

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-150204

DOCKET NO. UG-150205

EXHIBIT NO. \_\_\_\_ (EMA-6)

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

**AVISTA REBUTTAL**  
**2016 WASHINGTON ELECTRIC ATTRITION STUDY**  
 Edited from Staff Filed Attrition Study Exhibit No. \_ (CRM-2)  
 Calculation of General Revenue Requirement

**Twelve Months Ended December 31, 2014**  
 (000's of Dollars)

Line No.	Description	(a) Attrition Balances	(b) Revenue Growth Factor	(c) Attrition Study Results
1	2016 Rate Base	\$1,411,125	1.013115	\$1,392,858
2	Settlement Rate of Return			<u>7.29%</u>
3	Net Operating Income Requirement			\$101,539
4	2016 Net Operating Income (at 2015 rates)	<u>\$100,585</u>	1.013115	<u>\$99,282</u>
5	2016 Rate of Return (at 2015 rates)			7.13%
6	2016 Net Operating Income Deficiency (Surplus)			\$2,257
7	Gross-up Conversion Factor			0.62018
8	2016 Attrition Revenue Deficiency			<b>\$3,639</b>
9	2016 Total General Business Revenues (at 2015 rates)			\$499,982
10	Attrition-based 2016 revenue requirement			<u>\$503,621</u>
11	Percent Revenue Requirement Change (vs. 2015)			<b>0.73%</b>

**Multiparty Settlement - Cost of Capital**  
**Washington - Electric System**  
**Twelve Months Ended December 31, 2014**

