

**AVISTA UTILITIES**  
**2016 ELECTRIC ATTRITION STUDY**  
**AVISTA REVISIONS TO ITS DIRECT CASE**  
**Calculation of General Revenue Requirement**  
**Washington - Electric System**  
**Twelve Months Ended December 31, 2014**  
**(000's of Dollars)**

Line No.	Description	(a) Attrition Balances	(b) Revenue Growth Factor	(c) Attrition Adjusted Balances & 2016 Revenue Requirement
1	Attrition Rate Base	\$1,437,958	1.013115	\$1,419,343
2	Proposed Rate of Return			7.29%
3	Net Operating Income Requirement			\$103,470
4	Attrition Net Operating Income	<u>\$98,521</u>	1.013115	<u>\$97,245</u>
5	Net Operating Income Deficiency			\$6,225
6	Conversion Factor			0.62018
7	Attrition Revenue Requirement			<b>\$10,037 (Correction)</b>
8	Total General Business Revenues			\$499,982
9	Percentage Revenue Increase			<u><u>2.007%</u></u>

**Electric Attrition Study Based on 12.2014 CBR Results**

<b><u>Electric Attrition Study</u></b>	<b>2015 Attrition (000s)</b>
<b>As Filed:</b>	<b>\$ 33,229</b>
<b>Net Reduction</b>	<b>\$ (23,192)</b>
<b>As Revised using 12.2014 CBR: (See Below)</b>	<b>\$ 10,037</b>

**Attachment: Staff DR 130-Attachment B (Electric Attrition Study-using 12.2014 CBR)**

**Changes compared to Electric Attrition Study as filed:**

- (1) Updated to include 12.2014 Commission Basis Results per 12.2014 CBR filed with WA Commission on April 28, 2015. (See Column [A], pages 4-5 of Staff\_DR\_130-Attachment B. See also Staff\_DR\_130-Attachment D for electronic and .pdf Commission Basis workpapers.)
- (2) Excluded 12.2014 Normalized Power Supply - (See Column [B], pages 4-5 of Staff\_DR\_130-Attachment B. See also Staff\_DR\_130-Attachment E for related workpapers.)
- (3) Consistent with the Company's direct filing (See Column [C], pages 4-5 of Staff\_DR\_130-Attachment B.), restates Deferred Debits and Credit balances at 12.2014 (AMA) to 2016 (AMA) balances, as well as reduces Regulatory Amortization expense for amounts expired in 2016. This adjustment also includes the 2016 regulatory amortization of Lake Spokane as approved in Docket UE-140188, and the requested Meter Retirement Regulatory asset balance and 10-year amortization expense. No escalation of Deferred Debits and Credits balances or regulatory amortization expense occurs, appropriate to adjust to expected balance during 2016 rate period. See also Staff\_DR\_130-Attachment E for related workpapers.)
- (4) Updated Incremental Revenue Normalization Adjustment - (See Column [D], pages 4-5 of Staff\_DR\_130-Attachment B. See also Staff\_DR\_130-Attachment E for related workpapers.) This adjustment adjusts the Commission Basis normalized revenue to the 2014 base rate revenue produced by the billing determinants utilized in the Company's filing. Revenue growth is adjusted to 2016 using the billing determinant index, not trend analysis, therefore utilizing the fully analyzed twelve months ended September 2014 pro forma revenues here allows the rate design and pro forma power supply basis to remain as filed. In addition, by doing this column [J] Revenue Growth is essentially the same as the initial filing.
- (5) Includes Multiparty Settlement Agreement adjustments as filed on May 1, 2015. Revisions include:

A) Agreed-upon Capital Structure: 48.5% Equity, 9.5% ROE, 5.2% Cost of Debt; ROR 7.29%. This change resulted in an approximate electric revenue requirement **reduction of \$3.8 million**. See page 2 of Staff\_DR\_130-Attachment B.

B) Changes to Power Supply include: i) Correction for AURORA<sub>XMP</sub> Coding Error (-\$6.9 million WA expense); ii) Chelan PUD Contract update (-\$3.6 million WA expense) - (see also Staff\_DR\_059); iii) Removal of hydro station services expense (-\$28,000 WA expense); iv) Other agreed-to base power supply reduction (-\$1.5 million WA expense); and v) Removal of Colstrip and CS2 Thermal O&M from base power supply expenses (-\$3.6 million WA expense - per the Multiparty Settlement Agreement, the revenue requirement related to these costs will be addressed during the remainder of the case. See item (7) below.) The **overall reduction** to net Power Supply related expenses is approximately **\$16.4 million** revenue requirement.

(6) Updated 12.2014 Pro Formed Net Energy Cost Column [I] with changes noted in (5B) above. Other differences to net power supply expense relate to updating the Company's Production/Transmission (P/T) Ratio factor at 12.2014, see note (e) below. (See column [I] pages 4-5 of Staff\_DR\_130-Attachment B. See also Staff\_DR\_130-Attachment E for related workpapers.)

(7) Added Column [AA] "After Attrition Adjustment CS2/Colstrip Incremental O&M Exp" to address the incremental CS2/Colstrip operating and maintenance (O&M) expense planned in 2016 for major maintenance projects at these plants. As noted in item (5B) above, the Parties in the Multiparty Settlement Agreement removed the CS2/Colstrip O&M maintenance from the power supply base (as proposed by the Company), stating "the revenue requirement related to these costs will be addressed during the remainder of the case." The company has included this adjustment, in the amount of \$2.883 million, which represents the incremental amount above the CS2/Colstrip O&M maintenance included in column [G] Non-Energy Cost Escalation Amount. This **increases** the overall revenue requirement by **\$3.02 million**. (Note, with the removal of the CS2/Colstrip O&M from base power supply expense in (5B), and addition of the incremental amount in column [AA], there is no net increase in these costs from the Company's direct filed case.)

