ecova®

November 15, 2013

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Secretary of the Commission
Keystone Building, 400 North Street
2nd Floor, Room N201
Harrisburg, PA 17120

RE: Ecova, Inc. Natural Gas Supplier License Application Package

Dear Secretary:

Enclosed is the original and one copy of Ecova, Inc.'s Natural Gas Supplier License Application Package, as well as a CD. Please be advised that we attempted to file or Application electronically per the instructions but the file was too large to upload.

I am also enclosing our check in the amount of $350.00 for your filing fee.

Thank you for your attention to our Application.

Sincerely,

Donna Wasson

DONNA WASSON
Senior Paralegal

lmw
Enclosure

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Ecova, Inc. , d/b/a ______________________________, for approval to offer, render, furnish, or as a(n) [as specified in item #8 below] to the public in the Commonwealth of Pennsylvania.

To the Pennsylvania Public Utility Commission:

1. **IDENTITY OF THE APPLICANT:** The name, address, telephone number, and FAX number of the Applicant are:

   Ecova, Inc.
   1313 N. Atlantic Street, Ste. 5000
   Spokane, WA 99201
   Tel: 800-767-4197
   Fax: 509-321-0828

   Please identify any predecessor(s) of the Applicant and provide other names under which the Applicant has operated within the preceding five (5) years, including name, address, and telephone number.

   Advantage IQ
   1313 N. Atlantic Street, Ste. 5000
   Spokane, WA 99201
   Tel: 800-767-4197
   Fax: 509-321-0828

2. a. **CONTACT PERSON:** The name, title, address, telephone number, and FAX number of the person to whom questions about this Application should be addressed are:

   Ecova Inc. Legal Department
   1313 N. Atlantic Street, Ste. 5000
   Spokane, WA 99201 Tel: 800-767-4197, Fax: 509-321-0828

   b. **CONTACT PERSON-PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY:** The name, title, address telephone number and FAX number of the person with whom contact should be made by PEMA:

   Ecova, Inc.
   Legal Department
   1313 N. Atlantic Street, Ste. 5000
   Spokane, WA 99201 Tel: 800-767-4197, Fax: 509-321-0828

3.a. **ATTORNEY:** If applicable, the name, address, telephone number, and FAX number of the Applicant's attorney are:

   Donato Capobianco, General Counsel
   Ecova Inc.
   1313 N. Atlantic Street, Ste. 5000
   Spokane, WA 99201 Tel: 800-767-4197, Fax: 509-321-0828

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b. **REGISTERED AGENT**: If the Applicant does not maintain a principal office in the Commonwealth, the required name, address, telephone number and FAX number of the Applicant's Registered Agent in the Commonwealth are:

CT Corporation System
116 Pine Street, Ste. 320
Harrisburg, PA 17101
Tel: 717-234-6004

4. **FICTITIOUS NAME:** (select and complete appropriate statement)

☐ The Applicant will be using a fictitious name or doing business as ("d/b/a"):

Attach to the Application a copy of the Applicant's filing with the Commonwealth's Department of State pursuant to 54 Pa. C.S. §311, Form PA-953.

or

☒ The Applicant will not be using a fictitious name.

5. **BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:** (select and complete appropriate statement)

☐ The Applicant is a sole proprietor.

If the Applicant is located outside the Commonwealth, provide proof of compliance with 15 Pa. C.S. §4124 relating to Department of State filing requirements.

or

☐ The Applicant is a:

- ☐ domestic general partnership (*)
- ☐ domestic limited partnership (15 Pa. C.S. §8511)
- ☐ foreign general or limited partnership (15 Pa. C.S. §4124)
- ☐ domestic limited liability partnership (15 Pa. C.S. §8201)
- ☐ foreign limited liability general partnership (15 Pa. C.S. §8211)
- ☐ foreign limited liability limited partnership (15 Pa. C.S. §8211)

Provide proof of compliance with appropriate Department of State filing requirements as indicated above.

Give name, d/b/a, and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.

☐ * If a corporate partner in the Applicant's domestic partnership is not domiciled in Pennsylvania, attach a copy of the Applicant's Department of State filing pursuant to 15 Pa. C.S. §4124.

or

☐ The Applicant is a:

- ☐ domestic corporation (none)
- ☒ foreign corporation (15 Pa. C.S. §4124)
- ☐ domestic limited liability company (15 Pa. C.S. §8913)
- ☐ foreign limited liability company (15 Pa. C.S. §8981)
- ☐ Other ____________________

Provide proof of compliance with appropriate Department of State filing requirements as indicated above. See Attach. 1
Additionally, provide a copy of the Applicant's Articles of Incorporation. See Attachment 2

Give name and address of officers.

See Attachment 3

The Applicant is incorporated in the state of Washington.

6. **AFFILIATES AND PREDECESSORS WITHIN PENNSYLVANIA:** (select and complete appropriate statement)

☐ Affiliate(s) of the Applicant doing business in Pennsylvania are:

Give name and address of the affiliate(s) and state whether the affiliate(s) are jurisdictional public utilities.

☐ Does the Applicant have any affiliation with or ownership interest in:
(a) any other Pennsylvania retail natural gas supplier licensee or licensee applicant,
(b) any other Pennsylvania retail licensed electric generation supplier or license applicant,
(c) any Pennsylvania natural gas producer and/or marketer,
(d) any natural gas wells or
(e) any local distribution companies (LDCs) in the Commonwealth

If the response to parts a, b, c, or d above is affirmative, provide a detailed description and explanation of the affiliation and/or ownership interest.

☐ Provide specific details concerning the affiliation and/or ownership interests involving:
(a) any natural gas producer and/or marketers,
(b) any wholesale or retail supplier or marketer of natural gas, electricity, oil, propane or other energy sources.

☒ Provide the Pa PUC Docket Number if the applicant has ever applied:
(a) for a Pennsylvania Natural Gas Supplier license, or

(b) for a Pennsylvania Electric Generation Supplier license.
Broker/Marketer License No. A-2011-2234410

☐ If the Applicant or an affiliate has a predecessor who has done business within Pennsylvania, give name and address of the predecessor(s) and state whether the predecessor(s) were jurisdictional public utilities.

or

☒ The Applicant has no affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania.

7. **APPLICANT'S PRESENT OPERATIONS:** (select and complete the appropriate statement)

☐ The Applicant is presently doing business in Pennsylvania as a

- ☐ natural gas interstate pipeline.
- ☐ municipal providing service outside its municipal limits.
- ☐ local gas distribution company
- ☐ retail supplier of natural gas services in the Commonwealth
- ☐ a natural gas producer
- ☒ Other. (Identify the nature of service being rendered.)

Broker/Marketer

or

☐ The Applicant is not presently doing business in Pennsylvania.

8. **APPLICANT'S PROPOSED OPERATIONS:** The Applicant proposes to operate as a:

- ☐ supplier of natural gas services.
- ☐ Municipal supplier of natural gas services.
- ☐ Cooperative supplier of natural gas services.
- ☒ Broker/Marketer engaged in the business of supplying natural gas services.
- ☐ Aggregator engaged in the business of supplying natural gas services.
- ☐ Other (Describe):

9. **PROPOSED SERVICES:** Generally describe the natural gas services which the Applicant proposes to offer.

Ecova, Inc. intends to provide consulting and brokering services of retail natural gas supply to end-use commercial, industrial and government customers.

10. **SERVICE AREA:** Provide each Natural Gas Distribution Company (NGDC) in which Applicant proposes to offer services.

UGI
UGI Central Penn
UGI Penn Natural
PECO
Philadelphia Gas Works
National Fuel Gas Distribution Corp.
Peoples Natural Gas Company LLC
Equitable Gas Company
Columbia Gas of Pennsylvania Inc.

11. **CUSTOMERS:** Applicant proposes to initially provide services to:

- ☐ Residential Customers
- ☒ Commercial Customers - (Less than 6,000 Mcf annually)
- ☒ Commercial Customers - (6,000 Mcf or more annually)
- ☒ Industrial Customers
- ☒ Governmental Customers
- ☐ All of above
- ☐ Other (Describe):

12. **START DATE:** The Applicant proposes to begin delivering services on __(see below)______ (approximate date).

Ecova, Inc. intends to continue providing broker services to its existing and future customers during the licensing process and after license approval.

13. **NOTICE:** Pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14, serve a copy of the signed and verified Application with attachments on the following:

Irwin A. Popowsky
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120-1921

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

William R. Lloyd, Jr.
Commerce Building, Suite 1102
Small Business Advocate
300 North Second Street
Harrisburg, PA 17101

Commonwealth of Pennsylvania
Department of Revenue
Bureau of Compliance
Harrisburg, PA 17128-0946

Any of the following Natural Gas Distribution Companies through whose transmission and distribution facilities the applicant intends to supply customers:

Valley Energy Inc. Robert Crocker 523 South Keystone Avenue Sayre, PA 18840-0340 PH: 570.888-9664 FAX: 570.888.6199 email: rcrocker@ctenterprises.org	**National Fuel Gas Distribution Corp.** David D. Wolford 6363 Main Street Williamsville, NY 14221 PH: 716.857.7483 FAX: 716.857.7479 email: wolfordd@natfuel.com
UGI Central Penn David Beasten 2525 N. 12th Street, Suite 360 Reading, PA 19612-2677 PH: 610.796.3425 FAX: 610.796.3559	**Peoples Natural Gas Company LLC** Lynda Petrichevich 375 North Shore Drive, Suite 600 Pittsburgh, PA 15212 email: Lynda.w.petrichevich@peoples-gas.com PH: 412.208.6528 FAX: 412.208.6577
Peoples TWP LLC (Formerly T. W. Phillips) Andrew Wachter 375 North Shore Drive, Suite 600 Pittsburgh, PA 15212 PH: 724.431.4935 FAX: 724.287.5021 email: Andrew.Wachter@peoplestwp.com	**UGI** David Beasten 2525 N. 12th Street, Suite 360 Reading, PA 19612-2677 PH: 610.796.3425 FAX: 610.796.3559
UGI Penn Natural David Beasten 2525 N. 12th Street, Suite 360 Reading, PA 19612-2677 PH: 610.796.3425 FAX: 610.796.3559	**Equitable Gas Company** Jerald Moody 225 North Shore Drive Pittsburgh, PA 15212-5352 PH: 412.395.3209 FAX: 412.395.3335
PECO Carlos Thillet, Manager, Gas Supply and Transportation 2301 Market Street, S9-2 Philadelphia, PA 19103 email: carlos.thillet@exeloncorp.com PH: 215.841.6452	**Columbia Gas of Pennsylvania Inc.** Thomas C. Heckathorn 200 Civic Center Drive Columbus, OH 43215 PH: 614.460.4996 FAX:614.460.6442 email: theckathorn@nisource.com
Philadelphia Gas Works Douglas Moser 800 West Montgomery Avenue Philadelphia, PA 19122 email: douglas.moser@pgworks.com PH: 215.684.6899	

Pursuant to Sections 1.57 and 1.58 of the Commission's Regulations, 52 Pa. Code §§1.57 and 1.58, attach Proof of Service of the Application and attachments upon the above named parties. Upon review of the Application, further notice may be required pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14.

14. **TAXATION:** Complete the TAX CERTIFICATION STATEMENT attached as Appendix B to this application. See Attachment 4

15. **COMPLIANCE:** State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application has been convicted of a crime involving fraud or similar activity. Identify all proceedings, by name, subject and citation, dealing with business operations, in the last five (5) years, whether before an administrative body or in a judicial forum, in which the Applicant, an affiliate, a predecessor of either, or a person identified herein has been a defendant or a respondent. Provide a statement as to the resolution or present status of any such proceedings.

    Applicant is unaware of any such proceedings.

16. **STANDARDS, BILLING PRACTICES, TERMS AND CONDITIONS OF PROVIDING SERVICE AND CONSUMER EDUCATION:** All services should be priced in clearly stated terms to the extent possible. Common definitions should be used. All consumer contracts or sales agreements should be written in plain language with any exclusions, exceptions, add-ons, package offers, limited time offers or other deadlines prominently communicated. Penalties and procedures for ending contracts should be clearly communicated.

    a. Contacts for Consumer Service and Complaints: Provide the name, title, address, telephone number and FAX number of the person and an alternate person responsible for addressing customer complaints. These persons will ordinarily be the initial point(s) of contact for resolving complaints filed with Applicant, the Distribution Company, the Pennsylvania Public Utility Commission or other agencies. Please see 2.a

    b. Provide a copy of all standard forms or contracts that you use, or propose to use, for service provided to residential customers. N/A - Ecova does not provide service to residential customers.

    c. If proposing to serve Residential and/or Small Commercial customers, provide a disclosure statement. A sample disclosure statement is provided as Appendix B to this Application.

Ecova intends to provide only broker/aggregator service. This requirement does not apply.

17. **FINANCIAL FITNESS:**

    A. Applicant shall provide sufficient information to demonstrate financial fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

    - Actual (or proposed) organizational structure including parent, affiliated or subsidiary companies. See Attachment 5
    - Published parent company financial and credit information. See Attachment 6
    - Applicant's balance sheet and income statement for the most recent fiscal year. Published financial information such as 10K's and 10Q's may be provided, if available. See Attachment 7
    - Evidence of Applicant's credit rating. Applicant may provide a copy of its Dun and Bradstreet Credit Report and Robert Morris and Associates financial form or other independent financial service reports. See Attach. 8
    - A description of the types and amounts of insurance carried by Applicant which are specifically intended to provide for or support its financial fitness to perform its obligations as a licensee. See Attachment 9
    - Audited financial statements See Attachment 10
    - Such other information that demonstrates Applicant's financial fitness.

    B. Applicant must provide the following information:

    - Provide proof of compliance with bonding/credit requirements for each NGDC the applicant is proposing to provide service in. This requirement is designated by each NGDC and can commonly be found in the NGDC supplier tariff. Ecova, Inc. is filing as a licensed broker/marketer, this requirement is not applicable.
    - Identify Applicant's chief officers including names and their professional resumes. See Attach. 11

- Provide the name, title, address, telephone number and FAX number of Applicant's custodian for its accounting records. Rhonda Willey, Corporate Tax Manager
  1313 N. Atlantic Street Ste. 5000, Spokane WA 99201, Tel. 509-329-7934

18. **TECHNICAL FITNESS:** To ensure that the present quality and availability of service provided by natural gas utilities does not deteriorate, the Applicant shall provide sufficient information to demonstrate technical fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

- The identity of the Applicant's officers directly responsible for operations, including names and their professional resumes. See Attach. 12
- A copy of any Federal energy license currently held by the Applicant. N/A
- Proposed staffing and employee training commitments. See Attachment 13. Employees are fully trained and highly experienced.
- Business plans. See Attachment 14

19. **TRANSFER OF LICENSE:** The Applicant understands that if it plans to transfer its license to another entity, it is required to request authority from the Commission for permission prior to transferring the license. See 66 Pa. C.S. Section 2208(D). Transferee will be required to file the appropriate licensing application.

20. **UNIFORM STANDARDS OF CONDUCT AND DISCLOSURE:** As a condition of receiving a license, Applicant agrees to conform to any Uniform Standards of Conduct and Disclosure as set forth by the Commission.

21. **REPORTING REQUIREMENTS**: Applicant agrees to provide the following information to the Commission or the Department of Revenue, as appropriate:

a. Reports of Gross Receipts: Applicant shall report its Pennsylvania intrastate gross receipts to the Commission on an annual basis no later than 30 days following the end of the calendar year.

Applicant will be required to meet periodic reporting requirements as may be issued by the Commission to fulfill the Commission's duty under Chapter 22 pertaining to reliability and to inform the Governor and Legislature of the progress of the transition to a fully competitive natural gas market.

22. **FURTHER DEVELOPMENTS:** Applicant is under a continuing obligation to amend its application if substantial changes occur in the information upon which the Commission relied in approving the original filing.

23. **FALSIFICATION:** The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.

24. **FEE:** The Applicant has enclosed the required initial licensing fee of $350.00 payable to the Commonwealth of Pennsylvania.

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Applicant:: [signature]

By: Gene Lynes

Title: CFO

Approved for Signature

AFFIDAVIT

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

[~~Commonwealth~~/State] of Washington :

: ss.

County of Spokane :

Gene Lynes, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

[He/~~she is~~ the CFO (Office of Affiant) of Ecova Inc (Name of Applicant);]

[That he/she is authorized to and does make this affidavit for said Applicant;]

That Ecova Inc, the Applicant herein, acknowledges that [Applicant] may have obligations pursuant to this Application consistent with the Public Utility Code of the Commonwealth of Pennsylvania, Title 66 of the Pennsylvania Consolidated Statutes; or with other applicable statutes or regulations including Emergency Orders which may be issued verbally or in writing during any emergency situations that may unexpectedly develop from time to time in the course of doing business in Pennsylvania.

That Ecova Inc, the Applicant herein, asserts that [he/she/it] possesses the requisite technical, managerial, and financial fitness to render natural gas supply service within the Commonwealth of Pennsylvania and that the Applicant will abide by all applicable federal and state laws and regulations and by the decisions of the Pennsylvania Public Utility Commission.

That Ecova Inc, the Applicant herein, certifies to the Commission that it is subject to , will pay, and in the past has paid, the full amount of taxes imposed by Articles II and XI of the Act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Act of 1971 and any tax imposed by Chapter 22 of Title 66. The Applicant acknowledges that failure to pay such taxes or otherwise comply with the taxation requirements of, shall be cause for the Commission to revoke the license of the Applicant. The Applicant acknowledges that it shall report to the Commission its jurisdictional natural gas sales for ultimate consumption, for the previous year or as otherwise required by the Commission. The Applicant also acknowledges that it is subject to 66 Pa. C.S. §506 (relating to the inspection of facilities and records).

Applicant, by filing of this application waives confidentiality with respect to its state tax information in the possession of the Department of Revenue, regardless of the source of the information, and shall consent to the Department of Revenue providing that information to the Pennsylvania Public Utility Commission.

That Ecova, Inc., the Applicant herein, acknowledges that it has a statutory obligation to conform with 66 Pa. C.S. §506, and the standards and billing practices of 52 PA. Code Chapter 56.

That the Applicant agrees to provide all consumer education materials and information in a timely manner as requested by the Commission's Office of Communications or other Commission bureaus. Materials and information requested may be analyzed by the Commission to meet obligations under applicable sections of the law.

That the facts above set forth are true and correct/true and correct to the best of his/her knowledge, information, and belief.

Signature of Affiant

Approved for Signature

Sworn and subscribed before me this 12th day of November, 19 2013

Signature of official administering oath

My commission expires 3-9-2015.

AFFIDAVIT

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

[~~Commonwealth~~/State] of Washington :

: ss.

County of Spokane :

Gene Lynes, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

[He/~~she~~ is the CFO (Office of Affiant) of Ecova, Inc. (Name of Applicant);]

[That he/she is authorized to and does make this affidavit for said Applicant;]

That the Applicant herein Ecova, Inc has the burden of producing information and supporting documentation demonstrating its technical and financial fitness to be licensed as a natural gas supplier pursuant to 66 Pa. C.S. §2208(c)(1).

That the Applicant herein Ecova, Inc has answered the questions on the application correctly, truthfully, and completely and provided supporting documentation as required.

That the Applicant herein Ecova, Inc acknowledges that it is under a duty to update information provided in answer to questions on this application and contained in supporting documents.

That the Applicant herein Ecova, Inc acknowledges that it is under a duty to supplement information provided in answer to questions on this application and contained in supporting documents as requested by the Commission.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief, and that he/she expects said Applicant to be able to prove the same at hearing.

Signature of Affiant

Approved for Signature

Sworn and subscribed before me this 12th day of November, ~~19~~ 2013

Signature of official administering oath

My commission expires 3-9-2015.

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APPENDIX D

Standards of Conduct

(1) The [natural gas distribution company] should apply its tariffs in a nondiscriminatory manner to its affiliate, its own marketing division and any nonaffiliate.

(2) The [natural gas distribution company] should likewise not apply a tariff provision in any manner that would give its affiliate or division an unreasonable preference over other marketers with regard to matters such as scheduling, balancing, transportation, storage, curtailment, capacity release and assignment, or nondelivery, and all other services provided to its affiliated suppliers.

(3) If a tariff provision is mandatory, the [natural gas distribution company] should not waive the provision for its affiliate or division absent prior approval of the Commission.

(4) If a tariff provision is not mandatory or provides for waivers, the [natural gas distribution company] should grant the waivers without preference to affiliates and divisions or non-affiliates.

(5) The [natural gas distribution company] should maintain a chronological log of tariff provisions for which it has granted waivers. Entries should include the name of the party receiving the waiver, the date and time of the request, the specific tariff provision waived and the reason for the waiver. Any chronological log should be open for public inspection during normal business hours.

(6) The [natural gas distribution company] should process requests for transportation promptly and in a nondiscriminatory fashion with respect to other requests received in the same or a similar period. The [natural gas distribution company] should maintain a chronological log showing the processing of requests for transportation services. Any chronological log should be open for public inspection during normal business hours.

(7) Transportation discounts and fee waivers and rebates provided to the [natural gas distribution company's] or its marketing affiliate's favored customers should be offered to other similarly situated customers and should not be tied to any unrelated service, incentive or offer on behalf of either the parent of affiliate. A chronological

log should be maintained showing the date, party, time and rationale for the action. Any chronological log should be open for public inspection during normal business hours.

(8) The [natural gas distribution company] should not disclose any customer proprietary information to its marketing affiliate or division, and to the extent that it does disclose customer information, it should contemporaneously paovide this same information to other similarly situated marketers in a similar fashion so as not to selectively disclose, delay disclosure, or give itself or its affiliate any undue advantage related to the disclosure. A chronological log should be maintained showing the date, time and rationale for the disclosure. Any chronological log should be open for public inspection during normal business hours. A natural gas distribution company should not provide information received from non-affiliated customers or suppliers to its affiliated natural gas suppliers.

(9) The [natural gas distribution company] should justly and reasonably allocate to its marketing affiliate or division the costs or expenses for general administration or support services.

(10) The [natural gas distribution company] selling surplus gas supplies and/or upstream capacity on a short-term basis (as defined by the Federal Energy Regulatory Commission) to its affiliate should make supplies available to similarly situated marketers on a nondiscriminatory basis. The [natural gas distribution company] should not make any gas supplies and/or upstream capacity available through private disclosure to the [natural gas distribution company's] affiliate unless the availability is made simultaneously with public dissemination in a manner that fairly apprises interested parties of the availability of the gas supplies and/or upstream capacity. The [natural gas distribution company] should maintain a chronological log of these public disseminations. Any chronological log should be open for public inspection during normal business hours.

(11) The [natural gas distribution company] should not condition or tie agreements to release interstate pipeline capacity to any service in which the [natural gas distribution company] or affiliate is involved.

(12) The [natural gas distribution company] should not directly or by implication . . . represent to any customer, supplier or third party that an advantage may accrue to any party through use of the [natural gas distribution company's] affiliate or subsidiary.

(13) The [natural gas distribution company] should establish and file with the Commission a complaint procedure for dealing with any alleged violations of any of the standards listed in paragraphs (1) through (12), this paragraph or paragraphs (14) and (15), excepting for paragraph (9), which should be exclusively under the purview of the Commission. These procedures should be developed in consultation with interested parties during consideration of any tariff guided by this section and §69.191 (relating to general). The Commission may expect establishment of a complaint procedure or other recordkeeping requirements if warranted by subsequent facts or circumstances.

(14) The [natural gas distribution company] should keep a chronological log of any complaints, excepting paragraph (9), regarding discriminatory treatment of natural gas suppliers. This chronological log should include the date and nature of the complaint and the [natural gas distribution company's] resolution of it. Any chronological log should be open for inspection during normal business hours.

(15) Parties alleging violations of these standards may pursue their allegations through the Commission's established complaint procedures. A complainant bears the burden of proof consistent with 66 Pa. C.S. (relating to Public Utility Code) in regard to the allegations.

(16) Licensees shall provide accurate information about their natural gas supplier services using plain language and common terms. Where new terms are used, such terms must be defined again using plain language: Information should be provided in a format which will allow for comparison of the various natural gas supply services offered and the prices charged for each type of service.

(17) Licensees shall provide notification of the change in conditions of service, intent to cease operation as an natural gas supplier, explanation of denial of service, proper handling of deposits and proper handling of complaints in accordance with Commission regulations where applicable.

(18) Licensees shall maintain the confidentiality of customers' historic payment information and right of access to their own load and billing information.

(19) Licensees shall not discriminate in the provision of natural gas supply services as to availability and terms of service based on race, color, religion, national origin, sex, marital status, age receipt of public assistance income, and exercise of rights under the Consumer Credit Protection Act, 15 U. S. C. §§1691-1691f; Regulation B, 12 C.F.R. §§202-202.14.

(20) Licensees will be responsible for any fraudulent deceptive or other unlawful marketing or billing acts performed by their agents or representatives. Licensee shall inform consumers of state consumer protection laws that govern the cancellation or rescission of natural gas supply service contracts. 73 P. S. §201-7.

(21) The natural gas distribution company shall not give any affiliate or marketing division preference over a non-traditional affiliate in the provision of goods and services such as processing requests for information, complaints and responses to service interruptions. The natural gas distribution company shall provide comparable treatment without regard to a customer's chosen natural gas supplier.

(22) No transaction between the natural gas distribution company and an affiliated natural gas supplier shall involve an anti-competitive cross-subsidy and all such transactions shall comply with applicable law.

(23) Natural gas distribution company employees who have responsibility for operating the distribution system, including natural gas delivery or billing and metering, shall not be shared with an affiliated or divisional Supplier, and their offices shall be physically separated from the office(s) used by those working for the Supplier. Such natural gas distribution company employees may transfer to a Supplier provided such transfer is not used as a means to circumvent these interim standards of conduct. Any supplier shall have its own direct line management. Any shared facilities shall be fully and transparently allocated between the natural gas distribution company function and the Supplier function. The natural gas distribution company accounts and records shall be maintained such that the costs a Supplier incurs may be clearly identified.

(24) (a) Neither the natural gas distribution company nor an affiliated or divisional Supplier may directly or by implication falsely and unfairly represent:

- that the Pa PUC jurisdictionally regulated services provided by the natural gas distribution company are of a superior quality when power is purchased from an affiliated or divisional Supplier; or

- that the merchant services (for natural gas) are being provided by the natural gas distribution company rather than an affiliated or divisional Supplier;

- that the natural gas purchased from a Supplier that is not an affiliate or division of the natural gas distribution company may not be reliably delivered;

- that natural gas must be purchased from an affiliate or divisional Supplier to receive Pa PUC jurisdictional regulated services.

(b) The natural gas distribution company shall not jointly market or jointly purchase its Pa PUC jurisdictional regulated services with the services of an affiliated or divisional Suppler. This prohibition includes prohibiting the natural gas distribution company from including bill inserts in its natural gas distribution company bills promoting an affiliated or divisional Supplier's services, and further precludes a reference or link from the natural gas distribution company's web-site to any affiliated or divisional supplier.

(c) When an affiliated or divisional Supplier markets or communicates to the public using the natural gas distribution company name or logo, it shall include a disclaimer that states:

> (i) That the Supplier is not the same company as the natural gas distribution company; (2) that the prices of the Supplier are not regulated by the Pa PUC; and (3) that a customer does not have to by natural gas or other products from the Supplier in order to receive the same quality service from the natural gas distribution company. When a Supplier advertises or communicates verbally through radio or television to the public using the natural gas distribution company name or logo, the Supplier shall include at the conclusion of any such communication a disclaimer that includes all of the disclaimers listed in this paragraph.

(25) The natural gas distribution company must: (a) make interstate capacity available for release, assignment, or transfer to its affiliated or divisional Supplier only through the intestate pipeline electronic bulletin boards and the competitive bidding procedures in place on those interstate systems; (b)

not give its affiliated or divisional Supplier any preference over non-affiliated or non-divisional Suppliers, or potential non-affiliated or non-divisional Suppliers, in matters relating to the assignment, release, or other transfer of the natural gas distribution company's capacity rights on interstate pipeline systems; and (c) not condition or tie its agreement to release, assign, or otherwise transfer interstate pipeline capacity to any agreement by a gas Supplier, customer or other third party relating to any service in which its marketing affiliate is involved.

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTACHMENT 1

PENNSYLVANIA PROOF OF COMPLIANCE

Entity #: 3667817
Date Filed: 10/27/2011
Carol Aichele
Secretary of the Commonwealth

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU

Application for Amended Certificate of Authority
Foreign Corporation

(15 Pa.C.S.)

[X] Foreign Business Corporation (§ 4126)
[ ] Foreign Nonprofit Corporation (§ 6126)

Name CT

Address

City

Commonwealth of Pennsylvania
AMENDED CERT. OF AUTHORITY--BUSINESS Foreign 3 Page(s)

T1130111006

Fee: $250

In compliance with the requirements of the applicable provisions of 15 Pa.C.S. (relating to corporations and unincorporated associations), the undersigned foreign corporation, desiring to receive an amended certificate of authority, hereby states that:

1. The name under which the corporation currently holds a certificate of authority to do business within the Commonwealth of Pennsylvania is:
Advantage IQ, Inc.

2. The name of the jurisdiction under the laws of which the corporation is incorporated is: WA

3. The address of its principal office under the laws of the jurisdiction in which it is incorporated is:

Number and Street	City	State	Zip
1313 N. Atlantic St.	Spokane	WA	99201

4. The (a) address of this corporation's registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is:

(a) Number and Street	City	State	Zip	County
680 Old York Rd	Jenkintown	PA	1904	montgomery

(b) Name of Commercial Registered Office Provider — County
c/o:

Check if applicable:

[ ] The foregoing reflects a change in Pennsylvania registered office.

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PA DEPT OF STATE

5. The corporation desires that its certificate of authority be amended to change or correct the following information:

The corporation has changed its name to Ecova, Inc.

☐ The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

6. *If the amendment set forth in Paragraph 5 reflects a change in the name of the corporation to one not available for use in this Commonwealth, complete the following:*

The fictitious name which the corporation adopts for use in transacting business in this Commonwealth is:

The corporation shall do business in Pennsylvania only under such fictitious name pursuant to the attached resolution of the board of directors under the applicable provisions of 15 Pa.C.S. (relating to corporations and unincorporated associations) and the attached form DSCB:54-311 (Application for Registration of Fictitious Name).

7. *If the amendment set forth in Paragraph 5 reflects a change in the name of the corporation, check one of the following:*

☐ The change of name reflects a change effected in the jurisdiction of incorporation.

☒ Documents complying with the applicable provisions of 15 Pa.C.S. § 4123(b) or 6123(b) (relating to exception; name) accompany this application.

IN TESTIMONY WHEREOF, the undersigned corporation has caused this Application for an Amended Certificate of Authority to be signed by a duly authorized officer thereof this

27th day of Oct 2011.

Ecova, Inc.
Name of Corporation

[signature]
Signature

Exec Vice President
Title

Approved for Signature

Rev. 11/2010

COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF STATE

MARCH 9, 2011

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

I DO HEREBY CERTIFY THAT,

ADVANTAGE IQ, INC.

is duly qualified as a Foreign Corporation under the laws of the Commonwealth of Pennsylvania and remains a subsisting corporation so far as the records of this office show, as of the date herein.

I DO FURTHER CERTIFY THAT, This Certificate of Good Standing shall not imply that all fees, taxes, and penalties owed to the Commonwealth of Pennsylvania are paid.

SECRETARY OF THE COMMONWEALTH PENNSYLVANIA

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the Secretary's Office to be affixed, the day and year above written.

Acting Secretary of the Commonwealth

Certification Number: 9371742-1
Verify this certificate online at http://www.corporations.state.pa.us/corp/soskb/verify.asp

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SECRETARY'S BUREAU

ATTACHMENT 2

ECOVA, INC. ARTICLES OF INCORPORATION

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF ECOVA, INC.

ARTICLE I

Name. The name of the Corporation is Ecova, Inc. (the "Corporation").

ARTICLE II

Registered Office and Agent. The address of the registered office of the Corporation in the State of Washington is 1313 N. Atlantic Street, Spokane, Washington and the registered agent of the Corporation shall be Gene Lynes or as designated by the Board of Directors from time to time.

ARTICLE III

Powers of the Corporation. The Corporation shall have the power to engage in and carry on any lawful business or trade and exercise all powers granted to a corporation formed under the Washington Business Corporation Act (the "WBCA"), including any amendments thereto or successor statute that may hereinafter be enacted.

ARTICLE IV

A. Authorized Class of Stock. The total authorized stock of this Corporation shall consist of 102,185,399 shares of capital stock, of which 100,000,000 shares shall be Common Stock with $0.0001 par value per share and 2,185,399 shares shall be Preferred Stock with $0.0001 par value per share. The total authorized stock of the Corporation may be increased or decreased (but not below the number of shares thereof then outstanding), except as provided to the contrary in the provisions establishing a class or series of stock, by the affirmative vote or written consent of a majority in voting power of the stock of the Corporation entitled to vote, voting together as a single class.

B. Rights, Preferences and Restrictions of Preferred Stock. The Preferred Stock may be divided into such number of series as the Board of Directors may determine. Subject to the provisions of Article XI the Board of Directors is authorized to determine and alter the lights, preferences, privileges and restrictions granted to and imposed upon any wholly unissued series of Preferred Stock, and to fix the number of shares of any series of Preferred Stock and the designation of any such series of Preferred Stock. The Board of Directors, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series and subject to the provisions of Article XI, may increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issue of shares of that series. Subject to the provisions of Article XI:

1. Issuance of Preferred Stock In Series. The Preferred Stock may be issued from time to time in one or more series in any manner permitted by law and the provisions of these Articles of Incorporation of this Corporation, as determined from time to time by the Board of Directors and stated in the resolution or resolutions providing for the issuance thereof, prior to the issuance

of any shares thereof. The Board of Directors shall have the authority to fix and determine and to amend, subject to the provisions hereof, the designation, preferences, limitations and relative rights of the shares of any series that is wholly unissued or to be established. Unless otherwise specifically provided in the resolution establishing any series, the Board of Directors shall further have the authority, after the issuance of shares of a series whose number it has designated, to amend the resolution establishing such series to decrease the number of shares of that series, but not below the number of shares of such series then outstanding.

2. Dividends. The holders of shares of the Preferred Stock shall be entitled to receive dividends, out of the funds of the Corporation legally available therefor, at the rate and at the time or times, whether cumulative or noncumulative, as may be provided by the Board of Directors in designating a particular series of Preferred Stock. If such dividends on the Preferred Stock shall be cumulative, then if dividends shall not have been paid, the deficiency shall be fully paid or the dividends declared and set apart for payment at such rate, but without interest on cumulative dividends, before any dividends on the Common Stock shall be paid or declared and set apart for payment. The holders of the Preferred Stock shall not be entitled to receive any dividends thereon other than the dividends referred to in this section.

3. Redemptions. The Preferred Stock may be redeemable at such price, in such amount, and at such time or times as may be provided by the Board of Directors in designating a particular series of Preferred Stock. In any event, such Preferred Stock may be repurchased by the Corporation to the extent legally permissible.

4. Liquidation. In the event of any liquidation, dissolution, or winding up of the affairs of this Corporation, whether voluntary or involuntary, then, before any distribution shall be made to the holders of the Common Stock, the holders of the Preferred Stock at the time outstanding shall be entitled to be paid the preferential amount or amounts per share as may be provided by the Board of Directors in designating a particular series of Preferred Stock and dividends accrued thereon to the date of such payment. The holders of the Preferred Stock shall not be entitled to receive any distributive amounts upon the liquidation, dissolution, or winding up of the affairs of the Corporation other than the distributive amounts referred to in this section, unless otherwise provided by the Board of Directors in designating a particular series of Preferred Stock.

5. Conversion. Shares of Preferred Stock may be convertible into Common Stock of this Corporation upon such terms and conditions, at such rate and subject to such adjustments as may be provided by the Board of Directors in designating a particular series of Preferred Stock.

6. Voting Rights. Holders of Preferred Stock shall have such voting lights as may be provided by the Board of Directors in designating a particular series of Preferred Stock.

C. Common Stock. The rights, preferences, privileges and restrictions granted to and imposed on the Common Stock are as set forth below in this Division (C) of this Article IV.

1. Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be

entitled to receive, when and as declared by the Board of Directors, out of any assets of this Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

2. Liquidation Rights. Upon the liquidation, dissolution or winding up of this Corporation, the assets of this Corporation shall be distributed as provided in Section 4 of Division (B) of this Article IV.

3. Voting Rights. The holder of each share of Common Stock shall have the light to one vote for each such share, and shall be entitled to notice of any shareholders' meeting in accordance with the Bylaws of this corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law.

ARTICLE V

Bylaws, Directors, Books and Records. In furtherance of and not in limitation of powers conferred by statute, it is further provided that:

A. Subject to the limitations and exceptions, if any, contained in the Bylaws of the Corporation, the Bylaws may be adopted, amended or repealed by the Board of Directors of the Corporation; an

B. Elections of directors need not be by written ballot unless, and only to the extent, otherwise provided in the Bylaws; and

C. Subject to the provisions of Article XI, the number of directors of the Corporation shall be determined in the manner provided in the Bylaws and may be increased or decreased from time to time in the manner provided therein; and

D. Subject to any applicable requirements of law, the books of the Corporation may be kept outside the State of Washington at such locations as may be designated by the Board of Directors or in the Bylaws of the Corporation; and

ARTICLE VI

No Cumulative Voting. The right to cumulate votes in the election of directors shall not exist with respect to shares of capital stock of the Corporation.

ARTICLE VII

Actions Without a Meeting. Any action required or permitted to be taken at a shareholders' meeting may be taken without a meeting or a vote if either: (i) the action is taken by written consent of all shareholders entitled to vote on the action; or (ii) for so long as the Corporation is not a public company, the action is taken by written consent of shareholders holding of record, or otherwise entitled to vote, in the aggregate not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares are entitled to vote on the action were present and voted.

To the extent that the WBCA requires prior notice of any such action to be given to non-consenting or non-voting shareholders, such notice shall be given prior to the date on which the action becomes effective, as required by the WBCA. The form of notice shall be sufficient to apprise the non-consenting or non-voting shareholder of the nature of the action to be effected in a manner approved by the Board of Directors or by the committee or officers to whom the Board of Directors has delegated the responsibility.

ARTICLE VIII

Shareholder Approval by Majority Vote or Consent. Unless these Articles of Incorporation provide for a greater voting requirement for any voting group of shareholders, the affirmative vote or written consent of a majority of all the votes entitled to be cast by a voting group shall be sufficient, valid and effective to approve and authorize any acts of the Corporation that, under the WBCA, would otherwise require the approval of two-thirds of all of the votes entitled to be cast, including, without limitation: (i) an amendment to these Articles of Incorporation; (ii) the merger of the Corporation into another corporation or the merger of one or more other corporations into the Corporation; (iii) the acquisition by another corporation of all of the outstanding shares of one or more classes or series of capital stock of the Corporation; (iv) the sale, lease, exchange or other disposition by the Corporation of all or substantially all of its property otherwise than in the usual and regular course of business; or (v) the dissolution of the Corporation.

ARTICLE IX

A. Limitation of Director Liability. To the full extent that the WBCA, as it exists on the date hereof or may hereafter be amended, permits the limitation or elimination of the liability of directors, a director of the Corporation shall not be liable to the Corporation or its shareholders for monetary damages for conduct as a director. Any amendments to or repeal of this Article IX shall not adversely affect any right or protection of a director of this Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

B. Indemnification. To the full extent that the WBCA, as it exists on the date hereof or may hereafter be amended, the Corporation is authorized to provide indemnification of directors, officers, employees and agents.

ARTICLE X

Amendments. Except as provided herein, the Corporation reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by statute and these Articles of Incorporation, and all rights conferred upon shareholders herein, are granted subject to this reservation.

ARTICLE XI

A. Principal Shareholders Agreement. So long as the Principal Shareholders Agreement between the Corporation and certain of its shareholders dated June 30, 2008 (the "Principal Shareholders Agreement") remains in effect, the Corporation shall comply with the following (capitalized terms used and not defined in this Article XI shall have the meaning for such term set forth in the Principal Shareholders Agreement):

1. Consent by Shareholders Representative. Action by the Board to approve any of

the following matters shall require the affirmative vote of a majority of the Directors and the consent of the Shareholder Representative (the "Special Consent Matters"):

a) altering or amending the preferences, privileges or rights of any class of shares in a manner which has an adverse impact on the Former C Corp Shareholders (actions which affect all holders of common stock in the same manner and do not jeopardize the Corporation's ability to provide the Redemption described in Section 10 of the Principal Shareholders Agreement shall not constitute such an impact);

b) altering the size of the Board or the Compensation Committee;

c) making any material change in the Corporation's Second Amended and Restated Articles of Incorporation, other than the addition of one or more classes of preferred stock which do not jeopardize the Corporation's ability to provide the Redemption described in Section 10 of the Principal Shareholders Agreement;

d) engaging in any transaction with any Affiliate of the Corporation (which, for purposes of this Agreement, shall be any entity controlling, continued by or under common control with the Corporation), including any sale or purchase of stock, debt transaction or disproportionate distribution or dividend;

e) making any material change in the nature of the business conducted by the Corporation; and

f) incurring any intercompany debt with any Affiliate of a Principal Shareholder.

2. In the event that any of the Special Consent Matters are proposed for consideration at a meeting of the Board, the Shareholders Representative shall receive advance notice of the meeting and shall be entitled to participate, as an observer, in that portion of the meeting that relates to the Special Consent Matter. If the Shareholders Representative does not deliver to the Directors a written notice of objection to any of the Special Consent Matters within seven (7) days after receipt of written notice of the approval by the Board, the Shareholders Representative will be deemed to have approved the Matter.

3. The Shareholder Representative shall be elected by a majority of the shares owned by the C Corp Principals may remove or replace the Shareholders Representative at any time by vote of a majority of the Shares held by the C Corp Principals.

B. Preemptive Rights. Except as otherwise provided in these Amended and Restated Articles of Incorporation, the Principal Shareholders Agreement, or by agreement in which the Corporation so provides, no preemptive rights to acquire additional securities issued by the Corporation shall exist with respect to shares of stock, or securities convertible into shares of stock of the Corporation. So long as the Principal Shareholders Agreement remains in effect, the Corporation shall comply with the following:

1. Grant of Rights. The Principal Shareholders shall have a preemptive right to purchase, pro rata, all or any part of New Securities that the Corporation may, from time to time, propose to sell and issue after the date hereof. Each such Principal Shareholder's pro rata share of New Securities, for the purposes of this right, is the ratio of the number of Shares held by such holder at the time the New Securities are offered to the total number of Shares outstanding on the date of the proposed issuance (calculated on a fully diluted basis).

2. Procedure. If the Corporation proposes to undertake an issuance of New Securities, it will give each Principal Shareholder having a preemptive light under this Article XI written notice of its intention, describing the type of New Securities, the price and the general terms and conditions upon which the Corporation proposes to issue the same. Each such Principal Shareholder will have ten (10) days from the giving of such notice to agree to purchase its pro rata share of New Securities for the price and upon the terms and conditions specified in the notice by giving written notice to the Corporation and stating therein the quantity of New Securities to be purchased. The Corporation will give each Principal Shareholder having a preemptive right under this Article XI written notice on the date following such 10-day period as to any New Securities with respect to which Principal Shareholders have not exercised their right of first refusal. Each such holder will have a right of over allotment such that if any Principal Shareholder having a preemptive right under this Article XI fails to exercise its rights hereunder to purchase its pro rata portion of the New Securities, the other holders may purchase the non-purchasing holder's portion on a pro rata basis, within ten (10) days from the end of such preceding 10-day period.

3. Remaining Shares. If the Principal Shareholders fail to exercise in full such right within such twenty (20) days, the Corporation will have one hundred twenty (120) days thereafter to sell the New Securities in respect of which such Principal Shareholders lights were not exercised, at a price and upon general terms and conditions no more favorable to the purchasers thereof than specified in the Corporation's notice to the Principal Shareholders pursuant to this Article XI. If the Corporation has not sold the New Securities within such one hundred twenty (120) day period, the Corporation will not thereafter issue or sell any New Securities, without first offering such securities to the Principal Shareholders in the manner provided above.

4. New Securities. "New Securities" means any Shares of the Corporation; provided that, "New Securities" does not include: (a) the Common Stock issued or issuable on conversion of Preferred Stock; (b) Shares issues pursuant to any rights or agreements, including, without limitation, any security convertible or exchangeable, with or without consideration, into or for any shares, options and warrants, provided further that the preemptive rights established by this Article XI will apply with respect to the initial sale or grant by the Corporation of such rights or agreements; (c) any Share that is issued by the Corporation as part of any public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended; (d) Shares of Common Stock issued in connection with any stock split, stock dividend or recapitalization of the Corporation; (e) securities issued pursuant to the acquisition of another corporation by the Corporation by merger, purchase of all or substantially all of the assets, or other reorganization whereby the Corporation owns more than fifty percent (50%) of the voting power of such corporation; and (f) Shares issued to management, directors or employees of the

Corporation pursuant to stock purchase or stock option plans or other arrangements that are approved by the Compensation Committee; (g) Shares issued as Additional Shares in accordance with the terms of the Merger Agreement between the Corporation and Cadence Network, Inc. dated June 30, 2008; and (h) Shares issued pursuant to Section 10.5 of the Principal Shareholders Agreement.

IN WITNESS WHEREOF, said Ecova, Inc. has caused this certificate to be signed by its duly authorized officer, as of the 21st day of August 2012.

ECOVA, INC.

By: Susan Y. Fleming

Susan Y. Fleming
Assistant Corporate Secretary

CERTIFICATE

The undersigned officers of Ecova, Inc., being first duly sworn on oath, depose and say:

(a) That they have been authorized to execute the within Restated Articles of Incorporation by resolution of the Board of Directors adopted on July 17-18, 2012; and

(b) That Article IV of these Restated Articles of Incorporation correctly sets forth the text of the amendments approved by the shareholders on the 18th of July 2012 in accordance with the provisions of RCW 23B.10.030 and 23B.10.040, such amendments being set forth in Exhibit A to this certificate; and

(c) That these Restated Articles of Incorporation correctly set forth the text of the Articles of Incorporation as heretofore amended and as further amended by the amendments approved by the shareholders referred to under clause (b) above, and, except as indicated under clause (b) above, no shareholder action is required for these Restated Articles of Incorporation; and

(d) That these Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments thereto and restatements thereof.

