

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	10/19/2015
CASE NO:	UE-150204 & UG-150205	WITNESS:	K. Schuh/E. Andrews
REQUESTER:	Bench	RESPONDER:	Jeanne Pluth/Liz Andrews
TYPE:	Bench Request	DEPT:	State & Federal Regulation
REQUEST NO.:	Bench Request No. 12	TELEPHONE:	(509) 495-8601
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REQUEST:

Bench Request No. 12: With regard to Karen K. Schuh's cross examination exhibit, Exh. No. KKS-12:

1. Please provide a description of the information included in Attachment A of Exh. No. KKS-12.
2. Is the final repairs study shown in Attachment A of cross examination Exh. No. KKS-12 reflected in the Company's electric and gas cross-check studies? If not, please provide a comparison of the final repairs study and the preliminary estimate as included in the Company's electric and natural gas cross-check studies. Please provide the supporting workpapers in electronic spreadsheet format with all formulas and links intact.

RESPONSE:

1. Attachment A of Exhibit No. KKS-12 provides the Company (system), Washington electric and Washington natural gas amount of Accumulated Deferred Federal Income Tax (ADFIT) associated with the Repairs Deduction that the Company made on its 2014 Federal Tax Return. It includes both the preliminary estimate that was used to accrue ADFIT in 2014 (upper part of the attachment) and the final study data that was used to prepare the Federal tax return filed in September 2015 (lower part of the attachment).

When the Company filed its Federal tax return in September 2015, Avista made a "Change of Accounting" filing to implement certain IRS Tangible Property Regulations associated with revised rules on property capitalization versus repair requirements. The study to implement this tax accounting change, which is commonly referred to as a "Repairs Study" was completed in September 2015. This final information was used to prepare Exhibit No. KKS-12 Attachment A.

2. No, the final repairs study shown in Attachment A of cross examination Exhibit No. KKS-12 (lower portion) is not reflected in the Company's electric and gas Cross Check studies that were include in the Company's rebuttal filing.

In Avista's direct filed case the Company included an estimate of the repairs deduction that had been received and recorded to associated taxes/ADFIT in September 2014. For December 2014 final results, the Company revised the estimated Repairs Study amount and allocations between service and jurisdiction. These revised estimated amounts were reflected within updated information provided to all parties in this proceeding in response to Staff Data Request 130 (see Exhibit Nos. (CRM-4) and (CRM-5)), and was included in the Company's rebuttal filing within the electric and natural gas Cross Check Studies provided as Exhibit Nos. (JSS-5) and (JSS-6). This revised information is the same information as shown in Attachment A of cross examination Exhibit No. KKS-12 as "Preliminary Estimate – For December 31, 2014 Accrual" (upper portion).

As can be seen from Exhibit No. KKS-12 Attachment A, the difference for Washington electric and natural gas results between the preliminary “Repairs Study” estimates as of the December 2014 accrual and the final “Repairs Study,” used for the 2014 Federal tax return filed in September 2015, are as follows:

Washington Allocated Amount						
Accumulated Deferred Income Tax Impact						
Repairs Study Results						
(000s)						
Preliminary Estimate (December 2014) (1)		Final Repairs Study Results (September 2015) (1)			Difference (ADFIT overstated)	
Electric	\$ (27,516)	Electric	\$ (27,261)	(1)	\$	255
Natural Gas	\$ (6,590)	Natural Gas	\$ (3,437)	(1)	\$	3,153

(1) Per Cross Exhibit No. KKS-12 - Attachment A

The filed Rebuttal Cross Check studies were prepared prior to receipt of the final “Repairs Study” and therefore the difference noted above was not available for inclusion in the filed Rebuttal Cross Check studies. However, as shown in the table above, the impact of the difference as “estimated” versus the “Final Repair Study” was not a material difference for Washington electric, and would have reduced the ADFIT for natural gas, increasing overall natural gas net rate base by \$3.2 million.

Although the final Repairs Study was provided to Avista in early September, which was used to prepare the 2014 Corporate Tax Return filed September 15, 2015, detail analysis of all impacts on tax depreciation and DFIT on a service and jurisdiction basis for the 2014 period were not available. Detail information, used to adjust and close the Company’s books of record for the quarter-end September 30, 2015, was made available on October 9, 2015. These adjustments revised ADFIT for the impact of all plant tax deductions per the filed Federal tax return (including the repairs deduction, bonus depreciation and tax depreciation). The net impact of all of these adjustments or true-ups are shown in Bench_DR_12-Attachment A. The net difference between the estimated total ADFIT impact included by the Company on rebuttal, versus the adjusted amounts as shown on Bench_DR_12-Attachment A are shown below:

Washington Allocated Amount						
Rebuttal ADFIT versus Revised ADFIT For Filed 2014 Federal Tax Return						
(Including Impact of Final Repairs Study, Bonus Depreciation & Other)						
(000s)						
2016 AMA ADFIT Per Rebuttal Cross Check Studies		2016 AMA Revised For Filed Tax Return (Including Repairs, Bonus & Other)			Difference: ADFIT (understated) / overstated)	
Electric	(1) \$ (314,862)	Electric	(3) \$ (318,758)		\$	(3,896)
Natural Gas	(2) \$ (69,630)	Natural Gas	(3) \$ (66,130)		\$	3,500

(1) Per Electric Rebuttal Cross Check Study - See Exhibit No. JSS-5, page 10.

(2) Per Natural Gas Rebuttal Cross Check Study - See Exhibit No. JSS-6, page 10.

(3) Per Bench_DR_12-Attachment A

The impact of these changes, as can be seen in the table above, show that electric ADFIT was understated by \$3.9 million, overstating overall net rate base by \$3.9 million. Whereas, for natural gas, ADFIT was overstated by \$3.5 million, understating overall net rate base by \$3.5 million. These changes/updates have been included in the Company's response to Bench_DR_10.

(Bench_DR_12-Attachment B provides supporting workpapers showing the final electric and natural gas ADFIT balances as revised at December 31, 2014.)