WUTC DOCKET: UE-170485 & UG-170486
EXHIBIT: Bench Exhibit 8
ADMIT ☑ W/D ☐ REJECT ☐

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. AVISTA CORPORATION, d/b/a AVISTA UTILITES, Respondent.	DOCKETS UE-170485 and UG-170486 *(Consolidated)* COMMENTS OF THE ENERGY PROJECT REGARDING AVISTA'S RESPONSE TO BENCH REQUEST NO. 1

1 The Energy Project files these comments pursuant to the Commission's Notice of Opportunity To Respond, dated January 2, 2018, in this docket.

2 The Energy Project has not filed revenue requirement testimony in this docket and will not address the specific accounting and tax implications of the Tax Cuts and Jobs Act (TCJA).[1] Other parties with accounting analysts and experts will certainly be addressing those issues. The Energy Project's purpose in filing these comments is to urge the Commission to take all necessary and appropriate actions to ensure that the benefits of the utility tax reductions are provided expeditiously and fully to Avista ratepayers.[2] The Energy Project further recommends that the Commission adopt procedures that further these outcomes for customers, as discussed in more detail below.

3 The Energy Project commends the Commission for acting promptly, within days after the passage of the TCJA, to determine the impact of the tax cuts by issuing Bench Request No. 1. This is consistent with the approach of regulators in many parts of country.[3] Ensuring that the

[1] H.R.1, signed by President Trump on December 22, 2017.
[2] Avista states its intent that "all of the benefits associated with the costs paid by customers related to the TCJA will be returned to customers [.]" Avista Response to Bench Request No. 1, at 1.
[3] "Power companies got a tax cut. Will your bill reflect it?" New York Times, January 9, 2018. https://www.nytimes.com/2018/01/09/business/economy/tax-cut-power.html.

Simon J. ffitch
Attorney at Law
321 High School Rd. NE,
Suite D3, Box No. 383
Bainbridge Island, WA 98110
(206) 669-8197

tax cuts are captured and promptly passed on will provide a substantial and meaningful benefit to Avista's residential customers, including the substantial percentage of customers who are low income.

4 A number of utilities in other states have acted swiftly to pass on the tax cuts to their customers, even when the company is not involved in pending rate proceedings. For example, Arizona Public Service Company filed January 8 to return $119 million to customers ($4.68 per month for an average customer), effective February 1, 2018, based on the reduction in the marginal statutory rate from 35 percent to 21 percent.[4] The Illinois Commerce Commission granted a petition by Commonwealth Edison to pass through over $200 million in estimated tax savings effective for billings in February 2018.[5] On January 5, 2018, Baltimore Gas &Electric (BG&E) filed to reduce its distribution rates approximately $82 million, effective February 1, 2018. The BG&E filing incorporates the effect of the excess deferred income tax liability (changes to ADIT balances). In the Eversource Energy rate case in Massachusetts, where new rates for a five-year rate plan are set to take effect in February 2018, the Massachusetts Attorney General has filed a motion to reopen the record and implement specific rate adjustments which would have the effect of a net reduction in Eversource rates.[6]

---

[4] "APS now seeking rate decrease thanks to federal tax cuts," Arizona Republic, January 9, 2018. https://www.azcentral.com/story/money/business/energy/2018/01/09/aps-now-seeking-rate-decrease-thanks-federal-tax-cuts/1018865001/ . The reduction would be approximately $119 million initially, to take effect in February 2018, with the company indicating that further smaller reductions could be offered once the more detailed changes associated with amortization of ADIT are fully understood. *Id. See, In the Matter of the Application of Arizona Public Service Company To Implement Tax Expense Adjustor Mechanism*, Arizona Corporation Commission, Docket E-01345A-18-0003, Application at 2. APS had established a tax adjustment mechanism in anticipation of the tax law change.

[5] *Commonwealth Edison Company, Verified Petition for Special Permission to File and Put Into Effect on Less Than 45 Days' Notice, Tariffs Accelerating Bill Credits Attributable to Federal Tax Reform,* Illinois Commerce Commission, Docket 18-0034, Order, January 18, 2018 (ComEd operates under a formula rate plan under which rates would be trued up when the precise level of tax benefits is known, Verified Petition of ComEd, ¶ 12).

[6] *In the Matter of NSTAR Electric Company and Western Massachusetts Electric Company d/b/a Eversource Energy*, Mass. Department of Public Utilities, Docket 17-05, Attorney General's Motion For Reconsideration and To Reopen Hearings, December 20, 2017, pp. 1-2.

