revenue that will be collected within 24 months of deferral. We also make the assumption that there are regulatory precedents for many of our regulatory items and that we will be allowed recovery of these costs via retail rates in future periods. If we were no longer allowed to apply regulatory accounting or no longer allowed recovery of these costs, we could be required to recognize significant write-offs of regulatory assets and liabilities in the Consolidated Statements of Income. See "Notes 1 and 20 of the Notes to Consolidated Financial Statements" for further discussion of our regulatory accounting policy.
- **Utility energy commodity derivative asset and liability accounting**, where we estimate the fair value of outstanding commodity derivatives and we offset energy commodity derivative assets or liabilities with a regulatory asset or liability. This accounting treatment is intended to defer the recognition of mark-to-market gains and losses on energy commodity transactions until the period of delivery. This accounting treatment is supported by accounting orders issued by the UTC and IPUC. If we were no longer allowed to apply regulatory accounting or no longer allowed recovery of these costs, we could be required to recognize significant changes in fair value of these energy commodity derivatives on a regular basis in the Consolidated Statements of Income, which could lead to significant fluctuations in net income. See "Notes 1 and 6 of the Notes to Consolidated Financial Statements" for further discussion of our energy derivative accounting policy.
- **Interest rate swap derivative asset and liability accounting**, where we estimate the fair value of outstanding interest rate swap derivatives, and U.S. Treasury lock agreements and offset the derivative asset or liability with a regulatory asset or liability. This is similar to the treatment of energy commodity derivatives described above. Upon settlement of interest rate swap derivatives, the regulatory asset or liability is amortized as a component of interest expense over the term of the associated debt. If we no longer applied regulatory accounting or were no longer allowed recovery of these costs, we could be required to recognize significant changes in fair value of these interest rate swap derivatives on a regular basis in the Consolidated Statements of Income, which could lead to significant fluctuations in net income.
- **Pension Plans and Other Postretirement Benefit Plans**, discussed in further detail below.
- **Contingencies**, related to unresolved regulatory, legal and tax issues for which there is inherent uncertainty for the ultimate outcome of the respective matter. We accrue a loss contingency if it is probable that an asset is impaired or a liability has been incurred and the amount of the loss or impairment can be reasonably estimated. We also disclose losses that do not meet these conditions for accrual, if there is a reasonable possibility that a potential loss may be incurred. For all material contingencies, we have made a judgment as to the probability of a loss occurring and as to whether or not the amount of the loss can be reasonably estimated. If the loss recognition criteria are met, liabilities are accrued or assets are reduced. However, no assurance can be given to the ultimate outcome of any particular contingency. See "Notes 1 and 19 of the Notes to Consolidated Financial Statements" for further discussion of our commitments and contingencies.

Pension Plans and Other Postretirement Benefit Plans—Avista Utilities

We have a defined benefit pension plan covering substantially all regular full-time employees at Avista Utilities that were hired prior to January 1, 2014. For substantially all regular non-union full-time employees at Avista Utilities who were hired on or after January 1, 2014, a defined contribution 401(k) plan replaced the defined benefit pension plan.

The Finance Committee of the Board of Directors approves investment policies, objectives and strategies that seek an appropriate return for the pension plan and it reviews and approves changes to the investment and funding policies.

We have contracted with an independent investment consultant who is responsible for managing/monitoring the individual investment managers. The investment managers' performance and related individual fund performance is reviewed at least quarterly by an internal benefits committee and by the Finance Committee to monitor compliance with our established investment policy objectives and strategies.

Our pension plan assets are invested in debt securities and mutual funds, trusts and partnerships that hold marketable debt and equity securities, real estate and absolute return funds. In seeking to obtain the desired return to fund the pension plan, the investment consultant recommends allocation percentages by asset classes. These recommendations are reviewed by the internal benefits committee, which then recommends their adoption by the Finance Committee. The Finance Committee has established target investment allocation percentages by asset classes and also investment ranges for each asset class. The target investment allocation percentages are typically the midpoint of the established range. During 2016, we revised the target investment allocation percentages. See "Note 10 of the Notes to Consolidated Financial Statements" for the target investment allocation percentages and further discussion of the revision.

We also have a Supplemental Executive Retirement Plan (SERP) that provides additional pension benefits to our executive officers and others whose benefits under the pension plan are reduced due to the application of Section 415 of the Internal Revenue Code of 1986 and the deferral of salary under deferred compensation plans.

Pension costs (including the SERP) were $26.8 million for 2016, $27.1 million for 2015 and $14.6 million for 2014. Of our pension costs, approximately 60 percent are expensed and 40 percent are capitalized consistent with labor charges. The costs related to the SERP are expensed. Our costs for the pension plan are determined in part by actuarial formulas that are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience.

Pension costs are affected by among other things:

- employee demographics (including age, compensation and length of service by employees),
- the amount of cash contributions we make to the pension plan,
- the actual return on pension plan assets,
- expected return on pension plan assets,
- discount rate used in determining the projected benefit obligation and pension costs,
- assumed rate of increase in employee compensation,
- life expectancy of participants and other beneficiaries, and
- expected method of payment (lump sum or annuity) of pension benefits.

Any changes in pension plan obligations associated with these factors may not be immediately recognized as pension costs in our Consolidated Statement of Income, but we generally recognize the change in future years over the remaining average service period of pension plan participants. As such, our costs recorded in any period may not reflect the actual level of cash benefits provided to pension plan participants.

We revise the key assumption of the discount rate each year. In selecting a discount rate, we consider yield rates at the end of the year for highly rated corporate bond portfolios with cash flows from interest and maturities similar to that of the expected payout of pension benefits. In 2016, the pension plan discount rate (exclusive of the SERP) was 4.26 percent compared to 4.58 percent in 2015 and 4.21 percent in 2014. These changes in the discount rate increased the projected benefit obligation (exclusive of the SERP) by approximately $27.7 million in 2016 and decreased the obligation by $31.0 million in 2015.

The expected long-term rate of return on plan assets is reset or confirmed annually based on past performance and economic forecasts for the types of investments held by our plan. We used an expected long-term rate of return of 5.40 percent in 2016, 5.30 percent in 2015 and 6.60 percent in 2014. This change decreased pension costs by approximately $0.5 million in 2016. The actual return on plan assets, net of fees, was a gain of $43.2 million (or 8.1 percent) for 2016, a loss of $4.3 million (or 0.8 percent) for 2015 and a gain of $56.0 million (or 11.6 percent) for 2014.

The following chart reflects the sensitivities associated with a change in certain actuarial assumptions by the indicated percentage (dollars in thousands):

Actuarial Assumption	Change in Assumption	Effect on Projected Benefit Obligation	Effect on Pension Cost
Expected long-term return on plan assets	(0.5)%	$ —*	$ 2,551
Expected long-term return on plan assets	0.5%	—*	(2,551)
Discount rate	(0.5)%	47,738	3,842
Discount rate	0.5%	(42,462)	(3,441)

* *Changes in the expected return on plan assets would not affect our projected benefit obligation.*

We provide certain health care and life insurance benefits for substantially all of our retired employees. We accrue the estimated cost of postretirement benefit obligations during the years that employees provide service. Assumed health care cost trend rates have a significant effect on the amounts reported for our postretirement plans. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase our accumulated postretirement benefit obligation as of December 31, 2016 by $8.6 million and the service and interest cost by $1.0 million. A one-percentage-point decrease in the assumed health care cost trend rate for each year would decrease our accumulated postretirement benefit obligation as of December 31, 2016 by $6.7 million and the service and interest cost by $0.7 million.

Liquidity and Capital Resources

OVERALL LIQUIDITY

Avista Corp.'s consolidated operating cash flows are primarily derived from the operations of Avista Utilities. The primary source of operating cash flows for Avista Utilities is revenues from sales of electricity and natural gas. Significant uses of cash flows from Avista Utilities include the purchase of power, fuel and natural gas, and payment of other operating expenses, taxes and interest, with any excess being available for other corporate uses such as capital expenditures and dividends.

We design operating and capital budgets to control operating costs and to direct capital expenditures to choices that support immediate and long-term strategies, particularly for our regulated utility operations. In addition to operating expenses, we have continuing commitments for capital expenditures for construction and improvement of utility facilities.

Our annual net cash flows from operating activities usually do not fully support the amount required for annual utility capital expenditures. As such, from time-to-time, we need to access long-term capital markets in order to fund these needs as well as fund maturing debt. See further discussion at "Capital Resources."

We periodically file for rate adjustments for recovery of operating costs and capital investments and to seek the opportunity to earn reasonable returns as allowed by regulators. In December 2016, the UTC issued an order related to our Washington electric and natural gas general rate cases that were originally filed with the UTC in February 2016. The UTC order denied the Company's proposed electric and natural gas rate increase requests totaling $43.0 million. If this order is not changed as a result of reconsideration, rehearing or judicial review, we expect it will have a negative impact on our net income in 2017. See further details in the section "Regulatory Matters."

For Avista Utilities, when power and natural gas costs exceed the levels currently recovered from retail customers, net cash flows are negatively affected. Factors that could cause purchased power and natural gas costs to exceed the levels currently recovered from our customers include, but are not limited to, higher prices in wholesale markets when we buy energy or an increased need to purchase power in the wholesale markets, and a lack of regulatory approval for higher authorized net power supply costs through general rate case decisions. Factors beyond our control that could result in an increased need to purchase power in the wholesale markets include, but are not limited to:

- increases in demand (due to either weather or customer growth),
- low availability of streamflows for hydroelectric generation,
- unplanned outages at generating facilities, and
- failure of third parties to deliver on energy or capacity contracts.

Avista Utilities has regulatory mechanisms in place that provide for the deferral and recovery of the majority of power and natural gas supply costs. However, if prices rise above the level currently allowed in retail rates in periods when we are buying energy, deferral balances would increase, negatively affecting our cash flow and liquidity until such time as these costs, with interest, are recovered from customers.

In addition to the above, Avista Utilities enters into derivative instruments to hedge our exposure to certain risks, including fluctuations in commodity market prices, foreign exchange rates and interest rates (for purposes of issuing long-term debt in the future). These derivative instruments often require collateral (in the form of cash or letters of credit) or other credit enhancements, or reductions or terminations of a portion of the contract through cash settlement, in the event of a downgrade in the Company's credit ratings or changes in market prices. In periods of price volatility, the level of exposure can change significantly. As a result, sudden and significant demands may be made against the Company's credit facilities and cash. See "Enterprise Risk Management—Demands for Collateral" below.

We monitor the potential liquidity impacts of changes to energy commodity prices and other increased operating costs for our utility operations. We believe that we have adequate liquidity to meet such potential needs through our committed lines of credit.

As of December 31, 2016, we had $245.6 million of available liquidity under the Avista Corp. committed line of credit and $25.0 million under the AEL&P committed line of credit. With our $400.0 million credit facility that expires in April 2021 and AEL&P's $25.0 million credit facility that expires in November 2019, we believe that we have adequate liquidity to meet our needs for the next 12 months.

REVIEW OF CONSOLIDATED CASH FLOW STATEMENT

Overall

During 2016, cash flows from operating activities were $358.3 million, proceeds from the issuance of long-term debt were $245.0 million (including a $70.0 million bridge loan that was repaid in December 2016), net proceeds from our committed line of credit were $15.0 million and we received $67.0 million from the issuance of common stock. Cash requirements included utility capital expenditures of $406.6 million, the payment of long-term debt of $163.2 million (including the $70.0 million bridge loan), dividends of $87.2 million and cash paid for the settlement of interest rate swap derivatives of $54.0 million.

2016 Compared to 2015

Consolidated Operating Activities

Net cash provided by operating activities was $358.3 million for 2016 compared to $375.6 million for 2015. The decrease in net cash provided by operating activities was primarily related to the cash settlement of interest rate swap derivatives in the third quarter of 2016 totaling $54.0 million. The interest rate swap derivatives were settled in connection with the pricing of first mortgage bonds that were issued in December 2016. In addition, our accounts receivable balances increased during 2016 (which reduces operating cash flow), due to higher sales during the fourth quarter of 2016 due to colder weather as compared to the fourth quarter of 2015 and due to the timing of collections.

The cash flow decreases were partially offset by higher net income after non-cash adjustments of $446.4 million in 2016, compared to $392.3 million in 2015.

There was also a decrease in collateral posted for derivative instruments in 2016 (primarily due to an increase in the fair value of outstanding energy commodity derivatives, which required less collateral) as compared to an increase in collateral posted during 2015.

Pension contributions were $12.0 million for both 2016 and 2015.

Net cash received from income tax refunds increased to $13.5 million for 2016 compared to $10.0 million for 2015. In addition, the income tax receivable increased $33.9 million in 2016. We are in a refund position with regards to income taxes because the Company generated a net operating loss for tax purposes in 2016 primarily due to bonus depreciation on utility plant placed in service during the year and the settlement of interest rate swaps. The Company intends to carryback the net operating loss against prior year tax returns and expects the net operating loss to be fully utilized through the carryback. Additionally, the Company generated $19.4 million of federal investment income tax credits in 2016; $9.6 million will be carried back against a prior tax return with the remaining $9.8 million to be carried forward to future federal tax periods.

The provision for deferred income taxes was $124.5 million for 2016, compared to $51.8 million for 2015. The change in the provision for deferred income taxes was primarily related to deferred taxes on property, plant and equipment, investment tax credits associated with our capital projects, deferred taxes on the decoupling regulatory assets and deferred taxes on interest rate swap derivatives.

Consolidated Investing Activities

Net cash used in investing activities was $432.5 million for 2016, an increase compared to $387.8 million for 2015. During 2016, we paid $406.6 million for utility capital expenditures, compared to $393.4 million for 2015. In addition, during 2016, our subsidiaries disbursed $10.1 million for notes receivable to third parties and received $5.0 million in repayments on these notes receivable. Our subsidiaries also made $7.8 million in investments and purchased buildings and other property as investments for $5.3 million.

During 2015, we received cash proceeds (related to the settlement of the escrow accounts) of $13.9 million from the sale of Ecova.

Consolidated Financing Activities

Net cash provided by financing activities was $72.2 million for 2016 compared to net cash provided of $0.5 million for 2015. In 2016 we had the following significant transactions:

- borrowing of $70.0 million pursuant to a term loan agreement in August, which was used to repay a portion of the $90.0 million in first mortgage bonds that matured in August 2016,
- issuance and sale of $175.0 million of Avista Corp. first mortgage bonds in December 2016, the proceeds of which were used to repay the $70.0 million term loan, with the remainder being used to pay down a portion of our committed line of credit,
- payment of $163.2 million for the redemption and maturity of long-term debt (including the $70.0 million term loan),
- increase in cash dividends paid to $87.2 million (or $1.37 per share) for 2016 from $82.4 million (or $1.32 per share) for 2015,
- $15.0 million net increase in the balance of our committed line of credit, and
- issuance of $67.0 million of common stock (net of issuance costs).

See below for a list of significant financing transactions occurring in 2015.

2015 Compared to 2014

Consolidated Operating Activities

Net cash provided by operating activities was $375.6 million for 2015 compared to $267.3 million for 2014. The increase in cash provided by operating activities was due to higher net income after non-cash adjustments of $392.3 million in 2015, compared to $348.2 million in 2014. The gross gain on the sale of Ecova of $0.8 million for 2015 is deducted in reconciling net income to net cash provided by operating activities. The cash proceeds from the sale (which includes the gross gain) is included in investing activities. This is compared to the gross gain recognized in 2014 of $160.6 million.

Net cash used by certain current assets and liabilities was $4.1 million for 2015, compared to net cash used of $50.0 million for 2014. The net cash used during 2015 primarily reflects cash outflows from changes in accounts payable, collateral posted for derivative instruments and accounts receivable. This was partially offset by inflows from changes in natural gas stored and income taxes receivable.

The provision for deferred income taxes was $51.8 million for 2015 compared to $144.3 million for 2014. The decrease in 2015 was primarily due to the combination of implementation by the Company of updated federal tax tangible property regulations and increased deductions related to bonus depreciation in 2014.

Contributions to our defined benefit pension plan were $12.0 million for 2015 compared to $32.0 million in 2014.

Net cash received for income taxes was $10.0 million for 2015 compared to net cash paid of $45.4 million for 2014.

Consolidated Investing Activities

Net cash used in investing activities was $387.8 million for 2015, an increase compared to $103.7 million for 2014. During 2015, we received cash proceeds (related to the settlement of the escrow accounts) of $13.9 million for the sale of Ecova. We received the majority of the proceeds ($229.9 million) from the sale of Ecova during 2014. The proceeds received in 2014 were used to pay off the balance of Ecova's long-term borrowings and make payments to option holders and noncontrolling interests (included in financing activities). We also used a portion of these proceeds to pay our $74.8 million tax liability associated with the gain on sale and to fund common stock repurchases. Utility property capital expenditures increased by $67.9 million for 2015 as compared to 2014. During 2014, we received $15.0 million in cash (net of cash paid) related to the acquisition of AERC.

Consolidated Financing Activities

Net cash provided by financing activities was $0.5 million for 2015 compared to net cash used of $224.0 million for 2014. In 2015 we had the following significant transactions:

- issuance and sale of $100.0 million of Avista Corp. first mortgage bonds in December 2015,

- payment of $2.9 million for the redemption and maturity of long-term debt,
- cash dividends paid increased to $82.4 million (or $1.32 per share) for 2015 from $78.3 million (or $1.27 per share) for 2014,
- issuance of $1.6 million of common stock (net of issuance costs), and
- repurchase of $2.9 million of our common stock.

In 2014, we had the following significant transactions:

- issuance of $150.0 million of long-term debt ($60.0 million of Avista Corp. first mortgage bonds, $75.0 million of AEL&P first mortgage bonds and a $15.0 million AERC unsecured note representing a term loan),
- a decrease of $66.0 million in short-term borrowings on Avista Corp.'s committed line of credit,
- a decrease of $46.0 million on Ecova's committed line of credit with $6.0 million in payments throughout the year and $40.0 million related to the close of the Ecova sale,
- payment of $40.0 million for the redemption and maturity of long-term debt (primarily related to AEL&P paying off its existing debt),
- cash payments of $54.2 million to noncontrolling interests and $20.9 million to stock option holders and redeemable noncontrolling interests of Ecova related to the Ecova sale in 2014,
- issuance of $4.1 million of common stock (net of issuance costs) excluding issuances related to the acquisition of AERC. We issued $150.1 million of common stock to AERC shareholders, and this is reflected as a non-cash financing activity,
- repurchase of $79.9 million of our common stock during 2014 using the proceeds from our sale of Ecova, and
- a $16.2 million increase in cash related to the fluctuation in the balance of customer fund obligations at Ecova.

CAPITAL RESOURCES

Our consolidated capital structure, including the current portion of long-term debt and short-term borrowings, and excluding noncontrolling interests, consisted of the following as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016		December 31, 2015	
	Amount	Percent of Total	Amount	Percent of Total
Current portion of long-term debt and capital leases	$ 3,287	0.1%	$ 93,167	2.9%
Short-term borrowings	120,000	3.4%	105,000	3.2%
Long-term debt to affiliated trusts	51,547	1.5%	51,547	1.6%
Long-term debt and capital leases	1,678,717	47.9%	1,480,111	45.4%
Total debt	1,853,551	52.9%	1,729,825	53.1%
Total Avista Corporation shareholders' equity	1,648,727	47.1%	1,528,626	46.9%
Total	$ 3,502,278	100.0%	$ 3,258,451	100.0%

Our shareholders' equity increased $120.1 million during 2016 primarily due to net income, the issuance of common stock and stock compensation net of minimum tax withholdings, partially offset by dividends.

We need to finance capital expenditures and acquire additional funds for operations from time-to-time. The cash requirements needed to service our indebtedness, both short-term and long-term, reduce the amount of cash flow available to fund capital expenditures, purchased power, fuel and natural gas costs, dividends and other requirements.

Committed Lines of Credit

Avista Corp. has a committed line of credit with various financial institutions in the total amount of $400.0 million. We exercised a two-year option in May 2016 to extend the maturity of the credit facility agreement to April 2021. As of December 31, 2016, we had $245.6 million of available liquidity under this line of credit.

The Avista Corp. credit facility contains customary covenants and default provisions, including a covenant which does not permit our ratio of "consolidated total debt" to "consolidated total capitalization" to be greater than 65 percent at any time. As of December 31, 2016, we were in compliance with this covenant with a ratio of 52.9 percent.

AEL&P has a $25.0 million committed line of credit that expires in November 2019. As of December 31, 2016, there were no borrowings or letters of credit outstanding under this credit facility.

The AEL&P credit facility contains customary covenants and default provisions including a covenant which does not permit the ratio of "consolidated total debt at AEL&P" to "consolidated total capitalization at AEL&P," (including the impact of the Snettisham obligation) to be greater than 67.5 percent at any time. As of December 31, 2016, AEL&P was in compliance with this covenant with a ratio of 55.6 percent.

Balances outstanding and interest rates of borrowings (excluding letters of credit) under Avista Corp.'s committed line of credit were as follows as of and for the year ended December 31 (dollars in thousands):

	2016	2015	2014
Balance outstanding at end of year	$ 120,000	$ 105,000	$ 105,000
Letters of credit outstanding at end of year	$ 34,353	$ 44,595	$ 32,579
Maximum balance outstanding during the year	$ 280,000	$ 180,000	$ 171,000
Average balance outstanding during the year	$ 171,090	$ 95,573	$ 62,088
Average interest rate during the year	1.26%	0.98%	1.01%
Average interest rate at end of year	1.50%	1.18%	0.93%

As of December 31, 2016, Avista Corp. and its subsidiaries were in compliance with all of the covenants of their financing agreements, and none of Avista Corp.'s subsidiaries constituted a "significant subsidiary" as defined in Avista Corp.'s committed line of credit.

Long-Term Debt Borrowings

In August 2016, we entered into a term loan agreement with a commercial bank in the amount of $70.0 million with a maturity date of December 30, 2016. We borrowed the entire $70.0 million available under this agreement, which was used to repay a portion of the $90.0 million of first mortgage bonds that matured in August 2016. We repaid this term loan in its entirety in December using the proceeds from first mortgage bonds that were issued in December 2016.

In December 2016, we issued and sold $175.0 million of 3.54 percent first mortgage bonds due in 2051 pursuant to a bond purchase agreement with institutional investors in the private placement market. In connection with the pricing of the first mortgage bonds in August 2016, the Company cash-settled seven interest rate swap derivatives (notional aggregate amount of $125.0 million) and paid a total of $54.0 million, which will be amortized as a component of interest expense over the life of the debt. The effective interest rate of the first mortgage bonds is 5.6 percent, including the effects of the settled interest rate swap derivatives and estimated issuance costs.

The total net proceeds from the sale of the new bonds was used to repay the $70.0 million term loan and to repay a portion of the borrowings outstanding under our $400.0 million committed line of credit.

Equity Transactions

Stock Repurchase Programs

During 2014 and 2015, Avista Corp.'s Board of Directors approved programs to repurchase shares of our outstanding common stock. The number of shares repurchased and the total cost of repurchases are disclosed in the Consolidated Statements of Equity and Redeemable Noncontrolling Interests. The average repurchase price was $31.57 in 2014 and $32.66 in 2015. All repurchased shares reverted to the status of authorized but unissued shares.

We did not repurchase any of our outstanding common stock during 2016.

Equity Issuances

In March 2016, we entered into four separate sales agency agreements under which Avista Corp.'s sales agents may offer and sell up to 3.8 million new shares of Avista Corp.'s common stock, no par value, from time-to-time. The sales agency agreements expire on February 29, 2020. In 2016, 1.6 million shares were issued under these agreements resulting in total net proceeds of $65.3 million, leaving 2.2 million shares remaining to be issued.

In 2016, we also issued $1.7 million (net of issuance costs) of common stock under the employee plans.

2017 Liquidity Expectations

In the second half of 2017, we expect to issue approximately $110.0 million of long-term debt and up to $70.0 million of common stock in order to fund planned capital expenditures and maintain an appropriate capital structure.

After considering the expected issuances of long-term debt and common stock during 2017, we expect net cash flows from operating activities, together with cash available under our committed line of credit agreements, to provide adequate resources to fund capital expenditures, dividends, and other contractual commitments.

Limitations on Issuances of Preferred Stock and First Mortgage Bonds

We are restricted under our Restated Articles of Incorporation, as amended, as to the additional preferred stock we can issue. As of December 31, 2016, we could issue $1.5 billion of additional preferred stock at an assumed dividend rate of 6.3 percent. We are not planning to issue preferred stock.

Under the Avista Corp. and the AEL&P Mortgages and Deeds of Trust securing Avista Corp.'s and AEL&P's first mortgage bonds (including Secured Medium-Term Notes), respectively, each entity may issue additional first mortgage bonds in an aggregate principal amount equal to the sum of:

- 66⅔ percent of the cost or fair value (whichever is lower) of property additions of that entity which have not previously been made the basis of any application under that entity's Mortgage, or
- an equal principal amount of retired first mortgage bonds of that entity which have not previously been made the basis of any application under that entity's Mortgage, or
- deposit of cash.

However, Avista Corp. and AEL&P may not individually issue any additional first mortgage bonds (with certain exceptions in the case of bonds issued on the basis of retired bonds) unless the particular entity issuing the bonds has "net earnings" (as defined in the respective Mortgages) for any period of 12 consecutive calendar months out of the preceding 18 calendar months that were at least twice the annual interest requirements on that entity's mortgage securities at the time outstanding, including the first mortgage bonds to be issued, and on all indebtedness of prior rank. As of December 31, 2016, property additions and retired bonds would have allowed, and the net earnings test would not have prohibited, the issuance of $1.2 billion in aggregate principal amount of additional first mortgage bonds at Avista Corp. and $20.8 million at AEL&P. We believe that we have adequate capacity to issue first mortgage bonds to meet our financing needs over the next several years.

CAPITAL EXPENDITURES

We are making capital investments in generation, transmission and distribution systems to preserve and enhance service reliability for our customers and replace aging infrastructure.

The following table summarizes our actual and expected capital expenditures as of and for the year ended December 31, 2016 (in thousands):

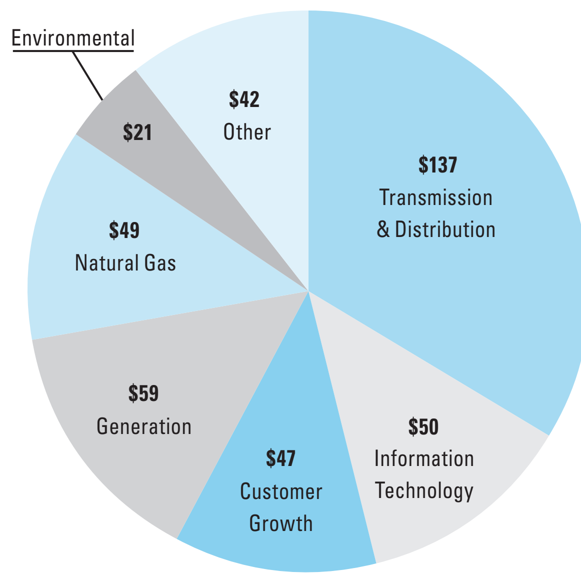
	Avista Utilities	AEL&P
2016 Actual capital expenditures		
Capital expenditures (per the Consolidated Statement of Cash Flows) [1]	390,690	15,954
Expected total annual capital expenditures (by year)		
2017	405,000	6,900
2018	405,000	6,700
2019	405,000	12,900

(1) Actual annual capital expenditures per the Consolidated Statement of Cash Flows may differ from our expected annual accrual-basis capital expenditures due to the timing of cash payments, the capital expenditure amounts accrued in accounts payable at the end of each period and the inclusion of AFUDC in our expected amounts, but excluded from the cash flow amounts.

Most of the capital expenditures at Avista Utilities are for upgrading our existing facilities and technology, and not for construction of new facilities.

The following graph shows the Avista Utilities' capital budget for 2017:

CAPITAL BUDGET AT AVISTA UTILITIES FOR 2017 (DOLLARS IN MILLIONS)



These estimates of capital expenditures are subject to continuing review and adjustment. Actual capital expenditures may vary from our estimates due to factors such as changes in business conditions, construction schedules and environmental requirements.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2016, we had $34.4 million in letters of credit outstanding under our $400.0 million committed line of credit, compared to $44.6 million as of December 31, 2015.

PENSION PLAN

We contributed $12.0 million to the pension plan in 2016. We expect to contribute a total of $110.0 million to the pension plan in the period 2017 through 2021, with an annual contribution of $22.0 million over that period.

The final determination of pension plan contributions for future periods is subject to multiple variables, most of which are beyond our control, including changes to the fair value of pension plan assets, changes in actuarial assumptions (in particular the discount rate used in determining the benefit obligation), or changes in federal legislation. We may change our pension plan contributions in the future depending on changes to any variables, including those listed above.

See "Note 10 of the Notes to Consolidated Financial Statements" for additional information regarding the pension plan.

CREDIT RATINGS

Our access to capital markets and our cost of capital are directly affected by our credit ratings. In addition, many of our contracts for the purchase and sale of energy commodities contain terms dependent upon our credit ratings. See "Enterprise Risk Management—Credit Risk Liquidity Considerations" and "Note 6 of the Notes to Consolidated Financial Statements."

The following table summarizes our credit ratings as of February 21, 2017:

	Standard & Poor's (1)	Moody's (2)
Corporate/Issuer rating	BBB	Baa1
Senior secured debt	A-	A2
Senior unsecured debt	BBB	Baa1

(1) Standard & Poor's lowest "investment grade" credit rating is BBB-.

(2) Moody's lowest "investment grade" credit rating is Baa3.

A security rating is not a recommendation to buy, sell or hold securities. Each security rating is subject to revision or withdrawal at any time by the assigning rating organization. Each security rating agency has its own methodology for assigning ratings, and, accordingly, each rating should be considered in the context of the applicable methodology, independent of all other ratings. The rating agencies provide ratings at the request of Avista Corp. and charge fees for their services.

DIVIDENDS

On February 3, 2017, Avista Corp.'s Board of Directors declared a quarterly dividend of $0.3575 per share on the Company's common stock. This was an increase of $0.015 per share, or 4.4 percent from the previous quarterly dividend of $0.3425 per share.

See "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" for a detailed discussion of our dividend policy and the factors which could limit the payment of dividends.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of our future contractual obligations as of December 31, 2016 (dollars in millions):

	2017	2018	2019	2020	2021	Thereafter
Avista Utilities:						
Long-term debt maturities	$ —	$ 273	$ 90	$ 52	$ —	$ 1,124
Long-term debt to affiliated trusts	—	—	—	—	—	52
Interest payments on long-term debt (1)	80	70	63	58	56	836
Short-term borrowings	120	—	—	—	—	—
Energy purchase contracts (2)	298	252	228	151	126	1,125
Operating lease obligations (3)	1	1	—	—	—	2
Other obligations (4)	34	29	33	32	27	189
Information technology contracts (5)	2	1	—	—	—	—
Pension plan funding (6)	22	22	22	22	22	—
Unsettled interest rate swap derivatives (7)	12	54	(3)	(2)	—	(1)
AERC (consolidated) total contractual commitments (8)	16	16	31	15	15	295
Avista Capital (consolidated)						
total contractual commitments (9)	8	8	7	4	1	4
Total contractual obligations	$ 593	$ 726	$ 471	$ 332	$ 247	$ 3,626

Footnotes on next page.

(1) Represents our estimate of interest payments on long-term debt, which is calculated based on the assumption that all debt is outstanding until maturity. Interest on variable rate debt is calculated using the rate in effect at December 31, 2016.

(2) Energy purchase contracts were entered into as part of the obligation to serve our retail electric and natural gas customers' energy requirements. As a result, costs are generally recovered either through base retail rates or adjustments to retail rates as part of the power and natural gas cost adjustment mechanisms.

(3) Includes the interest component of the lease obligation.

(4) Represents operational agreements, settlements and other contractual obligations for our generation, transmission and distribution facilities. These costs are generally recovered through base retail rates.

(5) Includes information service contracts which are recorded to other operating expenses in the Consolidated Statements of Income.

(6) Represents our estimated cash contributions to pension plans and other postretirement benefit plans through 2021. We cannot reasonably estimate pension plan contributions beyond 2021 at this time and have excluded them from the table above.

(7) Represents the net mark-to-market fair value of outstanding unsettled interest rate swap derivatives as of December 31, 2016. Negative values in the table above represent contractual amounts that are owed to Avista Corp. by the counterparties. The values in the table above will change each period depending on fluctuations in market interest rates and could become either assets or liabilities. Also, the amounts in the table above are not reflective of cash collateral of $34.9 million and letters of credit of $3.6 million that are already posted with counterparties against the outstanding interest rate swap derivatives.

(8) Primarily relates to long-term debt and capital lease maturities and the related interest. AERC contractual commitments also include contractually required capital project funding and operating and maintenance costs associated with the Snettisham hydroelectric project. These costs are generally recovered through base retail rates.

(9) Primarily relates to operating lease commitments and a commitment to fund a limited liability company in exchange for equity ownership, made by a subsidiary of Avista Capital.

The above contractual obligations do not include income tax payments. Also, asset retirement obligations are not included above and payments associated with these have historically been less than $1 million per year. There are approximately $15.5 million remaining asset retirement obligations as of December 31, 2016.

In addition to the contractual obligations disclosed above, we will incur additional operating costs and capital expenditures in future periods for which we are not contractually obligated as part of our normal business operations.

COMPETITION

Our utility electric and natural gas distribution business has historically been recognized as a natural monopoly. In each regulatory jurisdiction, our rates for retail electric and natural gas services (other than specially negotiated retail rates for industrial or large commercial customers, which are subject to regulatory review and approval) are generally determined on a "cost of service" basis. Rates are designed to provide, after recovery of allowable operating expenses and capital investments, an opportunity for us to earn a reasonable return on investment as allowed by our regulators.

In retail markets, we compete with various rural electric cooperatives and public utility districts in and adjacent to our service territories in the provision of service to new electric customers. Alternative energy technologies, including customer-sited solar, wind or geothermal generation, may also compete with us for sales to existing customers. While the risk is currently small in our service territory given the small numbers of customers utilizing these technologies, advances in power generation, energy efficiency, energy storage and other alternative energy technologies could lead to more wide-spread usage of these technologies, thereby reducing customer demand for the energy supplied by us. This reduction in usage and demand would reduce our revenue and negatively impact our financial condition including possibly leading to our inability to fully recover our investments in generation, transmission and distribution assets. Similarly, our natural gas distribution operations compete with other energy sources including heating oil, propane and other fuels.

Certain natural gas customers could bypass our natural gas system, reducing both revenues and recovery of fixed costs. To reduce the potential for such bypass, we price natural gas services, including transportation contracts, competitively and have varying degrees of flexibility to price transportation and delivery rates by means of individual contracts. These individual contracts are subject to state regulatory review and approval. We have long-term transportation contracts with several of our largest industrial customers under which the customer acquires its own commodity while using our infrastructure for delivery. Such contracts reduce the risk of these customers bypassing our system in the foreseeable future and minimizes the impact on our earnings.

Also, non-utility businesses are developing new technologies and services to help energy consumers manage energy in new ways that may improve productivity and could alter demand for the energy we sell.

In wholesale markets, competition for available electric supply is influenced by the:

- localized and system-wide demand for energy,
- type, capacity, location and availability of generation resources, and
- variety and circumstances of market participants.

These wholesale markets are regulated by the FERC, which requires electric utilities to:

- transmit power and energy to or for wholesale purchasers and sellers,
- enlarge or construct additional transmission capacity for the purpose of providing these services, and
- transparently price and offer transmission services without favor to any party, including the merchant functions of the utility.