(8) Notes: Additional updates or comments

(a) No adjustment revising CBR 12.2014 AMA Plant balances to End of Period (EOP) Plant Balance is included in this updated analysis. This varies from the direct filed Attrition Studies (which included an 12.2014 Ending Balance Plant Adjustment column [C]). In the direct filed case, the Company revised its 09.2014 AMA plant balances to 12.2014 EOP, and then escalated these balances 1.5-years, reflecting an AMA 2016 balance. The Company has removed this adjustment and escalates its 12.2014 AMA restated attrition results by two-years, reflecting an AMA 2016 balance. Adjusted operating expenses and other revenue are also only adjusted by a two-year escalation factor to reflect 2016 amounts.

(b) Added 12.2014 CB results column to trended CBR results, see pages 6-8 of Staff\_DR\_130-Attachment B.

(c) Revised cost and revenue trend calculations to include 12.2014 results, see page 9 of Staff\_DR\_130-Attachment B.

(d) Updated escalation factors to include 2014 time period (i.e. 2007-2014), consistent with filed case. See page 9 of Staff\_DR\_130-Attachment B. The net decrease in revenue requirement noted above (offset by the updates and changes noted above) is partially due to the change in escalation factors utilizing 2007-2014, rather than 2007-2013 for escalation factors "Adjusted Taxes Other than income" and "Adjusted Other Revenue," see page 9 of Staff\_DR\_130-Attachment B.

**(e)** Updated Depreciation Expense and Net Plant After DFIT amounts shown on page 10 of Staff\_DR\_130-Attachment B to reflect actual balances at 12.2014 AMA and revised 2016 AMA balances. The 12.2014 and 2016 AMA depreciation and Net Plant after DFIT balances were reduced from that shown in the Company's direct filed case, reflecting actuals for calendar year 2014. The reduction to Net Plant after DFIT was mainly due to a \$50 million (system) reduction recorded to reflect a "Repairs Adjustment" allowed for tax purposes, and other true-up adjustments. These changes **reduced** the Company's revenue requirement by approximately **\$4.1 million**. See CBR workpapers provide with Staff\_DR\_130-Attachment D

**(f)** Annually the Company updates its allocation factors. Use of 12.2014 CBR, results in use of updated allocation factors, including State (WA/ID) and Production/Transmission (P/T) Ratios for the entire calendar year 2014. The reduction in revenue requirement noted above is partially due to the change in the P/T Ratio. See CBR workpapers provided with Staff\_DR\_130-Attachment D.

**(g)** Use of 12.2014 CBR, results in use of updated conversion factor, mainly due to updating uncollectible percentage. See page 3 of Staff\_DR\_130-Attachment B.

AVISTA UTILITIES

Multiparty Settlement - Cost of Capital

Washington - Electric System

Twelve Months Ended December 31, 2014

<b>Proposed Cap Structure</b>			
<u>Component</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Total Debt	51.50%	5.20%	2.68%
Common	48.50%	9.50%	4.61%
Total	<u>100.00%</u>		<u>7.29%</u>

**AVISTA UTILITIES**  
**Revenue Conversion Factor**  
**Washington - Electric System**

**Twelve Months Ended December 31, 2014**

<b>Line No.</b>	<b>Description</b>	<b>Factor</b>
1	<b>Revenues</b>	<i>1.000000</i>
	<b>Expense:</b>	
2	Uncollectibles	0.005353
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038527
5	Total Expense	<u>0.045880</u>
6	Net Operating Income Before FIT	<i>0.954120</i>
7	Federal Income Tax @ 35%	<u>0.333942</u>
8	<b>REVENUE CONVERSION FACTOR</b>	<u><u>0.620180</u></u>