5 The Energy Project supports the Commission allowing the time needed to determine the impact of the TCJA on Avista's rate request prior to issuing a final order in this docket. Federal tax obligations are a standard input to the revenue requirement determination in a rate case. In that regard, this case is no different than any other rate case, except for the timing issue. Here, the Company, the parties, the Commission, and Avista customers have become aware of a major known and measurable change to the federal tax input relatively late in the proceeding, with four months remaining before the suspension date. Fair, just, reasonable, and sufficient rates cannot be set without taking the new tax levels into account. The Energy Project agrees with Avista that the tax benefit should be passed through to customers at the same time as any rate changes that take effect from this docket to avoid multiple changes up and down.[7]

6 Given the timing of this development, there is a question about the best way to procedurally deal with the new information. A challenge is posed by Avista's Response to Bench Request No. 1, which states that Avista believes it will not be able to complete its analysis and provide an estimated impact on the revenue requirement impact until March 30, 2018.[8] This date falls over one month after the date for final briefs in the case, and just a little over three weeks before the statutory suspension deadline. Based on the initial estimates of the rate impact, it appears the Avista March 30 filing will likely significantly change the complexion of its revenue requirement. It would be appropriate for the Commission to allow a reasonable time for analysis and for party responses to the new Avista revenue requirement filing. Under Avista's proposal, this would have to be accomplished in substantially less than 26 days, given that sufficient time would also have to be allowed for Commission review of the new Avista filing, any party responses, and final order preparation. This may not be workable from a practical standpoint, and may also pose fairness problems for parties. It is important to The Energy

[7] Avista Response to Bench Request No. 1, at 4. It is not clear that Avista's proposal for a separate "rebate" mechanism for the tax benefit is necessary. Adjustments related to federal tax issues are normally incorporated in the overall revenue requirement determination.

[8] *Id.,* at 3.

Simon J. ffitch
Attorney at Law
321 High School Rd. NE,
Suite D3, Box No. 383
Bainbridge Island, WA 98110
(206) 669-8197

Project that parties with accounting experts be provided adequate time to review and respond to Avista's new revenue requirement filing, to ensure the best possible record for a Commission decision in this case.

7 From statements by Avista at the end of the evidentiary hearing on January 17, however, it appears the Avista may have specific information about the effects of the tax law changes by late February. If that is the case, it would be reasonable for the Commission to require Avista to revise its rate filing at that time. If the Commission were to require that Avista's revised revenue requirement be filed by the end of February, that would allow approximately 60 days prior to the suspension date for party review and response, and for Commission final determination. In the event that Avista is not able or willing to file before March 30, it would not be unreasonable for the Commission to request that Avista agree to an extension of the suspension date for its filing to allow for a fair and sufficient review process by Staff, Public Counsel and the other intervenors.

8 Because the current post-hearing briefing date is February 22, The Energy Project also respectfully requests that parties be allowed an opportunity to file supplemental briefs addressing the new Avista revenue requirement filing, as part of any additional process established by the Commission.

9 Respectfully submitted this 26th day of January, 2018.

Simon J. ffitch

/s/ Simon J. ffitch, WSBA No. 25977
Attorney at Law
for The Energy Project

Simon J. ffitch
Attorney at Law
321 High School Rd. NE,
Suite D3, Box No. 383
Bainbridge Island, WA 98110
(206) 669-8197

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION Complainant, v. AVISTA CORPORATION d/b/a AVISTA UTILITIES Respondent.	)	DOCKETS UE-170485 and UG-170486 (*Consolidated*) **INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES' AND NORTHWEST INDUSTRIAL GAS USERS' RESPONSE TO BENCH REQUEST NO. 1**

1. The Industrial Customers of Northwest Utilities ("ICNU") and the Northwest Industrial Customers ("NWIGU"), collectively the "Joint Parties," appreciate this opportunity to respond to Bench Request 1 in the above-captioned matter. The Tax Cuts and Jobs Act ("TCJA"), HR 1 of the 115th Congress, was signed into law on December 22, 2017. The TCJA became effective on January 1, 2018, and provides benefits to Avista Corporation ("Avista or Company") and its ratepayers.

2. Among other things, the TCJA resulted in a reduction to the Federal corporate income tax rate from 35% to 21%. The Joint Parties respectfully request that the Commission act without delay to incorporate the impact of that, and other changes resulting from the TCJA, into the base rates for both the gas and electric services at issue in this proceeding. The Joint Parties look forward to the hearing on this matter, at a date to be determined by the Commission.