<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>

**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>

2016 ELECTRIC ATTRITION REVENUE REQUIREMENT

CBR Line Number	DESCRIPTION	Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost				Other Cost & Revenue Adjts.				
		12,2014 Commission Basis Report Restated Totals <sup>1</sup>	(less) Normalized Net Power Supply Cost	Deferred Debt/Credit & Reg. Amorts Adjts	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	After Attrition Adj - Colstrip Refund Correction	After Attrition Adj - Project Compass	2016 Revenue and Cost [L] = [M]
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
<b>REVENUES</b>														
1	Total General Business	\$ 488,372	\$ -	\$ -	\$ 10,688	\$ 499,060	1.31%	\$ 499,060	\$ 499,060	\$ 6,545	\$ -	\$ 505,605	\$ -	\$ 505,605
2	Interdepartmental Sales	\$ 922	\$ -	\$ -	\$ -	\$ 922	1.31%	\$ 922	\$ 922	\$ 12	\$ -	\$ 934	\$ -	\$ 934
3	Sales for Resale	\$ 60,998	\$ (60,998)	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 53,757	\$ (2,595)	\$ 51,162	\$ -	\$ 51,162
4	Subtotal: Sales of Electricity	\$ 550,292	\$ (60,998)	\$ -	\$ 10,688	\$ 499,982		\$ 499,982	\$ 499,982	\$ 53,757	\$ 3,962	\$ 557,701	\$ -	\$ 557,701
5	Other Revenue	\$ 17,163	\$ (13,684)	\$ -	\$ -	\$ 3,479	0.00%	\$ 3,479	\$ 3,479	\$ 10,529	\$ -	\$ 14,008	\$ -	\$ 14,008
6	Total Electric Revenue	\$ 567,455	\$ (74,682)	\$ -	\$ 10,688	\$ 503,461		\$ 503,461	\$ 503,461	\$ 64,286	\$ 3,962	\$ 571,709	\$ -	\$ 571,709
<b>EXPENSES</b>														
<b>Production and Transmission</b>														
7	Operating Expenses	\$ 120,307	\$ (69,476)	\$ -	\$ -	\$ 50,831	10.31%	\$ 5,241	\$ 56,072	\$ 89,306	\$ -	\$ 146,467	\$ -	\$ 146,467
8	Purchased Power	\$ 116,643	\$ (116,641)	\$ -	\$ -	\$ 2		\$ -	\$ 2	\$ 75,611	\$ 1,907	\$ 77,520	\$ -	\$ 77,520
9	Depreciation/Amortization	\$ 23,715	\$ -	\$ -	\$ -	\$ 23,715	9.50%	\$ 2,253	\$ 25,968	\$ -	\$ -	\$ 25,968	\$ -	\$ 25,968
10	Regulatory Amortization	\$ 8,101	\$ -	\$ (3,409)	\$ -	\$ 4,692	0.00%	\$ -	\$ 4,692	\$ -	\$ -	\$ 4,692	\$ -	\$ 4,692
11	Taxes	\$ 12,828	\$ -	\$ -	\$ -	\$ 12,828	10.99%	\$ 1,410	\$ 14,238	\$ -	\$ -	\$ 14,238	\$ -	\$ 14,238
12	Transmission	\$ 281,594	\$ (186,117)	\$ (3,409)	\$ -	\$ 92,068		\$ 8,904	\$ 100,972	\$ 164,917	\$ 1,907	\$ 1,089	\$ -	\$ 268,885
<b>Distribution</b>														
13	Operating Expenses	\$ 21,299	\$ -	\$ -	\$ -	\$ 21,299	10.31%	\$ 2,196	\$ 23,495	\$ -	\$ -	\$ 23,495	\$ -	\$ 23,495
14	Depreciation/Amortization	\$ 23,794	\$ -	\$ -	\$ -	\$ 23,794	9.50%	\$ 2,261	\$ 26,055	\$ -	\$ -	\$ 26,055	\$ -	\$ 26,055
15	Regulatory Amortizations	\$ 25,575	\$ -	\$ -	\$ 412	\$ 25,987	10.99%	\$ 2,856	\$ 28,843	\$ -	\$ 252	\$ 29,095	\$ -	\$ 29,095
16	Taxes	\$ 70,668	\$ -	\$ -	\$ 412	\$ 71,080		\$ 7,312	\$ 78,392	\$ -	\$ -	\$ 78,644	\$ -	\$ 78,644
17	Customer Accounting	\$ 11,166	\$ -	\$ -	\$ 57	\$ 11,223	10.31%	\$ 1,157	\$ 12,380	\$ -	\$ 35	\$ 12,415	\$ -	\$ 12,415
18	Customer Service & Information	\$ 1,383	\$ -	\$ -	\$ -	\$ 1,383	10.31%	\$ 143	\$ 1,526	\$ -	\$ -	\$ 1,526	\$ -	\$ 1,526
19	Sales Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	10.31%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Administrative &amp; General</b>														
20	Operating Expenses	\$ 46,210	\$ -	\$ -	\$ 21	\$ 46,231	10.31%	\$ 4,767	\$ 50,998	\$ -	\$ 13	\$ 51,011	\$ -	\$ 51,011
21	Depreciation/Amortization	\$ 16,947	\$ -	\$ -	\$ -	\$ 16,947	9.50%	\$ 1,610	\$ 18,557	\$ -	\$ -	\$ 18,557	\$ -	\$ 18,557
22	Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	10.99%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Subtotal: A&G	\$ 63,157	\$ -	\$ -	\$ 21	\$ 63,178		\$ 6,377	\$ 69,555	\$ -	\$ 13	\$ 73,455	\$ -	\$ 73,455
24	Total Electric Expenses	\$ 427,968	\$ (186,117)	\$ (3,409)	\$ 490	\$ 238,932		\$ 23,892	\$ 262,824	\$ 164,917	\$ 2,207	\$ 1,089	\$ 3,887	\$ 434,924
25	OPERATING INCOME BEFORE FIT	\$ 139,487	\$ 111,435	\$ 3,409	\$ 10,198	\$ 264,529		\$ (23,892)	\$ 240,637	\$ (100,631)	\$ 1,755	\$ (1,089)	\$ (3,887)	\$ 136,785

<sup>1</sup>Workpapers for 12,2014 Commission Basis Reports provided with Avista's Response to Staff\_DR\_130 Revised