**AVISTA'S 2016 ELECTRIC ATTRITION REVENUE REQUIREMENT**

CBR Line Number	DESCRIPTION	Determine Base Cost and Revenue to Escalate					Escalate Non-Energy Cost			Other Cost & Revenue Adjs.		After Attrition Adj - CS2/Colstrip Incremental O&M Exp	2016 Revenue and Cost [H]+[I]+[J]+[AA]= [K]
		12.2014 Commission Basis Report Restated Totals	(less) 12.2014 Normalized Net Power Supply Cost	Deferred Debit/Credit & Reg. Amorts Adjs*	Pro Forma Revenue Normalization Adjustment	December 2014 Escalation Base	Escalation Factor	Non-Energy Cost Escalation Amount [E]*[F]=[G]	Trended 2016 Non-Energy Cost [E]+[G]=[H]	(plus) 12.2014 Pro-Formed Net Energy Cost	(plus) Revenue Growth		
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[AA]	[K]
<b>REVENUES</b>													
1	Total General Business	\$ 488,372		\$ -	\$ 10,688	\$ 499,060	1.31%		\$ 499,060		\$ 6,545		\$ 505,605
2	Interdepartmental Sales	\$ 922		\$ -	\$ -	\$ 922	1.31%		\$ 922		\$ 12		\$ 934
3	Sales for Resale	\$ 60,998	\$ (60,998)	\$ -	\$ -	\$ -				\$ 53,757	\$ (2,595)		\$ 51,162
4	Subtotal: Sales of Electricity	\$ 550,292	\$ (60,998)	\$ -	\$ 10,688	\$ 499,982			\$ 499,982	\$ 53,757	\$ 3,962		\$ 557,701
5	Other Revenue	\$ 17,163	\$ (13,684)	\$ -	\$ -	\$ 3,479	3.60%		\$ 3,479	\$ 10,529	\$ 125		\$ 14,133
6	Total Electric Revenue	\$ 567,455	\$ (74,682)	\$ -	\$ 10,688	\$ 503,461			\$ 503,461	\$ 64,286	\$ 4,088		\$ 571,835
<b>EXPENSES</b>													
<b>Production and Transmission</b>													
7	Operating Expenses	\$ 120,307	\$ (69,476)	\$ -	\$ -	\$ 50,831	6.09%	\$ 3,096	\$ 53,927	\$ 89,306	\$ -	\$ 2,883	\$ 146,116
8	Purchased Power	\$ 116,643	\$ (116,641)	\$ -	\$ -	\$ 2		\$ -	\$ 2	\$ 75,611	\$ 1,907		\$ 77,520
9	Depreciation/Amortization	\$ 23,715		\$ -	\$ -	\$ 23,715	22.20%	\$ 5,265	\$ 28,980	\$ -			\$ 28,980
10	Regulatory Amortization	\$ 8,101		\$ (1,382)	\$ -	\$ 6,719	0.00%	\$ -	\$ 6,719	\$ -			\$ 6,719
11	Taxes	\$ 12,828		\$ -	\$ -	\$ 12,828	13.81%	\$ 1,771	\$ 14,599				\$ 14,599
12	Subtotal: Production and Transmission	\$ 281,594	\$ (186,117)	\$ (1,382)	\$ -	\$ 94,095		\$ 10,132	\$ 104,227	\$ 164,917	\$ 1,907	\$ 2,883	\$ 273,934
<b>Distribution</b>													
13	Operating Expenses	\$ 21,299		\$ -	\$ -	\$ 21,299	6.09%	\$ 1,297	\$ 22,596				\$ 22,596
14	Depreciation/Amortization	\$ 23,794		\$ -	\$ -	\$ 23,794	22.20%	\$ 5,283	\$ 29,077				\$ 29,077
<b>Regulatory Amortizations</b>													
15	Taxes	\$ 25,575		\$ -	\$ 412	\$ 25,987	13.81%	\$ 3,588	\$ 29,575		\$ 252		\$ 29,827
16	Subtotal: Distribution	\$ 70,668		\$ -	\$ 412	\$ 71,080		\$ 10,167	\$ 81,247	\$ -	\$ 252	\$ -	\$ 81,500
17	Customer Accounting	\$ 11,166		\$ -	\$ 57	\$ 11,223	6.09%	\$ 683	\$ 11,906		\$ 35		\$ 11,942
18	Customer Service & Information	\$ 1,383		\$ -	\$ -	\$ 1,383	6.09%	\$ 84	\$ 1,467				\$ 1,467
19	Sales Expenses	\$ -		\$ -	\$ -	\$ -	6.09%	\$ -	\$ -				\$ -
<b>Administrative &amp; General</b>													
20	Operating Expenses	\$ 46,210		\$ -	\$ 21	\$ 46,231	6.09%	\$ 2,815	\$ 49,046		\$ 13		\$ 49,060
21	Depreciation/Amortization	\$ 16,947		\$ -	\$ -	\$ 16,947	22.20%	\$ 3,762	\$ 20,709				\$ 20,709
22	Taxes	\$ -		\$ -	\$ -	\$ -	13.81%	\$ -	\$ -				\$ -
23	Subtotal: Administrative and General	\$ 63,157	\$ -	\$ -	\$ 21	\$ 63,178		\$ 6,578	\$ 69,756	\$ -	\$ 13	\$ -	\$ 69,769
24	Total Electric Expenses	\$ 427,968	\$ (186,117)	\$ (1,382)	\$ 490	\$ 240,959		\$ 27,645	\$ 268,604	\$ 164,917	\$ 2,207	\$ 2,883	\$ 438,611
25	OPERATING INCOME BEFORE FIT	\$ 139,487	\$ 111,435	\$ 1,382	\$ 10,198	\$ 262,502		\$ (27,645)	\$ 234,857	\$ (100,631)	\$ 1,881	\$ (2,883)	\$ 133,224