Scott L. Morris, *Chairman of the Board*

Karen S. Feltes, *Senior Vice President and Corporate Secretary*

State of Washington)
) ss.:
County of Spokane)

I certify that I know or have satisfactory evidence that Scott L. Morris and Karen S. Feltes are the persons who appeared before me, and each of said persons acknowledged that he or she signed this instrument, on oath stated that he or she was authorized to execute this instrument and acknowledged it as an executive officer of Avista Corporation to be the free and voluntary act of Ecova, Inc. for the uses and purposes mentioned in this instrument.

Dated: August 20, 2012

RAEAN CORNELL
COMMISSION EXPIRES
NOTARY PUBLIC
1-29-2014
STATE OF WASHINGTON

Rae An Cornell

Notary Public
RAE AN CORNELL
Notary Public
State of Washington
Commission Expires January 29, 2014

CERTIFICATE

The undersigned officers of Ecova, Inc., being first duly sworn on oath, depose and say:

(a) That they have been authorized to execute the within Restated Articles of Incorporation by resolution of the Board of Directors adopted on August 21, 2012; and

(b) That Article II of these Restated Articles of Incorporation correctly sets forth the text of the amendment approved by the Board of Directors on the 21st of August 2012 in accordance with the provisions of RCW 23B.10.030, such amendment being set forth in Exhibit B to this certificate; and

(c) That these Restated Articles of Incorporation correctly set forth the text of the Articles of Incorporation as heretofore amended and as further amended by the amendments approved by the shareholders referred to under clause (b) above, and, except as indicated under clause (b) above, no shareholder action is required for these Restated Articles of Incorporation; and

(d) That these Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments thereto and restatements thereof.

Scott L. Morris

Scott L. Morris, *Chairman of the Board*

Karen S. Feltes, *Senior Vice President and Corporate Secretary*

State of Washington)
) ss.:
County of Spokane)

I certify that I know or have satisfactory evidence that Scott L. Morris and Karen S. Feltes are the persons who appeared before me, and each of said persons acknowledged that he or she signed this instrument, on oath stated that he or she was authorized to execute this instrument and acknowledged it as an executive officer of Avista Corporation to be the free and voluntary act of Ecova, Inc. for the uses and purposes mentioned in this instrument.

Dated: August 21, 2012

RAEAN CORNELL
COMMISSION EXPIRES
NOTARY PUBLIC
1-29-2014
STATE OF WASHINGTON

Rae An Cornell

Notary Public
RAE AN CORNELL
Notary Public
State of Washington
Commission Expires January 29, 2014

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTACHMENT 3

ECOVA, INC. OFFICER LIST

Ecova, Inc. **List of Corporate Officers**

91-1701028

Name	Title	SSN	Address					Telephone
Scott L. Morris	Chairman of the Board	533-72-7574	4805 E. Gleneagle		Spokane	WA	99223	(509) 443-2226
Jeff Heggedahl	President & Chief Executive Officer	474-90-3773	165 South Post Street	#305	Spokane	WA	99201	(612)722-3983
Ed Schlect	Executive Vice President	534-72-4868	15114 E Palomino Lane		Mica	WA	99023	(509)922-7909
Gene Lynes	*Executive Vice President & Chief Financial* Officer	558-86-3077	11016 Valle Vista Road		Lakeside	CA	92040	(619)561-1285
Donato Capobianco	Sr. Vice President & General Counsel	164-54-0926	3354 SE Stark St		Portland	OR	97214	(971)409-4352
Marian M. Durkin	Sr. Vice President	166-48-0597	1019 E. 20th Ave.		Spokane	WA	99203	(509) 534-1460
Mark T. Thies	Sr. Vice President	479-82-8041	10602 N. Alberta Rd.		Spokane	WA	99208	(509) 443-3619
Karen S. Feltes	Sr. Vice President & Corporate Secretary	522-84-6221	2806 S. Park Rd.		Spokane	WA	99212	(509) 465-1235
Julie Kearney	Sr. Vice President - Human Resources	519-88-4663	2374 NW Birkendene St		Portland	OR	97229	(503)296-9883
Jana Schmidt	Sr. Vice President & General Manager - Sales, Client Management & UEM Delivery	449-73-8128	3175 Sugarloaf Club Drive		Duluth	GA	30097	(770)622-4749
Seth Nesbitt	Sr. Vice President & General Manager - Marketing & Technology Innovation	105-66-4946	313 NW 81st St.		Seattle	WA	98117	(206)782-5150
Robert Zak	Sr. Vice President - Facility Solutions Delivery	534-90-4582	4659 SE Cavalry Way		Port Orchard	WA	98367	
Ted Schultz	Sr. Vice President - Utility Solutions Delivery	118-54-2067	110 White Horse Dr.		Mooresville	NC	28117	
John Robison	Chief Investment Officer & Treasurer	295-52-4144	3321 Ivy Hills Blvd		Newtown	OH	45244	(513)271-1910
Susan Y. Fleming	Assistant Corporate Secretary	519-86-2174	600 W. Hubbard St.	#32	Coeur d'Alene	ID	83814	(208) 667-1144

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTACHMENT 4

TAX CERTIFICATION STATEMENT

Ecova, Inc. **List of Corporate Officers**
91-1701028

Name	Title	SSN	Address					Telephone
Scott L. Morris	Chairman of the Board	533-72-7574	4805 E. Gleneagle		Spokane	WA	99223	(509) 443-2226
Jeff Heggedahl	President & Chief Executive Officer	474-90-3773	165 South Post Street	#305	Spokane	WA	99201	(612)722-3983
Ed Schlect	Executive Vice President	534-72-4868	15114 E Palomino Lane		Mica	WA	99023	(509)922-7909
Gene Lynes	Executive Vice President & Chief Financial Officer	558-86-3077	11016 Valle Vista Road		Lakeside	CA	92040	(619)561-1285
Donato Capobianco	Sr. Vice President & General Counsel	164-54-0926	3354 SE Stark St		Portland	OR	97214	(971)409-4352
Marian M. Durkin	Sr. Vice President	166-48-0597	1019 E. 20th Ave.		Spokane	WA	99203	(509) 534-1460
Mark T. Thies	Sr. Vice President	479-82-8041	10602 N. Alberta Rd.		Spokane	WA	99208	(509) 443-3619
Karen S. Feltes	Sr. Vice President & Corporate Secretary	522-84-6221	2806 S. Park Rd.		Spokane	WA	99212	(509) 465-1235
Julie Kearney	Sr. Vice President - Human Resources	519-88-4663	2374 NW Birkendene St		Portland	OR	97229	(503)296-9883
Jana Schmidt	Sr. Vice President & General Manager - Sales, Client Management & UEM Delivery	449-73-8128	3175 Sugarloaf Club Drive		Duluth	GA	30097	(770)622-4749
Seth Nesbitt	Sr. Vice President & General Manager - Marketing & Technology Innovation	105-66-4946	313 NW 81st St.		Seattle	WA	98117	(206)782-5150
Robert Zak	Sr. Vice President - Facility Solutions Delivery	534-90-4582	4659 SE Cavalry Way		Port Orchard	WA	98367	
Ted Schultz	Sr. Vice President - Utility Solutions Delivery	118-54-2067	110 White Horse Dr.		Mooresville	NC	28117	
John Robison	Chief Investment Officer & Treasurer	295-52-4144	3321 Ivy Hills Blvd		Newtown	OH	45244	(513)271-1910
Susan Y. Fleming	Assistant Corporate Secretary	519-86-2174	600 W. Hubbard St.	#32	Coeur d'Alene	ID	83814	(208) 667-1144

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ATTACHMENT 5

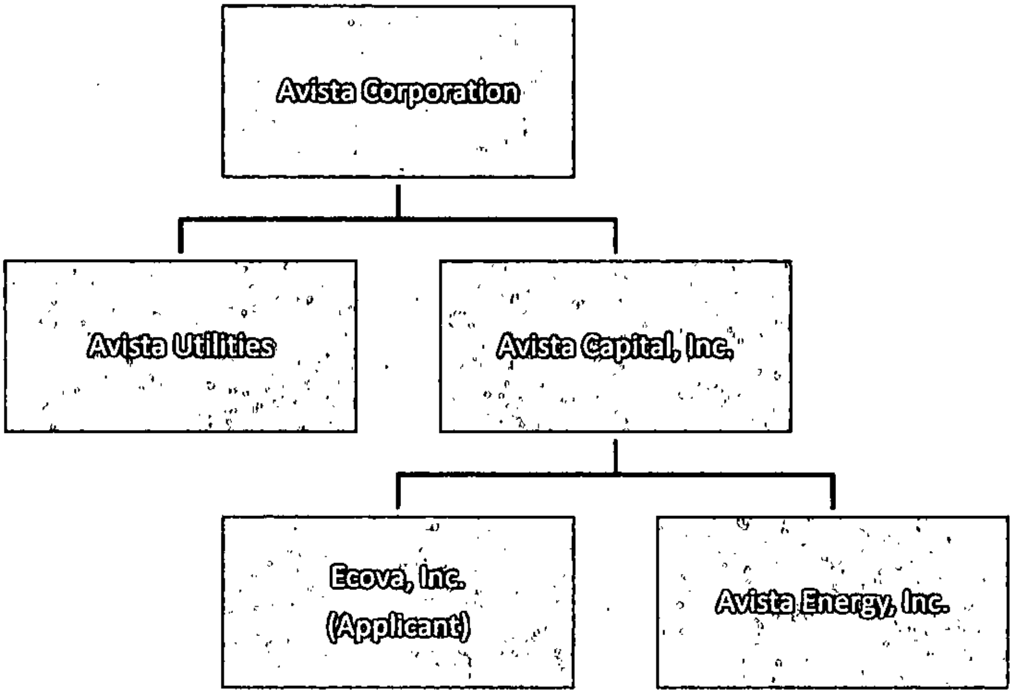
CORPORATE STRUCTURE

Attachment 5 "Corporate Structure"

Applicant is a privately held indirect subsidiary of **Avista Corporation** (Avista Corp.) (approximately 76 percent owned as of December 31, 2010) providing energy efficiency and cost management programs and services for multi-site customers and utilities throughout North America. Applicant's primary product lines include expense management services for utility, telecom and lease needs as well as strategic energy management and efficiency services that include procurement, conservation, performance reporting, financial planning and energy efficiency program management for commercial enterprises and utilities. Applicant is a subsidiary of **Avista Capital, Inc.** (Avista Capital) which is a direct, wholly owned subsidiary of Avista Corp. On or about August 31, 2009, Applicant's wholly owned subsidiary, Ecos IQ, acquired Ecos Consulting, Inc.

Avista Utilities – an operating division of Avista Corp. that comprises our regulated utility operations. Avista Utilities generates, transmits and distributes electricity and distributes natural gas. Avista Utilities provides electric distribution and transmission, as well as natural gas distribution services in parts of eastern Washington and northern Idaho. It also provides natural gas distribution service in parts of northeast and southwest Oregon. At the end of 2010, Avista Utilities supplied retail electric service to 359,000 Customers and retail natural gas service to 319,000 customers across our entire service territory. Avista Utilities' service territory covers 30,000 square miles with a population of 1.5 million.

Attachment 5: General Graphical Depiction of Ecova, Inc.'s Corporate Structure



Avista Corporation
1411 E. Mission Avenue
Spokane, WA 99202

Avista Utilities
1411 E. Mission Avenue
Spokane, WA 99202

Avista Energy, Inc.
1411 E. Mission Avenue
Spokane, WA 99202

Avista Capital, Inc.
1411 E. Mission Avenue
Spokane, WA 99202

Ecova, Inc. (Applicant)
1313 N. Atlantic St., Suite 5000
Spokane, WA 99201

RECEIVED

NOV 15 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTACHMENT 6

FINANCIAL AND CREDIT INFORMATION

<HELP> for explanation, <MENU> for similar functions.
Enter #<Go> for Rating Profile

91) Company Tree Ratings | 92) Alert | Page 1/1 Credit Profile

Avista Corp

1) Bloomberg Default Risk (DRSK)

MOODY'S	
2) Outlook	STABLE
3) Issuer Rating	Baa2
4) Long Term Rating	Baa2
5) Senior Secured Debt	A3
6) Senior Unsecured Debt	Baa2
7) JR Subordinated Debt	WR
8) Preferred Stock	WR
9) Short Term	WR

10) STANDARD & POOR'S	!
11) Outlook	STABLE
12) LT Foreign Issuer Credit	BBB
13) LT Local Issuer Credit	BBB
14) ST Foreign Issuer Credit	A-2
15) ST Local Issuer Credit	A-2

FITCH	
16) LT Issuer Default Rating	WD
17) Senior Secured Debt	WD
18) Senior Unsecured Debt	WD
19) ST Issuer Default Rating	WD

DUFF & PHELPS	
20) Senior Secured Debt	WR
21) Senior Unsecured Debt	WR
22) Preferred Stock	WR
23) Short Term	WR

Dun & Bradstreet
Credibility Corp.

Ecova, Inc. DUNS: 94-541-4530

Dashboard

Company Info

1313 N Atlantic St Ste 5000 Spokane, WA 99201 Phone: (509) 329-7600	DBA's : (SUBSIDIARY OF AVISTA CAPITAL, INC., SPOKANE, WA) AVISTA ADVANTAGE	URL: www.advantageiq.com

Scores

Paydex	Commercial Credit		Financial Stress		Supplier Eval Risk Rating	Credit Limit Rec	DandB Rating
Score	Score	Class	Score	Class	Rating	Recommendation	Rating
78 ▼	482 ▲	1	1484 ▲	3	4 ▼	$400K	--

Recent Alerts

INQUIRY 02/02/13 **3 New Inquiries**

INQUIRY 02/01/13 **8 New Inquiries**

INQUIRY 01/24/13 **2 New Inquiries**

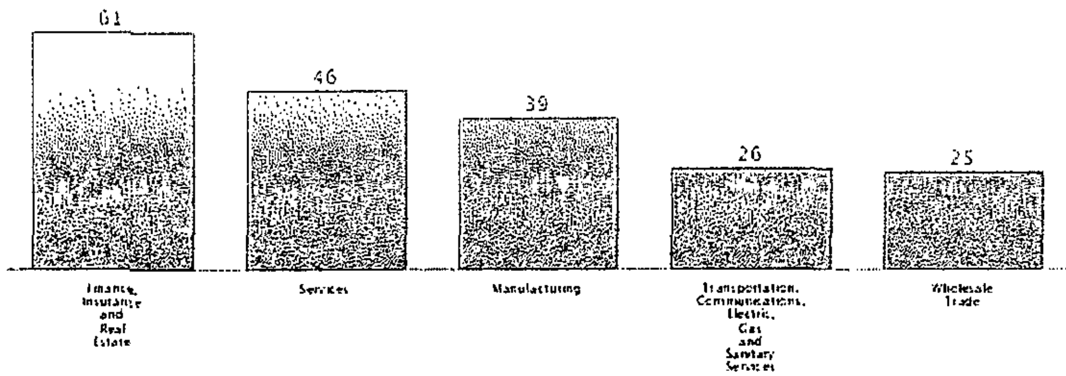
INQUIRY 01/18/13 **3 New Inquiries**

Inquiries

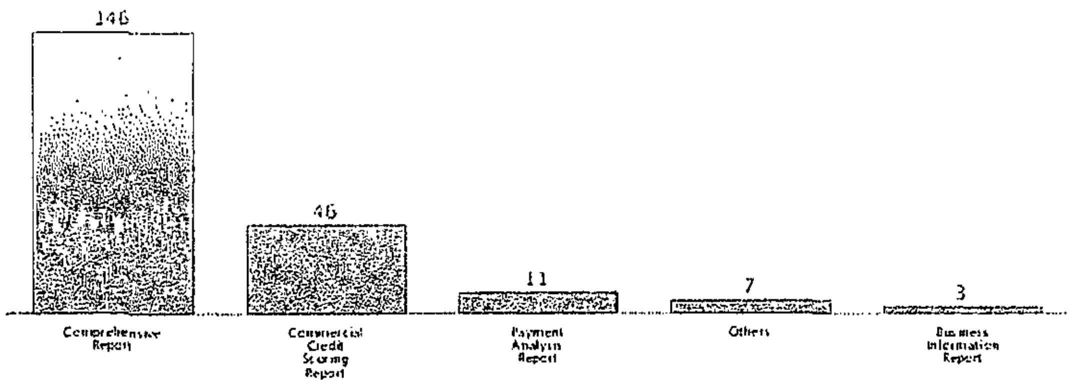
Most Recent

Date	SIC / Sector	Report type
01/31/13	Wholesale Trade	Comprehensive Report
01/31/13	Wholesale Trade	Comprehensive Report
01/31/13	Wholesale Trade	Comprehensive Report
01/30/13	Transportation, Communications, Electric, Gas and Sanitary Services	Comprehensive Report
01/30/13	Transportation, Communications, Electric, Gas and Sanitary Services	Comprehensive Report

Top 5 Inquiries by SIC / Sector (12 Months)



Top 5 Inquiries by Report Type (12 Months)

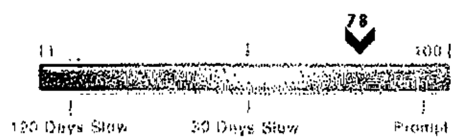


Scores

Paydex

78 ▼ 3 Month Paydex **79**

3 days beyond terms



Understanding My Score

The D&B PAYDEX is a unique, dollar weighted indicator of payment performance based on payment experiences as reported to D&B by trade references.

Recent Payments

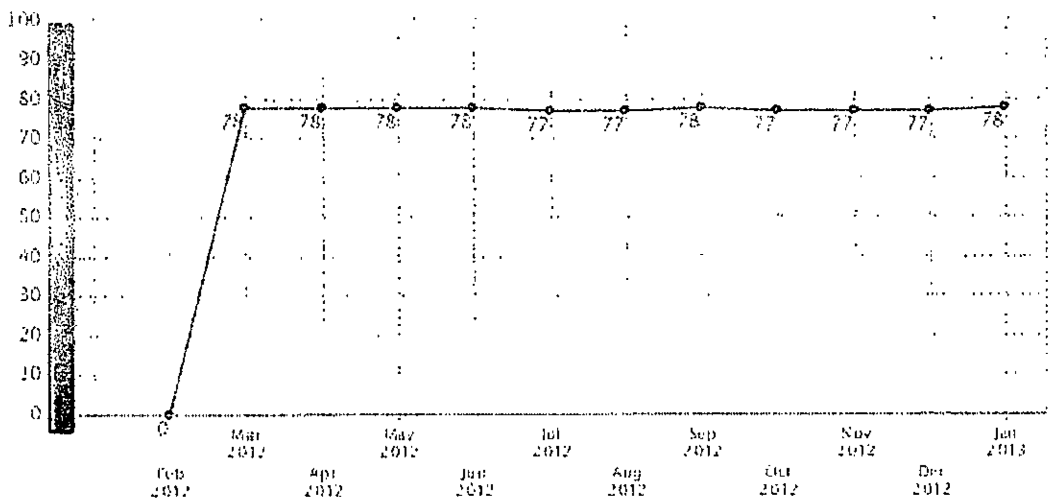
Total (Last 12 Months): 80

Date	Paying Record	High Credit	Now Owes	Past Due	Selling Terms	Last sale w/i (Mo.)
01/2013	Ppt	$55,000	$2,500	$0	--	1 mo
01/2013	Ppt	$7,500	$5,000	$0	N30	1 mo
01/2013	Ppt	$7,500	$0	$0	--	1 mo
01/2013	Ppt	$5,000	$750	$0	--	1 mo
01/2013	Ppt	$1,000	$0	$0	--	1 mo

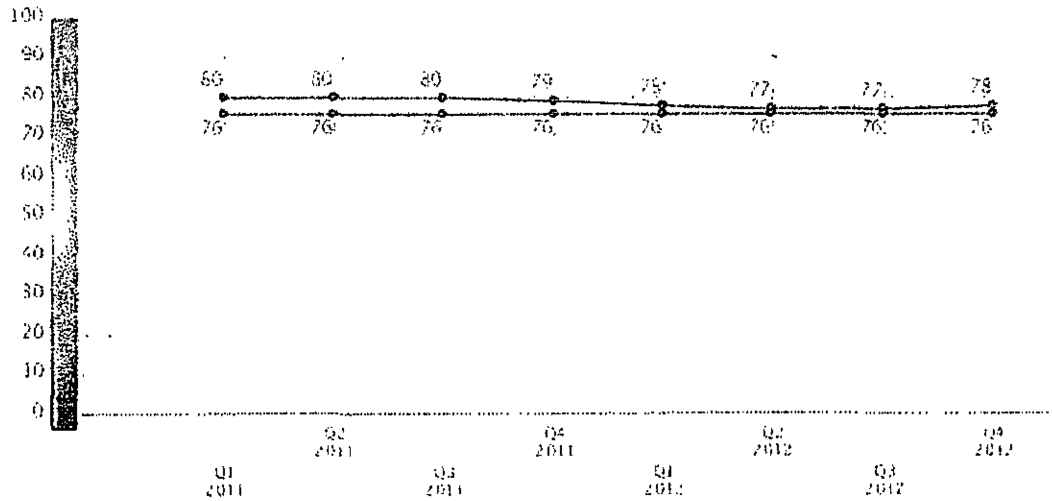
Key

Paydex	Payment Practices	Paydex	Payment Practices
100	Anticipate	40	60 Days Beyond Terms
90	Discount	30	90 Days Beyond Terms
80	Prompt	20	120 Days Beyond Terms
70	15 Days Beyond	1-19	Over 120 Days Beyond Terms
60	22 Days Beyond Terms	UN	Unavailable
50	30 Days Beyond Terms		

Trends



Industry Comparison



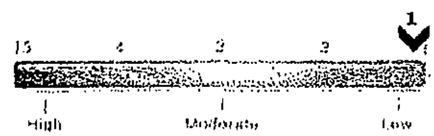
- My Company (78)
- Industry Median: (76)

Based on payments collected over the last 4 quarters.

- Current PAYDEX for this business is 78, or equal to 3 days beyond terms
- The present industry median score is 76, or equal to 6 days beyond terms.

Commercial Credit Score

Score	Class	Percentile
482	1	91%



Low risk of severe payment delinquency over next 12 months

Understanding My Score

The Commercial Credit Score predicts the likelihood that a company will pay its bills in a severely delinquent manner (90 days or more past terms), obtain legal relief from creditors or cease operations without paying all creditors in full over the next 12 months. Scores are calculated using a statistically valid model derived from D&B's extensive data files.

Incidence of Delinquent Payment:

Among Companies with this Classification: **6.00%**

Factors Affecting Your Score:

Insufficient number of payment experiences.

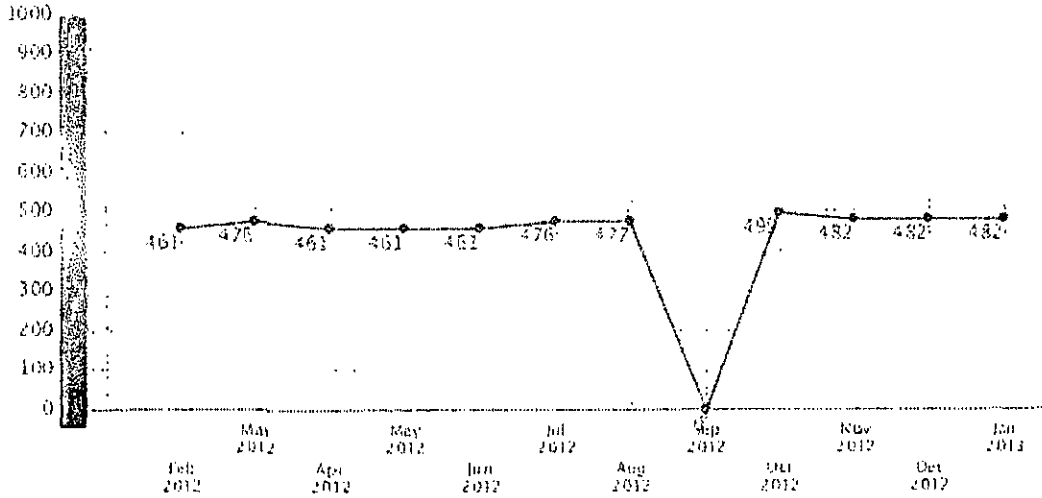
Most recent amount past due.

Low proportion of satisfactory payment experiences to total payment experiences.

Key

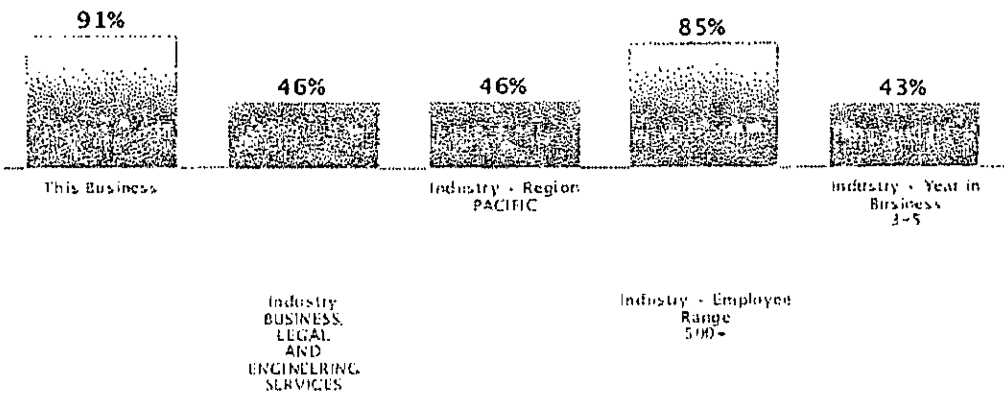
Score	Class	Percentile	Incidence of Delinquency
462 - 670	1	91 - 100	6.0%
451 - 481	2	71-90	10.6%
404-450	3	31-70	18.4%
351-403	4	11-30	31.5%
1-350	5	1-10	70.0%

Trends - Scores, 12 Month



- My Company (482)

Industry Comparison



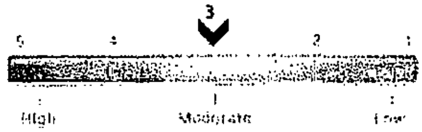
This business has a Credit Score Percentile that shows:

- Lower risk than other companies in the same region.
- Lower risk than other companies in the same industry.
- Lower risk than other companies in the same employee size range.
- Lower risk than other companies with a comparable number of years in business.

Financial Stress Score

Score Class Nat'l %

1484 ▼ 3 55%



Moderate risk of severe financial stress, such as a bankruptcy, over the next 12 months

Understanding My Score

Incidence of Financial Stress:

Among Companies with this Classification: 0.24 (84 per 10000)

Factors Affecting Your Score:

UCC Filings reported.

High number of inquiries to D & B over last 12 months.

Limited time under present management control.

- The Financial Stress Class Summary Model predicts the likelihood of a firm ceasing business without paying all creditors in full, or reorganization or obtaining relief from creditors under state/federal law over the next 12 months. Scores were calculated using a statistically valid model derived from D&B's extensive data files.

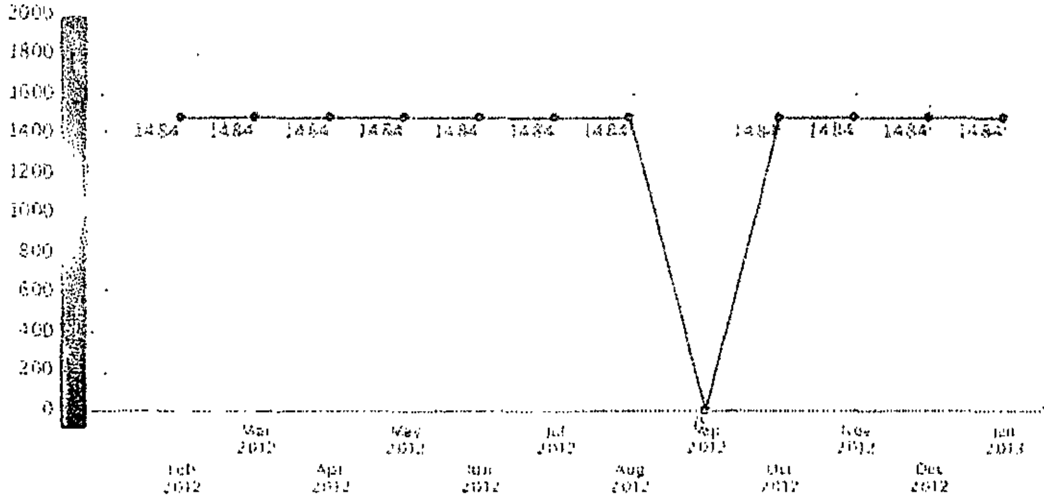
Notes:

- The Financial Stress Class indicates that this firm shares some of the same business and financial characteristics of other companies with this classification. It does not mean the firm will necessarily experience financial stress.
- The Incidence of Financial Stress shows the percentage of firms in a given Class that discontinued operations over the past year with loss to creditors. The Incidence of Financial Stress - National Average represents the national failure rate and is provided for comparative purposes.
- The Financial Stress National Percentile reflects the relative ranking of a company among all scorable companies in D&B's file.
- The Financial Stress Score offers a more precise measure of the level of risk than the Class and Percentile. It is especially helpful to customers using a scorecard approach to determining overall business performance.
- All Financial Stress Class, Percentile, Score and Incidence statistics are based on sample data from

Key

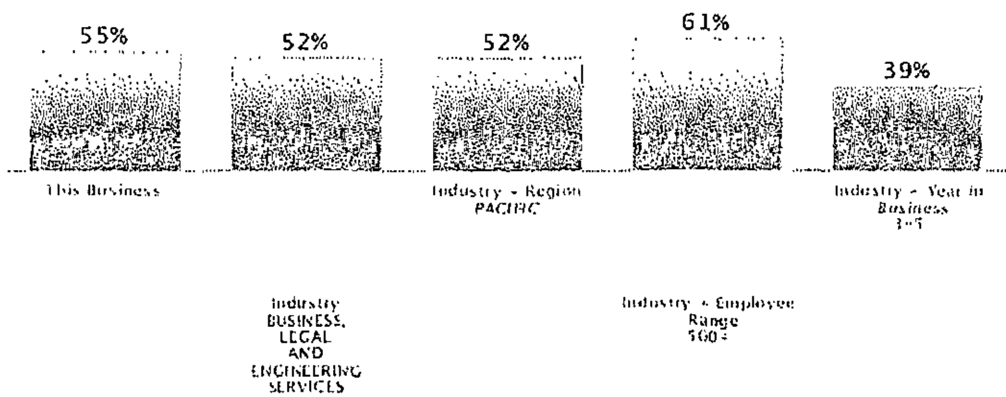
Score	Class	Percentile	Incidence of Financial Stress
1570-1875	1	95-100	6.0%
1510-1569	2	69-94	10.6%
1450-1509	3	34-68	18.4%
1340-1449	4	2-33	31.5%
1001-1339	5	1	70.0%

Trends - Scores, 12 Month



- My Company (1,484)

Industry Comparison

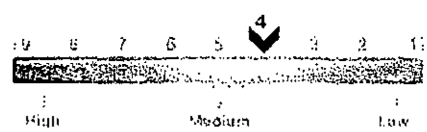


. Based on payments collected over the last 4 quarters.

- Lower risk than other companies in the same region.
- Lower risk than other companies in the same industry.
- Higher risk than other companies in the same employee size range.
- Lower risk than other companies with a comparable number of years in business.

Supplier Evaluation Risk Rating

4 ▼



Moderate risk of supplier experiencing severe financial stress over the next 12 months.

Understanding My Score

The Supplier Evaluation Risk Rating 1-9 segmentation derived from the Financial Stress Score that predicts the likelihood of supplier failure over the next 12 months. The SER Rating is derived from D&B's Financial Stress Score, which is calculated using a statistically valid model derived from D&B's extensive data files.

Factors Affecting This Company's Score:

Suits, Liens, and/or Judgments are present - see PUBLIC FILINGS section.

Business under present control less than five years - see HISTORY section.

Average Payments are 3 day(s) beyond terms.

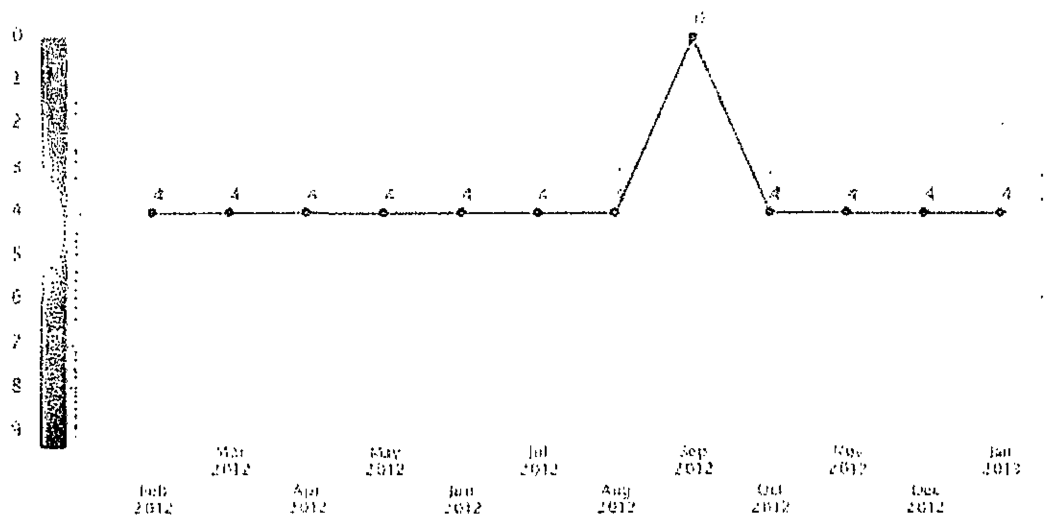
Average Industry Payments are 6 day(s) beyond terms.

UCC Filings present - See PUBLIC FILINGS section.

Financing secured - See BANK/PUBLIC FILINGS sections.

Under present management control 4 years.

Trends



- My Company (4)

Credit Limit Recommendation

Risk Category

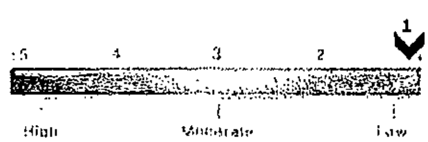
1

Conservative Credit Limit

$400k

Aggressive Credit Limit

$900k



Low

Understanding My Score

D&B's Credit Limit Recommendation is intended to help you more easily manage your credit decisions. It provides two recommended dollar guidelines:

A conservative limit, which suggests a dollar benchmark if your policy is to extend less credit to minimize risk.

An aggressive limit, which suggests a dollar benchmark if your policy is to extend more credit with potentially more risk.

The dollar guideline amounts are based on a historical analysis of credit demand of customers in D&B's U.S. payments database which have a similar profile to your business.

D&B Rating®

Rating

--

D&B Rating	Date Applied
--	2011-04-21

Understanding My Score

Factors Affecting Your Score

of Employees Total: **750 (530 here)**

Payment Activity (based on 86 experiences):

Average High Credit: **$13,916**

Highest Credit: **$300,000**

Total Highest Credit: **$884,350**

Note: The Worth amount in this section may have been adjusted by D&B to reflect typical deductions, such as certain intangible assets.

Inquiries

12 Month Summary

Over the past 12 months ending 2-2013, 213 individual requests for information on your company were received; this represents a 21.13% increase over the prior 12 month period. The 213 inquiries were made by 96 unique companies indicating that some companies have inquired on your business multiple times and may be monitoring you. Of the total products purchased, 61, or 28.64% came from the Finance, Insurance and Real Estate sector; 46, or 21.60% came from the Services sector; 39, or 18.31% came from the Manufacturing sector.

12 Mo. Total: 213

12 Mo. Unique Companies: 96

Date	Report type	SIC / Sector
01/31/13	Comprehensive Report	Wholesale Trade
01/31/13	Comprehensive Report	Wholesale Trade
01/31/13	Comprehensive Report	Wholesale Trade
01/30/13	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
01/30/13	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
01/30/13	Commercial Credit Scoring Report	Manufacturing
01/30/13	Payment Analysis Report	Manufacturing
01/30/13	Commercial Credit Scoring Report	Manufacturing
01/30/13	Commercial Credit Scoring Report	Manufacturing
01/30/13	Commercial Credit Scoring Report	Manufacturing

01/30/13	Payment Analysis Report	Manufacturing
01/21/13	Comprehensive Report	Services
01/21/13	Comprehensive Report	Services
01/16/13	Comprehensive Report	Wholesale Trade
01/16/13	Comprehensive Report	Wholesale Trade
01/16/13	Comprehensive Report	Wholesale Trade
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/09/13	Comprehensive Report	Services
01/03/13	Comprehensive Report	Manufacturing
12/27/12	Comprehensive Report	Manufacturing
12/20/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
12/20/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
12/20/12	Comprehensive Report	Services
12/17/12	Comprehensive Report	Manufacturing
12/17/12	Comprehensive Report	Manufacturing
12/17/12	Comprehensive Report	Manufacturing
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Comprehensive Report	Finance, Insurance and Real Estate
12/14/12	Comprehensive Report	Finance, Insurance and Real Estate
12/07/12	Others	Transportation, Communications, Electric, Gas and Sanitary Services
11/30/12	Comprehensive Report	Services
11/29/12	Comprehensive Report	Wholesale Trade
11/29/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
11/29/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
11/29/12	Commercial Credit Scoring Report	Wholesale Trade
11/15/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
11/15/12	Comprehensive Report	Services
11/14/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate

11/14/12	Comprehensive Report	Finance, Insurance and Real Estate
11/13/12	Commercial Credit Scoring Report	Services
11/09/12	Comprehensive Report	Services
11/08/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
11/08/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
11/01/12	Comprehensive Report	Retail Trade
11/01/12	Comprehensive Report	Wholesale Trade
10/30/12	Comprehensive Report	Wholesale Trade
10/25/12	Comprehensive Report	Manufacturing
10/22/12	Comprehensive Report	Manufacturing
10/15/12	Comprehensive Report	Retail Trade
10/11/12	Comprehensive Report	Services
10/09/12	Comprehensive Report	Services
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Comprehensive Report	Finance, Insurance and Real Estate
10/05/12	Comprehensive Report	Finance, Insurance and Real Estate
10/05/12	Comprehensive Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/04/12	Others	Services
10/04/12	Others	Services
10/04/12	Comprehensive Report	Services
10/01/12	Comprehensive Report	Services
09/28/12	Comprehensive Report	Finance, Insurance and Real Estate
09/25/12	Comprehensive Report	Finance, Insurance and Real Estate
09/25/12	Comprehensive Report	Finance, Insurance and Real Estate
09/25/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
09/20/12	Comprehensive Report	Finance, Insurance and Real Estate
09/19/12	Comprehensive Report	Services
09/18/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
09/18/12	Comprehensive Report	Wholesale Trade
09/14/12	Comprehensive Report	Wholesale Trade
09/13/12	Comprehensive Report	Services
09/11/12	Comprehensive Report	Manufacturing

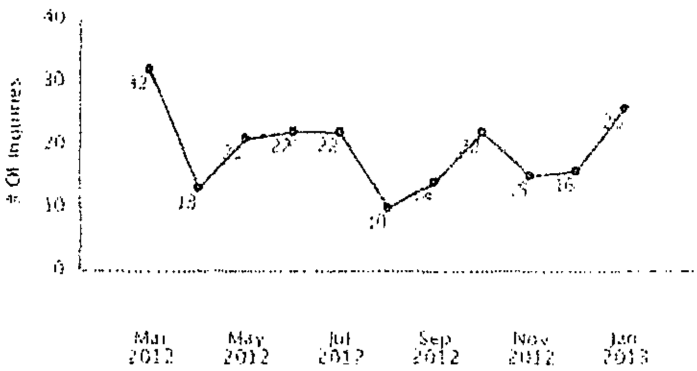
09/06/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
09/04/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
09/04/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
08/29/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
08/29/12	Comprehensive Report	Services
08/23/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
08/23/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
08/17/12	Comprehensive Report	Wholesale Trade
08/17/12	Comprehensive Report	Wholesale Trade
08/17/12	Comprehensive Report	Wholesale Trade
08/16/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
08/16/12	Comprehensive Report	Finance, Insurance and Real Estate
08/16/12	Comprehensive Report	Finance, Insurance and Real Estate
07/31/12	Comprehensive Report	Manufacturing
07/31/12	Comprehensive Report	Manufacturing
07/31/12	Commercial Credit Scoring Report	Manufacturing
07/31/12	Comprehensive Report	Finance, Insurance and Real Estate
07/31/12	Comprehensive Report	Finance, Insurance and Real Estate
07/31/12	Comprehensive Report	Finance, Insurance and Real Estate
07/27/12	Comprehensive Report	Services
07/23/12	Comprehensive Report	Services
07/23/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
07/23/12	Comprehensive Report	Services
07/23/12	Comprehensive Report	Finance, Insurance and Real Estate
07/19/12	Comprehensive Report	Wholesale Trade
07/18/12	Comprehensive Report	Retail Trade
07/18/12	Comprehensive Report	Services
07/18/12	Comprehensive Report	Services
07/18/12	Comprehensive Report	Services
07/16/12	Comprehensive Report	Services
07/13/12	Comprehensive Report	Services
07/03/12	Commercial Credit Scoring Report	Manufacturing
07/02/12	Comprehensive Report	Wholesale Trade
07/02/12	Comprehensive Report	Services
07/02/12	Others	Wholesale Trade
06/26/12	Comprehensive Report	Manufacturing
06/22/12	Comprehensive Report	Wholesale Trade
06/21/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/20/12	Others	Finance, Insurance and Real Estate
06/20/12	Comprehensive Report	Finance, Insurance and Real Estate

06/19/12	Comprehensive Report	Manufacturing
06/12/12	Comprehensive Report	Manufacturing
06/12/12	Commercial Credit Scoring Report	Wholesale Trade
06/11/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/11/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/11/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/11/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/07/12	Business Information Report	Manufacturing
06/06/12	Comprehensive Report	Manufacturing
06/06/12	Comprehensive Report	Manufacturing
06/04/12	Comprehensive Report	Finance, Insurance and Real Estate
06/04/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/01/12	Comprehensive Report	Wholesale Trade
06/01/12	Comprehensive Report	Services
06/01/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/01/12	Comprehensive Report	Services
06/01/12	Comprehensive Report	Services
05/30/12	Business Information Report	Manufacturing
05/29/12	Comprehensive Report	Manufacturing
05/23/12	Comprehensive Report	Services
05/22/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
05/22/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
05/21/12	Comprehensive Report	Manufacturing
05/21/12	Comprehensive Report	Manufacturing
05/14/12	Comprehensive Report	Wholesale Trade
05/10/12	Business Information Report	Manufacturing
05/10/12	Comprehensive Report	Services
05/08/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
05/08/12	Comprehensive Report	Finance, Insurance and Real Estate
05/08/12	Comprehensive Report	Finance, Insurance and Real Estate
05/04/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
05/02/12	Comprehensive Report	Finance, Insurance and Real Estate
05/02/12	Others	Finance, Insurance and Real Estate
05/01/12	Comprehensive Report	Retail Trade
05/01/12	Comprehensive Report	Retail Trade
05/01/12	Comprehensive Report	Retail Trade
05/01/12	Comprehensive Report	Retail Trade
05/01/12	Comprehensive Report	Retail Trade
04/30/12	Comprehensive Report	Manufacturing
04/25/12	Comprehensive Report	Retail Trade

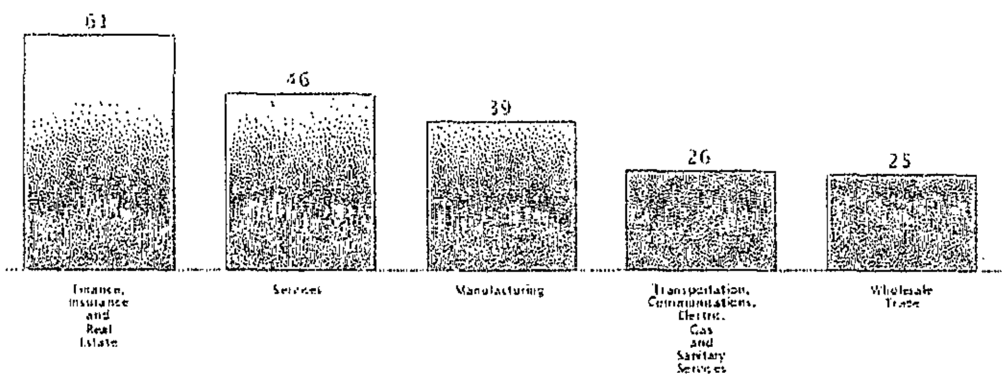
04/20/12	Comprehensive Report	Wholesale Trade
04/20/12	Comprehensive Report	Wholesale Trade
04/20/12	Comprehensive Report	Wholesale Trade
04/12/12	Comprehensive Report	Finance, Insurance and Real Estate
04/12/12	Comprehensive Report	Construction
04/11/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
04/09/12	Comprehensive Report	Manufacturing
04/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
04/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
04/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
04/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
03/31/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
03/31/12	Commercial Credit Scoring Report	Services
03/30/12	Comprehensive Report	Finance, Insurance and Real Estate
03/29/12	Comprehensive Report	Services
03/29/12	Others	Services
03/26/12	Comprehensive Report	Finance, Insurance and Real Estate
03/26/12	Comprehensive Report	Finance, Insurance and Real Estate
03/26/12	Comprehensive Report	Finance, Insurance and Real Estate
03/26/12	Comprehensive Report	Finance, Insurance and Real Estate
03/26/12	Commercial Credit Scoring Report	Public Administration
03/22/12	Comprehensive Report	Finance, Insurance and Real Estate
03/20/12	Comprehensive Report	Services
03/15/12	Comprehensive Report	Manufacturing
03/15/12	Comprehensive Report	Finance, Insurance and Real Estate
03/14/12	Comprehensive Report	Finance, Insurance and Real Estate
03/14/12	Comprehensive Report	Services
03/13/12	Comprehensive Report	Services
03/12/12	Comprehensive Report	Construction
03/12/12	Comprehensive Report	Construction
03/12/12	Comprehensive Report	Construction
03/12/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
03/07/12	Payment Analysis Report	Finance, Insurance and Real Estate
03/05/12	Comprehensive Report	Manufacturing
03/02/12	Commercial Credit Scoring Report	Services
03/01/12	Comprehensive Report	Retail Trade
03/01/12	Comprehensive Report	Retail Trade
03/01/12	Commercial Credit Scoring Report	Manufacturing
03/01/12	Commercial Credit Scoring Report	Manufacturing
03/01/12	Payment Analysis Report	Manufacturing