2016 ELECTRIC ATTRITION REVENUE REQUIREMENT

CBL Line Number	Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost				Other Cost & Revenue Ad			
	12.2014 Commission Basis Report Restated Totals <sup>1</sup>	(less) 12.2014 Normalized Net Power Supply Cost	Deferred Debit/Credit & Reg. Amorts Adj's	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	After Attrition Adj. - Colstrip Refund Correction	After Attrition Adj. - Project Compass	2016 Revenue and Cost [M]+[J]+[K]+[L]-[M]
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[K]	[L]	[M]
26	Federal Income Tax											
27	Current Accrual	\$ (7,683)	\$ 39,002	\$ 1,193	\$ 3,569	\$ 36,081	\$ (8,362)	\$ 27,719	\$ (35,221)	\$ (381)	\$ (1,360)	\$ (8,629)
28	Debt Interest	\$ (136)	\$ -	\$ 60	\$ -	\$ (76)	\$ (657)	\$ (733)	\$ -	\$ -	\$ (395)	\$ (1,127)
29	Deferred Income Taxes	\$ 46,085	\$ -	\$ -	\$ -	\$ 46,085	\$ -	\$ 46,085	\$ -	\$ -	\$ -	\$ 46,085
30	Amortized ITC - Noxon	\$ (128)	\$ -	\$ -	\$ -	\$ (128)	\$ -	\$ (128)	\$ -	\$ -	\$ -	\$ (128)
31	NET OPERATING INCOME	\$ 101,349	\$ 72,433	\$ 2,156	\$ 6,629	\$ 182,567	\$ (14,873)	\$ 167,694	\$ (65,410)	\$ (708)	\$ (2,132)	\$ 100,585
RATE BASE												
Plant in Service												
32	Intangible	\$ 102,620	\$ -	\$ -	\$ -	\$ 102,620	\$ 8,632	\$ 111,252	\$ -	\$ -	\$ 46,004	\$ 157,256
33	Production	\$ 746,101	\$ -	\$ -	\$ -	\$ 746,101	8.41%	\$ 808,861	\$ -	\$ -	\$ -	\$ 808,861
34	Transmission	\$ 371,971	\$ -	\$ -	\$ -	\$ 371,971	8.41%	\$ 403,260	\$ -	\$ -	\$ -	\$ 403,260
35	Distribution	\$ 842,795	\$ -	\$ -	\$ -	\$ 842,795	8.41%	\$ 913,688	\$ -	\$ -	\$ -	\$ 913,688
36	General	\$ 196,867	\$ -	\$ -	\$ -	\$ 196,867	8.41%	\$ 213,427	\$ -	\$ -	\$ -	\$ 213,427
37	Subtotal: Plant in Service	\$ 2,260,354	\$ -	\$ -	\$ -	\$ 2,260,354		\$ 2,450,487	\$ -	\$ -	\$ 46,004	\$ 2,496,491
Accumulated Depreciation and Amortization												
38	Intangible	\$ (20,242)	\$ -	\$ -	\$ -	\$ (20,242)	8.41%	\$ (21,945)	\$ -	\$ -	\$ (1,943)	\$ (23,888)
39	Production	\$ (325,531)	\$ -	\$ -	\$ -	\$ (325,531)	8.41%	\$ (352,914)	\$ -	\$ -	\$ -	\$ (352,914)
40	Transmission	\$ (123,869)	\$ -	\$ -	\$ -	\$ (123,869)	8.41%	\$ (134,288)	\$ -	\$ -	\$ -	\$ (134,288)
41	Distribution	\$ (252,722)	\$ -	\$ -	\$ -	\$ (252,722)	8.41%	\$ (273,980)	\$ -	\$ -	\$ -	\$ (273,980)
42	General	\$ (65,720)	\$ -	\$ -	\$ -	\$ (65,720)	8.41%	\$ (71,248)	\$ -	\$ -	\$ -	\$ (71,248)
43	Subtotal: Accumulated Depreciation and Amortization	\$ (788,084)	\$ -	\$ -	\$ -	\$ (788,084)		\$ (854,375)	\$ -	\$ -	\$ (1,943)	\$ (856,318)
44	Net Plant	\$ 1,472,270	\$ -	\$ -	\$ -	\$ 1,472,270	\$ -	\$ 1,596,112	\$ -	\$ -	\$ 44,061	\$ 1,640,173
45	Deferred Taxes	(257,766)	\$ -	\$ -	\$ -	(257,766)	8.41%	(279,448)	\$ -	\$ -	\$ (2,003)	(281,451)
46	Net Plant After Deferred taxes	\$ 1,214,504	\$ -	\$ -	\$ -	\$ 1,214,504	\$ 0	\$ 1,316,664	\$ -	\$ -	\$ -	\$ 1,358,722
47	Deferred Debits and Credits	10,846	\$ (6,250)	\$ -	\$ -	\$ 4,596	0.00%	\$ 4,596	\$ -	\$ -	\$ -	\$ 4,596
48	Working Capital	47,807	\$ -	\$ -	\$ -	\$ 47,807	0.00%	\$ 47,807	\$ -	\$ -	\$ -	\$ 47,807
49	TOTAL RATE BASE	\$ 1,273,157	\$ -	\$ (6,250)	\$ -	\$ 1,266,907		\$ 1,369,067	\$ -	\$ -	\$ 42,058	\$ 1,411,125
50	RATE OF RETURN	7.96%										

<sup>1</sup>Workpapers for 12.2014 Commission Basis Reports provided with Avista's Response to Staff DR\_130 Revised.