Participants in the wholesale energy markets include:

- other utilities,
- federal power marketing agencies,
- energy marketing and trading companies,
- independent power producers,
- financial institutions, and
- commodity brokers.

ECONOMIC CONDITIONS AND UTILITY LOAD GROWTH

The general economic data, on both national and local levels, contained in this section is based, in part, on independent government and industry publications, reports by market research firms or other independent sources. While we believe that these publications and other sources are reliable, we have not independently verified such data and can make no representation as to its accuracy.

Avista Utilities

We track multiple economic indicators affecting the three largest metropolitan statistical areas in our Avista Utilities service area: Spokane, Washington, Coeur d'Alene, Idaho, and Medford, Oregon. Several key indicators are employment change, unemployment rates and foreclosure rates. On a year-over-year basis, December 2016 showed positive job growth and lower unemployment rates in all three metropolitan areas. However, the unemployment rates in Spokane and Medford are still above the national average. Except for Medford, foreclosure rates are in line with or below the U.S rate in all areas, and key leading indicators, initial unemployment claims and residential building permits signal continued growth over the next 12 months. Therefore, in 2017, we expect economic growth in our service area to be somewhat stronger than the U.S. as a whole.

Nonfarm employment (seasonally adjusted) in our eastern Washington, northern Idaho, and southwestern Oregon metropolitan service areas exhibited moderate growth between December 2015 and December 2016. In Spokane, Washington employment growth was 3.6 percent with gains in all major sectors except manufacturing and leisure and hospitality. Employment increased by 2.5 percent in Coeur d'Alene, Idaho, reflecting gains in all major sectors except mining and logging and professional and business services. In Medford, Oregon, employment growth was 3.8 percent, with gains in all major sectors except mining and logging. U.S. nonfarm sector jobs grew by 1.5 percent in the same 12-month period.

Seasonally adjusted unemployment rates went down in December 2016 from the year earlier in Spokane, Coeur d'Alene, and Medford. In Spokane the rate was 6.5 percent in December 2015 and declined to 6.3 percent in December 2016; in Coeur d'Alene the rate went from 4.9 percent to 4.5 percent; and in Medford the rate declined from 6.7 percent to 5.3 percent. The U.S. rate declined from 5.0 percent to 4.7 percent in the same period.

Except for the Medford area, the housing market in our Avista Utilities service area continues to experience foreclosure rates in line with the national average. The December 2016 national rate was 0.07 percent, compared to 0.07 percent in Spokane County, Washington; 0.02 percent in Kootenai County (Coeur d'Alene), Idaho; and 0.13 percent in Jackson County (Medford), Oregon.

Alaska Electric Light and Power Company

Our AEL&P service area is centered in Juneau. Although Juneau is Alaska's state capital, it is not a metropolitan statistical area. This means breadth and frequency of economic data is more limited. Therefore, the dates of Juneau's economic data may significantly lag the period of this filing.

The Quarterly Census of Employment and Wages for Juneau shows employment declined 1.2 percent between second quarter 2015 and second quarter 2016. The employment decline was centered in government; construction; manufacturing; financial activities; and professional and business services. Government (including active duty military personnel) accounts for approximately 37 percent of total employment. Employment declines also occurred in natural resources and mining; education and health services; and other services. Between December 2015 and December 2016 the non-seasonally adjusted unemployment rate decreased from 4.7 percent to 4.5 percent.

The Juneau foreclosure rate is below the U.S. rate. The December 2016 rate was 0.02 percent compared to 0.07 percent for the U.S.

Forecasted Customer and Load Growth

Based on our forecast for 2017 through 2020 for Avista Utilities' service area, we expect annual electric customer growth to average 1.1 percent, within a forecast range of 0.7 percent to 1.5 percent. We expect annual natural gas customer growth to average 1.3 percent, within a forecast range of 0.8 percent to 1.8 percent. We anticipate retail electric load growth to average 0.6 percent, within a forecast range of 0.3 percent and 0.9 percent. We expect natural gas load growth to average 1.2 percent, within a forecast range of 0.7 percent and 1.7 percent. The forecast ranges reflect (1) the inherent uncertainty associated with the economic assumptions on which forecasts are based and (2) the historic variability of natural gas customer and load growth.

In AEL&P's service area, we expect residential customer growth near 0 percent (no residential customer growth) for 2017 through 2020. We also expect no significant growth in commercial and government customers over the same period. We anticipate average annual total load growth will be in a narrow range around 0.3 percent, with residential load growth averaging 0.6 percent, commercial growth near 0 percent (no load growth); and government growth near 0 percent.

The forward-looking statements set forth above regarding retail load growth are based, in part, upon purchased economic forecasts and publicly available population and demographic studies. The expectations regarding retail load growth are also based upon various assumptions, including:

- assumptions relating to weather and economic and competitive conditions,
- internal analysis of company-specific data, such as energy consumption patterns,
- internal business plans,
- an assumption that we will incur no material loss of retail customers due to self-generation or retail wheeling, and
- an assumption that demand for electricity and natural gas as a fuel for mobility will for now be immaterial.

Changes in actual experience can vary significantly from our projections.

See also "Competition" above for a discussion of competitive factors that could affect our results of operations in the future.

ENVIRONMENTAL ISSUES AND CONTINGENCIES

We are subject to environmental regulation by federal, state and local authorities. The generation, transmission, distribution, service and storage facilities in which we have ownership interests are designed and operated in compliance with applicable environmental laws. Furthermore, we conduct periodic reviews and audits of pertinent facilities and operations to ensure compliance and to respond to or anticipate emerging environmental issues. The Company's Board of Directors has established a committee to oversee environmental issues.

We monitor legislative and regulatory developments at all levels of government for environmental issues, particularly those with the potential to impact the operation and productivity of our generating plants and other assets.

Environmental laws and regulations may:

- increase the operating costs of generating plants;
- increase the lead time and capital costs for the construction of new generating plants;
- require modification of our existing generating plants;
- require existing generating plant operations to be curtailed or shut down;
- reduce the amount of energy available from our generating plants;
- restrict the types of generating plants that can be built or contracted with;
- require construction of specific types of generation plants at higher cost; and
- increase costs of distributing natural gas.

Compliance with environmental laws and regulations could result in increases to capital expenditures and operating expenses. We intend to seek recovery of any such costs through the ratemaking process.

Clean Air Act (CAA)

We must comply with the requirements under the CAA in operating our thermal generating plants. The CAA currently requires a Title V operating permit for Colstrip (expires in 2017), Coyote Springs 2 (expires in 2018), the Kettle Falls GS (application has been made for a new permit), and the Rathdrum CT (application has been made for a new permit). Boulder Park GS, Northeast CT, and other activities only require minor source operating or registration permits based on their limited operation and emissions. The Title V operating permits are renewed every five years and updated to include newly applicable CAA requirements. We actively monitor legislative, regulatory and program developments within the CAA that may impact our facilities.

On March 6, 2013, the Sierra Club and Montana Environmental Information Center, filed a Complaint (Complaint) in the United States District Court for the District of Montana, Billings Division, against the owners of Colstrip. The Complaint alleged certain violations of the Clean Air Act. On July 12, 2016, all of the parties to this action filed a Consent Decree with the Court settling all claims contained in the Complaint. See "Sierra Club and Montana Environmental Information Center Litigation" in "Note 19 of the Notes to Consolidated Financial Statements" for further information on this matter.

Hazardous Air Pollutants (HAPs)

The EPA regulates hazardous air pollutants from a published list of industrial sources referred to as "source categories" which must meet control technology requirements if they emit one or more of the pollutants in significant quantities. In 2012, the EPA finalized the Mercury Air Toxic Standards (MATS) for the coal and oil-fired source category. At the time of issuance in 2012, we examined the existing emission control systems of Colstrip Units 3 & 4, the only units in which we are a minority owner, and concluded that the existing emission control systems should be sufficient to meet mercury limits. For the remaining portion of the rule that utilized Particulate Matter as a surrogate for air toxics (including metals and acid gases), the Colstrip owners reviewed recent stack testing data and expected that no additional emission control systems would be needed for Units 3 & 4 MATS compliance.

Regional Haze Program

The EPA set a national goal of eliminating man-made visibility degradation in Class I areas by the year 2064. States are expected to take actions to make "reasonable progress" through 10-year plans, including application of Best Available Retrofit Technology (BART) requirements. BART is a retrofit program applied to large emission sources, including electric generating units built between 1962 and 1977. In the case where a State opts out of implementing the Regional Haze program, the EPA may act directly. On September 18, 2012, the EPA finalized the Regional Haze federal implementation plan (FIP) for Montana. The FIP includes both emission limitations and pollution controls for Colstrip Units 1 & 2. Colstrip Units 3 & 4, the only units of which we are a minority owner, are not currently affected, but will be evaluated for Reasonable Progress at the next review period. We do not anticipate any material impacts on Units 3 & 4 at this time.

Coal Ash Management/Disposal

On April 17, 2015, the EPA published a final rule regarding coal combustion residuals (CCRs), also termed coal combustion byproducts or coal ash in the Federal Register, and this rule became effective on October 15, 2015. Colstrip, of which we are a 15 percent owner of Units 3 & 4, produces this byproduct. The rule establishes technical requirements for CCR landfills and surface impoundments under Subtitle D of the Resource Conservation and Recovery Act, the nation's primary law for regulating solid waste. We, in conjunction with the other owners, are developing a multi-year compliance plan to strategically address the new CCR requirements and existing state obligations while maintaining operational stability. During 2015, the operator of Colstrip provided an initial cost estimate of the expected retirement costs associated with complying with the new CCR rule and based on the initial assessments, Avista Corp. recorded an increase to its asset retirement obligations of $12.5 million with a corresponding increase in the cost basis of the utility plant. During 2016, due to additional information and updated estimates, we increased the asset retirement obligation (ARO) to $13.6 million (including accretion of $0.7 million). See "Note 9 of the Notes to Consolidated Financial Statements" for additional information regarding AROs.

In addition to an increase to our ARO, it is expected that there will be significant compliance costs at Colstrip in the future, both operating and capital costs, due to a series of incremental infrastructure improvements which are separate from the ARO. Due to the preliminary nature of available data, we cannot reasonably estimate the future compliance costs; however, we will update our ARO and compliance cost estimates when data becomes available.

The actual asset retirement costs and future compliance costs related to the CCR Rule requirements may vary substantially from the estimates used to record the increased ARO due to uncertainty about the compliance strategies that will be used and the preliminary nature of available data used to estimate costs, such as the quantity of coal ash present at certain sites and the volume of fill that will be needed to cap and cover certain impoundments. We will coordinate with the plant operators and continue to gather additional data in future periods to make decisions about compliance strategies and the timing of closure activities. As additional information becomes available, we will update the ARO and future nonretirement compliance costs for these changes in estimates, which could be material. We expect to seek recovery of any increased costs related to complying with the new rule through customer rates.

Climate Change

Concerns about long-term global climate changes could have a significant effect on our business. Our operations could also be affected by changes in laws and regulations intended to mitigate the risk of, or alter global climate changes, including restrictions on the operation of our power generation resources and obligations imposed on the sale of natural gas. Changing temperatures and precipitation, including snowpack conditions, affect the availability and timing of streamflows, which impact hydroelectric generation. Extreme weather events could increase service interruptions, outages and maintenance costs. Changing temperatures could also increase or decrease customer demand.

Our Climate Policy Council (an interdisciplinary team of management and other employees):

- facilitates internal and external communications regarding climate change issues,
- analyzes policy effects, anticipates opportunities and evaluates strategies for Avista Corp., and
- develops recommendations on climate related policy positions and action plans.

Climate Change—Federal Regulatory Actions

The EPA released the final rules for the Clean Power Plan (Final CPP) and the Carbon Pollution Standards (Final CPS) on August 3, 2015. The Final CPP and the Final CPS are both intended to reduce the carbon dioxide (CO2) emissions from certain coal-fired and natural gas electric generating units (EGUs). These rules were published in the Federal Register on October 23, 2015 and were immediately challenged via lawsuits by other parties.

The Final CPP was promulgated pursuant to Section 111(d) of the CAA and applies to CO2 emissions from existing EGUs. The Final CPP is intended to reduce national CO2 emissions by approximately 32 percent below 2005 levels by 2030. The Final CPS rule was issued pursuant to Section 111(b) of the CAA and applies to the emissions of new, modified and reconstructed EGUs. The two rules are the first rules ever adopted by the U.S. federal government to comprehensively control and reduce CO2 emissions from the power sector. The EPA also issued a proposed Federal Implementation Plan (Proposed FIP) for the Final CPP. The Final FIP that the EPA adopts could be imposed on states by the EPA, should a state decide not to develop its own plan.

The Final CPP establishes individual state emission reduction goals based upon the assumed potential for (1) heat rate improvements at coal-fired units, (2) increased utilization of natural gas-fired combined cycle plants, and (3) increased utilization of low or zero carbon emitting generation resources. As expressed in the final rule, states had until September 2016 to submit state compliance plans, with a potential for two-year extensions. A stay granted by the U.S. Supreme Court, and described below, pushed this date out pending the results of the case. Avista Corp. owns two EGUs that are subject to the Final CPP: its portion (15 percent of Units 3 & 4) of Colstrip in Montana and Coyote Springs 2 in Oregon. States may adopt rate-based or mass-based plans, and may choose to focus compliance on specific EGUs or adopt broader measures to reduce carbon emissions from this sector. The states in which Avista Utilities generates or delivers electricity, Washington, Idaho, Montana and Oregon, are at differing stages of evaluating options for developing state plans, which will define compliance approaches and obligations. Alaska was exempted in the Final CPP. The EPA may consider rulemaking for Alaska and Hawaii, both states which lack regional grid connections in the future.

In a separate but related rulemaking, the EPA finalized CO2 new source performance standards (NSPS) for new, modified and reconstructed fossil fuel-fired EGUs under CAA section 111(b). These EGUs fall into the same two categories of sources regulated by the Final CPP: steam generating units (also known as "utility boilers and IGCC units"), which primarily burn coal, and stationary combustion turbines, which primarily burn natural gas.

GHG emission standards could result in significant compliance costs. Such standards could also preclude us from developing, operating or contracting with certain types of generating plants. Additionally, the Climate Action Plan requirements related to preparing the U.S. for the impacts of climate change could affect us and others in the industry as transmission system modifications to improve resiliency may be needed in order to meet those requirements.

The promulgated and proposed GHG rulemakings mentioned above have been legally challenged in multiple venues. On February 9, 2016, the U.S. Supreme Court granted a request for stay, halting implementation of the CPP. Given this development and related ongoing legal challenges, we cannot fully predict the outcome or estimate the extent to which our facilities may be impacted by these regulations at this time. We intend to seek recovery of any costs related to compliance with these requirements through the ratemaking process.

Climate Change—State Legislation and State Regulatory Activities

The states of Washington and Oregon have adopted non-binding targets to reduce GHG emissions. Both states enacted their targets with an expectation of reaching the targets through a combination of renewable energy standards, and assorted "complementary policies," but no specific reductions are mandated.

Washington and Oregon apply a GHG emissions performance standard (EPS) to electric generation facilities used to serve retail loads in their jurisdictions. The EPS prevents utilities from constructing or purchasing generation facilities, or entering into power purchase agreements of five years or longer duration to purchase energy produced by plants, that in any case, have emission levels higher than 1,100 pounds of GHG per MWh. The Washington State Department of Commerce (Commerce) initiated a process to adopt a lower emissions performance standard in 2012; any new standard will be applicable until at least 2017. Commerce published a supplemental notice of proposed rulemaking on January 16, 2013 with a new EPS of 970 pounds of GHG per MWh. We will engage in the next process to revise the EPS, which should occur in 2017.

Washington

Energy Independence Act (EIA)

The EIA in Washington requires electric utilities with over 25,000 customers to acquire qualified renewable energy resources and/or renewable energy credits equal to 15 percent of the utility's total retail load in Washington in 2020. I-937 also requires these utilities to meet biennial energy conservation targets beginning in 2012. The renewable energy standard increased from three percent in 2012 to nine percent in

2016. Failure to comply with renewable energy and efficiency standards could result in penalties of $50 per MWh or greater assessed against a utility for each MWh it is deficient in meeting a standard. We have met, and will continue to meet, the requirements of EIA through a variety of renewable energy generating means, including, but not limited to, some combination of hydro upgrades, wind, biomass and renewable energy credits. In 2012, EIA was amended in such a way that our Kettle Falls GS and certain other biomass energy facilities, which commenced operation before March 31, 1999, are considered resources that may be used to meet the renewable energy standards.

Clean Air Rule

In September 2016, the Washington State Department of Ecology (Ecology) adopted the Clean Air Rule (CAR) to cap and reduce GHG emissions across the State of Washington in pursuit of the State's GHG goals, which were enacted in 2008 by the Washington State Legislature (Legislature). The CAR applies to sources of annual GHG emissions in excess of 100,000 tons for the first compliance period of 2017 through 2019; this threshold incrementally decreases to 70,000 metric tons beginning in 2035. The rule affects stationary sources and transportation fuel suppliers, as well as natural gas distribution companies. Ecology has identified approximately 30 entities that would be regulated under the CAR. Parties covered by the regulation must reduce emissions by 1.7 percent annually until 2035. Compliance can be demonstrated by achieving emission reductions and/or surrendering Emission Reduction Units (ERU), which are generated by parties that achieve reductions greater than required by the rule. ERUs can also take the form of renewable energy credits from renewable resources located in Washington, carbon emission offsets, and allowances acquired from an organized cap and trade market, such as that operating in California. In addition to the CAR's applicability to our burning of fuel as an electric utility, the CAR applies to us as a natural gas distribution company, for the emissions associated with the use of the natural gas we provide our customers who are not already covered under the regulation.

In September 2016, Avista Corp., Cascade Natural Gas Corp., NW Natural and Puget Sound Energy (PSE) (collectively, Petitioners) jointly filed an action in the U.S. District Court for the Eastern District of Washington challenging Ecology's recently promulgated CAR. The four companies also filed litigation in Thurston County Superior Court.

Petitioners believe that the reduction of GHG emissions is a matter that needs to be addressed, but the CAR is not the solution. Each utility represented in this case provided feedback and public comment to improve the rule, but ideas put forward were not incorporated in the final rule. They are asking the U.S District Court and the Thurston County Superior Court to find that the CAR is invalid.

In their State claim, Petitioners assert that:

- Ecology lacks statutory authority to regulate natural gas utilities because the CAR holds them responsible for the indirect emissions of their customers;
- Ecology does not have the authority to create an emission reduction trading program (ERUs);
- Ecology failed to comply with the requirements of the State Environmental Policy Act; and
- the CAR is arbitrary and capricious.

Petitioners' Federal claim asserts that the CAR violates the dormant Commerce Clause of the U.S. Constitution by discriminating against interstate commerce, regulating extraterritorially and unduly burdening interstate commerce by restricting the use of ERU's (allowances) generated from outside Washington State for compliance purposes. The case in U.S. District Court has been tolled while the state court case proceeds, with oral arguments scheduled for the spring of 2017.

Initiative I-732

An Initiative to the Legislature (I-732) to impose a carbon tax on fossil-fueled generation and natural gas distribution, as well as on transportation fuels, was submitted to the Legislature in January 2016. The Legislature failed to act upon the measure and I-732 was referred to the November 2016 General Election ballot, where it failed to gain enough votes for enactment.

Colstrip 3 & 4 Considerations

On February 6, 2014, the UTC issued a letter finding that PSE's 2013 Electric Integrated Resource Plan meets the requirements of the Revised Code of Washington and the Washington Administrative Code. In its letter, however, the UTC expressed concern regarding the continued operation of the Colstrip plant as a resource to serve retail customers. Although the UTC recognized that the results of the analyses presented by PSE "differed significantly between [Colstrip] Units 1 & 2 and Units 3 & 4," the UTC did not limit its concerns solely to Colstrip Units 1 & 2. The UTC recommended that PSE "consult with UTC staff to consider a Colstrip Proceeding to determine the prudency of any new investment in Colstrip before it is made or, alternatively, a closure or partial-closure plan." As part of the Sierra Club litigation that was settled in 2016, Units 1 & 2 are scheduled to close by July 2022. See "Note 19 of the Notes to Consolidated Financial Statements" for further discussion of the Sierra Club litigation. As a 15 percent owner of Colstrip Units 3 & 4, we cannot estimate the effect of such proceeding, should it occur, on the future ownership, operation and operating costs of our share of Colstrip Units 3 & 4. Our remaining investment in Colstrip Units 3 & 4 as of December 31, 2016 was $131.0 million.

In Oregon, legislation was enacted in 2016 which requires Portland General Electric and PacifiCorp to remove coal-fired generation from their Oregon rate base by 2030. This legislation does not directly relate to Avista Corp. because Avista Corp. is not an electric utility in Oregon. However, because these two utilities, along with Avista Corp., hold minority interests in Colstrip, the legislation could indirectly impact Avista Corp., though specific impacts cannot be identified at this time. While the legislation requires Portland General Electric and PacifiCorp to eliminate Colstrip from their rates, they would be permitted to sell the output of their shares of Colstrip into the wholesale market or, as is the case with PacifiCorp, reallocate the plant to other states. We cannot predict the eventual outcome of actions arising from this legislation at this time or estimate the effect thereof on Avista Corp.; however, we will continue to seek recovery, through the ratemaking process, of all operating and capitalized costs related to our generation assets.

Threatened and Endangered Species and Wildlife

A number of species of fish in the Northwest are listed as threatened or endangered under the Federal Endangered Species Act (ESA). Efforts to protect these and other species have not significantly impacted generation levels at any of our hydroelectric facilities, nor operations of our thermal plants or electrical distribution and transmission system. We are implementing fish protection measures at our hydroelectric project on the Clark Fork River under a 45-year FERC operating license for Cabinet Gorge and Noxon Rapids (issued March 2001) that incorporates a comprehensive settlement agreement. The restoration of native salmonid fish, including bull trout, is a key part of the agreement. The result is a collaborative native salmonid restoration program with the U.S. Fish and Wildlife Service, Native American tribes and the states of Idaho and Montana on the lower Clark Fork River, consistent with requirements of the FERC license. The U.S. Fish & Wildlife Service issued an updated Critical Habitat Designation for bull trout in 2010 that includes the lower Clark Fork River, as well as portions of the Coeur d'Alene basin within our Spokane River Project area, and issued a final Bull Trout Recovery Plan under the ESA. Issues related to these activities are expected to be resolved through the ongoing collaborative effort of our Clark Fork and Spokane River FERC licenses. See "Fish Passage at Cabinet Gorge and Noxon Rapids" in "Note 19 of the Notes to Consolidated Financial Statements" for further information.

Various statutory authorities, including the Migratory Bird Treaty Act, have established penalties for the unauthorized take of migratory birds. Because we operate facilities that can pose risks to a variety of such birds, we have developed and follow an avian protection plan.

We are also aware of other threatened and endangered species and issues related to them that could be impacted by our operations and we make every effort to comply with all laws and regulations relating to these threatened and endangered species. We expect all costs associated with these compliance efforts to be recovered through the future ratemaking process.

Other

For other environmental issues and other contingencies see "Note 19 of the Notes to Consolidated Financial Statements."

ENTERPRISE RISK MANAGEMENT

The material risks to our businesses are discussed in "Item 1A. Risk Factors," "Forward-Looking Statements," as well as "Environmental Issues and Contingencies." The following discussion focuses on our mitigation processes and procedures to address these risks.

We consider the management of these risks an integral part of managing our core businesses and a key element of our approach to corporate governance.

Risk management includes identifying and measuring various forms of risk that may affect the Company. We have an enterprise risk management process for managing risks throughout our organization. Our Board of Directors and its Committees take an active role in the oversight of risk affecting the Company. Our risk management department facilitates the collection of risk information across the Company, providing senior management with a consolidated view of the Company's major risks and risk mitigation measures. Each area identifies risks and implements the related mitigation measures. The enterprise risk process supports management in identifying, assessing, quantifying, managing and mitigating the risks. Despite all risk mitigation measures, however, risks are not eliminated.

Our primary identified categories of risk exposure are:

- Financial
- Utility regulatory
- Energy commodity
- Operational
- Compliance
- Technology
- Strategic
- External Mandates

FINANCIAL RISK

Financial risk is any risk that could have a direct material impact on the financial performance or financial viability of the Company. Broadly, financial risks involve variation of earnings and liquidity. Underlying risks include, but are not limited to, those described in "Item 1A. Risk Factors."

We mitigate financial risk in a variety of ways including through oversight from the Finance Committee of our Board of Directors and from senior management. Our Regulatory department is also critical in risk mitigation as they have regular communications with state commission regulators and staff and they monitor and develop rate strategies for the Company. Rate strategies, such as decoupling, help mitigate the impacts of revenue fluctuations due to weather, conservation or the economy. We also have a Treasury department that monitors our daily cash position and future cash flow needs, as well as monitoring market conditions to determine the appropriate course of action for capital financing and/or hedging strategies.

Weather Risk

To partially mitigate the risk of financial underperformance due to weather-related factors, we developed decoupling rate mechanisms that were approved by the Washington, Idaho and Oregon commissions. Decoupling mechanisms are designed to break the link between a utility's revenues and consumers' energy usage and instead provide revenue based on the number of customers, thus mitigating a large portion of the risk associated with lower customer loads. See "Regulatory Matters" for further discussion of our decoupling mechanisms.

Access to Capital Markets

Our capital requirements rely to a significant degree on regular access to capital markets. We actively engage with rating agencies, banks, investors and state public utility commissions to understand and address the factors that support access to capital markets on reasonable terms. We manage our capital structure to maintain a financial risk profile that we believe these parties will deem prudent. We forecast cash requirements to determine liquidity needs, including sources and variability of cash flows that may arise from our spending plans or from external forces, such as changes in energy prices or interest rates. Our financial and operating forecasts consider various metrics that affect credit ratings. Our regulatory strategies include working with state public utility commissions and filing for rate changes as appropriate to meet financial performance expectations.

Interest Rate Risk

Uncertainty about future interest rates causes risk related to a portion of our existing debt, our future borrowing requirements, and our pension and other postretirement benefit obligations. We manage debt interest rate exposure by limiting our variable rate debt to a percentage of total capitalization of the Company. We hedge a portion of our interest rate risk on forecasted debt issuances with financial derivative instruments, which may include interest rate swaps and U.S. Treasury lock agreements. The Finance Committee of our Board of Directors periodically reviews and discusses interest rate risk management processes and the steps management has undertaken to control interest rate risk. Our RMC also reviews our interest rate risk management plan. Additionally, interest rate risk is managed by monitoring market conditions when timing the issuance of long-term debt and optional debt redemptions and establishing fixed rate long-term debt with varying maturities.

Our interest rate swap derivatives are considered economic hedges against the future forecasted interest rate payments of our long-term debt. Interest rates on our long-term debt are generally set based on underlying U.S. Treasury rates plus credit spreads, which are based on our credit ratings and prevailing market prices for debt. The interest rate swap derivatives hedge against changes in the U.S. Treasury rates but do not hedge the credit spread.

Even though we work to manage our exposure to interest rate risk by locking in certain long-term interest rates through interest rate swap derivatives, if market interest rates decrease below the interest rates we have locked in, this will result in a liability related to our interest rate swap derivatives, which can be significant. However, through our regulatory accounting practices similar to our energy commodity derivatives, any interim mark-to-market gains or losses are offset by regulatory assets and liabilities. Upon settlement of interest rate swap derivatives, the regulatory asset or liability is amortized as a component of interest expense over the term of the associated debt.

The following table summarizes our interest rate swap derivatives outstanding as of December 31, 2016 and December 31, 2015 (dollars in thousands):

	December 31, 2016	December 31, 2015
Number of agreements	33	23
Notional amount	$ 500,000	$ 455,000
Mandatory cash settlement dates	2017 to 2022	2016 to 2022
Short-term derivative assets (1)	$ 3,393	$ —
Long-term derivative assets (1)	5,357	23
Short-term derivative liability (1) (2)	(6,025)	(19,264)
Long-term derivative liability (1) (2)	(28,705)	(30,679)

(1) There are offsetting regulatory assets and liabilities for these items on the Consolidated Balance Sheets in accordance with regulatory accounting practices.

(2) The balance as of December 31, 2016 and December 31, 2015 reflects the offsetting of $34.9 million and $34.0 million, respectively, of cash collateral against the net derivative positions where a legal right of offset exists.

We estimate that a 10-basis-point increase in forward LIBOR interest rates as of December 31, 2016 would decrease the interest rate swap derivative net liability by $10.4 million, while a 10-basis-point decrease would increase the interest rate swap derivative net liability by $10.7 million.

We estimated that a 10-basis-point increase in forward LIBOR interest rates as of December 31, 2015 would have decreased the interest rate swap derivative net liability by $9.8 million, while a 10-basis-point decrease would increase the interest rate swap derivative net liability by $10.1 million.

The interest rate on $51.5 million of long-term debt to affiliated trusts is adjusted quarterly, reflecting current market rates. Amounts borrowed under our committed line of credit agreements have variable interest rates.

The following table shows our long-term debt (including current portion) and related weighted-average interest rates, by expected maturity dates as of December 31, 2016 (dollars in thousands):

	2017	2018	2019	2020	2021	Thereafter	Total	Fair Value
Fixed rate long-term debt (1)	$ —	$ 272,500	$ 105,000	$ 52,000	$ —	$ 1,198,500	$ 1,628,000	$ 1,723,912
Weighted-average interest rate	—	6.07%	5.22%	3.89%	—	4.91%	5.09%	
Variable rate long-term debt to affiliated trusts	—	—	—	—	—	$ 51,547	$ 51,547	$ 38,660
Weighted-average interest rate	—	—	—	—	—	1.81%	1.81%	

(1) These balances include the fixed rate long-term debt of Avista Corp., AEL&P and AERC.

Our pension plan is exposed to interest rate risk because the value of pension obligations and other postretirement obligations vary directly with changes in the discount rates, which are derived from end-of-year market interest rates. In addition, the value of pension investments and potential income on pension investments is partially affected by interest rates because a portion of pension investments are in fixed income securities. The Finance Committee of the Board of Directors approves investment policies, objectives and strategies that seek an appropriate return for the pension plan and it reviews and approves changes to the investment and funding policies. We manage interest rate risk associated with our pension and other postretirement benefit plans by investing a targeted amount of pension plan assets in fixed income investments that have maturities with similar profiles to future projected benefit obligations. See "Note 10 of the Notes to Consolidated Financial Statements" for further discussion of our investment policy associated with the pension assets.

Credit Risk

Counterparty Non-Performance Risk

Counterparty non-performance risk relates to potential losses that we would incur as a result of non-performance of contractual obligations by counterparties to deliver energy or make financial settlements.

Changes in market prices may dramatically alter the size of credit risk with counterparties, even when we establish conservative credit limits. Should a counterparty fail to perform, we may be required to honor the underlying commitment or to replace existing contracts with contracts at then-current market prices.

We enter into bilateral transactions with various counterparties. We also trade energy and related derivative instruments through clearinghouse exchanges.

We seek to mitigate credit risk by:

- transacting through clearinghouse exchanges,
- entering into bilateral contracts that specify credit terms and protections against default,
- applying credit limits and duration criteria to existing and prospective counterparties,
- actively monitoring current credit exposures,
- asserting our collateral rights with counterparties, and
- carrying out transaction settlements timely and effectively.

The extent of transactions conducted through exchanges has increased as many market participants have shown a preference toward exchange trading and have reduced bilateral transactions. We actively monitor the collateral required by such exchanges to effectively manage our capital requirements.

Counterparties' credit exposure to us is dynamic in normal markets and may change significantly in more volatile markets. The amount of potential default risk to us from each counterparty depends on the extent of forward contracts, unsettled transactions, interest rates and market prices. There is a risk that we do not obtain sufficient additional collateral from counterparties that are unable or unwilling to provide it.

Credit Risk Liquidity Considerations

To address the impact on our operations of energy market price volatility, our hedging practices for electricity (including fuel for generation) and natural gas extend beyond the current operating year. Executing this extended hedging program may increase credit risk and demands for collateral. Our credit risk management process is designed to mitigate such credit risks through limit setting, contract protections and counterparty diversification, among other practices.

Credit risk affects demands on our capital. We are subject to limits and credit terms that counterparties may assert to allow us to enter into transactions with them and maintain acceptable credit exposures. Many of our counterparties allow unsecured credit at limits prescribed by agreements or their discretion. Capital requirements for certain transaction types involve a combination of initial margin and market value margins without any unsecured credit threshold. Counterparties may seek assurances of performance from us in the form of letters of credit, prepayment or cash deposits.

Credit exposure can change significantly in periods of commodity price and interest rate volatility. As a result, sudden and significant demands may be made against our credit facilities and cash. We actively monitor the exposure to possible collateral calls and take steps to minimize capital requirements.

As of December 31, 2016, we had cash deposited as collateral of $17.1 million and letters of credit of $24.4 million outstanding related to our energy derivative contracts. Price movements and/or a downgrade in our credit ratings could impact further the amount of collateral required. See "Credit Ratings" for further information. For example, in addition to limiting our ability to conduct transactions, if our credit ratings were lowered to below "investment grade" based on our positions outstanding at December 31, 2016, we would potentially be required to post additional collateral of up to $6.0 million. This amount is different from the amount disclosed in "Note 6 of the Notes to Consolidated Financial Statements" because, while this analysis includes contracts that are not considered derivatives in addition to the contracts considered in Note 6, this analysis also takes into account contractual threshold limits that are not considered in Note 6. Without contractual threshold limits, we would potentially be required to post additional collateral of $8.2 million.

Under the terms of interest rate swap derivatives that we enter into periodically, we may be required to post cash or letters of credit as collateral depending on fluctuations in the fair value of the instrument. As of December 31, 2016, we had interest rate swap agreements outstanding with a notional amount totaling $500.0 million and we had deposited cash in the amount of $34.9 million and letters of credit of $3.6 million as collateral for these interest rate swap derivatives. If our credit ratings were lowered to below "investment grade" based on our interest rate swap derivatives outstanding at December 31, 2016, we would have to post $21.1 million of additional collateral.

Foreign Currency Risk

A significant portion of our utility natural gas supply (including fuel for electric generation) is obtained from Canadian sources. Most of those transactions are executed in U.S. dollars, which avoids foreign currency risk. A portion of our short-term natural gas transactions and long-term Canadian transportation contracts are committed based on Canadian currency prices. The short-term natural gas transactions are typically settled within sixty days with U.S. dollars. We economically hedge a portion of the foreign currency risk by purchasing Canadian currency exchange contracts when such commodity transactions are initiated. This risk has not had a material effect on our financial condition, results of operations or cash flows and these differences in cost related to currency fluctuations are included with natural gas supply costs for ratemaking.

Further information for derivatives and fair values is disclosed at "Note 6 of the Notes to Consolidated Financial Statements" and "Note 16 of the Notes to Consolidated Financial Statements."

UTILITY REGULATORY RISK

Because we are primarily a regulated utility, we face the risk that regulators may not grant rates that provide timely or sufficient recovery of our costs or allow a reasonable rate of return for our shareholders. This includes costs associated with our investment in rate base, as well as commodity costs and other operating and financing expenses. During December 2016, the UTC denied our most recent electric and natural gas general rate requests and granted zero rate relief. We are currently in the process of pursuing remedies toward a reasonable end result. If our efforts to obtain rates that are fair, just, reasonable and sufficient are not successful, we expect our 2017 earnings will be adversely impacted. See further discussion at "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Regulatory Matters."

We mitigate regulatory risk through oversight from our Board of Directors and from senior management. We have a separate regulatory group which communicates with commission regulators and staff regarding the Company's business plans and concerns. The regulatory group also considers the regulator's priorities and rate policies and makes recommendations to senior management on regulatory strategy for the Company. See "Regulatory Matters" for further discussion of regulatory matters affecting our Company.