03/01/12	Commercial Credit Scoring Report	Manufacturing
03/01/12	Commercial Credit Scoring Report	Manufacturing
03/01/12	Payment Analysis Report	Manufacturing

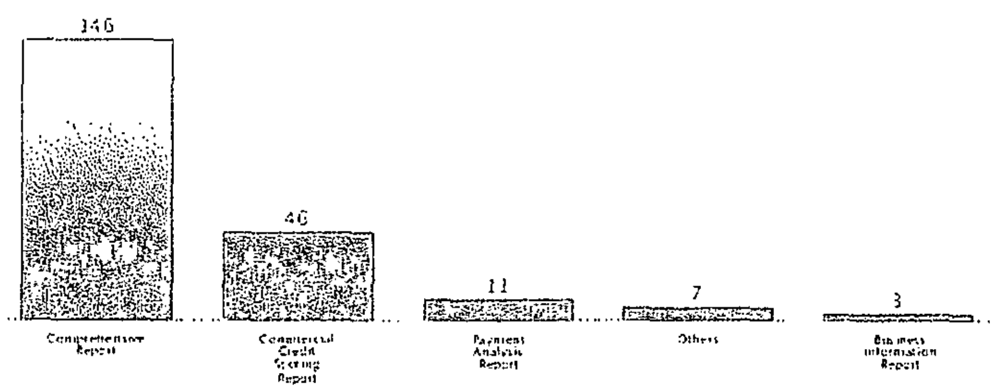
Trends - 12 Month



Top 5 Inquiries by Report Type (12 Months)



Top 5 Report Types Graph(12 Months)



All Inquiries by Industry and SIC / Sector

SIC/Sector	Apr 2012 to Jun 2012	Jul 2012 to Sep 2012	Oct 2012 to Dec 2012	Jan 2013 to Mar 2013	Total Inquiries
Construction	4	0	0	0	4
Finance, Insurance and Real Estate	21	11	21	8	61
Manufacturing	15	10	3	11	39
Public Administration	1	0	0	0	1
Retail Trade	8	1	2	0	11
Services	9	13	12	12	46
Transportation, Communications, Electric, Gas and Sanitary Services	4	10	7	5	26
Wholesale Trade	4	9	6	6	25

Inquiries by Report Type

Report Type	Apr 2012 to Jun 2012	Jul 2012 to Sep 2012	Oct 2012 to Dec 2012	Jan 2013 to Mar 2013	Total
Business Information Report	2	1	0	0	3
Commercial Credit Scoring Report	15	6	19	6	46
Comprehensive Report	44	45	30	27	146
Others	2	2	2	1	7
Payment Analysis Report	3	0	0	8	11

Payments

Currency: Shown in USD unless otherwise indicated

Payments Summary

Current Paydex: 78 Equal to 3 days beyond terms
Industry Median: 76 Equal to 6 DAYS BEYOND terms
Payment Trend: ↔ Unchanged, compared to payments three months ago

Total payment Experiences in D&Bs File (HQ):	86
Payments Within Terms (not dollar weighted):	94
Total Placed For Collection:	NA
Average Highest Credit:	13,916
Largest High Credit:	300,000
Highest Now Owing:	90,000
Highest Past Due:	750

Payments Summary by Industry

Total (Last 12 Months): 86

	Total Received	Total Dollar Amount	Largest High Credit Payment summary	Within Terms	Days Slow <31	31-60	61-90	90>
Top Industries								
Telephone communictns	16	$26,250	$7,500	100%	0	0	0	0
Nonclassified	7	$87,500	$40,000	77%	23	0	0	0
Electric services	6	$18,000	$7,500	99%	1	0	0	0
Whol office equipment	4	$5,600	$5,000	100%	0	0	0	0
Photocopying service	4	$7,600	$5,000	100%	0	0	0	0
Whol electrical equip	3	$105,000	$55,000	100%	0	0	0	0
Misc equipment rental	3	$62,500	$35,000	100%	0	0	0	0
Radiotelephone commun	2	$25,100	$25,000	100%	0	0	0	0
Data processing svcs	2	$15,100	$15,000	100%	0	0	0	0
Misc business service	2	$12,500	$7,500	50%	50	0	0	0
Misc business credit	2	$1,250	$750	100%	0	0	0	0
Whol computers/softwr	1	$300,000	$300,000	100%	0	0	0	0
Employment agency	1	$90,000	$90,000	100%	0	0	0	0
Whol nondurable goods	1	$50,000	$50,000	100%	0	0	0	0
Misc coml printing	1	$45,000	$45,000	100%	0	0	0	0
Executive office	1	$15,000	$15,000	0%	100	0	0	0
Ret mail-order house	1	$2,500	$2,500	0%	0	100	0	0
Mfg refrig/heat equip	1	$2,500	$2,500	100%	0	0	0	0
Mfg computers	1	$1,000	$1,000	100%	0	0	0	0
Courier service	1	$1,000	$1,000	100%	0	0	0	0
Mfg photograph equip	1	$750	$750	100%	0	0	0	0
Whol industrial equip	1	$750	$750	100%	0	0	0	0
Security broker/deal	1	$500	$500	100%	0	0	0	0
Paper mill	1	$500	$500	0%	100	0	0	0
Help supply service	1	$500	$500	100%	0	0	0	0
Whol service paper	1	$250	$250	100%	0	0	0	0
Natural gas distrib	1	$100	$100	100%	0	0	0	0
Other Categories								
Cash experiences	17	$2,550	$1,000	--	--	--	--	--
Unknown	2	$5,050	$5,000	--	--	--	--	--
Unfavorable comments	0	$0	$0	--	--	--	--	--
Placed for collections with D&B:	0	$0	$0	--	--	--	--	--
Other	0	N/A	$0	--	--	--	--	--
Total in D&B's file	86	$884,350	$300,000	--	--	--	--	--

Payments Beyond Terms

Total (Last 12 Months): 6

Date	Paying Record	High Credit	Now Owes	Past Due	Selling Terms	Last Sale Within (Mos)
01/2013	Ppt-Slow 30	$500	$100	$100	--	1 mo
12/2012	Ppt-Slow 30	$40,000	$0	$0	--	1 mo
12/2012	Ppt-Slow 30	$7,500	$1,000	$0	--	1 mo
12/2012	Ppt-Slow 30	$5,000	$5,000	$750	--	1 mo
12/2012	Slow 30	$500	$0	$0	N30	4-5 mos
10/2011	Slow 60	$2,500	$0	$0	--	6-12 mos

All Payments

Total (Last 12 Months): 80

Date	Paying Record	High Credit	Now Owes	Past Due	Selling Terms	Last Sale Within (Mos)
01/2013	Ppt	$55,000	$2,500	$0	--	1 mo
01/2013	Ppt	$7,500	$5,000	$0	N30	1 mo
01/2013	Ppt	$7,500	$0	$0	--	1 mo
01/2013	Ppt	$5,000	$750	$0	--	1 mo
01/2013	Ppt	$1,000	$0	$0	--	1 mo
01/2013	Ppt	$750	$750	$0	--	1 mo
01/2013	Ppt	$100	$100	$0	N30	1 mo
01/2013	Ppt-Slow 30	$500	$100	$100	--	1 mo
01/2013	(009)	$1,000	--	--	Cash account	1 mo
01/2013	(010)	$100	--	--	Cash account	1 mo
01/2013	(011)	$50	--	--	Cash account	6-12 mos
01/2013	(012)	$50	--	--	Cash account	6-12 mos
01/2013	(013)	$50	--	--	Cash account	1 mo
12/2012	Ppt	$300,000	$60,000	$0	N30	1 mo
12/2012	Ppt	$50,000	$0	$0	--	1 mo
12/2012	Ppt	$35,000	$2,500	--	Lease Agreemnt	--
12/2012	Ppt	$20,000	$750	--	Lease Agreemnt	--
12/2012	Ppt	$20,000	$2,500	$0	--	1 mo
12/2012	Ppt	$15,000	$0	$0	--	6-12 mos
12/2012	Ppt	$15,000	$15,000	$0	--	1 mo
12/2012	Ppt	$7,500	$750	--	Lease Agreemnt	--
12/2012	Ppt	$5,000	$5,000	$0	--	1 mo
12/2012	Ppt	$5,000	$5,000	$0	--	1 mo
12/2012	Ppt	$5,000	$5,000	--	--	1 mo
12/2012	Ppt	$5,000	$0	$0	--	1 mo
12/2012	Ppt	$2,500	$0	$0	--	1 mo
12/2012	Ppt	$2,500	$0	$0	--	1 mo
12/2012	Ppt	$2,500	$2,500	--	--	1 mo

Date	Paying Record	High Credit	Now Owes	Past Due	Selling Terms	Last Sale w/i (Mos)
12/2012	Ppt	$2,500	$2,500	--	--	1 mo
12/2012	Ppt	$2,500	$1,000	$0	--	1 mo
12/2012	Ppt	$2,500	$2,500	$0	--	1 mo
12/2012	Ppt	$2,500	$2,500	$0	--	1 mo
12/2012	Ppt	$2,500	$0	$0	N30	6-12 mos
12/2012	Ppt	$2,500	$0	$0	--	1 mo
12/2012	Ppt	$1,000	$1,000	$0	--	1 mo
12/2012	Ppt	$750	$750	$0	--	1 mo
12/2012	Ppt	$750	$750	$0	--	1 mo
12/2012	Ppt	$750	$750	$0	Lease Agreemnt	1 mo
12/2012	Ppt	$750	$750	$0	--	1 mo
12/2012	Ppt	$500	$0	$0	--	2-3 mos
12/2012	Ppt	$500	$0	$0	N30	1 mo
12/2012	Ppt	$500	$500	$0	Lease Agreemnt	1 mo
12/2012	Ppt	$250	$0	$0	--	1 mo
12/2012	Ppt	$250	$250	$0	Lease Agreemnt	1 mo
12/2012	Ppt	$250	$0	$0	--	6-12 mos
12/2012	Ppt	$100	$0	$0	--	1 mo
12/2012	Ppt	$100	$50	$0	--	1 mo
12/2012	Ppt	$100	$100	$0	--	1 mo
12/2012	Ppt	--	$0	$0	--	1 mo
12/2012	Ppt	--	$0	$0	--	6-12 mos
12/2012	Ppt	--	$0	$0	N30	1 mo
12/2012	Ppt	--	$0	$0	--	1 mo
12/2012	Ppt-Slow 30	$40,000	$0	$0	--	1 mo
12/2012	Ppt-Slow 30	$7,500	$1,000	$0	--	1 mo
12/2012	Ppt-Slow 30	$5,000	$5,000	$750	--	1 mo
12/2012	Slow 30	$500	$0	$0	N30	4-5 mos
12/2012	(057)	$750	--	--	Cash account	1 mo
12/2012	(058)	$50	--	--	--	1 mo
12/2012	(059)	$50	--	--	Cash account	4-5 mos
12/2012	(060)	--	$0	$0	Cash account	2-3 mos
11/2012	(061)	$50	--	--	Cash account	1 mo
11/2012	(062)	$50	--	--	Cash account	1 mo
10/2012	Ppt	$45,000	$0	$0	--	1 mo
10/2012	(064)	$100	--	--	Cash account	4-5 mos
10/2012	(065)	$50	--	--	Cash account	1 mo
09/2012	Ppt	$1,000	$0	$0	--	1 mo
09/2012	Ppt	$1,000	$0	$0	--	1 mo

Date	Paying Record	High Credit	Now Owes	Past Due	Selling Terms	Last Sale Within (Mos)
09/2012	Ppt	$1,000	$750	$0	--	1 mo
09/2012	Ppt	$500	$500	$0	--	1 mo
09/2012	(070)	$50	--	--	Cash account	6-12 mos
04/2012	Ppt	$25,000	$25,000	$0	--	1 mo
02/2012	Ppt	$100	$0	$0	--	6-12 mos
02/2012	(073)	$5,000	$0	$0	--	6-12 mos
01/2012	Ppt	$750	$0	$0	N30	2-3 mos
12/2011	Ppt	$1,000	$0	$0	--	6-12 mos
11/2011	Slow	$15,000	--	--	--	1 mo
10/2011	Slow 60	$2,500	$0	$0	--	6-12 mos
06/2011	Ppt	$1,000	--	--	--	1 mo
04/2011	Ppt	$90,000	$90,000	$0	N30	1 mo
03/2011	(080)	$50	--	--	Cash account	6-12 mos

Indications of slowness can be the result of dispute over merchandise, skipped invoices, etc. Accounts are sometimes placed for collection even though the existence or amount of debt is disputed.

The public record items contained in this report may have been paid, terminated, vacated or released prior to the date this report was printed.

History & Operations

Currency: Shown in USD unless otherwise indicated

Company Overview

Company Name:	ECOVA, INC.	**URL:**	www.advantageiq.com
Doing Business As:	(SUBSIDIARY OF AVISTA CAPITAL, INC., SPOKANE, WA). AVISTA ADVANTAGE	**Stock Symbol:**	NA
		History:	NA
		Operations:	NA
		Present Management Control:	4 Years
Street Address:	1313 N Atlantic St Ste 5000 Spokane, WA 99201	**Annual Sales:**	NA
Phone:	(509) 329-7600		
Fax:	(509) 329-7610		

History

The following information was reported: **06/08/2012**

Officer(s):
JEFF HEGGEDAHL, CEO
SETH NESBITT, V PRES-CMO
DONATO CAPOBIANCO, SVP-GEN COUNSEL
SCOTT MORRIS, CHM
GENE LYNES, CFO-TREAS
KAREN FELTES, SEC
ED SCHLECT, EXEC V PRES
JON THOMSEN, EXEC V PRES

DIRECTOR(S):
THE OFFICER(S) and Erik Anderson Kristianne Blake John Kelly Jeff Heggedahl Craig Levinsohn Jeff Lieberman Scott Morris.

The Washington Secretary of State's business registrations file showed that Ecova, Inc was registered as a corporation on November 6, 1995.
Business started 1996. Present control succeeded Dec 1, 2009. 100% of capital stock is owned by officers.

RECENT EVENTS:

On March 14, 2011, sources stated that Advantage IQ, Inc., Spokane, WA, has acquired Building Knowledge Networks, Spokane, WA, in January 2011. Under the terms of the acquisition agreement, Building Knowledge Networks will be fully integrated and operated as Advantage IQ. Further details are not available.
On July 7, 2008, sources stated that Advantage IQ, Inc., Spokane, WA, has acquired Cadence Network, Inc., Cincinnati, OH, on June 30, 2008. After this acquisition, Cadence Network, Inc. will operate as a subsidiary of Advantage IQ, Inc. Financial terms were not disclosed.
JEFF HEGGEDAHL. Antecedents not available.
SETH NESBITT. Served as vice president of marketing for Parallels, Inc. Prior to Parallels, Inc., Nesbitt was vice president, products and solutions marketing for Amdocs, Inc., a member of the North American Advisory Board for the CMO Council, and serves on the Advisory Council for TM Forum.
DONATO CAPOBIANCO,. He serves as a Senior Vice President and General Counsel for Hollywood Entertainment Corporation/Movie Gallery, Inc.
SCOTT MORRIS. Antecedents are undetermined.
GENE LYNES. Antecedents are undetermined.
KAREN FELTES. Antecedents not available.
ED SCHLECT. Antecedents not available.
JON THOMSEN. Antecedents not available.

Business Registration

CORPORATE AND BUSINESS REGISTRATIONS REPORTED BY THE SECRETARY OF STATE OR OTHER OFFICIAL SOURCE AS OF
JANUARY 28 2013.

Registered Name:	ECOVA, INC.
Business Type:	CORPORATION
Corporation Type:	PROFIT
Date Incorporated:	Nov 06 1995
State of Incorporation:	WASHINGTON
Filing Date:	Nov 06 1995
FilingFedID:	NA
Registration ID:	601668881
Duration:	PERPETUAL
Duration Date:	NA
Status:	ACTIVE
Status Attained Date:	NA
Where Filed:	SECRETARY OF STATE/CORPORATIONS DIVISION, OLYMPIA, WA
Registered Agent:	C T Corporation System, 505 Union Ave Se Ste 120, Olympia, WA, 985010000
Agent Appointed:	NA
AgentStatus:	NA
Principals:	ERIK ANDERSON, DIRECTOR, 1411 E MISSION AVE, SPOKANE, WA, 992520000

KRISTI BLAKE, DIRECTOR, 1411 E MISSION AVE, SPOKANE, WA,
992520000
MARIAN DURKING, VICE PRESIDENT, 1411 E MISSION AVE,
SPOKANE, WA, 992520000
KAREN FELTES, SECRETARY, 1411 E MISSION AVE, SPOKANE, WA,
992520000
JEFF HEGGEDAHL, PRESIDENT, 1313 N ATLANTIC SUITE 5000,
SPOKANE, WA, 992010000
JOHN F KELLY, DIRECTOR, 1313 N ATLANTIC SUITE 5000,
SPOKANE, WA, 992010000

GENE LYNES, VICE PRESIDENT, 1313 N ATLANTIC SUITE 5000,
SPOKANE, WA, 992010000
JOHN ROBISON, TREASURER, 600 VINE STREET SUITE 1600,
CINCINNATI, OH, 452020000
ED SCHLECT, VICE PRESIDENT, 1313 N ATLANTIC SUITE 5000,
SPOKANE, WA, 992010000

Operations

06/08/2012

Description:
Subsidiary of AVISTA CAPITAL, INC., SPOKANE, WA started 1996 which operates as holding company. Parent company owns 100% of capital stock. Parent company has numerous other subsidiary(ies). Intercompany relations: As noted, this company is a subsidiary of Avista Corporation, DUNS# 130042849, and reference is made to that report for background information on the parent company and its management.

Provides management consulting services, specializing in public utilities (100%).

Has 250 account(s). Terms are Net 30 days. Sells to manufacturers, wholesalers, retailers, commercial concerns and the government. Territory : United States and Canada.

Nonseasonal.

Employees: 750 which includes officer(s). 530 employed here.

Facilities: Rents 75,000 sq. ft. on 5th floor of five story frame building.

Location: Central business section on main street.

Branches: This business has multiple branches, detailed branch/division information is available in Dun & Bradstreet's linkage or family tree products.

Subsidiaries: NA

Subsidiaries: NA

Subsidiaries: NA

Subsidiaries: NA

Subsidiaries: This business has multiple subsidiaries, detailed subsidiary information is available in D & B's linkage or family tree products.

SIC & NAICS

SIC:
Based on information in our file, D&B has assigned this company an extended 8-digit SIC. D&Bs use of 8-digit SICs enables us to be more specific to a companys operations that if we use the standard 4-digit code.The 4-digit SIC numbers link to the description on the Occupational Safety & Health Administration (OSHA) Web site. Links open in a new browser window.

8742 0405 Public utilities consultant

NAICS:
541611 Administrative Management and General Management Consulting Services

Public Filings

Currency: Shown in USD unless otherwise indicated

Summary

The following data includes both open and closed filings found in D&B's database on this company.

Record Type	# of Records	Most Recent Filing Date
Bankruptcy Proceedings	-	-
Judgments	0	-
Liens	1	04/16/12
Suits	0	-
UCCs	3	04/15/11

The following Public Filing data is for information purposes only and is not the official record.
Certified copies can only be obtained from the official source.

Judgments

We currently don't have enough data to display this section.

Liens

A lien holder can file the same lien in more than one filing location. The appearance of multiple liens filed by the same lien holder against a debtor may be indicative of such an occurrence.

Amount:	NA
Status:	Released
FILING NO.	127310436057
Type State:	State Tax
Filed By:	EMPLOYMENT DEVELOPMENT DEPARTMENT
Against:	ADVANTAGE IQ, INC.
Where Filed:	NA
Date Status Attained:	08/02/12
Date Filed:	04/16/12
Latest Info Received:	08/13/12

Suits

We currently don't have enough data to display this section.

Government Activity

We currently don't have enough data to display this section.

Banking & Finance

Financial Statements

We currently don't have enough data to display this section.

Banking

We currently don't have enough data to display this section.

Special Events

We currently don't have enough data to display this section.

Corporate Linkage

Parent

Company Name	DUNS	City, State
AVISTA CORPORATION	00-794-3764	SPOKANE, WASHINGTON

Headquarters (US)

Company Name	DUNS	City, State
AVISTA CORPORATION	00-794-3764	SPOKANE, WASHINGTON
AVISTA UTILITIES, INC.	01-113-0205	SPOKANE, WASHINGTON
AVISTA COMMUNICATIONS, INC	02-998-2647	SPOKANE, WASHINGTON
ADVANCED MANUFACTURING AND DEVELOPMENT, INC.	08-245-2046	WILLITS, CALIFORNIA
AVISTA CAPITAL, INC.	13-004-2849	SPOKANE, WASHINGTON
ECOS IQ, INC.	17-600-1287	PORTLAND, OREGON
ECOVA, INC.	94-541-4530	SPOKANE, WASHINGTON

US Linkages

Company Name	DUNS	City, State
Subsidiaries		
AVISTA ENERGY, INC	01-518-0698	SPOKANE, WASHINGTON
PRENOVA, INC.	01-917-1508	ATLANTA, GEORGIA
AVISTA COMMUNICATIONS OF MONTANA, INC	06-218-3699	SPOKANE VALLEY, WASHINGTON
AVISTA COMMUNICATIOS OF IDAHO, INC	06-218-3749	SPOKANE, WASHINGTON
AVISTA COMMUNICATIONS OF WYOMING, INC	06-218-4119	SPOKANE, WASHINGTON
Branches		
ECOS IQ, INC.	01-315-3817	DURANGO, COLORADO
ECOVA, INC.	01-976-7317	PORTLAND, OREGON
AVISTA UTILITIES, INC.	02-469-8573	LEWISTON, IDAHO
AVISTA UTILITIES, INC.	03-751-9035	COEUR D ALENE, IDAHO
ADVANTAGE IQ, INC	03-802-3698	LOUISVILLE, KENTUCKY
AVISTA UTILITIES, INC.	04-052-4449	KETTLE FALLS, WASHINGTON
AVISTA CORPORATION	04-603-4094	WEST COLUMBIA, SOUTH CAROLINA
AVISTA CORPORATION	05-412-9966	SPOKANE, WASHINGTON
AVISTA UTILITIES, INC.	08-024-2014	NOXON, MONTANA
ADVANCED MANUFACTURING AND DEVELOPMENT, INC.	09-146-0357	FREMONT, CALIFORNIA
AVISTA UTILITIES	10-210-1669	RATHDRUM, IDAHO
AVISTA UTILITIES, INC.	10-591-6022	RITZVILLE, WASHINGTON
AVISTA UTILITIES INC.	12-000-5215	SPOKANE, WASHINGTON
AVISTA UTILITIES INC.	16-722-0243	OROFINO, IDAHO
AVISTA UTILITIES, INC.	17-707-9282	MEDFORD, OREGON
AVISTA UTILITIES, INC.	18-088-6251	COLFAX, WASHINGTON
AVISTA UTILITIES, INC.	18-091-1521	CLARKSTON, WASHINGTON
AVISTA UTILITIES, INC.	18-095-4141	OTHELLO, WASHINGTON
AVISTA UTILITIES, INC.	18-195-8596	BOISE, IDAHO
ADVANTAGE IQ, INC.	61-475-4831	WESTMINSTER, COLORADO
AVISTA UTILITIES, INC.	78-171-2922	DAVENPORT, WASHINGTON
AVISTA UTILITIES	78-171-3011	DEER PARK, WASHINGTON
AVISTA UTILITIES, INC.	78-171-3607	GRANGEVILLE, IDAHO
AVISTA UTILITIES	80-890-6697	SOUTH LAKE TAHOE, CALIFORNIA
ADVANCED MANUFACTURING AND DEVELOPMENT, INC	87-650-8425	WILLITS, CALIFORNIA
AVISTA UTILITIES, INC.	92-787-8652	GOLDENDALE, WASHINGTON

International Linkages

We currently don't have enough data to display this section.

RECEIVED

NOV 15 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTACHMENT 7

AVISTA CORP 10K

For the Commissions convenience, the following 10K has been shortened from its original length of approximately 125 pages to 43 pages, which only includes information specific to Applicant or necessary for the Commission to review the audited financials of Applicant. The full version may be obtained by using the following web link:

http://investor.avistacorp.com/phoenix.zhtml?c=97267&p=irol-reportsAnnual

Avista Corp. (AVA)

FILED: FEBRUARY 26, 2013

(Period: December 31, 2012) Annual report which provides a comprehensive overview of the company for the past year

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, 2012** 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
Web site: 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 Web site, 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, 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 ☐ Smaller reporting company ☐
(Do not check if a 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 $1,568,836,865 based on the last reported sale price thereof on the consolidated tape on June 30, 2012.

As of January 31, 2013, 59,851,338 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 9, 2013	Part III, Items 10, 11, 12, 13 and 14

- default or nonperformance on the part of any parties from which we purchase and/or sell capacity or energy;
- deterioration in the creditworthiness of our customers;
- potential decline in our credit ratings, with effects including impeded access to capital markets, higher interest costs, and certain ratings trigger covenants in our financing arrangements and wholesale energy contracts;
- increasing health care costs and the resulting effect on health insurance provided to our employees and retirees;
- increasing costs of insurance, more restricted coverage terms and our ability to obtain insurance;
- work force issues, including changes in collective bargaining unit agreements, strikes, work stoppages or the loss of key executives, availability of workers in a variety of skill areas, and our ability to recruit and retain employees;
- 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 technologies, possibly making some of the current technology obsolete;
- changes in tax rates and/or policies;
- changes in the payment acceptance policies of Ecova's client vendors that could reduce operating revenues;
- potential difficulties for Ecova 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; and
- 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.

Our expectations, beliefs and projections are expressed in good faith. We believe they are reasonable 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 Web site address is www.avistacorp.com. We make annual, quarterly and current reports available at our Web site as soon as practicable after electronically filing these reports with the Securities and Exchange Commission. Information contained on our Web site is not part of this report.

PART I

ITEM 1. BUSINESS

Company Overview

Avista Corporation (Avista Corp. or the Company), incorporated in the state of Washington in 1889, is an energy company engaged in the generation, transmission and distribution of energy as well as other energy-related businesses. As of December 31, 2012, we employed 1,682 people in our utility operations (prior to the voluntary severance incentive program, which resulted in the termination of 55 employees effective at the end of the day on December 31, 2012) and 1,497 people in our subsidiary businesses. See "Note 4 of the Notes to Consolidated Financial Statements" for further discussion of the voluntary severance incentive program. 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. The Inland Northwest also coincides closely with our utility service area in Washington and Idaho. Our gas utility operations also include separate service areas in southwestern Oregon.

We have two reportable business segments as follows:

- **Avista Utilities**—an operating division of Avista Corp. that comprises our regulated utility operations. Avista Utilities generates, transmits and distributes electricity and distributes natural gas. The utility also engages in wholesale purchases and sales of electricity and natural gas.
- **Ecova**—an indirect subsidiary of Avista Corp. (79.0 percent owned as of December 31, 2012) provides energy efficiency and cost management programs and services for multi-site customers and utilities throughout North America. Ecova's service lines include expense management services for utility and telecom needs as well as strategic energy management and efficiency services that include procurement, conservation, performance reporting, financial planning, facility optimization and continuous monitoring, and energy efficiency program management for commercial enterprises and utilities.

We have other businesses, including a sheet metal fabrication business, emerging technology venture fund investments and commercial real estate investments, as well as Spokane Energy, LLC (Spokane Energy). These activities do not represent a reportable business segment and are conducted by various indirect subsidiaries of Avista Corp.

Ecova and various other companies are subsidiaries of Avista Capital, Inc. (Avista Capital) which is a direct, wholly owned subsidiary of Avista Corp. Total Avista Corp. stockholders' equity was $1,259.5 million as of December 31, 2012, of which $118.7 million represented our investment in Avista Capital. Additionally, Ecova represents $73.9 million of our investment in Avista Capital.

See "Item 6. Selected Financial Data" and "Note 24 of the Notes to Consolidated Financial Statements" for information with respect to the operating performance of each business segment (and other subsidiaries).

General

Through our regulated utility operations, we generate, transmit and distribute electricity and distribute natural gas. Retail electric and natural gas customers include residential, commercial and industrial classifications. We also engage in wholesale purchases and sales of electricity and natural gas as an integral part of energy resource management and our load-serving obligation.

Our utility provides electric distribution and transmission, as well as natural gas distribution services in parts of eastern Washington and northern Idaho. We also provide natural gas distribution service in parts of northeastern and southwestern Oregon. At the end of 2012, we supplied retail electric service to 362,000 customers and retail natural gas service to 323,000 customers across our entire service territory. Our service territory covers 30,000 square miles with a population of 1.5 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

In addition to providing electric distribution and transmission services, we generate electricity from facilities that we own and we purchase capacity and energy and fuel for generation under long-term and short-term contracts. 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 our resource procurement and management operations in the electric business, we engage in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve our load obligations and the use of these resources to capture available economic value. We transact business in the wholesale markets by selling and purchasing electric capacity and energy, fuel for electric generation, and derivative instruments related to capacity, energy, transport and fuel. Such transactions are part of the process of matching resources with our 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 generating plant dispatch and scheduling available resources and also includes transactions such as:

- purchasing fuel for generation,
- when economical, selling fuel and substituting wholesale electric purchases, and
- other wholesale transactions to capture the value of generation and transmission resources and fuel delivery (transport) capacity contracts.

Our optimization process includes entering into hedging transactions to manage risks. Transactions include both physical energy contracts and related derivative instruments.

Our generation assets are interconnected through the regional transmission system and are operated on a coordinated basis to enhance load-serving capability and reliability. We provide transmission and ancillary services in eastern Washington, northern Idaho and western Montana. Transmission revenues were $12.7 million in 2012, $13.8 million in 2011 and $12.8 million in 2010.

Electric Requirements

Our peak electric native load requirement for 2012 occurred on August 7, 2012 at which time our total obligation was 2,485 MW consisting of:

- native load of 1,579 MW,
- long-term wholesale obligations of 236 MW, and
- short-term wholesale obligations of 670 MW.

At that time our maximum resource capacity available was 3,060 MW, which included:

- company-owned or controlled electric generation of 1,755 MW,
- long-term hydroelectric contracts with certain Public Utility Districts (PUDs) of 152 MW,
- long-term thermal generation contract with Lancaster Plant of 270 MW,
- other long-term wholesale contracts of 133 MW, and
- short-term wholesale purchases of 750 MW.

Historically, our peak electric native load requirement has occurred during the winter months; however, due to a weather anomaly in 2012, the peak electric native load requirement occurred during the summer period. We expect our peak electric native load requirement to occur in winter periods in the future.

Electric Resources

We have a diverse electric resource mix of Company-owned and contracted hydroelectric projects, thermal generating facilities, wind generation facilities, and power purchases and exchanges.

At the end of 2012, our Company-owned facilities had a total net capability of 1,844 MW, of which 55 percent was hydroelectric and 45 percent was thermal. See "Item 2. Properties" for detailed information on generating facilities.

Hydroelectric Resources—We own and operate six hydroelectric projects on the Spokane River and two hydroelectric projects on the Clark Fork River. Hydroelectric generation is our lowest cost source per megawatt-hour (MWh) of electricity 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 2013 (including resources purchased under long-term hydroelectric contracts with certain PUDs) is 534 average megawatts (aMW) (or 4.7 million MWhs). Hydroelectric resources provided 583 aMW for 2012, 637 aMW for 2011 and 477 aMW for 2010.

The following table shows our hydroelectric generation (in thousands of MWhs) during the year ended December 31:

	2012	2011	2010
Noxon Rapids	1,823	2,110	1,503
Cabinet Gorge	1,199	1,292	942
Post Falls	83	90	90
Upper Falls	60	73	71
Monroe Street	102	110	106
Nine Mile	106	90	101
Long Lake	513	556	480
Little Falls	202	213	201
Total company-owned hydroelectric generation	4,088	4,534	3,494
Long-term hydroelectric contracts with PUDs	1,022	1,047	685
Total hydroelectric generation	5,110	5,581	4,179

Thermal Resources—We own:

- the combined cycle combustion turbine (CT) natural gas-fired Coyote Springs 2 Generation Project (Coyote Springs 2) located near Boardman, Oregon,
- a 15 percent interest in a twin-unit, coal-fired boiler generating facility, the Colstrip 3 & 4 Generating Project (Colstrip) 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 and Kettle Falls CT).

Coyote Springs 2, which is operated by Portland General Electric Company, is supplied with natural gas under both term contracts and spot market purchases, including transportation agreements with bilateral renewal rights.

Colstrip, which is operated by PPL Montana, LLC, is supplied with fuel from adjacent coal reserves under coal supply and transportation agreements in effect through 2019.

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 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.

The following table shows our thermal generation (in thousands of MWhs) during the year ended December 31:

	2012	2011	2010
Coyote Springs 2	1,142	705	1,661
Colstrip	1,499	1,433	1,749
Kettle Falls GS	209	291	312
Northeast CT and Rathdrum CT	7	8	12
Boulder Park and Kettle Falls CT	7	10	14
Total company-owned thermal generation	2,864	2,447	3,748
Long-term contract with Lancaster Plant	1,208	835	1,410
Total thermal generation	4,072	3,282	5,158

Lancaster Plant Power Purchase Agreement—The Lancaster Plant is a 270 MW natural gas-fired combined cycle combustion turbine plant located in Idaho, owned by an unrelated third party. All of the output from the Lancaster Plant is contracted to us through 2026 under a power purchase agreement (PPA).

Palouse Wind PPA—In June 2011, we entered into a 30-year PPA with Palouse Wind, LLC (Palouse Wind), an affiliate of First Wind Holdings, LLC. Under the PPA, we acquire all of the power and renewable attributes produced by a wind project that was developed by Palouse Wind in Whitman County, Washington. The wind project has a nameplate capacity of approximately 105 MW and is expected to produce approximately 40 aMW. The project was completed and deliveries began during the fourth quarter of 2012. Generation from Palouse Wind was 61,450 MWhs in 2012. We have an annual option to purchase the wind project following the 10th anniversary of its December 2012 commercial operation date.

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 the Public Utility Regulatory Policies Act of 1978 (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 Washington Utilities and Transportation Commission (UTC) and the Idaho Public Utilities Commission (IPUC). Existing PURPA contracts expire at various times through 2022.

See "Avista Utilities Operating Statistics—Electric Operations—Electric Energy Resources" for annual quantities of purchased power, wholesale power sales and power from exchanges in 2012, 2011 and 2010. See "Electric Operations" 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" for the magnitude of these power purchase and sales contracts in future periods.

Hydroelectric Licensing

We are a licensee under the Federal Power Act as administered by the FERC, which includes regulation of hydroelectric generation resources. Excluding the Little Falls Hydroelectric Generating Project, 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 Federal Power Act. These provisions include payment for headwater benefits, condemnation of licensed projects upon payment of just compensation, and take-over 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.

The Cabinet Gorge Hydroelectric Generating Project (Cabinet Gorge) and the Noxon Rapids Hydroelectric Generating Project (Noxon Rapids) are under one 45-year FERC license issued in March 2001. See "Cabinet Gorge Total Dissolved Gas Abatement Plan" in "Note 21 of the Notes to Consolidated Financial Statements" for discussion of dissolved atmospheric gas levels that exceed state of Idaho and federal water quality standards downstream of Cabinet Gorge during periods when we must divert excess river flows over the spillway and 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. For further information see "Spokane River Licensing" in "Note 21 of the Notes to Consolidated Financial Statements."

Future Resource Needs

We have 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 1,075 aMW in 2012, 1,096 aMW in 2011 and 1,075 aMW in 2010.

The following is a forecast of our average annual energy requirements and resources for 2013, 2014, 2015 and 2016:

FORECASTED ELECTRIC ENERGY REQUIREMENTS AND RESOURCES (aMW)

	2013	2014	2015	2016
Requirements:				
System load (1)	1,067	1,054	1,067	1,079
Contracts for power sales	128	109	58	49
Total requirements	1,195	1,163	1,125	1,128
Resources:				
Company-owned and contract hydro generation (2)	534	535	504	504
Company-owned and contract thermal generation (3)	704	704	725	718
Other contracts for power purchases	194	162	161	160
Total resources	1,432	1,401	1,390	1,382
Surplus resources	237	238	265	254
Additional available energy (4)	149	153	139	154
Total surplus resources	386	391	404	408

(1) *System load is reduced in 2013 because a large industrial customer will begin generating electricity to meet a portion of its own load after June 30, 2013. The full impact of this load change culminates in 2014 when load is reduced for 12 calendar months.*

(2) *The forecast assumes near normal hydroelectric generation (decline in 2015 and 2016 is due to changes in contracts with PUDs).*

(3) *Includes our long-term contract with the Lancaster Plant. Excludes Northeast CT and Rathdrum CT as these are considered peaking facilities and are generally not used to meet our base load requirements. We generally dispatch thermal resources when operating costs are lower than short-term wholesale market prices.*

(4) *Northeast CT and Rathdrum CT. The combined maximum capacity of the Northeast CT and Rathdrum CT is 243 MW, with estimated available energy production as indicated for each year.*

In August 2011, we filed our 2011 Electric Integrated Resource Plan (IRP) with the UTC and the IPUC. 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 2011 IRP include:

- A contract for the 105 MW Palouse Wind, LLC project, which provides a new resource to serve our customers' increasing energy needs. Commercial operations began on December 13, 2012.
- An additional 42 aMW of wind or other renewable beginning in 2021.
- Energy efficiency measures are expected to save 310 aMW of cumulative energy over the 20-year IRP timeframe. This aggressive effort could reduce load growth to half of what it would be without these measures.
- 750 MW of new natural gas-fired generation facilities are anticipated in two or three increments between 2018 and 2031.
- Grid modernization programs are projected to save 5 aMW of energy by 2013.
- Transmission upgrades will be needed to deliver the energy from new generation resources to the distribution lines serving customers. We will continue to participate in regional efforts to expand the region's transmission system.

We are required to file an IRP every two years with the next IRP expected to be filed during the third quarter of 2013. Our resource strategy may change from the 2011 IRP based on market, legislative and regulatory developments, etc.

We are subject to the Washington state Energy Independence Act, which includes renewable energy portfolio standards and we must obtain a portion of our electricity from qualifying renewable resources or through purchase of renewable energy credits. Future generation resource decisions will be impacted by legislation for restrictions on greenhouse gas emissions and renewable energy requirements.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Environmental Issues and Other Contingencies" for information related to existing laws, as well as potential legislation that could influence our future electric resource mix.

Natural Gas Operations

General—We provide 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. To provide reliable supply and to manage the impact of volatile prices on our customers, we procure natural gas through a diversified mix of spot market purchases, forward fixed price purchases, and derivative instruments from various supply basins and over various time periods. We also use natural gas storage capacity to support high demand periods and to procure natural gas when prices may be seasonally lower. Securing prices throughout the year and even into subsequent years mitigates potential adverse impacts of significant purchase requirements in a volatile price environment.

Natural gas loads are highly variable and daily natural gas loads can differ significantly from the monthly 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 significant portion of our projected natural gas requirements through forward market transactions and derivative instruments. These transactions may extend for multiple years into the future with the highest volumes hedged for the current and most immediate upcoming natural gas operating year (November through October). We also leave a significant portion of our natural gas supply requirements unhedged for purchase in short-term and spot markets.

As part of the process of balancing natural gas retail load requirements with resources, we engage in wholesale purchases and sales of natural gas. We plan for sufficient natural gas delivery capacity to serve our retail customers on a theoretical peak day. As such, we generally have more pipeline and storage capacity than what is needed, during periods other than a peak day. We optimize natural gas resources by using market opportunities to generate economic value that partially offsets net natural gas costs. Wholesale sales are delivered through wholesale market facilities outside of our natural gas distribution system and, when feasible, physical delivery may be avoided through offsetting purchase and sale book-out arrangements. Natural gas resource optimization activities include, but are not limited to:

- wholesale market sales of surplus natural gas supplies, and
- purchases and sales of natural gas to optimize use of pipeline and storage capacity.

We also provide transportation service to certain large commercial and industrial natural gas customers who purchase natural gas through third-party marketers. For these customers, we move their natural gas from natural gas transmission pipeline delivery points through our distribution system to the customers' premises.

Natural Gas Supply—We purchase all of our natural gas in wholesale markets. We are connected to multiple supply basins in the western United States and western Canada through firm capacity delivery rights on six 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 delivery rights provide the capacity to serve approximately 25 percent of peak natural gas customer demands from domestic sources, and 75 percent from Canadian sources. 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 source mix to vary.

Natural Gas Storage—We own a one-third interest in the Jackson Prairie Natural Gas Storage Project (Jackson Prairie), an underground natural gas storage field located near Chehalis, Washington. Jackson Prairie has a total peak day deliverability of 11.5 million therms, with a total working natural gas capacity of 253 million therms. Our share of the peak day deliverability and total working capacity is one-third of these.

Natural gas storage enables us to place natural gas into storage when prices may be lower or to satisfy minimum natural gas purchasing requirements, as well as to meet high demand periods or to withdraw natural gas from storage when spot prices are higher.

Natural Gas Pipeline Replacement—In 2011, we began implementation of a plan to replace certain vintages of Aldyl A natural gas pipe within its distribution systems in Washington, Oregon and Idaho. In early 2012, we released our protocol report to each state Commission describing our Aldyl A natural gas pipe replacement plan across its natural gas system. Later in 2012, after technical workshops held by the UTC to gather perspectives on pipeline replacement programs, including the need for expedited cost recovery, the UTC required all natural gas utilities operating in Washington to file applicable replacement plans with the Commission. We subsequently filed our protocol report with the UTC proposing to replace our Aldyl A natural gas pipe at a cost of approximately $10 million per year, indexed to inflation, across our three state jurisdictions over a 20-year period. We expect to receive cost recovery for these capital expenditures from the three jurisdictions over the subsequent future life of these assets.

Regulatory Issues

General—As a public utility, we are 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, the IPUC, the Public Utility Commission of Oregon (OPUC), and the Public Service Commission of the State of Montana (Montana Commission). Approval of the issuance of securities is not required from the Montana Commission. We are also subject to the jurisdiction of the FERC for licensing of hydroelectric generation resources, and for electric transmission services and wholesale sales.

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 determined on a "cost of service" basis.

Rates are designed to provide an opportunity for us to recover allowable operating expenses and earn 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 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 among five regulatory jurisdictions: electric in Washington and Idaho, and natural gas in Washington, Idaho and Oregon. In general, a request for new rates in Washington and Idaho is made on the basis of net investment as of a date, and operating expenses and revenues for a test year that ended prior to the date of the request, plus certain adjustments designed to reflect expected revenues, expenses and net investment during the period new retail rates will be in effect. Although the current ratemaking process in these states provides recovery of some future changes in net investment, operating costs and revenues, it does not reflect all changes in costs for the period in which new retail rates will be in place. This historically has resulted in a lag between the time we incur costs and the time when we start recovering the costs through subsequent changes in rates. Oregon currently allows a forecasted test year, which generally is more effective in providing timely recovery of costs.

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 23 of the Notes to Consolidated Financial Statements" for additional information about regulation, depreciation and deferred income taxes.

General Rate Cases—We regularly review 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 of Financial Condition and Results of Operations—Avista Utilities—Regulatory Matters—General Rate Cases" for information on general rate case activity.

Power Cost Deferrals—We defer 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 of Financial Condition and Results of Operations—Avista Utilities—Regulatory Matters—Power Cost Deferrals and Recovery Mechanisms" and "Note 23 of the Notes to Consolidated Financial Statements" for detailed information on power cost deferrals and recovery mechanisms in Washington and Idaho.

Purchased Gas Adjustment (PGA)—Under established regulatory practices in each state, we are allowed to adjust natural gas rates periodically (with regulatory approval) to reflect increases or decreases in the cost of natural gas purchased. Differences between actual natural gas costs and the natural gas costs included in retail rates are deferred during the period the differences are incurred. During the subsequent period when regulators approve inclusion of the cost changes in rates, any amounts that were previously deferred are charged or credited to expense. We typically propose such PGAs at least once per year. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Avista Utilities—Regulatory Matters—Purchased Gas Adjustments" and "Note 23 of the Notes to Consolidated Financial Statements" for detailed information on natural gas cost deferrals and recovery mechanisms in Washington, Idaho and Oregon.

Federal Laws Related to Wholesale Competition

Federal law promotes practices that open the electric wholesale energy market to competition. 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 Federal Power Act 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 of Financial Condition and Results of Operations—Competition" for further information.

Regional Transmission Organizations

Beginning with FERC Orders No. 888 and No. 2000 (issued in 2000) and continuing with subsequent rulemakings and policies (including the Variable Energy Resource Order No. 764 and the Transmission Planning and Cost Allocation Order No. 1000), 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 (RTO) such as an independent system operator (ISO). While it has not mandated RTO formation, the FERC has issued orders and made public policy statements indicating its support for the development and formation of independent organizations, including those intended to implement a number of regional transmission planning coordination requirements.

We have participated in discussions with transmission providers and other stakeholders in the Pacific Northwest for several years regarding the possible formation of an ISO in the region. ColumbiaGrid is a Washington nonprofit membership corporation with an independent slate of directors formed to improve the operational efficiency, reliability, and planned expansion of the transmission grid in the Pacific Northwest and we became a member of ColumbiaGrid in 2006 during its formation. ColumbiaGrid is not an ISO, but performs limited functions as set forth in specific agreements with ColumbiaGrid members and other stakeholders, and fills the role of coordinating Avista's regional planning as required in Order No. 1000 and any clarifying Orders. ColumbiaGrid and its members also work with other western organizations to address operational efficiencies, including WestConnect and the Northern Tier Transmission Group (NTTG). We became a registered Planning Participant of the NTTG during 2011. 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.