7.13%

ATTRITION ADJUSTED REVENUE REQUIREMENT

50	Proposed Rate of Return	7.29%
51	Return on Plant in Service at Proposed Rate	\$ 102,871
52	Operating Income Deficiency	\$ 2,286
53	Revenue Conversion Factor	0.62018
54	Revenue Requirement	\$ 3,687
55	Revenue Growth Factor	1.013115
56	Attrition Adjusted Revenue Requirement	\$ 3,639

The grey highlighted areas on pages 4 and 5 represent changes Avista made to Staff Witness Mr. McGuire's Electric Attrition model. For example, corrections to Staff's model were made in columns [C], [L] and [M]. Avista proposed growth escalations were used in column [F] page 4 & 5 (rows 9, 11 and 32) to reflect Staff's linear regression calculation, however, using years 2007-2014 data. These calculations can be seen on page 9-11. Column [F] page 4 (row 7), includes Avista's proposed O&M escalation as calculated on page 12. The Company has removed Staff's After Attrition Adjustment related to Coyote Springs II/Colstrip normalized maintenance, as the Company is proposing to defer the "hours-based" major maintenance projects in 2016 forward, with amortization to occur in the following year. Avista has added column [K] After Attrition Adjustment Colstrip Refund Correction to remove a non-recurring item. Lastly, in column [L], the Company has included total Project Compass costs, rather than the discounted balances proposed by Staff.

**ELECTRIC COST AND REVENUE TREND CALCULATIONS 2001-2013**

**Commission Basis Results of Operations**

**AVISTA UTILITIES**

**(000'S OF DOLLARS)**

Line	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>NO. REVENUES</b>														
1	\$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	528	791	752	752	713	733	739	820	872	790	820	816	884	922
3	91,388	29,918	35,252	40,460	44,718	35,380	34,954	46,848	31,491	133,479	52,604	54,549	73,349	60,998
4	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	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	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	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
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
9	15,202	20,157	20,523	22,312	22,629	24,377	24,877	23,076	23,969	25,008	25,158	25,680	23,715	23,715
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
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
12	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	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	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	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	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	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	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	734	628	734	686	430	657	682	571	660	176	4	5	5	0
<b>Administrative &amp; General</b>														
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
21	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	2	1	2	3	(4)	0	(9)	(3)	(3)	2	0	(4)	0	0
23	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	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	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	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	0	0	0	0	0	0	0	0	0	0	207	70	1	(136)
28	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
29	0	0	0	0	0	0	0	0	(58)	(83)	(99)	(128)	(130)	(128)
30	5,369	0	0	0	0	0	0	0	0	0	0	0	0	0
31	\$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**

**Commission Basis Results of Operations**

**AVISTA UTILITIES**

(000'S OF DOLLARS)		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Line 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
45	DEFERRED TAXES	(109,541)	(111,367)	(135,404)	(150,960)	(134,967)	(138,495)	(139,033)	(147,502)	(165,716)	(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	\$761,838	\$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

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**

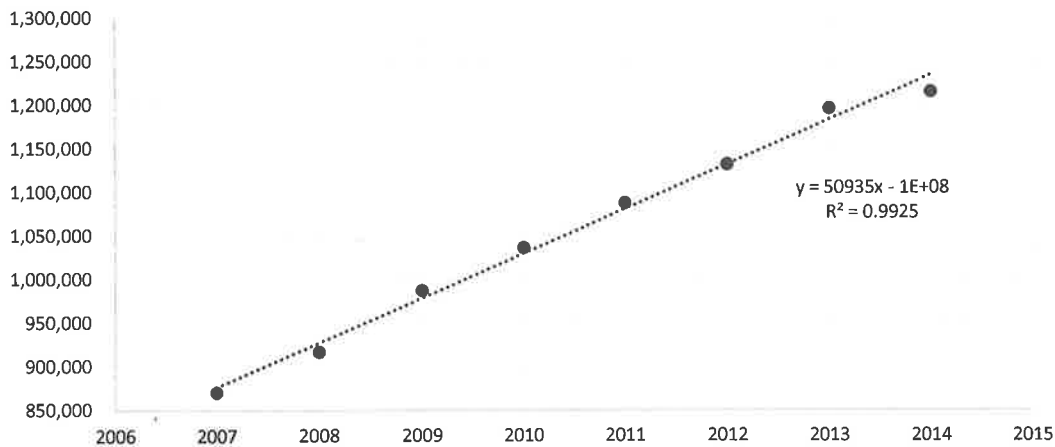
Line No.	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1	47,157	101,475	132,098	101,545	105,374	104,260	102,890	117,123	87,599	147,107	145,634	131,795	143,904	120,307
2	132,159	50,769	46,591	51,042	55,046	79,146	65,640	72,508	100,437	142,197	91,142	101,283	109,034	116,643
3	10,560	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
4	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	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	734	628	734	686	430	657	682	571	660	176	4	5	5	0
7	25,102	30,304	30,153	31,927	33,143	33,148	35,844	35,982	38,462	44,662	47,779	49,333	43,310	46,210
8	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	(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	(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	11	58	49	0	62	0	37	24	27	41	31	55	0	0
12	<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>
						7.24%	3.81%	7.32%	9.22%	4.95%	8.60%	9.06%	-4.52%	1.85%
13	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	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	4,414	6,606	6,659	6,072	6,459	6,739	7,187	7,688	9,277	10,906	12,517	14,721	16,947	16,947
16	<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>42,499</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%
	Depreciation/Amortization													
17	(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	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>(4,634)</b>	<b>1,163</b>	<b>751</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 amortizations (Residential Exchange Credit) from Regulatory Amortizations													
20	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
21	(205)	(245)	(248)	0	(267)	0	(269)	(488)	(762)	(787)	(812)	(683)	0	0
22	57	303	256	0	379	0	225	144	162	252	186	336	0	0
23	<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>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>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	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	(2,251)	(25,293)	(47,139)	(285)	(179)	(198)	(221)	(1,839)	(448)	(640)	(1,752)	(1,489)	(282)	(3,062)
31	(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>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%