ENERGY COMMODITY RISK

Energy commodity risks are associated with fulfilling our obligation to serve customers, managing variability of energy facilities, rights and obligations and fulfilling the terms of our energy commodity agreements with counterparties. These risks include, among other things, those described in "Item 1A. Risk Factors."

We mitigate energy commodity risk primarily through our energy resources risk policy, which includes oversight from the RMC and oversight from the Audit Committee and the Environmental, Technology and Operations Committee of our Board of Directors. In conjunction with the oversight committees, our management team develops hedging strategies, detailed resource procurement plans, resource optimization strategies and long-term integrated resource planning to mitigate some of the risk associated with energy commodities. The various plans and strategies are monitored daily and developed with quantitative methods.

Our energy resources risk policy includes our wholesale energy markets credit policy and control procedures to manage energy commodity price and credit risks. Nonetheless, adverse changes in commodity prices, generating capacity, customer loads, regulation and other factors may result in losses of earnings, cash flows and/or fair values.

We measure the volume of monthly, quarterly and annual energy imbalances between projected power loads and resources. The measurement process is based on expected loads at fixed prices (including those subject to retail rates) and expected resources to the extent that costs are essentially fixed by virtue of known fuel supply costs or projected hydroelectric conditions. To the extent that expected costs are not fixed, either because of volume mismatches between loads and resources or because fuel cost is not locked in through fixed price contracts or derivative instruments, our risk policy guides the process to manage this open forward position over a period of time. Normal operations result in seasonal mismatches between power loads and available resources. We are able to vary the operation of generating resources to match parts of intra-hour, hourly, daily and weekly load fluctuations. We use the wholesale power markets, including the natural gas market as it relates to power generation fuel, to sell projected resource surpluses and obtain resources when deficits are projected. We buy and sell fuel for thermal generation facilities based on comparative power market prices and marginal costs of fueling and operating available generating facilities and the relative economics of substitute market purchases for generating plant operation.

To address the impact on our operations of energy market price volatility, our hedging practices for electricity (including fuel for generation) and natural gas extend beyond the current operating year. Executing this extended hedging program may increase our credit risks. Our credit risk management process is designed to mitigate such credit risks through limit setting, contract protections and counterparty diversification, among other practices.

Our projected retail natural gas loads and resources are regularly reviewed by operating management and the RMC. To manage the impacts of volatile natural gas prices, we seek to procure natural gas through a diversified mix of spot market purchases and forward fixed price purchases from various supply basins and time periods. We have an active hedging program that extends into future years with the goal of reducing price volatility in our natural gas supply costs. We use natural gas storage capacity to support high demand periods and to procure natural gas when price spreads are favorable. Securing prices throughout the year and even into subsequent years mitigates potential adverse impacts of significant purchase requirements in a volatile price environment.

The following table presents energy commodity derivative fair values as a net asset or (liability) as of December 31, 2016 that are expected to settle in each respective year (dollars in thousands):

	Purchases				Sales			
	Electric Derivatives		Gas Derivatives		Electric Derivatives		Gas Derivatives	
Year	Physical (1)	Financial (1)	Physical (1)	Financial (1)	Physical (1)	Financial (1)	Physical (1)	Financial (1)
2017	$ (4,274)	$ 1,939	$ 97	$ (4,005)	$ (225)	$ 576	$ (2,036)	$ (3,440)
2018	(5,598)	—	—	(2,170)	(33)	854	(910)	709
2019	(3,123)	—	(235)	(3,732)	(40)	975	(927)	103
2020	—	—	(266)	(370)	—	—	(1,288)	—
2021	—	—	—	—	—	—	(869)	—
Thereafter	—	—	—	—	—	—	—	—

The following table presents energy commodity derivative fair values as a net asset or (liability) as of December 31, 2015 that were expected to settle in each respective year (dollars in thousands):

	Purchases				Sales			
	Electric Derivatives		Gas Derivatives		Electric Derivatives		Gas Derivatives	
Year	Physical (1)	Financial (1)	Physical (1)	Financial (1)	Physical (1)	Financial (1)	Physical (1)	Financial (1)
2016	$ (6,928)	$ (14,988)	$ (5,895)	$ (41,006)	$ 82	$ 28,857	$ 173	$ 22,445
2017	(6,403)	36	(1,050)	(9,473)	(23)	3,971	(1,125)	313
2018	(5,614)	—	—	(3,554)	(50)	—	(1,172)	(162)
2019	(3,072)	—	(22)	(1,964)	(44)	—	(1,220)	—
2020	—	—	35	(18)	—	—	(1,130)	—
Thereafter	—	—	—	—	—	—	(679)	—

(1) Physical transactions represent commodity transactions where we will take delivery of either electricity or natural gas and financial transactions represent derivative instruments with no physical delivery, such as futures, swaps, options, or forward contracts.

The above electric and natural gas derivative contracts will be included in either power supply costs or natural gas supply costs during the period they are delivered and will be included in the various recovery mechanisms (ERM, PCA, and PGAs), or in the general rate case process, and are expected to eventually be collected through retail rates from customers.

See "Item 1. Business—Electric Operations," "Item 1. Business—Natural Gas Operations," and "Item 1A. Risk Factors" for additional discussion of the risks associated with Energy Commodities.

OPERATIONAL RISK

Operational risk involves potential disruption, losses, or excess costs arising from external events or inadequate or failed internal processes, people and systems. Our operations are subject to operational and event risks that include, but are not limited to, those described in "Item 1A. Risk Factors."

To manage operational and event risks, we maintain emergency operating plans, business continuity and disaster recovery plans, maintain insurance coverage against some, but not all, potential losses and seek to negotiate indemnification arrangements with contractors for certain event risks. In addition, we design and follow detailed vegetation management and asset management inspection plans, which help mitigate wildfire and storm event risks, as well as identify utility assets which may be failing and in need of repair or replacement. We also have an Emergency Operating Center, which is a team of employees that plan for and train to deal with potential emergencies or unplanned outages at our facilities, resulting from natural disasters or other events. To prevent unauthorized access to our facilities, we have both physical and cyber security in place.

To address the risk related to fuel cost, availability and delivery restraints, we have an energy resources risk policy, which includes our wholesale energy markets credit policy and control procedures to manage energy commodity price and credit risks. Development of the energy resources risk policy includes planning for sufficient capacity to meet our customer and wholesale energy delivery obligations. See further discussion of the energy resources risk policy above.

Oversight of the operational risk management process is performed by the Environmental, Technology and Operations Committee of our Board of Directors and from senior management with input from each operating department.

COMPLIANCE RISK

Compliance risk is the potential consequences of legal or regulatory sanctions or penalties arising from the failure of the Company to comply with requirements of applicable laws, rules and regulations. We have extensive compliance obligations. Our primary compliance risks and obligations include, among others, those described in "Item 1A. Risk Factors."

We mitigate compliance risk through oversight from the Environmental, Technology and Operations Committee and the Audit Committee of our Board of Directors and from senior management. We also have separate Regulatory and Environmental Compliance departments that monitor legislation, regulatory orders and actions to determine the overall potential impact to our Company and develop strategies for complying with the various rules and regulations. We also engage outside attorneys, and consultants, when necessary, to help ensure compliance with laws and regulations.

See "Item 1. Business, Regulatory Issues" through "Item 1. Business, Reliability Standards" and "Environmental Issues and Contingencies" for further discussion of compliance issues that impact our Company.

TECHNOLOGY RISK

Our primary technology risks are described in "Item 1A. Risk Factors."

We mitigate technology risk through trainings and exercises at all levels of the Company. The Environmental, Technology and Operations Committee of our Board of Directors along with senior management are regularly briefed on security policy, programs and incidents. Annual cyber and physical training and testing of employees are included in our enterprise security program as are business continuity testing and data breach response exercises.

Technology governance is led by senior management, which includes new technology strategy, risk planning and major project planning and approval. The technology project management office and enterprise capital planning group provide project cost, timeline and schedule oversight. In addition, there are independent third party audits of our critical infrastructure security program and our business risk security controls.

We have a Technology department dedicated to securing, maintaining, evaluating and developing our information technology systems. There are regular training sessions for the technology and security team. This group also evaluates the Company's technology for obsolescence and makes recommendations for upgrading or replacing systems as necessary. Additionally, this group monitors for intrusion and security events that may include a data breach.

STRATEGIC RISK

Strategic risk relates to the potential impacts resulting from incorrect assumptions about external and internal factors, inappropriate business plans, ineffective business strategy execution, or the failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments. Our primary strategic risks include, among others, those described in "Item 1A. Risk Factors."

We mitigate strategic risk through detailed oversight from the Board of Directors and from senior management. We also have a Chief Strategy Officer that leads strategic initiatives, to search for and evaluate opportunities for the Company and makes recommendations to senior management. We not only focus on whether opportunities are financially viable, but also consider whether these opportunities fall within our core policies and our core business strategies. We mitigate our reputational risk primarily through a focus on adherence to our core policies, including our Code of Conduct, maintaining an appropriate Company culture and tone at the top, and through communication and engagement of our external stakeholders.

EXTERNAL MANDATES RISK

External mandate risk involves forces outside the Company, which may include significant changes in customer expectations, disruptive technologies that result in obsolescence of our business model and government action that could impact the Company. See "Environmental Issues and Contingencies" and "Forward-Looking Statements" for a discussion of or reference to our external mandates risks.

We mitigate external mandate risk through detailed oversight from the Environmental, Technology and Operations Committee of our Board of Directors and from senior management. We have a Climate Council which meets internally to assess the potential impacts of climate policy to our business and to identify strategies to plan for change. We also have employees dedicated to actively engage and monitor federal, state and local government positions and legislative actions that may affect us or our customers.

To prevent the threat of municipalization, we work to build strong relationships with the communities we serve through, among other things:

- communication and involvement with local business leaders and community organizations,
- providing customers with a multitude of limited income initiatives, including energy fairs, senior outreach and low income workshops, mobile outreach strategy and a Low Income Rate Assistance Plan,
- tailoring our internal company initiatives to focus on choices for our customers, to increase their overall satisfaction with the Company, and
- engaging in the legislative process in a manner that fosters the interests of our customers and the communities we serve.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is set forth in the Enterprise Risk Management section of "Item 7. Management's Discussion and Analysis" and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The Report of Independent Registered Public Accounting Firm and Financial Statements begin on the next page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Avista Corporation
Spokane, Washington

We have audited the accompanying consolidated balance sheets of Avista Corporation and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, equity and redeemable noncontrolling interests, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Avista Corporation and subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report, dated February 21, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Seattle, Washington
February 21, 2017

CONSOLIDATED STATEMENTS OF INCOME

Avista Corporation

For the Years Ended December 31,

Dollars in thousands, except per share amounts

	2016	2015	2014
Operating Revenues:			
Utility revenues	$ 1,418,914	$ 1,456,091	$ 1,433,343
Non-utility revenues	23,569	28,685	39,219
Total operating revenues	1,442,483	1,484,776	1,472,562
Operating Expenses:			
Utility operating expenses:			
Resource costs	551,366	656,964	678,244
Other operating expenses	315,795	303,221	286,832
Depreciation and amortization	160,514	143,499	129,570
Taxes other than income taxes	98,735	97,657	94,300
Non-utility operating expenses:			
Other operating expenses	25,501	29,526	30,418
Depreciation and amortization	769	695	610
Total operating expenses	1,152,680	1,231,562	1,219,974
Income from operations	289,803	253,214	252,588
Interest expense	86,496	79,968	75,302
Interest expense to affiliated trusts	634	473	450
Capitalized interest	(2,651)	(3,546)	(3,924)
Other income—net	(10,078)	(9,300)	(11,346)
Income from continuing operations before income taxes	215,402	185,619	192,106
Income tax expense	78,086	67,449	72,240
Net income from continuing operations	137,316	118,170	119,866
Net income from discontinued operations (Note 5)	—	5,147	72,411
Net income	137,316	123,317	192,277
Net income attributable to noncontrolling interests	(88)	(90)	(236)
Net income attributable to Avista Corp. shareholders	$ 137,228	$ 123,227	$ 192,041
Amounts attributable to Avista Corp. shareholders:			
Net income from continuing operations	$ 137,228	$ 118,080	$ 119,817
Net income from discontinued operations	—	5,147	72,224
Net income attributable to Avista Corp. shareholders	$ 137,228	$ 123,227	$ 192,041
Weighted-average common shares outstanding (thousands)—basic	63,508	62,301	61,632
Weighted-average common shares outstanding (thousands)—diluted	63,920	62,708	61,887
Earnings per common share attributable to Avista Corp. shareholders—basic:			
Earnings per common share from continuing operations	$ 2.16	$ 1.90	$ 1.94
Earnings per common share from discontinued operations	—	0.08	1.18
Total earnings per common share attributable to Avista Corp. shareholders—basic	$ 2.16	$ 1.98	$ 3.12
Earnings per common share attributable to Avista Corp. shareholders—diluted:			
Earnings per common share from continuing operations	$ 2.15	$ 1.89	$ 1.93
Earnings per common share from discontinued operations	—	0.08	1.17
Total earnings per common share attributable to Avista Corp. shareholders—diluted	$ 2.15	$ 1.97	$ 3.10
Dividends declared per common share	$ 1.37	$ 1.32	$ 1.27

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Avista Corporation
For the Years Ended December 31,
Dollars in thousands

	2016	2015	2014
Net income	$ 137,316	$ 123,317	$ 192,277
Other Comprehensive Income (Loss):			
Unrealized investment gains—net of taxes of $0, $0 and $664, respectively	—	—	1,126
Reclassification adjustment for realized gains on investment securities included in net income—net of taxes of $0, $0 and $(1), respectively	—	—	(2)
Reclassification adjustment for realized losses on investment securities included in net income from discontinued operations—net of taxes of $0, $0 and $273, respectively	—	—	462
Change in unfunded benefit obligation for pension and other postretirement benefit plans—net of taxes of $(495), $667 and $(1,967), respectively	(918)	1,238	(3,655)
Total other comprehensive income (loss)	(918)	1,238	(2,069)
Comprehensive income	136,398	124,555	190,208
Comprehensive income attributable to noncontrolling interests	(88)	(90)	(236)
Comprehensive income attributable to Avista Corporation shareholders	$ 136,310	$ 124,465	$ 189,972

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED BALANCE SHEETS

Avista Corporation
As of December 31,
Dollars in thousands

	2016	2015
Assets:		
Current Assets:		
Cash and cash equivalents	$ 8,507	$ 10,484
Accounts and notes receivable—less allowances of $5,026 and $4,530, respectively	180,265	169,413
Regulatory asset for energy commodity derivatives	11,365	17,260
Materials and supplies, fuel stock and stored natural gas	53,314	54,148
Income taxes receivable	48,265	24,121
Other current assets	49,625	30,620
Total current assets	351,341	306,046
Net Utility Property:		
Utility plant in service	5,506,499	5,129,192
Construction work in progress	150,474	202,683
Total	5,656,973	5,331,875
Less: Accumulated depreciation and amortization	1,509,473	1,433,286
Total net utility property	4,147,500	3,898,589
Other Non-current Assets:		
Investment in affiliated trusts	11,547	11,547
Goodwill	57,672	57,672
Long-term energy contract receivable	—	14,694
Other property and investments—net and other non-current assets	72,224	59,733
Total other non-current assets	141,443	143,646
Deferred Charges:		
Regulatory assets for deferred income tax	109,853	101,240
Regulatory assets for pensions and other postretirement benefits	240,114	235,009
Other regulatory assets	135,751	99,798
Regulatory asset for interest rate swaps	161,508	83,973
Non-current regulatory asset for energy commodity derivatives	16,919	32,420
Other deferred charges	5,326	5,928
Total deferred charges	669,471	558,368
Total assets	$ 5,309,755	$ 4,906,649

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

Avista Corporation
As of December 31,
Dollars in thousands

	2016	2015
Liabilities and Equity:		
Current Liabilities:		
Accounts payable	$ 115,545	$ 114,349
Current portion of long-term debt and capital leases	3,287	93,167
Short-term borrowings	120,000	105,000
Energy commodity derivative liabilities	7,035	14,268
Accrued interest	15,869	15,378
Accrued taxes other than income taxes	33,374	30,978
Deferred natural gas costs	30,820	17,880
Current portion of pensions and other postretirement benefits	10,994	10,233
Other current liabilities	70,604	73,427
Total current liabilities	407,528	474,680
Long-term debt and capital leases	1,678,717	1,480,111
Long-term debt to affiliated trusts	51,547	51,547
Regulatory liability for utility plant retirement costs	273,983	261,594
Pensions and other postretirement benefits	226,552	201,453
Deferred income taxes	840,928	747,477
Non-current interest rate swap derivative liabilities	28,705	30,679
Other non-current liabilities, regulatory liabilities and deferred credits	153,319	130,821
Total liabilities	3,661,279	3,378,362
Commitments and Contingencies (See Notes to Consolidated Financial Statements)		
Equity:		
Avista Corporation Shareholders' Equity:		
Common stock, no par value; 200,000,000 shares authorized; 64,187,934 and 62,312,651 shares issued and outstanding as of December 31, 2016 and December 31, 2015, respectively	1,075,281	1,004,336
Accumulated other comprehensive loss	(7,568)	(6,650)
Retained earnings	581,014	530,940
Total Avista Corporation shareholders' equity	1,648,727	1,528,626
Noncontrolling Interests	(251)	(339)
Total equity	1,648,476	1,528,287
Total liabilities and equity	$ 5,309,755	$ 4,906,649

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Avista Corporation

For the Years Ended December 31,

Dollars in thousands

	2016	2015	2014
Operating Activities:			
Net income	$ 137,316	$ 123,317	$ 192,277
Non-cash items included in net income:			
Depreciation and amortization	164,925	147,835	138,337
Provision for deferred income taxes	124,543	51,801	144,269
Power and natural gas cost amortizations (deferrals)—net	16,835	21,358	(14,821)
Amortization of debt expense	3,477	3,526	3,692
Amortization of investment in exchange power	2,450	2,450	2,450
Stock-based compensation expense	7,891	6,914	8,114
Equity-related AFUDC	(8,475)	(8,331)	(8,808)
Pension and other postretirement benefit expense	38,786	37,050	22,943
Amortization of Spokane Energy contract	14,694	13,508	12,417
Gain on sale of Ecova	—	(777)	(160,612)
Other regulatory assets and liabilities and deferred debits and credits	(26,245)	4,569	7,906
Change in decoupling regulatory deferral	(29,789)	(10,933)	—
Other	5,557	(517)	1,103
Contributions to defined benefit pension plan	(12,000)	(12,000)	(32,000)
Cash paid for settlement of interest rate swap derivatives	(53,966)	—	—
Changes in certain current assets and liabilities:			
Accounts and notes receivable	(17,170)	(10,538)	16,425
Materials and supplies, fuel stock and stored natural gas	834	12,208	(19,394)
Collateral posted for derivative instruments	10,712	(13,301)	(23,301)
Income taxes receivable	(33,923)	19,772	(36,110)
Other current assets	(3,907)	2,338	(7,117)
Accounts payable	5,176	(8,138)	(12,562)
Other current liabilities	10,546	(6,471)	32,060
Net cash provided by operating activities	358,267	375,640	267,268
Investing Activities:			
Utility property capital expenditures (excluding equity-related AFUDC)	(406,644)	(393,425)	(325,516)
Other capital expenditures	(353)	(885)	(6,427)
Cash received (paid) in acquisition—net	—	(95)	15,007
Issuance of notes receivable at subsidiaries	(10,094)	(2,307)	(1,200)
Repayments from notes receivable at subsidiaries	5,000	—	—
Investments made by subsidiaries	(13,097)	(1,944)	(1,072)
Increase in funds held for clients	—	—	(18,931)
Purchase of securities available for sale	—	—	(12,267)
Sale and maturity of securities available for sale	—	—	14,612
Proceeds from sale of Ecova—net of cash sold	—	13,856	229,903
Other	(7,278)	(3,027)	2,155
Net cash used in investing activities	$ (432,466)	$ (387,827)	$ (103,736)

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Avista Corporation
For the Years Ended December 31,
Dollars in thousands

	2016	2015	2014
Financing Activities:			
Net increase (decrease) in borrowings from committed line of credit	$ 15,000	$ —	$ (66,000)
Repayment of borrowings from Ecova line of credit	—	—	(46,000)
Proceeds from issuance of long-term debt	245,000	100,000	150,000
Redemption and maturity of long-term debt and capital leases	(163,167)	(2,905)	(39,971)
Maturity of nonrecourse long-term debt of Spokane Energy	—	(1,431)	(16,407)
Issuance of common stock—net of issuance costs	66,953	1,560	4,060
Repurchase of common stock	—	(2,920)	(79,856)
Cash dividends paid	(87,154)	(82,397)	(78,314)
Increase in client fund obligations	—	—	16,216
Payment to noncontrolling interests for sale of Ecova	—	—	(54,179)
Payment to option holders and redeemable noncontrolling interests for sale of Ecova	—	—	(20,871)
Other	(4,410)	(11,379)	7,359
Net cash provided by (used in) financing activities	72,222	528	(223,963)
Net decrease in cash and cash equivalents	(1,977)	(11,659)	(60,431)
Cash and cash equivalents at beginning of year	10,484	22,143	82,574
Cash and cash equivalents at end of year	$ 8,507	$ 10,484	$ 22,143
Supplemental Cash Flow Information:			
Cash paid (received) during the year:			
Interest	$ 86,319	$ 79,673	$ 73,526
Income taxes (net of total refunds of $18,861, $37,200 and $35,573, respectively)	(13,458)	(9,961)	45,416
Non-cash financing and investing activities:			
Accounts payable for capital expenditures	30,252	35,248	26,959
Valuation adjustment for redeemable noncontrolling interests	—	—	(15,873)
Receivable for escrow amounts associated with the sale of Ecova	—	—	13,079
Non-cash stock issuance for acquisition of AERC	—	—	150,119

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS

Avista Corporation

For the Years Ended December 31,

Dollars in thousands

	2016	2015	2014
Common Stock, Shares:			
Shares outstanding at beginning of year	62,312,651	62,243,374	60,076,752
Shares issued through equity compensation plans	203,727	125,620	51,127
Shares issued through Employee Investment Plan (401-K)	26,556	33,057	33,168
Shares issued through Dividend Reinvestment Plan	—	—	110,501
Shares issued through sales agency agreements	1,645,000	—	—
Shares issued for acquisition	—	—	4,501,441
Shares repurchased	—	(89,400)	(2,529,615)
Shares outstanding at end of year	64,187,934	62,312,651	62,243,374
Common Stock, Amount:			
Balance at beginning of year	$ 1,004,336	$ 999,960	$ 896,993
Equity compensation expense	7,065	6,035	7,676
Issuance of common stock through equity compensation plans	624	462	108
Issuance of common stock through Employee Investment Plan (401-K)	1,061	1,099	1,005
Issuance of common stock through Dividend Reinvestment Plan	—	—	3,441
Issuance of common stock through sales agency agreements—net of issuance costs	65,267	—	—
Issuance of common stock for acquisition—net of issuance costs	—	—	149,625
Payment of minimum tax withholdings for share-based payment awards	(3,072)	(1,832)	—
Repurchase of common stock	—	(1,431)	(40,486)
Equity transactions of consolidated subsidiaries	—	—	(1,062)
Payment to option holders and redeemable noncontrolling interests for sale of Ecova	—	—	(20,871)
Excess tax benefits	—	43	3,531
Balance at end of year	1,075,281	1,004,336	999,960
Accumulated Other Comprehensive Loss:			
Balance at beginning of year	(6,650)	(7,888)	(5,819)
Other comprehensive income (loss)	(918)	1,238	(2,069)
Balance at end of year	(7,568)	(6,650)	(7,888)
Retained Earnings:			
Balance at beginning of year	530,940	491,599	407,092
Net income attributable to Avista Corporation shareholders	137,228	123,227	192,041
Cash dividends paid (common stock)	(87,154)	(82,397)	(78,314)
Repurchase of common stock	—	(1,489)	(39,370)
Valuation adjustments and other noncontrolling interests activity	—	—	10,150
Balance at end of year	581,014	530,940	491,599
Total Avista Corporation shareholders' equity	$ 1,648,727	$ 1,528,626	$ 1,483,671

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS (CONTINUED)

Avista Corporation

For the Years Ended December 31,

Dollars in thousands

	2016	2015	2014
Noncontrolling Interests:			
Balance at beginning of year	$ (339)	$ (429)	$ 20,001
Net income attributable to noncontrolling interests	88	90	240
Deconsolidation of noncontrolling interests related to sale of Ecova	—	—	(23,612)
Other	—	—	2,942
Balance at end of year	(251)	(339)	(429)
Total equity	$ 1,648,476	$ 1,528,287	$ 1,483,242
Redeemable Noncontrolling Interests:			
Balance at beginning of year	$ —	$ —	$ 15,889
Net income attributable to noncontrolling interests	—	—	(4)
Purchase of subsidiary noncontrolling interests	—	—	(12)
Valuation adjustments and other noncontrolling interests activity	—	—	(15,873)
Balance at end of year	$ —	$ —	$ —

The Accompanying Notes are an Integral Part of These Statements.

Notes to Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Avista Corp. is primarily an electric and natural gas utility with certain other business ventures. Avista Utilities is an operating division of Avista Corp., comprising the regulated utility operations in the Pacific Northwest. Avista Utilities provides electric distribution and transmission, and natural gas distribution services in parts of eastern Washington and northern Idaho. Avista Utilities also provides natural gas distribution service in parts of northeastern and southwestern Oregon. Avista Utilities has electric generating facilities in Washington, Idaho, Oregon and Montana. Avista Utilities also supplies electricity to a small number of customers in Montana, most of whom are employees who operate Avista Utilities' Noxon Rapids generating facility.

AERC is a wholly-owned subsidiary of Avista Corp. The primary subsidiary of AERC is AEL&P, which comprises Avista Corp.'s regulated utility operations in Alaska. AERC was acquired by Avista Corp. on July 1, 2014 and there are no AERC earnings included in the overall results of Avista Corp. prior to that date. See Note 4 for information regarding the acquisition of AERC.

Avista Capital, a wholly owned non-regulated subsidiary of Avista Corp., is the parent company of all of the subsidiary companies in the non-utility businesses, with the exception of AJT Mining Properties, which is a subsidiary of AERC. During the first half of 2014 and prior, Avista Capital's subsidiaries included Ecova, which was an 80.2 percent owned subsidiary prior to its disposition on June 30, 2014. See Note 5 for information regarding the disposition of Ecova and Note 21 for business segment information.

Basis of Reporting

The consolidated financial statements include the assets, liabilities, revenues and expenses of the Company and its subsidiaries and other majority owned subsidiaries and variable interest entities for which the Company or its subsidiaries are the primary beneficiaries. Ecova's revenues and expenses are included in the Consolidated Statements of Income in discontinued operations; however, as of June 30, 2014 and for all subsequent reporting periods there are no balance sheet amounts included for Ecova. All tables throughout the Notes to Consolidated Financial Statements that present information related to the Consolidated Statements of Income were revised to include only the amounts from continuing operations. Intercompany balances were eliminated in consolidation. The accompanying consolidated financial statements include the Company's proportionate share of utility plant and related operations resulting from its interests in jointly owned plants (see Note 7).

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include:

- determining the market value of energy commodity derivative assets and liabilities,
- pension and other postretirement benefit plan obligations,
- contingent liabilities,
- goodwill impairment testing,
- recoverability of regulatory assets, and
- unbilled revenues.

Changes in these estimates and assumptions are considered reasonably possible and may have a material effect on the consolidated financial statements and thus actual results could differ from the amounts reported and disclosed herein.

System of Accounts

The accounting records of the Company's utility operations are maintained in accordance with the uniform system of accounts prescribed by the FERC and adopted by the state regulatory commissions in Washington, Idaho, Montana, Oregon and Alaska.

Regulation

The Company is subject to state regulation in Washington, Idaho, Montana, Oregon and Alaska. The Company is also subject to federal regulation primarily by the FERC, as well as various other federal agencies with regulatory oversight of particular aspects of its operations.

Utility Revenues

Utility revenues related to the sale of energy are recorded when service is rendered or energy is delivered to customers. Revenues and resource costs from Avista Utilities' settled energy contracts that are "booked out" (not physically delivered) are reported on a net basis as part of utility revenues. AEL&P does not have booked out transactions. The determination of the energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each calendar month, the amount of energy delivered to customers since the date of the last meter reading is estimated and the corresponding unbilled revenue is estimated and recorded. Our estimate of unbilled revenue is based on:

- the number of customers,
- current rates,
- meter reading dates,
- actual native load for electricity,
- actual throughput for natural gas, and
- electric line losses and natural gas system losses.

Any difference between actual and estimated revenue is automatically corrected in the following month when the actual meter reading and customer billing occurs.

Accounts receivable includes unbilled energy revenues of the following amounts as of December 31 (dollars in thousands):

	2016	2015
Unbilled accounts receivable	$ 72,377	$ 62,003

Other Non-Utility Revenues

Revenues from the other businesses are primarily derived from the operations of AM&D, doing business as METALfx, and are recognized when the risk of loss transfers to the customer, which occurs when products are shipped. In addition, prior to Spokane Energy's dissolution in 2015, there were revenues at Spokane Energy related to a long-term fixed rate electric capacity contract. This contract was transferred to Avista Corp. during the second quarter of 2015 and the revenues from this contract subsequent to the transfer are included in utility revenues.

Depreciation

For utility operations, depreciation expense is estimated by a method of depreciation accounting utilizing composite rates for utility plant. Such rates are designed to provide for retirements of properties at the expiration of their service lives.

For utility operations, the ratio of depreciation provisions to average depreciable property was as follows for the years ended December 31:

	2016	2015	2014
Avista Utilities			
Ratio of depreciation to average depreciable property	3.11%	3.09%	2.97%
Alaska Electric Light and Power Company			
Ratio of depreciation to average depreciable property	2.39%	2.42%	2.43%

The average service lives for the following broad categories of utility plant in service are (in years):

	Avista Utilities	Alaska Electric Light and Power Company
Electric thermal/other production	41	41
Hydroelectric production	78	42
Electric transmission	57	41
Electric distribution	35	40
Natural gas distribution property	45	N/A
Other shorter-lived general plant	9	15

Taxes Other Than Income Taxes

Taxes other than income taxes include state excise taxes, city occupational and franchise taxes, real and personal property taxes and certain other taxes not based on income. These taxes are generally based on revenues or the value of property. Utility related taxes collected from customers (primarily state excise taxes and city utility taxes) are recorded as operating revenue and expense.

Taxes other than income taxes consisted of the following items for the years ended December 31 (dollars in thousands):

	2016	2015	2014
Utility related taxes	$ 57,745	$ 59,173	$ 58,250
Property taxes	38,505	35,948	33,932
Other taxes	2,485	2,536	2,118
Total	$ 98,735	$ 97,657	$ 94,300

Allowance for Funds Used During Construction

AFUDC represents the cost of both the debt and equity funds used to finance utility plant additions during the construction period. As prescribed by regulatory authorities, AFUDC is capitalized as a part of the cost of utility plant. The debt component of AFUDC is credited against total interest expense in the Consolidated Statements of Income in the line item "capitalized interest." The equity component of AFUDC is included in the Consolidated Statement of Income in the line item "other income—net." The Company is permitted, under established regulatory rate practices, to recover the capitalized AFUDC, and a reasonable return thereon, through its inclusion in rate base and the provision for depreciation after the related utility plant is placed in service. Cash inflow related to AFUDC does not occur until the related utility plant is placed in service and included in rate base.

The effective AFUDC rate was the following for the years ended December 31:

	2016	2015	2014
Avista Utilities			
Effective AFUDC rate	7.29%	7.32%	7.64%
Alaska Electric Light and Power Company			
Effective AFUDC rate	9.40%	9.31%	10.37%

Income Taxes

Deferred income tax assets represent future income tax deductions the Company expects to utilize in future tax returns to reduce taxable income. Deferred income tax liabilities represent future taxable income the Company expects to recognize in future tax returns. Deferred tax assets and liabilities arise when there are temporary differences resulting from differing treatment of items for tax and accounting purposes (such as depreciation). A deferred income tax asset or liability is determined based on the enacted tax rates that will be in effect when the temporary differences between the financial statement carrying amounts and tax basis of existing assets and liabilities are expected to be reported in the Company's consolidated income tax returns. The deferred income tax expense for the period is equal to the net change in the deferred income tax asset and liability accounts from the beginning to the end of the period. The effect on deferred income taxes from a change in tax rates is recognized in income in the period that includes the enactment date unless a regulatory order specifies deferral of the effect of the change in tax rates over a longer period of time. The Company establishes a valuation allowance when it is more likely than not that all, or a portion, of a deferred tax asset will not be realized. Deferred income tax liabilities and regulatory assets are established for income tax benefits flowed through to customers. The Company did not incur any penalties on income tax positions in 2016, 2015 or 2014. The Company would recognize interest accrued related to income tax positions as interest expense and any penalties incurred as other operating expense.

Stock-Based Compensation

The Company currently issues three types of stock-based compensation awards—restricted shares, market-based awards and performance-based awards. Historically, these stock compensation awards have not been material to the Company's overall financial results. Compensation cost relating to share-based payment transactions is recognized in the Company's financial statements based on the fair value of the equity or liability instruments issued and recorded over the requisite service period.

The Company recorded stock-based compensation expense (included in other operating expenses) and income tax benefits in the Consolidated Statements of Income of the following amounts for the years ended December 31 (dollars in thousands):

	2016	2015	2014
Stock-based compensation expense	$ 7,891	$ 6,914	$ 6,007
Income tax benefits [(1)]	4,359	2,420	2,102

(1) Income tax benefits for 2016 include $1.6 million associated with excess tax benefits on settled share-based employee payments. The excess tax benefits were recognized in the Statement of Income for 2016 due to the adoption of ASU 2016-09, effective January 1, 2016. See Note 2 for further discussion.

Restricted share awards vest in equal thirds each year over a three-year period and are payable in Avista Corp. common stock at the end of each year if the service condition is met. In addition to the service condition, the Company must meet a return on equity target in order for the Chief Executive Officer's restricted shares to vest. Restricted stock is valued at the close of market of the Company's common stock on the grant date.

Total Shareholder Return (TSR) awards are market-based awards and Cumulative Earnings Per Share (CEPS) awards are performance awards. CEPS awards were first granted in 2014. Both types of awards vest after a period of three years and are payable in cash or Avista Corp. common stock at the end of the three-year period. The method of settlement is at the discretion of the Company and historically the Company has settled these awards through issuance of Avista Corp. common stock and intends to continue this practice. Both types of awards entitle the recipients to dividend equivalent rights, are subject to forfeiture under certain circumstances, and are subject to meeting specific market or performance conditions. Based on the level of attainment of the market or performance conditions, the amount of cash paid or common stock issued will range from 0 to 200 percent of the initial awards granted. Dividend equivalent rights are accumulated and paid out only on shares that eventually vest and have met the market and performance conditions.

For both the TSR awards and the CEPS awards, the Company accounts for them as equity awards and compensation cost for these awards is recognized over the requisite service period, provided that the requisite service period is rendered. For TSR awards, if the market condition is not met at the end of the three-year service period, there will be no change in the cumulative amount of compensation cost recognized, since the awards are still considered vested even though the market metric was not met. For CEPS awards, at the end of the three-year service period, if the internal performance metric of cumulative earnings per share is not met, all compensation cost for these awards is reversed as these awards are not considered vested.

The fair value of each TSR award is estimated on the date of grant using a statistical model that incorporates the probability of meeting the market targets based on historical returns relative to a peer group. The estimated fair value of the equity component of CEPS awards was estimated on the date of grant as the share price of Avista Corp. common stock on the date of grant, less the net present value of the estimated dividends over the three-year period.