The FERC requires RTOs to provide various data and is currently requesting non-RTO regions to report similar data for the purpose of establishing performance metrics. We expect the FERC to use this data to compare RTO and non-RTO regions. We cannot foresee what policy objectives the FERC may develop as a result of establishing such performance metrics.

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 fines for non-compliance with these standards and other FERC regulations.

The FERC certified the North American Electricity Reliability Corporation (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 has approved 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 June 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.

Avista Utilities Electric Operating Statistics
Years Ended December 31,

	2012	2011	2010
Electric Operations			
Operating Revenues (Dollars in Thousands):			
Residential	$ 315,137	$ 324,835	$ 296,627
Commercial	286,568	280,139	265,219
Industrial	119,589	122,560	114,792
Public street and highway lighting	7,240	6,941	6,702
Total retail	728,534	734,475	683,340
Wholesale	102,736	78,305	165,553
Sales of fuel	115,835	153,470	106,375
Other	21,067	21,937	19,015
Total electric operating revenues	$ 968,172	$ 988,187	$ 974,283
Energy Sales (Thousands of MWhs):			
Residential	3,608	3,728	3,618
Commercial	3,127	3,122	3,100
Industrial	2,100	2,147	2,099
Public street and highway lighting	26	26	26
Total retail	8,861	9,023	8,843
Wholesale	3,733	2,796	3,803
Total electric energy sales	12,594	11,819	12,646
Energy Resources (Thousands of MWhs):			
Hydro generation (from Company facilities)	4,088	4,534	3,494
Thermal generation (from Company facilities)	2,864	2,447	3,748
Purchased power—hydro generation from long-term contracts with PUDs	1,022	1,047	685
Purchased power—thermal generation from long-term contracts with Lancaster plant	1,208	835	1,410
Purchased power—wholesale	4,056	3,553	3,905
Power exchanges	(10)	(24)	(15)
Total power resources	13,228	12,392	13,227
Energy losses and Company use	(634)	(573)	(581)
Total energy resources (net of losses)	12,594	11,819	12,646
Number of Retail Customers (Average for Period):			
Residential	318,692	316,762	315,283
Commercial	39,869	39,618	39,489
Industrial	1,395	1,380	1,376
Public street and highway lighting	503	455	449
Total electric retail customers	360,459	358,215	356,597
Residential Service Averages:			
Annual use per customer (kWh)	11,323	11,769	11,476
Revenue per kWh (in cents)	8.73	8.71	8.20
Annual revenue per customer	$ 988.84	$ 1,025.48	$ 940.83
Average Hourly Load (aMW)	1,075	1,096	1,075

Avista Utilities Electric Operating Statistics
Years Ended December 31,

	2012	2011	2010
Electric Operations (continued)			
Requirements and Resource Availability at time of system peak (MW):			
Total requirements (winter):			
Retail native load	1,554	1,669	1,704
Wholesale obligations	637	712	803
Total requirements (winter)	2,191	2,381	2,507
Total resource availability (winter)	2,618	2,923	2,905
Total requirements (summer):			
Retail native load	1,579	1,535	1,556
Wholesale obligations	906	472	822
Total requirements (summer)	2,485	2,007	2,378
Total resource availability (summer)	3,060	2,370	2,662
Cooling Degree Days:[1]			
Spokane, WA			
Actual	535	426	380
30-year average	434	434	434
% of average	123%	98%	88%
Heating Degree Days:[2]			
Spokane, WA			
Actual	6,256	6,861	6,320
30-year average	6,676	6,647	6,647
% of average	94%	103%	95%

(1) 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).

(2) 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).

Avista Utilities Natural Gas Operating Statistics
Years Ended December 31,

	2012	2011	2010
Natural Gas Operations			
Operating Revenues (Dollars in Thousands):			
Residential	$ 196,719	$ 219,557	$ 193,169
Commercial	98,994	111,964	98,257
Interruptible	2,232	2,519	2,738
Industrial	3,635	4,180	3,756
Total retail	301,580	338,220	297,920
Wholesale	158,631	195,882	197,364
Transportation	7,032	6,709	6,470
Other	6,930	7,414	9,495
Total natural gas operating revenues	$ 474,173	$ 548,225	$ 511,249
Therms Delivered (Thousands of Therms):			
Residential	189,152	207,202	188,546
Commercial	115,083	125,344	113,422
Interruptible	4,363	4,503	4,443
Industrial	5,073	5,654	5,312
Total retail	313,671	342,703	311,723
Wholesale	586,193	510,755	468,887
Transportation	154,704	152,515	142,093
Interdepartmental and Company use	381	440	393
Total therms delivered	1,054,949	1,006,413	923,096
Sources of Natural Gas Delivered (Thousands of Therms):			
Purchases	919,684	877,290	787,836
Storage—injections	(105,904)	(109,782)	(86,750)
Storage—withdrawals	93,850	94,504	83,333
Natural gas for transportation	154,704	152,515	142,093
Distribution system losses	(7,385)	(8,114)	(3,416)
Total natural gas delivered	1,054,949	1,006,413	923,096
Number of Retail Customers (Average for Period):			
Residential	286,522	284,504	282,721
Commercial	33,763	33,540	33,431
Interruptible	38	38	38
Industrial	263	255	254
Total natural gas retail customers	320,586	318,337	316,444
Residential Service Averages:			
Annual use per customer (therms)	660	728	667
Revenue per therm (in dollars)	$ 1.04	$ 1.06	$ 1.02
Annual revenue per customer	$ 686.57	$ 771.72	$ 683.25

Avista Utilities Natural Gas Operating Statistics
Years Ended December 31,

	2012	2011	2010
Natural Gas Operations (continued)			
Heating Degree Days:[1]			
Spokane, WA			
Actual	6,256	6,861	6,320
30-year average	6,676	6,647	6,647
% of average	94%	103%	95%
Medford, OR			
Actual	4,182	4,634	4,119
30-year average	4,422	4,402	4,402
% of average	95%	105%	94%

(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).

Ecova

Ecova provides sustainable utility expense management and energy management solutions to multi-site companies across North America. Ecova's invoice processing, auditing and payment services, coupled with energy procurement, comprehensive reporting and advanced analysis, provide the critical data clients need to help balance the financial, social and environmental aspects of doing business.

As part of the expense management services, Ecova analyzes and audits invoices, then presents consolidated bills on-line, and processes payments. Information gathered from invoices, providers and other customer-specific data allows Ecova to provide its clients with in-depth analytical support, real-time reporting and consulting services.

Ecova also provides a wide array of energy efficiency program management services to utilities across North America. As part of these management services, Ecova helps utilities develop and execute energy efficiency programs and can provide utilities with a complete turn-key solution.

The following table presents key statistics for Ecova:

	2012	2011	2010
Expense management customers at year-end	740	645	534
Billed sites at year-end	697,076	496,842	360,596
Dollars of customer bills processed (in billions)	$ 19.4	$ 18.3	$ 17.3

Ecova's growth over the last several years in the key statistics listed above can be attributed to a combination of strategic acquisitions, new services and growth among existing customers, additional customers, and a high customer retention rate. On December 31, 2010, Ecova acquired The Loyalton Group, a Minneapolis-based energy management firm that provided energy procurement and price risk management solutions. In January 2011, Ecova acquired Building Knowledge Networks, a Seattle-based real-time building energy management services provider. In November 2011, Ecova acquired Prenova, an energy management company headquartered in Atlanta, Georgia. In January 2012, Ecova acquired LPB Energy Management (LPB), an energy management company headquartered in Dallas, Texas.

The noncontrolling interest of Ecova (which was 21.0 percent as of December 31, 2012) is primarily held by the previous owners of Cadence Network, a company acquired by Ecova in 2008.

Other Businesses

The following table shows our assets related to our other businesses as of December 31 (dollars in thousands):

	2012	2011
Spokane Energy	$ 54,235	$ 66,317
Avista Energy	12,549	12,678
METALfx	11,273	11,919
Steam Plant and Courtyard Office Center	7,122	7,396
Other	10,459	13,835
Total	$ 95,638	$ 112,145

Spokane Energy is a special purpose limited liability company and all of its membership capital is owned by Avista Corp. Spokane Energy was formed in December 1998, to assume ownership of a fixed rate electric capacity contract between Avista Corp. and Portland General Electric Company. Of the total assets for Spokane Energy, the fixed rate electricity capacity contract represents $52.0 million and $62.5 million for 2012 and 2011, respectively and the likelihood of this asset being at risk of impairment is remote. In addition to the assets above, Spokane Energy also has nonrecourse long-term debt outstanding in the amount of $32.8 million and $46.5 million at December 31, 2012 and 2011, respectively, related to the acquisition of the fixed rate electric capacity contract. The final payment is due in January 2015 and Spokane Energy bears full recourse risk for the debt. See "Note 14 of the Notes to the Consolidated Financial Statements" for further discussion regarding this debt.

Avista Energy is a former electricity and natural gas marketing, trading and resource management business, which was a subsidiary of Avista Capital. This subsidiary has not been active since 2009; however, it continues to incur legal fees as it defends its actions related to several legal proceedings including the Federal Energy Regulatory Commission Inquiry, the California Refund Proceeding, the Pacific Northwest Refund Proceeding, and the California Attorney General Complaint (the "Lockyer Complaint"). See "Note 21 of the Notes to the Consolidated Financial Statements" for further detail regarding these legal proceedings. The assets associated with Avista Energy are deferred tax assets related to its former operations.

Advanced Manufacturing and Development (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.

Steam Plant and Courtyard Office Center consist of real estate investments (primarily commercial office buildings).

Our other investments and operations include:

- emerging technology venture capital funds, and
- residual ownership of a fuel cell business that was previously a subsidiary of the Company.

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.

We are focused on discovering new ways to accelerate growth for Avista Corp. within and adjacent to our core utility business and are planning to spend $2.0 million to $3.0 million in 2013 exploring opportunities to develop new markets and ways for customers to use electricity and natural gas for commercial productivity and transportation. We may also make other targeted investments that will help us gain strategic insights to build new growth platforms.

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 actual results or outcomes to differ materially from those discussed in our reports filed with the Securities and Exchange Commission (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.

Weather (temperatures, precipitation levels and storms) has a significant effect on our results of operations, financial condition and cash flows.

Weather impacts are described in the following subtopics:

- retail electricity and natural gas sales,
- the cost of natural gas supply,
- the cost of power supply, and
- damages to facilities.

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 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 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 have generally been 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.

The cost of power supply can be significantly impacted 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 to a greater extent each year based on wind patterns as wind generation facilities have grown significantly in the region.

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.

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.

Damages to facilities may be caused by severe weather, such as snow, ice or wind storms. The cost to implement rapid repair to such facilities can be significant. Overhead electric lines are most susceptible to such severe weather. Collateral damage from utility assets that are damaged by external forces may result in third-party claims against the Company for property damage and/or personal injuries.

Regulators may not grant rates that provide timely or sufficient recovery of our costs or allow a reasonable rate of return for our shareholders.

We have experienced higher costs for utility operations in each of the last several years. We have also made significant capital investments into utility plant assets. Our ability to recover these 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 costs and provide an opportunity to earn a reasonable rate of return for shareholders. If regulators grant substantially lower rate increases than our requests in the future or if deferred costs are disallowed, it could have a negative effect on our operating revenues, net income and cash flows. In addition, provisions to our approved settlement in the Washington general rate cases in 2012 and our proposed settlement to the Idaho general rate cases in 2013, do not prevent us from filing general rate cases in these two jurisdictions in 2014; however, new rates from these general rate case filings would not take effect prior to January 1, 2015.

Energy commodity price changes affect our cash flows and results of operations.

Energy commodity prices can be quite volatile. A combination of factors exposes our operations to commodity price risks. We rely on energy markets and other counterparties for energy supply, surplus and optimization transactions and commodity price hedging. These factors include:

- 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 nature of the energy-producing assets or through contractual arrangements. However, a significant portion of our energy resource costs are not fixed.

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 most of this difference for review by the regulatory commissions 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.

We defer income statement recognition and recovery from customers of certain power and natural gas costs that are higher or lower than what is currently authorized in retail rates by regulators. These power and natural gas costs 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.

Despite the opportunity to recover deferred power and natural gas costs, our operating cash flows can be negatively affected until these costs are recovered from customers.

Our energy resource risk management processes can cause volatility in our cash flows and results of operations.

We engage in active hedging and resource optimization practices but we cannot and do not attempt to fully hedge our energy resource assets or our forecasted net positions for various time horizons. 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 cover the entire market price volatility exposure for our forecasted net positions. 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 the 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.

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 is scheduled to expire in February 2017. There is no assurance that we will have access to credit beyond the expiration date. The committed line of credit agreement contains customary covenants and default provisions. In the event of 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.

In July 2012, Ecova entered into a $125.0 million committed line of credit agreement with various financial institutions that replaced its $60.0 million committed line of credit agreement and has an expiration date of July 2017. There is no assurance that we will have access to credit beyond the expiration date. The committed line of credit agreement contains customary covenants and default provisions, and based on certain covenant conditions contained in the credit agreement, at December 31, 2012, Ecova could borrow an additional $5.6 million and still be compliant with the covenants. The covenant restrictions are calculated on a rolling twelve month basis, so this additional borrowing capacity could increase or decrease or Ecova could be required to pay down the outstanding debt as future results change. See further discussion of the specific covenants in "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations—Ecova Credit Agreement." In the event of default, it would be difficult for Ecova to obtain financing on reasonable terms to pay creditors or fund operations.

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.

We are subject to various operational and event risks that are associated with the utility industry.

Our utility operations are subject to operational and event risks that include:

- blackouts or disruptions to distribution, transmission or transportation systems,
- forced 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, and
- natural disasters that can disrupt energy generation, transmission and distribution.

As protection against operational and event risks, we 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.

Ecova may be unable to attain the level or timeliness of growth we expect.

Ecova's operations involve several recent acquisitions and may include other acquisitions as opportunities warrant. There are various uncertainties involved with assimilating acquired operations, achieving revenue growth and operating synergies in acquired operations. Ecova's organic growth and its ability to manage costs with the dynamics of growth and emerging business processes make it more difficult to accurately forecast cash flows and results of operations. As a result, earnings may be more volatile and cash flows may be irregular in this business segment.

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. 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. Any failure of technology systems 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 information or other proprietary data that could adversely affect our reputation and result in costly litigation. 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.

We are currently the subject of several regulatory proceedings, and we are named in multiple lawsuits related to our participation in western energy markets.

Through our utility operations and the prior operations of Avista Energy, we are involved in a number of legal and regulatory proceedings and complaints related to energy markets in the western United States.

Most of these proceedings and complaints relate to the significant increase in the spot market price of energy in 2000 and 2001. This allegedly contributed to or caused unjust and unreasonable prices. These proceedings and complaints include, but are not limited to:

- refund proceedings in California and the Pacific Northwest,
- market conduct investigations by the FERC, and
- complaints filed by various parties related to alleged misconduct by parties in western power markets.

As a result of these proceedings and complaints, certain parties have asserted claims for significant refunds and damages from us, which could result in a negative effect on our results of operations and cash flows. See "Note 21 of the Notes to Consolidated Financial Statements" for further information.

There have been numerous recent changes in legislation, related administrative rulemaking, 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 may 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 long-term global climate changes may affect our operations and financial performance.

Legislative developments and advocacy at the state, national and international levels concerning climate change and other environmental issues may have significant impacts on our operations. The electric utility industry is one of the largest and most immediate industries to be more heavily regulated in some proposals. For example, various legislative proposals have been made to limit or place further restrictions on byproducts of combustion, including sulfur dioxide, nitrogen oxide, carbon dioxide, and other greenhouse gases and mercury emissions. Such proposals, if adopted, could restrict the operation and raise the cost of our power generation resources.

We expect continuing activity in the future and we are evaluating the extent that 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, and
- require construction of specific types of generation plants at higher cost.

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 21 of the Notes to Consolidated Financial Statements" for further details of these matters.

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 Securities and Exchange Commission.

ITEM 6.

Selected Financial Data

Avista Corporation
(in thousands, except per share data and ratios)
Years Ended December 31,

	2012	2011	2010	2009	2008
Operating Revenues:					
Avista Utilities	$ 1,354,185	$ 1,443,322	$ 1,419,646	$ 1,395,201	$ 1,572,664
Ecova	155,664	137,848	102,035	77,275	59,085
Other	38,953	40,410	61,067	40,089	45,014
Intersegment eliminations	(1,800)	(1,800)	(24,008)	—	—
Total	$ 1,547,002	$ 1,619,780	$ 1,558,740	$ 1,512,565	$ 1,676,763
Income (Loss) from Operations (pre-tax):					
Avista Utilities[3]	$ 188,778	$ 202,373	$ 198,200	$ 188,511	$ 170,067
Ecova	2,972	20,917	15,865	11,603	11,297
Other[3]	(1,680)	4,714	5,669	(7,103)	(1,454)
Total	$ 190,070	$ 228,004	$ 219,734	$ 193,011	$ 179,910
Net income	$ 78,800	$ 103,539	$ 94,948	$ 88,648	$ 74,757
Net income attributable to noncontrolling interests	$ (590)	$ (3,315)	$ (2,523)	$ (1,577)	$ (1,137)
Net Income (Loss) Attributable to Avista Corporation shareholders:					
Avista Utilities	$ 81,704	$ 90,902	$ 86,681	$ 86,744	$ 70,032
Ecova	1,825	9,671	7,433	5,329	6,090
Other	(5,319)	(349)	(1,689)	(5,002)	(2,502)
Total	$ 78,210	$ 100,224	$ 92,425	$ 87,071	$ 73,620
Average common shares outstanding—basic	59,028	57,872	55,595	54,694	53,637
Average common shares outstanding—diluted	59,201	58,092	55,824	54,942	54,028
Common shares outstanding at year-end	59,813	58,423	57,120	54,837	54,488
Earnings per Common Share Attributable to Avista Corporation shareholders:					
Diluted	$ 1.32	$ 1.72	$ 1.65	$ 1.58	$ 1.36
Basic	$ 1.32	$ 1.73	$ 1.66	$ 1.59	$ 1.37
Dividends paid per common share	$ 1.16	$ 1.10	$ 1.00	$ 0.81	$ 0.69
Book value per common share at year-end	$ 21.06	$ 20.30	$ 19.71	$ 19.17	$ 18.30
Total Assets at Year-End:					
Avista Utilities	$ 3,894,821	$ 3,809,446	$ 3,589,235	$ 3,400,384	$ 3,434,844
Ecova	322,720	292,940	221,086	143,060	125,911
Other	95,638	112,145	129,774	63,515	69,992
Total	$ 4,313,179	$ 4,214,531	$ 3,940,095	$ 3,606,959	$ 3,630,747
Long-Term Debt (including current portion)	$ 1,228,739	$ 1,177,300	$ 1,101,857	$ 1,071,338	$ 826,465
Nonrecourse Long-Term Debt of Spokane Energy (including current portion)[1]	$ 32,803	$ 46,471	$ 58,934	$ —	$ —
Long-Term Debt to Affiliated Trusts	$ 51,547	$ 51,547	$ 51,547	$ 51,547	$ 113,403
Total Avista Corporation Stockholders' Equity	$ 1,259,477	$ 1,185,701	$ 1,125,784	$ 1,051,287	$ 996,883
Ratio of Earnings to Fixed Charges[2]	2.47	3.06	2.86	2.95	2.43

(1) Spokane Energy was consolidated effective January 1, 2010. See "Note 3 of the Notes to Consolidated Financial Statements."

(2) See Exhibit 12 for computations.

(3) Includes an immaterial correction of an error related to the reclassification of certain operating expenses from other expense-net to other operating expenses. This correction did not have an impact on net income or earnings per share. See "Note 1 of the Notes to Consolidated Financial Statements" for further information regarding this reclassification.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Segments

We have two reportable business segments as follows:

- **Avista Utilities**—an operating division of Avista Corp. that comprises our regulated utility operations. Avista Utilities generates, transmits and distributes electricity and distributes natural gas. The utility also engages in wholesale purchases and sales of electricity and natural gas.
- **Ecova**—an indirect subsidiary of Avista Corp. (79.0 percent owned as of December 31, 2012) provides energy efficiency and cost management programs and services for multi-site customers and utilities throughout North America. Ecova's service lines include expense management services for utility and telecom needs as well as strategic energy management and efficiency services that include procurement, conservation, performance reporting, financial planning, facility optimization and continuous monitoring, and energy efficiency program management for commercial enterprises and utilities.

We have other businesses, including sheet metal fabrication, venture fund investments and real estate investments, as well as certain other operations of Avista Capital. 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.

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):

	2012	2011	2010
Avista Utilities	$ 81,704	$ 90,902	$ 86,681
Ecova	1,825	9,671	7,433
Other	(5,319)	(349)	(1,689)
Net income attributable to Avista Corporation shareholders	$ 78,210	$ 100,224	$ 92,425

Executive Level Summary

Overall

Net income attributable to Avista Corporation shareholders was $78.2 million for 2012, a decrease from $100.2 million for 2011. This was due to a decrease in earnings at each of our businesses. Earnings at Avista Utilities decreased primarily due to reduced retail loads during the first and fourth quarters of the year (as a result of warmer weather) and due in part to lower usage at certain industrial customers, due to temporary operational challenges. In addition, there were increases in other operating expenses (including costs under a voluntary severance incentive program), and depreciation and amortization, partially offset by the implementation of general rate increases. Net income at Ecova decreased as revenue growth for the expense and data management services and energy management services at Ecova was not as high as expected and did not offset increased operating costs. In addition, Ecova's earnings were reduced by increased costs associated with completing and integrating the acquisitions of Prenova and LPB and an increase in depreciation and amortization. Net income at other subsidiaries decreased due losses on investments, inclusive of an impairment loss recognized during the third quarter, increased costs associated with strategic consulting and other corporate costs, and increased litigation costs related to the previous operations of Avista Energy. These losses were partially offset by positive earnings at METALfx. These results, including a quantification of their respective impacts, are discussed in detail below.

Avista Utilities

Avista Utilities is our most significant business segment. Our utility financial performance is dependent upon, among other things:

- weather conditions,
- regulatory decisions, allowing our utility to recover costs, including purchased power and fuel costs, on a timely basis, and to earn a reasonable return on investment,
- the price of natural gas in the wholesale market, including the effect on the price of fuel for generation, and
- the price of electricity in the wholesale market, including the effects of weather conditions, natural gas prices and other factors affecting supply and demand.

Based on our forecasts for our utility operations for 2013 through 2016, we expect annual electric customer growth to average 0.7 percent to 1.3 percent per year and annual natural gas customer growth to average 0.7 percent to 1.8 percent within our service area. We anticipate retail electric load growth to average between 0.7 percent and 1.0 percent and natural gas load growth to average between 0.7 percent and 1.4 percent. We anticipate customer and load growth at the lower end of the range in 2013 and a modest recovery as the economy strengthens during the four-year period. While the number of electric and natural gas customers is growing, the average annual usage by each residential customer has not changed significantly. For further discussion regarding utility customer growth, load growth, and the general economic conditions in our service territory, see "Economic Conditions and Utility Load Growth".

In our utility operations, we regularly review the need for rate changes in each jurisdiction to improve the recovery of costs and capital investments in our generation, transmission and distribution systems. General rate increases went into effect in Idaho on October 1, 2011, in Washington on January 1, 2012, and in Oregon effective March 15, 2011, June 1, 2011 and June 1, 2012. On October 11, 2012 we filed electric and natural gas general rate increase requests in Idaho, which are currently the subject of a settlement that is before the IPUC for approval (see discussion below under "Idaho General Rate Cases"). In December 2012, the UTC approved a settlement agreement in our Washington general rate cases, which were originally filed on April 2, 2012, that provides for electric and natural gas rate increases effective January 1, 2013 and January 1, 2014.

We are making significant capital investments in generation, transmission and distribution systems to preserve and enhance service reliability for our customers and replace aging infrastructure. Utility capital expenditures were $271.2 million for 2012. We expect utility capital expenditures to be about $260 million for each of 2013 and 2014.

These estimates of capital expenditures are subject to continuing review and adjustment (see discussion under "Avista Utilities Capital Expenditures").

On October 22, 2012, we announced a voluntary severance incentive program to reduce our total utility workforce and achieve necessary long-term, sustainable, Company-wide savings, in addition to other cost saving measures.

Based on the response to the program by interested employees and the approvals by Company management the program resulted in the termination of 55, or approximately 6 percent, of the eligible 919 non-union employees, and the total severance costs under the program were $7.3 million (pre-tax). The long-term operating and maintenance cost savings under the program are expected to exceed the severance costs of the program and the expected payback period for the severance costs will be approximately 1.4 years.

All terminations under the voluntary severance incentive program were completed by December 31, 2012. The cost of the program was recognized as expense during the fourth quarter of 2012 and severance pay was distributed in a single lump sum cash payment to each participant during January 2013.

An agreement with one of our largest electric customers, which consumes approximately 100 aMWs per year, is expiring on June 30, 2013. We are currently renegotiating a new agreement with this customer that is expected to become effective July 1, 2013. The new agreement will be subject to approval from the IPUC once it is finalized. We would expect to receive regulatory recovery of any changes in costs or revenues related to the agreement.

Ecova

On November 30, 2011, Ecova acquired Prenova, an Atlanta-based energy management company. The cash paid for the acquisition of Prenova of $35.7 million was funded primarily through borrowings under Ecova's committed credit agreement.

On January 31, 2012, Ecova acquired LPB, a Dallas-based energy management company. The cash paid for the acquisition of LPB of $50.6 million was funded by Ecova through $25.0 million of borrowings under its committed credit agreement, a $20.0 million equity infusion from existing shareholders (including Avista Capital and the other owners of Ecova), and available cash.

While these acquisitions have grown the overall cost structure for Ecova for 2012, they have also increased both operating revenues and Ecova's market share and will allow Ecova to offer its clients a broader range of services which should lead to potential future earnings growth as the acquisitions are integrated with Ecova's operations.

The acquisition of Cadence Network in July 2008 was funded by issuing additional Ecova common stock. Under the transaction agreement, the previous owners of Cadence Network had a right to have their shares of Ecova common stock redeemed by Ecova during July 2011 or July 2012 if their investment in Ecova was not liquidated through either an initial public offering or sale of the business to a third party. These redemption rights were not exercised and expired effective July 31, 2012 and were reclassified to permanent equity, which resulted in a decrease of $41.6 million in redeemable noncontrolling interests from December 31, 2011.

The value of the remaining redeemable noncontrolling interests in Ecova associated with redeemable stock options and other outstanding redeemable stock was $4.9 million at December 31, 2012, a decrease from $12.9 million at December 31, 2011. Options are valued at their maximum redemption amount which is equal to their intrinsic value (fair value less exercise price). During 2012, the estimated fair value of Ecova common stock decreased such that it is closer to the exercise price of the options which reduced the overall value of the redeemable noncontrolling interests down to their current value.

Ecova plans to continue to grow organically and possibly through strategic acquisitions. Ecova's acquisitions after 2008 have been funded through internally generated cash, borrowings under Ecova's credit facility and, in the case of LPB, an equity infusion from existing shareholders. If Ecova's capital needs exceed its credit facility capacity or management determines a different capital structure is necessary, Ecova may require additional equity infusions from existing shareholders and/or new funding sources.

We may seek to monetize all or part of our investment in Ecova in the future. The value of a potential monetization depends on future market conditions, growth of the business and other factors. A strategic change to Ecova's ownership structure may provide access to public market capital and provide potential liquidity to Avista Corp. and the other owners of Ecova. There can be no assurance that such a transaction will be completed.

Liquidity and Capital Resources

We have a committed line of credit with various financial institutions in the total amount of $400.0 million with an expiration date of February 2017. As of December 31, 2012, there were $52.0 million of cash borrowings and $35.9 million in letters of credit outstanding leaving $312.1 million of available liquidity under this line of credit.

In July 2012, Ecova entered into a five-year $125.0 million committed line of credit agreement with various financial institutions that replaced its $60.0 million committed line of credit agreement. As of December 31, 2012, Ecova had $54.0 million of borrowings outstanding under its committed line of credit agreement. Based on certain covenant conditions contained in the credit agreement, at December 31, 2012, Ecova could borrow an additional $5.6 million and still be compliant with the covenants. The covenant restrictions are calculated on a rolling twelve month basis, so this additional borrowing capacity could increase or decrease or Ecova could be required to pay down the outstanding debt as future results change. We expect Ecova's earnings to increase in the future, so we expect the excess borrowing capacity to increase as well. See further discussion of the specific covenants below under "Ecova Credit Agreement".

In November 2012, we issued $80.0 million of 4.23 percent First Mortgage Bonds due in 2047 as an obligation of Avista Corp. Net total proceeds from the sale of the new bonds were used to repay a portion of the borrowings outstanding under our $400.0 million committed line of credit and for general corporate purposes. There are $50.0 million in First Mortgage Bonds maturing in 2013 and we expect to issue up to $100 million of long-term debt during the second half of 2013.

In May 2012, we cash settled interest rate swap contracts (notional amount of $75.0 million) and paid a total of $18.5 million. The interest rate swap contracts were settled in connection with the pricing of $80.0 million of First Mortgage Bonds as described above. Upon settlement of the interest rate swaps, the regulatory asset or liability (included as part of long-term debt) is amortized as a component of interest expense over the life of the forecasted interest payments.

In August 2012, we entered into two sales agency agreements under which we may issue up to 2.7 million shares of our common stock from time to time. In 2012, we sold 0.9 million shares and received net proceeds of $23.4 million (net of issuance costs). As of December 31, 2012, we had 1.8 million shares available to be issued under these agreements.

In 2012 we received net proceeds of $29.1 million (net of issuance costs) by issuing common stock, including $23.4 million under our sales agency agreements. During 2013, we expect to issue up to $50 million of common stock in order to maintain our capital structure at an appropriate level for our business. After considering the issuances of long-term debt and common stock during 2013, we expect net cash flows from operating activities, together with cash available under our $400.0 million committed line of credit agreement, to provide adequate resources to fund capital expenditures, dividends, and other contractual commitments.

Avista Utilities—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:

- provide for recovery of operating costs and capital investments, and
- provide the opportunity to improve our earned 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. We filed general rate cases in Washington in May 2011 (which were settled with new rates effective January 1, 2012) and in Idaho in July 2011 (which were settled with new rates effective October 1, 2011). We filed general rate cases in Washington in April 2012 (which were settled with new rates effective January 1, 2013 and January 1, 2014) and Idaho in October 2012 (which are the subject of a settlement that is before the IPUC (see discussion below under "Idaho General Rate Cases")).

Washington General Rate Cases

In November 2010, the UTC approved an all-party settlement stipulation in our general rate case filed in March 2010. As agreed to in the settlement stipulation, electric rates for Washington customers increased by an average of 7.4 percent, which was designed to increase annual revenues by $29.5 million. Natural gas rates for Washington customers increased by an average of 2.9 percent, which was designed to increase annual revenues by $4.6 million. The new electric and natural gas rates became effective on December 1, 2010.

In December 2011, the UTC approved a settlement agreement in our electric and natural gas general rate cases filed in May 2011. As agreed to in the settlement agreement, base electric rates for our Washington customers increased by an average of 4.6 percent, which was designed to increase annual revenues by $20.0 million. Base natural gas rates for our Washington customers increased by an average of 2.4 percent, which was designed to increase annual revenues by $3.75 million. The new electric and natural gas rates became effective on January 1, 2012.

The settlement agreement provided for the deferral of certain generation plant maintenance costs. In order to address the variability in year-to-year maintenance costs, beginning in 2011, we deferred certain changes in maintenance costs related to our Coyote Springs 2 natural gas-fired generation plant and our 15 percent ownership interest in Units 3&4 of the Colstrip generation plant. These maintenance costs may be much higher in certain years because certain significant maintenance procedures are less frequent than annual and, therefore, may not be properly represented in test year expenses used in our filed rate requests. For 2011 and 2012 the Company compared actual, non-fuel, maintenance expenses for the Coyote Springs 2 and Colstrip plants with the amount of baseline maintenance expenses used to establish base retail rates, and deferred the difference. This deferral occurred annually, with no carrying charge, with deferred costs being amortized over a four-year period, beginning in the year following the period costs are deferred. The amount of expense to be requested for recovery in future general rate cases would be the actual maintenance expense recorded in the test period, less any amount deferred during the test period, plus the amortization of previously deferred costs. Total net deferred costs under this mechanism in Washington were a regulatory asset of $4.0 million as of December 31, 2012 compared to a regulatory liability of $0.5 million as of December 31, 2011. As part of the settlement agreement in October 2012 to our latest general rate case discussed in further detail below, the parties have agreed that the maintenance cost deferral mechanism on these generation plants will terminate on December 31, 2012, with the four-year amortization of the 2011 and 2012 deferrals to conclude in 2015 and 2016, respectively.

In December 2012, the UTC approved a settlement agreement in our electric and natural gas general rate cases filed in April 2012. As agreed to in the settlement, effective January 1, 2013, base rates for our Washington electric customers increased by an overall 3.0 percent (designed to increase annual revenues by $13.6 million), and base rates for our Washington natural gas customers increased by an overall 3.6 percent (designed to increase annual revenues by $5.3 million). The settling parties agree that a one-year credit of $4.4 million will be returned to electric customers from the existing Energy Recovery Mechanism (ERM) deferral balance so the net average electric rate increase to our customers in 2013 will be 2.0 percent. The credit to customers from the ERM balance will not impact our earnings.

The settlement also provided that, effective January 1, 2014, we will increase base rates for our Washington electric customers by an overall 3.0 percent (designed to increase annual revenues by $14.0 million), and for our Washington natural gas customers by an overall 0.9 percent (designed to increase annual revenues by $1.4 million). The settling parties agree that a one-year credit of $9.0 million will be returned to electric customers from the then-existing ERM deferral balance, if such funds are available, so the net average electric rate increase to our customers effective January 1, 2014 will be 2.0 percent. The credit to customers from the ERM balance will not impact our earnings.

The UTC Order approving the settlement agreement included certain conditions. The new retail rates to become effective January 1, 2014 will be temporary rates, and on January 1, 2015 electric and natural gas base rates will revert back to 2013 levels absent any intervening action from the UTC. Included in the original settlement agreement is a provision that we will not file a general rate case in Washington seeking new rates to take effect before January 1, 2015. We can, however, make a filing prior to January 1, 2015, but new rates resulting from the filing would not take effect prior to January 1, 2015. We currently intend to file a general rate case in early 2014 with proposed rates that would take effect on January 1, 2015. This provision does not preclude us from filing annual rate adjustments such as the PCA and the PGA.

In addition, in its Order, the UTC found that much of the approved base rate increases is justified by the planned capital expenditures necessary to upgrade and maintain our utility facilities. If these capital projects are not completed to a level that was contemplated in the original settlement agreement, this could result in base rates which are considered too high by the UTC. As a result, we must file capital expenditure progress reports with the UTC on a periodic basis so that the UTC can monitor the capital expenditures and ensure they are in line with those contemplated in the settlement agreement. We expect total utility capital expenditures among all jurisdictions to be approximately $260 million for each of 2013 and 2014.

The settlement agreement provides for an authorized return on equity of 9.8 percent and an equity ratio of 47 percent, resulting in an overall return on rate base of 7.64 percent.

Idaho General Rate Cases

In September 2010, the IPUC approved a settlement agreement with respect to our general rate case filed in March 2010. The new electric and natural gas rates became effective on October 1, 2010. As agreed to in the settlement, base electric rates for our Idaho customers increased by an average of 9.3 percent, which was designed to increase annual revenues by $21.2 million. Base natural gas rates for our Idaho customers increased by an average of 2.6 percent, which was designed to increase annual revenues by $1.8 million.

The settlement agreement included a rate mitigation plan under which the impact on customers of the new rates was reduced by amortizing $11.1 million ($17.5 million when grossed up for income taxes and other revenue-related items) of previously deferred state income taxes over a two-year period as a credit to customers. While our cash collections from customers are reduced by this amortization during the two-year period, the mitigation plan has no impact on our net income. Retail rates increased on October 1, 2011 and October 1, 2012 as the previously deferred state income tax balance was amortized.

In September 2011, the IPUC approved a settlement agreement in our general rate case filed in July 2011. The new electric and natural gas rates became effective on October 1, 2011. As agreed to in the settlement agreement, base electric rates for our Idaho customers increased by an average of 1.1 percent, which is designed to increase annual revenues by $2.8 million. Base natural gas rates for our Idaho customers increased by an average of 1.6 percent, which is designed to increase annual revenues by $1.1 million.

As part of the settlement agreement, we agreed not to file a general rate case seeking changes in base electric or natural gas rates effective prior to April 1, 2013. This does not preclude us from filing annual rate adjustments such as the PCA and the PGA.

The settlement agreement also provides for the deferral of certain generation plant operation and maintenance costs. In order to address the variability in year-to-year operation and maintenance costs, beginning in 2011, we are deferring certain changes in operation and maintenance costs related to the Coyote Springs 2 natural gas-fired generation plant and our 15 percent ownership interest in Units 3&4 of the Colstrip generation plant. We compare actual, non-fuel, operation and maintenance expenses for the Coyote Springs 2 and Colstrip plants with the amount of expenses authorized for recovery in base rates in the applicable deferral year, and defer the difference from that currently authorized. The deferral occurs annually, with no carrying charge, with deferred costs being amortized over a three-year period, beginning in the year following the period costs are deferred. The amount of expense to be requested for recovery in future general rate cases will be the actual operation and maintenance expense recorded in the test period, less any amount deferred during the test period, plus the amortization of previously deferred costs. Total net deferred costs under this mechanism in Idaho were regulatory assets of $2.3 million as of December 31, 2012 and $0.1 million as of December 31, 2011.

On October 11, 2012, we filed electric and natural gas general rate cases with the IPUC. We requested an overall increase in electric rates of 4.6 percent and an overall increase in natural gas rates of 7.2 percent. The filings were designed to increase annual electric revenues by $11.4 million and increase annual natural gas revenues by $4.6 million. Our requests were based on a proposed overall rate of return of 8.46 percent, with a common equity ratio of 50 percent and a 10.9 percent return on equity.

On February 6, 2013, Avista Corp. and certain other parties filed a settlement agreement with the IPUC with respect to our electric and natural gas general rate cases. Parties to the settlement agreement include the staff of the IPUC, Clearwater Paper Corporation, Idaho Forest Group, LLC, the Idaho Conservation League, and the Company. Community Action Partnership Association of Idaho (CAPAI), a low-income customer advocacy group, and the Snake River Alliance did not join in the settlement agreement. However, on February 20, 2013 the Snake River Alliance provided a letter to the IPUC supporting the settlement agreement. This settlement agreement is subject to approval by the IPUC and would conclude the proceedings related the general rate requests filed by the Company on October 11, 2012. New rates would be implemented in two phases: April 1, 2013 and October 1, 2013.

The settlement agreement proposes that, effective April 1, 2013, we would be authorized to implement a base rate increase for our Idaho natural gas customers of 4.9 percent (designed to increase annual revenues by $3.1 million). There would be no change in base electric rates on April 1, 2013. However, the settlement agreement would provide for the recovery of the costs of the Palouse Wind Project through the Power Cost Adjustment mechanism beginning April 1, 2013.

The settlement agreement also proposes that, effective October 1, 2013, we would be authorized to implement a base rate increase for our Idaho natural gas customers of 2.0 percent (designed to increase annual revenues by $1.3 million). A credit resulting from deferred natural gas costs of $1.6 million would be returned to our Idaho natural gas customers from October 1, 2013 through December 31, 2014, so the net annual average natural gas rate increase to natural gas customers effective October 1, 2013 would be 0.3 percent.

Further, the settlement proposes that, effective October 1, 2013, we would be authorized to implement a base rate increase for our Idaho electric customers of 3.1 percent (designed to increase annual revenues by $7.8 million). A $3.9 million credit resulting from a payment to be made to us by the Bonneville Power Administration relating to its prior use of Avista Corp.'s transmission system would be returned to Idaho electric customers from October 1, 2013 through December 31, 2014, so the net annual average electric rate increase to electric customers effective October 1, 2013 would be 1.9 percent.

The $1.6 million credit to Idaho natural gas customers and the $3.9 million credit to Idaho electric customers would not impact our net income.

Also included in the settlement agreement is a provision that we may file a general rate case in Idaho in 2014; however, new rates resulting from the filing would not take effect prior to January 1, 2015.

The settlement agreement provides for an authorized return on equity of 9.8 percent and an equity ratio of 50.0 percent.

The settlement also includes an after-the-fact earnings test for 2013 and 2014, such that if Avista Corp., on a consolidated basis for electric and natural gas operations in Idaho, earns more than a 9.8 percent return on equity, we would refund to customers 50 percent of any earnings above the 9.8 percent.

Oregon General Rate Cases

In March 2011, the OPUC approved an all-party settlement stipulation in our general rate case that was filed in September 2010. The settlement provided for an overall rate increase of 3.1 percent for our Oregon customers, designed to increase annual revenues by $3.0 million. Part of the rate increase became effective March 15, 2011, with the remaining increase effective June 1, 2011. An additional rate adjustment designed to increase revenues by $0.6 million became effective on June 1, 2012 to recover capital costs associated with certain reinforcement and replacement projects, having demonstrated that such projects were complete by November 1, 2011, and the costs incurred were prudent. In addition, rates increased by an additional $0.5 million, from June 1, 2012 through May 31, 2013, to recover the November 2011 through May 2012 deferred revenue requirement.

On January 1, 2013, we purchased the Klamath Falls Lateral (Lateral), a 15-mile, 6-inch natural gas transmission pipeline from Williams Northwest Pipeline (Williams). The Klamath Falls Lateral interconnects with another interstate pipeline, Gas Transmission Northwest, to transport natural gas to serve our customers in Klamath Falls, Oregon. The purchase price was approximately $2.3 million and will save our Oregon customers approximately $1.4 million annually as we will be able to reduce our contracted natural gas transportation requirements from Williams. In Order No. 12-429, the OPUC approved our request to recover from customers the revenue requirement associated with the purchase of the Lateral, which is approximately $0.5 million annually. This approval will provide a return of and a return on our investment in the lateral. While the OPUC approved the recovery of the revenue requirement, it will not determine whether the purchase of the Lateral was prudent until our next Oregon general rate case.

Proposed Electric Decoupling—Washington

In the September 2011 Washington general rate case settlement (which was approved by the UTC in December 2011), one party, the Northwest Energy Coalition (NWEC), did not sign the agreement and continued to pursue an electric decoupling mechanism for us through a separate procedural schedule. On May 14, 2012, the UTC consolidated this issue into our April 2012 Washington general rate case. As a part of the Settlement filed on October 19, 2012, related to our April 2012 Washington general rate case, we agreed that we would not support adoption of decoupling in this case, nor seek to implement a decoupling mechanism prior to our next general rate case. In the UTC's Order approving the settlement agreement, however, the UTC did not support this provision related to decoupling in the settlement agreement.

Bonneville Power Administration Reimbursement and Reardan Wind Generation Project

On January 28, 2013, we filed with the UTC a Petition for an order that authorizes certain ratemaking treatment related to two issues: The first issue relates to transmission revenues associated with a settlement between Avista Corp. and the Bonneville Power Administration ("Bonneville"), whereby Bonneville will reimburse the Company $11.7 million for its past use of our transmission system. The second issue relates to approximately $4 million of costs we incurred over the past several years for the development of a wind generation project site near Reardan, Washington. We propose to allocate $7.6 million, representing Washington's share of the Bonneville Settlement, as follows: $4.6 million would be allocated to benefit customers, and $3.0 million would be retained by the Company. With regard to the recovery of costs for Reardan, we propose to use $2.6 million of the Washington customers' share of the Bonneville settlement proceeds to fully offset the Washington share of Reardan costs, and the remaining $2.0 million would be credited to the ERM balancing account for the benefit of customers. In Idaho, under the terms of the proposed rate case settlement, Idaho's share of the BPA settlement would be credited back to customers over 15 months, beginning October 2013, and we would amortize Idaho's share of Reardan costs over a two-year period, beginning April 2013.

Purchased Gas Adjustments

PGAs are designed to pass through changes in natural gas costs to our customers with no change in gross margin (operating revenues less resource costs) or net income. Effective October 1, 2011, natural gas rates increased 1.0 percent in Idaho. Effective November 1, 2011, natural gas rates increased 1.0 percent in Washington, while decreasing 0.2 percent in Oregon. In Oregon, we absorb (gain or loss) 10 percent of the difference between actual and projected gas costs for supply that is not hedged. Total net deferred natural gas costs were a liability of $12.1 million as of December 31, 2011.

Effective March 1, 2012, natural gas rates decreased 6.4 percent in Washington and 6.0 percent in Idaho. Effective October 1, 2012, natural gas rates decreased 3.1 percent in Idaho. Effective November 1, 2012, natural gas rates decreased 4.4 percent in Washington and 7.5 percent in Oregon. Total net deferred natural gas costs were a liability of $6.9 million as of December 31, 2012.

As it relates to the Washington PGA, effective November 1, 2012, the UTC approved, on a temporary basis, our PGA and the PGAs for the other three natural gas utilities operating in Washington. The UTC approved the recommendation of the staff of the UTC that it be allowed more time to evaluate all four natural gas utilities' hedging transactions, potential implications of instituting natural gas procurement and hedging guidelines, and potential uniformity as it relates to PGA filings. The timing for such analysis and potential workshops has not been determined.

As it relates to the Oregon PGA, we requested that the PGA be implemented in two steps. The first step, implemented on November 1, 2012, is a decrease of 7.5 percent. The second step is an additional decrease of 0.8 percent, effective on January 1, 2013, to provide customers the net savings related to our purchase of the Klamath Falls Lateral transmission pipeline.

