

ATTACHMENT B

**Avista Utilities**  
**AMI Project - Phase 1 - Meter Data Management**  
**Washington Revenue Requirement**

<u>Line No.</u>		<u>Software</u> <u>(FERC 303100)</u>	<u>Hardware</u> <u>(FERC 391100)</u>	<u>Total</u>
<b><u>Revenue Requirement of Depreciation Expense and Property Tax Expense</u></b>				
1	Depreciation Expense	\$ 1,792,000	\$ 1,120,000	\$ 2,912,000
2	Property Tax @ 1.5% of Gross Plant, excluding software	-	84,000	84,000
3	Total Expenses	1,792,000	1,204,000	2,996,000
4	Net Operating Income Before FIT	(1,792,000)	(1,204,000)	(2,996,000)
5	FIT Benefit of Depreciation and Property Tax	627,200	421,400	1,048,600
7	Net Operating Income Requirement	\$ (1,164,800)	\$ (782,600)	\$ (1,947,400)
8	Conversion Factor	0.62000	0.62000	0.62000
9	Depreciation and Property Tax Revenue Requirement - System	\$ 1,878,710	\$ 1,262,258	\$ 3,140,968
10	Deprec. & Prop. Tax Revenue Requirement - WA Electric Share	48.013% \$ 902,023	\$ 606,047	\$ 1,508,071
11	Deprec. & Prop. Tax Revenue Requirement - WA Natural Gas Share	14.370% \$ 269,974	\$ 181,389	\$ 451,363
12	Depreciable Life	12.5	5	

<b><u>Revenue Requirement of Return on Investment - Debt</u></b>				
13	Plant Cost	\$ 22,400,000	\$ 5,600,000	\$ 28,000,000
14	Accumulated Depreciation (AMA)	(896,000)	(560,000)	(1,456,000)
15	Accumulated DFIT (AMA)	(1,045,203)	(261,301)	(1,306,503)
16	Net Rate Base	20,458,797	4,778,699	25,237,497
17	Rate of Return - Debt	2.68%	2.68%	2.68%
18	Debt Return on Rate Base	547,887	127,974	675,860
19	FIT Benefit of Interest Expense	191,760	44,791	236,551
20	Debt Return on Rate Base, Net of FIT	\$ 356,126	\$ 83,183	\$ 439,309
21	Conversion Factor	0.62000	0.62000	0.62000
22	Debt Revenue Requirement - System	\$ 574,397	\$ 134,166	\$ 708,563
23	Debt Revenue Requirement - WA Electric Share	48.013% \$ 275,785	\$ 64,417	\$ 340,202
24	Debt Revenue Requirement - WA Natural Gas Share	14.370% \$ 82,542	\$ 19,280	\$ 101,822

<b><u>Revenue Requirement of Return on Investment - Equity</u></b>				
25	Plant Cost	\$ 22,400,000	\$ 5,600,000	\$ 28,000,000
26	Accumulated Depreciation (AMA)	(896,000)	(560,000)	(1,456,000)
27	Accumulated DFIT (AMA)	(1,045,203)	(261,301)	(1,306,503)
28	Net Rate Base	20,458,797	4,778,699	25,237,497
29	Rate of Return - Equity	4.608%	4.608%	4.608%
30	Equity Return on Rate Base	\$ 942,639	\$ 220,179	\$ 1,162,818
31	Conversion Factor	0.62000	0.62000	0.62000
32	Equity Revenue Requirement - System	\$ 1,520,386	\$ 355,127	\$ 1,875,512
33	Equity Revenue Requirement - WA Electric Share	48.013% \$ 729,982	\$ 170,507	\$ 900,488
34	Equity Revenue Requirement - WA Natural Gas Share	14.370% \$ 218,482	\$ 51,032	\$ 269,514

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<u>Line</u> <u>No.</u>	<u>Software</u> <u>(FERC 303100)</u>	<u>Hardware</u> <u>(FERC 391100)</u>	<u>Total</u>
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**Summary of Revenue Requirement**

35	Deprec. & Prop. Tax Revenue Requirement - WA Electric Share	\$ 902,023	\$ 606,047	\$ 1,508,071
36	Debt Revenue Requirement - WA Electric Share	275,785	64,417	340,202
37	Equity Revenue Requirement - WA Electric Share	729,982	170,507	900,488
38	Total Revenue Requirement - WA Electric Share	\$ 1,907,790	\$ 840,971	\$ 2,748,761
39	Deprec. & Prop. Tax Revenue Requirement - WA Natural Gas Share	\$ 269,974	\$ 181,389	\$ 451,363
40	Debt Revenue Requirement - WA Natural Gas Share	82,542	19,280	101,822
41	Equity Revenue Requirement - WA Natural Gas Share	218,482	51,032	269,514
42	Total Revenue Requirement - WA Natural Gas Share	\$ 570,998	\$ 251,701	\$ 822,699