The following table summarizes the number of grants, vested and unvested shares, earned shares (based on market metrics), and other pertinent information related to the Company's stock compensation awards for the years ended December 31:

	2016	2015	2014
Restricted Shares			
Shares granted during the year	58,610	58,302	62,075
Shares vested during the year	(52,385)	(60,379)	(52,899)
Unvested shares at end of year	109,806	106,091	112,042
Unrecognized compensation expense at end of year (in thousands)	$ 1,853	$ 1,705	$ 1,349
TSR Awards			
TSR shares granted during the year	116,435	116,435	117,550
TSR shares vested during the year	(111,665)	(171,334)	(167,584)
TSR shares earned based on market metrics	132,887	222,734	97,199
Unvested TSR shares at end of year	222,228	223,697	287,834
Unrecognized compensation expense (in thousands)	$ 3,409	$ 3,219	$ 2,833
CEPS Awards			
CEPS shares granted during the year	57,521	58,259	59,025
CEPS shares vested during the year	(55,835)	—	—
CEPS shares earned based on market metrics	90,460	—	—
Unvested CEPS shares at end of year	110,452	111,887	58,017
Unrecognized compensation expense (in thousands)	$ 1,671	$ 1,840	$ 1,577

Outstanding TSR and CEPS share awards include a dividend component that is paid in cash. This component of the share grants is accounted for as a liability award. These liability awards are revalued on a quarterly basis taking into account the number of awards outstanding, historical dividend rate, the change in the value of the Company's common stock relative to an external benchmark (TSR awards only) and the amount of CEPS earned to date compared to estimated CEPS over the performance period (CEPS awards only). Over the life of these awards, the cumulative amount of compensation expense recognized will match the actual cash paid. As of December 31, 2016 and 2015, the Company had recognized cumulative compensation expense and a liability of $1.5 million, respectively, related to the dividend component on the outstanding and unvested share grants.

Other Income—Net

Other Income—net consisted of the following items for the years ended December 31 (dollars in thousands):

	2016	2015	2014
Interest income	$ 1,823	$ 653	$ 987
Interest on regulatory deferrals	1,308	48	220
Equity-related AFUDC	8,475	8,331	8,808
Net gain (loss) on investments	(2,152)	(637)	276
Other income	624	905	1,055
Total	$ 10,078	$ 9,300	$ 11,346

Earnings per Common Share Attributable to Avista Corporation Shareholders

Basic earnings per common share attributable to Avista Corp. shareholders is computed by dividing net income attributable to Avista Corp. shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share attributable to Avista Corp. shareholders is calculated by dividing net income attributable to Avista Corp. shareholders (adjusted for the effect of potentially dilutive securities issued to noncontrolling interests by the Company's subsidiaries) by diluted weighted-average common shares outstanding during the period, including common stock equivalent shares outstanding using the treasury stock method, unless such shares are anti-dilutive. Common stock equivalent shares include shares issuable upon exercise of stock options and contingent stock awards. See Note 18 for earnings per common share calculations.

Cash and Cash Equivalents

For the purposes of the Consolidated Statements of Cash Flows, the Company considers all temporary investments with a maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts to provide for estimated and potential losses on accounts receivable. The Company determines the allowance for utility and other customer accounts receivable based on historical write-offs as compared to accounts receivable and operating revenues. Additionally, the Company establishes specific allowances for certain individual accounts.

The following table presents the activity in the allowance for doubtful accounts during the years ended December 31 (dollars in thousands):

	2016	2015	2014
Allowance as of the beginning of the year	$ 4,530	$ 4,888	$ 44,309
Additions expensed during the year	6,053	5,802	5,296
Net deductions [1]	(5,557)	(6,160)	(44,717)
Allowance as of the end of the year	$ 5,026	$ 4,530	$ 4,888

(1) During 2014, the Company received $15.0 million in gross proceeds related to the settlement of its California wholesale power markets litigation. The gross proceeds effectively settled all outstanding receivables and payables at Avista Energy (which had been fully reserved against since 2001). As a result of the settlement, the Company reversed $15.0 million of the allowance, which was recorded as a reduction to non-utility other operating expenses on the Consolidated Statements of Income, and the remainder of the receivables, payables and allowance of $24.5 million were removed from the Consolidated Balance Sheets (and had no effect on net income).

Materials and Supplies, Fuel Stock and Stored Natural Gas

Inventories of materials and supplies, fuel stock and stored natural gas are recorded at average cost for our regulated operations and the lower of cost or market for our non-regulated operations and consisted of the following as of December 31 (dollars in thousands):

	2016	2015
Materials and supplies	$ 40,700	$ 37,101
Fuel stock	4,585	4,273
Stored natural gas	8,029	12,774
Total	$ 53,314	$ 54,148

Utility Plant in Service

The cost of additions to utility plant in service, including an allowance for funds used during construction and replacements of units of property and improvements, is capitalized. The cost of depreciable units of property retired plus the cost of removal less salvage is charged to accumulated depreciation.

Asset Retirement Obligations

The Company records the fair value of a liability for an ARO in the period in which it is incurred. When the liability is initially recorded, the associated costs of the ARO are capitalized as part of the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the related capitalized costs are depreciated over the useful life of the related asset. In addition, if there are changes in the estimated timing or estimated costs of the AROs, adjustments are recorded during the period new information becomes available as an increase or decrease to the liability, with the offset recorded to the related long-lived asset. Upon retirement of the asset, the Company either settles the ARO for its recorded amount or incurs a gain or loss. The Company records regulatory assets and liabilities for the difference between asset retirement costs currently recovered in rates and AROs recorded since asset retirement costs are recovered through rates charged to customers (see Note 9 for further discussion of the Company's asset retirement obligations).

The Company recovers certain asset retirement costs through rates charged to customers as a portion of its depreciation expense for which the Company has not recorded asset retirement obligations.

The Company has recorded the amount of estimated retirement costs collected from customers (that do not represent legal or contractual obligations) and included them as a regulatory liability on the Consolidated Balance Sheets in the following amounts as of December 31 (dollars in thousands):

	2016	2015
Regulatory liability for utility plant retirement costs	$ 273,983	$ 261,594

Goodwill

Goodwill arising from acquisitions represents the future economic benefit arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company evaluates goodwill for impairment using a qualitative analysis (Step 0) for AEL&P and a combination of discounted cash flow models and a market approach for the other subsidiaries on at least an annual basis or more frequently if impairment indicators arise. The Company completed its annual evaluation of goodwill for potential impairment as of November 30, 2016 and determined that goodwill was not impaired at that time.

The changes in the carrying amount of goodwill are as follows (dollars in thousands):

	AEL&P	Other	Accumulated Impairment Losses	Total
Balance as of January 1, 2015	$ 52,730	$ 12,979	$ (7,733)	$ 57,976
Adjustments	(304)	—	—	(304)
Balance as of the December 31, 2015	52,426	12,979	(7,733)	57,672
Balance as of the December 31, 2016	$ 52,426	$ 12,979	$ (7,733)	$ 57,672

Accumulated impairment losses are attributable to the other businesses. The goodwill adjustments recorded during 2015 relate to the final true-up of income taxes associated with the acquisition of AERC, which occurred on July 1, 2014. See Note 4 for information regarding this business acquisition and Note 21 regarding the Company's reportable segments.

Derivative Assets and Liabilities

Derivatives are recorded as either assets or liabilities on the Consolidated Balance Sheets measured at estimated fair value.

The UTC and the IPUC issued accounting orders authorizing Avista Corp. to offset energy commodity derivative assets or liabilities with a regulatory asset or liability. This accounting treatment is intended to defer the recognition of mark-to-market gains and losses on energy commodity transactions until the period of delivery. Realized benefits and costs result in adjustments to retail rates through PGAs, the ERM in Washington, the PCA mechanism in Idaho, and periodic general rates cases. The resulting regulatory assets have been concluded to be probable of recovery through future rates.

Substantially all forward contracts to purchase or sell power and natural gas are recorded as derivative assets or liabilities at estimated fair value with an offsetting regulatory asset or liability. Contracts that are not considered derivatives are accounted for on the accrual basis until they are settled or realized unless there is a decline in the fair value of the contract that is determined to be other-than-temporary.

For interest rate swap derivatives, Avista Corp. records all mark-to-market gains and losses in each accounting period as assets and liabilities, as well as offsetting regulatory assets and liabilities, such that there is no income statement impact. The interest rate swap derivatives are risk management tools similar to energy commodity derivatives. Upon settlement of interest rate swap derivatives, the regulatory asset or liability is amortized as a component of interest expense over the term of the associated debt. The Company records an offset of interest rate swap derivative assets and liabilities with regulatory assets and liabilities, based on the prior practice of the commissions to provide recovery through the ratemaking process.

As of December 31, 2016, the Company has multiple master netting agreements with a variety of entities that allow for cross-commodity netting of derivative agreements with the same counterparty (i.e. power derivatives can be netted with natural gas derivatives). In addition, some master netting agreements allow for the netting of commodity derivatives and interest rate swap derivatives for the same counterparty. The Company does not have any agreements which allow for cross-affiliate netting among multiple affiliated legal entities. The Company nets all derivative instruments when allowed by the agreement for presentation in the Consolidated Balance Sheets.

Fair Value Measurements

Fair value represents the price that would be received when selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Energy commodity derivative assets and liabilities, deferred compensation assets, as well as derivatives related to interest rate swap derivatives and foreign currency exchange derivatives, are reported at estimated fair value on the Consolidated Balance Sheets. See Note 16 for the Company's fair value disclosures.

Regulatory Deferred Charges and Credits

The Company prepares its consolidated financial statements in accordance with regulatory accounting practices because:

- rates for regulated services are established by or subject to approval by independent third-party regulators,
- the regulated rates are designed to recover the cost of providing the regulated services, and
- in view of demand for the regulated services and the level of competition, it is reasonable to assume that rates can be charged to and collected from customers at levels that will recover costs.

Regulatory accounting practices require that certain costs and/or obligations (such as incurred power and natural gas costs not currently included in rates, but expected to be recovered or refunded in the future), are reflected as deferred charges or credits on the Consolidated Balance Sheets. These costs and/or obligations are not reflected in the Consolidated Statements of Income until the period during which matching revenues are recognized. The Company also has decoupling revenue deferrals. Decoupling revenue deferrals are recognized in the Consolidated Statements of Income during the period they occur (i.e. during the period of revenue shortfall or excess due to fluctuations in customer usage), subject to certain limitations, and a regulatory asset/liability is established which will be surcharged or rebated to customers in future periods. GAAP requires that for any alternative regulatory revenue program, like decoupling, the revenue must be expected to be collected from customers within 24 months of the deferral to qualify for recognition in the current period Consolidated Statement of Income. Any amounts included in the Company's decoupling program that are not expected to be collected from customers within 24 months are not recorded in the financial statements until the period in which revenue recognition criteria are met. This could ultimately result in decoupling revenue being recognized in a future period.

If at some point in the future the Company determines that it no longer meets the criteria for continued application of regulatory accounting practices for all or a portion of its regulated operations, the Company could be:

- required to write off its regulatory assets, and
- precluded from the future deferral of costs or decoupled revenues not recovered through rates at the time such amounts are incurred, even if the Company expected to recover these amounts from customers in the future.

See Note 20 for further details of regulatory assets and liabilities.

Unamortized Debt Expense

Unamortized debt expense includes debt issuance costs that are amortized over the life of the related debt. These costs are recorded as an offset to Long-Term Debt and Capital Leases on the Consolidated Balance Sheets.

Unamortized Debt Repurchase Costs

For the Company's Washington regulatory jurisdiction and for any debt repurchases beginning in 2007 in all jurisdictions, premiums paid to repurchase debt are amortized over the remaining life of the original debt that was repurchased or, if new debt is issued in connection with the repurchase, these costs are amortized over the life of the new debt. In the Company's other regulatory jurisdictions, premiums paid to repurchase debt prior to 2007 are being amortized over the average remaining maturity of outstanding debt when no new debt was issued in connection with the debt repurchase. These costs are recovered through retail rates as a component of interest expense.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss—net of tax, consisted of the following as of December 31 (dollars in thousands):

	2016	2015
Unfunded benefit obligation for pensions and other postretirement benefit plans—net of taxes of $4,075 and $3,580, respectively	$ 7,568	$ 6,650

The following table details the reclassifications out of accumulated other comprehensive loss by component for the years ended December 31 (dollars in thousands):

Details about Accumulated Other Comprehensive Loss Components	Amounts Reclassified from Accumulated Other Comprehensive Loss 2016	2015	2014	Affected Line Item in Statement of Income
Realized gains on investment securities	$ —	$ —	$ (3)	[a]
Realized losses on investment securities	—	—	735	[a]
	—	—	732	Total before tax
	—	—	(272)	Tax expense [a]
	$ —	$ —	$ 460	Net of tax
Amortization of defined benefit pension items				
Amortization of net prior service cost	$ (1,171)	$ 31	$ (1,094)	[b]
Amortization of net loss	(7,602)	2,623	(83,301)	[b]
Adjustment due to effects of regulation	7,360	(749)	78,773	[b]
	(1,413)	1,905	(5,622)	Total before tax
	495	(667)	1,967	Tax benefit (expense)
	$ (918)	$ 1,238	$ (3,655)	Net of tax

(a) These amounts were included as part of net income from discontinued operations for all periods presented (see Note 5 for additional details).

(b) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost (see Note 10 for additional details).

Appropriated Retained Earnings

In accordance with the hydroelectric licensing requirements of section 10(d) of the Federal Power Act (FPA), the Company maintains an appropriated retained earnings account for any earnings in excess of the specified rate of return on the Company's investment in the licenses for its various hydroelectric projects. Per section 10(d) of the FPA, the Company must maintain these excess earnings in an appropriated retained earnings account until the termination of the licensing agreements or apply them to reduce the net investment in the licenses of the hydroelectric projects at the discretion of the FERC. The Company typically calculates the earnings in excess of the specified rate of return on an annual basis, usually during the second quarter.

In addition to the hydroelectric project licenses identified above for Avista Utilities, the requirements of section 10(d) of the FPA also apply to the AEL&P licenses for Lake Dorothy and Annex Creek/Salmon Creek (combined).

The appropriated retained earnings amounts included in retained earnings were as follows as of December 31 (dollars in thousands):

	2016	2015
Appropriated retained earnings	$ 25,564	$ 21,030

Operating Leases

The Company has multiple lease arrangements involving various assets, with minimum terms ranging from 1 to 45 years. Future minimum lease payments required under operating leases having initial or remaining noncancelable lease terms in excess of one year were not material as of December 31, 2016.

Capital Leases

The Company has two capital leases, one at Avista Corp. and one at AEL&P. The capital lease at Avista Corp. expires in 2018 and is not material to the financial statements as of December 31, 2016. The capital lease at AEL&P is a PPA (treated as a lease for accounting purposes) related to the Snettisham Hydroelectric Project that expires in 2034. While the two leases are treated as capital leases for accounting purposes, for ratemaking purposes these agreements are treated as operating leases with a constant level of annual rental expense (straight line expense). Because of this regulatory treatment, any difference between the operating lease expense for ratemaking purposes and the expenses recognized under capital lease treatment (interest and depreciation of the capital lease asset) is recorded as a regulatory asset and amortized during the later years of the lease when the capital lease expense is less than the operating lease expense included in base rates. See Note 14 for further discussion of the Snettisham capital lease.

Contingencies

The Company has unresolved regulatory, legal and tax issues which have inherently uncertain outcomes. The Company accrues a loss contingency if it is probable that a liability has been incurred and the amount of the loss or impairment can be reasonably estimated. The Company also discloses losses that do not meet these conditions for accrual, if there is a reasonable possibility that a material loss may be incurred. As of December 31, 2016, the Company has not recorded any significant amounts related to unresolved contingencies. See Note 19 for further discussion of the Company's commitments and contingencies.

NOTE 2. NEW ACCOUNTING STANDARDS

ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)"

In May 2014, the FASB issued ASU No. 2014-09, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should identify the various performance obligations in a contract, allocate the transaction price among the performance obligations and recognize revenue when (or as) the entity satisfies each performance obligation. This ASU was originally effective for periods beginning after December 15, 2016 and early adoption was not permitted. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which deferred the effective date of ASU No. 2014-09 for one year, with adoption as of the original date permitted.

The Company has formed a revenue recognition standard implementation team that is working through several implementation issues described below. The Company has evaluated this standard and is planning to adopt this standard in 2018 upon its effective date. The Company is currently expecting to use a modified retrospective method of adoption, which would require a cumulative adjustment to opening retained earnings, as opposed to a full retrospective application. The Company is not far enough along in the adoption process to determine the amount, if any, of cumulative adjustment necessary.

Since the vast majority of Avista Corp.'s revenue is from rate-regulated sales of electricity and natural gas to retail customers and revenue is recognized as energy is delivered to these customers, the Company does not expect a significant change in operating revenues or net income. The Company is in the process of reviewing and analyzing certain contracts with customers (most of which are related to wholesale sales of power and natural gas), but has not yet identified any significant differences in revenue recognition between current GAAP and ASU 2014-09.

During the implementation process, the Company has identified several unresolved issues, the most significant of which are as follows based on our current assessment:

Contributions in Aid of Construction—There is the potential that CIACs could be recognized as revenue upon the adoption of ASU 2014-09. Under current GAAP, CIACs are accounted for as an offset to the cost of utility plant in service.

Utility Related Taxes Collected from Customers—There are questions on the presentation of utility related taxes collected from customers (primarily state excise taxes and city utility taxes) on a gross basis. Under current GAAP, the Company is allowed to record these utility related taxes on a gross basis in revenue when billed to customers with an offset included in taxes other than income taxes in operating expenses. The Company is evaluating whether this presentation is appropriate under ASU 2014-09 or whether they should be presented on a net basis. To qualify for gross presentation under the new guidance, the Company must perform an analysis to determine if it is the principal or the agent in regards to utility related taxes.

Collectibility—There are questions regarding the requirement that collection of a sale be probable and how, or if, utilities should consider bad debt collection mechanisms (riders, base rate adjustments, etc.) in assessing probability of collection on sales to low income customers. Within the utility industry, there is support for and against considering these recovery mechanisms when assessing collectibility of a sale. If the bad debt recovery mechanisms cannot be considered, there is the potential that certain sales to low income customers cannot be recognized as revenue until payment is received from the customers, which could result in revenues being recognized in periods other than when the energy was delivered to customers or not recognized at all.

The Company is monitoring utility industry implementation guidance as it relates to unresolved issues to determine if there will be an industry consensus regarding accounting and presentation of these items.

ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis"

In February 2015, the FASB issued ASU No. 2015-02. This ASU changes the consolidation analysis required under GAAP, including the identification of variable interest entities (VIE). The ASU also removes the deferral of the VIE analysis related to investments in certain investment funds, which results in a different consolidation evaluation for these types of investments. The Company adopted this standard effective January 1, 2016. The adoption of this standard resulted in the identification of several Avista Corp. investments in limited partnerships (or a functional equivalent) that are now considered VIEs under the new standard. Consolidation of these VIEs by Avista Corp. is not required because the Company does not have majority ownership in any of the entities, it does not have the power to direct any activities of the entities and it does not have the power to appoint executive leadership (including the board of directors). Avista Corp.'s total investment in these entities is not material and it does not have any additional commitments to these VIEs beyond the initial investment. See Note 3 for additional discussion of VIEs.

ASU No. 2016-02 "Leases (Topic 842)"

In February 2016, the FASB issued ASU No. 2016-02. This ASU introduces a new lessee model that requires most leases to be capitalized and shown on the balance sheet with corresponding lease assets and liabilities. The standard also aligns certain of the underlying principles of the new lessor model with those in Topic 606, the FASB's new revenue recognition standard. Furthermore, this ASU addresses other issues that arise under the current lease model; for example, eliminating the required use of bright-line tests in current GAAP for determining lease classification (operating leases versus capital leases). This ASU also includes enhanced disclosures surrounding leases. This ASU is effective for periods beginning on or after December 15, 2018; however, early adoption is permitted. Upon adoption, this ASU must be applied using a modified retrospective approach to the earliest period presented, which will likely require restatements of previously issued financial statements. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. The Company evaluated this standard and determined that it will most likely not early adopt this standard before its effective date in 2019. The Company has formed a lease standard implementation team that is working through the implementation process. The most significant implementation challenge identified thus far relates to identifying a complete population of leases and potential leases under the new lease standard. Also, the Company is monitoring utility industry implementation guidance as it relates to several unresolved issues to determine if there will be an industry consensus, including whether right-of-ways are considered leases. The Company cannot, at this time, estimate the potential impact on its future financial condition, results of operations and cash flows.

ASU No. 2016-09 "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting"

In March 2016, the FASB issued ASU No. 2016-09. This ASU simplifies several aspects of the accounting for employee share-based payment transactions including:

- allowing excess tax benefits or tax deficiencies to be recognized as income tax benefits or expenses in the Consolidated Statements of Income rather than in Additional Paid in Capital (APIC),
- excess tax benefits no longer represent a financing cash inflow on the Consolidated Statements of Cash Flows and instead will be included as an operating activity,
- excess tax benefits and tax deficiencies will be excluded from the calculation of diluted earnings per share, whereas under current accounting guidance, these amounts must be estimated and included in the calculation,
- allowing forfeitures to be accounted for as they occur, instead of estimating forfeitures, and
- changing the statutory tax withholding requirements for share-based payments.

This ASU is effective for periods beginning after December 15, 2016 and early adoption is permitted. The Company early adopted this standard during the second quarter of 2016, with a retrospective effective date of January 1, 2016. The adoption of this standard resulted in a recognized income tax benefit of $1.6 million in 2016 associated with excess tax benefits on settled share-based employee payments. In addition, the Consolidated Statement of Cash Flows for 2016 included the excess tax benefits as an operating activity rather than as a financing activity. Periods prior to 2016 were not restated for the adoption of this accounting standard as the Company has adopted this standard on a prospective basis beginning January 1, 2016.

NOTE 3. VARIABLE INTEREST ENTITIES

Lancaster Power Purchase Agreement

The Company has a PPA for the purchase of all the output of the Lancaster Plant, a 270 MW natural gas-fired combined cycle combustion turbine plant located in Kootenai County, Idaho, owned by an unrelated third-party (Rathdrum Power LLC), through 2026.

Avista Corp. has a variable interest in the PPA. Accordingly, Avista Corp. made an evaluation of which interest holders have the power to direct the activities that most significantly impact the economic performance of the entity and which interest holders have the obligation to absorb losses or receive benefits that could be significant to the entity. Avista Corp. pays a fixed capacity and operations and maintenance payment and certain monthly variable costs under the PPA. Under the terms of the PPA, Avista Corp. makes the dispatch decisions, provides all natural gas fuel and receives all of the electric energy output from the Lancaster Plant. However, Rathdrum Power LLC (the owner) controls the daily operation of the Lancaster Plant and makes operating and maintenance decisions. Rathdrum Power LLC controls all of the rights and obligations of the Lancaster Plant after the expiration of the PPA in 2026 and Avista Corp. does not have any further obligations after the expiration. It is estimated that the plant will have 15 to 25 years of useful life after that time. Rathdrum Power LLC bears the maintenance risk of the plant and will receive the residual value of the Lancaster Plant. Avista Corp. has no debt or equity investments in the Lancaster Plant and does not provide financial support through liquidity arrangements or other commitments (other than the PPA). Based on its analysis, Avista Corp. does not consider itself to be the primary beneficiary of the Lancaster Plant. Accordingly, neither the Lancaster Plant nor Rathdrum Power LLC is included in Avista Corp.'s consolidated financial statements. The Company has a future contractual obligation of approximately $283.6 million under the PPA (representing the fixed capacity and operations and maintenance payments through 2026) and believes this would be its maximum exposure to loss. However, the Company believes that such costs will be recovered through retail rates.

Limited Partnerships and Similar Entities

The Company adopted ASU No. 2015-02 effective January 1, 2016. As a result of the adoption of this ASU, the Company evaluated all of its existing investments to determine if any entities would be considered VIEs under the new guidance and whether consolidation would be required. Under the ASU, a limited partnership or similar legal entity that is the functional equivalent of a limited partnership would be considered a VIE regardless of whether it otherwise qualifies as a voting interest entity unless a simple majority or lower threshold of the "unrelated" limited partners (i.e., parties other than the general partner, entities under common control with the general partner, and other parties acting on behalf of the general partner) have substantive kick-out rights (including liquidation rights) or participating rights.

The Company has six investments in limited partnerships (or the functional equivalent) where Avista Corp. is a limited partner investor in an investment fund where the general partner makes all of the investment and operating decisions with regards to the partnership and fund. To remove the general partner from any of the funds, approval from greater than a simple majority of the limited partners is required. As such, the limited partners do not have substantive kick-out rights and these investments are considered VIEs. Consolidation of these VIEs by Avista Corp. is not required because the Company does not have majority ownership in any of the funds, it does not have the power to direct any activities of the funds, and it does not have the power to appoint executive leadership, including the board of directors.

Avista Corp. participates in profits and losses of the investment funds based on its ownership percentage and its losses are capped at its total initial investment in the funds. For five of the six VIEs, Avista Corp. does not have any additional commitments beyond its initial investment. For the sixth VIE, Avista Corp. has up to a $25.0 million total commitment, and as of December 31, 2016, has invested $2.1 million, leaving $22.9 million remaining to be invested. In addition, the Company is not allowed to withdraw any capital contributions from the investment funds until after the funds' expiration dates and all liabilities of the funds are settled. The expiration dates range from 2017 to 2032, with one investment having no termination date (as it is perpetual). As of December 31, 2016, the Company has a total carrying amount in these investment funds of $7.0 million.

NOTE 4. BUSINESS ACQUISITIONS

Alaska Energy and Resources Company

On July 1, 2014, the Company acquired AERC, based in Juneau, Alaska, and as of that date, AERC became a wholly-owned subsidiary of Avista Corp.

The primary subsidiary of AERC is AEL&P, a regulated utility which provides electric services to approximately 17,000 customers in Juneau, Alaska. In addition to the regulated utility, AERC owns AJT Mining, which is an inactive mining company holding certain properties.

The purpose of the acquisition was to expand and diversify Avista Corp.'s energy assets and deliver long-term value to its customers, communities and investors.

In connection with the closing, Avista Corp. issued 4,501,441 new shares of common stock to the shareholders of AERC based on a contractual formula that resulted in a price of $32.46 per share, reflecting a purchase price of $170.0 million, plus acquired cash, less outstanding debt and other closing adjustments. Avista Corp. also paid $4.8 million in cash. The total fair value of all consideration transferred was $154.9 million and resulted in goodwill of $52.4 million, which is not deductible for tax purposes.

The fair value of assets acquired and liabilities assumed as of July 1, 2014 (after consideration of a working capital adjustment and income tax true-ups during the second quarter of 2015) were as follows (in thousands):

	July 1, 2014
Assets acquired:	
Current Assets:	
Cash	$ 19,704
Accounts receivable—gross totals $3,928	3,851
Materials and supplies	2,017
Other current assets	999
Total current assets	26,571
Utility Property:	
Utility plant in service	113,964
Utility property under long-term capital lease	71,007
Construction work in progress	3,440
Total utility property	188,411
Other Non-current Assets:	
Non-utility property	6,660
Electric plant held for future use	3,711
Goodwill (1)	52,426
Other deferred charges and non-current assets	5,368
Total other non-current assets	68,165
Total assets	$ 283,147
Liabilities Assumed:	
Current Liabilities:	
Accounts payable	$ 700
Current portion of long-term debt and capital lease obligations	3,773
Other current liabilities (1)	2,807
Total current liabilities	7,280
Long-term debt	37,227
Capital lease obligations	68,840
Other non-current liabilities and deferred credits (1)	14,889
Total liabilities	$ 128,236
Total net assets acquired	$ 154,911

(1) During the second quarter of 2015, the Company recorded a reduction to goodwill of approximately $0.3 million due to income tax related adjustments.

The majority of AERC's operations are subject to the rate-setting authority of the RCA and are accounted for pursuant to GAAP, including the accounting guidance for regulated operations. The rate-setting and cost recovery provisions currently in place for AERC's regulated operations provide revenues derived from costs, including a return on investment, of assets and liabilities included in rate base. Due to this regulation, the fair values of AERC's assets and liabilities subject to these rate-setting provisions were assumed to approximate their carrying values. There were not any identifiable intangible assets associated with this acquisition. The excess of the purchase consideration over the estimated fair values of the assets acquired and liabilities assumed was recognized as goodwill at the acquisition date. The goodwill reflects the value paid for the expected continued growth of a rate-regulated business located in a defined service area with a constructive regulatory environment, the attractiveness of stable, growing cash flows, as well as providing a platform for potential future growth outside of the rate-regulated electric utility in Alaska and potential additional utility investment.

The following table summarizes the supplemental pro forma information for the years ended December 31 related to the acquisition of AERC as if the acquisition had occurred on January 1, 2013 (dollars in thousands—unaudited):

	2016	2015	2014
Actual Avista Corp. revenues from continuing operations (excluding AERC)	$ 1,395,989	$ 1,439,807	$ 1,450,918
Supplemental pro forma AERC revenues [1]	46,494	44,969	46,467
Total pro forma revenues	1,442,483	1,484,776	1,497,385
Actual AERC revenues included in Avista Corp. revenues [1]	46,494	44,969	21,644
Actual Avista Corp. net income from continuing operations attributable to			
Avista Corp. shareholders (excluding AERC)	129,505	111,772	116,665
Actual Avista Corp. net income from discontinued operations attributable to Avista Corp. shareholders	—	5,147	72,224
Adjustment to Avista Corp.'s net income for acquisition costs (net of tax) [2]	—	22	870
Supplemental pro forma AERC net income [1]	7,723	6,308	8,806
Total pro forma net income	137,228	123,249	198,565
Actual AERC net income included in Avista Corp. net income [1]	$ 7,723	$ 6,308	$ 3,152

(1) AERC was acquired on July 1, 2014; therefore, all the revenues and net income for the second half of 2014 through 2016 are actual amounts that are included in Avista Corp.'s overall results. All revenue and net income amounts prior to July 1, 2014 are supplemental pro forma amounts and are excluded from Avista Corp.'s overall results.

(2) This adjustment is to treat all transaction costs as if they occurred on January 1, 2013 and to remove them from the periods in which they actually occurred. The transaction costs were expensed and presented in the Consolidated Statements of Income in other operating expenses within utility operating expenses. Since the start of the transaction through December 31, 2016, Avista Corp. has expensed $3.0 million (pre-tax) in total transaction fees. In addition to the amounts expensed, through December 31, 2016, Avista Corp. has included $0.4 million in fees associated with the issuance of common stock for the transaction as a reduction to common stock. These fees do not impact the supplemental pro forma information above.

NOTE 5. DISCONTINUED OPERATIONS

On June 30, 2014, Avista Capital, completed the sale of its interest in Ecova to Cofely USA Inc., an unrelated party to Avista Corp. The sales price was $335.0 million in cash, less the payment of debt and other customary closing adjustments. At the closing of the transaction on June 30, 2014, Ecova became a wholly-owned subsidiary of Cofely USA Inc. and the Company has not had and will not have any further involvement with Ecova after such date.

The purchase price of $335.0 million, as adjusted, was divided among all the security holders of Ecova pro rata based on ownership. After consideration of all escrow amounts received, the sales transaction provided cash proceeds to Avista Corp., net of debt, payment to option and minority holders, income taxes and transaction expenses, of $143.7 million, and resulted in a net gain of $74.8 million. Almost all of the net gain was recognized in 2014 with some true-ups during 2015.

Prior to the completion of the sales transaction, Ecova was a reportable business segment. The following table presents amounts that were included in discontinued operations for the years ended December 31, 2015 and 2014 (dollars in thousands):

	2015	2014
Revenues	$ —	$ 87,534
Gain on sale of Ecova [(1)]	777	160,612
Transaction expenses and accelerated employee benefits [(2)]	71	9,062
Gain on sale of Ecova, net of transaction expenses	706	151,550
Income before income taxes	706	156,025
Income tax expense (benefit) [(3)]	(4,441)	83,614
Net income from discontinued operations	5,147	72,411
Net income attributable to noncontrolling interests	—	(187)
Net income from discontinued operations attributable to Avista Corp. shareholders	$ 5,147	$ 72,224

(1) This represents the gross gain recorded to discontinued operations. The total gain net of taxes and transactions expenses was $74.8 million, of which $69.7 million was recognized during 2014.

(2) Avista Corp.'s portion of the total transaction expenses was $9.1 million (including amounts which were withheld from the transaction net proceeds). All transaction expenses paid on the Ecova sale (including Avista Corp.'s portion and the portion attributable to the minority interest holders of Ecova) were $11.1 million, of which $5.5 million was withheld from the net proceeds and the remainder was paid during 2014. The transaction expenses were for legal, accounting and other consulting fees, and the accelerated employee benefits related to employee stock options which were settled in accordance with the Ecova equity plan.

(3) The tax benefit during 2015 primarily resulted from the reversal of a valuation allowance against net operating losses at Ecova because the net operating losses were deemed realizable after further evaluation.

NOTE 6. DERIVATIVES AND RISK MANAGEMENT

Energy Commodity Derivatives

Avista Utilities is exposed to market risks relating to changes in electricity and natural gas commodity prices and certain other fuel prices. Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative commodity instruments. Avista Utilities utilizes derivative instruments, such as forwards, futures, swaps and options in order to manage the various risks relating to these commodity price exposures. The Company has an energy resources risk policy and control procedures to manage these risks.

As part of the Company's resource procurement and management operations in the electric business, the Company engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve the Company's load obligations and the use of these resources to capture available economic value. The Company transacts in wholesale markets by selling and purchasing electric capacity and energy, fuel for electric generation, and derivative contracts related to capacity, energy and fuel. Such transactions are part of the process of matching resources with load obligations and hedging the related financial risks. These transactions range from terms of intra-hour up to multiple years.

As part of its resource procurement and management of its natural gas business, the Company makes continuing projections of its natural gas loads and assesses available natural gas resources including natural gas storage availability. Natural gas resource planning typically includes peak requirements, low and average monthly requirements and delivery constraints from natural gas supply locations to the Company's distribution system. However, daily variations in natural gas demand can be significantly different than monthly demand projections. On the basis of these projections, the Company plans and executes a series of transactions to hedge a portion of its projected natural gas requirements through forward market transactions and derivative instruments. These transactions may extend as much as four natural gas operating years (November through October) into the future. Avista Corp. also leaves a significant portion of its natural gas supply requirements unhedged for purchase in short-term and spot markets.

The Company is required to plan for sufficient natural gas delivery capacity to serve its retail customers for a theoretical peak day event. The Company generally has more pipeline and storage capacity than what is needed during periods other than a peak day. The Company optimizes its natural gas resources by using market opportunities to generate economic value that helps mitigate fixed costs. Avista Utilities also optimizes its natural gas storage capacity by purchasing and storing natural gas when prices are traditionally lower, typically in the summer, and withdrawing during higher priced months, typically during the winter. However, if market conditions and prices indicate that the Company should buy or sell natural gas during other times in the year, the Company engages in optimization transactions to capture value in the marketplace. Natural gas optimization activities include, but are not limited to, wholesale market sales of surplus natural gas supplies, purchases and sales of natural gas to optimize use of pipeline and storage capacity, and participation in the transportation capacity release market.