Power Cost Deferrals and Recovery Mechanisms

The ERM is an accounting method used to track certain differences between actual power supply costs, net of the margin on wholesale sales and sales of fuel, and the amount included in base retail rates for our Washington customers. In the 2010 Washington general rate case settlement, the parties agreed that there would be no deferrals under the ERM in 2010. Deferrals under the ERM resumed in 2011. Total net deferred power costs under the ERM were a liability of $22.2 million as of December 31, 2012 compared to $12.9 million as of December 31, 2011, and these balances represent the customer portion of the deferred power costs. As part of the approved Washington general rate case settlement in December 2012, during 2013 a one-year credit of $4.4 million will be returned to electric customers from the existing ERM deferral balance to reduce the net average electric rate increase impact to customers in 2013. Additionally, during 2014 a one-year credit up to $9.0 million will be returned to electric customers from the then-existing ERM deferral balance, if such funds are available, so the net average electric rate increase impact to customers effective January 1, 2014 would also be reduced. The credits to customers from the ERM balances would not impact our net income.

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 of hydroelectric generation,
- the level of thermal generation (including changes in fuel prices),
- the net value from optimization activities related to our generating resources, and
- retail loads.

Under the ERM, we absorb the cost or receive 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 currently $4.0 million. We incur the cost of, or receive the benefit from, 100 percent of this initial power supply cost variance. We share annual power supply cost variances between $4.0 million and $10.0 million with customers. There is a 50 percent customers/50 percent Company sharing ratio when actual power supply expenses are higher (surcharge to customers) than the amount included in base retail rates within this band. There is a 75 percent customers/ 25 percent Company sharing ratio when actual power supply expenses are lower (rebate to customers) than the amount included in base retail rates within this band. To the extent that the annual power supply cost variance from the amount included in base rates exceeds $10.0 million, there is 90 percent customers/10 percent Company sharing ratio of the cost variance.

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, we make 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. 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.

As part of the 2012 Washington general rate case settlement, we proposed modifications to the ERM deadband and other sharing bands in the original April 2012 general rate case filing. The proposed modifications were not agreed to and the ERM will continue unchanged. However, the trigger point at which rates will change under the ERM was modified to be $30 million rather than the previous 10 percent of base revenues (approximately $45 million) under the mechanism.

We have 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 $5.1 million as of December 31, 2012 compared to $0.7 million as of December 31, 2011.

Natural Gas Safety Regulations

On February 3, 2012, President Obama signed into law the "Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011" mandating new regulations be created to address public safety concerns. Regulations include validation of pipeline records for transmission pipelines, evaluation of transmission pipelines for automatic shut-off valves, consideration of increased "high consequence area" boundaries for transmission pipelines, increased installation of excess flow valves on gas service piping, as well as increased scrutiny on existing emergency preparedness plans, quality assurance plans and damage prevention programs, and broader federal oversight including broader use of fines and penalties to pipeline operators. The U.S. Department of Transportation has already proposed rules that address many areas of the new Act and we have already complied with many of the requirements of this legislation. We are still evaluating the Act and waiting for further rules and clarifications surrounding certain portions of this Act; however, we expect that any additional compliance required would not have a significant impact on our operations.

Results of Operations

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, Ecova and the other businesses) that follow this section.

2012 compared to 2011

Utility revenues decreased $89.1 million, after elimination of intracompany revenues of $88.2 million for 2012 and $93.1 million for 2011. Including intracompany revenues, electric revenues decreased $20.0 million and natural gas revenues decreased $74.1 million. Retail electric revenues decreased $5.9 million due to a decrease in volumes sold which was primarily the result of warmer weather during the heating season and lower usage at certain industrial customers, due to temporary operational challenges at these customers. This was mostly offset during the third quarter due to warmer weather (and increased cooling loads), which increased electric use per customer and also general rate increases. Retail natural gas revenues decreased $36.6 million due to a decrease in volumes caused by warmer weather.

Ecova revenues increased $17.8 million to $155.7 million primarily as a result of Ecova's acquisitions of Prenova effective November 30, 2011 and LPB effective January 31, 2012.

Utility resource costs decreased $96.9 million, after elimination of intracompany resource costs of $88.2 million for 2012 and $93.1 million for 2011. Including intracompany resource costs, electric resource costs decreased $32.9 million and natural gas resource costs decreased $68.9 million. The decrease in electric resource costs was primarily due to a decrease in other fuel costs (represents fuel that was purchased for generation but was later sold when conditions indicated that it was not economical to use the fuel for generation as part of the resource optimization process) and the amortization of deferred power supply costs, partially offset by an increase in fuel costs (due to higher thermal generation) and power purchased. The decrease in natural gas resource costs was primarily due to a decrease in natural gas prices, partially offset by an increase in volumes.

Utility other operating expenses increased $14.9 million primarily due to labor (including $7.3 million of costs under the voluntary severance incentive plan), increased pensions and other postretirement benefits, and electric distribution costs, partially offset by decreased electric maintenance costs (which included the regulatory deferral of $6.7 million of maintenance costs) and outside service costs.

Utility depreciation and amortization increased $6.5 million driven by additions to utility plant.

Ecova other operating expenses increased $29.4 million primarily reflecting increased costs necessary for business growth and the acquisitions of Prenova and LPB, including transaction and integration costs of $2.6 million.

Ecova depreciation and amortization increased $6.3 million primarily due to the amortization of intangibles recorded in connection with Ecova's acquisitions of Prenova and LPB.

Other non-utility operating expenses increased $4.9 million primarily due to increased outside service expense of $1.2 million and increased consulting services and other corporate costs that can't be charged to utility customers of $2.5 million.

Interest expense increased $3.0 million primarily due to the issuance of long-term debt in December 2011 that increased the balance of long-term debt outstanding.

Other income—net increased $1.6 million primarily due to an increase in equity method earnings of $1.8 million from Ecova's investment in the SEEL variable interest entity. In prior years, this entity was consolidated and the operating revenues and expenses were included in the consolidated results of the Company. Additionally, equity-related AFUDC increased $1.8 million. These increases in other income were offset by an increase in losses on investments, including $2.4 million for the impairment of our investment in a fuel cell business and the write-off of our investment in a solar energy company.

Income taxes decreased $15.4 million and our effective tax rate was 34.4 percent for 2012 compared to 35.4 percent for 2011. The decrease in expense was primarily due to a decrease in income before income taxes.

2011 compared to 2010

Utility revenues increased $23.7 million, after elimination of intracompany revenues of $93.1 million in 2011 and $65.9 million in 2010. Including intracompany revenues, electric revenues increased $13.9 million and natural gas revenues increased $37.0 million. Retail electric revenues increased $51.1 million due to general rate increases and an increase in volumes sold caused by colder weather during the first three months of 2011 compared to 2010. Retail natural gas revenues increased $40.3 million due to an increase in volumes caused by colder weather and prices from rate increases.

Ecova revenues increased $35.8 million to $137.8 million primarily due to growth in expense management and energy management services, as well as the acquisition of Loyalton effective December 31, 2010.

Revenues from our other businesses increased $1.6 million (excluding intercompany revenues) primarily due to increased sales at METALfx.

Utility resource costs decreased $5.0 million, after elimination of intracompany resource costs of $93.1 million in 2011 and $65.9 million in 2010. Including intracompany resource costs, electric resource costs increased $5.1 million and natural gas resource costs increased $17.1 million. The increase in electric resource costs was primarily due to an increase in other fuel costs (represents fuel that was purchased for generation but was later sold when conditions indicated that it was not economical to use the fuel for generation as part of the resource optimization process) and the amortization of deferred power supply costs, partially offset by a decrease in fuel costs (due to lower thermal generation) and power purchased (due in part to higher hydroelectric generation). The increase in natural gas resource costs was primarily due to an increase in natural gas purchased due to an increase in retail sales.

Utility other operating expenses increased $9.5 million primarily due to increased maintenance expenses (including planned major maintenance at Colstrip), pensions and other postretirement benefits, and labor.

Utility depreciation and amortization increased $5.1 million driven by additions to utility plant.

Utility taxes other than income taxes increased $10.0 million primarily reflecting higher retail revenue related taxes, as well as increased property taxes.

Ecova other operating expenses increased $29.6 million reflecting increased costs necessary for business growth and the acquisition of Loyalton.

Interest expense decreased $1.9 million primarily due to refinancing transactions completed in December 2010 that lowered our effective rate on long-term debt. This was partially offset by higher interest rates on short-term borrowings.

Capitalized interest increased $2.6 million due to higher average construction work in progress balances and higher borrowing rates (including an increase on short-term borrowing rates used in the calculation).

Other income—net decreased $0.9 million primarily due to a decrease in losses on investments (including a $2.2 million impairment of our investment in a fuel cell business recorded in 2010), partially offset by a decrease in equity-related AFUDC.

Income taxes increased $5.5 million and our effective tax rate was 35.4 percent for 2011 compared to 35.0 percent for 2010. This increase in expense was primarily due to an increase in income before income taxes. Adjustments associated with reconciling the 2009 federal income tax return to the amount included in the financial statements for 2009 and prior year income tax return amendments decreased income tax expense by $1.7 million for 2010.

Avista Utilities

Non-GAAP Financial Measures

The following discussion includes two financial measures that are considered "non-GAAP financial measures," electric gross margin and natural gas gross margin. 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 Avista Utilities' operating performance. We use these measures to determine whether the appropriate amount of energy costs are being collected from our customers to allow for recovery of 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. 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.

2012 compared to 2011

Net income for Avista Utilities was $81.7 million for 2012, a decrease from $90.9 million for 2011. Avista Utilities' income from operations was $188.8 million for 2012 compared to $202.4 million for 2011. The decrease in net income and income from operations was primarily due to reduced retail loads during the first and fourth quarters of the year and an increase in other operating expenses (including costs for the voluntary severance incentive program), and depreciation and amortization, partially offset by the implementation of general rate increases. The decrease in net income from Avista Utilities was also due to an increase in interest expense.

The following table presents our operating revenues, resource costs and resulting gross margin for the year ended December 31 (dollars in thousands):

	Electric		Natural Gas		Intracompany		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Operating revenues	$ 968,172	$ 988,187	$ 474,173	$ 548,225	$ (88,160)	$ (93,090)	$ 1,354,185	$ 1,443,322
Resource costs	451,434	484,359	329,853	398,779	(88,160)	(93,090)	693,127	790,048
Gross margin	$ 516,738	$ 503,828	$ 144,320	$ 149,446	$ —	$ —	$ 661,058	$ 653,274

Avista Utilities' operating revenues decreased $89.1 million and resource costs decreased $96.9 million, which resulted in an increase of $7.8 million in gross margin. The gross margin on electric sales increased $12.9 million and the gross margin on natural gas sales decreased $5.1 million. The increase in electric gross margin was primarily due to general rate increases. This was partially offset by warmer weather during the heating season (primarily the first and fourth quarters) that reduced retail loads. In addition, electric gross margin growth was limited in part by lower usage at certain industrial customers due to temporary operational challenges. Natural gas gross margin decreased primarily due to warmer weather throughout the year that reduced retail heating loads, partially offset by general rate increases. For 2012, we recognized a pre-tax benefit of $6.0 million under the ERM in Washington compared to $6.4 million for 2011.

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 table presents our utility electric operating revenues and megawatt-hour (MWh) sales for the year ended December 31 (dollars and MWhs in thousands):

	Electric Operating Revenues		Electric Energy MWh sales	
	2012	2011	2012	2011
Residential	$ 315,137	$ 324,835	3,608	3,728
Commercial	286,568	280,139	3,127	3,122
Industrial	119,589	122,560	2,100	2,147
Public street and highway lighting	7,240	6,941	26	26
Total retail	728,534	734,475	8,861	9,023
Wholesale	102,736	78,305	3,733	2,796
Sales of fuel	115,835	153,470	—	—
Other	21,067	21,937	—	—
Total	$ 968,172	$ 988,187	12,594	11,819

Retail electric revenues decreased $5.9 million due to a decrease in total MWhs sold (decreased revenues $13.3 million) offset by an increase in revenue per MWh (increased revenues $7.3 million). The decrease in MWhs sold was primarily the result of warmer weather during the heating season, and due in part to lower usage at certain industrial customers due to temporary operational challenges. This was partially offset during the cooling season due to warmer weather (and increased loads), which increased electric use per customer. Compared to 2011, residential electric use per customer decreased 4 percent. Cooling degree days at Spokane were 23 percent above historical average for 2012 and were 26 percent above 2011. Heating degree days at Spokane were 6 percent below historical average for 2012, and 9 percent below 2011. The increase in revenue per MWh was primarily due to the Washington and Idaho general rate increases.

Wholesale electric revenues increased $24.4 million due to an increase in sales volumes (increased revenues $25.8 million), partially offset by a decrease in sales prices (decreased revenues $1.4 million). The increase in sales volumes was primarily due to the fact that our retail sales were lower than expected, as discussed above, and we sold the resulting excess capacity, energy and fuel on the wholesale market through our optimization procedures.

When electric wholesale market prices are below the cost of operating our natural gas-fired thermal generating units, we sell the natural gas purchased for generation in the wholesale market rather than operate the generating units. The revenues from sales of fuel decreased $37.6 million due to a decrease in sales of natural gas fuel as part of thermal generation resource optimization activities and higher usage of our thermal generation plants in 2012 as compared to 2011, as well as a decrease in natural gas prices. Higher usage of our thermal generation plants was due in part to decreased hydroelectric generation. For 2012, $45.3 million of these sales were made to our natural gas operations and are included as intracompany revenues and resource costs. For 2011, $38.6 million of these sales were made to our natural gas operations.

The net margin on wholesale sales and sales of fuel is applied to reduce or increase resource costs as accounted for under the ERM, the PCA mechanism, and in general rate cases as part of base power supply costs.

The following table presents our utility natural gas operating revenues and therms delivered for the year ended December 31 (dollars and therms in thousands):

	Natural Gas Operating Revenues		Natural Gas Therms Delivered	
	2012	2011	2012	2011
Residential	$ 196,719	$ 219,557	189,152	207,202
Commercial	98,994	111,964	115,083	125,344
Interruptible	2,232	2,519	4,363	4,503
Industrial	3,635	4,180	5,073	5,654
Total retail	301,580	338,220	313,671	342,703
Wholesale	158,631	195,882	586,193	510,755
Transportation	7,032	6,709	154,704	152,515
Other	6,930	7,414	381	440
Total	$ 474,173	$ 548,225	1,054,949	1,006,413

Retail natural gas revenues decreased $36.6 million primarily due to a decrease in volumes (decreased revenues $27.9 million) and lower retail rates (decreased revenues $8.7 million). We sold less retail natural gas in 2012 as compared to 2011 primarily due to warmer weather. Compared to 2011, residential and commercial natural gas use per customer decreased 9 percent. Heating degree days at Spokane were 6 percent below historical average for 2012, and 9 percent below 2011. Heating degree days at Medford were 5 percent below historical average for 2012, and 10 percent below 2011.

Wholesale natural gas revenues decreased $37.3 million due to a decrease in prices (decreased revenues $57.7 million), partially offset by an increase in volumes (increased revenues $20.4 million). We plan for sufficient natural gas capacity to serve our retail customers on a theoretical peak day. As such, on nonpeak days we generally have more pipeline and storage capacity than what is needed for retail loads. We engage in optimization of available interstate pipeline transportation and storage capacity through wholesale purchases and sales of natural gas to generate economic value that partially offsets net natural gas costs. In some situations, customer demand is below the amount hedged and we sell natural gas in excess of load requirements. In 2012, $42.9 million of these sales were made to our electric generation operations and are included as intracompany revenues and resource costs. In 2011, $54.5 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.

The following table presents our average number of electric and natural gas retail customers for the year ended December 31:

	Electric Customers		Natural Gas Customers	
	2012	2011	2012	2011
Residential	318,692	316,762	286,522	284,504
Commercial	39,869	39,618	33,763	33,540
Interruptible	—	—	38	38
Industrial	1,395	1,380	263	255
Public street and highway lighting	503	455	—	—
Total retail customers	360,459	358,215	320,586	318,337

The following table presents our utility resource costs for the year ended December 31 (dollars in thousands):

	2012	2011
Electric resource costs:		
Power purchased	$ 194,088	$ 169,845
Power cost amortizations—net	12,784	31,910
Fuel for generation	90,029	84,367
Other fuel costs	120,074	164,173
Other regulatory amortizations—net	15,665	16,381
Other electric resource costs	18,794	17,683
Total electric resource costs	451,434	484,359
Natural gas resource costs:		
Natural gas purchased	327,458	396,497
Natural gas cost amortizations—net	(5,804)	(10,041)
Other regulatory amortizations—net	8,199	12,323
Total natural gas resource costs	329,853	398,779
Intracompany resource costs	(88,160)	(93,090)
Total resource costs	$ 693,127	$ 790,048

Power purchased increased $24.2 million due to an increase in the volume of power purchases (increased costs $26.7 million), partially offset by a decrease in wholesale prices (decreased costs $2.4 million).

Net amortization of deferred power costs was $12.8 million for 2012 compared to $31.9 million for 2011. During 2012, we recovered (collected as revenue) $1.3 million of previously deferred power costs in Idaho through the PCA surcharge. The Washington ERM surcharge was eliminated in February 2010, since the previous balance of deferred power costs had been recovered. During 2012, actual power supply costs were below the amount included in base retail rates and we deferred $8.9 million in Washington and $2.6 million in Idaho for potential future rebate to customers.

Fuel for generation increased $5.7 million primarily due to an increase in thermal generation. This was due in part to a decrease in hydroelectric generation. The increase in thermal generation usage was partially offset by a decrease in natural gas fuel prices.

Other fuel costs decreased $44.1 million. This represents fuel that was purchased for generation but was later sold when conditions indicated that it was not economical to use the fuel for generation, as part of the resource optimization process. When the fuel is sold, the revenue generated from selling the fuel is included in the sales of fuel revenue line item above.

The expense for natural gas purchased decreased $69.0 million due to a decrease in the price of natural gas (decreased costs $85.9 million), partially offset by an increase in total therms purchased (increased costs $16.9 million). Total therms purchased increased due to an increase in wholesale sales which are used to balance loads and resources as part of the natural gas procurement and resource optimization process. We engage in optimization of available interstate pipeline transportation and storage capacity through wholesale purchases and sales of natural gas to generate economic value that offsets net natural gas costs.

2011 compared to 2010

Net income for Avista Utilities was $90.9 million for 2011, an increase from $86.7 million for 2010. Avista Utilities' income from operations was $202.4 million for 2011 compared to $198.2 million for 2010. The increase in net income and income from operations was primarily due to an increase in gross margin (operating revenues less resource costs), partially offset by an increase in other operating expenses, depreciation and amortization, and taxes other than income taxes. The increase in net income from Avista Utilities was also due to a decrease in interest expense (net of capitalized interest) and a decrease in donations (included in other income—net).

The following table presents our operating revenues, resource costs and resulting gross margin for the year ended December 31 (dollars in thousands):

	Electric		Natural Gas		Intracompany		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Operating revenues	$ 988,187	$ 974,283	$ 548,225	$ 511,249	$ (93,090)	$ (65,886)	$ 1,443,322	$ 1,419,646
Resource costs	484,359	479,252	398,779	381,709	(93,090)	(65,886)	790,048	795,075
Gross margin	$ 503,828	$ 495,031	$ 149,446	$ 129,540	$ —	$ —	$ 653,274	$ 624,571

Avista Utilities' operating revenues increased $23.7 million and resource costs decreased $5.0 million, which resulted in an increase of $28.7 million in gross margin. The gross margin on electric sales increased $8.8 million and the gross margin on natural gas sales increased $19.9 million. The increase in electric gross margin was due to colder weather during the first quarter of 2011 that increased retail loads and general rate increases. For 2011, we recognized a benefit of $6.4 million under the ERM in Washington. As part of a rate case settlement there were no deferrals under the ERM in 2010. For 2010, power supply costs were $7.1 million below the level included in base retail rates in Washington. The increase in our natural gas gross margin was primarily due to colder weather that increased retail loads (particularly in the first quarter) and partially due to general rate increases.

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 Avista Utilities total results and in the consolidated financial statements.

The following table presents our utility electric operating revenues and megawatt-hour (MWh) sales for the year ended December 31 (dollars and MWhs in thousands):

	Electric Operating Revenues		Electric Energy MWh Sales	
	2011	2010	2011	2010
Residential	$ 324,835	$ 296,627	3,728	3,618
Commercial	280,139	265,219	3,122	3,100
Industrial	122,560	114,792	2,147	2,099
Public street and highway lighting	6,941	6,702	26	26
Total retail	734,475	683,340	9,023	8,843
Wholesale	78,305	165,553	2,796	3,803
Sales of fuel	153,470	106,375	—	—
Other	21,937	19,015	—	—
Total	$ 988,187	$ 974,283	11,819	12,646

Retail electric revenues increased $51.1 million due to an increase in total MWhs sold (increased revenues $14.6 million) primarily due to an increase in use per customer as a result of colder weather, and an increase in revenue per MWh (increased revenues $36.5 million). Compared to 2010, residential electric use per customer increased 3 percent. The increase in revenue per MWh was primarily due to the Washington and Idaho general rate increases.

Wholesale electric revenues decreased $87.2 million due to a decrease in sales prices (decreased revenues $59.0 million) and a decrease in sales volumes (decreased revenues $28.2 million). The decrease in sales volumes was primarily due to decreased wholesale power optimization and higher than expected retail sales caused by colder weather in the first quarter.

When electric wholesale market prices are below the cost of operating our natural gas-fired thermal generating units, we sell the natural gas purchased for generation in the wholesale market rather than operate the generating units. The revenues from sales of fuel increased $47.1 million due to an increase in sales of natural gas fuel as part of thermal generation resource optimization activities and lower usage of our thermal generation plants in 2011 as compared to 2010. This was due in part to increased hydroelectric generation. In 2011, $38.6 million of these sales were made to our natural gas operations and are included as intracompany revenues and resource costs. In 2010, $24.7 million of these sales were made to our natural gas operations.

The net margin on wholesale sales and sales of fuel is applied to reduce or increase resource costs as accounted for under the ERM, the PCA mechanism, and in general rate cases as part of base power supply costs.

The following table presents our utility natural gas operating revenues and therms delivered for the year ended December 31 (dollars and therms in thousands):

	Natural Gas Operating Revenues		Natural Gas Therms Delivered	
	2011	2010	2011	2010
Residential	$ 219,557	$ 193,169	207,202	188,546
Commercial	111,964	98,257	125,344	113,422
Interruptible	2,519	2,738	4,503	4,443
Industrial	4,180	3,756	5,654	5,312
Total retail	338,220	297,920	342,703	311,723
Wholesale	195,882	197,364	510,755	468,887
Transportation	6,709	6,470	152,515	142,093
Other	7,414	9,495	440	393
Total	$ 548,225	$ 511,249	1,006,413	923,096

Retail natural gas revenues increased $40.3 million due to an increase in volumes (increased revenues $30.6 million) and higher retail rates (increased revenues $9.7 million). We sold more retail natural gas in 2011 as compared to 2010 primarily due to colder weather in the heating season. Compared to 2010, residential natural gas use per customer increased 9 percent and commercial use per customer increased 10 percent. The increase in retail rates reflects purchased gas adjustments, as well as general rate increases.

Wholesale natural gas revenues decreased $1.5 million due to a decrease in prices (decreased revenues $17.5 million), partially offset by an increase in volumes (increased revenues $16.0 million). We plan for sufficient natural gas capacity to serve our retail customers on a theoretical peak day. As such, we generally have more pipeline and storage capacity than what is needed, during periods other than the peak day. We engage in optimization of available interstate pipeline transportation and storage capacity through wholesale purchases and sales of natural gas to generate economic value that partially offsets net natural gas costs. In some situations, customer demand is below the amount hedged and we sell natural gas in excess of load requirements. In 2011, $54.5 million of these sales were made to our electric generation operations and are included as intracompany revenues and resource costs. In 2010, $41.2 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.

The following table presents our average number of electric and natural gas retail customers for the year ended December 31:

	Electric Customers		Natural Gas Customers	
	2011	2010	2011	2010
Residential	316,762	315,283	284,504	282,721
Commercial	39,618	39,489	33,540	33,431
Interruptible	—	—	38	38
Industrial	1,380	1,376	255	254
Public street and highway lighting	455	449	—	—
Total retail customers	358,215	356,597	318,337	316,444

The following table presents our utility resource costs for the year ended December 31 (dollars in thousands):

		2011		2010
Electric resource costs:				
Power purchased	$	169,845	$	186,312
Power cost amortizations—net		31,910		2,798
Fuel for generation		84,367		142,154
Other fuel costs		164,173		114,211
Other regulatory amortizations—net		16,381		17,772
Other electric resource costs		17,683		16,005
Total electric resource costs		484,359		479,252
Natural gas resource costs:				
Natural gas purchased		396,497		386,828
Natural gas cost amortizations—net		(10,041)		(18,741)
Other regulatory amortizations—net		12,323		13,622
Total natural gas resource costs		398,779		381,709
Intracompany resource costs		(93,090)		(65,886)
Total resource costs	$	790,048	$	795,075

Power purchased decreased $16.5 million due to a decrease in the volume of power purchases (decreased costs $18.0 million), partially offset by a slight increase in wholesale prices (increased costs $1.5 million). The decrease in the volume of the power purchases was due in part to an increase in hydroelectric generation.

Net amortization of deferred power costs was $31.9 million for 2011 compared to $2.8 million for 2010. During 2011, we recovered (collected as revenue) $14.9 million of previously deferred power costs in Idaho through the PCA surcharge. The Washington ERM surcharge was eliminated in February 2010, since the previous balance of deferred power costs had been recovered. During 2011, actual power supply costs were below the amount included in base retail rates in both Washington and Idaho. This was due to improved hydroelectric generation and lower purchased power and fuel costs. As such, we deferred $4.2 million in Idaho and $12.8 million in Washington for potential future rebate to customers.

Fuel for generation decreased $57.8 million primarily due to a decrease in thermal generation. This was due in part to an increase in hydroelectric generation.

Other fuel costs increased $50.0 million. This represents fuel that was purchased for generation but was later sold when conditions indicated that it was not economical to use the fuel for generation, as part of the resource optimization process. The associated revenues are reflected as sales of fuel.

The expense for natural gas purchased increased $9.7 million due to an increase in total therms purchased (increased costs $31.0 million), partially offset by a decrease in the price of natural gas (decreased costs $21.3 million). Total therms purchased increased due to an increase in retail loads (resulting from colder weather in the heating season) and an increase in wholesale sales with the balancing of loads and resources as part of the natural gas procurement and resource optimization process. We engage in optimization of available interstate pipeline transportation and storage capacity through wholesale purchases and sales of natural gas to generate economic value that offsets net natural gas costs. During 2011, natural gas resource costs were reduced by $10.0 million reflecting the rebate of a deferred liability for natural gas costs through the purchased gas adjustments.

Ecova

2012 compared to 2011

Ecova's net income attributable to Avista Corp. shareholders was $1.8 million for 2012 compared to net income of $9.7 million for 2011. Operating revenues increased $17.8 million and total operating expenses increased $35.8 million. The increase in operating revenues was primarily the result of the acquisitions of Prenova effective November 30, 2011 and LPB effective January 31, 2012, which added $22.5 million to operating revenues for 2012 over 2011 revenues. In addition, there were delays associated with the process of onboarding new customers onto the monitoring system for energy management services due to more complex customers and systems, and there was a reduction in revenues related to the deconsolidation of a partnership. This, combined with the increased operating expenses has contributed to a net decrease in net income attributable to Avista Corp. shareholders.

The increase in total operating expenses primarily reflects increased costs necessary to support ongoing and future business growth, as well as to support the increased revenue volume obtained through the acquisitions. There were increases in employee costs of $20.5 million, facilities costs of $1.7 million, and information technology costs and professional fees of $4.6 million. In addition, Ecova incurred $2.6 million in transaction and integration costs. Depreciation and amortization increased $6.3 million due to intangibles recorded in connection with the acquisitions. Included in the increased depreciation and amortization is an impairment loss of $1.1 million pre-tax ($0.7 million after-tax) related to the write-off of internally developed software during the fourth quarter of 2012.

As of December 31, 2012, Ecova had 740 expense management customers representing 697,076 billed sites in North America. In 2012, Ecova managed bills totaling $19.4 billion, an increase of $1.1 billion as compared to 2011. This increase was due to an increase in the number of accounts managed (mostly due to acquisitions), partially offset by a decrease in the average value of each bill (due in part to a decline in natural gas rates). The increases in the number of accounts and the total bills managed indicates an increase in the use of Ecova's services and provides support for potential future revenue growth.

2011 compared to 2010

Ecova's net income attributable to Avista Corp. shareholders was $9.7 million for 2011 compared to $7.4 million for 2010. Operating revenues increased $35.8 million and total operating expenses increased $30.8 million. The increase in operating revenues was primarily due to growth in energy management and expense management services, as well as the acquisition of Loyalton effective December 31, 2010, which added $8.5 million to 2011 operating revenues. Ecova's organic revenue growth was approximately 13 percent from 2010 to 2011. The increase in operating expenses primarily reflects increased costs necessary for business growth and the acquisition of Loyalton. The acquisition of Prenova, effective November 30, 2011, had minimal impact to 2011 results. During the fourth quarter of 2011, Ecova determined that certain revenues, which had previously been reported net of expenses, should be reported on a gross basis. This increased operating revenues and expenses by $9.2 million with no impact to net income for 2011. As of December 31, 2011, Ecova had 645 expense management customers representing 496,842 billed sites in North America. In 2011, Ecova managed bills totaling $18.3 billion, an increase of $1.0 billion as compared to 2010.

Other Businesses

2012 compared to 2011

The net loss from these operations was $5.3 million for 2012 compared to a net loss of $0.3 million for 2011. The decline in results was due in part to losses on investments of $3.3 million for 2012 compared to $0.5 million for 2011. The losses for 2012 were primarily the result of an impairment loss of $2.4 million pre-tax ($1.5 million after-tax) recognized during the third quarter of 2012 related to the impairment of our investment in a fuel cell business and the write-off of our investment in a solar energy company. Additionally, there were increased costs associated with strategic consulting and other corporate costs of $2.3 million and litigation costs related to the previous operations of Avista Energy of $1.5 million. These losses were partially offset by METALfx which had net income of $1.2 million for 2012 and $1.4 million for 2011.

2011 compared to 2010

The net loss from these operations was $0.3 million for 2011 compared to $1.7 million for 2010. Operating revenues decreased $20.7 million and total operating expenses decreased $19.7 million. The decrease in operating revenues and operating expenses was primarily due to the assignment of the Lancaster PPA to Avista Corp. in December 2010. Earnings from METALfx increased to $1.4 million for 2011 compared to $0.8 million for 2010. Losses on investments were $0.5 million for 2011 compared to losses of $3.3 million for 2010. The loss for 2010 included a $2.2 million impairment of our investment in a fuel cell business.

Accounting Standards to be Adopted in 2013

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 2013. For information on accounting standards adopted in 2012 and earlier 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 accounting principles generally accepted in the United States of America 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 that require the use of estimates and assumptions:

Avista Utilities Operating Revenues

Operating revenues for our utility business related to the sale of energy are generally recorded when service is rendered or energy is delivered to our customers. The determination of 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, we estimate the amount of energy delivered to customers since the date of the last meter reading 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, and
- actual throughput for natural gas.

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

Regulatory Accounting

We prepare our consolidated financial statements in accordance with regulatory accounting practices. This requires that certain costs and/or obligations (such as incurred power and natural gas costs not currently recovered through rates, but expected to be recovered in the future) 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 expect to recover our regulatory assets through future rates. Our regulatory assets are subject to review for prudence and recoverability. As such, certain deferred costs may be disallowed by our regulators. If at some point in the future we determine that we no longer meet the criteria for continued application of regulatory accounting for all or a portion of our regulated operations, we could be:

- required to write off regulatory assets, and
- precluded from the future deferral of costs not recovered through rates when such costs are incurred, even if we expect to recover such costs in the future.

Utility Energy Commodity Derivative Assets and Liabilities

Our utility enters into forward contracts to purchase or sell a specified amount of energy at a specified time, or during a specified period, in the future. These contracts are entered into as part of our management of loads and resources and certain contracts are considered derivative instruments. The UTC and the IPUC issued accounting orders authorizing us to offset 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. The orders provide for us to not recognize the unrealized gain or loss on utility derivative commodity instruments in the Consolidated Statements of Income. Realized gains or losses are recognized in 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. We use quoted market prices and forward price curves to estimate the fair value of our utility derivative commodity instruments. As such, the fair value of utility derivative commodity instruments recorded on our Consolidated Balance Sheets is sensitive to market price fluctuations that can occur on a daily basis.

Pension Plans and Other Postretirement Benefit Plans

We have a defined benefit pension plan covering substantially all regular full-time employees at Avista Utilities.

Our 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 primarily in marketable debt and equity securities. Pension plan assets may also be invested in real estate, absolute return, venture capital/private equity 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 investment allocation percentages by asset classes as disclosed in "Note 10 of the Notes to Consolidated Financial Statements."

We also have a Supplemental Executive Retirement Plan (SERP) that provides additional pension benefits to our executive officers 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 $28.1 million in 2012, $23.9 million for 2011 and $21.3 million for 2010. Of our pension costs, approximately 65 percent are expensed and 35 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. The SERP is available to all new executive officers.

Pension costs are affected by:

- employee demographics (including age, compensation and length of service by employees),
- the amount of cash contributions we make to the pension plan, and
- the return on pension plan assets.

Changes made to the provisions of our pension plan may also affect current and future pension costs. Pension plan costs may also be significantly affected by changes in key actuarial assumptions, including the:

- expected return on pension plan assets,
- discount rate used in determining the projected benefit obligation and pension costs, and
- assumed rate of increase in employee compensation.

The change 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 have not made any changes to pension plan provisions in 2012, 2011 and 2010 that have had any significant effect on our recorded pension plan amounts. We have revised the key assumption of the discount rate in 2012, 2011 and 2010. Such changes had an effect on our pension costs in 2012, 2011 and 2010 and may affect future years, given the cost recognition approach described above. However, in determining pension obligation and cost amounts, our assumptions can change from period to period, and such changes could result in material changes to our future pension costs and funding requirements.

In selecting a discount rate, we consider yield rates for highly rated corporate bond portfolios with maturities similar to that of the expected term of pension benefits. In 2012, we decreased the pension plan discount rate (exclusive of the SERP) to 4.15 percent from 5.05 percent in 2011. We used a discount rate of 5.70 percent in 2010. This increased the projected benefit obligation (exclusive of the SERP) by approximately $66.5 million in 2012 and $40.0 million in 2011.

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 our plan. We used an expected long-term rate of return of 6.95 percent in 2012, 7.40 percent in 2011 and 7.75 percent in 2010. This increased pension costs by approximately $1.5 million in 2012 and by approximately $1.1 million in 2011. The actual return on plan assets, net of fees, was a gain of $54.3 million (or 15.9 percent) for 2012, a gain of $14.7 million (or 4.8 percent) for 2011 and a gain of $29.8 million (or 10.9 percent) for 2010. We periodically analyze the estimated long-term rate of return on assets based upon updated economic forecasts and revisions to the investment portfolio.

Avista Utilities Capital Expenditures

Capital expenditures for our utility were $713.2 million for the years 2010 through 2012. We expect utility capital expenditures to be about $260 million for each of 2013, 2014 and 2015.

Our capital budget for 2013 includes the following (dollars in millions):

Transmission and distribution (upgrade current facilities)	$	85
Information technology		53
Customer growth (incremental transmission and distribution)		28
Generation		36
Natural gas		23
Facilities		17
Environmental		14
Other		10
Total	$	266

Most of the capital expenditures above are for upgrading and maintenance of our existing facilities, and not for construction of new facilities and we expect all of these capital expenditures to be included in rate base in future years. 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.

Future generation resource decisions may be further impacted by legislation for restrictions on greenhouse gas (GHG) emissions and renewable energy requirements as discussed at "Environmental Issues and Other Contingencies."

Included in our estimates of capital expenditures is the replacement of our customer information and work management systems, which is expected to be completed by the end of 2014. Our customer information system and work management systems are two of our most critical technology systems and are interconnected to every other system in our company. We expect to spend a total of approximately $80 million (including internal labor) over the term of the project. Major signed contracts for third parties total approximately $25 million as of December 31, 2012.

Ecova Credit Agreement

In July 2012, Ecova entered into a $125.0 million committed line of credit agreement with various financial institutions that replaced its $60.0 million committed line of credit agreement and has an expiration date of July 2017. The credit agreement is secured by all of Ecova's assets excluding investments and funds held for clients. There were $54.0 million of borrowings outstanding under Ecova's credit agreement as of December 31, 2012 classified as long-term. The proceeds from these borrowings were used to fund the acquisitions of Prenova in November 2011 and LPB in January 2012.

The committed line of credit agreement contains customary covenants and default provisions, including a covenant which requires that Ecova's "Consolidated Total Funded Debt to EBITDA Ratio" (as defined in the credit agreement) must be 2.50 to 1.00 or less, with provisions in the credit agreement allowing for a temporary increase of this ratio if a qualified acquisition is consummated by Ecova. In addition, Ecova's "Consolidated Fixed Charge Coverage Ratio" (as defined in the credit agreement) must be greater than 1.50 to 1.00 as of the last day of any fiscal quarter. As of December 31, 2012, Ecova was in compliance with these covenants and based on the Consolidated Total Funded Debt to EBITDA Ratio, Ecova could borrow an additional $5.6 million and still be compliant with the covenants. The covenant restrictions are calculated on a rolling twelve month basis, so this additional borrowing capacity could increase or decrease or Ecova could be required to pay down the outstanding debt as future results change. We expect Ecova's earnings to increase in the future, so we expect the excess borrowing capacity to increase as well.

Ecova Redeemable Stock

Ecova's amended employee stock incentive plan provides an annual window at which time holders of common stock can put their shares back to Ecova, providing the shares are held for a minimum of six months. Stock is reacquired at fair market value at the date of reacquisition. As the repurchase feature is at the discretion of the minority shareholders and option holders, there were redeemable noncontrolling interests of $4.9 million as of December 31, 2012 for the intrinsic value of stock options outstanding, as well as outstanding redeemable stock. In 2009, the Ecova employee stock incentive plan was amended such that, on a prospective basis, not all options granted under the plan have the put right. Additionally, there were redeemable noncontrolling interests related to the 2008 Cadence Network acquisition, as the previous owners could have exercised a right to put their stock back to Ecova in July 2011 or July 2012 if their investment in Ecova was not liquidated through either an initial public offering or sale of the business to a third party. These redemption rights were not exercised, expired effective July 31, 2012 and were reclassified to permanent equity.

Off-Balance Sheet Arrangements

As of December 31, 2012, we had $35.9 million in letters of credit outstanding under our $400.0 million committed line of credit, compared to $29.0 million as of December 31, 2011.

Pension Plan

As of December 31, 2012, our pension plan had assets with a fair value that was less than the benefit obligation under the plan. The pension plan funding deficit (as measured under ASC 715) increased in 2012 primarily due to a decrease in the discount rate. In 2012, the Moving Ahead for Progress in the 21st Century (MAP-21) Federal legislation was approved that changed how the required discount rate was calculated for funding purposes, impacting the minimum required contributions as determined by ERISA federal regulations and the Internal Revenue Code. The change in law required the discount rate (for the target liability) to be calculated over a 25 year average versus the previously required 2 year average. Although the legislation was not passed until late 2012, the change in discount rate was retroactively effective to January 1, 2012. This significantly increased the discount rate resulting in a lower target liability. The funded status, as determined by ERISA federal regulations and the Internal Revenue Code, for our plan increased from approximately 80 percent to 102 percent without any other changes as of January 1, 2012. We contributed $44 million to the pension plan in 2012. We expect to contribute a total of $148.5 million to the pension plan in the period 2013 through 2016, with contributions of $44 million per year for the period 2013 to 2015 and a contribution of $16.5 million in 2016. Our contribution is expected to decrease in 2016 as we move toward fully funded status. The final determination of pension plan contributions for future periods is subject to multiple variables, most of which are beyond our control, including further 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 of the above variables.

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 "Collateral Requirements" and "Note 6 of the Notes to Consolidated Financial Statements."

The following table summarizes our credit ratings as of February 26, 2013:

	Standard & Poor's(1)	Moody's(2)
Corporate/Issuer rating	BBB	Baa2
Senior secured debt	A-	A3
Senior unsecured debt	BBB	Baa2

(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

The 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.

Our net income available for dividends is primarily derived from our regulated utility operations.

The payment of dividends on common stock is restricted by provisions of certain covenants applicable to preferred stock (when outstanding) contained in our Restated Articles of Incorporation, as amended.

On February 8, 2013, Avista Corp.'s Board of Directors declared a quarterly dividend of $0.305 per share on the Company's common stock. This was an increase of $0.015 per share, or 5 percent from the previous quarterly dividend of $0.29 per share.

Consolidated Statements of Income

Avista Corporation
For the Years Ended December 31,
Dollars in thousands, except per share amounts

	2012	2011	2010
Operating Revenues:			
Utility revenues	$ 1,352,385	$ 1,441,522	$ 1,417,846
Ecova revenues	155,664	137,848	102,035
Other non-utility revenues	38,953	40,410	38,859
Total operating revenues	1,547,002	1,619,780	1,558,740
Operating Expenses:			
Utility operating expenses:			
Resource costs	693,127	790,048	795,075
Other operating expenses	276,780	261,926	252,437
Depreciation and amortization	112,091	105,629	100,554
Taxes other than income taxes	83,409	83,347	73,382
Ecova operating expenses:			
Other operating expenses	139,173	109,738	80,100
Depreciation and amortization	13,519	7,193	6,070
Other non-utility operating expenses:			
Other operating expenses	38,041	33,117	30,386
Depreciation and amortization	792	778	1,002
Total operating expenses	1,356,932	1,391,776	1,339,006
Income from operations	190,070	228,004	219,734
Interest expense	76,894	73,876	75,789
Interest expense to affiliated trusts	541	332	635
Capitalized interest	(2,401)	(2,942)	(298)
Other income—net	(5,025)	(3,433)	(2,497)
Income before income taxes	120,061	160,171	146,105
Income tax expense	41,261	56,632	51,157
Net income	78,800	103,539	94,948
Less: Net income attributable to noncontrolling interests	(590)	(3,315)	(2,523)
Net income attributable to Avista Corporation shareholders	$ 78,210	$ 100,224	$ 92,425
Weighted-average common shares outstanding (thousands)—basic	59,028	57,872	55,595
Weighted-average common shares outstanding (thousands)—diluted	59,201	58,092	55,824
Earnings per common share attributable to Avista Corporation shareholders:			
Basic	$ 1.32	$ 1.73	$ 1.66
Diluted	$ 1.32	$ 1.72	$ 1.65
Dividends paid per common share	$ 1.16	$ 1.10	$ 1.00

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

	2012	2011	2010
Net income	$ 78,800	$ 103,539	$ 94,948
Other Comprehensive Income (Loss):			
Unrealized investment gains—net of taxes of $191 and $77, respectively	323	134	—
Reclassification adjustment for realized gains on investment securities included in net income—net of taxes of $(171)	(290)	—	—
Change in unfunded benefit obligation for pension and other postretirement benefit plans—net of taxes of $(590), $(778) and $(1,064), respectively	(1,096)	(1,445)	(1,976)
Total other comprehensive loss	(1,063)	(1,311)	(1,976)
Comprehensive income	77,737	102,228	92,972
Comprehensive income attributable to noncontrolling interests	(590)	(3,315)	(2,523)
Comprehensive income attributable to Avista Corporation shareholders	$ 77,147	$ 98,913	$ 90,449

The Accompanying Notes are an Integral Part of These Statements.

Consolidated Balance Sheets

Avista Corporation
As of December 31,
Dollars in thousands

	2012	2011
Assets:		
Current Assets:		
Cash and cash equivalents	$ 75,464	$ 74,662
Accounts and notes receivable—less allowances of $44,155 and $43,958	193,683	203,452
Utility energy commodity derivative assets	4,139	1,139
Regulatory asset for utility derivatives	35,082	69,685
Investments and funds held for clients	88,272	118,536
Materials and supplies, fuel stock and natural gas stored	47,455	52,006
Deferred income taxes	34,281	30,473
Income taxes receivable	2,777	15,378
Other current assets	24,641	49,225
Total current assets	505,794	614,556
Net Utility Property:		
Utility plant in service	4,054,644	3,887,384
Construction work in progress	143,098	79,322
Total	4,197,742	3,966,706
Less: Accumulated depreciation and amortization	1,174,026	1,105,930
Total net utility property	3,023,716	2,860,776
Other Non-current Assets:		
Investment in exchange power—net	16,333	18,783
Investment in affiliated trusts	11,547	11,547
Goodwill	75,959	39,045
Intangible assets—net of accumulated amortization of $26,030 and $16,629, respectively	46,256	34,622
Long-term energy contract receivable of Spokane Energy	52,033	62,525
Other property and investments—net	46,542	45,687
Total other non-current assets	248,670	212,209
Deferred Charges:		
Regulatory assets for deferred income tax	79,406	84,576
Regulatory assets for pensions and other postretirement benefits	306,408	260,359
Other regulatory assets	103,946	119,738
Non-current utility energy commodity derivative assets	1,093	185
Non-current regulatory asset for utility derivatives	25,218	40,345
Other deferred charges	18,928	21,787
Total deferred charges	534,999	526,990
Total assets	$ 4,313,179	$ 4,214,531

The Accompanying Notes are an Integral Part of These Statements.