**Accounting Entry to Record the Deferral of Revenue Requirement - Recorded Monthly - Electric**

Regulatory Asset - Deferred Costs	182.3XX	ED.WA	\$ 2,748,761	
Regulatory Credit - Deferred Costs	407.3XX	ED.WA		\$ 1,848,272
Regulatory Liability - Equity Return on Investment	254.XXX	ED.WA		\$ 900,488

**Accounting Entries to Record Amortization of Deferral - Recorded Monthly - Electric**

Customer Accounts Receivable	142.100	ED.WA	\$ 2,748,761	
Customer Revenue	44X.XXX	ED.WA		\$ 2,748,761
Regulatory Debit - Amortization of Costs	407.3XX	ED.WA	\$ 1,848,272	
Regulatory Debit - Amortization of Equity Return	254.XXX	ED.WA	\$ 900,488	
Regulatory Asset - Deferred Costs	182.3XX	ED.WA		\$ 2,748,761

**Notes:**

1) Rate of Return and Debt Cost per Order 05, Docket Nos. UE-150204 and UG-150205, dated January 6, 2016.

Total Debt	51.50%	5.20%	2.67800%
Common Equity	48.50%	9.50%	4.60750%
ROR	100.00%		7.29%

2) Conversion Factor for illustrative purposes. The conversion factor from the 2016 WA Commission Basis Reports will be used for deferral.  
0.6200

3) The Company's monthly accounting entries will include the standard calculations, including adjusting for revenue-related expenses (i.e. uncollectible customer accounts, commission fees, and Idaho state income taxes) and deferred federal income taxes.

4) Accounting Entries for deferral related to natural gas would be the same as those shown for electric.

5) 2017 Allocation Factor for CD.AA, as follows:

	Note 7	Note 4 (WA Share)	WA Share
Electric	70.328%	68.270%	48.013%
Gas North	20.445%	70.287%	14.370%
Oregon	9.227%		
	100.000%		

**Accounting Entry to Record the Deferral of Revenue Requirement - Recorded Monthly - Electric**

<u>Account Description</u>	<u>FERC Account</u>		<u>Debit</u>	<u>Credit</u>
Regulatory Asset - Deferred Costs	182.3XX	ED.WA	xxx	
Regulatory Credit - Deferred Costs	407.4XX	ED.WA		xxx
Regulatory Liability - Equity Return on Investment (1)	254.XXX	ED.WA		xxx

The Company's monthly accounting entries will include the standard calculations, including adjusting for revenue-related expenses (i.e. uncollectible customer accounts, excise taxes, and commission fees) and deferred federal income taxes.

(1) In accordance with FASB ASC 980-340, Avista would capitalize the deferred revenue requirement of the AMI project in FERC Account No. 182.3. The portion that represents incurred costs that would otherwise be charged to expense (i.e. depreciation expense and interest) would be recorded in FERC Account No. 407.4. The portion that represents the earnings on shareholders' investment would be recorded in a regulatory liability (FERC Account No. 254) until recovery occurs in future years.

**Accounting Entries to Record Amortization of Deferral - Recorded Monthly - Electric**

<u>Account Description</u>	<u>FERC Account</u>		<u>Debit</u>	<u>Credit</u>
Customer Accounts Receivable	142.100	ED.WA	xxx	
Customer Revenue	44X.XXX	ED.WA		xxx
Regulatory Debit - Amortization of Costs	407.3XX	ED.WA	xxx	
Regulatory Debit - Amortization of Equity Return on Investment	254.XXX	ED.WA	xxx	
Regulatory Asset - Deferred Costs	182.3XX	ED.WA		xxx

The Company's monthly accounting entries will include the standard calculations, including adjusting for revenue-related expenses (i.e. uncollectible customer accounts, excise taxes, and commission fees) and deferred federal income taxes.

**Notes:**

1) Rate of Return follows:

Total Debt	51.5%	5.59%	2.88%
Common	48.5%	9.90%	4.80%
Total	<u>100.00%</u>		<u>7.68%</u>