**AVISTA'S 2016 ELECTRIC ATTRITION REVENUE REQUIREMENT**

CBR Line Number	\$000s		Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost		Other Cost & Revenue Adjust		After Attrition	
	12.2014 Commission Basis Report Restated Totals	(less) 12.2014 Normalized Net Power Supply Cost	Deferred Debit/Credit & Reg. Amorts Adjs*	Pro Forma Revenue Normalization Adjustment	December 2014 Escalation Base	Escalation Factor	Non-Energy Cost Escalation Amount	Trended 2016 Non-Energy Cost [E]+[G]=[H]	(plus) 12.2014 Pro-Formed Net Energy Cost	(plus) Revenue Growth	CS2/Colstrip Incremental O&M Exp	2016 Revenue and Cost [H]+[I]+[J]=[K]
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[AA]	[K]
	Federal Income Tax											
26	Current Accrual	\$ (7,683)	\$ 39,002	\$ 484	\$ 3,569	\$ 35,372	\$ (9,676)	\$ 25,696	\$ (35,221)	\$ 658	\$ (1,009)	\$ (9,875)
27	Debt Interest	\$ (136)	\$ -	\$ (132)	\$ -	\$ (268)	\$ (1,111)	\$ (1,379)				\$ (1,379)
28	Deferred Income Taxes	A \$ 46,085	\$ -	\$ -	\$ -	\$ 46,085	\$ -	\$ 46,085				\$ 46,085
29	Amortized ITC - Noxon	\$ (128)	\$ -	\$ -	\$ -	\$ (128)	\$ -	\$ (128)				\$ (128)
30												
31	<b>NET OPERATING INCOME</b>	<b>\$ 101,349</b>	<b>\$ 72,433</b>	<b>\$ 1,030</b>	<b>\$ 6,629</b>	<b>\$ 181,441</b>	<b>\$ (16,859)</b>	<b>\$ 164,583</b>	<b>\$ (65,410)</b>	<b>\$ 1,222</b>	<b>\$ (1,874)</b>	<b>\$ 98,521</b>
	RATE BASE											
	(A) Correction											
	Plant in Service											
32	Intangible	\$ 102,620	\$ -	\$ -	\$ -	\$ 102,620	12.44%	\$ 12,763	\$ 115,383			\$ 115,383
33	Production	\$ 746,101	\$ -	\$ -	\$ -	\$ 746,101	12.44%	\$ 92,795	\$ 838,896			\$ 838,896
34	Transmission	\$ 371,971	\$ -	\$ -	\$ -	\$ 371,971	12.44%	\$ 46,263	\$ 418,234			\$ 418,234
35	Distribution	\$ 842,795	\$ -	\$ -	\$ -	\$ 842,795	12.44%	\$ 104,821	\$ 947,616			\$ 947,616
36	General	\$ 196,867	\$ -	\$ -	\$ -	\$ 196,867	12.44%	\$ 24,485	\$ 221,352			\$ 221,352
37	Subtotal: Plant in Service	\$ 2,260,354	\$ -	\$ -	\$ -	\$ 2,260,354		\$ 281,126	\$ 2,541,480			\$ 2,541,480
	Accumulated Depreciation and Amortization											
38	Intangible	\$ (20,242)	\$ -	\$ -	\$ -	\$ (20,242)	12.44%	\$ (2,518)	\$ (22,760)			\$ (22,760)
39	Production	\$ (325,531)	\$ -	\$ -	\$ -	\$ (325,531)	12.44%	\$ (40,487)	\$ (366,018)			\$ (366,018)
40	Transmission	\$ (123,869)	\$ -	\$ -	\$ -	\$ (123,869)	12.44%	\$ (15,406)	\$ (139,275)			\$ (139,275)
41	Distribution	\$ (252,722)	\$ -	\$ -	\$ -	\$ (252,722)	12.44%	\$ (31,432)	\$ (284,154)			\$ (284,154)
42	General	\$ (65,720)	\$ -	\$ -	\$ -	\$ (65,720)	12.44%	\$ (8,174)	\$ (73,894)			\$ (73,894)
43	Subtotal: Accumulated Depreciation and Amortization	\$ (788,084)	\$ -	\$ -	\$ -	\$ (788,084)		\$ (98,016)	\$ (886,100)			\$ (886,100)
44	Net Plant	\$ 1,472,270	\$ -	\$ -	\$ -	\$ 1,472,270	\$ -	\$ 183,110	\$ 1,655,380		\$ -	\$ 1,655,380
45	Deferred Taxes	(257,766)	\$ -	\$ -	\$ -	(257,766)	12.44%	\$ (32,059)	\$ (289,825)			\$ (289,825)
46	Net Plant After Deferred taxes	\$ 1,214,504	\$ -	\$ -	\$ -	\$ 1,214,504	\$ 0	\$ 151,051	\$ 1,365,555			\$ 1,365,555
47	Deferred Debits and Credits	10,846	\$ -	\$ 13,750	\$ -	\$ 24,596	0.00%	\$ -	\$ 24,596			\$ 24,596
48	Working Capital	47,807	\$ -	\$ -	\$ -	\$ 47,807	0.00%	\$ -	\$ 47,807			\$ 47,807
49	<b>TOTAL RATE BASE</b>	<b>\$ 1,273,157</b>	<b>\$ -</b>	<b>\$ 13,750</b>	<b>\$ -</b>	<b>\$ 1,286,907</b>		<b>\$ 151,051</b>	<b>\$ 1,437,958</b>			<b>\$ 1,437,958</b>
50	<b>RATE OF RETURN</b>	<b>7.96%</b>										<b>6.85%</b>
	<b>ATTRITION ADJUSTED REVENUE REQUIREMENT</b>											
50	Proposed Rate of Return	7.29%										7.29%
51	Return on Plant in Service at Proposed Rate	\$ 92,813										\$ 104,827
52	Operating Income Deficiency	\$ (8,536)										\$ 6,306
53	Revenue Conversion Factor	0.62018										0.62018
54	Revenue Requirement	\$ (13,764)										\$ 10,168
55	Revenue Growth Factor											1.013115
56	Attrition Adjusted Revenue Requirement											<b>\$ 10,037</b>

\*Note: Combined Regulatory Deferred Debits and Credits and Regulatory Amortization adjustments in Column [C] as these amounts adjust 09.2014 Commission Basis to the 2016 rate year. These amounts are not escalated as shown in column [F]. See Andrews Workpapers for details.



## ELECTRIC COST AND REVENUE TREND CALCULATIONS 2001-2013

### AVISTA UTILITIES

### Commission Basis Results of Operations

Twelve Months Ended December 31, 2013

(000'S OF DOLLARS)