**Avista Proposed Based on Staff Methodology for 2007-2014:**

	2007	2008	2009	2010	2011	2012	2013	2014
Net Plant after DFIT	870,835	917,247	987,243	1,036,064	1,087,141	1,131,570	1,195,010	1,214,504
								Per CBR

Annual Increase (slope below) 51,080  
 Rate (Annual) 4.21%  
 Rate (2-year, to 2016) **8.41%** (Escalation Factor)

Net Plant after DFIT (Electric)

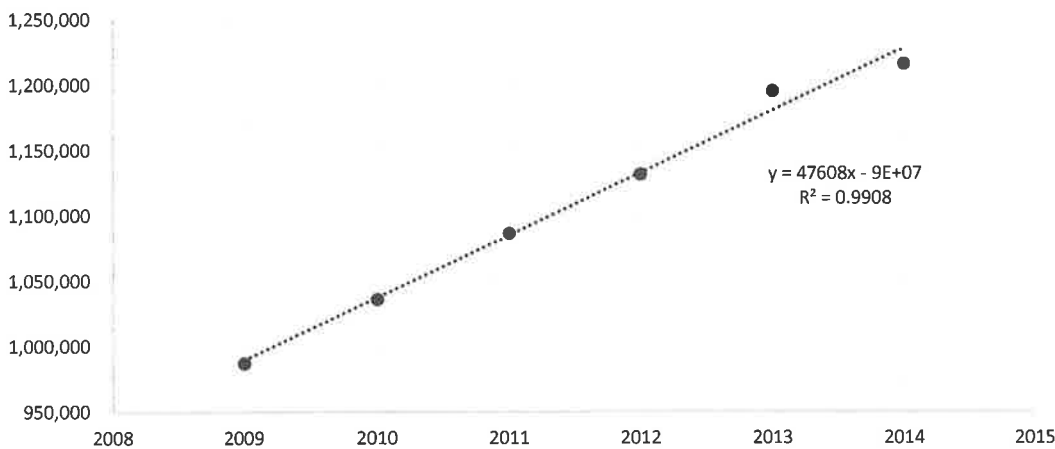


**AS PROPOSED BY STAFF PER CRM-2:**

	2009	2010	2011	2012	2013	2014	McGuire Number
Net Plant after DFIT	987,243	1,036,064	1,087,141	1,131,570	1,195,010	1,216,245	

Annual Increase (slope below) 47,608  
 Rate (Annual) 3.91%  
 Rate (2-year, to 2016) **7.83%** (Escalation Factor) 7.98%

Net Plant after DFIT (Electric)

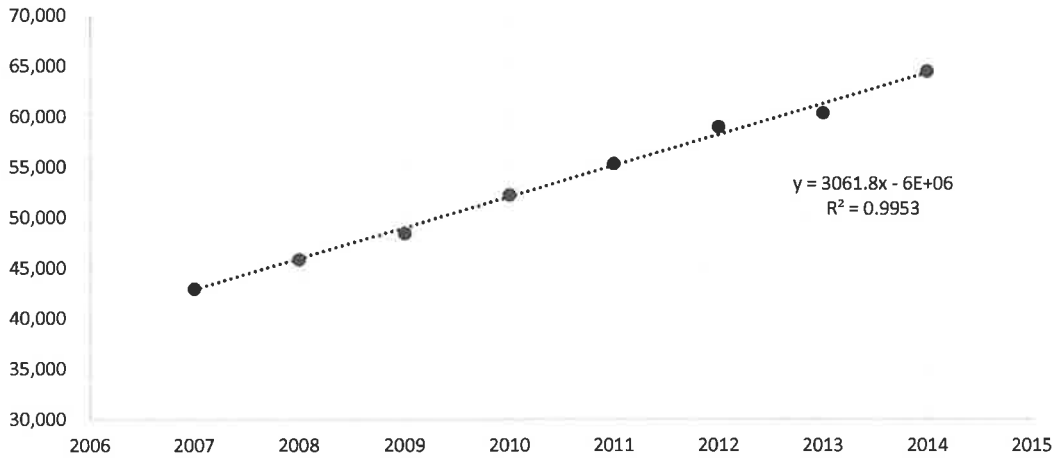


**Avista Proposed Based on Staff Methodology for 2007-2014:**

	2007	2008	2009	2010	2011	2012	2013	2014
Depreciation/ Amortization	42,949	45,874	48,466	52,270	55,304	58,946	60,308	64,456

