***Via Electronic and United States Mail***

October 13, 2015

Steven V. King, Executive Director and Secretary

Washington Utilities and Transportation Commission

1300 S. Evergreen Park Dr. SW

P. O. Box 47250

Olympia, Washington 98504-7250

RE: *Avista Corporation 2015 General Rate Case*

Dockets UE-150204/UG-150205

Dear Mr. King:

Enclosed is an errata filing that corrects errors in Staff’s original Exhibits CRM-2 and

CRM-3. The errata described below affect Staff’s attrition allowances and the overall revenue requirement recommendations. All of the corrections below address formula or calculation errors included in Staff’s exhibits.

**Docket UE-150204**

Exhibit CRM-2, Staff’s Electric Attrition Study, contained three errors. These errors were corrected for the following reasons:

1. To remove the regulatory asset and amortization expense for Avista’s meter retirement proposal, which was inadvertently included in the revenue requirement calculation;

2. To reflect the tax benefit of debt interest for Project Compass; and

3. To correct two formula errors in the model.

The net impact of these corrections is a $254,000 reduction in revenue requirement. The corrected revenue surplus for 2016 is $6,463,000, rather than the $6,209,000 surplus initially presented in Staff’s response case. The corrected attrition allowance for 2016 is $14,472,000, rather than the $14,726,000 attrition allowance initially presented in Staff’s response case.

1. Early Meter Retirement. Avista proposed regulatory asset and amortization expense to reflect the early retirement of electromechanical meters which Avista intends to replace with Advanced Meters at some point in the future. Staff contested the creation of the regulatory asset in its response case, but failed to remove the asset and related amortization expense from the attrition model. These items were previously located in Exhibit No. \_\_\_ (CRM-2), pages 4-5, column [C], at lines 10 and 47. Staff’s correction removes these items from Exhibit No.\_\_\_ (CRM-2).

2. Tax Benefit of Debt Interest for Project Compass. Staff recommended treating Project Compass as an “after attrition” adjustment in the electric attrition model, included in rates above the rates produced by application of the attrition growth factors.

However, Staff did not incorporate the tax benefit of the debt interest associated with financing Project Compass. This tax benefit is now included in Exhibit No. \_\_\_ (CRM-2), page 5, column [L], at line 27.

3. Formula Errors. In Exhibit No. \_\_\_ (CRM-2), page 5, column [M], at lines 32 and 38, column [L] was not captured in the total revenue and cost summation. Effectively, the increases in net plant and depreciation expense associated with Project Compass were not captured in the revenue requirement in Staff’s response case.

**Docket UE-150205**

Exhibit CRM-3, Staff’s Natural Gas Attrition Study, contained two errors. These errors were corrected for the following reasons:

1. To reflect the tax benefit of debt interest for Project Compass; and

2. To reflect the increase in gas costs related to Staff’s upward adjustment to the Company’s load growth rate.

The net impact of these corrections is a $1,269,000 reduction in revenue requirement; the corrected revenue deficit for 2016 is $10,309,000, rather than the $9,040,000 deficit initially presented in Staff’s response case. The corrected attrition allowance for 2016 is $6,704,000, rather than the $5,435,000 deficit initially presented in Staff’s response case.

1. Tax Benefit of Debt Interest for Project Compass. As discussed above for the electric attrition study, Staff did not incorporate the tax benefit of the debt interest associated with financing Project Compass. This tax benefit is now included in Exhibit No. \_\_\_ (CRM-3), page 5, column [K], at line 28.

2. Gas Cost Increase. Staff’s initial natural gas attrition study made an adjustment to Avista’s load forecast to adjust for an aberration in Avista’s weather normalization. Although the increased load growth rate was captured in the revenue growth component of the revenue requirement calculation, associated growth in purchased gas was not captured. In the revised Exhibit No. \_\_\_ (CRM-3), the change in purchased gas is captured on page 4, column [J], line 5.

Also enclosed is the revised testimony of Chris R. McGuire, Exhibit No. \_\_\_(CRM-1T) reflecting the revised numbers from the above-referenced revised exhibits.

Sincerely,

PATRICK J. OSHIE

Assistant Attorney General

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Enclosures

cc: All parties