Line	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	ADDED
<b>REVENUES</b>															
1 Total General Business	\$258,201	\$273,318	\$283,356	\$285,399	\$289,216	\$321,929	\$326,335	\$365,425	\$402,618	\$415,740	\$451,837	\$459,266	\$468,006	\$488,372	
2 Interdepartmental Sales	528	791	752	752	713	733	739	820	872	790	820	816	884	922	
3 Sales for Resale	91,388	29,918	35,252	40,460	44,718	35,380	34,954	46,848	31,491	133,479	52,604	54,549	75,349	60,998	
4 Total Sales of Electricity	350,117	304,027	319,360	326,611	334,647	358,042	362,028	413,093	434,981	550,009	505,261	514,631	544,239	550,292	
5 Other Revenue	14,305	34,274	57,244	8,587	10,259	10,178	10,170	10,927	9,395	11,786	13,666	13,089	13,408	17,163	
6 Total Electric Revenue	364,422	338,301	376,604	335,198	344,906	368,220	372,198	424,020	444,376	561,795	518,927	527,720	557,647	567,455	
<b>EXPENSES</b>															
<b>Production and Transmission</b>															
7 Operating Expenses	47,157	101,475	132,098	101,545	105,374	104,260	102,890	117,123	87,599	147,107	145,634	131,795	143,904	120,307	(B) Correction
8 Purchased Power	132,159	50,769	46,591	51,042	55,046	79,146	65,640	72,508	100,437	142,197	91,142	101,283	109,034	116,643	(C) Correction
9 Depreciation/Amortization	15,202	20,157	20,523	22,312	22,629	24,577	24,877	23,076	23,969	25,008	25,158	25,680	23,284	23,715	No Impact
10 Regulatory Amortization	(6,050)	(6,349)	(5,608)	567	(8,817)	1,168	(3,082)	(1,076)	(1,703)	(2,879)	403	(7,744)	8,629	8,101	
11 Taxes	5,139	7,164	6,722	7,283	9,900	9,115	8,319	8,146	9,014	9,955	10,846	11,456	12,913	12,828	
12 Total Production & Transmission	193,607	173,216	200,326	182,749	184,132	218,266	198,644	219,777	219,316	321,388	273,183	262,470	297,764	281,594	
<b>Distribution</b>															
13 Operating Expenses	10,560	9,631	10,171	12,016	14,263	15,485	14,563	17,329	17,267	18,354	19,081	21,152	20,878	21,299	
14 Depreciation/Amortization	9,178	9,427	9,752	10,067	10,399	10,776	11,333	15,611	16,809	17,985	19,240	20,749	22,303	23,794	
15 Taxes	15,462	16,996	17,286	17,401	14,988	16,307	16,156	17,416	18,207	19,990	22,393	22,595	23,288	25,575	
16 Total Distribution	35,200	36,054	37,209	39,484	39,650	42,568	42,052	50,356	52,283	56,329	60,714	64,496	66,469	70,668	
17 Customer Accounting	6,196	7,113	7,129	7,352	7,156	7,097	7,514	7,919	9,646	9,261	10,275	10,336	11,334	11,166	
18 Customer Service & Information	5,381	6,261	6,620	266	7,127	1,159	7,472	12,847	19,736	20,832	21,292	18,487	1,516	1,383	
19 Sales Expenses	734	628	734	686	430	657	682	571	660	176	4	5	5	0	
<b>Administrative &amp; General</b>															
20 Operating Expenses	25,102	30,304	30,153	31,927	33,143	33,148	35,844	35,982	38,461	44,662	44,779	49,333	43,310	46,210	
21 Depreciation/Amortization	4,414	6,606	6,659	6,072	6,537	6,459	6,739	7,187	7,688	9,277	10,906	12,517	14,721	16,947	
22 Taxes	2	1	2	3	(4)	0	(9)	(3)	(3)	2	0	(4)	0	0	
23 Total Admin. & General	29,518	36,911	36,814	38,002	39,676	39,607	42,574	43,166	46,146	53,941	55,685	61,846	58,031	63,157	
24 Total Electric Expenses	270,636	260,183	288,832	268,539	278,171	309,354	298,938	334,636	347,787	461,927	421,153	417,640	435,119	427,968	
25 OPERATING INCOME BEFORE FIT	93,786	78,118	87,772	66,659	66,735	58,866	73,260	89,384	96,589	99,868	97,774	110,080	122,528	139,487	
<b>FEDERAL INCOME TAX</b>															
26 Current Accrual	7,803	12,532	18,199	10,603	6,760	3,584	5,070	(6,217)	(1,846)	9,263	6,569	11,499	19,267	(7,683)	
27 Debt Interest	0	0	0	0	0	0	0	0	0	0	207	70	1	(136)	
28 Deferred Income Taxes	16,107	3,470	1,284	608	3,867	3,975	6,497	26,634	23,983	13,823	16,402	15,684	10,613	46,085	(A) Correction
29 Amortized ITC - Noxon	0	0	0	0	0	0	0	0	(58)	(83)	(99)	(128)	(130)	(128)	
30 Levelized Settlement Exchange Power	5,369	0	0	0	0	0	0	0	0	0	0	0	0	0	
31 NET OPERATING INCOME	\$64,507	\$62,116	\$68,289	\$55,448	\$56,108	\$51,307	\$61,693	\$68,967	\$74,510	\$76,865	\$74,695	\$82,954	\$92,777	\$101,349	

Note: The Regulatory Amortization Category has been restated in prior years to reflect consistency with the current reporting format.

## ELECTRIC COST AND REVENUE TREND CALCULATIONS 2001-2013

AVISTA UTILITIES  
Twelve Months Ended December 31, 2013

### Commission Basis Results of Operations

(000'S OF DOLLARS)

Line	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	ADDED 2014
No RATE BASE														
PLANT IN SERVICE														
32 Intangible	\$16,340	\$20,910	\$21,299	\$21,374	\$22,459	\$23,458	\$20,632	\$23,321	\$57,116	\$81,955	\$84,081	\$85,247	\$91,466	\$102,620
33 Production	460,292	545,002	556,067	598,268	615,624	649,965	645,576	657,099	677,646	692,689	706,894	717,448	738,315	746,101
34 Transmission	191,517	186,550	196,937	213,539	224,696	244,435	259,532	289,302	301,090	312,505	328,012	342,382	359,941	371,971
35 Distribution	416,914	429,987	443,649	459,739	480,886	502,838	529,067	561,248	602,201	642,143	696,082	743,732	796,640	842,795
36 General	59,846	59,771	60,444	63,155	65,299	80,110	81,368	91,205	98,727	120,996	140,218	155,104	179,134	196,867
37 Total Plant in Service	1,144,909	1,242,220	1,278,396	1,356,075	1,408,964	1,500,806	1,536,175	1,622,175	1,736,780	1,850,288	1,955,287	2,043,913	2,165,496	2,260,354
ACCUMULATED DEPRECIATION/AMORT														
38 Intangible	na	na	na	na	na	na	na	na	na	na	3,744	4,369	17,667	20,242
39 Production	na	na	na	na	na	na	na	na	na	na	286,300	300,170	314,599	325,531
40 Transmission	na	na	na	na	na	na	na	na	na	na	111,144	116,316	122,308	123,869
41 Distribution	na	na	na	na	na	na	na	na	na	na	209,101	221,408	236,201	252,722
42 General	na	na	na	na	na	na	na	na	na	na	56,694	61,871	58,357	65,720
43 Total Accumulated Depreciation	373,090	391,351	422,390	447,359	474,906	506,599	526,307	557,426	585,821	629,399	666,983	704,134	749,132	788,084
44 NET PLANT	771,819	850,869	856,006	908,716	934,058	994,207	1,009,868	1,064,749	1,150,959	1,220,889	1,288,304	1,339,779	1,416,364	1,472,270
DEFERRED TAXES	(109,541)	(111,367)	(135,404)	(150,960)	(134,967)	(138,495)	(139,033)	(147,502)	(163,716)	(184,825)	(201,163)	(208,209)	(221,354)	(257,766)
46 Net Plant After Deferred Income Taxes	662,278	739,502	720,602	757,756	799,091	855,712	870,835	917,247	987,243	1,036,064	1,087,141	1,131,570	1,195,010	1,214,504
47 DEFERRED DEBITS AND CREDITS	(64,763)	22,356	21,841	20,255	20,751	18,799	21,020	19,593	17,776	17,776	18,845	16,438	14,761	10,846
48 WORKING CAPITAL	0	0	0	0	0	0	0	0	0	18,188	31,877	10,967	16,281	47,807
49 TOTAL RATE BASE	\$597,515	\$761,858	\$742,443	\$778,011	\$819,842	\$874,511	\$891,855	\$936,840	\$1,005,019	\$1,072,028	\$1,137,863	\$1,158,975	\$1,226,052	\$1,273,157
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Note: The Deferred Debits and Credits Category has been restated in prior years to reflect consistency with the current reporting format.