The following table presents the underlying energy commodity derivative volumes as of December 31, 2016 that are expected to be settled in each respective year (in thousands of MWhs and mmBTUs):

	Purchases				Sales			
	Electric Derivatives		Gas Derivatives		Electric Derivatives		Gas Derivatives	
	Physical [1]	Financial [1]	Physical [1]	Financial [1]	Physical [1]	Financial [1]	Physical [1]	Financial [1]
Year	MWh	MWh	mmBTUs	mmBTUs	MWh	MWh	mmBTUs	mmBTUs
2017	510	907	15,475	110,380	316	1,552	4,165	73,110
2018	397	—	—	52,755	286	1,244	1,360	15,113
2019	235	—	610	29,475	158	982	1,345	4,020
2020	—	—	910	2,725	—	—	1,430	—
2021	—	—	—	—	—	—	1,060	—
Thereafter	—	—	—	—	—	—	—	—

The following table presents the underlying energy commodity derivative volumes as of December 31, 2015 that were expected to be settled in each respective year (in thousands of MWhs and mmBTUs):

	Purchases				Sales			
	Electric Derivatives		Gas Derivatives		Electric Derivatives		Gas Derivatives	
	Physical [1]	Financial [1]	Physical [1]	Financial [1]	Physical [1]	Financial [1]	Physical [1]	Financial [1]
Year	MWh	MWh	mmBTUs	mmBTUs	MWh	MWh	mmBTUs	mmBTUs
2016	407	1,954	17,252	142,693	280	2,656	3,182	112,233
2017	397	97	675	49,200	255	483	1,360	26,965
2018	397	—	—	15,118	286	—	1,360	2,738
2019	235	—	305	6,935	158	—	1,345	—
2020	—	—	455	905	—	—	1,430	—
Thereafter	—	—	—	—	—	—	1,060	—

(1) Physical transactions represent commodity transactions in which Avista Utilities will take or make delivery of either electricity or natural gas; financial transactions represent derivative instruments with delivery of cash in the amount of benefit or cost but with no physical delivery of the commodity, such as futures, swaps, options, or forward contracts.

The electric and natural gas derivative contracts above will be included in either power supply costs or natural gas supply costs during the period they are settled and will be included in the various recovery mechanisms (ERM, PCA, and PGAs), or in the general rate case process, and are expected to be collected through retail rates from customers. Any transactions that result in gains will be used to reduce retail rates charged to customers in the future.

Foreign Currency Exchange Derivatives

A significant portion of Avista Utilities' natural gas supply (including fuel for power generation) is obtained from Canadian sources. Most of those transactions are executed in U.S. dollars, which avoids foreign currency risk. A portion of Avista Utilities' short-term natural gas transactions and long-term Canadian transportation contracts are committed based on Canadian currency prices and settled within 60 days with U.S. dollars. Avista Utilities hedges a portion of the foreign currency risk by purchasing Canadian currency exchange derivatives when such commodity transactions are initiated. The foreign currency exchange derivatives and the unhedged foreign currency risk have not had a material effect on the Company's financial condition, results of operations or cash flows and these differences in cost related to currency fluctuations are included with natural gas supply costs for ratemaking.

The following table summarizes the foreign currency hedges that the Company has entered into as of December 31 (dollars in thousands):

	2016	2015
Number of contracts	21	24
Notional amount (in United States dollars)	$ 2,819	$ 1,463
Notional amount (in Canadian dollars)	3,754	2,002

Interest Rate Swap Derivatives

Avista Corp. is affected by fluctuating interest rates related to a portion of its existing debt, and future borrowing requirements. The Company hedges a portion of its interest rate risk with financial derivative instruments, which may include interest rate swap derivatives and U.S. Treasury lock agreements. These interest rate swap derivatives and U.S. Treasury lock agreements are considered economic hedges against fluctuations in future cash flows associated with anticipated debt issuances.

The following table summarizes the unsettled interest rate swap derivatives that the Company has outstanding as of the balance sheet date indicated below (dollars in thousands):

Balance Sheet Date	Number of Contracts	Notional Amount	Mandatory Cash Settlement Date
December 31, 2016	6	75,000	2017
	14	275,000	2018
	6	70,000	2019
	2	20,000	2020
	5	60,000	2022
December 31, 2015	6	115,000	2016
	3	45,000	2017
	11	245,000	2018
	2	30,000	2019
	1	20,000	2022

During the third quarter 2016, in connection with the execution of a purchase agreement for bonds that the Company issued in December 2016, the Company cash-settled seven interest rate swap derivatives (notional aggregate amount of $125.0 million) and paid a total of $54.0 million. The interest rate swap derivatives were settled in connection with the pricing of $175.0 million of Avista Corp. first mortgage bonds that were issued in December 2016 (see Note 14). Upon settlement of interest rate swap derivatives, the cash payments made or received are recorded as a regulatory asset or liability and are subsequently amortized as a component of interest expense over the life of the associated debt. The settled interest rate swap derivatives are also included as a part of the Company's cost of debt calculation for ratemaking purposes.

The fair value of outstanding interest rate swap derivatives can vary significantly from period to period depending on the total notional amount of swaps outstanding and fluctuations in market interest rates compared to the interest rates fixed by the swaps. The Company would be required to make cash payments to settle the interest rate swap derivatives if the fixed rates are higher than prevailing market rates at the date of settlement. Conversely, the Company receives cash to settle its interest rate swap derivatives when prevailing market rates at the time of settlement exceed the fixed swap rates.

Summary of Outstanding Derivative Instruments

The amounts recorded on the Consolidated Balance Sheet as of December 31, 2016 and December 31, 2015 reflect the offsetting of derivative assets and liabilities where a legal right of offset exists.

The following table presents the fair values and locations of derivative instruments recorded on the Consolidated Balance Sheet as of December 31, 2016 (in thousands):

Derivative and Balance Sheet Location	Gross Asset	Gross Liability	Collateral Netting	Fair Value Net Asset (Liability) in Balance Sheet
Foreign currency exchange derivatives				
Other current liabilities	$ 5	$ (28)	$ —	$ (23)
Interest rate swap derivatives				
Other current assets	3,393	—	—	3,393
Other property and investments—net and other non-current assets	5,754	(397)	—	5,357
Other current liabilities	—	(15,756)	9,731	(6,025)
Non-current interest rate swap derivative liabilities	3,951	(57,825)	25,169	(28,705)
Energy commodity derivatives				
Other current assets	18,682	(16,787)	—	1,895
Current energy commodity derivative liabilities	16,335	(29,598)	6,228	(7,035)
Other non-current liabilities, regulatory liabilities and deferred credits	13,071	(29,990)	3,630	(13,289)
Total derivative instruments recorded on the balance sheet	$ 61,191	$ (150,381)	$ 44,758	$ (44,432)

The following table presents the fair values and locations of derivative instruments recorded on the Consolidated Balance Sheet as of December 31, 2015 (in thousands):

Derivative and Balance Sheet Location	Gross Asset	Gross Liability	Collateral Netting	Fair Value Net Asset (Liability) in Balance Sheet
Foreign currency exchange derivatives				
Other current liabilities	$ 2	$ (19)	$ —	$ (17)
Interest rate swap derivatives				
Other property and investments—net and other non-current assets	23	—	—	23
Other current liabilities	118	(23,262)	3,880	(19,264)
Non-current interest rate swap derivative liabilities	1,407	(62,236)	30,150	(30,679)
Energy commodity derivatives				
Other current assets	1,236	(553)	—	683
Current energy commodity derivative liabilities	67,466	(85,409)	3,675	(14,268)
Other non-current liabilities, regulatory liabilities and deferred credits	6,613	(39,033)	10,851	(21,569)
Total derivative instruments recorded on the balance sheet	$ 76,865	$ (210,512)	$ 48,556	$ (85,091)

Exposure to Demands for Collateral

The Company's derivative contracts often require collateral (in the form of cash or letters of credit) or other credit enhancements, or reductions or terminations of a portion of the contract through cash settlement, in the event of a downgrade in the Company's credit ratings or changes in market prices. In periods of price volatility, the level of exposure can change significantly. As a result, sudden and significant demands may be made against the Company's credit facilities and cash. The Company actively monitors the exposure to possible collateral calls and takes steps to mitigate capital requirements.

The following table presents the Company's collateral outstanding related to its derivative instruments as of as of December 31 (in thousands):

	2016	2015
Energy commodity derivatives		
Cash collateral posted	$ 17,134	$ 28,716
Letters of credit outstanding	24,400	28,200
Balance sheet offsetting (cash collateral against net derivative positions)	9,858	14,526
Interest rate swap derivatives		
Cash collateral posted	34,900	34,030
Letters of credit outstanding	3,600	9,600
Balance sheet offsetting (cash collateral against net derivative positions)	34,900	34,030

Certain of the Company's derivative instruments contain provisions that require the Company to maintain an "investment grade" credit rating from the major credit rating agencies. If the Company's credit ratings were to fall below "investment grade," it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing collateralization on derivative instruments in net liability positions.

The following table presents the aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position and the amount of additional collateral the Company could be required to post as of December 31 (in thousands):

	2016	2015
Energy commodity derivatives		
Liabilities with credit-risk-related contingent features	$ 1,124	$ 7,090
Additional collateral to post	1,046	6,980
Interest rate swap derivatives		
Liabilities with credit-risk-related contingent features	73,978	85,498
Additional collateral to post	21,100	18,750

NOTE 7. JOINTLY OWNED ELECTRIC FACILITIES

The Company has a 15 percent ownership interest in a twin-unit coal-fired generating facility, Colstrip, located in southeastern Montana, and provides financing for its ownership interest in the project. The Company's share of related fuel costs as well as operating expenses for plant in service are included in the corresponding accounts in the Consolidated Statements of Income.

The Company's share of utility plant in service for Colstrip and accumulated depreciation (inclusive of the ARO assets and accumulated amortization) were as follows as of December 31 (dollars in thousands):

	2016	2015
Utility plant in service	$ 380,406	$ 362,199
Accumulated depreciation	(249,359)	(243,363)

See Note 9 for further discussion of AROs.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

The balances of the major classifications of property, plant and equipment are detailed in the following table as of December 31 (dollars in thousands):

	2016	2015
Avista Utilities:		
Electric production	$ 1,346,332	$ 1,217,179
Electric transmission	682,529	640,586
Electric distribution	1,525,175	1,468,157
Electric construction work-in-progress (CWIP) and other	296,912	358,846
Electric total	3,850,948	3,684,768
Natural gas underground storage	44,672	43,080
Natural gas distribution	954,298	878,982
Natural gas CWIP and other	57,601	62,024
Natural gas total	1,056,571	984,086
Common plant (including CWIP)	527,458	456,796
Total Avista Utilities	5,434,977	5,125,650
AEL&P:		
Electric production	94,839	72,292
Electric transmission	20,252	18,817
Electric distribution	20,057	19,005
Electric production held under long-term capital lease	71,007	71,007
Electric CWIP and other	7,190	16,971
Electric total	213,345	198,092
Common plant	8,651	8,133
Total AEL&P	221,996	206,225
Other (1)	30,764	25,709
Total	$ 5,687,737	$ 5,357,584

(1) Included in other property and investments—net and other non-current assets on the Consolidated Balance Sheets. Accumulated depreciation was $11.2 million as of December 31, 2016 and $10.6 million as of December 31, 2015 for the other businesses.

NOTE 9. ASSET RETIREMENT OBLIGATIONS

The Company has recorded liabilities for future AROs to:

- restore coal ash containment ponds at Colstrip,
- cap a landfill at the Kettle Falls Plant,
- remove plant and restore the land at the Coyote Springs 2 site at the termination of the land lease, and
- dispose of PCBs in certain transformers.

Due to an inability to estimate a range of settlement dates, the Company cannot estimate a liability for the:

- removal and disposal of certain transmission and distribution assets, and
- abandonment and decommissioning of certain hydroelectric generation and natural gas storage facilities.

On April 17, 2015, the EPA published a final rule regarding coal combustion residuals (CCR), also termed coal combustion byproducts or coal ash, in the Federal Register, and this rule became effective on October 15, 2015. Colstrip, of which Avista Corp. is a 15 percent owner of Units 3 & 4, produces this byproduct. The rule established technical requirements for CCR landfills and surface impoundments under Subtitle D of the Resource Conservation and Recovery Act, the nation's primary law for regulating solid waste. The Company, in conjunction with the other Colstrip owners, developed a multi-year compliance plan to strategically address the CCR requirements and existing state obligations while maintaining operational stability. During 2015, the operator of Colstrip provided an initial cost estimate of the expected retirement costs associated with complying with the new CCR rule. Based on the initial assessments, Avista Corp. recorded an increase to its ARO of $12.5 million during 2015 with a corresponding increase in the cost basis of the utility plant. During 2016, due to additional information and updated estimates, the ARO increased to $13.6 million (including accretion of $0.7 million).

The actual asset retirement costs related to the CCR rule requirements may vary substantially from the estimates used to record the increased ARO due to uncertainty about the compliance strategies that will be used and the preliminary nature of available data used to estimate costs, such as the quantity of coal ash present at certain sites and the volume of fill that will be needed to cap and cover certainimpoundments. Avista Corp. will coordinate with the plant operator and continue to gather additional data in future periods to make decisions about compliance strategies and the timing of closure activities. As additional information becomes available, Avista Corp. will update the ARO for these changes in estimates, which could be material. The Company expects to seek recovery of any increased costs related to complying with the new rule through customer rates.

The following table documents the changes in the Company's asset retirement obligation during the years ended December 31 (dollars in thousands):

	2016	2015	2014
Asset retirement obligation at beginning of year	$ 15,997	$ 3,028	$ 2,859
Liabilities incurred	430	12,539	—
Liabilities settled	(1,529)	(29)	(41)
Accretion expense	617	459	210
Asset retirement obligation at end of year	$ 15,515	$ 15,997	$ 3,028

NOTE 10. PENSION PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS

The pension and other postretirement benefit plans described below only relate to Avista Utilities. AEL&P (not discussed below) participates in a defined contribution multiemployer plan for its union workers and a defined contribution money purchase pension plan for its nonunion workers. METALfx (not discussed below) has a defined contribution 401(k) savings plan. None of the subsidiary retirement plans, individually or in the aggregate, are significant to Avista Corp.

Avista Utilities

The Company has a defined benefit pension plan covering the majority of all regular full-time employees at Avista Utilities that were hired prior to January 1, 2014. Individual benefits under this plan are based upon the employee's years of service, date of hire and average compensation as specified in the plan. Non-union employees hired on or after January 1, 2014 participate in a defined contribution 401(k) plan in lieu of a defined benefit pension plan. The Company's funding policy is to contribute at least the minimum amounts that are required to be funded under the Employee Retirement Income Security Act, but not more than the maximum amounts that are currently deductible for income tax purposes. The Company contributed $12.0 million in cash to the pension plan in 2016, $12.0 million in 2015 and $32.0 million in 2014. The Company expects to contribute $22.0 million in cash to the pension plan in 2017.

The Company also has a SERP that provides additional pension benefits to executive officers and certain key employees of the Company. The SERP is intended to provide benefits to individuals whose benefits under the defined benefit pension plan are reduced due to the application of Section 415 of the Internal Revenue Code of 1986 and the deferral of salary under deferred compensation plans. The liability and expense for this plan are included as pension benefits in the tables included in this Note.

The Company expects that benefit payments under the pension plan and the SERP will total (dollars in thousands):

	2017	2018	2019	2020	2021	Total 2022–2026
Expected benefit payments	$ 30,971	$ 32,014	$ 33,047	$ 34,545	$ 35,892	$ 196,322

The expected long-term rate of return on plan assets is based on past performance and economic forecasts for the types of investments held by the plan. In selecting a discount rate, the Company considers yield rates for highly rated corporate bond portfolios with maturities similar to that of the expected term of pension benefits.

The Company provides certain health care and life insurance benefits for eligible retired employees that were hired prior to January 1, 2014. The Company accrues the estimated cost of postretirement benefit obligations during the years that employees provide services. The liability and expense of this plan are included as other postretirement benefits. Non-union employees hired on or after January 1, 2014, will have access to the retiree medical plan upon retirement; however, Avista Corp. will no longer provide a contribution toward their medical premium.

The Company has a Health Reimbursement Arrangement (HRA) to provide employees with tax-advantaged funds to pay for allowable medical expenses upon retirement. The amount earned by the employee is fixed on the retirement date based on the employee's years of service and the ending salary. The liability and expense of the HRA are included as other postretirement benefits.

The Company provides death benefits to beneficiaries of executive officers who die during their term of office or after retirement. Under the plan, an executive officer's designated beneficiary will receive a payment equal to twice the executive officer's annual base salary at the time of death (or if death occurs after retirement, a payment equal to twice the executive officer's total annual pension benefit). The liability and expense for this plan are included as other postretirement benefits.

The Company expects that benefit payments under other postretirement benefit plans will total (dollars in thousands):

	2017	2018	2019	2020	2021	Total 2022–2026
Expected benefit payments	$ 6,991	$ 7,302	$ 7,580	$ 6,479	$ 6,675	$ 34,704

The Company expects to contribute $7.0 million to other postretirement benefit plans in 2017, representing expected benefit payments to be paid during the year excluding the Medicare Part D subsidy. The Company uses a December 31 measurement date for its pension and other postretirement benefit plans.

The following table sets forth the pension and other postretirement benefit plan disclosures as of December 31, 2016 and 2015 and the components of net periodic benefit costs for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Change in benefit obligation:				
Benefit obligation as of beginning of year	$ 613,503	$ 634,674	$ 138,795	$ 127,989
Service cost	18,302	19,791	3,205	2,925
Interest cost	27,544	26,117	6,110	5,158
Actuarial (gain)/loss	39,997	(35,790)	(3,648)	12,668
Plan change	—	(228)	—	(1,000)
Cumulative adjustment to reclassify liability	—	—	(1,042)	(1,521)
Benefits paid	(32,874)	(31,061)	(6,967)	(7,424)
Benefit obligation as of end of year	$ 666,472	$ 613,503	$ 136,453	$ 138,795
Change in plan assets:				
Fair value of plan assets as of beginning of year	$ 517,234	$ 539,311	$ 30,868	$ 31,312
Actual return on plan assets	43,212	(4,305)	2,497	(444)
Employer contributions	12,000	12,000	—	—
Benefits paid	(31,532)	(29,772)	—	—
Fair value of plan assets as of end of year	$ 540,914	$ 517,234	$ 33,365	$ 30,868
Funded status	$ (125,558)	$ (96,269)	$ (103,088)	$ (107,927)
Unrecognized net actuarial loss	178,783	162,961	81,979	92,433
Unrecognized prior service cost	23	25	(8,981)	(10,180)
Prepaid (accrued) benefit cost	53,248	66,717	(30,090)	(25,674)
Additional liability	(178,806)	(162,986)	(72,998)	(82,253)
Accrued benefit liability	$ (125,558)	$ (96,269)	$ (103,088)	$ (107,927)
Accumulated pension benefit obligation	$ 583,498	$ 542,209	—	—
Accumulated postretirement benefit obligation:				
For retirees			$ 60,670	$ 65,652
For fully eligible employees			$ 34,429	$ 34,498
For other participants			$ 41,354	$ 38,645
Included in accumulated other comprehensive loss (income) (net of tax):				
Unrecognized prior service cost	$ 15	$ 16	$ (5,854)	$ (6,617)
Unrecognized net actuarial loss	116,209	105,925	53,303	60,081
Total	116,224	105,941	47,449	53,464
Less regulatory asset	(108,903)	(99,414)	(47,202)	(53,341)
Accumulated other comprehensive loss for unfunded benefit obligation for pensions and other postretirement benefit plans	$ 7,321	$ 6,527	$ 247	$ 123

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Weighted-average assumptions as of December 31:				
Discount rate for benefit obligation	4.26%	4.57%	4.23%	4.57%
Discount rate for annual expense	4.57%	4.21%	4.57%	4.16%
Expected long-term return on plan assets	5.40%	5.30%	6.03%	6.36%
Rate of compensation increase	4.78%	4.87%		
Medical cost trend pre-age 65—initial			7.00%	7.00%
Medical cost trend pre-age 65—ultimate			5.00%	5.00%
Ultimate medical cost trend year pre-age 65			2023	2022
Medical cost trend post-age 65—initial			7.00%	7.00%
Medical cost trend post-age 65—ultimate			5.00%	5.00%
Ultimate medical cost trend year post-age 65			2024	2023

	Pension Benefits			Other Postretirement Benefits		
	2016	2015	2014	2016	2015	2014
Components of net periodic benefit cost:						
Service cost	$ 18,302	$ 19,791	$ 15,757	$ 3,205	$ 2,925	$ 1,844
Interest cost	27,544	26,117	26,224	6,110	5,158	5,226
Expected return on plan assets	(27,547)	(28,299)	(32,131)	(1,861)	(1,991)	(1,903)
Amortization of prior service cost	2	2	22	(1,208)	(1,199)	(1,116)
Net loss recognition	8,511	9,451	4,731	5,728	5,095	4,289
Net periodic benefit cost	$ 26,812	$ 27,062	$ 14,603	$ 11,974	$ 9,988	$ 8,340

Plan Assets

The Finance Committee of the Company's Board of Directors approves investment policies, objectives and strategies that seek an appropriate return for the pension plan and other postretirement benefit plans and reviews and approves changes to the investment and funding policies.

The Company has contracted with investment consultants who are responsible for managing/monitoring the individual investment managers. The investment managers' performance and related individual fund performance is periodically reviewed by an internal benefits committee and by the Finance Committee to monitor compliance with investment policy objectives and strategies.

Pension plan assets are invested in mutual funds, trusts and partnerships that hold marketable debt and equity securities, real estate, absolute return and commodity funds. In seeking to obtain the desired return to fund the pension plan, the investment consultant recommends allocation percentages by asset classes. These recommendations are reviewed by the internal benefits committee, which then recommends their adoption by the Finance Committee. The Finance Committee has established target investment allocation percentages by asset classes and also investment ranges for each asset class. The target investment allocation percentages are typically the midpoint of the established range.

The target investment allocation percentages by asset classes are indicated in the table below:

	2016	2015
Equity securities	37%	27%
Debt securities	45%	58%
Real estate	8%	6%
Absolute return	10%	9%

The 2016 target investment allocation percentages were revised in the fourth quarter of 2016 and the pension plan assets were subsequently reinvested during the fourth quarter of 2016 and first quarter of 2017 to move toward the new target investment allocation percentages. The target asset allocation percentages were modified to better align the asset allocations with the funded status of the pension plan. Future contributions to the plan will also be increased to improve the funded status of the plan.

The fair value of pension plan assets invested in debt and equity securities was based primarily on fair value (market prices). The fair value of investment securities traded on a national securities exchange is determined based on the reported last sales price; securities traded in the over-the-counter market are valued at the last reported bid price. Investment securities for which market prices are not readily available or for which market prices do not represent the value at the time of pricing, the investment manager estimates fair value based upon other inputs (including valuations of securities that are comparable in coupon, rating, maturity and industry). Investments in common/collective trust funds are presented at estimated fair value, which is determined based on the unit value of the fund. Unit value is determined by an independent trustee, which sponsors the fund, by dividing the fund's net assets by its units outstanding at the valuation date. The Company's investments in common/collective trusts have redemption limitations that permit quarterly redemptions following notice requirements of 45 to 60 days. The fair values of the closely held investments and partnership interests are based upon the allocated share of the fair value of the underlying assets as well as the allocated share of the undistributed profits and losses, including realized and unrealized gains and losses. Most of the Company's investments in closely held investments and partnership interests have redemption limitations that range from bi-monthly to semi-annually following redemption notice requirements of 60 to 90 days. One investment in a partnership has a lock-up for redemption currently expiring in 2022 and is subject to extension.

The fair value of pension plan assets invested in real estate was determined by the investment manager based on three basic approaches:

- properties are externally appraised on an annual basis by independent appraisers, additional appraisals may be performed as warranted by specific asset or market conditions,
- property valuations are reviewed quarterly and adjusted as necessary, and
- loans are reflected at fair value.

The fair value of pension plan assets was determined as of December 31, 2016 and 2015.

Pension plan other postretirement plan assets whose fair values are measured using net asset value (NAV) are excluded from the fair value hierarchy and are included as reconciling items in the tables below.

The following table discloses by level within the fair value hierarchy (see Note 16 for a description of the fair value hierarchy) of the pension plan's assets measured and reported as of December 31, 2016 at fair value (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ —	$ 10,179	$ —	$ 10,179
Fixed income securities:				
U.S. government issues	—	30,919	—	30,919
Corporate issues	—	193,563	—	193,563
International issues	—	34,145	—	34,145
Municipal issues	—	18,888	—	18,888
Mutual funds:				
U.S. equity securities	120,856	—	—	120,856
International equity securities	30,025	—	—	30,025
Absolute return(1)	6,622	—	—	6,622
Plan assets measured at NAV (not subject to hierarchy disclosure)				
Common/collective trusts:				
Real estate	—	—	—	19,779
International equity securities	—	—	—	29,140
Partnership/closely held investments:				
Absolute return(1)	—	—	—	39,077
Private equity funds(2)	—	—	—	72
Real estate	—	—	—	7,649
Total	$ 157,503	$ 287,694	$ —	$ 540,914

The following table discloses by level within the fair value hierarchy (see Note 16 for a description of the fair value hierarchy) of the pension plan's assets measured and reported as of December 31, 2015 at fair value (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 86	$ 10,641	$ —	$ 10,727
Fixed income securities:				
U.S. government issues	—	47,845	—	47,845
Corporate issues	—	187,308	—	187,308
International issues	—	34,458	—	34,458
Municipal issues	—	22,416	—	22,416
Mutual funds:				
U.S. equity securities	87,678	—	—	87,678
International equity securities	40,343	—	—	40,343
Absolute return[1]	13,996	—	—	13,996
Plan assets measured at NAV (not subject to hierarchy disclosure)				
Common/collective trusts:				
Real estate	—	—	—	24,147
Partnership/closely held investments:				
Absolute return[1]	—	—	—	38,302
Private equity funds[2]	—	—	—	73
Real estate	—	—	—	9,941
Total	$ 142,103	$ 302,668	$ —	$ 517,234

(1) This category invests in multiple strategies to diversify risk and reduce volatility. The strategies include: (a) event driven, relative value, convertible, and fixed income arbitrage, (b) distressed investments, (c) long/short equity and fixed income, and (d) market neutral strategies.

(2) This category includes private equity funds that invest primarily in U.S. companies.

The fair value of other postretirement plan assets invested in debt and equity securities was based primarily on market prices. The fair value of investment securities traded on a national securities exchange is determined based on the last reported sales price; securities traded in the over-the-counter market are valued at the last reported bid price. Investment securities for which market prices are not readily available are fair-valued by the investment manager based upon other inputs (including valuations of securities that are comparable in coupon, rating, maturity and industry). The target asset allocation was 60 percent equity securities and 40 percent debt securities in both 2016 and 2015.

The fair value of other postretirement plan assets was determined as of December 31, 2016 and 2015.

The following table discloses by level within the fair value hierarchy (see Note 16 for a description of the fair value hierarchy) of other postretirement plan assets measured and reported as of December 31, 2016 at fair value (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ —	$ 6	$ —	$ 6
Mutual funds:				
Balanced index fund [1]	33,359	—	—	33,359
Total	$ 33,359	$ 6	$ —	$ 33,365

(1) The balanced index fund is a single mutual fund that includes a percentage of U.S. equity securities, fixed income securities and International securities.

The following table discloses by level within the fair value hierarchy (see Note 16 for a description of the fair value hierarchy) of other postretirement plan assets measured and reported as of December 31, 2015 at fair value (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ —	$ 9	$ —	$ 9
Mutual funds:				
Fixed income securities	12,000	—	—	12,000
U.S. equity securities	13,224	—	—	13,224
International equity securities	5,635	—	—	5,635
Total	$ 30,859	$ 9	$ —	$ 30,868

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 2016 by $8.6 million and the service and interest cost by $1.0 million. A one-percentage-point decrease in the assumed health care cost trend rate for each year would decrease the accumulated postretirement benefit obligation as of December 31, 2016 by $6.7 million and the service and interest cost by $0.7 million.

401(k) Plans and Executive Deferral Plan

Avista Utilities and METALfx have salary deferral 401(k) plans that are defined contribution plans and cover substantially all employees. Employees can make contributions to their respective accounts in the plans on a pre-tax basis up to the maximum amount permitted by law. The respective company matches a portion of the salary deferred by each participant according to the schedule in the respective plan.

Employer matching contributions were as follows for the years ended December 31 (dollars in thousands):

	2016	2015	2014
Employer 401(k) matching contributions	$ 8,710	$ 8,011	$ 6,862

The Company has an Executive Deferral Plan. This plan allows executive officers and other key employees the opportunity to defer until the earlier of their retirement, termination, disability or death, up to 75 percent of their base salary and/or up to 100 percent of their incentive payments. Deferred compensation funds are held by the Company in a Rabbi Trust.

There were deferred compensation assets included in other property and investments—net and corresponding deferred compensation liabilities included in other non-current liabilities and deferred credits on the Consolidated Balance Sheets of the following amounts as of December 31 (dollars in thousands):

	2016	2015
Deferred compensation assets and liabilities	$ 7,679	$ 8,093

NOTE 11. ACCOUNTING FOR INCOME TAXES

Income tax expense consisted of the following for the years ended December 31 (dollars in thousands):

	2016	2015	2014
Current income tax expense (benefit)	$ (46,457)	$ 12,212	$ (67,059)
Deferred income tax expense	124,543	55,237	139,299
Total income tax expense	$ 78,086	$ 67,449	$ 72,240

State income taxes do not represent a significant portion of total income tax expense on the Consolidated Statements of Income for any periods presented.

A reconciliation of federal income taxes derived from statutory federal tax rates (35 percent in 2016, 2015 and 2014) applied to income before income taxes as set forth in the accompanying Consolidated Statements of Income is as follows for the years ended December 31 (dollars in thousands):

	2016		2015		2014	
Federal income taxes at statutory rates	$ 75,391	35.0%	$ 64,967	35.0%	$ 67,237	35.0%
Increase (decrease) in tax resulting from:						
Tax effect of regulatory treatment of utility plant differences	3,297	1.5	4,358	2.3	4,008	2.1
State income tax expense	1,316	0.6	1,012	0.5	506	0.2
Settlement of prior year tax returns and adjustment of tax reserves	13	—	(992)	(0.5)	1,104	0.6
Manufacturing deduction	—	—	(1,198)	(0.6)	(169)	(0.1)
Settlement of equity awards	(1,597)	(0.7)	—	—	—	—
Other	(334)	(0.1)	(698)	(0.4)	(446)	(0.2)
Total income tax expense	$ 78,086	36.3%	$ 67,449	36.3%	$ 72,240	37.6%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and tax credit carryforwards.

The total net deferred income tax liability consisted of the following as of December 31 (dollars in thousands):

	2016	2015
Deferred income tax assets:		
Unfunded benefit obligation	$ 80,230	$ 75,716
Derivatives	31,872	47,009
Regulatory deferred tax credits	15,192	—
Tax credits	27,931	15,011
Power and natural gas deferrals	19,415	12,866
Deferred compensation	11,141	10,354
Other	29,512	29,471
Total gross deferred income tax assets	215,293	190,427
Valuation allowances for deferred tax assets	(7,946)	(2,862)
Total deferred income tax assets after valuation allowances	207,347	187,565
Deferred income tax liabilities:		
Differences between book and tax basis of utility plant	812,916	723,661
Regulatory asset on utility, property plant and equipment	37,301	36,917
Regulatory asset for pensions and other postretirement benefits	84,040	82,253
Utility energy commodity derivatives	31,871	47,010
Long-term debt and borrowing costs	31,955	14,027
Settlement with Coeur d'Alene Tribe	11,711	12,084
Other regulatory assets	30,183	11,691
Other	8,298	7,399
Total deferred income tax liabilities	1,048,275	935,042
Net long-term deferred income tax liability	$ 840,928	$ 747,477

The realization of deferred income tax assets is dependent upon the ability to generate taxable income in future periods. The Company evaluated available evidence supporting the realization of its deferred income tax assets and determined it is more likely than not that deferred income tax assets will be realized.

As of December 31, 2016, the Company had $17.1 million of state tax credit carryforwards of which it is expected $7.9 million may expire unused; the Company has reflected the net amount of $9.2 million as an asset at December 31, 2016. State tax credits expire from 2019 to 2028.

The Company and its eligible subsidiaries file consolidated federal income tax returns. The Company also files state income tax returns in certain jurisdictions, including Idaho, Oregon and Montana. Subsidiaries are charged or credited with the tax effects of their operations on a stand-alone basis. The Internal Revenue Service (IRS) has completed its examination of all tax years through 2011 and all issues were resolved related to these years. The statute of limitations for the IRS to review the 2012 tax year has expired, leaving the 2013 through 2015 tax years still open for review. The Company believes that any open tax years for federal or state income taxes will not result in adjustments that would be significant to the consolidated financial statements.

The Company had net regulatory assets related to the probable recovery of certain deferred income tax liabilities from customers through future rates as of December 31 (dollars in thousands):

	2016	2015
Regulatory assets for deferred income taxes	$ 109,853	$ 101,240
Regulatory liabilities for deferred income taxes	28,966	17,609

NOTE 12. ENERGY PURCHASE CONTRACTS

The below discussion only relates to Avista Utilities. The sole energy purchase contract at AEL&P is a PPA for the Snettisham hydroelectric project and it is accounted for as a capital lease. AEL&P does not have any other significant operating agreements or contractual obligations. See Note 14 for further discussion of the Snettisham PPA.

Avista Utilities has contracts for the purchase of fuel for thermal generation, natural gas for resale and various agreements for the purchase or exchange of electric energy with other entities. The remaining term of the contracts range from one month to twenty-five years.

Total expenses for power purchased, natural gas purchased, fuel for generation and other fuel costs, which are included in utility resource costs in the Consolidated Statements of Income, were as follows for the years ended December 31 (dollars in thousands):

	2016	2015	2014
Utility power resources	$ 402,575	$ 511,937	$ 556,915

The following table details Avista Utilities' future contractual commitments for power resources (including transmission contracts) and natural gas resources (including transportation contracts) (dollars in thousands):

	2017	2018	2019	2020	2021	Thereafter	Total
Power resources	$ 202,494	$ 187,080	$ 174,285	$ 109,878	$ 96,485	$ 775,548	$ 1,545,770
Natural gas resources	95,549	65,230	53,860	41,340	29,306	349,468	634,753
Total	$ 298,043	$ 252,310	$ 228,145	$ 151,218	$ 125,791	$ 1,125,016	$ 2,180,523

These energy purchase contracts were entered into as part of Avista Utilities' obligation to serve its retail electric and natural gas customers' energy requirements, including contracts entered into for resource optimization. As a result, these costs are recovered either through base retail rates or adjustments to retail rates as part of the power and natural gas cost deferral and recovery mechanisms.

The above future contractual commitments for power resources include fixed contractual amounts related to the Company's contracts with certain PUDs to purchase portions of the output of certain generating facilities. Although Avista Utilities has no investment in the PUD generating facilities, the fixed contracts obligate Avista Utilities to pay certain minimum amounts whether or not the facilities are operating. The cost of power obtained under the contracts, including payments made when a facility is not operating, is included in utility resource costs in the Consolidated Statements of Income. The contractual amounts included above consist of Avista Utilities' share of existing debt service cost and its proportionate share of the variable operating expenses of these projects. The minimum amounts payable under these contracts are based in part on the proportionate share of the debt service requirements of the PUD's revenue bonds for which the Company is indirectly responsible. The Company's total future debt service obligation associated with the revenue bonds outstanding at December 31, 2016 (principal and interest) was $65.2 million.

In addition, Avista Utilities has operating agreements, settlements and other contractual obligations related to its generating facilities and transmission and distribution services. The expenses associated with these agreements are reflected as other operating expenses in the Consolidated Statements of Income.