Consolidated Balance Sheets (continued)

Avista Corporation
As of December 31,
Dollars in thousands

	2012	2011
Liabilities and Equity:		
Current Liabilities:		
Accounts payable	$ 198,914	$ 166,954
Client fund obligations	87,839	118,325
Current portion of long-term debt	50,372	7,474
Current portion of nonrecourse long-term debt of Spokane Energy	14,965	13,668
Short-term borrowings	52,000	96,000
Utility energy commodity derivative liabilities	29,515	70,824
Other current liabilities	142,544	153,929
Total current liabilities	576,149	627,174
Long-term debt	1,178,367	1,169,826
Nonrecourse long-term debt of Spokane Energy	17,838	32,803
Long-term debt to affiliated trusts	51,547	51,547
Long-term borrowings under committed line of credit	54,000	—
Regulatory liability for utility plant retirement costs	234,128	227,282
Pensions and other postretirement benefits	283,985	246,177
Deferred income taxes	524,877	505,954
Other non-current liabilities and deferred credits	110,215	116,084
Total liabilities	3,031,106	2,976,847
Commitments and Contingencies (See Notes to Consolidated Financial Statements)		
Redeemable Noncontrolling Interests	4,938	51,809
Equity:		
Avista Corporation Stockholders' Equity:		
Common stock, no par value; 200,000,000 shares authorized; 59,812,796 and 58,422,781 shares outstanding	889,237	855,188
Accumulated other comprehensive loss	(6,700)	(5,637)
Retained earnings	376,940	336,150
Total Avista Corporation stockholders' equity	1,259,477	1,185,701
Noncontrolling Interests	17,658	174
Total equity	1,277,135	1,185,875
Total liabilities and equity	$ 4,313,179	$ 4,214,531

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

	2012	2011	2010
Operating Activities:			
Net income	$ 78,800	$ 103,539	$ 94,948
Non-cash items included in net income:			
Depreciation and amortization	126,402	113,600	107,626
Provision for deferred income taxes	21,449	24,007	37,734
Power and natural gas cost amortizations (deferrals)—net	6,702	21,870	(9,795)
Amortization of debt expense	3,803	4,617	4,414
Amortization of investment in exchange power	2,450	2,450	2,450
Stock-based compensation expense	5,792	5,756	4,916
Equity-related AFUDC	(4,055)	(2,225)	(3,353)
Pension and other postretirement benefit expense	39,838	32,067	24,760
Amortization of Spokane Energy contract	10,492	9,645	8,866
Other	5,256	(4,988)	(2,365)
Contributions to defined benefit pension plan	(44,000)	(26,000)	(21,000)
Changes in working capital components:			
Accounts and notes receivable	8,100	30,616	(19,081)
Materials and supplies, fuel stock and natural gas stored	4,551	(3,388)	(11,248)
Other current assets	27,258	(23,881)	(9,230)
Accounts payable	30,189	(18,032)	13,606
Other current liabilities	(6,474)	(188)	5,189
Net cash provided by operating activities	316,553	269,465	228,437
Investing Activities:			
Utility property capital expenditures (excluding equity-related AFUDC)	(271,187)	(239,782)	(202,227)
Other capital expenditures	(4,787)	(3,590)	(2,429)
Federal grant payments received	8,277	16,928	7,585
Cash paid by subsidiaries for acquisitions, net of cash received	(50,310)	(31,409)	(3,777)
Decrease (increase) in funds held for clients	(6,811)	78,561	(48,895)
Purchase of securities available for sale	(100,374)	(96,634)	—
Sale and maturity of securities available for sale	137,999	80	—
Other	(7,475)	(6,435)	(3,480)
Net cash used in investing activities	(294,668)	(282,281)	(253,223)

The Accompanying Notes are an Integral Part of These Statements.

Avista Corporation
For the Years Ended December 31,
Dollars in thousands

	2012	2011	2010
Financing Activities:			
Net increase (decrease) in short-term borrowings	$ (9,000)	$ (49,000)	$ 23,000
Borrowings from Ecova line of credit	33,000	35,000	2,300
Repayment of borrowings from Ecova line of credit	(14,000)	—	(8,000)
Proceeds from issuance of long-term debt	80,000	85,000	136,365
Redemption and maturity of long-term debt	(11,492)	(297)	(110,242)
Premiums paid for the redemption of long-term debt	—	—	(10,710)
Maturity of nonrecourse long-term debt of Spokane Energy	(13,669)	(12,463)	(11,370)
Long-term debt and short-term borrowing issuance costs	(764)	(4,477)	(916)
Cash paid for settlement of interest rate swap agreements	(18,547)	(10,557)	—
Issuance of common stock	29,079	26,463	46,235
Cash dividends paid	(68,552)	(63,737)	(55,682)
Purchase of subsidiary noncontrolling interest	(917)	(6,179)	(2,593)
Increase (decrease) in client fund obligations	(30,996)	17,782	48,895
Issuance of subsidiary noncontrolling interest	3,714	—	—
Other	1,061	530	(118)
Net cash provided by (used in) financing activities	(21,083)	18,065	57,164
Net increase in cash and cash equivalents	802	5,249	32,378
Cash and cash equivalents at beginning of year	74,662	69,413	37,035
Cash and cash equivalents at end of year	$ 75,464	$ 74,662	$ 69,413
Supplemental Cash Flow Information:			
Cash paid during the year:			
Interest	$ 74,900	$ 69,083	$ 74,195
Income taxes	8,069	26,451	14,153
Non-cash financing and investing activities:			
Accounts payable for capital expenditures	21,331	20,629	8,315
Utility property acquired under capital leases	—	—	5,300
Redeemable noncontrolling interests	(10,104)	4,059	10,442
Contingent consideration by subsidiary for acquisition	375	—	1,134

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

	2012	2011	2010
Common Stock, Shares:			
Shares outstanding at beginning of year	58,422,781	57,119,723	54,836,781
Issuance of common stock through equity compensation plans	245,661	275,057	141,645
Issuance of common stock through Employee Investment Plan (401-K)	45,715	43,179	11,116
Issuance of common stock through Dividend Reinvestment Plan	167,448	177,822	76,071
Issuance of common stock	931,191	807,000	2,054,110
Shares outstanding at end of year	59,812,796	58,422,781	57,119,723
Common Stock, Amount:			
Balance at beginning of year	$ 855,188	$ 827,592	$ 778,647
Equity compensation expense	5,716	3,635	3,097
Issuance of common stock through equity compensation plans	305	1,879	1,942
Issuance of common stock through Employee Investment Plan (401-K)	1,165	1,073	235
Issuance of common stock through Dividend Reinvestment Plan	4,226	4,299	1,451
Issuance of common stock, net of issuance costs	23,383	19,213	42,607
Equity transactions of consolidated subsidiaries	(746)	(2,503)	(387)
Balance at end of year	889,237	855,188	827,592
Accumulated Other Comprehensive Loss:			
Balance at beginning of year	(5,637)	(4,326)	(2,350)
Other comprehensive loss	(1,063)	(1,311)	(1,976)
Balance at end of year	(6,700)	(5,637)	(4,326)
Retained Earnings:			
Balance at beginning of year	336,150	302,518	274,990
Net income attributable to Avista Corporation shareholders	78,210	100,224	92,425
Cash dividends paid (common stock)	(68,552)	(63,737)	(55,682)
Expiration of subsidiary noncontrolling interests redemption rights	23,805	—	—
Valuation adjustments and other noncontrolling interests activity	7,327	(2,855)	(9,215)
Balance at end of year	376,940	336,150	302,518
Total Avista Corporation stockholders' equity	1,259,477	1,185,701	1,125,784
Noncontrolling Interests:			
Balance at beginning of year	174	(600)	(673)
Net income attributable to noncontrolling interests	451	756	66
Deconsolidation of variable interest entity	(673)	—	—
Purchase of subsidiary noncontrolling interests	(117)	—	—
Expiration of subsidiary noncontrolling interests redemption rights	17,790	—	—
Other	33	18	7
Balance at end of year	17,658	174	(600)
Total equity	$ 1,277,135	$ 1,185,875	$ 1,125,184
Redeemable Noncontrolling Interests:			
Balance at beginning of year	$ 51,809	$ 46,722	$ 34,833
Net income attributable to noncontrolling interests	139	2,559	2,457
Issuance of subsidiary noncontrolling interests	3,714	—	—
Purchase of subsidiary noncontrolling interests	(784)	(6,179)	(2,593)
Expiration of subsidiary noncontrolling interests redemption rights	(41,595)	—	—
Valuation adjustments and other noncontrolling interests activity	(8,345)	8,707	12,025
Balance at end of year	$ 4,938	$ 51,809	$ 46,722

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 Corporation (Avista Corp. or the Company) is an energy company engaged in the generation, transmission and distribution of energy, as well as other energy-related businesses. Avista Utilities is an operating division of Avista Corp., comprising the regulated utility operations. Avista Utilities generates, transmits and distributes electricity in parts of eastern Washington and northern Idaho. In addition, Avista Utilities has electric generating facilities in Montana and northern Oregon. Avista Utilities also provides natural gas distribution service in parts of eastern Washington and northern Idaho, as well as parts of northeastern and southwestern Oregon. Avista Capital, Inc. (Avista Capital), a wholly owned subsidiary of Avista Corp., is the parent company of all of the subsidiary companies in the non-utility businesses, except Spokane Energy, LLC (Spokane Energy). Avista Capital's subsidiaries include Ecova, Inc. (Ecova), a 79.0 percent owned subsidiary as of December 31, 2012. Ecova is a provider of energy efficiency and other facility information and cost management programs and services for multi-site customers and utilities throughout North America. See Note 24 for business segment information.

Basis of Reporting

The consolidated financial statements include the assets, liabilities, revenues and expenses of the Company and its subsidiaries, including Ecova and other majority owned subsidiaries and variable interest entities for which the Company or its subsidiaries are the primary beneficiaries. 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 accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Significant estimates include:

- determining the market value of energy commodity derivative assets and liabilities,
- pension and other postretirement benefit plan obligations,
- contingent liabilities,
- 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 Federal Energy Regulatory Commission (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.

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. 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.

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

	2012	2011
Unbilled accounts receivable	$ 77,298	$ 82,950

Ecova Revenues

Service revenues from Ecova are recognized over the period services are rendered, which is typically on a straight-line basis for fixed-fee or project-fee engagements or ratably for other types of services. New client account setup fees and implementation (onboarding) fees are deferred and recognized over the contractual life that approximates the expected customer relationship, which is typically the contract period. Investment earnings on funds held for clients and fees earned from third parties on payment processing are an integral part of Ecova's product offerings and are recognized in revenues as earned. Revenue arrangements with multiple elements occur infrequently and generally represent a very small percentage of total Ecova revenues. When they occur, the separate deliverables are divided into separate units of accounting if certain criteria are met, and the total consideration received is allocated among the different deliverables using the relative selling price method. In most cases, management uses its best estimate of the selling price for each deliverable to determine the amount of consideration to allocate and revenue is recognized for each deliverable once all the applicable revenue recognition criteria are met. In the Consolidated Statements of Income, the full amount of Ecova revenues are recorded in operating revenues (inclusive of the noncontrolling interest portion), but then the noncontrolling interest share (currently 21.0 percent) is backed out in the "Net income attributable to noncontrolling interests" line on the Consolidated Statements of Income.

RECEIVED

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTACHMENT 8

ECOVA, INC. CREDIT REPORT

<HELP> for explanation, <MENU> for similar functions.
Enter #<Go> for Rating Profile

91) Company Tree Ratings 92) Alert Page 1/1 Credit Profile

Avista Corp

1) Bloomberg Default Risk (DRSK)

MOODY'S	
2) Outlook	STABLE
3) Issuer Rating	Baa2
4) Long Term Rating	Baa2
5) Senior Secured Debt	A3
6) Senior Unsecured Debt	Baa2
7) JR Subordinated Debt	WR
8) Preferred Stock	WR
9) Short Term	WR
10) **STANDARD & POOR'S**	T
11) Outlook	STABLE
12) LT Foreign Issuer Credit	BBB
13) LT Local Issuer Credit	BBB
14) ST Foreign Issuer Credit	A-2
15) ST Local Issuer Credit	A-2
FITCH	
16) LT Issuer Default Rating	WD
17) Senior Secured Debt	WD
18) Senior Unsecured Debt	WD
19) ST Issuer Default Rating	WD
DUFF & PHELPS	
20) Senior Secured Debt	WR
21) Senior Unsecured Debt	WR
22) Preferred Stock	WR
23) Short Term	WR

Ecova, Inc. DUNS: 94-541-4530

Dashboard

Company Info

1313 N Atlantic St Ste 5000
Spokane, WA 99201

Phone: (509) 329-7600

DBA's :
(SUBSIDIARY OF AVISTA CAPITAL, INC., SPOKANE, WA)
AVISTA ADVANTAGE

URL: www.advantageiq.com

Scores

Paydex	Commercial Credit		Financial Stress		Supplier Eval Risk Rating	Credit Limit Rec	D&B Rating
Score	Score	Class	Score	Class	Rating	Recommendation	Rating
78 ▼	482 ▲	1	1484 ▲	3	4 ▼	$400K	--

Recent Alerts

INQUIRY 02/02/13 3 New Inquiries

INQUIRY 02/01/13 8 New Inquiries

INQUIRY 01/24/13 2 New Inquiries

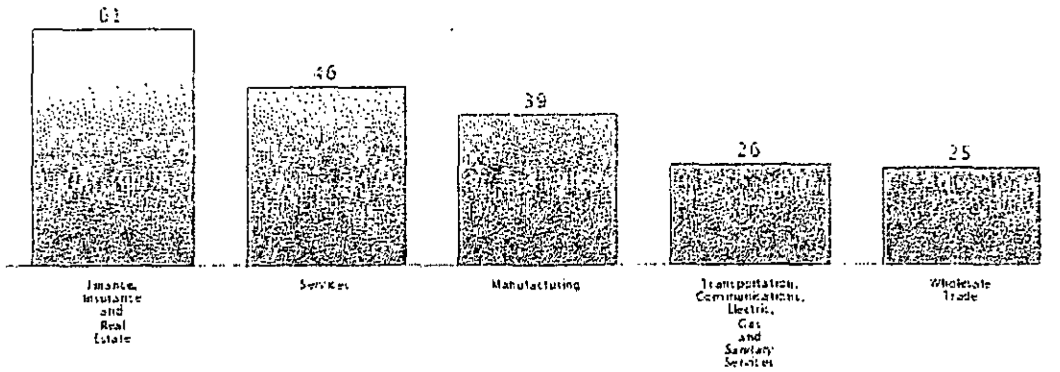
INQUIRY 01/18/13 3 New Inquiries

Inquiries

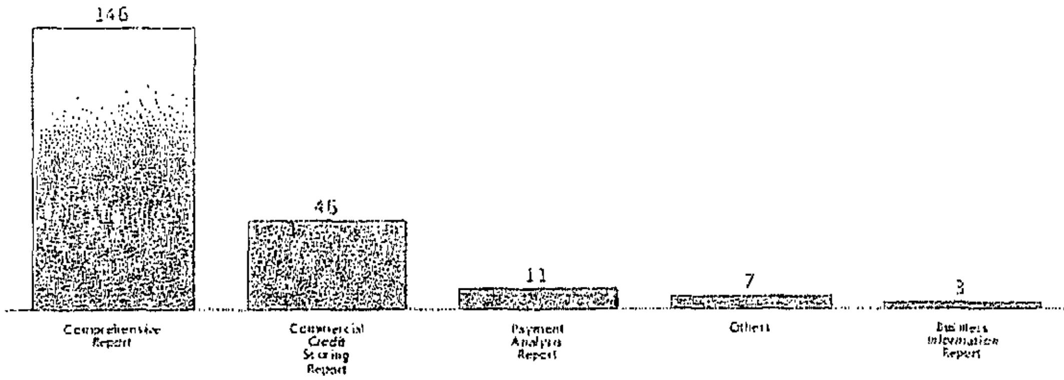
Most Recent

Date	SIC/Sector	Report type
01/31/13	Wholesale Trade	Comprehensive Report
01/31/13	Wholesale Trade	Comprehensive Report
01/31/13	Wholesale Trade	Comprehensive Report
01/30/13	Transportation, Communications, Electric, Gas and Sanitary Services	Comprehensive Report
01/30/13	Transportation, Communications, Electric, Gas and Sanitary Services	Comprehensive Report

Top 5 Inquiries by SIC / Sector (12 Months)



Top 5 Inquiries by Report Type (12 Months)



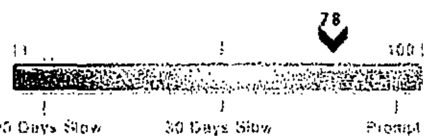
Scores

Paydex

78 ▼

3 Month Paydex
79

3 days beyond terms



Understanding My Score

The D&B PAYDEX is a unique, dollar weighted indicator of payment performance based on payment experiences as reported to D&B by trade references.

Recent Payments

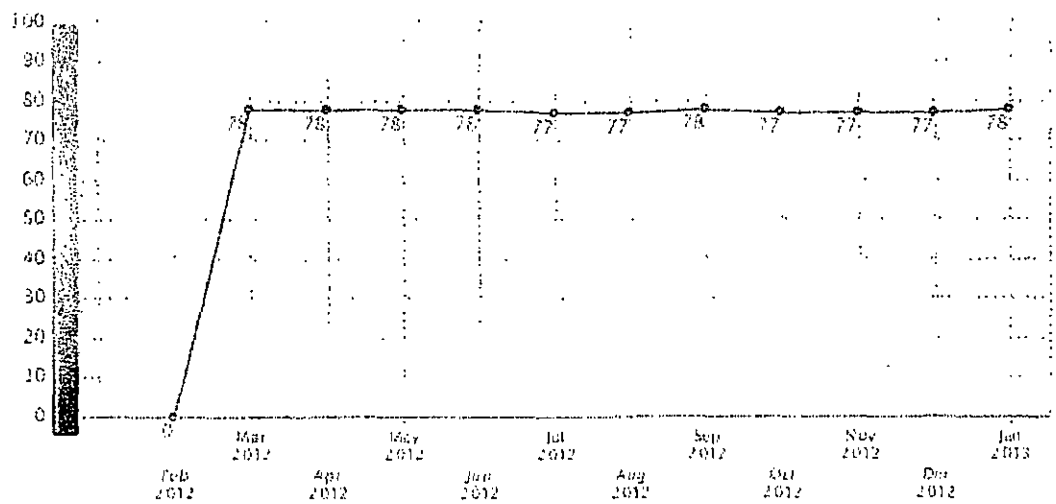
Total (Last 12 Months): 80

Date	Paying Record	High Credit	Now Owes	Past Due	Selling Terms	Last sale w/i (Mo.)
01/2013	Ppt	$55,000	$2,500	$0	--	1 mo
01/2013	Ppt	$7,500	$5,000	$0	N30	1 mo
01/2013	Ppt	$7,500	$0	$0	--	1 mo
01/2013	Ppt	$5,000	$750	$0	--	1 mo
01/2013	Ppt	$1,000	$0	$0	--	1 mo

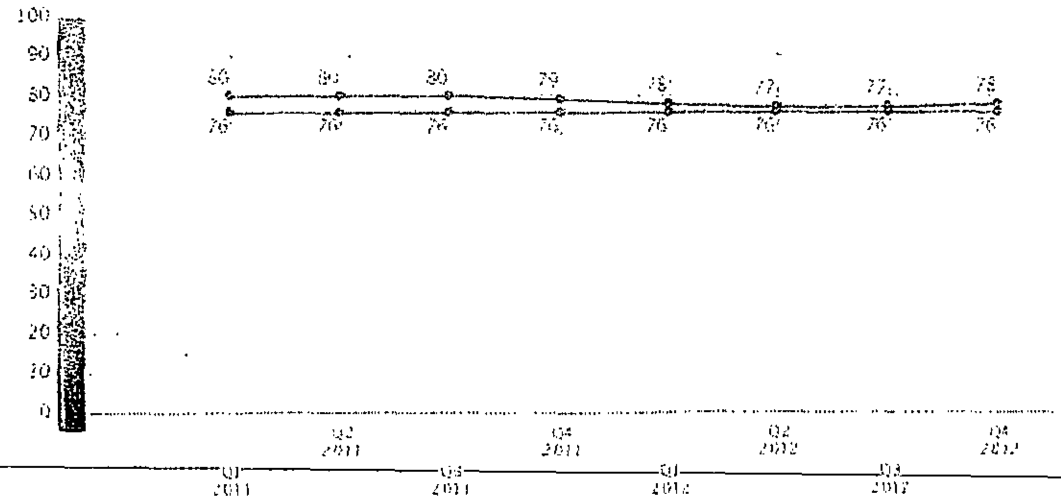
Key

Paydex	Payment Practices	Paydex	Payment Practices
100	Anticipate	40	60 Days Beyond Terms
90	Discount	30	90 Days Beyond Terms
80	Prompt	20	120 Days Beyond Terms
70	15 Days Beyond	1-19	Over 120 Days Beyond Terms
60	22 Days Beyond Terms	UN	Unavailable
50	30 Days Beyond Terms		

Trends



Industry Comparison



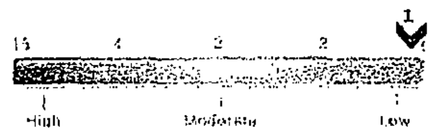
• My Company (78) • Industry Median: (76)

Based on payments collected over the last 4 quarters.

- Current PAYDEX for this business is 78, or equal to 3 days beyond terms
- *The present industry median score is 76, or equal to 6 days beyond terms.*

Commercial Credit Score

Score	Class	Percentile
482	**1**	**91%**



Low risk of severe payment delinquency over next 12 months

Understanding My Score

The Commercial Credit Score predicts the likelihood that a company will pay its bills in a severely delinquent manner (90 days or more past terms), obtain legal relief from creditors or cease operations without paying all creditors in full over the next 12 months. Scores are calculated using a statistically valid model derived from D&B's extensive data files.

Incidence of Delinquent Payment:

Among Companies with this Classification: **6.00%**

Factors Affecting Your Score:

Insufficient number of payment experiences.

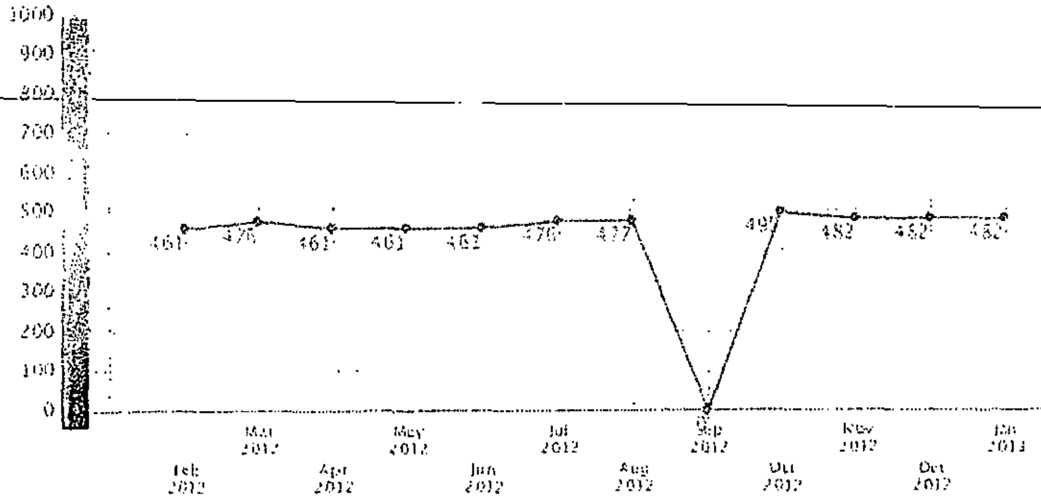
Most recent amount past due.

Low proportion of satisfactory payment experiences to total payment experiences.

Key

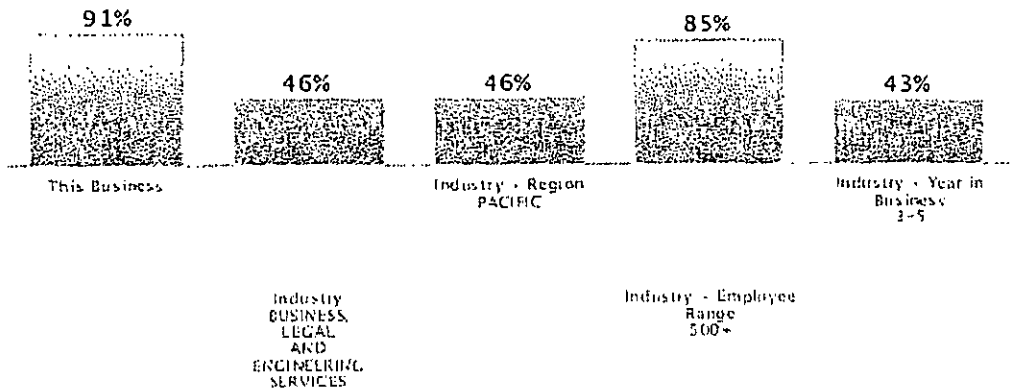
Score	Class	Percentile	Incidence of Delinquency
462 - 670	1	91 - 100	6.0%
451 - 481	2	71-90	10.6%
404-450	3	31-70	18.4%
351-403	4	11-30	31.5%
1-350	5	1-10	70.0%

Trends - Scores, 12 Month



- My Company (482)

Industry Comparison



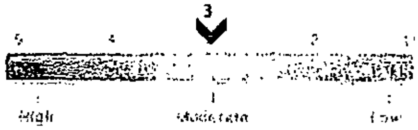
This business has a Credit Score Percentile that shows:

- Lower risk than other companies in the same region.
- Lower risk than other companies in the same industry.
- *Lower risk than other companies in the same employee size range.*
- Lower risk than other companies with a comparable number of years in business.

Financial Stress Score

Score	Class	Nat'l %

1484 ▼ 3 55%



Moderate risk of severe financial stress, such as a bankruptcy, over the next 12 months

Understanding My Score

Incidence of Financial Stress:

Among Companies with this Classification: 0.24 (84 per 10000)

Factors Affecting Your Score:

UCC Filings reported.

High number of inquiries to D & B over last 12 months.

Limited time under present management control.

- The Financial Stress Class Summary Model predicts the likelihood of a firm ceasing business without paying all creditors in full, or reorganization or obtaining relief from creditors under state/federal law over the next 12 months. Scores were calculated using a statistically valid model derived from D&B's extensive data files.

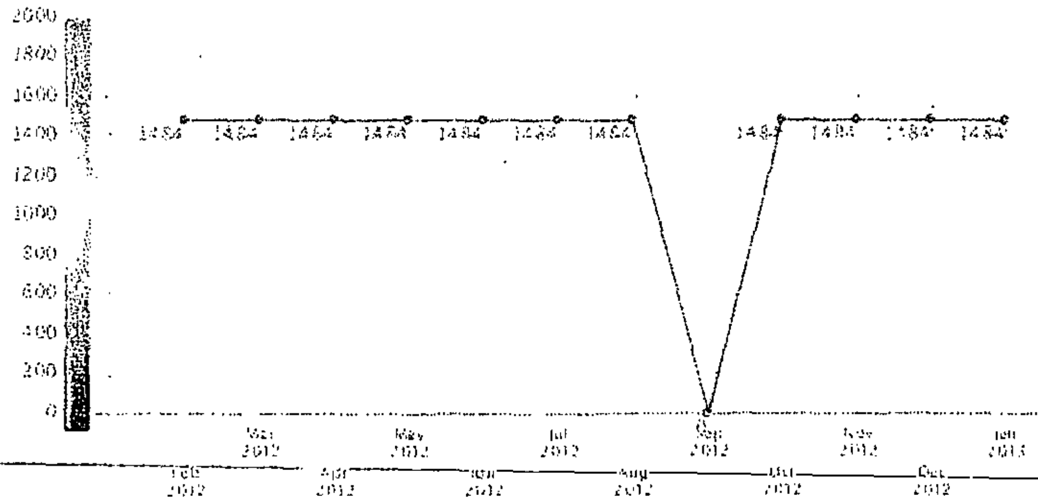
Notes:

- The Financial Stress Class indicates that this firm shares some of the same business and financial characteristics of other companies with this classification. It does not mean the firm will necessarily experience financial stress.
- The Incidence of Financial Stress shows the percentage of firms in a given Class that discontinued operations over the past year with loss to creditors. The Incidence of Financial Stress - National Average represents the national failure rate and is provided for comparative purposes.
- The Financial Stress National Percentile reflects the relative ranking of a company among all scorable companies in D&B's file.
- The Financial Stress Score offers a more precise measure of the level of risk than the Class and Percentile. It is especially helpful to customers using a scorecard approach to determining overall business performance.
- All Financial Stress Class, Percentile, Score and Incidence statistics are based on sample data from

Key

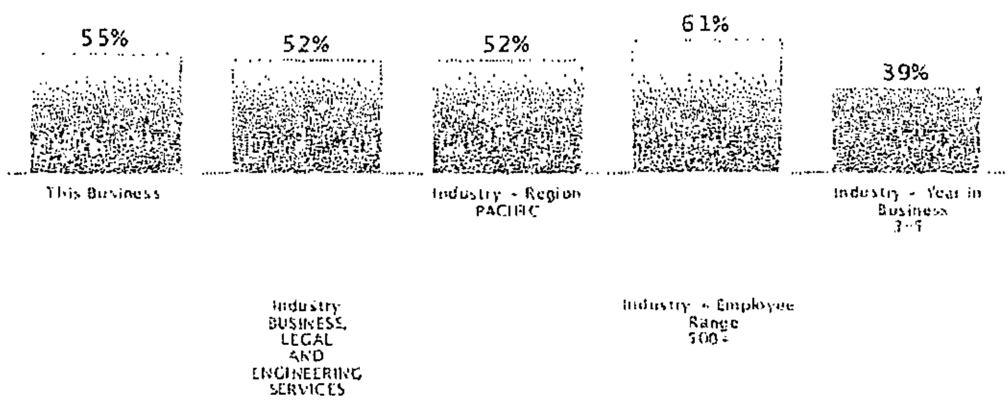
Score	Class	Percentile	Incidence of Financial Stress
1570-1875	1	95-100	6.0%
1510-1569	2	69-94	10.6%
1450-1509	3	34-68	18.4%
1340-1449	4	2-33	31.5%
1001-1339	5	1	70.0%

Trends - Scores, 12 Month



- My Company (1,484)

Industry Comparison



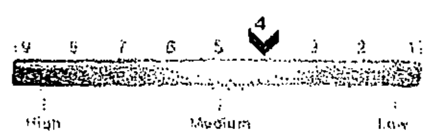
. Based on payments collected over the last 4 quarters.

- Lower risk than other companies in the same region.
- *Lower risk than other companies in the same industry.*
- Higher risk than other companies in the same employee size range.
- Lower risk than other companies with a comparable number of years in business.

Supplier Evaluation Risk Rating

4 ▼

Moderate risk of supplier experiencing severe financial stress over the next 12 months.



Understanding My Score

The Supplier Evaluation Risk Rating 1-9 segmentation derived from the Financial Stress Score that predicts the likelihood of supplier failure over the next 12 months. The SER Rating is derived from D&B's *Financial Stress Score*, which is calculated using a statistically valid model derived from D&B's extensive data files.

Factors Affecting This Company's Score:

Suits, Liens, and/or Judgments are present - see PUBLIC FILINGS section.

Business under present control less than five years - see HISTORY section.

Average Payments are 3 day(s) beyond terms.

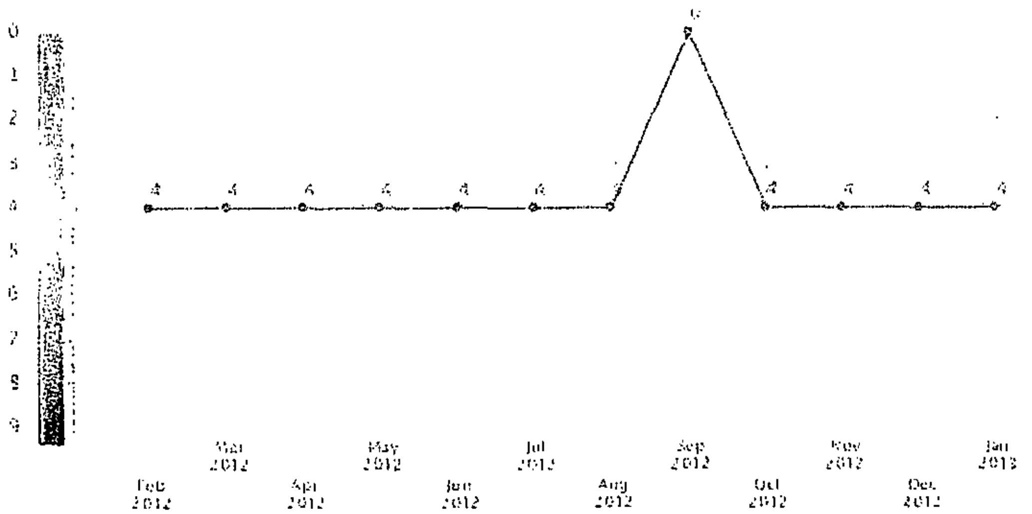
Average Industry Payments are 6 day(s) beyond terms.

UCC Filings present - See PUBLIC FILINGS section.

Financing secured - See BANK/PUBLIC FILINGS sections.

Under present management control 4 years.

Trends



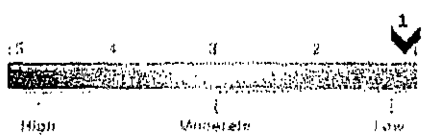
- My Company (4)

Credit Limit Recommendation

Risk Category

1

Conservative Credit Limit
$400k
Aggressive Credit Limit
$900k



Low

Understanding My Score

D&B's Credit Limit Recommendation is intended to help you more easily manage your credit decisions. It provides two recommended dollar guidelines:

A conservative limit, which suggests a dollar benchmark if your policy is to extend less credit to minimize risk.

An aggressive limit, which suggests a dollar benchmark if your policy is to extend more credit with potentially more risk.

The dollar guideline amounts are based on a historical analysis of credit demand of customers in D&B's U.S. payments database which have a similar profile to your business.

D&B Rating®

Rating

--

D&B Rating	Date Applied
--	2011-04-21

Understanding My Score

Factors Affecting Your Score

of Employees Total: 750 (530 here)

Payment Activity (based on 86 experiences):

Average High Credit: **$13,916**

Highest Credit: **$300,000**

Total Highest Credit: **$884,350**

Note: The Worth amount in this section may have been adjusted by D&B to reflect typical deductions, such as certain intangible assets.

Inquiries

12 Month Summary

Over the past 12 months ending 2-2013, 213 individual requests for information on your company were received; this represents a 21.13% increase over the prior 12 *month period. The 213 inquiries were made by 96 unique companies indicating* that some companies have inquired on your business multiple times and may be monitoring you. Of the total products purchased, 61, or 28.64% came from the Finance, Insurance and Real Estate sector; 46, or 21.60% came from the Services sector; 39, or 18.31% came from the Manufacturing sector.

12 Mo. Total: 213

12 Mo. *Unique Companies:* *96*

Date	Report Type	SIC / Sector
01/31/13	Comprehensive Report	Wholesale Trade
01/31/13	Comprehensive Report	Wholesale Trade
01/31/13	Comprehensive Report	Wholesale Trade
01/30/13	Comprehensive Report	Transportation, Communications, Electric, *Gas and Sanitary Services*
01/30/13	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
01/30/13	Commercial Credit Scoring Report	*Manufacturing*
01/30/13	Payment Analysis Report	Manufacturing
01/30/13	Commercial Credit Scoring Report	Manufacturing
01/30/13	Commercial Credit Scoring Report	Manufacturing
01/30/13	*Commercial Credit* Scoring Report	Manufacturing

01/30/13	Payment Analysis Report	Manufacturing
01/21/13	Comprehensive Report	Services
01/21/13	Comprehensive Report	Services
01/16/13	Comprehensive Report	Wholesale Trade
01/16/13	Comprehensive Report	Wholesale Trade
01/16/13	Comprehensive Report	Wholesale Trade
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/14/13	Comprehensive Report	Services
01/09/13	Comprehensive Report	Services
01/03/13	Comprehensive Report	Manufacturing
12/27/12	Comprehensive Report	Manufacturing
12/20/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
12/20/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
12/20/12	Comprehensive Report	Services
12/17/12	Comprehensive Report	Manufacturing
12/17/12	Comprehensive Report	Manufacturing
12/17/12	Comprehensive Report	Manufacturing
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Payment Analysis Report	Finance, Insurance and Real Estate
12/14/12	Comprehensive Report	Finance, Insurance and Real Estate
12/14/12	Comprehensive Report	Finance, Insurance and Real Estate
12/07/12	Others	Transportation, Communications, Electric, Gas and Sanitary Services
11/30/12	Comprehensive Report	Services
11/29/12	Comprehensive Report	Wholesale Trade
11/29/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
11/29/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
11/29/12	Commercial Credit Scoring Report	Wholesale Trade
11/15/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
11/15/12	Comprehensive Report	Services
11/14/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate

11/14/12	Comprehensive Report	Finance, Insurance and Real Estate
11/13/12	Commercial Credit Scoring Report	Services
11/09/12	Comprehensive Report	Services
11/08/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
11/08/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
11/01/12	Comprehensive Report	Retail Trade
11/01/12	Comprehensive Report	Wholesale Trade
10/30/12	Comprehensive Report	Wholesale Trade
10/25/12	Comprehensive Report	Manufacturing
10/22/12	Comprehensive Report	Manufacturing
10/15/12	Comprehensive Report	Retail Trade
10/11/12	Comprehensive Report	Services
10/09/12	Comprehensive Report	Services
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Comprehensive Report	Finance, Insurance and Real Estate
10/05/12	Comprehensive Report	Finance, Insurance and Real Estate
10/05/12	Comprehensive Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
10/04/12	Others	Services
10/04/12	Others	Services
10/04/12	Comprehensive Report	Services
10/01/12	Comprehensive Report	Services
09/28/12	Comprehensive Report	Finance, Insurance and Real Estate
09/25/12	Comprehensive Report	Finance, Insurance and Real Estate
09/25/12	Comprehensive Report	Finance, Insurance and Real Estate
09/25/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
09/20/12	Comprehensive Report	Finance, Insurance and Real Estate
09/19/12	Comprehensive Report	Services
09/18/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
09/18/12	Comprehensive Report	Wholesale Trade
09/14/12	Comprehensive Report	Wholesale Trade
09/13/12	Comprehensive Report	Services
09/11/12	Comprehensive Report	Manufacturing

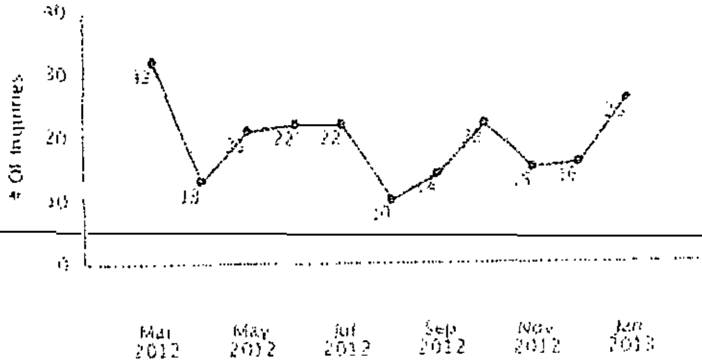
09/06/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
09/04/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
09/04/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
08/29/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
08/29/12	Comprehensive Report	Services
08/23/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
08/23/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
08/17/12	Comprehensive Report	Wholesale Trade
08/17/12	Comprehensive Report	Wholesale Trade
08/17/12	Comprehensive Report	Wholesale Trade
08/16/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
08/16/12	Comprehensive Report	Finance, Insurance and Real Estate
08/16/12	Comprehensive Report	Finance, Insurance and Real Estate
07/31/12	Comprehensive Report	Manufacturing
07/31/12	Comprehensive Report	Manufacturing
07/31/12	Commercial Credit Scoring Report	Manufacturing
07/31/12	Comprehensive Report	Finance, Insurance and Real Estate
07/31/12	Comprehensive Report	Finance, Insurance and Real Estate
07/31/12	Comprehensive Report	Finance, Insurance and Real Estate
07/27/12	Comprehensive Report	Services
07/23/12	Comprehensive Report	Services
07/23/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
07/23/12	Comprehensive Report	Services
07/23/12	Comprehensive Report	Finance, Insurance and Real Estate
07/19/12	Comprehensive Report	Wholesale Trade
07/18/12	Comprehensive Report	Retail Trade
07/18/12	Comprehensive Report	Services
07/18/12	Comprehensive Report	Services
07/18/12	Comprehensive Report	Services
07/16/12	Comprehensive Report	Services
07/13/12	Comprehensive Report	Services
07/03/12	Commercial Credit Scoring Report	Manufacturing
07/02/12	Comprehensive Report	Wholesale Trade
07/02/12	Comprehensive Report	Services
07/02/12	Others	Wholesale Trade
06/26/12	Comprehensive Report	Manufacturing
06/22/12	Comprehensive Report	Wholesale Trade
06/21/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/20/12	Others	Finance, Insurance and Real Estate
06/20/12	Comprehensive Report	Finance, Insurance and Real Estate

06/19/12	Comprehensive Report	Manufacturing
06/12/12	Comprehensive Report	Manufacturing
06/12/12	Commercial Credit Scoring Report	Wholesale Trade
06/11/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/11/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/11/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/11/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/07/12	Business Information Report	Manufacturing
06/06/12	Comprehensive Report	Manufacturing
06/06/12	Comprehensive Report	Manufacturing
06/04/12	Comprehensive Report	Finance, Insurance and Real Estate
06/04/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/01/12	Comprehensive Report	Wholesale Trade
06/01/12	Comprehensive Report	Services
06/01/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
06/01/12	Comprehensive Report	Services
06/01/12	Comprehensive Report	Services
05/30/12	Business Information Report	Manufacturing
05/29/12	Comprehensive Report	Manufacturing
05/23/12	Comprehensive Report	Services
05/22/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
05/22/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
05/21/12	Comprehensive Report	Manufacturing
05/21/12	Comprehensive Report	Manufacturing
05/14/12	Comprehensive Report	Wholesale Trade
05/10/12	Business Information Report	Manufacturing
05/10/12	Comprehensive Report	Services
05/08/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
05/08/12	Comprehensive Report	Finance, Insurance and Real Estate
05/08/12	Comprehensive Report	Finance, Insurance and Real Estate
05/04/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
05/02/12	Comprehensive Report	Finance, Insurance and Real Estate
05/02/12	Others	Finance, Insurance and Real Estate
05/01/12	Comprehensive Report	Retail Trade
05/01/12	Comprehensive Report	Retail Trade
05/01/12	Comprehensive Report	Retail Trade
05/01/12	Comprehensive Report	Retail Trade
05/01/12	Comprehensive Report	Retail Trade
04/30/12	Comprehensive Report	Manufacturing
04/25/12	Comprehensive Report	Retail Trade

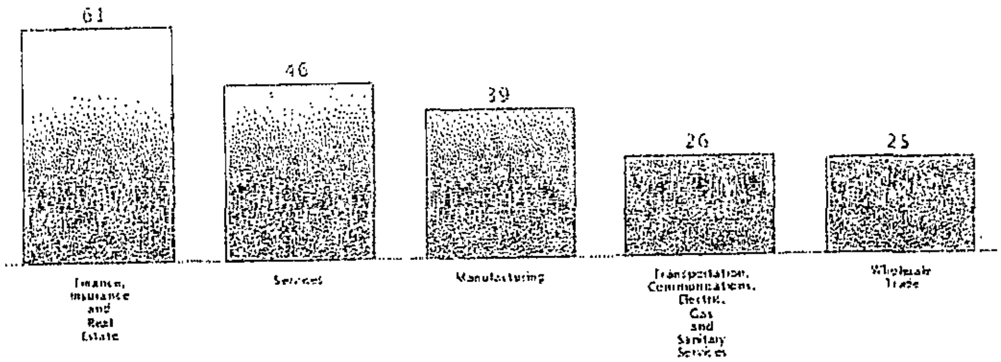
04/20/12	Comprehensive Report	Wholesale Trade
04/20/12	Comprehensive Report	Wholesale Trade
04/20/12	Comprehensive Report	Wholesale Trade
04/12/12	Comprehensive Report	Finance, Insurance and Real Estate
04/12/12	Comprehensive Report	Construction
04/11/12	Comprehensive Report	Transportation, Communications, Electric, Gas and Sanitary Services
04/09/12	Comprehensive Report	Manufacturing
04/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
04/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
04/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
04/05/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
03/31/12	Commercial Credit Scoring Report	Finance, Insurance and Real Estate
03/31/12	Commercial Credit Scoring Report	Services
03/30/12	Comprehensive Report	Finance, Insurance and Real Estate
03/29/12	Comprehensive Report	Services
03/29/12	Others	Services
03/26/12	Comprehensive Report	Finance, Insurance and Real Estate
03/26/12	Comprehensive Report	Finance, Insurance and Real Estate
03/26/12	Comprehensive Report	Finance, Insurance and Real Estate
03/26/12	Comprehensive Report	Finance, Insurance and Real Estate
03/26/12	Commercial Credit Scoring Report	Public Administration
03/22/12	Comprehensive Report	Finance, Insurance and Real Estate
03/20/12	Comprehensive Report	Services
03/15/12	Comprehensive Report	Manufacturing
03/15/12	Comprehensive Report	Finance, Insurance and Real Estate
03/14/12	Comprehensive Report	Finance, Insurance and Real Estate
03/14/12	Comprehensive Report	Services
03/13/12	Comprehensive Report	Services
03/12/12	Comprehensive Report	Construction
03/12/12	Comprehensive Report	Construction
03/12/12	Comprehensive Report	Construction
03/12/12	Commercial Credit Scoring Report	Transportation, Communications, Electric, Gas and Sanitary Services
03/07/12	Payment Analysis Report	Finance, Insurance and Real Estate
03/05/12	Comprehensive Report	Manufacturing
03/02/12	Commercial Credit Scoring Report	Services
03/01/12	Comprehensive Report	Retail Trade
03/01/12	Comprehensive Report	Retail Trade
03/01/12	Commercial Credit Scoring Report	Manufacturing
03/01/12	Commercial Credit Scoring Report	Manufacturing
03/01/12	Payment Analysis Report	Manufacturing

03/01/12	Commercial Credit Scoring Report	Manufacturing
03/01/12	Commercial Credit Scoring Report	Manufacturing
03/01/12	Payment Analysis Report	Manufacturing