Annual Increase (slope below) 3,062  
 Rate (Annual) 4.75%  
 Rate (2-year, to 2016) **9.50%** (Escalation Factor)

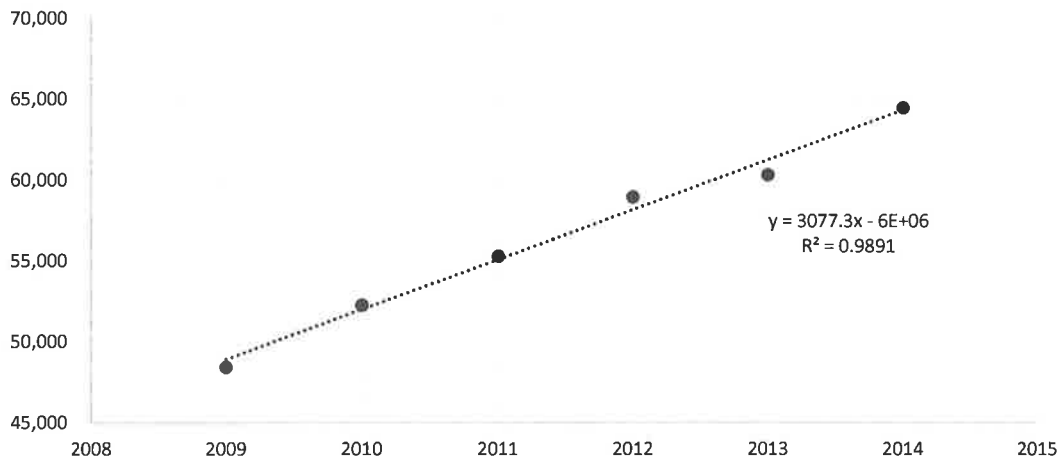
**Depreciation/ Amortization (Electric)**



<b>AS PROPOSED BY STAFF:</b>	2009	2010	2011	2012	2013	2014
Depreciation/ Amortization	48,466	52,270	55,304	58,946	60,308	64,456

Annual Increase (slope below) 3,077  
 Rate (Annual) 4.77%  
 Rate (2-year, to 2016) **9.55%** (Escalation Factor) 9.78%

**Depreciation/ Amortization (Electric)**

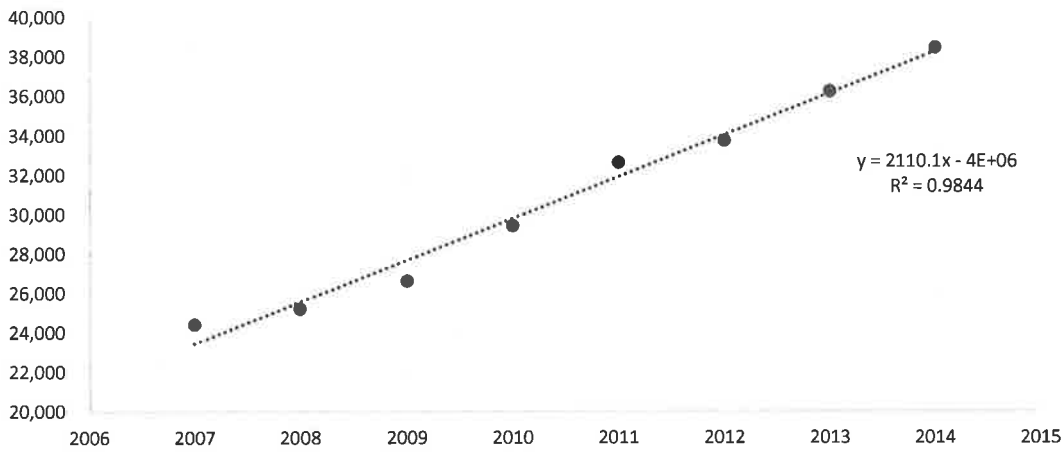


**Avista Proposed Based on Staff Methodology for 2007-2014:**

	2007	2008	2009	2010	2011	2012	2013	2014
Adjusted Taxes	24,422	25,215	26,617	29,412	32,614	33,701	36,201	38,403

