

Exhibit No. CSH-3  
Dockets UE-160228/UG-160229  
Witness: Christopher S. Hancock

BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a  
AVISTA UTILITIES,

Respondent.

DOCKETS UE-160228 and  
UG-160229 (*Consolidated*)

EXHIBIT TO  
TESTIMONY OF

CHRISTOPHER S. HANCOCK

STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

*Derivation of Natural Gas Attrition Adjustment*

August 17, 2016

*Revised 8/24/16 (redline)*

Staff's Calculation of an Attrition Adjustment to the Modified Historical Test Year  
Avista Utilities - Natural Gas

Line	Name	Source:		[C] = ([A]+[B]) ÷ 2		[D] Staff's MHTY	[E] = [C] - [D] Attr. Adj.
		[A] CSH-5 12ME Dec2017	[B] CSH-7 12ME Jun2018	Annualized Figure			
				REVISED			REVISED
<b>REVENUES</b>							
1	Total General Business	\$ 85,654	\$ 86,216	\$ 85,935	\$ 84,057	\$ 1,878	
2	Total Transportation	\$ 4,411	\$ 4,423	\$ 4,417	\$ 4,416	\$ 1	
3	Other Revenues	\$ 215	\$ 316	\$ 265	\$ 283	\$ (18)	
4	Total Gas Revenues	\$ 90,280	\$ 90,955	\$ 90,618	\$ 88,756	\$ 1,862	
<b>EXPENSES</b>							
<b>Production Expenses</b>							
5	City Gate Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	
6	Purchased Gas Expense	\$ 899	\$ 914	\$ 906	\$ 832	\$ 74	
7	Net Nat Gas Storage Trans	\$ -	\$ -	\$ -	\$ -	\$ -	
8	Subtotal: Production	\$ 899	\$ 914	\$ 906	\$ 832	\$ 74	
<b>Underground Storage</b>							
9	Operating Expenses	\$ 916	\$ 931	\$ 924	\$ 834	\$ 90	
10	Depreciation/Amortization	\$ 471	\$ 471	\$ 471	\$ 439	\$ 32	
11	Taxes	\$ 219	\$ 219	\$ 219	\$ 283	\$ (64)	
12	Subtotal: Underground Storage	\$ 1,606	\$ 1,621	\$ 1,613	\$ 1,556	\$ 57	
<b>Distribution</b>							
13	Operating Expenses	\$ 13,167	\$ 13,380	\$ 13,274	\$ 12,289	\$ 985	
14	Depreciation/Amortization	\$ 9,981	\$ 9,981	\$ 9,981	\$ 9,121	\$ 860	
15	Taxes	\$ 6,816	\$ 6,838	\$ 6,827	\$ 5,891	\$ 936	
16	Subtotal: Distribution	\$ 29,964	\$ 30,199	\$ 30,082	\$ 27,301	\$ 2,781	
17	Customer Accounting	\$ 6,630	\$ 6,741	\$ 6,686	\$ 6,192	\$ 494	
18	Customer Service & Information	\$ 895	\$ 909	\$ 902	\$ 897	\$ 5	
19	Sales Expenses	\$ -	\$ -	\$ -	\$ 0	\$ (0)	
<b>Administrative &amp; General</b>							
20	Operating Expenses	\$ 14,648	\$ 14,886	\$ 14,767	\$ 13,549	\$ 1,218	
21	Depreciation/Amortization	\$ 6,614	\$ 6,614	\$ 6,614	\$ 5,688	\$ 926	
22	Regulatory Amortizations	\$ 1,079	\$ 539	\$ 809	\$ 1,079	\$ (270)	
23	Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	
24	Subtotal: A&G	\$ 22,341	\$ 22,039	\$ 22,190	\$ 20,316	\$ 1,874	
25	Total Gas Expenses	\$ 62,336	\$ 62,424	\$ 62,380	\$ 57,094	\$ 5,286	
26	OPERATING INCOME BEFORE FIT	\$ 27,944	\$ 28,531	\$ 28,238	\$ 31,662	\$ (3,424)	
<b>FEDERAL INCOME TAX</b>							
27	Current Accrual	\$ 247	\$ 453	\$ 350	\$ (2,970)	\$ 3,320	
28	Debt Interest	\$ (344)	\$ (384)	\$ (364)	\$ (199)	\$ (165)	
29	Deferred Income Taxes	\$ 7,838	\$ 7,838	\$ 7,838	\$ 12,388	\$ (4,550)	
30	Amortized ITC	\$ (20)	\$ (20)	\$ (20)	\$ (20)	\$ -	
31	NET OPERATING INCOME	\$ 20,224	\$ 20,645	\$ 20,434	\$ 22,463	\$ (2,029)	
<b>RATE BASE</b>							
<b>Plant In Service</b>							
32	Underground Storage	\$ 25,562	\$ 25,522	\$ 25,542	\$ 25,720	\$ (178)	
33	Distribution Plant	\$ 405,955	\$ 417,291	\$ 411,623	\$ 367,767	\$ 43,856	
34	General Plant	\$ 88,191	\$ 91,361	\$ 89,776	\$ 77,291	\$ 12,485	
35	Subtotal: Plant in Service	\$ 519,708	\$ 534,174	\$ 526,941	\$ 470,778	\$ 56,163	
<b>Accumulated Depreciation &amp; Amort.</b>							
36	Underground Storage	\$ (10,925)	\$ (11,180)	\$ (11,052)	\$ (9,906)	\$ (1,146)	
37	Distribution	\$ (136,362)	\$ (140,047)	\$ (138,205)	\$ (121,747)	\$ (16,458)	
38	General	\$ (23,905)	\$ (24,696)	\$ (24,301)	\$ (20,862)	\$ (3,439)	
39	Subtotal: Accumulated Depreciation/Amortiza	\$ (171,193)	\$ (175,923)	\$ (173,558)	\$ (152,515)	\$ (21,043)	
40	Net Plant	\$ 348,516	\$ 358,251	\$ 353,383	\$ 318,263	\$ 35,120	
41	Deferred Taxes	\$ (78,500)	\$ (81,893)	\$ (80,197)	\$ (66,127)	\$ (14,070)	
42	Net Plant After Deferred Taxes	\$ 270,016	\$ 276,358	\$ 273,187	\$ 252,136	\$ 21,051	
43	Gas Inventory	\$ 12,740	\$ 12,740	\$ 12,740	\$ 15,143	\$ (2,403)	
44	Gain on Sale of Building	\$ -	\$ -	\$ -	\$ -	\$ -	
45	Other	\$ (485)	\$ (485)	\$ (485)	\$ (509)	\$ 24	
46	Working Capital	\$ 12,683	\$ 12,683	\$ 12,683	\$ 12,625	\$ 58	
47	TOTAL RATE BASE	\$ 294,954	\$ 301,296	\$ 298,125	\$ 279,395	\$ 18,730	
48	RATE OF RETURN	6.86%	6.85%	6.85%	8.04%	-10.83%	