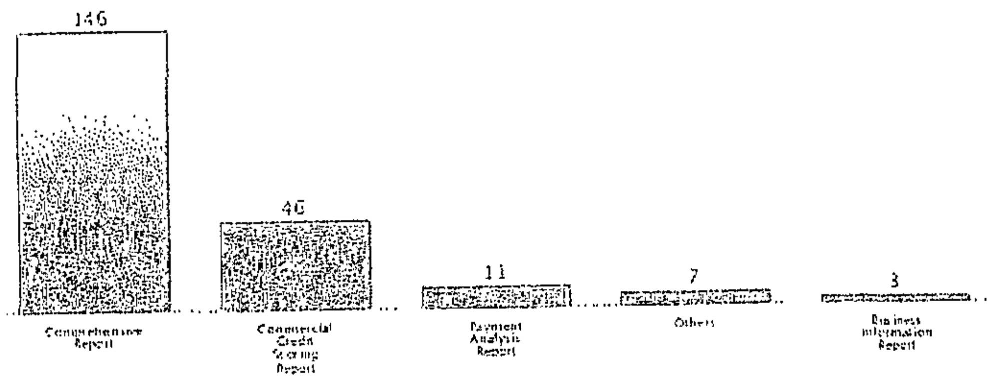
Trends - 12 Month



Top 5 Inquiries by Report
Type (12 Months)



Top 5 Report Types
Graph(12 Months)



All Inquiries by Industry and SIC / Sector

SIC Sector	[illegible] Jun 2012	[illegible] Sep 2012	[illegible] Dec 2012	[illegible] Mar 2013	[illegible] Inquiries
Construction	4	0	0	0	4
Finance, Insurance and Real Estate	21	11	21	8	61
Manufacturing	15	10	3	11	39
Public Administration	1	0	0	0	1
Retail Trade	8	1	2	0	11
Services	9	13	12	12	46
Transportation, Communications, Electric, Gas and Sanitary Services	4	10	7	5	26
Wholesale Trade	4	9	6	6	25

Inquiries by Report Type

Report Type	[illegible] Jun 2012	[illegible] Sep 2012	[illegible] Dec 2012	[illegible] Mar 2013	Total
Business Information Report	2	1	0	0	3
Commercial Credit Scoring Report	15	6	19	6	46
Comprehensive Report	44	45	30	27	146
Others	2	2	2	1	7
Payment Analysis Report	3	0	0	8	11

Payments

Currency: Shown in USD unless otherwise indicated

Payments Summary

Current Paydex: 78 Equal to 3 days beyond terms
Industry Median: 76 Equal to 6 DAYS BEYOND terms
Payment Trend: ↔ Unchanged, compared to payments three months ago

Total payment Experiences in D&Bs File (HQ):	86
Payments Within Terms (not dollar weighted):	94
Total Placed For Collection:	NA
Average Highest Credit:	13,916
Largest High Credit:	300,000
Highest Now Owing:	90,000
Highest Past Due:	750

Payments Summary by Industry

Total (Last 12 Months): 86

	Total Received	Total Dollar Amount	Largest High Credit	% Within Terms	Days Slow <31	31-60	61-90	90>
Top Industries								
Telephone communictns	16	$26,250	$7,500	100%	0	0	0	0
Nonclassified	7	$87,500	$40,000	77%	23	0	0	0
Electric services	6	$18,000	$7,500	99%	1	0	0	0
Whol office equipment	4	$5,600	$5,000	100%	0	0	0	0
Photocopying service	4	$7,600	$5,000	100%	0	0	0	0
Whol electrical equip	3	$105,000	$55,000	100%	0	0	0	0
Misc equipment rental	3	$62,500	$35,000	100%	0	0	0	0
Radiotelephone commun	2	$25,100	$25,000	100%	0	0	0	0
Data processing svcs	2	$15,100	$15,000	100%	0	0	0	0
Misc business service	2	$12,500	$7,500	50%	50	0	0	0
Misc business credit	2	$1,250	$750	100%	0	0	0	0
Whol computers/softwr	1	$300,000	$300,000	100%	0	0	0	0
Employment agency	1	$90,000	$90,000	100%	0	0	0	0
Whol nondurable goods	1	$50,000	$50,000	100%	0	0	0	0
Misc coml printing	1	$45,000	$45,000	100%	0	0	0	0
Executive office	1	$15,000	$15,000	0%	100	0	0	0
Ret mail-order house	1	$2,500	$2,500	0%	0	100	0	0
Mfg refrig/heat equip	1	$2,500	$2,500	100%	0	0	0	0
Mfg computers	1	$1,000	$1,000	100%	0	0	0	0
Courier service	1	$1,000	$1,000	100%	0	0	0	0
Mfg photograph equip	1	$750	$750	100%	0	0	0	0
Whol industrial equip	1	$750	$750	100%	0	0	0	0
Security broker/deal	1	$500	$500	100%	0	0	0	0
Paper mill	1	$500	$500	0%	100	0	0	0
Help supply service	1	$500	$500	100%	0	0	0	0
Whol service paper	1	$250	$250	100%	0	0	0	0
Natural gas distrib	1	$100	$100	100%	0	0	0	0
Other Categories								
Cash experiences	17	$2,550	$1,000	--	--	--	--	--
Unknown	2	$5,050	$5,000	--	--	--	--	--
Unfavorable comments	0	$0	$0	--	--	--	--	--
Placed for collections with D&B:	0	$0	$0	--	--	--	--	--
Other	0	N/A	$0	--	--	--	--	--
Total in D&B's file	86	$864,350	$300,000	--	--	--	--	--

Payments Beyond Terms

Total (Last 12 Months): 6

01/2013	Ppt-Slow 30	$500	$100	$100	--	1 mo
12/2012	Ppt-Slow 30	$40,000	$0	$0	--	1 mo
12/2012	Ppt-Slow 30	$7,500	$1,000	$0	--	1 mo
12/2012	Ppt-Slow 30	$5,000	$5,000	$750	--	1 mo
12/2012	Slow 30	$500	$0	$0	N30	4-5 mos
10/2011	Slow 60	$2,500	$0	$0	--	6-12 mos

All Payments

Total (Last 12 Months): 80

01/2013	Ppt	$55,000	$2,500	$0	--	1 mo
01/2013	Ppt	$7,500	$5,000	$0	N30	1 mo
01/2013	Ppt	$7,500	$0	$0	--	1 mo
01/2013	Ppt	$5,000	$750	$0	--	1 mo
01/2013	Ppt	$1,000	$0	$0	--	1 mo
01/2013	Ppt	$750	$750	$0	--	1 mo
01/2013	Ppt	$100	$100	$0	N30	1 mo
01/2013	Ppt-Slow 30	$500	$100	$100	--	1 mo
01/2013	(009)	$1,000	--	--	Cash account	1 mo
01/2013	(010)	$100	--	--	Cash account	1 mo
01/2013	(011)	$50	--	--	Cash account	6-12 mos
01/2013	(012)	$50	--	--	Cash account	6-12 mos
01/2013	(013)	$50	--	--	Cash account	1 mo
12/2012	Ppt	$300,000	$60,000	$0	N30	1 mo
12/2012	Ppt	$50,000	$0	$0	--	1 mo
12/2012	Ppt	$35,000	$2,500	--	Lease Agreemnt	--
12/2012	Ppt	$20,000	$750	--	Lease Agreemnt	--
12/2012	Ppt	$20,000	$2,500	$0	--	1 mo
12/2012	Ppt	$15,000	$0	$0	--	6-12 mos
12/2012	Ppt	$15,000	$15,000	$0	--	1 mo
12/2012	Ppt	$7,500	$750	--	Lease Agreemnt	--
12/2012	Ppt	$5,000	$5,000	$0	--	1 mo
12/2012	Ppt	$5,000	$5,000	$0	--	1 mo
12/2012	Ppt	$5,000	$5,000	--	--	1 mo
12/2012	Ppt	$5,000	$0	$0	--	1 mo
12/2012	Ppt	$2,500	$0	$0	--	1 mo
12/2012	Ppt	$2,500	$0	$0	--	1 mo
12/2012	Ppt	$2,500	$2,500	--	--	1 mo

Date	Paying Record	High Credit	Now Owes	Past Due	Selling Terms	Last Sale Within
12/2012	Ppt	$2,500	$2,500	--	--	1 mo
12/2012	Ppt	$2,500	$1,000	$0	--	1 mo
12/2012	Ppt	$2,500	$2,500	$0	--	1 mo
12/2012	Ppt	$2,500	$2 500	$0	--	1 mo
12/2012	Ppt	$2,500	$0	$0	N30	6-12 mos
12/2012	Ppt	$2,500	$0	$0	--	1 mo
12/2012	Ppt	$1,000	$1,000	$0	--	1 mo
12/2012	Ppt	$750	$750	$0	--	1 mo
12/2012	Ppt	$750	$750	$0	--	1 mo
12/2012	Ppt	$750	$750	$0	Lease Agreemnt	1 mo
12/2012	Ppt	$750	$750	$0	--	1 mo
12/2012	Ppt	$500	$0	$0	--	2-3 mos
12/2012	Ppt	$500	$0	$0	N30	1 mo
12/2012	Ppt	$500	$500	$0	Lease Agreemnt	1 mo
12/2012	Ppt	$250	$0	$0	--	1 mo
12/2012	Ppt	$250	$250	$0	Lease Agreemnt	1 mo
12/2012	Ppt	$250	$0	$0	--	6-12 mos
12/2012	Ppt	$100	$0	$0	--	1 mo
12/2012	Ppt	$100	$50	$0	--	1 mo
12/2012	Ppt	$100	$100	$0	--	1 mo
12/2012	Ppt	--	$0	$0	--	1 mo
12/2012	Ppt	--	$0	$0	--	6-12 mos
12/2012	Ppt	--	$0	$0	N30	1 mo
12/2012	Ppt	--	$0	$0	--	1 mo
12/2012	Ppt-Slow 30	$40,000	$0	$0	--	1 mo
12/2012	Ppt-Slow 30	$7,500	$1,000	$0	--	1 mo
12/2012	Ppt-Slow 30	$5,000	$5,000	$750	--	1 mo
12/2012	Slow 30	$500	$0	$0	N30	4-5 mos
12/2012	(057)	$750	--	--	Cash account	1 mo
12/2012	(058)	$50	--	--	--	1 mo
12/2012	(059)	$50	--	--	Cash account	4-5 mos
12/2012	(060)	--	$0	$0	Cash account	2-3 mos
11/2012	(061)	$50	--	--	Cash account	1 mo
11/2012	(062)	$50	--	--	Cash account	1 mo
10/2012	Ppt	$45,000	$0	$0	--	1 mo
10/2012	(064)	$100	--	--	Cash account	4-5 mos
10/2012	(065)	$50	--	--	Cash account	1 mo
09/2012	Ppt	$1,000	$0	$0	--	1 mo
09/2012	Ppt	$1,000	$0	$0	--	1 mo

Date	Paying Record	High Credit	Now Owes	Past Due	Selling Terms	Last Sale Within
09/2012	Ppt	$1,000	$750	$0	--	1 mo
09/2012	Ppt	$500	$500	$0	--	1 mo
09/2012	(070)	$50	--	--	Cash account	6-12 mos
04/2012	Ppt	$25,000	$25,000	$0	--	1 mo
02/2012	Ppt	$100	$0	$0	--	6-12 mos
02/2012	(073)	$5,000	$0	$0	--	6-12 mos
01/2012	Ppt	$750	$0	$0	N30	2-3 mos
12/2011	Ppt	$1,000	$0	$0	--	6-12 mos
11/2011	Slow	$15,000	--	--	--	1 mo
10/2011	Slow 60	$2,500	$0	$0	--	6-12 mos
06/2011	Ppt	$1,000	--	--	--	1 mo
04/2011	Ppt	$90,000	$90,000	$0	N30	1 mo
03/2011	(080)	$50	--	--	Cash account	6-12 mos

Indications of slowness can be the result of dispute over merchandise, skipped invoices, etc. Accounts are sometimes placed for collection even though the existence or amount of debt is disputed.

The public record items contained in this report may have been paid, terminated, vacated or released prior to the date this report was printed.

History & Operations

Currency: Shown in USD unless otherwise indicated

Company Overview

Company Name:	ECOVA, INC.	**URL:**	*www.advantageiq.com*
Doing Business As:	(SUBSIDIARY OF AVISTA CAPITAL, INC., SPOKANE, WA).	**Stock Symbol:**	NA
		History:	NA
		Operations:	NA
		Present Management Control:	4 Years
AVISTA ADVANTAGE	**Street Address:**	**Annual Sales:**	NA
1313 N Atlantic St Ste 5000 Spokane, WA 99201	**Phone:** (509) 329-7600 **Fax:** (509) 329-7610		

History

The following information was reported: 06/08/2012

Officer(s):
JEFF HEGGEDAHL, CEO
SETH NESBITT, V PRES-CMO
DONATO CAPOBIANCO, SVP-GEN COUNSEL
SCOTT MORRIS, CHM
GENE LYNES, CFO-TREAS
KAREN FELTES, SEC
ED SCHLECT, EXEC V PRES
JON THOMSEN, EXEC V PRES

DIRECTOR(S):
THE OFFICER(S) and Erik Anderson Kristianne Blake John Kelly Jeff Heggedahl Craig Levinsohn Jeff Lieberman Scott Morris.

The Washington Secretary of State's business registrations file showed that Ecova, Inc was registered as a corporation on November 6, 1995.
Business started 1996. Present control succeeded Dec 1, 2009. 100% of capital stock is owned by officers.

RECENT EVENTS:
On March 14, 2011, sources stated that Advantage IQ, Inc., Spokane, WA, has acquired Building Knowledge Networks, Spokane, WA, in January 2011. Under the terms of the acquisition agreement, Building Knowledge Networks will be fully integrated and operated as Advantage IQ. Further details are not available.
On July 7, 2008, sources stated that Advantage IQ, Inc., Spokane, WA, has acquired Cadence Network, Inc., Cincinnati, OH, on June 30, 2008. After this acquisition, Cadence Network, Inc. will operate as a subsidiary of Advantage IQ, Inc. Financial terms were not disclosed.
JEFF HEGGEDAHL. Antecedents not available.
SETH NESBITT. Served as vice president of marketing for Parallels, Inc. Prior to Parallels, inc., Nesbitt was vice president, products and solutions marketing for Amdocs, Inc., a member of the North American Advisory Board for the CMO Council, and serves on the Advisory Council for TM Forum.
DONATO CAPOBIANCO,. He serves as a Senior Vice President and General Counsel for Hollywood Entertainment Corporation/Movie Gallery, Inc.
SCOTT MORRIS. Antecedents are undetermined.
GENE LYNES. Antecedents are undetermined.
KAREN FELTES. Antecedents not available.
ED SCHLECT. Antecedents not available.
JON THOMSEN. Antecedents not available.

Business Registration

CORPORATE AND BUSINESS REGISTRATIONS REPORTED BY THE SECRETARY OF STATE OR OTHER OFFICIAL SOURCE AS OF
JANUARY 28 2013.

Registered Name:	ECOVA, INC.
Business Type:	CORPORATION
Corporation Type:	PROFIT
Date Incorporated:	Nov 06 1995
State of Incorporation:	WASHINGTON
Filing Date:	Nov 06 1995
FilingFedID:	NA
Registration ID:	601668881
Duration:	PERPETUAL
Duration Date:	NA
Status:	ACTIVE
Status Attained Date:	NA
Where Filed:	SECRETARY OF STATE/CORPORATIONS DIVISION, OLYMPIA, WA
Registered Agent:	C T Corporation System, 505 Union Ave Se Ste 120, Olympia, WA, 985010000
Agent Appointed:	NA
AgentStatus:	NA
Principals:	ERIK ANDERSON, DIRECTOR, 1411 E MISSION AVE, SPOKANE, WA, 992520000

KRISTI BLAKE, DIRECTOR, 1411 E MISSION AVE, SPOKANE, WA, 992520000
MARIAN DURKING, VICE PRESIDENT, 1411 E MISSION AVE, SPOKANE, WA, 992520000
KAREN FELTES, SECRETARY, 1411 E MISSION AVE, SPOKANE, WA, 992520000
JEFF HEGGEDAHL, PRESIDENT, 1313 N ATLANTIC SUITE 5000, SPOKANE, WA, 992010000
JOHN F KELLY, DIRECTOR, 1313 N ATLANTIC SUITE 5000, SPOKANE, WA, 992010000

GENE LYNES, VICE PRESIDENT, 1313 N ATLANTIC SUITE 5000,
SPOKANE, WA, 992010000
JOHN ROBISON, TREASURER, 600 VINE STREET SUITE 1600,
CINCINNATI, OH, 452020000
ED SCHLECT, VICE PRESIDENT, 1313 N ATLANTIC SUITE 5000,
SPOKANE, WA, 992010000

Operations

06/06/2012

Description:
Subsidiary of AVISTA CAPITAL, INC., SPOKANE, WA started 1996 which operates as holding company. Parent company owns 100% of capital stock. Parent company has numerous other subsidiary(ies). Intercompany relations: As noted, this company is a subsidiary of Avista Corporation, DUNS# 130042849, and reference is made to that report for background information on the parent company and its management.

Provides management consulting services, specializing in public utilities (100%).

Has 250 account(s). Terms are Net 30 days. Sells to manufacturers, wholesalers, retailers, commercial concerns and the government. Territory : United States and Canada.

Nonseasonal.

Employees: 750 which includes officer(s). 530 employed here.

Facilities: Rents 75,000 sq. ft. on 5th floor of five story frame building.

Location: Central business section on main street.

Branches: This business has multiple branches, detailed branch/division information is available in Dun & Bradstreet's linkage or family tree products.

Subsidiaries: NA

Subsidiaries: NA

Subsidiaries: NA

Subsidiaries: NA

Subsidiaries: This business has multiple subsidiaries, detailed subsidiary information is available in D & B's linkage or family tree products.

SIC & NAICS

SIC:
Based on information in our file, D&B has assigned this company an extended 8-digit SIC. D&Bs use of 8-digit SICs enables us to be more specific to a companys operations that if we use the standard 4-digit code.The 4-digit SIC numbers link to the description on the Occupational Safety & Health Administration (OSHA) Web site. Links open in a new browser window.

8742 0405 Public utilities consultant

NAICS:
541611 Administrative Management and General Management Consulting Services

Public Filings

Currency: Shown in USD unless otherwise indicated

Summary

The following data includes both open and closed filings found in D&B's database on this company.

Record Type	# of Records	Most Recent Filing Date
Bankruptcy Proceedings	-	-
Judgments	0	-
Liens	1	04/16/12
Suits	0	-
UCCs	3	04/15/11

The following Public Filing data is for information purposes only and is not the official record.
Certified copies can only be obtained from the official source.

Judgments

We currently don't have enough data to display this section.

Liens

A lien holder can file the same lien in more than one filing location. The appearance of multiple liens filed by the same lien holder against a debtor may be indicative of such an occurrence.

Amount:	NA
Status:	Released
FILING NO.	127310436057
Type State:	State Tax
Filed By:	EMPLOYMENT DEVELOPMENT DEPARTMENT
Against:	ADVANTAGE IQ, INC.
Where Filed:	NA
Date Status Attained:	08/02/12
Date Filed:	04/16/12
Latest Info Received:	08/13/12

Suits

We currently don't have enough data to display this section.

Government Activity

We currently don't have enough data to display this section.

Banking & Finance

Financial Statements

We currently don't have enough data to display this section.

Banking

We currently don't have enough data to display this section.

Special Events

We currently don't have enough data to display this section.

Corporate Linkage

Parent

AVISTA CORPORATION	00-794-3764	SPOKANE, WASHINGTON

Headquarters (US)

AVISTA CORPORATION	00-794-3764	SPOKANE, WASHINGTON
AVISTA UTILITIES, INC.	01-113-0205	SPOKANE, WASHINGTON
AVISTA COMMUNICATIONS, INC	02-998-2647	SPOKANE, WASHINGTON
ADVANCED MANUFACTURING AND DEVELOPMENT, INC.	08-245-2046	WILLITS, CALIFORNIA
AVISTA CAPITAL, INC.	13-004-2849	SPOKANE, WASHINGTON
ECOS IO, INC.	17-600-1287	PORTLAND, OREGON
ECOVA, INC.	94-541-4530	SPOKANE, WASHINGTON

US Linkages

Subsidiaries		
AVISTA ENERGY, INC.	01-516-0698	SPOKANE, WASHINGTON
PRENOVA, INC.	01-917-1508	ATLANTA, GEORGIA
AVISTA COMMUNICATIONS OF MONTANA, INC	06-218-3699	SPOKANE VALLEY, WASHINGTON
AVISTA COMMUNICATIOS OF IDAHO, INC	06-218-3749	SPOKANE, WASHINGTON
AVISTA COMMUNICATIONS OF WYOMING, INC	06-218-4119	SPOKANE, WASHINGTON
Branches		
ECOS IQ, INC.	01-315-3817	DURANGO, COLORADO
ECOVA, INC.	01-976-7317	PORTLAND, OREGON
AVISTA UTILITIES, INC.	02-469-8573	LEWISTON, IDAHO
AVISTA UTILITIES, INC.	03-751-9035	COEUR D'ALENE, IDAHO
ADVANTAGE IQ, INC	03-802-3698	LOUISVILLE, KENTUCKY
AVISTA UTILITIES, INC.	04-052-4449	KETTLE FALLS, WASHINGTON
AVISTA CORPORATION	04-603-4094	WEST COLUMBIA, SOUTH CAROLINA
AVISTA CORPORATION	05-412-9966	SPOKANE, WASHINGTON
AVISTA UTILITIES, INC.	08-024-2014	NOXON, MONTANA
ADVANCED MANUFACTURING AND DEVELOPMENT, INC.	09-146-0357	FREMONT, CALIFORNIA
AVISTA UTILITIES	10-210-1669	RATHDRUM, IDAHO
AVISTA UTILITIES, INC.	10-591-6022	RITZVILLE, WASHINGTON
AVISTA UTILITIES INC.	12-000-5215	SPOKANE, WASHINGTON
AVISTA UTILITIES, INC.	16-722-0243	OROFINO, IDAHO
AVISTA UTILITIES, INC.	17-707-9282	MEDFORD, OREGON
AVISTA UTILITIES, INC.	18-088-6251	COLFAX, WASHINGTON
AVISTA UTILITIES, INC.	18-091-1521	CLARKSTON, WASHINGTON
AVISTA UTILITIES, INC.	18-095-4141	OTHELLO, WASHINGTON
AVISTA UTILITIES, INC.	18-195-8596	BOISE, IDAHO
ADVANTAGE IQ, INC.	61-475-4831	WESTMINSTER, COLORADO
AVISTA UTILITIES, INC.	78-171-2922	DAVENPORT, WASHINGTON
AVISTA UTILITIES	78-171-3011	DEER PARK, WASHINGTON
AVISTA UTILITIES, INC.	78-171-3607	GRANGEVILLE, IDAHO
AVISTA UTILITIES	80-890-6697	SOUTH LAKE TAHOE, CALIFORNIA
ADVANCED MANUFACTURING AND DEVELOPMENT, INC.	87-650-8425	WILLITS, CALIFORNIA
AVISTA UTILITIES, INC.	92-787-8652	GOLDENDALE, WASHINGTON

International Linkages

We currently don't have enough data to display this section.

RECEIVED

NOV 15 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTACHMENT 9

INSURANCE CERTIFICATE

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 05/21/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
MCGRIFF, SEIBELS & WILLIAMS OF GEORGIA, INC.
5605 Glenridge Drive - Suite 300
Atlanta, GA 30342

CONTACT NAME:
PHONE (A/C, No, Ext): 404 497-7500 FAX (A/C, No):
E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : The Phoenix Insurance Company	25623
INSURER B : The Travelers Indemnity Company of America	25666
INSURER C : Travelers Property Casualty Company of America	25674
INSURER D : Liberty Mutual Insurance Company	23043
INSURER E : Axis Surplus Insurance Company	26620
INSURER F :	

INSURED
Ecova, Inc.
1313 N. Atlantic Street
Suite 5000
Spokane, WA 99201

COVERAGES **CERTIFICATE NUMBER:** BE4WXNQU **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR X Total Aggregate $10,000,000 X General Agg applies per Project GEN'L AGGREGATE LIMIT APPLIES PER: POLICY PRO-JECT X LOC			630-3C290598	10/07/2012	10/07/2013	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 1,000,000 $ 1,000,000 $ 10,000 $ 1,000,000 $ 2,000,000 $ 2,000,000 $
B	AUTOMOBILE LIABILITY X ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS			BA 3C290598	10/07/2012	10/07/2013	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident) Comp/Coll Deductible	$ 1,000,000 $ $ $ $ 1,000
C	X UMBRELLA LIAB X OCCUR EXCESS LIAB CLAIMS-MADE DED X RETENTION $ 10,000			CUP 3C290598	10/07/2012	10/07/2013	EACH OCCURRENCE AGGREGATE	$ 1,000,000 $ 1,000,000 $
D	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A		WC1-691-544725-012	12/31/2012	12/31/2013	X WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	 $ 1,000,000 $ 1,000,000 $ 1,000,000
E	PROFESSIONAL LIABILITY Retention: $250,000			ECN000028591301	05/21/2013	05/21/2014	Each Occurrence Aggregate	$ 5,000,000 $ 5,000,000 $ $ $

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER

SAMPLE
1313 N. Atlantic, Suite 5000
Spokane, WA 99201

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

ACORD 25 (2010/05)

RECEIVED

NOV 15 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTACHMENT 10

ECOVA, INC. AUDITED FINANCIAL STATEMENTS

Ecova, Inc.

Consolidated Financial Statements as of and for the Years Ended December 31, 2012 and 2011, and Independent Auditors' Report

Deloitte.

Deloitte & Touche LLP
925 Fourth Ave.
Suite 3300
Seattle, WA 98104-1126
USA

Tel: +1 206 716 7000
Fax: +1 206 965 7000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ecova, Inc.
Spokane, Washington

We have audited the accompanying consolidated financial statements of Ecova, Inc. and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ecova, Inc. and its subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

April 16, 2013

ECOVA, INC.

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 AND 2011
(in thousands, except share data)

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 70,107	$ 76,748
Trade accounts receivable — net of allowance of $460 and $334 for 2012 and 2011, respectively	29,574	25,787
Other accounts receivable and other current assets	5,839	3,269
Deferred tax asset	5,713	3,345
Current assets before investments and funds held for clients	111,233	109,149
Investments and funds held for clients	95,101	116,370
Total current assets	206,334	225,519
NONCURRENT ASSETS:		
Property and equipment — net	6,732	5,423
Intangibles and other assets — net	48,923	33,770
Goodwill	72,944	36,461
Deferred tax asset	608	3,846
TOTAL	$335,541	$305,019
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 69,316	$ 59,533
Accrued compensation, taxes, and benefits	8,230	10,685
Accrued expenses	3,443	5,467
Current portion of capital lease obligations	57	116
Deferred revenue	3,165	459
Current liabilities before client funds obligations	84,211	76,260
Client funds obligations	94,837	116,159
Total current liabilities	179,048	192,419
NONCURRENT LIABILITIES:		
Line of credit	54,000	35,000
Other liabilities	1,144	2,006
Capital lease obligations	87	123
Total liabilities	234,279	229,548
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Ecova, Inc. stockholders' equity:		
Common stock, $0.0001 par value — 100,000,000 authorized and 43,338,505 and 39,140,537 shares outstanding	98,441	76,862
Retained earnings (deficit)	320	(2,198)
Accumulated other comprehensive income	167	134
Total Ecova, Inc. stockholders' equity	98,928	74,798
Noncontrolling interests	2,334	673
Total equity	101,262	75,471
TOTAL	$335,541	$305,019

See notes to consolidated financial statements.

ECOVA, INC.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(in thousands)

	2012	2011
SERVICE REVENUES	$ 130,151	$ 118,118
INTEREST ON FUNDS HELD FOR CLIENTS AND PURCHASING CARD REBATES	25,089	18,838
TOTAL REVENUE	155,240	136,956
OPERATING EXPENSES:		
Cost of services	92,320	76,127
General and administrative expenses	22,073	16,877
Selling and marketing expenses	23,539	15,862
Depreciation and amortization	14,084	7,678
Total operating expenses	152,016	116,544
INCOME FROM OPERATIONS	3,224	20,412
INTEREST EXPENSE	(1,790)	(55)
OTHER INCOME	636	4
INCOME BEFORE INCOME TAXES	2,070	20,361
INCOME TAX PROVISION	1,381	7,755
EQUITY INVESTMENT INCOME	1,810	
NET INCOME	2,499	12,606
LESS: NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(19)	652
NET INCOME ATTRIBUTABLE TO ECOVA, INC.	$ 2,518	$ 11,954

See notes to consolidated financial statements.

ECOVA, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(in thousands)

	2012	2011
NET INCOME	$ 2,499	$ 12,606
Unrealized gain on available-for-sale securities — net of income tax provision of $185 and $77 for 2012 and 2011, respectively	313	134
Reclassification adjustment for realized gain on available-for-sale securities included in net income — net of income tax provision of $165 and $0 for 2012 and 2011, respectively	(280)	
COMPREHENSIVE INCOME	2,532	12,740
LESS: COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(19)	652
COMPREHENSIVE INCOME ATTRIBUTABLE TO ECOVA, INC.	$ 2,551	$ 12,088

See notes to consolidated financial statements.

ECOVA, INC.

CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(in thousands)

	2012	2011
COMMON STOCK — Shares:		
Shares outstanding at beginning of year	39,141	39,043
Issuance of common stock	3,960	
Stock redemption	(122)	(119)
Stock options exercised	360	217
Shares outstanding at end of year	43,339	39,141
COMMON STOCK — Amount:		
Balance at beginning of year	$ 76,862	$ 75,257
Stock-based compensation	1,242	1,608
Excess tax benefit from stock-based compensation	269	267
Issuance of common stock	20,000	
Stock redemption	(600)	(540)
Stock options exercised	668	270
Balance at end of year	98,441	76,862
ACCUMULATED OTHER COMPREHENSIVE INCOME:		
Balance at beginning of year	134	
Other comprehensive income	33	134
Balance at end of year	167	134
RETAINED EARNINGS (DEFICIT):		
Balance at beginning of year	(2,198)	(14,152)
Net income attributable to Ecova, Inc.	2,518	11,954
Balance at end of year	320	(2,198)
Total Ecova, Inc. stockholders' equity	98,928	74,798
NONCONTROLLING INTERESTS:		
Balance at beginning of year	673	21
Net income (loss) attributable to noncontrolling interests	(19)	652
Deconsolidation of variable interest entity	(673)	
Noncontrolling interest purchase activity	2,353	
Balance at end of year	2,334	673
TOTAL EQUITY	$ 101,262	$ 75,471

See notes to consolidated financial statements.

ECOVA, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(in thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,499	$ 12,606
Adjustments to reconcile net income to net cash provided by in operating activities:		
Depreciation and amortization expense	13,047	7,678
Deferred income taxes	(531)	883
Loss on disposal and impairment of property, equipment and intangible assets	1,032	36
Stock-based compensation expense	1,258	1,608
Equity method earnings	(1,810)	
Excess tax benefit from stock-based compensation	(269)	(267)
Contingency consideration fair value adjustments	24	211
Changes in operating assets and liabilities:		
Trade accounts receivable — net of allowance	(2,537)	(2,127)
Other accounts receivable and other current assets	(2,178)	228
Other noncurrent assets	(1,134)	
Accounts payable, accrued compensation, taxes, and benefits, and accrued expenses	3,075	9,284
Income taxes payable		(2,253)
Deferred revenue	2,437	(20)
Other noncurrent liabilities	62	267
Net cash provided by operating activities	14,975	28,134
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments and funds held for clients	(15,629)	81,631
Purchase of available-for-sale securities	(100,374)	(96,634)
Sale of available-for-sale securities	137,999	80
Purchase of property and equipment	(4,107)	(2,998)
Additions of intangibles	(6,561)	(3,608)
Cash paid for acquisitions — net of cash acquired of $255 and $4,354 for 2012 and 2011, respectively	(50,411)	(31,405)
Proceeds from sale of property and equipment	5	67
Net used in investing activities	(39,078)	(52,867)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from lines of credit	33,000	35,000
Repayment of debt	(14,000)	
(Decrease) increase in client fund obligations	(21,831)	14,712
Issuance of common stock	20,000	
Stock redemption	(600)	(540)
Proceeds from stock options exercised	668	270
Excess tax benefit from share-based payment arrangements	269	267
Repayment of capital lease obligations	(94)	(187)
Other	50	
Net cash provided by financing activities	17,462	49,522
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,641)	24,789
CASH AND CASH EQUIVALENTS:		
Beginning of the year	76,748	51,959
End of the year	$ 70,107	$ 76,748
SUPPLEMENTAL DISCLOSURES OF CASH FLOW — Cash paid during the year for:		
Interest	$ 1,507	$ 70
Income taxes	$ 1,438	$ 9,820

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business — Ecova, Inc. (the "Company" or "Ecova") is a majority-owned subsidiary of Avista Capital, Inc. (Avista Capital), the nonregulated subsidiary of Avista Corporation. The Company provides total energy and sustainability management services to companies throughout North America — from utilities to facilities — across energy, water, waste, telecom, lease, and carbon management categories. The Company's primary services lines are Facility and Utility, which are both supported by a data-driven Software as a Service (SaaS) analytics platform giving the Company's clients access to information needed to make more cost-effective, informed decisions (see Note 2 for information related to acquisitions made in 2012 and 2011).

Basis of Reporting — The consolidated financial statements include the accounts of Ecova, its subsidiary and a variable interest entity for which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates — The preparation of the consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk — The Company is exposed to concentrations of credit risk that consist primarily of trade accounts receivable, cash and cash equivalents, and investments and funds held for clients party on payment processing of clients resource bills using a credit card. The acceptance of credit cards is at the discretion of the client vendor which could be discontinued at any time. Fees generated from a single client vendor do not exceed more than 1% of our overall revenue. In addition, an allowance is maintained for trade accounts receivable, which management identifies as having an increased risk of collection. See 'trade accounts receivable' policy below for further information.

Cash and cash equivalents are continually monitored and reside in either high-quality money market investments or on deposit in high credit quality financial institutions. At times, such balances may be in excess of the federal depository insurance limit or may be on deposit at institutions, which are not covered by this insurance.

Investments and funds held for clients are subject to credit and interest rate risks; however, there is no exposure to equities, reverse repos, securities lending, or derivatives. The investment portfolio is comprised of fixed-income securities that are affected by interest rate changes and credit spreads. The Company attempts to mitigate its interest rate and credit risks by constructing a diversified portfolio with high-quality debt securities with varied maturities. Downturns in the financial markets could have a negative effect on our portfolio. However, the Company attempts to manage this risk through asset allocation and security selection (see Note 4 for additional information).

Cash and Cash Equivalents — The Company considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

At December 31, 2012 and 2011, certain payables of $66.0 million and $55.8 million, respectively, are collateralized by certain cash accounts.

Trade Accounts Receivable — Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on the ending trade accounts receivable balances and specific review of receivables each quarter. A valuation allowance is provided for known and anticipated losses, as determined by management in the course of regularly evaluating individual customer receivables. This evaluation takes into consideration a customer's financial condition and credit history, as well as current economic conditions and information acquired through collection efforts. Trade accounts receivable are written off when deemed uncollectible. Recoveries of trade accounts receivable previously written off are recorded when received.

Other Accounts Receivable and Other Current Assets — Other accounts receivable and other current assets primarily represent federal and state income tax receivables, prepaid expenses and client advances.

Investments and Funds Held for Clients — Investments and funds held for clients represent assets that, based upon the Company's intent, are restricted for use solely for the purposes of satisfying the obligations to remit funds relating to our expense management services. The funds collected are invested and classified as investments and funds held for clients and a related liability for client funds obligations is recorded. Investments and funds held for clients include cash or cash equivalents and debt securities that are considered "available-for-sale" and, accordingly, are carried on the consolidated balance sheets at fair value. Unrealized gains and losses on the investments, net of the related tax effect, are excluded from earnings and are reported as a separate component of accumulated other comprehensive income on the consolidated balance sheets until realized. Realized gains and losses are recognized in other income (expense) as earned. The Company has reported the cash flows related to the purchases of client fund available-for-sale securities and those related to the proceeds from the sales and maturities of client fund available-for-sale securities on a gross basis in the investing section of the consolidated statements of cash flows. The Company has reported the cash inflows and outflows related to client funds' investments with original maturities of 90 days or less on a net basis within funds held for clients in the investing section of the consolidated statements of cash flows. The Company has reported the cash flows related to the cash received from and paid on behalf of clients on a net basis within client funds obligations in the financing section of the consolidated statements of cash flows.

The Company continuously monitors the values of its investments in fixed-income securities for other than-temporary impairment (OTTI). Under current accounting standards, an OTTI loss on debt securities, where fair value is below amortized cost, is triggered by circumstances where (1) an entity has the intent to sell a security, (2) it is more-likely-than-not that the entity will be required to sell the security before recovery of its amortized cost basis, or (3) the entity does not expect to recover the entire amortized cost basis of the security. If an entity intends to sell a security or if it is more likely than-not the entity will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the difference between the security's amortized cost and its fair value. If an entity does not intend to sell the security or it is not more-likely-than-not that it will be required to sell the security before recovery, the OTTI loss is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income.

The Company uses both quantitative and qualitative criteria to determine OTTI of our investments. The following are some of the key factors the Company considers for determining if an investment is OTTI: the length of time and the extent to which the fair value has been less than cost, the probability of significant adverse changes to the cash flows on a fixed-income investment, the occurrence of a discrete credit event resulting in the issuer defaulting on a material obligation, the issuer seeking protection from creditors under the bankruptcy laws, or the issuer proposing a voluntary reorganization under which creditors are asked to exchange their claims for cash or securities having a fair value substantially lower than par value of their claims, and the probability that the Company will recover the entire amortized cost basis of its investments prior to maturity.

Quantitative criteria considered during this process include, but are not limited to: the degree and duration of current fair value as compared to the cost (amortized, in certain cases) of the security, degree and duration of the security's fair value being below cost and, for fixed maturities, whether the issuer is in compliance with terms and covenants of the security. Qualitative criteria include the credit quality, current economic conditions, the anticipated speed of cost recovery, the financial health of and specific prospects for the issuer, as well as our absence of intent to sell or requirement to sell fixed-income securities prior to maturity. In addition, the Company considers price declines of securities in its OTTI analysis where such price declines provide evidence of declining credit quality, and distinguish between price changes caused by credit deterioration, as opposed to rising interest rates. Key factors that the Company considers in the evaluation of credit quality include: changes in technology that may impair the earnings potential of the investment, the discontinuance of a segment of the business that may affect the future earnings potential, reduction or elimination of dividends, specific concerns related to the issuer's industry or geographic area of operation, significant or recurring operating losses, poor cash flows, and/or deteriorating liquidity ratios, and significant downgrade in credit quality by a major rating agency.

Based on our analysis, none of our fixed-income securities meet the criteria for OTTI as of December 31, 2012 and 2011.

Purchased premiums and discounts are amortized or accreted over the life of the related available-for-sale security as an adjustment to yield using the effective-interest method.

Property and Equipment — Property and equipment are stated at cost and depreciated using the straight-line method over estimated useful lives, or if acquired through a capital lease are depreciated over the term of the related lease. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the improvements.

When property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized in the consolidated statement of income.

Intangibles — Intangible assets primarily represents developed software and assets acquired in an acquisition which are recorded at fair value on the date of the acquisition and are amortized using the straight line method over the estimated economic useful life.

Software Development Costs — The Company capitalizes costs associated with software developed for internal use when the preliminary project stage is completed, management has authorized further funding for the project, and management believes the project is likely to be completed and used to perform the function intended. Capitalized costs include direct costs of materials and labor incurred in developing internal-use software. Capitalization of such costs ceases at the point at which the project is substantially complete and ready for its intended use.

Impairment of Long-Lived Assets — The Company reviews the carrying values of its long-lived assets, excluding goodwill, whenever events or changes in circumstances indicate that such carrying values may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a loss if the carrying value is greater than the fair value. An impairment loss was recorded in 2012 related to software development costs (see Note 6); however, there was no impairment loss in 2011.

Goodwill — Goodwill arising from acquisitions represents the excess of the purchase price over the estimated fair value of net assets acquired. Goodwill is deemed to have an indefinite life and is not subject to amortization but is evaluated for impairment using a combination of the discounted cash flow model and market approach at least annually or more frequently if impairment indicators arise. Examples of impairment indicators include: a deterioration in general economic conditions, market considerations such as a deterioration in the environment in which the entity operates, a decline in market- dependent multiples or metrics, increases in costs, overall financial performance such as a decline in earnings or cash flows, or a loss of key customers.

Application of the goodwill impairment test requires judgment and the use of significant estimates, including the identification of reporting units, assignment of assets and liabilities to reporting units, the estimation of the fair value of reporting units, and management assumptions for future cash flows, weighted-average cost of capital, discount rates, and equity multiples. The Company believes the estimates utilized in its analysis are likely to occur, but there can be no assurance that these estimates will materialize as projected. The goodwill impairment test is a two-step process performed at the reporting unit level. The first step involves comparing the carrying amount of the reporting unit to its estimated fair value. If the estimated fair value of the reporting unit is greater than its carrying value, the goodwill impairment test is complete and no impairment is recorded. If the estimated fair value of the reporting unit is less than its carrying value, the second step of the test is performed to determine the amount of impairment loss, if any. This would result in a full valuation of the reporting units assets and liabilities and comparing the valuation to its carrying amounts, with the aggregate difference indicating the amount of impairment.

In 2012 and 2011 the Company determined there were no impairments of goodwill.

Other Comprehensive Income — Other comprehensive income (OCI) refers to gains, and losses that under GAAP are included in comprehensive income, but are excluded from net income as these amounts are recorded directly as an adjustment to equity, net of tax. The Company's OCI is composed of unrealized gains and losses on available-for-sale securities.

Revenue Recognition — The Company recognizes revenue when earned and either realized or realizable, which occurs when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the product or service has been delivered or rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. Amounts billed prior to completing the earnings process are deferred until revenue recognition criteria are met. Sales tax collected from customers and remitted to the applicable taxing authorities is accounted for on a net basis, with no impact to revenue or expense.

Reimbursable Out-of-Pocket Expenses — The Company classifies reimbursable out-of-pocket expenses as service revenues and the related expense within cost of services in the accompanying consolidated statements of

Multiple Element Arrangements — Revenue arrangements with multiple elements are divided into separate units of accounting if certain criteria are met, and the total consideration received is allocated among the different deliverables using the relative selling price method. In most cases, management uses its best estimate of the selling price for each deliverable to determine the amount of consideration to allocate and revenue is recognized for each deliverable once all the applicable revenue recognition criteria are met.

The following further outlines our revenue recognition policy by service line:

Facility — Facility revenue is generated by providing services that give insight into the total resource consumption of a commercial or industrial company and help ensure it is using its resources in the most cost-effective, efficient, and sustainable manner. Services in this area include:

- Expense management and budgeting related to energy, water, lease, telecom, and waste,
- Energy procurement and energy risk management, and
- Variety of service offerings related to facility optimization and efficiency audits, continuous monitoring, and carbon accounting and advisory services.

Expense management revenues are recognized as services are rendered. For service fees received in advance, revenue is deferred and recognized over the service period. For set-up fees and implementation fees charged to customers, revenue is deferred and recognized over the contract life that approximates the expected customer relationship, which is typically the contract period. Fixed-fee services are recognized on a straight-line basis as services are completed.

Energy procurement revenues are recognized in the period shared savings are achieved, on a monthly fee basis, and/or monthly through commissions from energy providers based on end user energy usage. Commissions received in advance of energy usage are deferred and recognized as revenue as energy usage occurs.

Most other types of revenue are recognized on a straight-line basis as services are rendered on either a monthly fixed- fee basis or project-fee basis. Certain facility optimization revenue is from contracts to provide construction, engineering, design or similar services which reported on the percentage-of-completion method of accounting. Progress is generally measured based upon work performed. All known or anticipated losses on contracts are provided for in the period they become evident. Claims and change orders that are in the process of negotiation with customers for additional work or changes in the scope of work are included in contract value when collection is deemed probable and the value can be reliably estimated.

Utility — Utility revenue is generated from assisting utility companies to increase customer satisfaction while utilizing energy efficiency and demand response programs as a resource. The following programs, which are delivered to residential and commercial and industrial end users, provide verifiable savings that allow companies to meet energy reduction goals:

- Retail lighting, appliance and consumer electronics incentive programs,
- Commercial and industrial strategic energy management and continuous improvement,
- Holistic home energy improvement plans that foster positive customer relationships, and
- Utility portfolio consultation and design recommendations.

Revenue is recognized as services are provided and material costs are incurred. Revenue related to retainage based on performance is deferred until the performance obligations have been met, which typically isn't until the end of the contract term unless there are termination provisions that call for a final measurement based on progress to date.

Treasury — Interest earned on investments and funds held for clients and referral fees earned from a third party on payment processing are an integral part of the Company's product offerings and are recognized in revenues as earned. In certain cases up-front payments are received and deferred until contract performance obligations are satisfied.

Stock-Based Compensation — The Company recognizes stock-based compensation expense over the service period based on the fair value of the award on the date of grant using the Black-Scholes option-pricing model (see Note 10 for further information).

Income Taxes — The Company accounts for income taxes using the asset and liability method, under which a deferred tax asset or liability is determined based on the enacted tax rates that will be in effect when the differences between the financial statement carrying amounts and tax basis of existing assets and liabilities are expected to be reported in the respective income tax returns. The deferred tax expense for the period is equal to the net change in the deferred tax asset and liability accounts from the beginning to the end of the period. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such determination, all available positive and negative evidence is considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. The Company assesses the likelihood that the deferred tax asset balance will be recovered from future taxable income. If the Company believes that recovery is not more likely than not, a valuation allowance against the deferred tax asset would be established, which would increase the income tax expense in the period when such determination is made. If the Company determines it could realize deferred income tax assets in the future in excess of the net-recorded amount, an adjustment would be made to the valuation allowance, resulting in a reduction to the provision for income taxes.

The accounting for uncertainty in income taxes requires a more likely than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company records a liability for the difference between the benefit recognized and measured for financial statement purposes and the tax position taken or expected to be taken on our tax return. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. Tax-related interest and penalties are classified as a component of income taxes.