Annual Increase (slope below) 2,110  
 Rate (Annual) 5.49%  
 Rate (2-year, to 2016) **10.99%** (Escalation Factor)

Adjusted Taxes (Electric)

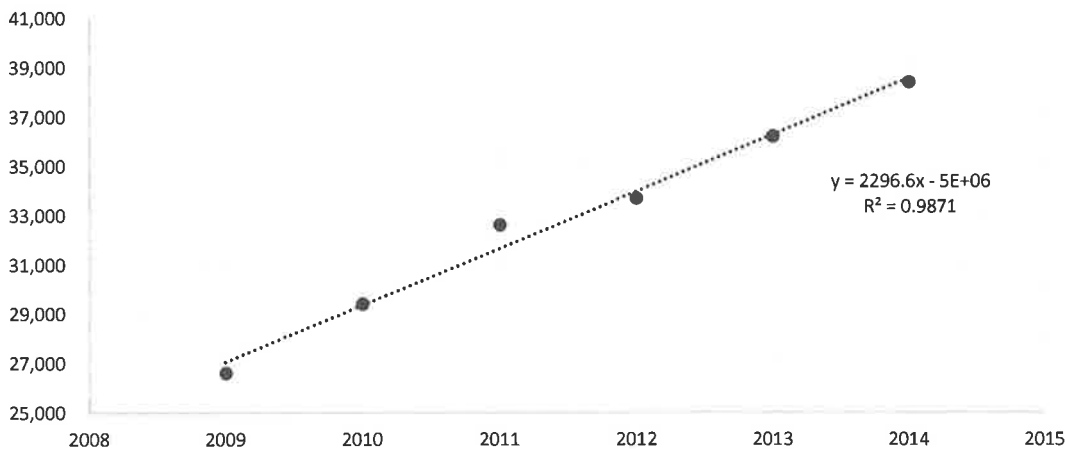


**AS PROPOSED BY STAFF:**

	2009	2010	2011	2012	2013	2014
Adjusted Taxes	26,617	29,412	32,614	33,701	36,201	38,403

Annual Increase (slope below) 2,297  
 Rate (Annual) 5.98%  
 Rate (2-year, to 2016) **11.96%** (Escalation Factor) 12.32%

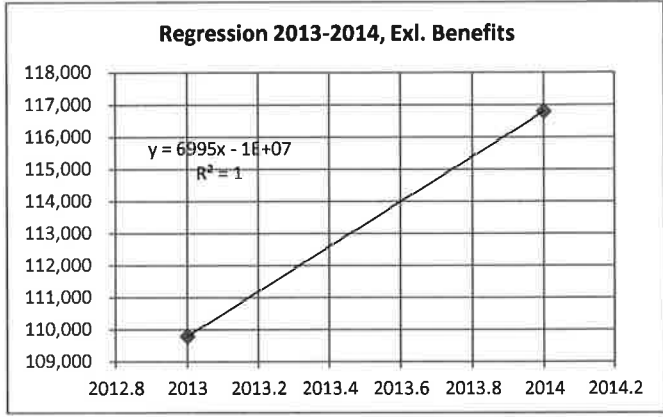
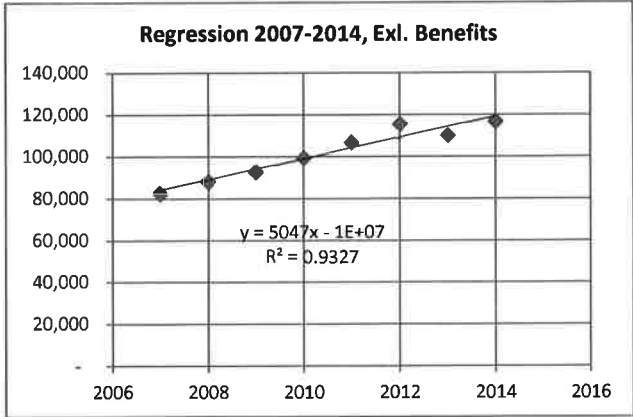
Adjusted Taxes (Electric)



**Avista Proposed-partly based on Staff Methodology (Linear regression and averaging):**

	2007	2008	2009	2010	2011	2012	2013	2014
Total Adjusted Operating Expenses	92,212	99,146	108,289	113,650	123,419	134,594	128,510	130,891
Remove volatility of total Benefits	(9,711)	(10,953)	(15,669)	(14,095)	(16,820)	(19,041)	(18,709)	(14,095)
	82,501	88,193	92,620	99,555	106,599	115,553	109,801	116,796