## ELECTRIC COST AND REVENUE TREND CALCULATIONS 2001-2013

**AVISTA UTILITIES  
WASHINGTON ELECTRIC RESULTS**

(000'S OF DOLLARS)

**Electric Data for Escalators**

ADDED

Line No.		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Exclude Power Supply and Adder Schedule Expenses (DSM Tariff Rider and Residential Exchange Credit) from O&M																	
1	Production/Transmission	CBR Ln 7	47,157	101,475	132,098	101,545	105,374	104,260	102,890	117,123	87,599	147,107	145,634	131,795	143,904	120,307	(B) Correction
2	Purchased Power	CBR Ln 8	132,159	50,769	46,591	51,042	55,046	79,146	65,640	72,508	100,437	142,197	91,142	101,283	109,034	116,643	(C) Correction
3	Distribution	CBR Ln 13	10,560	9,631	10,171	12,016	14,263	15,485	14,563	17,329	17,267	18,354	19,081	21,152	20,878	21,299	(No Impact)
4	Customer Accounting	CBR Ln 17	6,196	7,113	7,129	7,352	7,156	7,097	7,514	7,919	9,646	9,261	10,275	10,336	11,334	11,166	
5	Customer Service and Information	CBR Ln 18	5,381	6,261	6,620	266	7,127	1,159	7,472	12,847	19,736	20,832	21,292	18,487	1,516	1,383	
6	Sales	CBR Ln 19	734	628	734	686	430	657	682	571	660	176	4	5	5	0	
7	Administrative and General	CBR Ln 20	25,102	30,304	30,153	31,927	33,143	33,148	35,844	35,982	38,461	44,662	44,779	49,333	43,310	46,210	
8	Total Operating & Maintenance Expenses		227,289	206,181	233,496	204,834	222,539	240,952	234,605	264,279	273,806	382,589	332,207	332,391	329,981	317,008	
9	Deduct Power Supply Expenses		(156,185)	(124,379)	(154,282)	(122,799)	(133,120)	(152,124)	(135,719)	(152,984)	(146,538)	(249,369)	(188,583)	(180,834)	(201,471)	(186,117)	
10	Deduct DSM Tariff Rider Expenses		(5,113)	(6,111)	(6,177)	0	(6,652)	0	(6,711)	(12,172)	(19,005)	(19,612)	(20,235)	(17,018)	0	0	
11	Deduct Res X Credit Expenses		11	58	49	0	62	0	37	24	27	41	31	55	0	0	
12	<b>Adjusted Operating Expenses</b>		<b>66,002</b>	<b>75,749</b>	<b>73,086</b>	<b>82,035</b>	<b>82,829</b>	<b>88,828</b>	<b>92,212</b>	<b>99,146</b>	<b>108,289</b>	<b>113,650</b>	<b>123,419</b>	<b>134,594</b>	<b>128,510</b>	<b>130,891</b>	(C) Correction
			-10.92%	14.77%	-3.52%	12.25%	0.97%	7.24%	3.81%	7.52%	9.22%	4.95%	8.60%	9.06%	-4.52%	1.85%	(No Impact)
Depreciation/Amortization																	
13	Production/Transmission	CBR Ln 9	15,202	20,157	20,523	22,312	22,629	24,577	24,877	23,076	23,969	25,008	25,158	25,680	23,284	23,715	
14	Distribution	CBR Ln 14	9,178	9,427	9,752	10,067	10,399	10,776	11,333	15,611	16,809	17,985	19,240	20,749	22,303	23,794	
15	Administrative and General	CBR Ln 15	4,414	6,606	6,659	6,072	6,537	6,459	6,739	7,187	7,688	9,277	10,906	12,517	14,721	16,947	
16	<b>Total Depreciation/Amortization</b>		<b>28,794</b>	<b>36,190</b>	<b>36,934</b>	<b>38,451</b>	<b>39,565</b>	<b>41,812</b>	<b>42,949</b>	<b>45,874</b>	<b>48,466</b>	<b>52,270</b>	<b>55,304</b>	<b>58,946</b>	<b>60,308</b>	<b>64,456</b>	
			3.19%	25.69%	2.06%	4.11%	2.90%	5.68%	2.72%	6.81%	5.65%	7.85%	5.80%	6.59%	2.31%	6.88%	
Exclude Adder Schedule amortizations (Residential Exchange Credit) from Regulatory Amortizations																	