The following table details future contractual commitments under these agreements (dollars in thousands):

	2017	2018	2019	2020	2021	Thereafter	Total
Contractual obligations	$ 33,922	$ 28,783	$ 32,549	$ 32,160	$ 27,019	$ 189,000	$ 343,433

NOTE 13. COMMITTED LINES OF CREDIT

Avista Corp.

Avista Corp. has a committed line of credit with various financial institutions in the total amount of $400.0 million. A two-year option was exercised by the Company in 2016 to extend the maturity of the facility agreement to April 2021.

The committed line of credit agreement contains customary covenants and default provisions. The credit agreement has a covenant which does not permit the ratio of "consolidated total debt" to "consolidated total capitalization" of Avista Corp. to be greater than 65 percent at any time. As of December 31, 2016, the Company was in compliance with this covenant.

Balances outstanding and interest rates of borrowings (excluding letters of credit) under the Company's revolving committed lines of credit were as follows as of December 31 (dollars in thousands):

	2016	2015
Balance outstanding at end of period	$ 120,000	$ 105,000
Letters of credit outstanding at end of period	$ 34,353	$ 44,595
Average interest rate at end of period	1.50%	1.18%

As of December 31, 2016 and 2015, the borrowings outstanding under Avista Corp.'s committed line of credit were classified as short-term borrowings on the Consolidated Balance Sheet.

AEL&P

AEL&P has a committed line of credit in the amount of $25.0 million that expires in November 2019. As of December 31, 2016 and 2015, there were no borrowings or letters of credit outstanding under this committed line of credit.

The committed line of credit agreement contains customary covenants and default provisions. The credit agreement has a covenant which does not permit the ratio of "consolidated total debt at AEL&P" to "consolidated total capitalization at AEL&P," including the impact of the Snettisham bonds to be greater than 67.5 percent at any time. As of December 31, 2016, AEL&P was in compliance with this covenant.

NOTE 14. LONG-TERM DEBT AND CAPITAL LEASES

The following details long-term debt outstanding as of December 31 (dollars in thousands):

Maturity Year	Description	Interest Rate	2016	2015
Avista Corp. Secured Long-Term Debt				
2016	First Mortgage Bonds (1)	0.84%	$ —	$ 90,000
2018	First Mortgage Bonds	5.95%	250,000	250,000
2018	Secured Medium-Term Notes	7.39%–7.45%	22,500	22,500
2019	First Mortgage Bonds	5.45%	90,000	90,000
2020	First Mortgage Bonds	3.89%	52,000	52,000
2022	First Mortgage Bonds	5.13%	250,000	250,000
2023	Secured Medium-Term Notes	7.18%–7.54%	13,500	13,500
2028	Secured Medium-Term Notes	6.37%	25,000	25,000
2032	Secured Pollution Control Bonds (2)	(2)	66,700	66,700
2034	Secured Pollution Control Bonds (2)	(2)	17,000	17,000
2035	First Mortgage Bonds	6.25%	150,000	150,000
2037	First Mortgage Bonds	5.70%	150,000	150,000
2040	First Mortgage Bonds	5.55%	35,000	35,000
2041	First Mortgage Bonds	4.45%	85,000	85,000
2044	First Mortgage Bonds	4.11%	60,000	60,000
2045	First Mortgage Bonds	4.37%	100,000	100,000
2047	First Mortgage Bonds	4.23%	80,000	80,000
2051	First Mortgage Bonds (3)	3.54%	175,000	—
	Total Avista Corp. secured long-term debt		1,621,700	1,536,700
Alaska Electric Light and Power Company Secured Long-Term Debt				
2044	First Mortgage Bonds	4.54%	75,000	75,000
	Total secured long-term debt		1,696,700	1,611,700
Alaska Energy and Resources Company Unsecured Long-Term Debt				
2019	Unsecured Term Loan	3.85%	15,000	15,000
	Total secured and unsecured long-term debt		1,711,700	1,626,700
Other Long-Term Debt Components				
	Capital lease obligations		65,435	68,601
	Settled interest rate swap derivatives (4)		—	(26,515)
	Unamortized debt discount		(792)	(956)
	Unamortized long-term debt issuance costs		(10,639)	(10,852)
	Total		1,765,704	1,656,978
	Secured Pollution Control Bonds held by Avista Corporation (2)		(83,700)	(83,700)
	Current portion of long-term debt and capital leases		(3,287)	(93,167)
	Total long-term debt and capital leases		$ 1,678,717	$ 1,480,111

(1) In August 2016, Avista Corp. entered into a term loan agreement with a commercial bank in the amount of $70.0 million with a maturity date of December 30, 2016. Loans under this agreement were unsecured and had a variable annual interest rate. The Company borrowed the entire $70.0 million available under this agreement, which was used to repay a portion of the $90.0 million in first mortgage bonds that matured in August 2016. This term loan was subsequently repaid in full in December using the proceeds from the first mortgage bonds issued in December 2016 (discussed below).

(2) In December 2010, $66.7 million and $17.0 million of the City of Forsyth, Montana Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) due in 2032 and 2034, respectively, which had been held by Avista Corp. since 2008 and 2009, respectively, were refunded by new bond issues (Series 2010A and Series 2010B). The new bonds were not offered to the public and were purchased by Avista Corp. due to market conditions. The Company expects that at a later date, subject to market conditions, these bonds may be remarketed to unaffiliated investors. So long as Avista Corp. is the holder of these bonds, the bonds will not be reflected as an asset or a liability on Avista Corp.'s Consolidated Balance Sheets.

(3) In December 2016, Avista Corp. issued and sold $175.0 million of 3.54 percent first mortgage bonds due in 2051 pursuant to a bond purchase agreement with institutional investors in the private placement market. The total net proceeds from the sale of the bonds were used to repay the $70.0 million term loan discussed above and to repay a portion of the borrowings outstanding under the Company's $400.0 million committed line of credit. In connection with the execution of the bond purchase agreement, the Company cash-settled seven interest rate swap derivatives (notional aggregate amount of $125.0 million) and paid a total of $54.0 million.

Footnotes continue on next page.

(4) *Prior to December 31, 2016, settled interest rate swap derivatives were included as part of long-term debt on the Consolidated Balance Sheets because they were considered similar to a debt discount or premium. During 2016, the Company reevaluated the presentation of settled interest rate swap derivatives and determined that since they are regulatory assets and liabilities that are being recovered through the ratemaking process, the more appropriate classification is as regulatory assets and liabilities rather than as a component of long-term debt. As such, as of December 31, 2016, the Company has included unamortized settled interest rate swap derivatives of $91.9 million in regulatory assets and $12.4 million in regulatory liabilities. The Company did not reclassify any amounts as of December 31, 2015 and prior because the amounts are not material to the financial statements. The increase in settled interest rate swap derivatives during 2016 is due to the cash settlement of interest rate swap derivatives discussed in detail above. There is no impact to the Consolidated Statements of Income and the Consolidated Statements of Cash Flows for any periods as a result of the balance sheet reclassification.*

The following table details future long-term debt maturities including long-term debt to affiliated trusts (see Note 15) (dollars in thousands):

	2017	2018	2019	2020	2021	Thereafter	Total
Debt maturities	$ —	$ 272,500	$ 105,000	$ 52,000	$ —	$ 1,250,047	$ 1,679,547

Substantially all of Avista Utilities' and AEL&P's owned properties are subject to the lien of their respective mortgage indentures. Under the Mortgages and Deeds of Trust (Mortgages) securing their first mortgage bonds (including secured medium-term notes), Avista Utilities and AEL&P may each issue additional first mortgage bonds under their specific mortgage in an aggregate principal amount equal to the sum of:

- $66^{2}/_{3}$ percent of the cost or fair value (whichever is lower) of property additions of that entity which have not previously been made the basis of any application under that entity's Mortgage, or
- an equal principal amount of retired first mortgage bonds of that entity which have not previously been made the basis of any application under that entity's Mortgage, or
- deposit of cash.

However, Avista Utilities and AEL&P may not individually issue any additional first mortgage bonds (with certain exceptions in the case of bonds issued on the basis of retired bonds) unless the particular entity issuing the bonds has "net earnings" (as defined in that entity's Mortgage) for any period of 12 consecutive calendar months out of the preceding 18 calendar months that were at least twice the annual interest requirements on all mortgage securities at the time outstanding, including the first mortgage bonds to be issued, and on all indebtedness of prior rank. As of December 31, 2016, property additions and retired bonds would have allowed, and the net earnings test would not have prohibited, the issuance of $1.2 billion in aggregate principal amount of additional first mortgage bonds at Avista Utilities and $20.8 million at AEL&P.

Snettisham Capital Lease Obligation

Included in long-term capital leases above is a power purchase agreement between AEL&P and AIDEA, an agency of the State of Alaska, under which AEL&P has a take-or-pay obligation, expiring in December 2038, to purchase all the output of the 78 MW Snettisham Hydroelectric Project. For accounting purposes, this power purchase agreement is treated as a capital lease.

The balances related to the Snettisham capital lease obligation as of December 31 were as follows (dollars in thousands):

	2016	2015
Capital lease obligation (1)	$ 62,160	$ 64,455
Capital lease asset (2)	71,007	71,007
Accumulated amortization of capital lease asset (2)	9,104	5,462

(1) *The capital lease obligation amount is equal to the amount of AIDEA's revenue bonds outstanding.*

(2) *These amounts are included in utility plant in service on the Consolidated Balance Sheets.*

Interest on the capital lease obligation and amortization of the capital lease asset are included in utility resource costs in the Consolidated Statements of Income and totaled the following amounts for the years ended December 31 (dollars in thousands):

	2016	2015
Interest on capital lease obligation	$ 3,157	$ 3,587
Amortization of capital lease asset	3,642	3,641

AIDEA issued $100.0 million of revenue bonds in 1998 to finance its acquisition of the project and the payments by AEL&P were designed to be sufficient to enable the AIDEA to pay the principal of and interest on its revenue bonds, which bore interest at rates ranging from 4.9 percent to 6.0 percent and were set to mature in January 2034.

In August 2015, AIDEA issued $65.7 million of new revenue bonds for the purpose of refunding all of the remaining outstanding revenue bonds for the Snettisham Hydroelectric Project. The new revenue bonds have interest rates ranging from 4.0 percent to 5.0 percent and mature in January 2034. The capital lease obligation on Avista Corp.'s

Consolidated Balance Sheet at any given time is equal to the amount of revenue bonds outstanding at that time. AEL&P is scheduled to make its last capital lease payment to AIDEA in December 2033. The payments by AEL&P under the PPA between AEL&P and AIDEA are unconditional, notwithstanding any suspension, reduction or curtailment of the operation of the project. The bonds are payable solely out of AIDEA's receipts under the power purchase agreement. AEL&P is also obligated to operate, maintain and insure the project. The PPA did not change as a result of the refunding, other than lower capital lease payments, and the lower capital lease payments that resulted from the refunding will be passed through to AEL&P's customers. AEL&P's payments for power under the agreement are between $10.0 million and $10.5 million per year, including the capital lease principal and interest of approximately $5.5 million per year.

Snettisham Electric Company, a non-operating subsidiary of AERC, has the option to purchase the Snettisham project with certain conditions at any time for the principal amount of the bonds outstanding at that time.

While the power purchase agreement is treated as a capital lease for accounting purposes, for ratemaking purposes this agreement is treated as an operating lease with a constant level of annual rental expense (straight line expense). Because of this regulatory treatment, any difference between the operating lease expense for ratemaking purposes and the expenses recognized under capital lease treatment (interest and depreciation of the capital lease asset) is recorded as a regulatory asset and amortized during the later years of the lease when the capital lease expense is less than the operating lease expense included in base rates.

The Company evaluated this agreement to determine if it has a variable interest which must be consolidated. Based on this evaluation, AIDEA will not be consolidated under ASC 810 "Consolidation" because AIDEA is a government agency and ASC 810 has a specific scope exception which does not allow for the consolidation of government organizations.

The following table details future capital lease obligations, including interest, under the Snettisham PPA (dollars in thousands):

	2017	2018	2019	2020	2021	Thereafter	Total
Principal	$ 2,415	$ 2,535	$ 2,660	$ 2,800	$ 2,935	$ 48,815	$ 62,160
Interest	3,042	2,921	2,795	2,662	2,522	16,674	30,616
Total	$ 5,457	$ 5,456	$ 5,455	$ 5,462	$ 5,457	$ 65,489	$ 92,776

NOTE 15. LONG-TERM DEBT TO AFFILIATED TRUSTS

In 1997, the Company issued Floating Rate Junior Subordinated Deferrable Interest Debentures, Series B, with a principal amount of $51.5 million to Avista Capital II, an affiliated business trust formed by the Company. Avista Capital II issued $50.0 million of Preferred Trust Securities with a floating distribution rate of LIBOR plus 0.875 percent, calculated and reset quarterly.

The distribution rates paid were as follows during the years ended December 31:

	2016	2015	2014
Low distribution rate	1.29%	1.11%	1.10%
High distribution rate	1.81%	1.29%	1.11%
Distribution rate at the end of the year	1.81%	1.29%	1.11%

Concurrent with the issuance of the Preferred Trust Securities, Avista Capital II issued $1.5 million of Common Trust Securities to the Company. These debt securities may be redeemed at the option of Avista Capital II at any time and mature on June 1, 2037. In December 2000, the Company purchased $10.0 million of these Preferred Trust Securities.

The Company owns 100 percent of Avista Capital II and has solely and unconditionally guaranteed the payment of distributions on, and redemption price and liquidation amount for, the Preferred Trust Securities to the extent that Avista Capital II has funds available for such payments from the respective debt securities. Upon maturity or prior redemption of such debt securities, the Preferred Trust Securities will be mandatorily redeemed. The Company does not include these capital trusts in its consolidated financial statements as Avista Corp. is not the primary beneficiary. As such, the sole assets of the capital trusts are $51.5 million of junior subordinated deferrable interest debentures of Avista Corp., which are reflected on the Consolidated Balance Sheets. Interest expense to affiliated trusts in the Consolidated Statements of Income represents interest expense on these debentures.

NOTE 16. FAIR VALUE

The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and short-term borrowings are reasonable estimates of their fair values. Long-term debt (including current portion and material capital leases) and long-term debt to affiliated trusts are reported at carrying value on the Consolidated Balance Sheets.

The fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to fair values derived from unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are defined as follows:

Level 1—Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2—Pricing inputs are other than quoted prices in active markets included in Level 1, but which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3—Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The determination of the fair values incorporates various factors that not only include the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits and letters of credit), but also the impact of Avista Corp.'s nonperformance risk on its liabilities.

The following table sets forth the carrying value and estimated fair value of the Company's financial instruments not reported at estimated fair value on the Consolidated Balance Sheets as of December 31 (dollars in thousands):

	2016		2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt (Level 2)	$ 951,000	$ 1,048,661	$ 951,000	$ 1,055,797
Long-term debt (Level 3)	677,000	675,251	592,000	595,018
Snettisham capital lease obligation (Level 3)	62,160	62,800	64,455	63,150
Long-term debt to affiliated trusts (Level 3)	51,547	38,660	51,547	36,083

These estimates of fair value of long-term debt and long-term debt to affiliated trusts were primarily based on available market information, which generally consists of estimated market prices from third party brokers for debt with similar risk and terms. The price ranges obtained from the third party brokers consisted of par values of 75.00 to 122.59, where a par value of 100.00 represents the carrying value recorded on the Consolidated Balance Sheets. Level 2 long-term debt represents publicly issued bonds with quoted market prices; however, due to their limited trading activity, they are classified as Level 2 because brokers must generate quotes and make estimates using comparable debt with similar risk and terms if there is no trading activity near a period end. Level 3 long-term debt consists of private placement bonds and debt to affiliated trusts, which typically have no secondary trading activity. Fair values in Level 3 are estimated based on market prices from third party brokers using secondary market quotes for debt with similar risk and terms to generate quotes for Avista Corp. bonds. Due to the unique nature of the Snettisham capital lease obligation, the estimated fair value of these items was determined based on a discounted cash flow model using available market information. Prior to December 31, 2016, the Snettisham capital lease obligation was discounted to present value using the Moody's Aaa Corporate discount rate as published by the Federal Reserve. This rate was discontinued during the fourth quarter of 2016, as such going forward, the Company is using the Morgan Markets A Ex-Fin discount rate, which is the closest approximation to the rate previously used.

The following table discloses by level within the fair value hierarchy the Company's assets and liabilities measured and reported on the Consolidated Balance Sheets as of December 31, 2016 and 2015 at fair value on a recurring basis (dollars in thousands):

	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting [1]	Total
December 31, 2016					
Assets:					
Energy commodity derivatives	$ —	$ 47,994	$ —	$ (46,099)	$ 1,895
Level 3 energy commodity derivatives:					
Natural gas exchange agreements	—	—	69	(69)	—
Power exchange agreement	—	—	25	(25)	—
Foreign currency exchange derivatives	—	5	—	(5)	—
Interest rate swap derivatives	—	13,098	—	(4,348)	8,750
Deferred compensation assets:					
Fixed income securities [2]	1,789	—	—	—	1,789
Equity securities [2]	5,481	—	—	—	5,481
Total	$ 7,270	$ 61,097	$ 94	$ (50,546)	$ 17,915
Liabilities:					
Energy commodity derivatives	$ —	$ 56,871	$ —	$ (55,957)	$ 914
Level 3 energy commodity derivatives:					
Natural gas exchange agreement	—	—	5,954	(69)	5,885
Power exchange agreement	—	—	13,474	(25)	13,449
Power option agreement	—	—	76	—	76
Interest rate swap derivatives	—	73,978	—	(39,248)	34,730
Foreign currency exchange derivatives	—	28	—	(5)	23
Total	$ —	$ 130,877	$ 19,504	$ (95,304)	$ 55,077
December 31, 2015					
Assets:					
Energy commodity derivatives	$ —	$ 74,637	$ —	$ (73,954)	$ 683
Level 3 energy commodity derivatives:					
Natural gas exchange agreement	—	—	678	(678)	—
Foreign currency exchange derivatives	—	2	—	(2)	—
Interest rate swap derivatives	—	1,548	—	—	1,548
Deferred compensation assets:					
Fixed income securities [2]	1,727	—	—	—	1,727
Equity securities [2]	5,761	—	—	—	5,761
Total	$ 7,488	$ 76,187	$ 678	$ (74,634)	$ 9,719
Liabilities:					
Energy commodity derivatives	$ —	$ 97,193	$ —	$ (88,480)	$ 8,713
Level 3 energy commodity derivatives:					
Natural gas exchange agreement	—	—	5,717	(678)	5,039
Power exchange agreement	—	—	21,961	—	21,961
Power option agreement	—	—	124	—	124
Foreign currency exchange derivatives	—	19	—	(2)	17
Interest rate swap derivatives	—	85,498	—	—	85,498
Total	$ —	$ 182,710	$ 27,802	$ (89,160)	$ 121,352

(1) The Company is permitted to net derivative assets and derivative liabilities with the same counterparty when a legally enforceable master netting agreement exists. In addition, the Company nets derivative assets and derivative liabilities against any payables and receivables for cash collateral held or placed with these same counterparties.

(2) These assets are trading securities and are included in other property and investments—net and other non-current assets on the Consolidated Balance Sheets.

The difference between the amount of derivative assets and liabilities disclosed in respective levels in the table above and the amount of derivative assets and liabilities disclosed on the Consolidated Balance Sheets is due to netting arrangements with certain counterparties. See Note 6 for additional discussion of derivative netting.

To establish fair value for energy commodity derivatives, the Company uses quoted market prices and forward price curves to estimate the fair value of utility derivative commodity instruments included in Level 2. In particular, electric derivative valuations are performed using market quotes, adjusted for periods in between quotable periods. Natural gas derivative valuations are estimated using New York Mercantile Exchange (NYMEX) pricing for similar instruments, adjusted for basin differences, using market quotes. Where observable inputs are available for substantially the full term of the contract, the derivative asset or liability is included in Level 2.

To establish fair values for interest rate swap derivatives, the Company uses forward market curves for interest rates for the term of the swaps and discounts the cash flows back to present value using an appropriate discount rate. The discount rate is calculated by third party brokers according to the terms of the swap derivatives and evaluated by the Company for reasonableness, with consideration given to the potential non-performance risk by the Company. Future cash flows of the interest rate swap derivatives are equal to the fixed interest rate in the swap compared to the floating market interest rate multiplied by the notional amount for each period.

To establish fair value for foreign currency derivatives, the Company uses forward market curves for Canadian dollars against the US dollar and multiplies the difference between the locked-in price and the market price by the notional amount of the derivative. Forward foreign currency market curves are provided by third party brokers. The Company's credit spread is factored into the locked-in price of the foreign exchange contracts.

Deferred compensation assets and liabilities represent funds held by the Company in a Rabbi Trust for an executive deferral plan. These funds consist of actively traded equity and bond funds with quoted prices in active markets. The balance disclosed in the table above excludes cash and cash equivalents of $0.4 million as of December 31, 2016 and $0.6 million as of December 31, 2015.

Level 3 Fair Value

Under the power exchange agreement the Company purchases power at a price that is based on the average operating and maintenance (O&M) charges from three surrogate nuclear power plants around the country. To estimate the fair value of this agreement the Company estimates the difference between the purchase price based on the future O&M charges and forward prices for energy. The Company compares the Level 2 brokered quotes and forward price curves described above to an internally developed forward price which is based on the average O&M charges from the three surrogate nuclear power plants for the current year. Because the nuclear power plant O&M charges are only known for one year, all forward years are estimated assuming an annual escalation. In addition to the forward price being estimated using unobservable inputs, the Company also estimates the volumes of the transactions that will take place in the future based on historical average transaction volumes per delivery year (November to April). Significant increases or decreases in any of these inputs in isolation would result in a significantly higher or lower fair value measurement. Generally, a change in the current year O&M charges for the surrogate plants is accompanied by a directionally similar change in O&M charges in future years. There is generally not a correlation between external market prices and the O&M charges used to develop the internal forward price.

For the power commodity option agreement, the Company uses the Black-Scholes-Merton valuation model to estimate the fair value, and this model includes significant inputs not observable or corroborated in the market. These inputs include: 1) the strike price (which is an internally derived price based on a combination of generation plant heat rate factors, natural gas market pricing, delivery and other O&M charges), 2) estimated delivery volumes, and 3) volatility rates. Significant increases or decreases in any of these inputs in isolation would result in a significantly higher or lower fair value measurement. Generally, changes in overall commodity market prices and volatility rates are accompanied by directionally similar changes in the strike price and volatility assumptions used in the calculation.

For the natural gas commodity exchange agreement, the Company uses the same Level 2 brokered quotes described above; however, the Company also estimates the purchase and sales volumes (within contractual limits) as well as the timing of those transactions. Changing the timing of volume estimates changes the timing of purchases and sales, impacting which brokered quote is used. Because the brokered quotes can vary significantly from period to period, the unobservable estimates of the timing and volume of transactions can have a significant impact on the calculated fair value. The Company currently estimates volumes and timing of transactions based on a most likely scenario using historical data. Historically, the timing and volume of transactions have not been highly correlated with market prices and market volatility.

The following table presents the quantitative information which was used to estimate the fair values of the Level 3 assets and liabilities above as of December 31, 2016 (dollars in thousands):

	Fair Value (Net) at December 31, 2016	Valuation Technique	Unobservable Input	Range
Power exchange agreement	$ (13,449)	Surrogate facility	O&M charges	$33.59–$49.15/MWh [1]
		pricing	Escalation factor	3%—2017 to 2019
			Transaction volumes	241,558–396,984 MWhs
Power option agreement	(76)	Black-Scholes-	Strike price	$37.83/MWh—2019
		Merton		$54.40/MWh—2018
			Delivery volumes	157,517–285,979 MWhs
			Volatility rates	0.20 [2]
Natural gas exchange agreement	(5,885)	Internally derived	Forward purchase prices	$1.83–$3.06/mmBTU
		weighted-average	Forward sales prices	$1.90–$5.14/mmBTU
		cost of gas	Purchase volumes	115,000–310,000 mmBTUs
			Sales volumes	60,000–310,000 mmBTUs

(1) The average O&M charges for the delivery year beginning in November 2016 were $39.22 per MWh. For ratemaking purposes the average O&M charges to be included for recovery in retail rates vary slightly between regulatory jurisdictions. The average O&M charges for the delivery year beginning in 2016 were $44.33 for Washington and $39.22 for Idaho.

(2) The estimated volatility rate of 0.20 is compared to actual quoted volatility rates of 0.35 for 2017 to 0.26 in December 2018.

The valuation methods, significant inputs and resulting fair values described above were developed by the Company's management and are reviewed on at least a quarterly basis to ensure they provide a reasonable estimate of fair value each reporting period.

The following table presents activity for energy commodity derivative assets (liabilities) measured at fair value using significant unobservable inputs (Level 3) for the years ended December 31 (dollars in thousands):

	Natural Gas Exchange Agreement	Power Exchange Agreement	Power Option Agreement	Total
Year ended December 31, 2016:				
Balance as of January 1, 2016	$ (5,039)	$ (21,961)	$ (124)	$ (27,124)
Total gains or (losses) (realized/unrealized):				
Included in regulatory assets/liabilities [1]	259	400	48	707
Settlements	(1,105)	8,112	—	7,007
Ending balance as of December 31, 2016 [2]	$ (5,885)	$ (13,449)	$ (76)	$ (19,410)
Year ended December 31, 2015:				
Balance as of January 1, 2015	$ (35)	$ (23,299)	$ (424)	$ (23,758)
Total gains or (losses) (realized/unrealized):				
Included in regulatory assets/liabilities [1]	(6,008)	(6,198)	300	(11,906)
Settlements	1,004	7,536	—	8,540
Ending balance as of December 31, 2015 [2]	$ (5,039)	$ (21,961)	$ (124)	$ (27,124)
Year ended December 31, 2014:				
Balance as of January 1, 2014	$ (1,219)	$ (14,441)	$ (775)	$ (16,435)
Total gains or (losses) (realized/unrealized):				
Included in regulatory assets/liabilities [1]	3,873	(10,002)	351	(5,778)
Settlements	(2,689)	1,144	—	(1,545)
Ending balance as of December 31, 2014 [2]	$ (35)	$ (23,299)	$ (424)	$ (23,758)

(1) All gains and losses are included in other regulatory assets and liabilities. There were no gains and losses included in either net income or other comprehensive income during any of the periods presented in the table above.

(2) There were no purchases, issuances or transfers from other categories of any derivatives instruments during the periods presented in the table above.

NOTE 17. COMMON STOCK

The payment of dividends on common stock could be limited by:

- certain covenants applicable to preferred stock (when outstanding) contained in the Company's Restated Articles of Incorporation, as amended (currently there are no preferred shares outstanding),
- certain covenants applicable to the Company's outstanding long-term debt and committed line of credit agreements,
- the hydroelectric licensing requirements of section 10(d) of the FPA (see Note 1), and
- certain requirements under the OPUC approval of the AERC acquisition in 2014. The OPUC's AERC acquisition order requires Avista Utilities to maintain a capital structure of no less than 40 percent common equity (inclusive of short-term debt). This limitation may be revised upon request by the Company with approval from the OPUC.

The Company declared the following dividends for the year ended December 31:

	2016	2015	2014
Dividends paid per			
common share	$ 1.37	$ 1.32	$ 1.27

Under the most restrictive of the dividend limitations discussed above, which are the requirements of the OPUC approval of the AERC acquisition, the amount available for dividends at December 31, 2016 was limited to $263.4 million.

The Company has 10 million authorized shares of preferred stock. The Company did not have any preferred stock outstanding as of December 31, 2016 and 2015.

Stock Repurchase Programs

During 2014 and 2015, Avista Corp.'s Board of Directors approved programs to repurchase shares of the Company's outstanding common stock. The number of shares repurchased and the total cost of repurchases are disclosed in the Consolidated Statements of Equity and Redeemable Noncontrolling Interests. The average repurchase price was $31.57 in 2014 and $32.66 in 2015. All repurchased shares reverted to the status of authorized but unissued shares.

Equity Issuances

In March 2016, the Company entered into four separate sales agency agreements under which Avista Corp.'s sales agents may offer and sell up to 3.8 million new shares of Avista Corp.'s common stock, no par value, from time-to-time. The sales agency agreements expire on February 29, 2020. In 2016, 1.6 million shares were issued under these agreements resulting in total net proceeds of $65.3 million, leaving 2.2 million shares remaining to be issued.

In 2016, the Company also issued $1.7 million (net of issuance costs) of common stock under the employee plans.

NOTE 18. EARNINGS PER COMMON SHARE ATTRIBUTABLE TO AVISTA CORPORATION SHAREHOLDERS

The following table presents the computation of basic and diluted earnings per common share attributable to Avista Corp. shareholders for the years ended December 31 (in thousands, except per share amounts):

	2016	2015	2014
Numerator:			
Net income from continuing operations attributable to Avista Corp. shareholders	$ 137,228	$ 118,080	$ 119,817
Net income from discontinued operations attributable to Avista Corp. shareholders	—	5,147	72,224
Subsidiary earnings adjustment for dilutive securities (discontinued operations)	—	—	5
Adjusted net income from discontinued operations attributable to Avista Corp. shareholders for computation of diluted earnings per common share	$ —	$ 5,147	$ 72,229
Denominator:			
Weighted-average number of common shares outstanding—basic	63,508	62,301	61,632
Effect of dilutive securities:			
Performance and restricted stock awards	412	407	255
Weighted-average number of common shares outstanding—diluted	63,920	62,708	61,887
Earnings per common share attributable to Avista Corp. shareholders—basic:			
Earnings per common share from continuing operations	$ 2.16	$ 1.90	$ 1.94
Earnings per common share from discontinued operations	$ —	$ 0.08	$ 1.18
Total earnings per common share attributable to Avista Corp. shareholders—basic	$ 2.16	$ 1.98	$ 3.12
Earnings per common share attributable to Avista Corp. shareholders—diluted:			
Earnings per common share from continuing operations	$ 2.15	$ 1.89	$ 1.93
Earnings per common share from discontinued operations	$ —	$ 0.08	$ 1.17
Total earnings per common share attributable to Avista Corp. shareholders—diluted	$ 2.15	$ 1.97	$ 3.10

There were no shares excluded from the calculation because they were antidilutive.

NOTE 19. COMMITMENTS AND CONTINGENCIES

In the course of its business, the Company becomes involved in various claims, controversies, disputes and other contingent matters, including the items described in this Note. Some of these claims, controversies, disputes and other contingent matters involve litigation or other contested proceedings. For all such matters, the Company intends to vigorously protect and defend its interests and pursue its rights. However, no assurance can be given as to the ultimate outcome of any particular matter because litigation and other contested proceedings are inherently subject to numerous uncertainties. For matters that affect Avista Utilities' or AEL&P's operations, the Company intends to seek, to the extent appropriate, recovery of incurred costs through the ratemaking process.

California Refund Proceeding

In February 2016, APX, a market maker in the California Refund Proceedings in whose markets Avista Energy participated in the summer of 2000, asserted that Avista Energy and its other customer/participants may be responsible for a share of the disgorgement penalty APX may be found to owe to Pacific Gas & Electric (PG&E), Southern California Edison, San Diego Gas & Electric, the California Attorney General (AG), the California Department of Water Resources (CERS), and the California Public Utilities Commission (together, the "California Parties"). The penalty arises as a result of the FERC's finding that APX committed violations in the California market in the summer of 2000. APX is making these assertions despite Avista Energy having been dismissed in FERC Opinion No. 536 from the on-going administrative proceeding at the FERC regarding potential wrongdoing in the California markets in the summer of 2000. APX has identified Avista Energy's share of APX's exposure to be as much as $16.0 million even though no wrongdoing allegations are specifically attributable to Avista Energy. Avista Energy believes its settlement with the California Parties in 2014 insulates it from any such liability and that as a dismissed party it cannot be drawn back into the litigation. Avista Energy intends to vigorously dispute APX's assertions of indirect liability, but cannot at this time predict the eventual outcome.

Pacific Northwest Refund Proceeding

In July 2001, the FERC initiated a preliminary evidentiary hearing to develop a factual record as to whether prices for spot market sales of wholesale energy in the Pacific Northwest between December 25, 2000 and June 20, 2001 were just and reasonable. In June 2003, the FERC terminated the Pacific Northwest refund proceedings, after finding that the equities do not justify the imposition of refunds. In August 2007, the Ninth Circuit found that the FERC had failed to take into account new evidence of market manipulation and that such failure was arbitrary and capricious and, accordingly, remanded the case to the FERC, stating that the FERC's findings must be reevaluated in light of the new evidence. The Ninth Circuit expressly declined to direct the FERC to grant refunds. On October 3, 2011, the FERC issued an Order on Remand and on April 5, 2013 expanded the temporal scope of the proceeding to permit parties to submit evidence on transactions during the period from January 1, 2000 through and including June 20, 2001.

On July 11, 2012 and March 28, 2013, Avista Energy and Avista Corp. filed settlements of all issues in this docket with regard to the claims made by the City of Tacoma and the California AG (on behalf of the California Department of Water Resources). The FERC approved the settlements and they are final.

The remaining direct claimant against Avista Corp. and Avista Energy in this proceeding was the City of Seattle, Washington (Seattle). An evidentiary, trial type hearing before an Administrative Law Judge (ALJ) to permit parties to present evidence of unlawful market activity was conducted in 2013.

With regard to the Seattle claims, on March 28, 2014, the Presiding ALJ issued an Initial Decision finding that: 1) Seattle failed to demonstrate that either Avista Corp. or Avista Energy engaged in unlawful market activity and also failed to identify any specific contracts at issue; 2) Seattle failed to demonstrate that contracts with either Avista Corp. or Avista Energy imposed an excessive burden on consumers or seriously harmed the public interest; and that 3) Seattle failed to demonstrate that either Avista Corp. or Avista Energy engaged in any specific violations of substantive provisions of the FPA or any filed tariffs or rate schedules. Accordingly, the ALJ denied all of Seattle's claims under both section 206 and section 309 of the FPA. On May 22, 2015, the FERC issued its Order on Initial Decision in which it upheld the ALJ's Initial Decision denying all of Seattle's claims against Avista Corp. and Avista Energy. Seattle filed a Request for Rehearing of the FERC's Order on Initial Decision which was denied on December 31, 2015. Seattle appealed the FERC's decision to the Ninth Circuit. In October 2016, Seattle settled all of the matters with the remaining parties and withdrew its appeal at the Ninth Circuit. All the remaining parties signed the settlement agreement and a petition to dismiss the case was filed with the Ninth Circuit on October 27, 2016. There are no remaining claims outstanding under this proceeding. The settlement did not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Sierra Club and Montana Environmental Information Center Litigation

In 2013, the Sierra Club and Montana Environmental Information Center (MEIC) (collectively "Plaintiffs"), filed a Complaint in the United States District Court for the District of Montana, Billings Division, against the Owners of the Colstrip Generating Project ("Colstrip"); Avista Corp. owns a 15 percent interest in Units 3 & 4 of Colstrip. The other Colstrip co-Owners are Talen Montana, LLC (formerly PPL Montana, LLC, an indirect subsidiary of Talen Energy Corporation), Puget Sound Energy, Portland General Electric Company, NorthWestern Energy and PacifiCorp. The Complaint alleged certain violations of the Clean Air Act, including the New Source Review, Title V and opacity requirements with respect to post-January 1, 2001 Colstrip projects. The Plaintiffs requested that the Court grant injunctive and declaratory relief, order remediation of alleged environmental damages, impose civil penalties, require a beneficial environmental project in the areas affected by the alleged air pollution and require payment of Plaintiffs' costs of litigation and attorney fees.