RESPONSE

I. Introduction

3. The Joint Parties' response to Bench Request 1 is based upon the analysis performed by Mr. Bradley G. Mullins, who has reviewed the TCJA and its impact upon Avista's rates at issue in this proceeding.[1/] Based upon Mr. Mullins' analysis, the Joint Parties represent to the Commission that the impact of the TCJA will reduce Avista's revenue requirement for its electric and gas utilities by $32,594,466 and $5,489,628, respectively, shown in Table 1, below. Mr. Mullins' revenue requirement calculations, spreadsheets and workpapers are provided with this Response and identified as part of and relevant to the various subparts of Bench Request 1.

Table 1
Revenue Requirement Impacts of Implementing the
TCJA on Avista's Revenue Requirement
Revenue Deficiency / (Sufficiency) ($000)

	Electric	Gas
Mullins Response Testimony (Traditional)	**193**	**(530)**
Impact of TCJA Restating Adjustments		
TCJA-1: Restate Income Tax Expense	(26,263)	(4,213)
TCJA-2: Restate EDFIT	(6,297)	(1,370)
TCJA-3: TCJA Deferral (1/1/18 - 4/30/18)*	-	-
TCJA-4: Conversion Factor	(35)	94
Total TCJA Adjustments	**(32,594)**	**(5,490)**
Updated For TCJA	**(32,401)**	**(6,020)**

** Propose to delay amortization until rate effective date of next rate case*

4. In hearings held in this matter on January 16, 2018 and January 17, 2018, the Commission requested parties to address, in response to Bench Request 1, the process by which the impacts of the TCJA would be incorporated into Avista's rates. For the reasons expressed in this response, the Joint Parties request the Commission incorporate the known impacts of the TCJA into the revenue requirement results used to establish base rates in this docket.

[1/] Mr. Mullins appeared on behalf of the Joint Parties in this proceeding and presented testimony on Avista's revenue requirement for both the electric and gas utilities, among other issues.

II. TCJA Benefits Should Be Incorporated into Rates in This Docket

5. As a general matter, the Joint Parties believe that the base rate reduction associated with the TCJA should occur in a manner that is as expedient as possible for all utilities. There should be no disagreement that an expedient decision by the Commission to pass back to consumers one hundred percent of the tax benefits associated with the TCJA would serve the public interest.

6. Turning to the evidence presented in this docket, it is a known fact and a matter of record that the TCJA has significantly reduced the corporate taxes to be paid by Avista during the rate year and beyond, and for the period beginning January 1, 2018 and ending upon issuance of the Commission's final order in this docket. The Commission has also been informed that the monetary impact of Avista's reduced tax rates is significant and can be effectively measured. It is also a matter of record that the Company intends to pass the benefits associated with the reduced tax rates to its ratepayers.[2/]

7. The Joint Parties believe that the existing record, supplemented by this response and those submitted by the parties to this case, provides the Commission the evidence necessary to incorporate the TCJA's demonstrated tax benefits into the rates set in this docket.

8. Should the Commission determine that the record is insufficient to support all of the TCJA's many rate impacts, the Joint Parties recommend that the Commission include the TCJA's known tax benefits into rates, subject to refund. Under this scenario, the rates set and subject to refund could be trued up at the end of a specified period determined by the Commission as sufficient to ascertain all rate benefits resulting from the TCJA. To this end, the

[2/] Avista Response to BR 1, dated January 12, 2018.

Commission could consolidate Avista's current deferred accounting docket related to the TCJA with this docket, using the deferred accounting dockets as the procedural vehicle for preserving the TCJA's benefits for later incorporation into rates.[3/] Accordingly, the Joint Parties do not recommend additional process at this time for the purpose of ascertaining the impacts of the TCJA, beyond that already in place.

9. Further, any delay in reducing Avista's base rates will result in the accrual of larger deferred accounts, which may cause rate instability over time. For example, rates might decline in the period that the deferral account is being amortized, only to increase again once the amortization has been completed. Said another way, as the deferrals grow larger, the risk of rate instability grows commensurately. For this reason, the Joint Parties recommend that the base rate reductions associated with the TCJA be implemented in this docket. Nothing should preclude the Commission from acting on the record evidence demonstrating that Avista's existing rates will grossly overcompensate the Company during the rate year, unless the Commission take corrective action.

10. In fact, the Joint Parties believe that it would be inconsistent with the normalization requirements in IRC § 168(i)(9) for the Commission to approve cost of service rates that do not take into consideration the changes resulting from the TCJA. The tax law has changed, and the Commission should guard against approving rates that are inconsistent with the requirements of the law.