17	Regulatory Amortizations	CBR Ln 10	(6,050)	(6,349)	(5,608)	567	(8,817)	1,168	(3,082)	(1,076)	(1,703)	(2,879)	403	(7,744)	8,629	8,101	
18	Deduct Res X Credit amortization		1,416	7,512	6,339	0	9,388	0	5,582	3,576	4,005	6,244	4,610	8,327	0	0	
19	<b>Adjusted Regulatory Amortizations</b>		<b>(4,634)</b>	<b>1,163</b>	<b>731</b>	<b>567</b>	<b>571</b>	<b>1,168</b>	<b>2,500</b>	<b>2,500</b>	<b>2,302</b>	<b>3,365</b>	<b>5,013</b>	<b>583</b>	<b>8,629</b>	<b>8,101</b>	
Exclude Adder Schedule excise taxes (DSM Tariff Rider and Residential Exchange Credit) from Taxes Other Than Income Tax																	
20	Production/Transmission	CBR Ln 11	5,139	7,164	6,722	7,283	9,900	9,115	8,319	8,146	9,014	9,955	10,846	11,456	12,913	12,828	
21	Distribution	CBR Ln 15	15,462	16,996	17,286	17,401	14,988	16,307	16,156	17,416	18,207	19,990	22,393	22,595	23,288	25,575	
22	Administrative and General	CBR Ln 22	2	1	2	3	(4)	0	(9)	(3)	(3)	2	0	(4)	0	0	
23	Total Taxes Other Than Income Tax		20,603	24,161	24,010	24,687	24,884	25,422	24,466	25,559	27,218	29,947	33,239	34,047	36,201	38,403	
24	Deduct DSM Tariff Rider Excise Tax		(205)	(245)	(248)	0	(267)	0	(269)	(488)	(762)	(787)	(812)	(683)	0	0	
25	Deduct Res X Credit Excise Tax		57	303	256	0	379	0	225	144	162	252	186	336	0	0	
26	<b>Adjusted Taxes Other Than Income Tax</b>		<b>20,455</b>	<b>24,219</b>	<b>24,018</b>	<b>24,687</b>	<b>24,996</b>	<b>25,422</b>	<b>24,422</b>	<b>25,215</b>	<b>26,617</b>	<b>29,412</b>	<b>32,614</b>	<b>33,701</b>	<b>36,201</b>	<b>38,403</b>	
			-5.20%	18.40%	-0.83%	2.78%	1.25%	1.70%	-3.93%	3.25%	5.56%	10.50%	10.88%	3.33%	7.42%	6.08%	
27	<b>Net Plant After Deferred Income Tax</b>	CBR Ln 46	<b>662,278</b>	<b>739,502</b>	<b>720,602</b>	<b>757,756</b>	<b>799,091</b>	<b>855,712</b>	<b>870,835</b>	<b>917,247</b>	<b>987,243</b>	<b>1,036,064</b>	<b>1,087,141</b>	<b>1,131,570</b>	<b>1,195,010</b>	<b>1,214,504</b>	
			2.02%	11.66%	-2.56%	5.16%	5.45%	7.09%	1.77%	5.33%	7.63%	4.95%	4.93%	4.09%	5.61%	1.63%	
28	<b>Total Rate Base</b>	CBR Ln 49	<b>597,515</b>	<b>761,858</b>	<b>742,443</b>	<b>778,011</b>	<b>819,842</b>	<b>874,511</b>	<b>891,855</b>	<b>936,840</b>	<b>1,005,019</b>	<b>1,072,028</b>	<b>1,137,863</b>	<b>1,158,975</b>	<b>1,226,052</b>	<b>1,273,157</b>	
			5.11%	27.50%	-2.55%	4.79%	5.38%	6.67%	1.98%	5.04%	7.28%	6.67%	6.14%	1.86%	5.79%	3.84%	
Exclude Power Supply and Transmission Wheeling from Other Operating Revenue																	
29	Other Operating Revenue	CBR Ln 5	14,305	34,274	57,244	8,587	10,259	10,178	10,170	10,927	9,395	11,786	13,666	13,089	13,408	17,163	
30	Deduct Power Supply Other Revenue		(2,251)	(25,293)	(47,139)	(285)	(179)	(198)	(221)	(1,839)	(448)	(640)	(1,752)	(1,489)	(282)	(3,062)	
31	Deduct Transmission Other Revenue		(9,892)	(7,115)	(7,569)	(5,523)	(6,637)	(7,024)	(6,876)	(6,213)	(6,133)	(8,333)	(9,102)	(8,285)	(9,662)	(10,622)	
32	<b>Adjusted Other Revenue</b>		<b>2,162</b>	<b>1,866</b>	<b>2,536</b>	<b>2,779</b>	<b>3,443</b>	<b>2,956</b>	<b>3,073</b>	<b>2,875</b>	<b>2,814</b>	<b>2,813</b>	<b>2,812</b>	<b>3,315</b>	<b>3,464</b>	<b>3,478</b>	
			23.52%	-13.69%	35.91%	9.58%	23.89%	-14.14%	3.96%	-6.44%	-2.13%	-0.02%	-0.03%	17.86%	4.50%	0.41%	