The liability trial was scheduled to start on May 31, 2016. The parties engaged in settlement discussions with the Plaintiffs to resolve the claims raised in the litigation. On July 12, 2016, the parties filed a proposed Consent Decree with the court which contained the terms of the settlement of the matter with respect to all four units at Colstrip. The settlement does not include any monetary payments by any party, dismisses all claims against all four units, and provides for the shut-down of Units 1 & 2 (which are owned solely by Talen Montana, LLC and Puget Sound Energy) no later than July, 2022. The Consent

Decree was entered on September 6, 2016. The parties have petitioned the Court for costs and attorneys' fees. The Court denied the defendant's claim for fees and reduced the plaintiff's claimed fees from approximately $3.0 million to $1.6 million. On February 15, 2017 the Court issued an Order adopting this resolution in full and closing the case.

The Company does not expect that this matter will have a material adverse effect on its financial condition, results of operations or cash flows.

Cabinet Gorge Total Dissolved Gas Abatement Plan

Dissolved atmospheric gas levels (referred to as "Total Dissolved Gas" or "TDG") in the Clark Fork River exceed state of Idaho and federal water quality numeric standards downstream of Cabinet Gorge particularly during periods when excess river flows must be diverted over the spillway. Under the terms of the Clark Fork Settlement Agreement (CFSA) as incorporated in Avista Corp.'s FERC license for the Clark Fork Project, Avista Corp. has worked in consultation with agencies, tribes and other stakeholders to address this issue. Under the terms of a gas supersaturation mitigation plan, Avista is reducing TDG by constructing spill crest modifications on spill gates at the dam, and the Company expects to continue spill crest modifications over the next several years, in ongoing consultation with key stakeholders. Avista Corp. cannot at this time predict the outcome or estimate a range of costs associated with this contingency; however, the Company will continue to seek recovery, through the ratemaking process, of all operating and capitalized costs related to this issue.

Fish Passage at Cabinet Gorge and Noxon Rapids

In 1999, the United States Fish and Wildlife Service (USFWS) listed bull trout as threatened under the Endangered Species Act. In 2010, the USFWS issued a revised designation of critical habitat for bull trout, which includes the lower Clark Fork River. The USFWS issued a final recovery plan in October 2015.

The CFSA describes programs intended to help restore bull trout populations in the project area. Using the concept of adaptive management and working closely with the USFWS, the Company evaluated the feasibility of fish passage at Cabinet Gorge and Noxon Rapids. The results of these studies led, in part, to the decision to move forward with development of permanent facilities, among other bull trout enhancement efforts. Parties to the CFSA are working to resolve several issues. The Company believes its ongoing efforts through the CFSA continue to effectively address issues related to bull trout. Avista Corp. cannot at this time predict the outcome or estimate a range of costs associated with this contingency; however, the Company will continue to seek recovery, through the ratemaking process, of all operating and capitalized costs related to fish passage at Cabinet Gorge and Noxon Rapids.

Collective Bargaining Agreements

The Company's collective bargaining agreements with the IBEW represent approximately 45 percent of all of Avista Utilities' employees. A new three-year agreement with the local union in Washington and Idaho representing the majority (approximately 90 percent) of the Avista Utilities' bargaining unit employees was approved in March 2016 and expires in March 2019.

A three-year agreement in Oregon, which covers approximately 50 employees was set to expire in March 2017. A new three-year agreement has been approved by the IBEW membership that will expire in March 2020. It is still awaiting approval from the National IBEW.

A collective bargaining agreement with the local union of the IBEW in Alaska expires in March 2017. The collective bargaining agreement with the IBEW in Alaska represents approximately 50 percent of all AERC employees. The remainder of AERC's employees are non-union.

There is a risk that if collective bargaining agreements expire and new agreements are not reached in each of our jurisdictions, employees could strike. Given the magnitude of employees that are covered by collective bargaining agreements, this could result in disruptions of our operations. However, the Company believes that the possibility of this occurring is remote.

Other Contingencies

In the normal course of business, the Company has various other legal claims and contingent matters outstanding. The Company believes that any ultimate liability arising from these actions will not have a material impact on its financial condition, results of operations or cash flows. It is possible that a change could occur in the Company's estimates of the probability or amount of a liability being incurred. Such a change, should it occur, could be significant.

The Company routinely assesses, based on studies, expert analyses and legal reviews, its contingencies, obligations and commitments for remediation of contaminated sites, including assessments of ranges and probabilities of recoveries from other responsible parties who either have or have not agreed to a settlement as well as recoveries from insurance carriers. The Company's policy is to accrue and charge to current expense identified exposures related to environmental remediation sites based on estimates of investigation, cleanup and monitoring costs to be incurred. For matters that affect Avista Utilities' or AEL&P's operations, the Company seeks, to the extent appropriate, recovery of incurred costs through the ratemaking process.

The Company has potential liabilities under the Endangered Species Act for species of fish, plants and wildlife that have either already been added to the endangered species list, listed as "threatened" or petitioned for listing. Thus far, measures adopted and implemented have had minimal impact on the Company. However, the Company will continue to seek recovery, through the ratemaking process, of all operating and capitalized costs related to these issues.

Under the federal licenses for its hydroelectric projects, the Company is obligated to protect its property rights, including water rights. In addition, the company holds additional non-hydro water rights. The state of Montana is examining the status of all water right claims within state boundaries through a general adjudication. Claims within the Clark Fork River basin could adversely affect the energy production of the Company's Cabinet Gorge and Noxon Rapids hydroelectric facilities. The state of Idaho has initiated adjudication in northern Idaho, which will ultimately include the lower Clark Fork River, the Spokane River and the Coeur d'Alene basin. The Company is and will continue to be a participant in these and any other relevant adjudication processes. The complexity of such adjudications makes each unlikely to be concluded in the foreseeable future. As such, it is not possible for the Company to estimate the impact of any outcome at this time. The Company will continue to seek recovery, through the ratemaking process, of all operating and capitalized costs related to this issue.

NOTE 20. REGULATORY MATTERS

Regulatory Assets and Liabilities

The following table presents the Company's regulatory assets and liabilities as of December 31, 2016 (dollars in thousands):

	Remaining Amortization Period	Receiving Regulatory Treatment: Earning a Return [1]	Receiving Regulatory Treatment: Not Earning a Return	Expected Recovery or Refund [2]	Total 2016	Total 2015
Regulatory Assets:						
Investment in exchange power—net	2019	$ 6,533	$ —	$ —	$ 6,533	$ 8,983
Regulatory assets for deferred income tax	(3)	101,372	8,481	—	109,853	101,240
Regulatory assets for pensions and other postretirement benefit plans	(4)	—	240,114	—	240,114	235,009
Current regulatory asset for energy commodity derivatives	(5)	—	11,365	—	11,365	17,260
Unamortized debt repurchase costs	(6)	13,700	—	—	13,700	15,520
Regulatory asset for settlement with Coeur d'Alene Tribe	2059	45,265	—	—	45,265	46,576
Demand side management programs	(3)	—	15,700	—	15,700	3,168
Deferred maintenance costs	2018	—	2,672	—	2,672	4,823
Decoupling surcharge	2018	43,126	—	—	43,126	13,312
Regulatory asset for utility plant to be abandoned	(7)	19,100	—	—	19,100	—
Regulatory asset for interest rate swaps	(8)	37,912	—	123,596	161,508	83,973
Non-current regulatory asset for energy commodity derivatives	(5)	—	16,919	—	16,919	32,420
Other regulatory assets	(3)	3,633	5,755	4,585	13,973	17,348
Total regulatory assets		$ 270,641	$ 301,006	$ 128,181	$ 699,828	$ 579,632
Regulatory Liabilities:						
Natural gas deferrals	(3)	$ 30,820	$ —	$ —	$ 30,820	$ 17,880
Power deferrals	(3)	23,528	—	—	23,528	18,747
Regulatory liability for utility plant retirement costs	(9)	273,983	—	—	273,983	261,594
Income tax related liabilities	(3)	—	28,966	—	28,966	17,609
Regulatory liability for interest rate swaps	(8)	12,442	—	8,749	21,191	23
Provision for earnings sharing rebate	(3)	—	3,697	6,600	10,297	12,237
Decoupling rebate	2017	2,405	—	—	2,405	2,373
Other regulatory liabilities	(3)	2,505	3,257	—	5,762	3,420
Total regulatory liabilities		$ 345,683	$ 35,920	$ 15,349	$ 396,952	$ 333,883

(1) Earning a return includes either interest on the regulatory asset/liability or a return on the investment as a component of rate base at the allowed rate of return.

(2) Expected recovery is pending regulatory treatment including regulatory assets and liabilities with prior regulatory precedence.

(3) Remaining amortization period varies depending on timing of underlying transactions.

(4) As the Company has historically recovered and currently recovers its pension and other postretirement benefit costs related to its regulated operations in retail rates, the Company records a regulatory asset for that portion of its pension and other postretirement benefit funding deficiency.

(5) The UTC and the IPUC issued accounting orders authorizing Avista Corp. to offset energy commodity derivative assets or liabilities with a regulatory asset or liability. This accounting treatment is intended to defer the recognition of mark-to-market gains and losses on energy commodity transactions until the period of settlement, subject to approval for recovery through retail rates. Realized gains and losses, subject to regulatory approval, result in adjustments to retail rates through purchased gas cost adjustments, the ERM in Washington, the PCA mechanism in Idaho, and periodic general rates cases.

(6) For the Company's Washington jurisdiction and for any debt repurchases beginning in 2007 in all jurisdictions, premiums paid to repurchase debt are amortized over the remaining life of the original debt that was repurchased or, if new debt is issued in connection with the repurchase, these costs are amortized over the life of the new debt. In the Company's other regulatory jurisdictions, premiums paid to repurchase debt prior to 2007 are being amortized over the average remaining maturity of outstanding debt when no new debt was issued in connection with the debt repurchase. These costs are included in the Company's cost of debt calculation for ratemaking purposes and are recovered through retail rates.

(7) In March 2016, the UTC granted the Company's Petition for an Accounting Order to defer and include in a regulatory asset the undepreciated value of its existing Washington electric meters for the opportunity for later recovery. This accounting treatment is related to the Company's plan to replace approximately 253,000 of its existing electric meters with new two-way digital meters and the related software and support services through its AMI project in Washington State. Replacement of the meters is expected to begin in the second half of 2017. For ratemaking purposes, the existing electric meters won't be recorded as regulatory assets until they are physically removed from service, but for GAAP purposes, they are regulatory assets upon the commitment by management to retire the meters.

Footnotes continue on next page.

(8) *For interest rate swap derivatives, each period Avista Utilities records all mark-to-market gains and losses in each accounting period as assets and liabilities and records offsetting regulatory assets and liabilities, such that there is no income statement impact. This is similar to the treatment of energy commodity derivatives described above. Upon settlement of interest rate swap derivatives, the regulatory asset or liability is amortized as a component of interest expense over the term of the associated debt and are also included as a part of the Company's cost of debt calculation for ratemaking purposes. See Note 14 regarding a reclassification of settled interest rate swap derivatives during 2016. Settled interest rate swap derivatives which have been through a general rate case proceeding are classified as earning a return in the table above, whereas all unsettled interest rate swap derivatives and settled interest rate swap derivatives which have not been included in a general rate case are classified as expected recovery.*

(9) *This amount is dependent upon the cost of removal of underlying utility plant assets and the life of utility plant.*

Power Cost Deferrals and Recovery Mechanisms

Deferred power supply costs are recorded as a deferred charge on the Consolidated Balance Sheets for future prudence review and recovery through retail rates. The power supply costs deferred include certain differences between actual net power supply costs incurred by Avista Utilities and the costs included in base retail rates. This difference in net power supply costs primarily results from changes in:

- short-term wholesale market prices and sales and purchase volumes,
- the level and availability of hydroelectric generation,
- the level and availability of thermal generation (including changes in fuel prices), and
- retail loads.

In Washington, the ERM allows Avista Utilities to periodically increase or decrease electric rates with UTC approval to reflect changes in power supply costs. The ERM is an accounting method used to track certain differences between actual power supply costs, net of wholesale sales and sales of fuel, and the amount included in base retail rates for Washington customers. The Washington ERM calculation is subject to certain deadbands and sharing bands. For 2016, the Company recognized a pre-tax benefit of $5.1 million under the ERM in Washington compared to a benefit of $6.3 million for 2015. Total net deferred power costs under the ERM were a liability of $21.3 million as of December 31, 2016 compared to a liability of $18.0 million as of December 31, 2015, and these deferred power cost balances represent amounts due to customers.

Avista Utilities has a PCA mechanism in Idaho that allows it to modify electric rates on October 1 of each year with IPUC approval. Under the PCA mechanism, Avista Utilities defers 90 percent of the difference between certain actual net power supply expenses and the amount included in base retail rates for its Idaho customers. The October 1 rate adjustments recover or rebate power costs deferred during the preceding July–June twelve-month period. Total net power supply costs deferred under the PCA mechanism were a liability of $2.2 million as of December 31, 2016 compared to an asset of $0.2 million as of December 31, 2015.

Natural Gas Cost Deferrals and Recovery Mechanisms

Avista Utilities files a PGA in all three states it serves to adjust natural gas rates for: 1) estimated commodity and pipeline transportation costs to serve natural gas customers for the coming year, and 2) the difference between actual and estimated commodity and transportation costs for the prior year. Total net deferred natural gas costs to be refunded to customers were a liability of $30.8 million as of December 31, 2016 compared to a liability of $17.9 million as of December 31, 2015.

Decoupling and Earnings Sharing Mechanisms

Decoupling is a mechanism designed to sever the link between a utility's revenues and consumers' energy usage. In each of Avista Utilities' jurisdictions, each month Avista Utilities' electric and natural gas revenues are adjusted so as to be based on the number of customers in certain customer rate classes, rather than kWh and therm sales. The difference between revenues based on the number of customers and revenues based on actual usage is deferred and either surcharged or rebated to customers beginning in the following year.

Washington Decoupling and Earnings Sharing

In Washington, the UTC approved the Company's decoupling mechanisms for electric and natural gas for a five-year period beginning January 1, 2015. Electric and natural gas decoupling surcharge rate adjustments to customers are limited to 3 percent on an annual basis, with any remaining surcharge balance carried forward for recovery in a future period. There is no limit on the level of rebate rate adjustments.

The electric and natural gas decoupling mechanisms each include an after-the-fact earnings test. At the end of each calendar year, separate electric and natural gas earnings calculations will be made for the prior calendar year. These earnings tests will reflect actual decoupled revenues, normalized power supply costs and other normalizing adjustments. See below for a summary of cumulative balances under the decoupling and earnings sharing mechanisms.

Idaho Fixed Cost Adjustment (FCA) and Earnings Sharing Mechanisms

In Idaho, the IPUC approved the implementation of FCAs for electric and natural gas (similar in operation and effect to the Washington decoupling mechanisms) for an initial term of three years, beginning January 1, 2016.

For the period 2013 through 2015 the Company had an after-the-fact earnings test, such that if Avista Corp., on a consolidated basis for electric and natural gas operations in Idaho, earned more than a 9.8 percent ROE, the Company was required to share with customers 50 percent of any earnings above the 9.8 percent. There was no provision for a surcharge to customers if the Company's ROE was less than 9.8 percent. This after-the-fact earnings test was discontinued as part of the settlement of the Company's 2015 Idaho electric and natural gas general rates cases. See below for a summary of cumulative balances under the decoupling and earnings sharing mechanisms.

Oregon Decoupling Mechanism

In February 2016, the OPUC approved the implementation of a decoupling mechanism for natural gas, similar to the Washington and Idaho mechanisms described above. The decoupling mechanism became effective on March 1, 2016 and there will be an opportunity for interested parties to review the mechanism and recommend changes, if any, by September 2019. An earnings review is conducted on an annual basis, which is filed by the Company with the OPUC on or before June 1 of each year for the prior calendar year. In the annual earnings review, if the Company earns more than 100 basis points above its allowed return on equity, one-third of the earnings above the 100 basis points would be deferred and later returned to customers. The earnings review is separate from the decoupling mechanism and was in place prior to decoupling. See below for a summary of cumulative balances under the decoupling and earnings sharing mechanisms.

Cumulative Decoupling and Earnings Sharing Mechanism Balances

As of December 31, 2016 and December 31, 2015, the Company had the following cumulative balances outstanding related to decoupling and earnings sharing mechanisms in its various jurisdictions (dollars in thousands):

	December 31, 2016	December 31, 2015
Washington		
Decoupling surcharge	$ 30,408	$ 10,933
Provision for earnings sharing rebate	(5,113)	(3,422)
Idaho		
Decoupling surcharge	$ 8,292	N/A
Provision for earnings sharing rebate	(5,184)	(8,814)
Oregon		
Decoupling surcharge	$ 2,021	N/A
Provision for earnings sharing rebate	—	—

(N/A) This mechanism did not exist during this time period.

NOTE 21. INFORMATION BY BUSINESS SEGMENTS

The business segment presentation reflects the basis used by the Company's management to analyze performance and determine the allocation of resources. The Company's management evaluates performance based on income (loss) from operations before income taxes as well as net income (loss) attributable to Avista Corp. shareholders. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Avista Utilities' business is managed based on the total regulated utility operation; therefore, it is considered one segment. AEL&P is a separate reportable business segment as it has separate financial reports that are reviewed in detail by the Chief Operating Decision Maker and its operations and risks are sufficiently different from Avista Utilities and the other businesses at AERC that it cannot be aggregated with any other operating segments. The Other category, which is not a reportable segment, includes other investments and operations of various subsidiaries, as well as certain other operations of Avista Capital.

The following table presents information for each of the Company's business segments (dollars in thousands):

	Avista Utilities	Alaska Electric Light and Power Company	Total Utility	Other	Intersegment Eliminations [1]	Total
For the year ended December 31, 2016:						
Operating revenues	$ 1,372,638	$ 46,276	$ 1,418,914	$ 23,569	$ —	$ 1,442,483
Resource costs	539,352	12,014	551,366	—	—	551,366
Other operating expenses	304,644	11,151	315,795	25,501	—	341,296
Depreciation and amortization	155,162	5,352	160,514	769	—	161,283
Income (loss) from operations	277,070	15,434	292,504	(2,701)	—	289,803
Interest expense [2]	83,070	3,584	86,654	608	(132)	87,130
Income taxes	74,121	5,321	79,442	(1,356)	—	78,086
Net income (loss) from continuing operations attributable to Avista Corp. shareholders	132,490	7,968	140,458	(3,230)	—	137,228
Capital expenditures [3]	390,690	15,954	406,644	353	—	406,997
For the year ended December 31, 2015:						
Operating revenues	$ 1,411,863	$ 44,778	$ 1,456,641	$ 28,685	$ (550)	$ 1,484,776
Resource costs	644,991	11,973	656,964	—	—	656,964
Other operating expenses	292,096	11,125	303,221	30,076	(550)	332,747
Depreciation and amortization	138,236	5,263	143,499	695	—	144,194
Income (loss) from operations	241,228	14,072	255,300	(2,086)	—	253,214
Interest expense [2]	76,405	3,558	79,963	610	(132)	80,441
Income taxes	64,489	4,202	68,691	(1,242)	—	67,449
Net income (loss) from continuing operations attributable to Avista Corp. shareholders	113,360	6,641	120,001	(1,921)	—	118,080
Capital expenditures [3]	381,174	12,251	393,425	885	—	394,310
For the year ended December 31, 2014:						
Operating revenues	$ 1,413,499	$ 21,644	$ 1,435,143	$ 39,219	$ (1,800)	$ 1,472,562
Resource costs	672,344	5,900	678,244	—	—	678,244
Other operating expenses	280,964	5,868	286,832	32,218	(1,800)	317,250
Depreciation and amortization	126,987	2,583	129,570	610	—	130,180
Income from operations	239,976	6,221	246,197	6,391	—	252,588
Interest expense [2]	73,750	1,382	75,132	1,004	(384)	75,752
Income taxes	67,634	1,816	69,450	2,790	—	72,240
Net income from continuing operations attributable to Avista Corp. shareholders	113,263	3,152	116,415	3,236	166	119,817
Capital expenditures [3]	323,931	1,585	325,516	406	—	325,922
Total Assets:						
As of December 31, 2016	$ 4,975,555	$ 273,770	$ 5,249,325	$ 60,430	$ —	$ 5,309,755
As of December 31, 2015	$ 4,601,708	$ 265,735	$ 4,867,443	$ 39,206	$ —	$ 4,906,649
As of December 31, 2014	$ 4,357,760	$ 263,070	$ 4,620,830	$ 80,141	$ —	$ 4,700,971

(1) Intersegment eliminations reported as operating revenues and resource costs represent intercompany purchases and sales of electric capacity and energy between Avista Utilities and Spokane Energy (included in other). Intersegment eliminations reported as interest expense and net income (loss) attributable to Avista Corp. shareholders represent intercompany interest.

(2) Including interest expense to affiliated trusts.

(3) The capital expenditures for the other businesses are included as other capital expenditures on the Consolidated Statements of Cash Flows. The remainder of the balance included in other capital expenditures on the Consolidated Statements of Cash Flows for 2014 are related to Ecova.

NOTE 22. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The Company's energy operations are significantly affected by weather conditions. Consequently, there can be large variances in revenues, expenses and net income between quarters based on seasonal factors such as, but not limited to, temperatures and streamflow conditions.

A summary of quarterly operations (in thousands, except per share amounts) for 2016 and 2015 follows:

	Three Months Ended			
	March 31	June 30	September 30	December 31
2016				
Operating revenues	$ 418,173	$ 318,838	$ 303,349	$ 402,123
Operating expenses	312,088	257,247	263,755	319,590
Income from operations	$ 106,085	$ 61,591	$ 39,594	$ 82,533
Net income [(1)]	57,665	27,287	12,261	40,103
Net income attributable to noncontrolling interests	(16)	(33)	(27)	(12)
Net income attributable to Avista Corporation shareholders [(1)]	$ 57,649	$ 27,254	$ 12,234	$ 40,091
Outstanding common stock:				
Weighted-average—basic	62,605	63,386	63,857	64,185
Weighted-average—diluted	62,907	63,783	64,325	64,620
Earnings per common share attributable to Avista Corp. shareholders—diluted [(1)]	$ 0.92	$ 0.43	$ 0.19	$ 0.62
2015				
Operating revenues from continuing operations	$ 446,490	$ 337,332	$ 313,649	$ 387,305
Operating expenses from continuing operations	356,915	279,972	277,737	316,938
Income from continuing operations	$ 89,575	$ 57,360	$ 35,912	$ 70,367
Net income from continuing operations	$ 46,462	$ 25,078	$ 12,754	$ 33,876
Net income from discontinued operations	—	196	289	4,662
Net income	46,462	25,274	13,043	38,538
Net income attributable to noncontrolling interests	(13)	(28)	(32)	(17)
Net income attributable to Avista Corporation shareholders	$ 46,449	$ 25,246	$ 13,011	$ 38,521
Amounts attributable to Avista Corp. shareholders:				
Net income from continuing operations attributable to Avista Corp. shareholders	$ 46,449	$ 25,050	$ 12,722	$ 33,859
Net income from discontinued operations attributable to Avista Corp. shareholders	—	196	289	4,662
Net income attributable to Avista Corp. shareholders	$ 46,449	$ 25,246	$ 13,011	$ 38,521
Outstanding common stock:				
Weighted-average—basic	62,318	62,281	62,299	62,308
Weighted-average—diluted	62,889	62,600	62,688	62,758
Earnings per common share attributable to Avista Corp. shareholders—diluted:				
Earnings per common share from continuing operations	$ 0.74	$ 0.40	$ 0.21	$ 0.54
Earnings per common share from discontinued operations	—	—	—	0.07
Total earnings per common share attributable to Avista Corp. shareholders—diluted	$ 0.74	$ 0.40	$ 0.21	$ 0.61

(1) The Company adopted ASU 2016-09 during the second quarter of 2016, with a retrospective effective date of January 1, 2016. The adoption of this standard resulted in a recognized income tax benefit of $1.6 million in 2016 associated with excess tax benefits on settled share-based employee payments. Because this standard was adopted in the second quarter of 2016, but has a retrospective effective date of January 1, 2016, the effects from the adoption were pushed back to the first quarter of 2016 and the results for that quarter were recast in the presentation above. In all future reports which include the first quarter of 2016, the results for that quarter will be recast to include the effects of the excess tax benefits recognized.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The Company has disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) under the Securities Exchange Act of 1934, as amended (Act) that are designed to ensure that information required to be disclosed in the reports it files or submits under the Act is recorded, processed, summarized and reported on a timely basis. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. With the participation of the Company's principal executive officer and principal financial officer, the Company's management evaluated its disclosure controls and procedures as of the end of the period covered by this report. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective at a reasonable assurance level as of December 31, 2016.

Management's Report on Internal Control Over Financial Reporting

The Company's management, together with its consolidated subsidiaries, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a–15(f) under the Securities Exchange Act of 1934). The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, the Company conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management determined that the Company's internal control over financial reporting as of December 31, 2016 is effective at a reasonable assurance level.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2016.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Avista Corporation
Spokane, Washington

We have audited the internal control over financial reporting of Avista Corporation and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our report dated February 21, 2017 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Seattle, Washington
February 21, 2017

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item (other than the information regarding executive officers and the Company's Code of Business Conduct and Ethics set forth below) is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated herein by reference as follows:

- on and after the date of filing with the SEC the Registrant's definitive Proxy Statement relating to its Annual Meeting of Shareholders scheduled to be held on May 11, 2017, from such Proxy Statement; and
- prior to such date, from the Registrant's definitive Proxy Statement, dated March 31, 2016, relating to its Annual Meeting of Shareholders held on May 12, 2016.

Executive Officers of the Registrant

Name	**Age**	**Business Experience**
Scott L. Morris	59	Chairman, President and Chief Executive Officer effective January 1, 2008. Director since February 9, 2007; President and Chief Operating Officer May 2006–December 2007; Senior Vice President February 2002–May 2006; Vice President November 2000–February 2002; President—Avista Utilities August 2000–December 2008; General Manager—Avista Utilities for the Oregon and California operations October 1991–August 2000; various other management and staff positions with the Company since 1981.
Mark T. Thies	53	Treasurer since January 2013; Senior Vice President and Chief Financial Officer (Principal Financial Officer) since September 2008; prior to employment with the Company held the following positions with Black Hills Corporation: Executive Vice President and Chief Financial Officer March 2003–January 2008; Senior Vice President and Chief Financial Officer March 2000–March 2003; Controller May 1997–March 2000.
Marian M. Durkin	63	Senior Vice President, General Counsel and Chief Compliance Officer since November 2005; Corporate Secretary since May 2016; Senior Vice President and General Counsel August 2005–November 2005; prior to employment with the Company: held several legal positions with United Airlines, Inc. from 1995–August 2005, most recently served as Vice President Deputy General Counsel and Assistant Secretary.
Karen S. Feltes	61	Senior Vice President of Human Resources since November 2005; Corporate Secretary November 2005–April 2016; Vice President of Human Resources and Corporate Secretary March 2003–November 2005; Vice President of Human Resources and Corporate Services February 2002–March 2003; various human resources positions with the Company April 1998–February 2002.
Dennis P. Vermillion	55	Senior Vice President since January 2010; Vice President July 2007–December 2009; President—Avista Utilities since January 2009; Vice President of Energy Resources and Optimization—Avista Utilities July 2007–December 2008; President and Chief Operating Officer of Avista Energy February 2001–July 2007; various other management and staff positions with the Company since 1985.
Jason R. Thackston	47	Senior Vice President since January 2014; Vice President of Energy Resources since December 2012; Vice President of Customer Solutions—Avista Utilities June 2012–December 2012; Vice President of Energy Delivery April 2011–December 2012; Vice President of Finance June 2009–April 2011; various other management and staff positions with the Company since 1996.
Ryan L. Krasselt	47	Vice President, Controller and Principal Accounting Officer since October 2015; various other management and staff positions with the Company since 2001.
Kevin J. Christie	49	Vice President of Customer Solutions since February 2015; various other management and staff positions with the Company since 2005.

James M. Kensok	58	Vice President and Chief Information Officer since January 2007; Chief Information Officer February 2001–December 2006; various other management and staff positions with the Company since 1996.
David J. Meyer	63	Vice President and Chief Counsel for Regulatory and Governmental Affairs since February 2004; Senior Vice President and General Counsel September 1998–February 2004.
Kelly O. Norwood	58	Vice President since November 2000; Vice President of State and Federal Regulation—Avista Utilities since March 2002; Vice President and General Manager of Energy Resources—Avista Utilities August 2000–March 2002; various other management and staff positions with the Company since 1981.
Heather L. Rosentrater	39	Vice President of Energy Delivery since December 2015; various other management and staff positions with the Company since 1996.
Edward D. Schlect Jr.	56	Vice President and Chief Strategy Officer since September 2015; prior to employment with the Company, Executive Vice President of Corporate Development at Ecova, Inc.

All of the Company's executive officers, with the exception of James M. Kensok, David J. Meyer, Kelly O. Norwood, Kevin J. Christie and Heather L. Rosentrater were officers or directors of one or more of the Company's subsidiaries in 2016. The Company's executive officers are elected annually by the Board of Directors.

The Company has adopted a Code of Conduct for directors, officers (including the principal executive officer, principal financial officer and principal accounting officer), and employees. The Code of Conduct is available on the Company's website at www.avistacorp.com and will also be provided to any shareholder without charge upon written request to:

Avista Corp.
General Counsel
P.O. Box 3727 MSC-12
Spokane, Washington 99220-3727

Any changes to or waivers for executive officers and directors of the Company's Code of Conduct will be posted on the Company's website.

Item 11. Executive Compensation

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated herein by reference as follows:

- on and after the date of filing with the SEC the Registrant's definitive Proxy Statement relating to its Annual Meeting of Shareholders scheduled to be held on May 11, 2017, from such Proxy Statement; and
- prior to such date, from the Registrant's definitive Proxy Statement, dated March 31, 2016, relating to its Annual Meeting of Shareholders held on May 12, 2016.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) Security ownership of certain beneficial owners (owning 5 percent or more of Registrant's voting securities):

Information regarding security ownership of certain beneficial owners (owning 5 percent or more of Registrant's voting securities) has been omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated herein by reference as follows:

- on and after the date of filing with the SEC the Registrant's definitive Proxy Statement relating to its Annual Meeting of Shareholders scheduled to be held on May 11, 2017, from such Proxy Statement; and
- prior to such date, from the Registrant's definitive Proxy Statement, dated March 31, 2016, relating to its Annual Meeting of Shareholders held on May 12, 2016; reference also being made to Schedules 13G, as amended, in file with the SEC with respect to the Registrant's voting securities (the information contained in such schedules 13G, as amended, not being incorporated herein by reference).

(b) Security ownership of management:

The information required by this Item regarding the security ownership of management is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated herein by reference as follows:

- on and after the date of filing with the SEC the Registrant's definitive Proxy Statement relating to its Annual Meeting of Shareholders scheduled to be held on May 11, 2017, from such Proxy Statement; and
- prior to such date, from the Registrant's definitive Proxy Statement, dated March 31, 2016, relating to its Annual Meeting of Shareholders held on May 12, 2016.

(c) Changes in control:

None.

(d) Securities authorized for issuance under equity compensation plans as of December 31, 2016:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights [1]	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders [2]	—	$ —	1,752,979

(1) Excludes unvested restricted shares and performance share awards granted under Avista Corp.'s Long-Term Incentive Plan. At December 31, 2016, 109,806 Restricted Share awards were outstanding. Performance and market-based share awards may be paid out at zero shares at a minimum achievement level; 332,680 shares at target level; or 665,360 shares at a maximum level. Because there is no exercise price associated with restricted shares or performance and market-based share awards, such shares are not included in the weighted-average price calculation.

(2) Includes the Long-Term Incentive Plan approved by shareholders in 1998 and the Non-Employee Director Stock Plan approved by shareholders in 1996. In February 2005, the Board of Directors elected to terminate the Non-Employee Director Stock Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated herein by reference as follows:

- on and after the date of filing with the SEC the Registrant's definitive Proxy Statement relating to its Annual Meeting of Shareholders scheduled to be held on May 11, 2017, from such Proxy Statement; and
- prior to such date, from the Registrant's definitive Proxy Statement, dated March 31, 2016, relating to its Annual Meeting of Shareholders held on May 12, 2016.

Item 14. Principal Accounting Fees and Services

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated herein by reference as follows:

- on and after the date of filing with the SEC the Registrant's definitive Proxy Statement relating to its Annual Meeting of Shareholders scheduled to be held on May 11, 2017, from such Proxy Statement; and
- prior to such date, from the Registrant's definitive Proxy Statement, dated March 31, 2016, relating to its Annual Meeting of Shareholders held on May 12, 2016.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)1. Financial Statements (Included in Part II of this report):

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Income for the Years Ended December 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2016, 2015 and 2014

Consolidated Balance Sheets as of December 31, 2016 and 2015

Consolidated Statements of Cash Flows for the Years Ended December 31, 2016, 2015 and 2014

Consolidated Statements of Equity and Redeemable Noncontrolling Interests for the Years Ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

(a)2. Financial Statement Schedules:

None.

(a)3. Exhibits:

Reference is made to the Exhibit Index commencing on page 120. The Exhibits include the management contracts and compensatory plans or arrangements required to be filed as exhibits to this Form 10-K pursuant to Item 15(b).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AVISTA CORPORATION

February 21, 2017	By /s/ Scott L. Morris
Date	Scott L. Morris Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Scott L. Morris Scott L. Morris Chairman of the Board, President and Chief Executive Officer	Principal Executive Officer	February 21, 2017
/s/ Mark T. Thies Mark T. Thies Senior Vice President, Chief Financial Officer, and Treasurer	Principal Financial Officer	February 21, 2017
/s/ Ryan L. Krasselt Ryan L. Krasselt Vice President, Controller and Principal Accounting Officer	Principal Accounting Officer	February 21, 2017
/s/ Erik J. Anderson Erik J. Anderson	Director	February 21, 2017
/s/ Kristianne Blake Kristianne Blake	Director	February 21, 2017
/s/ Donald C. Burke Donald C. Burke	Director	February 21, 2017
/s/ John F. Kelly John F. Kelly	Director	February 21, 2017
/s/ Rebecca A. Klein Rebecca A. Klein	Director	February 21, 2017
/s/ Marc F. Racicot Marc F. Racicot	Director	February 21, 2017
/s/ Heidi B. Stanley Heidi B. Stanley	Director	February 21, 2017
/s/ R. John Taylor R. John Taylor	Director	February 21, 2017
/s/ Janet D. Widmann Janet D. Widmann	Director	February 21, 2017
/s/ Scott H. Maw Scott H. Maw	Director	February 21, 2017

Exhibit	Previously Filed [1] With Registration Number	As Exhibit	
3.1	(with June 30, 2012 Form 10-Q)	3.1	Restated Articles of Incorporation of Avista Corporation, as amended and restated June 6, 2012.
3.2	(with Form 8-K filed as of November 14, 2014)	3.2	Bylaws of Avista Corporation, as amended November 14, 2014.
4.1	2-4077	B-3	Mortgage and Deed of Trust, dated as of June 1, 1939.
4.2	2-9812	4(c)	First Supplemental Indenture, dated as of October 1, 1952.
4.3	2-60728	2(b)-2	Second Supplemental Indenture, dated as of May 1, 1953.
4.4	2-13421	4(b)-3	Third Supplemental Indenture, dated as of December 1, 1955.
4.5	2-13421	4(b)-4	Fourth Supplemental Indenture, dated as of March 15, 1967.
4.6	2-60728	2(b)-5	Fifth Supplemental Indenture, dated as of July 1, 1957.
4.7	2-60728	2(b)-6	Sixth Supplemental Indenture, dated as of January 1, 1958.
4.8	2-60728	2(b)-7	Seventh Supplemental Indenture, dated as of August 1, 1958.
4.9	2-60728	2(b)-8	Eighth Supplemental Indenture, dated as of January 1, 1959.
4.10	2-60728	2(b)-9	Ninth Supplemental Indenture, dated as of January 1, 1960.
4.11	2-60728	2(b)-10	Tenth Supplemental Indenture, dated as of April 1, 1964.
4.12	2-60728	2(b)-11	Eleventh Supplemental Indenture, dated as of March 1, 1965.
4.13	2-60728	2(b)-12	Twelfth Supplemental Indenture, dated as of May 1, 1966.
4.14	2-60728	2(b)-13	Thirteenth Supplemental Indenture, dated as of August 1, 1966.
4.15	2-60728	2(b)-14	Fourteenth Supplemental Indenture, dated as of April 1, 1970.
4.16	2-60728	2(b)-15	Fifteenth Supplemental Indenture, dated as of May 1, 1973.
4.17	2-60728	2(b)-16	Sixteenth Supplemental Indenture, dated as of February 1, 1975.
4.18	2-60728	2(b)-17	Seventeenth Supplemental Indenture, dated as of November 1, 1976.
4.19	2-69080	2(b)-18	Eighteenth Supplemental Indenture, dated as of June 1, 1980.
4.20	(with 1980 Form 10-K)	4(a)-20	Nineteenth Supplemental Indenture, dated as of January 1, 1981.
4.21	2-79571	4(a)-21	Twentieth Supplemental Indenture, dated as of August 1, 1982.
4.22	(with Form 8-K dated September 20, 1983)	4(a)-22	Twenty-First Supplemental Indenture, dated as of September 1, 1983.
4.23	2-94816	4(a)-23	Twenty-Second Supplemental Indenture, dated as of March 1, 1984.