11. The Joint Parties have also reviewed Avista's response to Bench Request 1 and strongly disagree that the TCJA's revenue impacts are too complicated to be implemented in

---

3/ See Dockets UE-171221 and UG-171222

rates at this time. In fact, the determination of taxable income did not materially change as a result of the TCJA, and for that reason it is relatively straightforward to consider the TCJA's impacts on revenue requirement. Further, incorporating the impacts through a rider, as Avista proposes, is unnecessary and will only make the implementation of the TCJA more complicated. While riders may be necessary for those utilities that are not currently in rate cases, it is more appropriate to incorporate the impacts into base rates in this matter, since those rates are currently open for Avista.

III. The Commission Should Account for the Reduction in Avista's Tax Rates from January 1, 2018 through April 30, 2018 and Pass the Benefits Through to Ratepayers

12. For the rates charged over the period January 1, 2018 through April 30, 2018, the Joint Parties recommend that the Commission's final order in this matter require the creation of a deferred account to house the excess Federal income taxes that Avista is collecting in current rates. The deferred account need not be incorporated into revenue requirement results in this matter. However, the deferral should remain on the Company's books—subject to carrying charges but no amortization—until the effective date of Avista's next rate proceeding. Under such an approach, Avista would be required to submit an amortization proposal for the deferral at the time of its next general rate case. Once again, no additional process is necessary to implement such a deferral.

IV. Responses to Questions in Bench Request 01

13. Accompanying this response are three attachments. Attachment Bench Request 01-1 provides revenue requirement calculations for electric services updated for the TCJA. Attachment Bench Request 01-2 provides revenue requirement calculations for gas services updated for the TCJA. These attachments are based on the revenue requirement calculations admitted as Exhibits BGM-3 and BGM-4, respectively. Finally, in Attachment Bench Request 01-3, the Joint Parties have supplied the currently approved depreciation rates, which are relevant in calculating Excess Deferred Federal Income Tax ("EDFIT") amortization. The Joint Parties' witness Bradley Mullins will be available to answer any questions related to these attachments should the Commission require further process. Further information regarding these calculations items will also be discussed below in response to the specific questions identified in Bench Request 1.

A. Accumulated Deferred Federal Income Tax (ADFIT) balance as of December 31, 2017.

14. The Joint Parties are not in possession of the requested information. For purposes of calculating the revenue requirement impacts associated with excess deferred income taxes identified in Table 1, above, the Joint Parties relied on the ADFIT reserve balances, calculated on an average-of-monthly-averages basis over the 2016 test year. The ADFIT reserve balance for Avista is expected to be greater on December 31, 2017 than it was in the test period.[4/] Since a larger reserve would equate to greater amortization of EDFIT, use of the December 31, 2017 reserve balance would result in further reductions to revenue requirement, in comparison to the impacts detailed in Table 1, above.

15. The Company was in possession of this financial information at the time it responded to the Bench Request but did not provide the information in its response on January 12, 2018. That is concerning to the Joint Parties, since that information is necessary to support

[4/] See Exh. BGM-5r at 26.

further reductions of revenue requirement. Notwithstanding, the Joint Parties are not opposed to using the test period reserve balances, rather than the December 31, 2017 reserve balances, for the purpose of calculating EDFIT impacts. Because the amortization period for EDFIT is relatively long, the incremental revenue requirement impact of using the December 31, 2017 reserve balance, versus the test period reserve balance, is expected to be small.

B. The amount of excess deferred income tax reserve as described in IRC Sec 168(i)(9)(A)(ii) as of December 31, 2017, to comply with the TCJA.

16. For electric services, calculation of EDFIT reserve balances, and EDFIT amortization for the test period may be found in Attachment Bench Request 01-1, Page 17 (Tab 6a). For gas services, the calculation may be found in Attachment Bench Request 01-2, Page 14 (Tab 6a). The workpapers begin with the ADFIT reserve balances restated on an AMA basis over the test period. The source data behind the restated balances has also been provided on the following pages of the respective attachments (Tab 6b). The ADFIT amounts have been itemized by each "book-tax differences" included in ADFIT in Avista's filing, with amounts related to depreciation detailed by functional plant. Based on this detail, it's clear that Avista has a relatively narrow scope of book tax differences that it includes in ADFIT.

17. To calculate the EDFIT reserve balance associated with the tax rate change, one must divide the test period reserve balances by the old, 35% tax rate to arrive at the cumulative amount of book tax differences in the test period. The cumulative book-tax differences are then revalued at the new, 21% tax rate. The difference between ADFIT reserves valued at the 35% and ADFIT reserves valued at the 21% rate represents the EDFIT reserve balance.