## ELECTRIC COST AND REVENUE TREND CALCULATIONS 2001-2013

AVISTA UTILITIES  
WASHINGTON ELECTRIC RESULTS  
ANNUAL AND COMPOUND GROWTH RATES

Electric Growth Rate Analysis and Escalation Factor Calculation														UPDATED	
Line		2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	
No.	Annual Growth Rates														
1	Adjusted Operating Expenses	14.77%	-3.52%	12.25%	0.97%	7.24%	3.81%	7.52%	9.22%	4.95%	8.60%	9.06%	-4.52%	1.85% (No Impact)	
2	Total Depreciation/Amortization	25.69%	2.06%	4.11%	2.90%	5.68%	2.72%	6.81%	5.65%	7.85%	5.80%	6.59%	2.31%	6.88%	
3	Adjusted Taxes Other than Income	18.40%	-0.83%	2.78%	1.25%	1.70%	-3.93%	3.25%	5.56%	10.50%	10.88%	3.33%	7.42%	6.08%	
4	Net Plant After Deferred Income Taxes	11.66%	-2.56%	5.16%	5.45%	7.09%	1.77%	5.33%	7.63%	4.95%	4.93%	4.09%	5.61%	1.63%	
5	Total Rate Base	27.50%	-2.55%	4.79%	5.38%	6.67%	1.98%	5.04%	7.28%	6.67%	6.14%	1.86%	5.79%	3.84%	
6	Adjusted Other Revenue	-13.69%	35.91%	9.58%	23.89%	-14.14%	3.96%	-6.44%	-2.13%	-0.02%	-0.03%	17.86%	4.50%	0.41%	
<b>Compound Growth Rates to 2013</b>		<b>2001-2014</b>	<b>2002-2014</b>	<b>2003-2014</b>	<b>2004-2014</b>	<b>2005-2014</b>	<b>2006-2014</b>	<b>2007-2014</b>	<b>2008-2014</b>	<b>2009-2014</b>	<b>2010-2014</b>	<b>2011-2014</b>	<b>2012-2014</b>	<b>2013-2014</b>	
7	Adjusted Operating Expenses	5.41%	4.66%	5.44%	4.78%	5.22%	4.97%	5.13%	4.74%	3.86%	3.59%	1.98%	-1.39%	1.85% (No Impact)	
7A	Adopted Operating Expenses							3.00%							
8	Total Depreciation/Amortization	6.39%	4.93%	5.19%	5.30%	5.57%	5.56%	5.97%	5.83%	5.87%	5.38%	5.24%	4.57%	6.88%	
8A	Adopted Depreciation/Amortization							10.54%	(See page 10)						
9	Adjusted Taxes Other than Income	4.96%	3.92%	4.36%	4.52%	4.89%	5.29%	6.68%	7.26%	7.61%	6.90%	5.60%	6.75%	6.08%	
10	Net Plant After Deferred Income Taxes	4.78%	4.22%	4.86%	4.83%	4.76%	4.47%	4.87%	4.79%	4.23%	4.05%	3.76%	3.60%	1.63%	
10A	Adopted Net Plant After Deferred Income Taxes							6.04%	(See page 10)						
11	Rate base	5.99%	4.37%	5.02%	5.05%	5.01%	4.81%	5.22%	5.25%	4.84%	4.39%	3.82%	4.81%	3.84%	
12	Adjusted Other Revenue	3.73%	5.33%	2.91%	2.27%	0.11%	2.05%	1.79%	3.23%	4.33%	5.45%	7.34%	2.44%	0.41%	
<b>Escalation Factor</b>		<b>2001-2014</b>	<b>2002-2014</b>	<b>2003-2014</b>	<b>2004-2014</b>	<b>2005-2014</b>	<b>2006-2014</b>	<b>2007-2014</b>	<b>2008-2014</b>	<b>2009-2014</b>	<b>2010-2014</b>	<b>2011-2014</b>	<b>2012-2014</b>	<b>2013-2014</b>	
13	Adjusted Operating Expenses	2 years	11.11%	9.54%	11.18%	9.79%	10.70%	10.18%	10.53%	9.70%	7.88%	7.32%	4.00%	-2.75%	3.74% (No Impact)
13A	Adopted Operating Expenses	2 years							6.09%						
14	Adjusted Depreciation/Amortization	2 years	13.20%	10.10%	10.65%	10.88%	11.46%	11.43%	12.30%	12.00%	12.08%	11.05%	10.75%	9.35%	14.23%
14A	Adopted Depreciation/Amortization	2 years							22.20%	(See page 10)					
15	Adjusted Taxes Other than Income	2 years	10.18%	7.99%	8.91%	9.24%	10.01%	10.86%	13.81%	15.05%	15.79%	14.27%	11.51%	13.95%	12.54%
16	Net Plant After Deferred Income Taxes	2 years	9.78%	8.62%	9.96%	9.89%	9.75%	9.15%	9.97%	9.81%	8.64%	8.27%	7.67%	7.33%	3.29% (Due to DFIT ad
16A	Adopted Net Plant After Deferred Income Taxes	2 years							12.44%	(See page 10)					
17	Rate base	2 years	12.34%	8.94%	10.30%	10.35%	10.28%	9.84%	10.71%	10.77%	9.92%	8.98%	7.78%	9.85%	7.83%
18	Adjusted Other Revenue	2 years	7.59%	10.94%	5.91%	4.59%	0.23%	4.15%	3.60%	6.55%	8.85%	11.19%	15.22%	4.93%	0.82%

## ELECTRIC COST AND REVENUE TREND CALCULATIONS 2001-2013

AVISTA UTILITIES  
 WASHINGTON ELECTRIC RESULTS  
 ANNUAL AND COMPOUND GROWTH RATES

### Electric Growth Rate Analysis and Escalation Factor Calculation

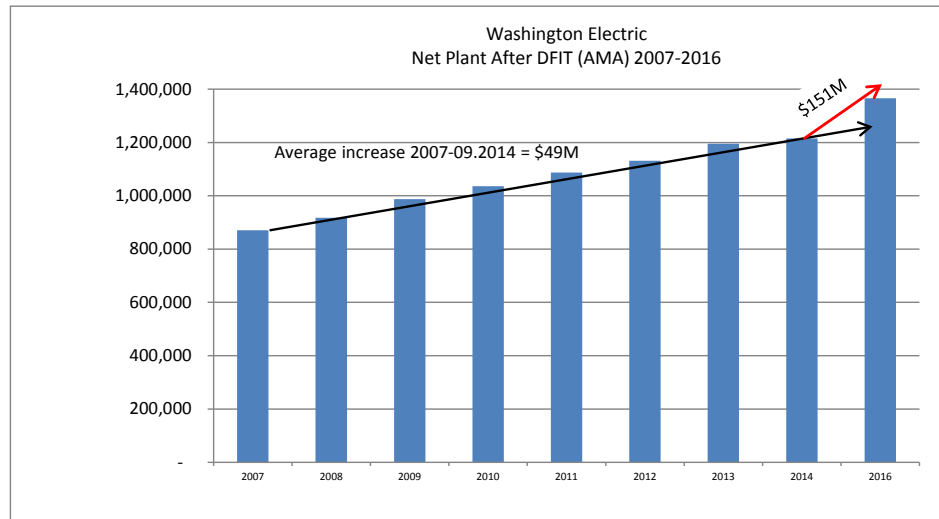
#### Washington Electric- AMA ROO 2007 to AMA 2016

Depreciation Expense*	UPDATED	
	12/31/2014	12/31/2016
	23,715	25,712
	23,794	25,940
	16,947	27,114
	64,456	78,766
Adopted Compound Growth Rate	10.54%	
Adopted Escalation Factor	22.20%	

Net Plant before DFIT		
Year	Value	Net Change
2007	870,835	
2008	917,247	46,412
2009	987,243	69,996
2010	1,036,064	48,821
2011	1,087,141	51,077
2012	1,131,570	44,429
2013	1,195,010	63,440
2014	1,214,504	19,494
2016	1,365,555	151,051

Net Plant After DFIT*	12/31/2014	12/31/2016
		1,214,504
Adopted Compound Growth Rate	6.04%	
Adopted Escalation Factor	12.44%	

\* Excludes growth plant between 12/31/2014 and 12/31/2016.



\*Per 12.2014 Commission Basis Report data, See page 5, line 46

