

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 (clean)*

Staff's Calculation of an Attrition Adjustment to the Modified Historical Test Year

Avista Utilities - Natural Gas

Line	Name	Source:	[A]	[B]	[C] = ([A]+[B]) ÷ 2	[D]	[E] = [C] - [D]
			CSH-5	CSH-7		JH-3	Adj. 4.08
			12ME Dec2017	12ME Jun2018	Annualized Figure	Staff's MHTY	Attr. Adj.
<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%