Exhibit	Previously Filed [1] With Registration Number	As Exhibit	
4.24	(with 1986 Form 10-K)	4(a)-24	Twenty-Third Supplemental Indenture, dated as of December 1, 1986.
4.25	(with 1987 Form 10-K)	4(a)-25	Twenty-Fourth Supplemental Indenture, dated as of January 1, 1988.
4.26	(with 1989 Form 10-K)	4(a)-26	Twenty-Fifth Supplemental Indenture, dated as of October 1, 1989.
4.27	33-51669	4(a)-27	Twenty-Sixth Supplemental Indenture, dated as of April 1, 1993.
4.28	(with 1993 Form 10-K)	4(a)-28	Twenty-Seventh Supplemental Indenture, dated as of January 1, 1994.
4.29	(with 2001 Form 10-K)	4(a)-29	Twenty-Eighth Supplemental Indenture, dated as of September 1, 2001.
4.30	333-82502	4(b)	Twenty-Ninth Supplemental Indenture, dated as of December 1, 2001.
4.31	(with June 30, 2002 Form 10-Q)	4(f)	Thirtieth Supplemental Indenture, dated as of May 1, 2002.
4.32	333-39551	4(b)	Thirty-First Supplemental Indenture, dated as of May 1, 2003.
4.33	(with September 30, 2003 Form 10-Q)	4(f)	Thirty-Second Supplemental Indenture, dated as of September 1, 2003.
4.34	333-64652	4(a)-33	Thirty-Third Supplemental Indenture, dated as of May 1, 2004.
4.35	(with Form 8-K dated as of December 15, 2004)	4.1	Thirty-Fourth Supplemental Indenture, dated as of November 1, 2004.
4.36	(with Form 8-K dated as of December 15, 2004)	4.2	Thirty-Fifth Supplemental Indenture, dated as of December 1, 2004.
4.37	(with Form 8-K dated as of December 15, 2004)	4.3	Thirty-Sixth Supplemental Indenture, dated as of December 1, 2004.
4.38	(with Form 8-K dated as of December 15, 2004)	4.4	Thirty-Seventh Supplemental Indenture, dated as of December 1, 2004.
4.39	(with Form 8-K dated as of May 12, 2005)	4.1	Thirty-Eighth Supplemental Indenture, dated as of May 1, 2005.
4.40	(with Form 8-K dated as of November 17, 2005)	4.1	Thirty-Ninth Supplemental Indenture, dated as of November 1, 2005.
4.41	(with Form 8-K dated as of April 6, 2006)	4.1	Fortieth Supplemental Indenture, dated as of April 1, 2006.
4.42	(with Form 8-K dated as of December 15, 2006)	4.1	Forty-First Supplemental Indenture, dated as of December 1, 2006.
4.43	(with Form 8-K dated as of April 3, 2008)	4.1	Forty-Second Supplemental Indenture, dated as of April 1, 2008.
4.44	(with Form 8-K dated as of November 26, 2008)	4.1	Forty-Third Supplemental Indenture, dated as of November 1, 2008.

Exhibit	Previously Filed [1] With Registration Number	As Exhibit	
4.45	(with Form 8-K dated as of December 16, 2008)	4.1	Forty-Fourth Supplemental Indenture, dated as of December 1, 2008.
4.46	(with Form 8-K dated as of December 30, 2008)	4.3	Forty-Fifth Supplemental Indenture, dated as of December 1, 2008.
4.47	(with Form 8-K dated as of September 15, 2009)	4.1	Forty-Sixth Supplemental Indenture, dated as of September 1, 2009.
4.48	(with Form 8-K dated as of November 25, 2009)	4.1	Forty-Seventh Supplemental Indenture, dated as of November 1, 2009.
4.49	(with Form 8-K dated as of December 15, 2010)	4.5	Forty-Eighth Supplemental Indenture, dated as of December 1, 2010.
4.50	(with Form 8-K dated as of December 20, 2010)	4.1	Forty-Ninth Supplemental Indenture, dated as of December 1, 2010.
4.51	(with Form 8-K dated as of December 30, 2010)	4.1	Fiftieth Supplemental Indenture, dated as of December 1, 2010.
4.52	(with Form 8-K dated as of February 11, 2011)	4.1	Fifty-First Supplemental Indenture, dated as of February 1, 2011.
4.53	(with Form 8-K dated as of August 16, 2011)	4.1	Fifty-Second Supplemental Indenture, dated as of August 1, 2011.
4.54	(with Form 8-K dated as of December 14, 2011)	4.1	Fifty-Third Supplemental Indenture, dated as of December 1, 2011.
4.55	(with Form 8-K dated as of November 30, 2012)	4.1	Fifty-Fourth Supplemental Indenture, dated as of November 1, 2012.
4.56	(with Form 8-K dated as of August 14, 2013)	4.1	Fifty-Fifth Supplemental Indenture, dated as of August 1, 2013.
4.57	(with Form 8-K dated as of April 18, 2014)	4.1	Fifty-Sixth Supplemental Indenture, dated as of April 1, 2014.
4.58	(with Form 8-K dated as of December 18, 2014)	4.1	Fifty-Seventh Supplemental Indenture, dated as of December 1, 2014.
4.59	(with Form 8-K dated as of December 16, 2015)	4.1	Fifty-Eighth Supplemental Indenture, dated as of December 1, 2015.
4.60	(with Form 8-K dated as of December 16, 2016)	4.1	Fifty-Ninth Supplemental Indenture, dated as of December 1, 2016.
4.61	(with Form 8-K dated as of December 15, 2004)	4.5	Supplemental Indenture No. 1, dated as of December 1, 2004 to the Indenture dated as of April 1, 1998 between Avista Corporation and JPMorgan Chase Bank, N.A.

Exhibit	Previously Filed[1] With Registration Number	As Exhibit	
4.62	333-82165	4(a)	Indenture dated as of April 1, 1998 between Avista Corporation and The Bank of New York, as Successor Trustee.
4.63	(with Form 8-K dated as of December 15, 2010)	4.1	Loan Agreement between City of Forsyth, Montana and Avista Corporation $66,700,000 City of Forsyth, Montana Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) Series 2010A dated as of December 1, 2010.
4.64	(with Form 8-K dated as of December 15, 2010)	4.3	Trust Indenture between City of Forsyth, and the Bank of New York Mellon Trust Company, N.A., as Trustee, $66,700,000 City of Forsyth, Montana Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) Series 2010A, dated as of December 1, 2010.
4.65	(with Form 8-K dated as of December 15, 2010)	4.2	Loan Agreement between City of Forsyth, Montana and Avista Corporation $17,000,000 City of Forsyth, Montana Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) Series 2010B dated as of December 1, 2010.
4.66	(with Form 8-K dated as of December 15, 2010)	4.4	Trust Indenture between City of Forsyth, and the Bank of New York Mellon Trust Company, N.A., as Trustee, $17,000,000 City of Forsyth, Montana Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) Series 2010B, dated as of December 1, 2010.
4.67	(with June 30, 2012 Form 10-Q)	3.1	Restated Articles of Incorporation of Avista Corporation, as amended and restated June 6, 2012 (see Exhibit 3.1 herein).
4.68	(with Form 8-K filed as of November 14, 2014)	3.2	Bylaws of Avista Corporation, as amended November 14, 2014 (see Exhibit 3.2 herein).
4.69	(Form 10/A)	N/A	Post-Effective Amendment No. 1 on Form 10/A, filed February 26, 2015, to Registration Statement on Form 10, filed September 1952.
10.1	(with Form 8-K dated as of February 11, 2011)	10.1	Credit Agreement, dated as of February 11, 2011, among Avista Corporation, the Banks Party hereto, The Bank of New York Mellon, Keybank National Association, and U.S. Bank National Association, as Co-Documentation Agents, Wells Fargo Bank National Association as Syndication Agent and an Issuing Bank, and Union Bank N.A. as Administrative Agent and an Issuing Bank.
10.2	(with Form 8-K dated as of April 18, 2014)	10.1	Second Amendment to Credit Agreement, dated as of April 18, 2014, among Avista Corporation, Wells Fargo Bank, National Association, as an Issuing Bank, Union Bank, N.A. as Administrative Agent and an Issuing Bank, and the financial institutions identified hereof as Continuing Lenders and Exiting Lender.
10.3	(with Form 8-K dated as of April 18, 2014)	10.2	Bond Delivery Agreement, dated as of April 18, 2014, between Avista Corporation and Union Bank, N.A.
10.4	(with Form 8-K dated as of December 14, 2011)	10.1	First Amendment and Waiver Thereunder, dated as of December 14, 2011, to the Credit Agreement dated as of February 11, 2011, among Avista Corporation, the Banks Party hereto, Wells Fargo Bank National Association as an Issuing Bank, and Union Bank N.A. as Administrative Agent and an Issuing Bank.

Exhibit	Previously Filed [1] With Registration Number	As Exhibit	
10.5	(with 2002 Form 10-K)	10(b)-3	Priest Rapids Project Product Sales Contract executed by Public Utility District No. 2 of Grant County, Washington and Avista Corporation dated December 12, 2001 (effective November 1, 2005 for the Priest Rapids Development and November 1, 2009 for the Wanapum Development).
10.6	(with 2002 Form 10-K)	10(b)-4	Priest Rapids Project Reasonable Portion Power Sales Contract executed by Public Utility District No. 2 of Grant County, Washington and Avista Corporation dated December 12, 2001 (effective November 1, 2005 for the Priest Rapids Development and November 1, 2009 for the Wanapum Development).
10.7	(with 2002 Form 10-K)	10(b)-5	Additional Product Sales Agreement (Priest Rapids Project) executed by Public Utility District No. 2 of Grant County, Washington and Avista Corporation dated December 12, 2001 (effective November 1, 2005 for the Priest Rapids Development and November 1, 2009 for the Wanapum Development).
10.8	2-60728	5(g)	Power Sales Contract (Wells Project) with Public Utility District No. 1 of Douglas County, Washington, dated as of September 18, 1963.
10.9	2-60728	5(g)-1	Amendment to Power Sales Contract (Wells Project) with Public Utility District No. 1 of Douglas County, Washington, dated as of February 9, 1965.
10.10	2-60728	5(h)	Reserved Share Power Sales Contract (Wells Project) with Public Utility District No. 1 of Douglas County, Washington, dated as of September 18, 1963.
10.11	2-60728	5(h)-1	Amendment to Reserved Share Power Sales Contract (Wells Project) with Public Utility District No. 1 of Douglas County, Washington, dated as of February 9, 1965.
10.12	(with September 30, 1985 Form 10-Q)	1	Settlement Agreement and Covenant Not to Sue executed by the United States Department of Energy acting by and through the Bonneville Power Administration and the Company, dated as of September 17, 1985, describing the settlement of Project 3 litigation.
10.13	(with 1981 Form 10-K)	10(s)-7	Ownership and Operation Agreement for Colstrip Units No. 3 & 4, dated as of May 6, 1981.
10.14	(with 2011 Form 10-K)	10.15	Avista Corporation Executive Deferral Plan. [3]
10.15	(with 2011 Form 10-K)	10.16	Avista Corporation Executive Deferral Plan. [3][8]
10.16	(with 2011 Form 10-K)	10.17	Avista Corporation Supplemental Executive Retirement Plan. [3][8]
10.17	(with 2011 Form 10-K)	10.18	Avista Corporation Supplemental Executive Retirement Plan. [3][8]
10.18	(with 1992 Form 10-K)	10(t)-11	The Company's Unfunded Supplemental Executive Disability Plan. [3]
10.19	(with 2007 Form 10-K)	10.34	Income Continuation Plan of the Company.[3]

Exhibit	Previously Filed [1] With Registration Number	As Exhibit	
10.20	(with 2010 Definitive Proxy Statement filed March 31, 2010)	Appendix A	Avista Corporation Long-Term Incentive Plan.[3]
10.21	(with 2010 Form 10-K)	10.23	Avista Corporation Performance Award Plan Summary.[3]
10.22	(with 2014 Form 10-K)	10.30	Avista Corporation Performance Award Agreement 2014.[3]
10.23	(with 2015 Form 10-K)	10.31	Avista Corporation Performance Award Agreement 2015.[3]
10.24	[2]		Avista Corporation Performance Award Agreement 2016.[3]
10.25	(with Form 8-K dated June 21, 2005)	10.1	Employment Agreement between the Company and Marian Durkin in the form of a Letter of Employment.[3]
10.26	(with Form 8-K dated August 13, 2008)	10.1	Employment Agreement between the Company and Mark T. Thies in the form of a Letter of Employment.[3]
10.27	333-47290	99.1	Non-Officer Employee Long-Term Incentive Plan.
10.28	(with 2010 Form 10-K)		Form of Change of Control Agreement between the Company and its Executive Officers.[3][5]
10.29	(with 2010 Form 10-K)		Form of Change of Control Agreement between the Company and its Executive Officers.[3][6]
10.30	(with 2010 Form 10-K)		Form of Change of Control Agreement between the Company and its Executive Officers.[3][7]
10.31	(with 2010 Form 10-K)		Form of Change of Control Agreement between the Company and its Executive Officers.[3][7]
10.32	[2]		Avista Corporation Non-Employee Director Compensation.
12	[2]		Statement Re: computation of ratio of earnings to fixed charges.
21	[2]		Subsidiaries of Registrant.
23	[2]		Consent of Independent Registered Public Accounting Firm.
31.1	[2]		Certification of Chief Executive Officer (Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).
31.2	[2]		Certification of Chief Financial Officer (Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).
32	[4]		Certification of Corporate Officers (Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002).

Exhibit	Previously Filed [1] With Registration Number	As Exhibit	
101	[2]		The following financial information from the Annual Report on Form 10 K for the period ended December 31, 2016, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Statements of Income; (ii) Consolidated Statements of Comprehensive Income; (iii) the Consolidated Balance Sheets; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Equity and Redeemable Noncontrolling Interests; and (vi) the Notes to Consolidated Financial Statements.

(1) Incorporated herein by reference.

(2) Filed herewith.

(3) Management contracts or compensatory plans filed as exhibits to this Form 10-K pursuant to Item 15(b).

(4) Furnished herewith.

(5) Applies to James M. Kensok, David J. Meyer, Kelly O. Norwood, Jason R. Thackston and Dennis P. Vermillion.

(6) Applies to Marian M. Durkin, Karen S. Feltes, Scott L. Morris, and Mark T. Thies.

(7) Applies to executive officers appointed after October 1, 2010. This applies to Kevin J. Christie, Ryan L. Krasselt, Ed D. Schlect and Heather L. Rosentrater.

(8) Applies to executive officers appointed after February 4, 2011. This applies to Kevin J. Christie, Ryan L. Krasselt, Ed D. Schlect and Heather L. Rosentrater.

EXHIBIT 12

Avista Corporation

Computation of Ratio of Earnings to Fixed Charges

Consolidated

(Thousands of Dollars)

Years Ended December 31,

	2016	2015	2014	2013	2012
Fixed charges, as defined:					
Interest charges	$ 86,897	$ 80,613	$ 74,025	$ 73,772	$ 71,843
Amortization of debt expense and premium—net	3,391	3,415	3,635	3,813	3,803
Interest portion of rentals	1,324	1,287	1,187	1,146	1,294
Total fixed charges	$ 91,612	$ 85,315	$ 78,847	$ 78,731	$ 76,940
Earnings, as defined:					
Pre-tax income from continuing operations	$ 215,402	$ 185,619	$ 192,106	$ 162,347	$ 116,567
Add (deduct):					
Capitalized interest	(2,651)	(3,546)	(3,924)	(3,676)	(2,401)
Total fixed charges above	91,612	85,315	78,847	78,731	76,940
Total earnings	$ 304,363	$ 267,388	$ 267,029	$ 237,402	$ 191,106
Ratio of earnings to fixed charges	3.32	3.13	3.39	3.02	2.48

EXHIBIT 21

Avista Corporation

SUBSIDIARIES OF REGISTRANT

Subsidiary	State or Country of Incorporation
Avista Capital, Inc.	Washington
Avista Development, Inc.	Washington
Avista Energy, Inc.	Washington
Avista Northwest Resources, LLC	Washington
Pentzer Corporation	Washington
Pentzer Venture Holding II, Inc.	Washington
Bay Area Manufacturing, Inc.	Washington
Advanced Manufacturing and Development, Inc.	California
Avista Capital II	Delaware
Steam Plant Square, LLC	Washington
Steam Plant Brew Pub, LLC	Washington
Courtyard Office Center, LLC	Washington
Alaska Energy and Resources Company	Alaska
Alaska Electric Light and Power Company	Alaska
AJT Mining Properties, Inc.	Alaska
Snettisham Electric Company	Alaska
Salix, Inc.	Washington

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-33790, 333-126577, 333-179042 and 333-208986 on Form S-8 and in Registration Statement Nos. 333-187306 and 333-209714 on Form S-3, relating to the consolidated financial statements of Avista Corporation and subsidiaries, and the effectiveness of Avista Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10K of Avista Corporation for the year ended December 31, 2016.

/s/ Deloitte & Touche LLP

Seattle, Washington
February 21, 2017

EXHIBIT 31.1

CERTIFICATION

I, Scott L. Morris, certify that:

1. I have reviewed this report on Form 10-K of Avista Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2017

/s/ Scott L. Morris
Scott L. Morris
Chairman of the Board, President
and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Mark T. Thies, certify that:

1. I have reviewed this report on Form 10-K of Avista Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2017

/s/ Mark T. Thies
Mark T. Thies
Senior Vice President,
Chief Financial Officer, and Treasurer
(Principal Financial Officer)

CERTIFICATION OF CORPORATE OFFICERS

(Furnished Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

Each of the undersigned, Scott L. Morris, Chairman of the Board, President and Chief Executive Officer of Avista Corporation (the "Company"), and Mark T. Thies, Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Company's Annual Report on Form 10-K for the year ended December 31, 2016 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and that the information contained therein fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2017

/s/ Scott L. Morris
Scott L. Morris
Chairman of the Board, President
and Chief Executive Officer

/s/ Mark T. Thies
Mark T. Thies
Senior Vice President,
Chief Financial Officer, and Treasurer

SELECTED FINANCIAL DATA

Avista Corporation

As of and for the years ended December 31,

Dollars in thousands, except per share data and ratios

	2016	2015	2014	2013	2012	2006
Financial Results						
Operating revenues	$ 1,442,483	$ 1,484,776	$ 1,472,562	$ 1,441,744	$ 1,391,338	$ 1,466,675
Operating expenses	1,152,680	1,231,562	1,219,974	1,210,655	1,204,240	1,277,594
Income from continuing operations	289,803	253,214	252,588	231,089	187,098	189,081
Interest expense	87,130	80,441	75,752	77,585	75,645	95,558
Income taxes	78,086	67,449	72,240	58,014	39,764	38,370
Net income from continuing operations	137,316	118,170	119,866	104,333	76,803	66,686
Net income (loss) from discontinued operations	—	5,147	72,411	7,961	1,997	6,255
Net income	137,316	123,317	192,277	112,294	78,800	72,941
Net income attributable to noncontrolling interests	(88)	(90)	(236)	(1,217)	(590)	—
Net income attributable to Avista Corp. shareholders:						
Net income from continuing operations						
attributable to Avista Corp. shareholders	$ 137,228	$ 118,080	$ 119,817	$ 104,273	$ 76,719	$ 66,686
Net income from discontinued operations						
attributable to Avista Corp. shareholders	$ —	$ 5,147	$ 72,224	$ 6,804	$ 1,491	$ 6,255
Net income attributable to Avista Corp. shareholders	$ 137,228	$ 123,227	$ 192,041	$ 111,077	$ 78,210	$ 72,941
Earnings per common share attributable						
to Avista Corp. shareholders—diluted:						
Earnings from continuing operations	2.15	1.89	1.93	1.74	1.30	1.33
Earnings from discontinued operations	—	0.08	1.17	0.11	0.02	0.13
Total	2.15	1.97	3.10	1.85	1.32	1.46
Earnings per common share attributable						
to Avista Corp. shareholders—basic:	2.16	1.98	3.12	1.85	1.32	1.48
Common Stock Statistics						
Dividends paid per common share	$ 1.37	$ 1.32	$ 1.27	$ 1.22	$ 1.16	$ 0.570
Book value per common share	$ 25.69	$ 24.53	$ 23.84	$ 21.61	$ 21.06	$ 17.41
Shares of common stock:						
Outstanding at year-end	64,188	62,313	62,243	60,077	59,813	52,514
Average—basic	63,508	62,301	61,632	59,960	59,028	49,162
Average—diluted	63,920	62,708	61,887	59,997	59,201	49,897
Return on average Avista Corp. stockholders' equity:						
Total company	8.6%	8.2%	13.7%	8.7%	6.4%	8.7%
Utility only	9.2%	8.4%	9.0%	9.3%	7.3%	9.6%
Non-utility only	3.0%	6.5%	54.4%	2.2%	(3.7)%	6.2%
Common stock price:						
High	$ 44.97	$ 38.30	$ 37.37	$ 29.26	$ 28.05	$ 27.52
Low	$ 34.67	$ 29.93	$ 27.71	$ 24.10	$ 22.78	$ 17.61
Year-end close	$ 39.99	$ 35.37	$ 35.35	$ 28.19	$ 24.11	$ 25.31
Debt and Preferred Stock Statistics						
Pretax interest coverage:						
Including AFUDC/AFUCE	3.54(x)	3.46(x)	4.52(x)	3.27(x)	2.68(x)	2.11(x)
Excluding AFUDC/AFUCE	3.43(x)	3.31(x)	4.35(x)	3.14(x)	2.59(x)	2.06(x)
Embedded cost of long-term debt	5.55%	5.31%	5.37%	5.53%	5.79%	7.79%
Embedded cost of preferred stock	—%	—%	—%	—%	—%	7.39%

Avista Corporation

As of and for the years ended December 31,

Dollars in thousands, except per share data and ratios

	2016	2015	2014	2013	2012	2006
Financial Condition						
Total assets [1] [2]	$ 5,309,755	$ 4,906,649	$ 4,700,971	$ 4,011,533	$ 3,979,240	$ 3,939,847
Total net Avista Utilities property	3,943,087	3,702,691	3,427,641	3,202,425	3,023,716	2,215,037
Avista Utilities property capital expenditures						
(excluding equity-related AFUDC)	390,690	381,174	323,931	294,363	271,187	161,266
Long-term debt (including current portion) [2]	1,682,004	1,573,278	1,487,126	1,262,036	1,217,520	960,229
Nonrecourse long-term debt of Spokane						
Energy (including current portion)	—	—	1,431	17,838	32,803	—
Long-term debt to affiliated trusts	51,547	51,547	51,547	51,547	51,547	113,403
Preferred stock subject to mandatory redemption [3]	—	—	—	—	—	26,250
Avista Corporation stockholders' equity	$ 1,648,727	$ 1,528,626	$ 1,483,671	$ 1,298,266	$ 1,259,477	$ 914,525

(1) The total assets at year-end for the years 2013, 2012 and 2006 exclude the total assets associated with Ecova of $339.6 million, $322.7 million and $100.4 million, respectively.

(2) The total assets and total long-term debt and capital leases for 2014 to 2012 and 2006 were adjusted in accordance with a change in accounting standards.

(3) Preferred stock was reclassified from equity to liabilities in 2003 in accordance with a change in accounting standards. Accordingly, preferred stock dividend requirements were reclassified to interest expense effective July 1, 2003. Balance includes current portion.

SELECTED FINANCIAL DATA (CONTINUED)

Avista Corporation

As of and for the years ended December 31,

Dollars in thousands, except per share data and ratios

	2016	2015	2014	2013	2012	2006
Avista Utilities						
Electric Operations						
Electric operating revenues (millions of dollars):						
Residential	$ 339.2	$ 335.5	$ 338.7	$ 331.9	$ 315.1	$ 234.7
Commercial	305.6	308.2	300.1	289.6	286.6	221.2
Industrial	107.3	111.8	110.8	113.6	119.6	92.9
Public street and highway lighting	7.7	7.3	7.5	7.3	7.2	5.3
Total retail	759.8	762.8	757.1	742.4	728.5	554.1
Wholesale	112.1	127.3	138.2	127.5	102.7	126.2
Sales of fuel	78.3	82.9	83.7	126.7	115.8	48.2
Other	28.5	25.8	27.5	36.0	21.1	18.9
Decoupling	17.3	4.7	—	—	—	—
Provision for earning sharing	0.9	(5.6)	(7.5)	(2.0)	—	—
Total electric operating revenues	$ 997.0	$ 997.9	$ 999.0	$ 1,030.6	$ 968.1	$ 747.4
Electric energy sales (millions of kWhs):						
Residential	3,528	3,571	3,694	3,745	3,608	3,578
Commercial	3,183	3,197	3,189	3,147	3,127	3,110
Industrial	1,763	1,812	1,868	1,979	2,100	2,062
Public street and highway lighting	23	23	25	26	26	25
Total retail	8,497	8,603	8,776	8,897	8,861	8,775
Wholesale	2,998	3,145	3,686	3,874	3,733	2,117
Total electric energy sales	11,495	11,748	12,462	12,771	12,594	10,892
Retail electric customers (average per year):						
Residential	330,699	327,057	324,188	321,098	318,692	300,940
Commercial	41,785	41,296	40,988	40,202	39,869	37,912
Industrial	1,342	1,353	1,385	1,386	1,395	1,388
Public street and highway lighting	558	529	531	527	503	425
Total retail electric customers	374,384	370,235	367,092	363,213	360,459	340,665
Retail electric customers (at year-end):						
Residential	333,346	330,749	326,917	323,801	320,434	305,293
Commercial	41,921	42,182	41,264	40,492	40,024	38,362
Industrial	1,328	1,362	1,378	1,382	1,389	1,378
Public street and highway lighting	564	555	527	531	522	417
Total retail electric customers	377,159	374,848	370,086	366,206	362,369	345,450
Revenue per residential kWh (cents)	9.62	9.40	9.17	8.86	8.73	6.56
Use per residential customer (kWh)	10,667	10,827	11,394	11,664	11,323	11,888
Revenue per commercial kWh (cents)	9.60	9.64	9.41	9.20	9.16	7.11
Use per commercial customer (kWh)	76,166	76,638	77,814	78,276	78,436	82,028
Electric energy resources (millions of kWhs):						
Hydro generation (from Company facilities)	3,836	3,434	4,143	3,646	4,088	4,128
Thermal generation (from Company facilities)	3,626	3,983	3,252	3,383	2,864	3,434
Purchased power	4,597	4,899	5,615	6,375	6,286	3,888
Power exchanges	(6)	(2)	(25)	(20)	(10)	35
Total power resources	12,053	12,314	12,985	13,384	13,228	11,485

SELECTED FINANCIAL DATA (CONTINUED)

Avista Corporation

As of and for the years ended December 31,

Dollars in thousands, except per share data and ratios

	2016	2015	2014	2013	2012	2006
Electric Operations (continued)						
Energy losses and company use	(558)	(566)	(523)	(613)	(634)	(593)
Total electric energy resources	11,495	11,748	12,462	12,771	12,594	10,892
Retail Native Load at time of system peak						
Winter	1,655	1,529	1,715	1,669	1,554	1,656
Summer	1,587	1,638	1,606	1,577	1,579	1,643
Natural Gas Operations						
Natural gas operating revenues (millions of dollars):						
Residential	$ 195.3	$ 193.8	$ 203.4	$ 206.3	$ 196.7	$ 257.8
Commercial	93.0	96.8	103.2	102.2	99.0	146.6
Industrial and interruptible	5.5	6.5	6.9	6.3	5.9	11.7
Total retail	293.8	297.1	313.5	314.8	301.6	416.1
Wholesale	153.4	204.3	228.2	194.7	158.6	93.2
Transportation	8.3	8.0	7.7	7.6	7.0	6.5
Other	5.8	5.6	7.5	8.6	6.9	4.8
Decoupling	12.3	6.0	—	—	—	—
Provision for earning sharing	(2.8)	—	(0.2)	(0.4)	—	—
Total natural gas operating revenues	$ 470.9	$ 521.0	$ 556.7	$ 525.3	$ 474.1	$ 520.6
Natural gas therms delivered (millions of therms):						
Residential	186.6	176.6	190.2	204.7	189.2	192.8
Commercial	112.7	107.9	116.7	122.2	115.1	121.0
Industrial and interruptible	10.9	9.8	10.7	10.9	9.4	11.0
Total retail	310.2	294.3	317.6	337.8	313.7	324.8
Wholesale	684.3	809.1	545.6	524.8	586.2	154.9
Transportation and other	178.8	165.0	162.7	160.4	155.1	150.2
Total natural gas therms delivered	1,173.3	1,268.4	1,025.9	1,023.0	1,055.0	629.9
Retail natural gas customers (average per year):						
Residential	300,883	296,005	291,928	288,708	286,522	267,345
Commercial	34,868	34,229	34,047	33,932	33,763	31,746
Industrial and interruptible	292	296	301	297	301	295
Total retail natural gas customers	336,043	330,530	326,276	322,937	320,586	299,386
Retail natural gas customers (at year-end):						
Residential	304,814	299,509	294,993	291,386	288,484	272,109
Commercial	35,032	34,775	34,267	34,084	33,908	32,173
Industrial and interruptible	285	289	304	287	308	304
Total retail natural gas customers	340,131	334,573	329,564	325,757	322,700	304,586
Revenue per residential therm (in dollars)	1.05	1.10	1.07	1.01	1.04	1.34
Use per residential customer (therms)	620	593	651	709	660	721
Revenue per commercial therm (in dollars)	0.83	0.90	0.88	0.84	0.86	1.21
Use per commercial customer (therms)	3,232	3,128	3,429	3,603	3,409	3,811

SELECTED FINANCIAL DATA (CONTINUED)

Avista Corporation

As of and for the years ended December 31,

Dollars in thousands, except per share data and ratios

	2016	2015	2014	2013	2012	2006
Natural Gas Operations (continued)						
Heating degree days (at Spokane, Washington):						
Actual	5,790	5,614	6,215	6,683	6,256	6,332
30-year average	6,482	6,491	6,820	6,780	6,676	6,820
Actual as a percent of average	89%	86%	91%	99%	94%	93%
Alaska Electric Light and Power Company						
Revenues (millions of dollars)	46.3	44.8	21.6	—	—	—
Total assets (millions of dollars)	273.8	265.7	263.1	—	—	—
Ecova						
Revenues (millions of dollars)	$ —	$ —	$ 87.5	$ 176.8	$ 155.7	$ 39.6
Total assets (millions of dollars)	$ —	$ —	$ —	$ 339.6	$ 322.7	$ 100.4
Other						
Revenues (millions of dollars)	$ 23.6	$ 28.7	$ 39.2	$ 39.5	$ 39.0	$ 198.7
Total assets (millions of dollars)	$ 60.4	$ 39.2	$ 80.1	$ 81.3	$ 95.6	$ 1,060.2

CORPORATE INFORMATION

Company Headquarters

Spokane, Washington

Avista on the Internet

Financial results, stock quotes, news releases, documents filed with the Securities and Exchange Commission (SEC), and information on the company's products and services are available on Avista's website at avistacorp.com.

Direct Stock Purchase and Dividend Reinvestment Plan

Computershare sponsors and administers the Computershare Investment Plan (CIP) for Avista Corp. common stock. To invest, obtain forms or for information about your holdings, please contact the transfer agent using the information below.

Transfer Agent

Computershare
P.O. Box 30170
College Station, TX 77842-3170
800.642.7365
computershare.com/investor

Investor Information

A copy of the company's financial reports, including the reports on Forms 10-K and 10-Q filed with the SEC, will be provided without charge upon request to:
Avista Corp.
Investor Relations
P.O. Box 3727 MSC-19
Spokane, WA 99220-3727
800.222.4931

Annual Meeting of Shareholders

Shareholders are invited to attend the company's annual meeting to be held at 8:15 a.m. PDT on Thursday, May 11, 2017, at Avista Corp. headquarters, 1411 East Mission Avenue, Spokane, Washington.

The annual meeting will be webcast. Please go to avistacorp.com to preregister for the webcast and to listen to the live webcast. The webcast will be archived at avistacorp.com for one year to allow shareholders to listen at their convenience.

Exchange Listing

Ticker Symbol: AVA
New York Stock Exchange

Certifications

On June 3, 2016, the Chief Executive Officer (CEO) of Avista Corp. filed a Section 303A.12(a) Annual CEO Certification with the New York Stock Exchange. The CEO Certification attests that the CEO is not aware of any violations by the company of NYSE's Corporate Governance Listing Standards.

Avista Corp. has included as exhibits to its annual report on Form 10-K for the year 2016, filed with the SEC, certifications of Avista's Chief Executive Officer and Chief Financial Officer regarding the quality of Avista's public disclosure in compliance with Section 302 of the Sarbanes-Oxley Act of 2002.

This annual report contains forward-looking statements regarding the company's current expectations. These statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all factors discussed in the company's annual report on Form 10-K for the year 2016. Our 2016 annual report is provided for shareholders. It is not intended for use in connection with any sale or purchase of or any solicitation of others to buy or sell securities.

The 2016 annual report is produced through a partnership of Avista employees and companies within Avista's service area.
Design, Copywriting and Production: Klündt | Hosmer; Photography: Dean Davis Photography, Craig Goodwin Photography and Brian Dalrymple of BD Aerial; Printing: Lawton Printing Services

Help Us Help the Environment

Managing costs is a primary goal for Avista. You can help us meet this goal by agreeing to receive future annual reports and proxy statements electronically. This service saves on the costs of printing and mailing, provides timely delivery of information, and helps protect our environment by decreasing the need for paper, printing and mailing materials.

For more information, please visit: avistacorp.com

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On the Cover: The majestic arch of Spokane's Monroe Street Bridge frames Avista's Monroe Street Dam, Huntington Park, Post Street Substation and the Post Street Annex, home of Mobius Science Center. Avista has been a steward of the Spokane River for more than 125 years, harnessing this natural resource to build a brighter future for all stakeholders: the company, its shareholders, our communities and the customers we serve.

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