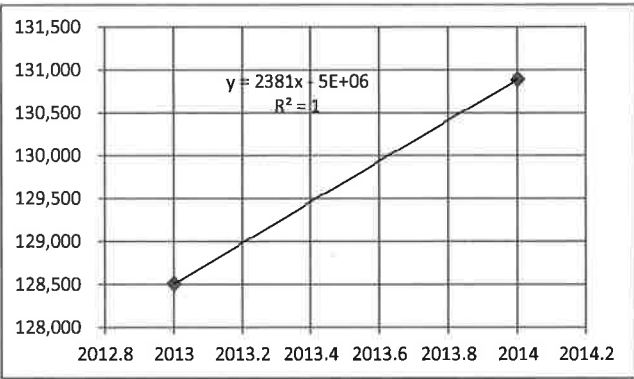
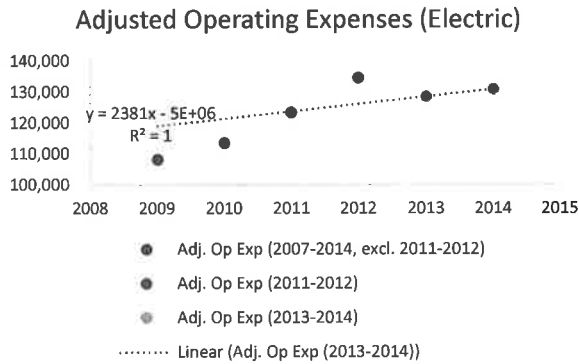
	Slope	Rate (1 yr)	Escalation
2007-2014 (exl. Benefits)	5,047	4.32%	8.6%
2013-2014 (exl. Benefits)	6,995	5.99%	12.0%
<b>Average</b>		5.16%	<b>10.31%</b>



**AS PROPOSED BY STAFF:**

	2009	2010	2011	2012	2013	2014
Adj. Op Exp (2007-2014, excl. 2011-2012)	108,289	113,650			128,510	130,891
Adj. Op Exp (2011-2012)			123,419	134,594		
Adj. Op Exp (2013-2014)					128,510	130,891

	Slope	Rate (1yr)	Escalation
Rate (2013-2014, linear, slope below)	2,381.0	1.82%	3.64%
Company-proposed (2007-2014, linear)	3,926.7	3.00%	6.00%
<b>Average</b>		2.41%	<b>4.82%</b>



**ELECTRIC BILLING DETERMINANT INDEX  
09.2014 TO 2016 WEIGHTED REVENUE GROWTH**

Line Ended De Rate	Schedule	Revenue Model 12 ME 09.2014 [A]	Forecast 2016 [B]	Billing Determinant Growth [C] = ([B] - [A])/[A]	Revenue 12 ME 09.2014 [D]	Weight [E] = [D] / SUM([D])	Weight x Growth [F] = [C] x [E]
1	RESIDENTIAL	Basic Charge	2,462,067	2,512,732	20,927,570	4.19%	0.09%
2	GENERAL SVC.	Basic Charge	364,552	379,314	6,561,936	1.31%	0.05%
3	LG. GEN. SVC.	Fixed Demand/Cust	24,110	24,225	12,055,000	2.41%	0.01%
4	EX LG GEN SVC	Fixed Demand/Cust	252	252	5,292,000	1.06%	0.00%
5	PUMPING	Basic Charge	29,216	34,478	525,888	0.11%	0.02%
6	ST & AREA LTG	Basic Charge					
7	RESIDENTIAL	Volumes	2,378,478,031	2,447,894,613	193,913,530	38.78%	1.13%
8	GENERAL SVC.	Volumes	588,401,236	591,388,923	62,328,507	12.47%	0.06%
9	LG. GEN. SVC.	Volumes	1,419,228,271	1,431,149,606	101,678,503	20.34%	0.17%
10	EX LG GEN SVC	Volumes	1,105,372,136	1,114,987,712	53,481,706	10.70%	0.09%
11	PUMPING	Volumes	137,227,044	131,725,347	10,944,583	2.19%	-0.09%
12	ST & AREA LTG	Volumes	25,127,765	24,890,112	7,019,746	1.40%	-0.01%
13	RESIDENTIAL	Demand					
14	GENERAL SVC.	Demand	402,284	364,641	2,413,704	0.48%	-0.05%
15	LG. GEN. SVC.	Demand	2,748,136	2,697,553	16,418,326	3.28%	-0.06%
16	EX LG GEN SVC	Demand	1,276,783	1,168,073	6,420,658	1.28%	-0.11%
17	PUMPING	Demand					
18	ST & AREA LTG	Demand					
19	Total				499,981,655	100.00%	1.31%
Total Customers			2,880,197	2,951,000		2.46%	
Total Volumes			5,653,834,483	5,742,036,314		1.56%	
Total Demand			4,427,203	4,230,267		-4.45%	