Variable Interest Entities (VIE) — A VIE is a legal entity that conducts a business or holds property whose equity, by design, has any of the following characteristics: an insufficient amount of equity at risk to finance its activities, equity owners who do not have the power to direct the significant activities of the entity (or have voting rights that are disproportionate to their ownership interest), or where equity owners do not receive expected losses or returns. An entity may have an interest in a VIE through ownership or other contractual rights or obligations and that interest changes as the entity's net assets change. The consolidating investor is the entity that has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE (see Note 3 for the Company's analysis of VIEs).

Subsequent Events — The Company evaluated events occurring between the end of our most recent fiscal year and April 16, 2013, the date the consolidated financial statement were available to be issued.

2. ACQUISITIONS

LPB Energy Management — On January 31, 2012, the Company acquired the partnership interest of LPB Energy Management (LPB) for $50.6 million consisting of cash and contingent consideration. LPB, a Dallas-based energy management firm, is known for its energy procurement solutions and expense management. The acquisition of LPB was funded through an expansion of our credit facilities and an equity infusion from existing shareholders. The Company incurred approximately $0.3 million related to acquisition costs and recorded these costs as incurred in general and administrative expenses.

The acquired assets and liabilities assumed of LPB were recorded at their estimated fair values as of the date of acquisition. The results of operations of LPB since February 1, 2012, are included in the consolidated financial statements.

The estimated fair values of the assets acquired and liabilities assumed are summarized as follows (in thousands):

Cash	$ 255
Trade accounts receivable	2,507
Other accounts receivable and other current assets	326
Deferred tax asset — current	116
Investments and funds held for clients	510
Property and equipment	722
Intangible assets	17,550
Noncurrent other assets	119
Goodwill	34,036
Deferred tax asset — noncurrent	60
Total assets acquired	56,201
Accounts payable	255
Accrued compensation, taxes, and benefits	764
Accrued expenses	961
Deferred revenue	313
Client funds obligations	510
Noncurrent other liabilities	530
Total liabilities assumed	3,333
Noncontrolling interests	2,303
Net assets acquired	$ 50,565

The estimated fair value and assigned useful lives of the intangible assets is as follows (in thousands):

Back office support technology	$ 350	3 years
Software/maintenance relationships	500	4 years
Trade name and trademarks	600	3 years
Utility manager server	1,600	4 years
Customer relationships	6,300	6 years
Customer backlog	8,200	6 years
Total	$ 17,550	

Goodwill recorded as a result of the transaction assumes revenue synergies with the Company's current client base and the Company's workforce. The total goodwill amount of $34.0 million, including $1.1 million attributable to assembled workforce, is deductible and will be amortized for tax purposes over a 15-year period and is subject to impairment review annually.

At the time of acquisition, accrued expenses and noncurrent other liabilities above included $0.1 million and $0.3 million, respectively, related to additional purchase price payments the sellers have the potential to receive of $0.5 million in 2012, $1.0 million in 2013 and $1.5 million in 2014.

The sellers did not receive additional purchase price payments in 2012; however, the sellers still have the potential for receiving additional purchase price payments in the amount of $1.0 million in 2013 and $1.5 million in 2014. These payments are contingent upon reaching certain revenue thresholds for certain customer contracts. The Company has recorded the additional purchase price payments as a contingent liability in the amount of $0.3 million as of December 31, 2012, which includes $0.04 million recorded against interest expense in 2012 related to present value factor adjustments. In addition, the additional purchase price payments accrued but not earned for 2012 of $0.1 million was recorded against other income. The amount of the liability was determined assuming management's probability that the revenue thresholds would be achieved and applying a present value factor to the payments.

Prenova, Inc. — On November 30, 2011, the Company acquired all the capital stock of Prenova, Inc. (Prenova). Prenova, an Atlanta-based energy management firm, is known for its continuous monitoring, expense management and energy procurement solutions. This acquisition was intended to expand market scale and market share in expense management and procurement, and allow the Company to offer its clients a broader range of services.

The purchase price of Prenova was subsequently adjusted from $35.6 million to $35.7 million due to final accounting and review of the customer relationship intangible asset and completion of the Section 382 study related to deferred tax assets. The acquisition of Prenova was funded through the line of credit and available cash at the Company. The Company incurred approximately $0.6 million related to acquisition costs and recorded these costs as incurred in general and administrative expenses.

The acquired assets and liabilities assumed of Prenova were recorded at their estimated fair values as of the date of acquisition. The results of operations of Prenova since December 1, 2011, are included in the consolidated financial statements.

The estimated fair values of the assets acquired and liabilities assumed are summarized as follows (in thousands):

Cash	$ 4,354
Trade accounts receivable	2,621
Other accounts receivable and other current assets	112
Deferred tax asset — current (1)	1,166
Property and equipment	538
Intangible assets	11,600
Noncurrent other assets	62
Goodwill	16,614
Deferred tax asset — noncurrent (1)	1,983
Total assets acquired	39,050
Accounts payable	453
Accrued compensation, taxes, and benefits	319
Accrued expenses	2,404
Current portion of capital lease obligations	34
Deferred revenue	58
Income taxes payable	20
Capital lease obligations	97
Total liabilities assumed	3,385
Net assets acquired	$35,665

(1) Deferred tax assets are net deferred tax liabilities of $4.3 million.

The estimated fair value and assigned useful lives of the intangible assets is as follows (in thousands):

Trade name and trademarks	$ 400	3 years
Noncompete agreements	900	3 years
Internal technology	1,300	5 years
Customer technology	2,000	5 years
Customer relationships	7,000	9 years
Total	$ 11,600	

Goodwill recorded as a result of the transaction assumes revenue synergies with the Company's current client base and the Company's workforce. The total goodwill amount of $16.6 million, including $1.7 million attributable to assembled workforce, is deductible and will be amortized for tax purposes over a 15-year period and is subject to impairment review annually.

Building Knowledge Networks, LLC — On January 3, 2011, the Company acquired substantially all of the assets and liabilities of Building Knowledge Networks, LLC (BKN) for $0.2 million. BKN, a Washington-based continuous monitoring energy management firm, is known for advisory services and technology, which gathers building energy and operations data and performs extensive performance analytics. This acquisition allowed the Company to enter into the market of providing continuous monitoring energy management services. The acquisition of BKN was funded through available cash at the Company. The Company incurred approximately $0.01 million related to acquisition costs.

The acquired assets and liabilities assumed of BKN were recorded at their estimated fair values as of the date of acquisition. The results of operations of BKN since January 4, 2011, are included in the consolidated financial statements.

The estimated fair values of the assets acquired and liabilities assumed are summarized as follows (in thousands):

Property and equipment	$ 10
Intangible assets	185
Net assets acquired	$ 195

Cash consideration paid to BKN at closing was $0.03 million and $0.2 million will be paid in increments of $0.02 million each quarter for the next 11 quarters or approximately three years.

The estimated fair value and assigned useful lives of the intangible assets is as follows (in thousands):

Developed technology	$ 185	3 years

The Loyalton Group — On December 31, 2010, the Company acquired substantially all of the assets and liabilities of The Loyalton Group (Loyalton), which is a Minneapolis-based energy management firm known for its energy procurement and energy risk management solutions. The acquisition was intended to increase our market share and diversify the industries and geographic locations the Company serves.

The sellers earned additional purchase price payments of $1.0 million in 2011 and $0.5 million in 2012, and have the potential for receiving further purchase price payments of $0.3 million for 2013. These payments are contingent upon reaching certain revenue thresholds for customer contracts subject to minimum gross margin percentages. The Company has recorded the additional purchase price payments as a contingent liability in the amount of $0.8 million as of December 31, 2012, which includes $0.1 million recorded against interest expense in 2012 related to present value factor adjustments. The amount of the liability was determined assuming the revenue thresholds would be achieved and applying a present value factor to the payments.

3. VARIABLE INTEREST ENTITIES

SEEL — In 2009, the Company formed a partnership SEEL, LLC (SEEL), with a third party with the purpose of entering into utility contracts to provide energy efficiency services. SEEL is funded 49 percent by the Company and 51 percent by the third party. Profit and loss allocation percentages are determined on a contract-by-contract basis. The Company's risk is limited to its 49 percent investment in SEEL and certain performance guarantees related to SEEL's contracts with customers.

The following risks are associated with the Company's involvement with SEEL:

- Ability for the third party and the Company to obtain and fulfill utility contracts using its technical expertise
- Ability for the third party to obtain and maintain its minority business enterprise (MBE) status

The Company determined that it would be easier for SEEL to find a new partner to fulfill the MBE status than to replace a business with the necessary technical expertise. Therefore, having the technical expertise is more important to the economic performance of SEEL than having the MBE status.

From 2009 through 2011, the Company was the primary beneficiary of SEEL because it provided the technical expertise and therefore had the ability to direct the activities of SEEL that most significantly impacted its economic performance and was obligated to absorb income or losses of SEEL that could potentially be significant to SEEL.

The assets (which contain no restrictions) and liabilities associated with Ecova's consolidation of SEEL at December 31, 2011 is as follows (in thousands):

	December 31, 2011
Cash and cash equivalents	$ 899
Trade accounts receivable	987
Other accounts receivable and other current assets	53
Property and equipment — net	86
Total assets	$ 2,025
Accounts payable	$ 500
Accrued expenses	159
Deferred revenue	45
Total liabilities	704
Equity of VIE	1,321
Total liabilities and equity	$ 2,025

Assets and liabilities of SEEL are not separately presented on the consolidated balance sheet because the consolidated assets can also be used to settle obligations of SEEL and the consolidated liabilities represents those which creditors have recourse to Ecova's general credit.

For the year ended December 31, 2011, aggregate revenue and operating expenses relating to SEEL were $2.9 million and $1.6 million, respectively, and are included in the consolidated statements of income.

In 2012, the Company is no longer the primary beneficiary of SEEL because it is no longer the sole provider of the technical expertise necessary to obtain and fulfill utility contracts and shares this activity with the third party. The Company uses the equity method of accounting for its arrangement with SEEL. The total investment in SEEL as of December 31, 2012, was $2.0 million, which was recorded with intangibles and other assets on the consolidated balance sheet and for the year ended December 31, 2012, total equity investment income was $1.8 million.

In 2012 and 2011, the Company was a subcontractor providing utility energy efficiency services to SEEL. Revenue earned for services provided total $0.9 million for 2012 and $9.2 million for 2011.

HUM — In 2012, the Company formed a partnership Home Utility Management, LLC (HUM), with a third party with the purpose of providing energy management services. HUM is funded 50 percent by the Company and 50 percent by the third party. Profits and losses to the extent of the third party fees are allocated 51 percent to the Company and 49 percent to the third party, while losses attributable to costs above and beyond the third party fees are allocated 100 percent to the Company.

The following risks are associated with the Company's involvement with HUM:

- Ability for the third party and the Company to obtain contracts for energy management services
- Ability for the Company to fulfill contracts for energy management services using its technical expertise

The Company plays a critical role in the pricing of contracts which impacts obtaining new contracts, can obtain contracts without assistance from the third party, and has all the technical expertise to then fulfill the contracts for energy management services. All of these activities most significantly impact the economic performance of HUM. Also, the Company is obligated to absorb income or losses of HUM that could potentially be significant to HUM. Therefore, the Company is the primary beneficiary of HUM.

The assets (which contain no restrictions) and liabilities associated with Ecova's consolidation of HUM are as follows (in thousands):

	December 31, 2012
Cash and cash equivalents	$ 100
Total assets	$ 100
Accounts payable	$ 39
Total liabilities	39
APIC of VIE	100
Equity of VIE	(39)
Total liabilities and equity	$ 100

The noncontrolling interest related to this entity is due to purchase accounting adjustments related to goodwill and a customer backlog intangible asset.

Assets and liabilities of HUM are not separately presented on the consolidated balance sheet because the consolidated assets can also be used to settle obligations of HUM and the consolidated liabilities represent those which creditors have recourse to Ecova's general credit.

For the year ended December 31, 2012, aggregate revenue and operating expenses relating to HUM were $0.6 million and $0.7 million, respectively, and are included in the consolidated statements of income.

4. INVESTMENTS AND FUNDS HELD FOR CLIENTS

Investments and funds held for clients as of December 31, 2012 and 2011 are as follows (in thousands):

	December 31, 2012		
Types of Issue	Amortized Cost	Unrealized Gains (Losses) Less Than 12 Months	Aggregate Fair Value
Cash and cash equivalents	$35,780	$ -	$35,780
Available-for-sale securities:			
U.S. government agency	48,340	156	48,496
Corporate fixed income securities — financial	5,010	16	5,026
Corporate fixed income securities — industrial	3,887	49	3,936
Municipal securities	820	28	848
Certificate of deposits	1,000	15	1,015
Total available-for-sale securities	59,057	264	59,321
Total investments and funds held for clients	$94,837	$264	$95,101

	December 31, 2011		
Types of Issue	Amortized Cost	Unrealized Gains (Losses) Less Than 12 Months	Aggregate Fair Value
Cash and cash equivalents	$ 19,791	$ -	$ 19,791
Available-for-sale securities:			
U.S. government agency	74,722	172	74,894
Corporate fixed income securities — financial	11,139	15	11,154
Corporate fixed income securities — industrial	6,494	23	6,517
Corporate fixed income securities — utility	2,088	4	2,092
Municipal securities	425		425
Certificate of deposits	1,500	(3)	1,497
Total available-for-sale securities	96,368	211	96,579
Total investments and funds held for clients	$116,159	$211	$116,370

Total investments and funds held for clients as of December 31, 2012 and 2011 are reported in the balance sheets as investments and funds held for clients.

Approximately 97% and 88% of the investment portfolio is rated AA-, Aa3 and higher as of December 31, 2012 and 2011, respectively, by Nationally Recognized Statistical Rating Organizations. All fixed-income securities were rated as investment grade, which is associated with bonds rated Baa or above by Moody's or BBB or above by Standard & Poor's, and have relatively low risk of default, as of December 31, 2012 and 2011.

The following is a summary of the disposition of available-for-sale securities for the years ended December 31, 2012 and 2011, with separate presentation for sales and calls/maturities (in thousands):

Sales

	December 31, 2012			
		Gross Realized		
Types of Issue	**Proceeds from Sales**	***Gains***	***Losses***	***Net Realized Gain***
U.S. government agency	$ 3,043	$ 19	$ -	$ 19
Corporate fixed income securities — financial	6,980	142		142
Corporate fixed income securities — industrial	2,565	34		34
Corporate fixed income securities — utility	2,143	57		57
Municipal securities	7,583	132		132
Certificate of deposits	252	1		1
	$ 22,566	$ 385	$ -	$ 385

Calls/Maturities

	December 31, 2012			
		Gross Realized		
Types of Issue	**Proceeds from Calls/ Maturities**	**Gains**	**Losses**	**Net Realized Gain**
U.S. government agency	$ 115,018	$ 59	$ -	$ 59
Municipal securities	415			
	$ 115,433	$ 59	$ -	$ 59

Realized gains on available-for-sale securities are reclassified out of accumulated other comprehensive income into other income (expense) on specific identification basis.

Contractual maturities of available-for-sale securities as of December 31 2012 and 2011, are as follows (in thousands):

	December 31, 2012		
Maturity Dates:	**Amortized Cost**	**Unrealized Gains (Losses) Less Than 12 months**	**Aggregate Fair Value**
Due within 1 year	$ 3,037	$ 10	$ 3,047
After 1 but within 5 years	11,684	102	11,786
After 5 but within 10 years	41,336	149	41,485
After 10 years	3,000	3	3,003
Total available-for-sale securities	$ 59,057	$ 264	$ 59,321

Maturity Dates:	Amortized Cost	Unrealized Gains (Losses) Less Than 12 months	Aggregate Fair Value
	December 31, 2011		
Due within 1 year	$ 425	$ -	$ 425
After 1 but within 5 years	55,028	97	55,125
After 5 but within 10 years	40,915	114	41,029
Total available-for-sale securities	$96,368	$211	$96,579

Actual maturities may differ due to call or prepayment rights and our effective maturity was 1.9 years and 1.3 years as of December 31, 2012 and 2011, respectively.

Fair value represents the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which the Company would transact, and the Company consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

The Company's financial instruments are measured and recorded at fair value. Nonfinancial assets, including property and equipment, intangible assets, and goodwill, are measured at fair value upon acquisition and are assessed if there is an indicator of impairment. An adjustment is made to record nonfinancial assets at fair value only when an impairment charge is recognized.

Fair value is determined for assets and liabilities and grouped into a three-tiered value hierarchy, based upon significant levels of inputs as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

Corporate, Agency and Municipal Securities and Certificate of Deposits: All fixed income securities fit into these three categories of Corporate, Agency or Municipal securities. The Company also has certificates of deposits which are short- or medium-term, interest-bearing, Federal Deposit Insurance Corporation-insured debt instrument offered by banks and savings and loans. The Company uses a nationally recognized third party to obtain fair value and reviews these prices for accuracy using a variety of market tools and analysis. The pricing vendor uses a generic model, which uses standard inputs, including (listed in order of priority for use) benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers, and other reference data. The pricing vendor also monitors market indicators, as well as industry and economic events. Further, the model uses Option Adjusted Spread (OAS) and is a multidimensional relational model. All Corporate, Agency and Municipal securities, and Certificates of Deposit are deemed Level 2.

The Company's assets measured at fair value on a recurring basis as of December 31, 2012 and 2011, is as follows (in thousands):

Description	December 31, 2012	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial assets:				
Available-for-sale securities:				
U.S. government agency	$48,496	$ -	$48,496	$ -
Corporate fixed income securities — financial	5,026		5,026	
Corporate fixed income securities — industrial	3,936		3,936	
Municipal securities	848		848	
Certificate of deposits	1,015		1,015	
Total financial assets	$59,321	$ -	$59,321	$ -

Description	December 31, 2011	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial assets:				
Available-for-sale securities:				
U.S. government agency	$74,894	$ -	$74,894	$ -
Corporate fixed income securities — financial	11,154		11,154	
Corporate fixed income securities — industrial	6,517		6,517	
Corporate fixed income securities — utility	2,092		2,092	
Municipal securities	425		425	
Certificate of deposits	1,497		1,497	
Total financial assets	$96,579	$ -	$96,579	$ -

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2012 and 2011, consist of the following (in thousands):

	Useful Lives	2012	2011
Computer equipment	3 years	$ 14,304	$ 12,021
Furniture and fixtures	2–7 years	4,640	4,210
Leasehold improvements	3–5 years	2,316	2,102
Office equipment	3–5 years	2,031	1,895
Computer software	3 years	6,847	5,535
Total property and equipment		30,138	25,763
Less accumulated appreciation		(23,406)	(20,340)
Property and equipment — net		$ 6,732	$ 5,423

Depreciation expense for 2012 and 2011 was $3.3 million and $2.6 million, respectively.

6. GOODWILL AND INTANGIBLE ASSETS

Identified goodwill and the changes therein consist of the following (in thousands):

	January 1, 2012	Acquisitions	Purchase Accounting Adjustments & Other (1)	December 31, 2012
Goodwill	$ 22,294	$ -	$ -	$ 22,294
Prenova Acquisition	14,167		2,447	16,614
LPB Acquisition		34,036		34,036
Total	$ 36,461	$ 34,036	$ 2,447	$ 72,944

(1) See note 2 for an explanation of the purchase accounting adjustments.

	January 1, 2011	Acquisitions	Purchase Accounting Adjustments & Other (1)	December 31, 2011
Goodwill	$ 20,904	$ -	$ -	$ 20,904
Loyalton Acquisition	1,113		277	1,390
Prenova Acquisition		14,167		14,167
Total	$ 22,017	$ 14,167	$ 277	$ 36,461

Intangible assets and other noncurrent assets as of December 31, 2012 and 2011, consist of the following (in thousands):

	Useful Lives	2012	2011
Intangible assets and other noncurrent assets			
Patents	10 years	$ 361	$ 361
Trade name and trademarks	2–10 years	1,730	1,130
Software development costs	3–5 years	22,884	17,521
Developed technology acquired	3–7 years	12,285	10,335
Client relationships	2 -12 years	34,950	20,850
Noncompete	1–3 years	1,000	1,000
Other intangibles and other noncurrent assets	1–3 years	3,146	273
Total intangible assets — gross	7 years	76,356	51,470
Less accumulated amortization			
Patents		(361)	(361)
Trade name and trademarks		(684)	(203)
Software development costs		(11,032)	(8,717)
Developed technology acquired		(6,398)	(4,007)
Client relationships		(8,324)	(4,069)
Noncompete		(425)	(125)
Other intangibles		(209)	(218)
Total intangible assets — net		$ 48,923	$ 33,770

Amortization expense for 2012 and 2011, was $9.7 million and $5.1 million, respectively. In 2012, during the Company's periodic review of its in-process software development costs, the Company assessed certain items whose carrying values would not be recoverable and were therefore impaired. The impairment of $1.0 million is included in depreciation and amortization in the consolidated statements of income. The asset had not been placed in service at the time of write- off so there was no accumulated amortization associated with this asset. There was no impairment in 2011.

Estimated annual amortization expense for each of the next five years is as follows (in thousands):

Years Ended December 31,	
2013	$ 10,705
2014	9,800
2015	7,688
2016	6,517
2017	5,624

7. LEASE OBLIGATIONS

Capital Leases — The Company acquired various capital leases from its acquisitions, which expire at various dates through December 2015. The total cost of equipment under capital leases was $0.1 million and $0.2 million, respectively, as of December 31, 2012 and 2011, and accumulated depreciation was $0.03 million and $0.05 million, respectively, as of December 31, 2012 and 2011.

Future minimum lease payments as of December 31, 2012, are as follows (in thousands):

Total minimum lease payments	$ 153
Less amount representing interest	(9)
Present value of minimum lease payments	$ 144

Future minimum lease commitments, by year and in the aggregate, under capital leases as of December 31, 2012, are as follows (in thousands):

Years Ending December 31,	
2013	$ 63
2014	46
2015	44
Total	$ 153

Operating Leases — The Company leases office space and equipment under operating lease agreements, which expire at various dates through July 2020. Lease expense under the operating leases for 2012 and 2011 was $4.9 million and $3.1 million, respectively. Avista Capital is a guarantor on certain office space leases.

Future minimum lease commitments, by year and in the aggregate, under operating leases as of December 31, 2012, are as follows (in thousands):

Years Ending December 31,	
2013	$ 4,431
2014	4,235
2015	2,673
2016	982
2017	560
Thereafter	471
Total	$ 13,352

8. LINE OF CREDIT

On April 8, 2011, the Company entered into a $40.0 million revolving line of credit agreement with a financial institution to be used for general corporate purposes, which replaced its $15.0 million line of credit agreement that had an expiration date of May 2011. On December 15, 2011, the amount available for borrowing was increased to $60.0 million, reducing to $55.0 million effective September 30, 2012 and reducing to $50.0 million effective December 31, 2012. The revolving line of credit expires on April 30, 2014. However, in July 2012, the Company entered into a $125.0 million committed line of credit agreement with various financial institutions that replaced its $60.0 million committed line of credit agreement and has an expiration date of July 2017. The credit agreement is secured by all assets of the Company excluding investments and funds held for clients.

Balances outstanding and interest rates as of and for the years ended December 31, 2012 and 2011, were as follows (in thousands):

	2012	2011
Balance outstanding at end of year	$ 54,000	$ 35,000
Average interest rate at end of year	2.21 %	2.38 %

The committed line of credit agreement includes customary covenants and default provisions, including a covenant which requires the Company's "Consolidated Total Funded Debt to EBITDA Ratio" (as defined by the credit agreement) must be 2.50 to 1.00 or less, with provisions in the credit agreement allowing for a temporary increase of this ratio if a qualified acquisition is consummated by the Company. In addition, the Company's "Consolidated Fixed Charge Coverage Ratio" (as defined by the credit agreement) must be greater than 1.50 to 1.00 as of the last day of any fiscal quarter. As of December 31, 2012 and 2011, the Company was in compliance with all of the financial covenants of the agreement.

The following table details future long-term debt maturities (in thousands):

Years Ended December 31,	
2013	$ -
2014	
2015	
2016	
2017	54,000

9. INCOME TAXES

The amount of the Company's income tax expense varies from the amount determined by the federal statutory rate for 2012 and 2011 is as follows (in thousands):

	2012	2011
Income before income taxes	$ 2,071	$ 20,361
Statutory rate	35 %	35 %
Federal income taxes at statutory rate	$ 1,358	$ 7,126
Income taxed to noncontrolling interest	7	(228)
State income taxes	(15)	640
Other	31	217
Total income tax expense	$ 1,381	$ 7,755

The components of income taxes for 2012 and 2011 are as follows (in thousands):

	2012	2011
Current	$ 1,912	$ 6,872
Deferred	(531)	883
	$ 1,381	$ 7,755

The net deferred income tax assets as of December 31, 2012 and 2011, consist of the following (in thousands):

	2012	2011
Assets:		
Acquired net operating loss carryforward (federal)	$ 10,848	$ 13,814
Acquired net operating loss carryforward (state)	288	1,014
Accrued vacation expense	899	730
Stock-based compensation	1,742	1,270
Deferred revenue	1,174	121
Other	381	694
Total deferred tax assets	15,332	17,643
Liabilities:		
Intangible assets	(5,984)	(7,983)
Depreciation and amortization	(2,910)	(2,230)
Other	(117)	(240)
Total deferred tax liabilities	(9,011)	(10,453)
Net total	$ 6,321	$ 7,190

The total amount of income taxes receivable (payable) to/from the Internal Revenue Service as of December 31, 2012 and 2011, was $1.0 million and $1.1 million, respectively. The total state taxes receivable (payable) as of December 31, 2012 and 2011, were $0.4 million and $0.1 million, respectively. The Company has a federal income tax net operating loss (NOL) carryforward of $15.1 million (acquired in the Cadence acquisition), which will expire at various dates from 2020 to 2028. The utilization of the net operating loss carryforward is limited to $1.7 million annually.

The Company has federal and state net operating loss carryforwards acquired in the Prenova acquisition of approximately $15.9 million and $5.5 million, respectively. The federal net operating losses are subject to annual limitations of $3.4 million for the first five years after acquisition and $0.1 million, thereafter and expire between 2017 and 2025. The state net operating losses are also subject to similar limitations and expiration dates. The above stated NOLs are the expected amounts to be utilized based on the limitations imposed under Internal Revenue Code Section 382.

During 2011, the Company established a liability under ASC 740 for unrecognized tax positions of $0.2 million related to credits claimed for research and development expenses. This amount is related to tax years 2008 to 2010 and the amount of interest and penalties are not material. The liability was settled with the IRS during 2012 for less than the $0.2 million established during 2011.

During 2012, the Company established a liability under ASC 740 for unrecognized tax positions of $0.2 million related to research credits claimed on its 2011 tax return and for state income tax liabilities to various states for the years 2008 and 2009. Our policy is to account for interest and penalties related to uncertain tax positions as part of part of income tax expense and the amount of interest and penalties are not material. The years 2000 through 2012 remain subject to review by the Internal Revenue Service and state tax authorities. The Company does not expect a material change in the balance by the Internal Revenue Service or state tax authorities nor does the Company expect a material change in the balance in the next 12 months. There are no ongoing examinations at this time.

The deferred tax assets and deferred tax liabilities associated with the Prenova acquisition in 2012 were adjusted to reflect the final valuations of the intangible assets and to reflect the results of a Section 382 study finalized during 2012.

10. EMPLOYEE BENEFIT AND STOCK-BASED COMPENSATION PLANS

401(k) Savings Plan — The employees of the Company are eligible to participate in a 401(k) plan. Employees are allowed to defer 1% to 25% of their gross compensation through the plan, subject to statutory limits. The Company matches up to 4% of the salary deferral by each participant. Matching contributions were $2.2 million and $1.5 million in 2012 and 2011, respectively.

Stock Compensation Plan — On July 17, 2000, the Company amended the 1997 employee stock incentive plan (the "1997 Plan"), under which certain employees and directors of the Company may be granted options to purchase shares at prices no less than the estimated fair market value on the date of grant. Options outstanding under the amended 1997 Plan become fully vested after four years of employment service from the date granted and terminate 10 years from the date granted. Stock-based compensation is recognized at the greater of legal vested or on a straight-line basis over the course of the vesting period. A total of 14.5 million shares of common stock have been reserved for issuance under the amended 1997 Plan, including an increase of 1.5 million shares authorized by the board of directors during 2011. No market as yet exists for stock issued under the 1997 Plan. The Company's fair value estimates of the stock options are discounted 15% for this lack of marketability for the years ended December 31, 2012 and 2011.

For 2012 and 2011, the Company recorded $1.3 million and $1.6 million, respectively, of stock-based compensation expense, which is included in cost of sales, selling and marketing, and general and administrative expenses in the consolidated statements of income. The Company recorded a corresponding income tax benefit for 2012 and 2011 of $0.5 million and $0.6 million, respectively.

The fair value of each employee option grant under the 1997 Plan is estimated on the date of grant using the Black-Scholes option-pricing model and certain assumptions deemed reasonable by management. For 2012 and 2011, these assumptions include, among other things, an average risk-free interest rate of 1.03% and 2.03%, which is based on the U.S. Treasury rate with a maturity that coincides with the expected life of the option, volatility of 28.62% and 27.64% which is based on historical volatilities of comparable companies' common stock and certain industry trends, dividends of $0, and an expected life of 6.16 years and 6.16 years, which is based on the simplified method which computes an expected life by analyzing the vesting terms of an option along with the contractual term, setting the expected life at a midpoint in between.

Number of shares under option:	Number of Shares (in 000s)	Weighted Average Exercise Price per Share	Contractual Life (Years)	Intrinsic Value (in $000s)
Outstanding — January 1, 2012	7,144	$ 2.88		
Granted	1,329	4.31		
Exercised	(360)	1.86		
Forfeited	(665)	3.05		
Expired	(1)	0.99		
Outstanding — December 31, 2012	7,447	$ 3.17	7.40	$ 1,577
Exercisable — December 31, 2012	4,608	$ 2.63	6.57	$ 1,571
Expected to vest — December 31, 2012	2,773	$ 4.05	8.74	$ 5

The weighted-average grant-date fair value of options granted during the year ended December 31, 2012 and 2011, was $1.30 and $1.28, respectively. The cumulative grant-date fair value of options vested during the years ended December 31, 2012 and 2011, was $1.3 million and $1.4 million, respectively. The weighted-average grant-date fair value of options canceled during the year ended December 31, 2012, was $0.92. The total intrinsic value of options exercised during the years ended December 31, 2012 and 2011, was $0.9 million and $0.7 million, respectively. As of December 31, 2012 and 2011, the Company had approximately 2.8 million and 3.1 million unvested stock options outstanding with a weighted- average grant-date fair value of $1.24 and $1.13 per share, respectively. As of December 31, 2012, there was $3.1 million of total unrecognized compensation cost related to the 1997 Plan, which is expected to be recognized over a weighted-average period of 3.0 years.

Redeemable Common Stock — On April 18, 2007, the board of directors of the Company approved a modification to stock options under the 1997 Plan to provide employees a put right on the underlying common shares. This is applied to stock options outstanding, as well as options previously exercised under the 1997 Plan. On July 15, 2009, the Company's board of directors approved a modification to stock options, which limits the put right to options issued prior to July 15, 2009, unless approved by the board of directors on an individual basis. The put right allows optionees the ability to compel the Company to repurchase for cash the shares owned by the employee upon the exercise of an option. Such put rights may be exercised only after the shares have been held by the optionees for at least six months after exercise and only once per year during an annual exercise period. The repurchase price to be paid will be the estimated fair value at the time the put right is exercised. Total shares redeemed during the years ended December 31, 2012 and 2011, were 68,192 and 110,288 in the amount of $0.4 million and

$0.5 million, respectively. During the years ended December 31, 2012 and 2011, total shares held to cover employee taxes withholding on options exercised was 54,168 and 9,686 in the amount of $0.2 million and $0.05 million, respectively. The Company expects to repurchase up to 89,485 shares in the 12 months subsequent to December 31, 2012.

The estimated potential future redemption obligation for outstanding common stock and outstanding common stock options as of December 31, 2012, is $1.7 million and $10.1 million, respectively, based on the estimated fair value per share as of December 31, 2012.

Common Stock Warrants — As of December 31, 2012 and 2011, the Company had issued and outstanding 151,763 detachable warrants held by Avista Capital. Each warrant gives the holder the right to purchase one share of common stock at an exercise price of $2.75 per share. The warrants become exercisable immediately upon the earlier of a change of control, spin-off, or 13 months after the date on which securities are traded on a national securities exchange or in the over- the-counter market. Thereafter, the warrants are exercisable for a period not to exceed the earlier of three years after the date of a change of control or 15 months after the date of a spin-off.

11. SUPPLEMENTAL DISCLOSURES OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The Company's noncash investing and financing activities during the years ended December 31, 2012 and 2011, are as follows (in thousands):

	2012	2011
Adjustment (addition) of intangible assets	$ 184	$ (184)
Contingent consideration for acquisition	375	267
Deconsolidation of SEEL	(251)	
Deferred tax assets adjusted (acquired) in acquisition	1,216	(4,540)
Fair value of liabilities assumed in acquisition	2,824	3,519
Lease market value intangible purchase price adjustment	(159)	
Noncontrolling interests assumed in acquisition	2,303	
Property and equipment purchase price adjustment		10
Unrealized gain on available-for-sale securities	33	211

12. RELATED-PARTY TRANSACTIONS

In 2012 and 2011, Avista Capital, the Company's parent, procured insurance and long-distance services on a corporate-wide basis and allocated appropriate charges to the Company. In 2011, Avista Corporation began to compensate the board of directors and allocated such fees to the Company for those also serving on the Company's board of directors. Costs for these services total $0.5 million for 2012 and $0.4 million for 2011.

In 2012, the Company entered into a master promissory note with Avista Corporation where the Company will from time to time make unsecured short-term loans to Avista Corporation. The master promissory note limits the total outstanding borrowings to no more than $50.0 million in principal. Additionally, such loans are required to be repaid on the last business day of the quarter (March, June, September, December) and sooner upon demand by the Company. Amounts are loaned at a rate tied to London InterBank Offered Rate. The average balance outstanding in 2012 was $31.6 million and interest income earned on the outstanding note in 2012 was $0.3 million. At December 31, 2012, there is no outstanding balance due from Avista Corporation.

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ATTACHMENT 11

CHIEF OFFICERS

ATTACHMENT 11

Jeff D. Heggedahl
President and Chief Executive Officer

Mr. Heggedahl was named President and Chief Executive Officer of the Company in December 2009. Prior to joining Ecova, he was the President and Chief Executive Officer of Scantron Corp. on Minneapolis, Minnesota, a testing and assessment company with expertise in software, survey and data capture. Previously, Heggedahl served as President of Harland Printed Products and Marketing Services, a subsidiary of John H. Harland Co., Atlanta, Ga. Mr. Heggedahl is a 1987 graduate of Gustavus Adolphus College in St. Peter, Minn., where he earned a Bachelor of Arts degree in business and communications. He holds a Master of Business Administration degree from the University of St. Thomas, St. Paul, Minn., and he completed the Advanced Management Program at Harvard Business School, Cambridge, Mass.

Gene Lynes
Executive Vice President & Chief Financial Officer

With more than 30 years of financial experience in technology and service-related industries, Gene Lynes is executive vice president and CFO for Ecova. As the company's top finance executive, Gene ensures that the company's strategy is in line with its financial health. Leading the finance and accounting groups, Gene is responsible for financial plans and policies, fiscal controls, regulatory compliance, financial reporting, and corporate investments. He also works closely with the rest of the management team on mergers and acquisitions.

Prior to joining Ecova in 2009, Gene was chief accounting officer at Kofax, an international software company, where he assisted with acquisitions, global operations, and ERP conversion. Prior to Kofax, Gene worked for Scantron Corporation, most recently serving as CFO and COO, responsible for financial and operational excellence as well as business integration activities.

A Certified Public Accountant (CPA), Gene has also served as a senior audit manager at PricewaterhouseCoopers, where he helped a wide variety of clients with financing arrangements and structural transactions as well as audit and compliance requirements.

John Robison
Chief Investment Officer

John joined Ecova in May 2011 and is responsible for Treasury Operations which processes over $13 billion in client payments, manages cash and short term investments, banking relationships, and capital management. Prior to joining Ecova, John spend 7 years with RLI Insurance Company – a publicly traded insurance company, as the Chief Investment Officer / Treasurer where he was responsible for the $2 billion investment portfolio, treasury management, payroll, and investor relations. Collectively, John has more than 20 years experience in treasury management. John earned his undergraduate degree in Finance from Kent State University and his MBA from Xavier University.

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ATTACHMENT 12

OFFICERS DIRECTLY RESPONSIBLE FOR OPERATION

Attachment 12 "Officers Directly Responsible for Operation"

Craig Schilling, VP Facility Expense Services
As the senior individual responsible for all client service delivery, Craig leads a team of Utility Expense Management, Energy Procurement, Facility Optimization, IT and Sustainability experts in providing high level, value driven solutions to the client. Craig spent two year leading the Energy Procurement and IT team in support of client contract transactions and customer technology collaborative tools before his current position. Craig brings 15 years of financial market and trading experience with a BS in Business from the University of Minnesota and an MBA from the University of Phoenix. Craig is a former Naval Aviator and a Commander in the U.S. Navy Reserve.

Melody Swanson, Sr. Director Energy Procurement
Melody is an expert in the field of energy procurement and has worked with Ecova, Inc. for more than twelve years. Melody serves as the primary resource for client risk assessment and analytics, working with clients to evaluate and establish custom energy procurement strategies. Her team currently manages over $15 billion in annual energy expenditures for clients and works with nearly 200 multi-site clients. Having worked as a Market Manager in every market in the U.S. and Canada for both gas and electric, Melody assisted in the development of the Ecova, Inc. Energy Procurement service offerings. Melody played a crucial role in the development of proprietary analytic tools including: Value at Risk reporting (VAR), energy forecasting, and historical analytical instruments that evaluate current and historical wholesale energy prices to identify timing and strategy for executing energy hedge positions. She developed complex hedging strategies for large energy users and built custom energy reports, such as benchmark reports, savings calculators, and volatility and risk assessments.

Brad Gawboy, Sr. Director Rates/Expense Management
A degreed engineer and graduate of the U.S. Naval Academy, Brad has worked in the energy industry for 25 years. He began his career in electric generation and then served for an extended period in the marketing and national account sales arena in the utility industry. Brad leads Ecova, Inc.'s electricity procurement solutions in deregulated states and spearheads service offerings related to demand response and the emerging Smart Grid. He is a Captain in the U.S. Navy Reserves.

Dennis Pearson - Senior Director, Supply Solutions
As Senior Director, Supply Solutions, "Denny" brings nearly 30 years of multi-faceted, energy-related experience to Ecova Inc. Denny's experience includes hands-on operational expertise at interstate and intrastate natural gas pipeline transmission systems that move supplies from the producing regions to individual citygates located throughout the lower 48 states and to de-regulated Canadian provinces. Denny's operational and marketing experience also includes field and market storage operations, local distribution company ("LDC) delivery systems from the citygate to the meter, and marketing and retail sales of natural gas supply and electric supply throughout North America.

During the past 15 years, Denny has focused on developing and negotiating a broad range of value-added, energy-related products and services that are tailored to meet risk management strategies of individual, client-specific portfolios that are located in deregulated environments. Denny is responsible for developing, managing, maintaining, and growing Ecova's supplier network throughout North America while also insuring that state-mandated licensing requirements are met.

Attachment 12 "Technical Fitness" - Identity of Officers directly responsible for operations

Steven Huber – Senior Manager, Energy Procurement Services
Steve has been with Ecova for 6 years and is market expert in the procurement of energy in all deregulated natural gas and electric markets. Steve leads a team of 18 highly skill analysts in the procurement activities for Ecova's clients in all deregulated markets of the U.S. and Canada. He and his team are responsible for understanding all utility tariffs in the deregulated market place, and to provide our clients with transparency into these markets through our detailed analysis of Retail Provider pricing and Local Distribution Company pricing. Transparency is provided through our competitive bidding process, and our detailed analysis of both bid pricing and LDC pricing. Steve is also responsible for ensuring that only licensed retail providers are used in our competitive bid process and who are recommend to our clients. Steve is a military veteran with 25 years of service in the U.S. Navy, prior to working for Ecova.

shuber@ecova.com
Tel. 651-900-6039, Fax 866-728-8853

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ATTACHMENT 13

STAFFING AND EMPLOYEES

FACILITY SOLUTIONS

Attachment 13

- **Brad Gawboy**, Senior Director, FES Operations
  - **Denny Pearson**, Sr. Director, Supplier Relations, Remote/TX
  - **Steve Huber**, Sr. Manager, EPS Transactions, St. Paul
    - **Operations/R&D Team**
      - **Tina Hernandez**, EPS II, Dallas
    - **Electric Team**
      - **Heather Braatz**, SEPA, St. Paul
      - **Therese Lavalle**, SEPA, St. Paul
      - **Jason Stoffel**, EPA II, St. Paul
      - **Kindra Skinner**, EPA II, Atlanta
      - **Brian Boe**, EPA II, St. Paul
      - **Jesselyn Toufar**, EPA I, St. Paul
      - **Matt LaPrairie**, EPA I, Atlanta
      - **Jeremy Stoner**, EPA I, St. Paul
      - **Dugan Flanders**, EPA I, St. Paul
    - **Gas/Liquid/Fuels Team**
      - **Kris Borgert**, SEPA, St. Paul
      - **Dave Marson**, EPA II, St. Paul
      - **Lori Wheatcroft**, EPA II, St. Paul
      - **Greg Werner**, EPA I, St. Paul
      - **Lynette Barrus**, EPA I, St. Paul
      - **Travis Nguyen**, EPA I, Spokane
      - **Derek Conroy**, EPA I, Spokane
  - **Dustin Woods**, Software Developer, St. Paul
    - **Adam Derkey**, Software Developer, St. Paul

SEPA = Sr. Energy Procurement Analyst
EPA = Energy Procurement Analyst
EPS = Energy Procurement Specialist

ATTACHMENT 14

BUSINESS PLANS

Attachment 14 – Business Plans

Ecova has provided retail electric/natural gas procurement services via the broker and consultant model throughout the country since 2002. The company does not take title to the electricity/natural gas, and is not a supplier, therefore does not bill or contract for the electricity/natural gas supply of the customer. However, we have significant experience in providing customers with contract negotiation consulting services and billing problem resolution on behalf of our clients. For clients who have complaints or inquiries regarding the services we provide, we offer a dedicated procurement or service representative with a direct line, 1-800#s for general inquiries, plus back up staff and higher level management for problem resolution.

Ecova has been offering consulting, brokering and simple aggregation services for hundreds of customers across the country in deregulated utility service territories totaling approximately 15 billion kwh and 360 million therm on contract with suppliers. The vast majority of the clients are commercial businesses. The aggregation services entail providing single event RFP services for a management group's portfolio of properties, within a jurisdiction, of which many of the properties will have different legal entity names. These contracts for this type of aggregation can have multiple signature lines on a single contract, or multiple contracts for each owner's sites. The RFP can have a single price across all properties or be individualized. All the above options are at the discretion of the client(s) after consulting on the best options to meet their price risk management goals.

Ecova Inc. provides sustainable utility expense management and energy management solutions to multi-site companies across North America to assess and manage utility costs and usage. Ecova, Inc.'s invoice processing, auditing and payment services, coupled with energy procurement, comprehensive reporting and advanced analysis, provide the critical data clients need to balance the financial, social and environmental aspects of doing business. Ecova, Inc. also provides comprehensive energy efficiency program management services to utilities across North America.

In addition to providing energy procurement services for our clients, Ecova, Inc. offers a full suite of consultative services that include, but is not limited to:

- Rate Optimization and Analysis
- Sustainability
- Facilities Optimization, including Energy Efficiency, Demand Side Management ("DSM") and Engineering Feasibility Studies.

CERTIFICATE OF SERVICE

On this 14th day of November, 2013, I certify that a true and correct copy of the foregoing application form for licensing within the Commonwealth of Pennsylvania as a Natural Gas Supplier and all attachments have been served on the following:

Irwin A. Popowsky
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120-1921

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

William R. Lloyd, Jr.
Commerce Building, Suite 1102
Small Business Advocate
300 North Second Street
Harrisburg, PA 17101

Commonwealth of Pennsylvania
Department of Revenue
Bureau of Compliance
Harrisburg, PA 17128-0946

UGI
David Beasten
2525 N. 12th Street, Suite 360
Reading, PA 19612-2677

National Fuel Gas Distribution Corp.
David D. Wolford
6363 Main Street
Williamsville, NY 14221

UGI Central Penn
David Beasten
2525 N. 12th Street, Suite 360
Reading, PA 19612-2677

Peoples Natural Gas Company LLC
Lynda Petrichevich
375 North Shore Drive, Suite 600
Pittsburgh, PA 15212

UGI Penn Natural
David Beasten
2525 N. 12th Street, Suite 360
Reading, PA 19612-2677

Equitable Gas Company
Jerald Moody
225 North Shore Drive
Pittsburgh, PA 15212-5352

PECO
Carlos Thillet, Manager, Gas Supply & Transportation
2301 Market Street, S9-2
Philadelphia, PA 19103

Columbia Gas of PA, Inc.
Thomas C. Heckathorn
200 Civic Center Drive
Columbus, OH 43215

Philadelphia Gas Works
Douglas Moser
800 West Montgomery Avenue
Philadelphia, PA 19122

Donna Wasson
DONNA WASSON

From: (509) 329-7108
Donna Wasson
Ecova, Inc.
1313 N. Atlantic, Suite 5000

Spokane, WA 99201

Origin ID: GEGA

FedEx. Express

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Ship Date: 15NOV13
ActWgt: 2.0 LB
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Delivery Address Bar Code

SHIP TO: (717) 783-5242 BILL SENDER
Secretary of the Commission
PA Public Utility Commission
Keystone Building, 400 North Street
2nd Floor, Room N201
HARRISBURG, PA 17120

Ref # 90-5040
Invoice #
PO #
Dept # 90-5040

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