18. Based on the calculations identified in the respective attachments, the Joint Parties have calculated EDFIT reserve balances of $142,051,361 for gas services and $30,713,275 for electric services. In rate base, the Joint Parties have reclassified the EDFIT reserves from ADFIT, detailing the EDFIT reserve balance in a separate line item in the revenue requirement table.

19. In contrast to Avista, the Joint Parties do not consider the normalization provisions in the TCJA surrounding EDFIT as complications, but rather a way of simplifying the ratemaking treatment of the tax change for public utilities. EDFIT effectively represents a financial gain to the utility, and absent the TCJA provisions surrounding EDFIT, a utility might have claimed that it was entitled to retain those benefits. Or, perhaps ratepayers might have claimed that they should receive those gains through a single lump-sum payment. From that perspective, however, the TCJA actually simplifies the ratemaking treatment surrounding the tax changes by prescribing the specific methods that must be used by regulators to account for the EDFIT benefits, avoiding controversy over the way that those amounts get retuned to ratepayers.

20. Under Generally Accepted Accounting Principles, the general rule is that when a change in the tax rate is enacted into law, the effects of the change must be reported in the period that includes the "enactment date."[5/] The normalization requirements for EDFIT in IRC § 168(i)(9), however, provide an exception to that general rule for public utilities.

21. For business enterprises other than a public utility, the change in tax rate will result material balance sheet impacts. For a non-utility business enterprise, deferred tax liabilities—funds that the entity is effectively holding in reserve to pay for future taxes—are revalued at the new tax rate. If the tax rate falls, the liability balance declines resulting in the

---

5/ See Financial Accounting Standards Board ("FASB"), Statement of Financial Accounting Standards No. ("SFAS") 109, Accounting for Income Taxes ¶ 27; See also FASB Accounting Standards Codification ("ACS") 740-25-47.

recognition of a gain, similar to the gain that occurs when the principal balance of a loan is forgiven. For non-utilities, this gain flows through the income statement in the current period, in one lump sum.

22. For public utilities, however, the treatment is different. Under normalization requirements IRC § 168(i)(9), the balance sheet gains associated with the change in tax rate, referred to as EDFIT, must remain on the public utility's balance sheet, and instead of amortizing the gains in one lump sum, the gains are amortized to the income statement over an extended period of time. A few methods are available to amortize the gains, but the amortization period is generally intended to correspond to the period over which the underlying book-tax differences are expected to reverse. Accordingly, the Joint Parties view it as being relatively straightforward to incorporate the impacts of EDFIT into rates in this matter.

C. The amount of excess deferred income tax expense the Company is currently collecting as of January 1, 2018, until the anticipated effective date of this general rate case.

23. The Joint Parties have calculated that the Company will over-collect income tax expense, including a provision for EDFIT, by $7,140,214 for electric services and $652,948 for gas services. Calculations underlying these amounts have been provided at Attachment Bench Request 01-1, Pages 19-20, for electric services and Attachment Bench Request 01-2, Pages 16-17, for gas services. As noted above, the Joint Parties request that these tax benefits remain on the Company's books as a deferral until the Company files its next general rate case, the rate effective date of which will commence amortization of the deferral.

D. A proposed amortization schedule for parts B and C of this bench request along with a supporting rationale for each schedule. Please identify and describe the amortization assumption, e.g., composite, average rate, or other alternative method.

24. Under IRC § 168(i)(9) two general methods are described to account for EDFIT: 1) the average rate assumption method and 2) the alternative method. The general rule is that a utility may not "reduce[] the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method," and thus the average rate assumption method generally must be used. As an exception to the general rule, however, a utility may use the alternative method, if it does not track ADFIT by asset vintage. Since, as a practical matter, most utilities do not calculate the ADFIT reserves by asset vintage, most will likely resort to using some form the alternative method.

25. Under the alternative method, EDFIT amortization may occur using composite depreciation rates, which is the method used by the Joint Parties in deriving the impacts detailed in Table 1, above. For electric services, see Attachment Bench Request 01-1, Page 17 (Tab 6a). For gas services, see Attachment Bench Request 01-2, Page 14 (Tab 6a). In addition, the composite depreciation rates relied upon in performing the calculation have also been attached as Attachment Bench Request 01-3.

26. As described in the attachments, the amortization associated with the EDFIT balances identified in response to Sub-request C of this response is $4,890,642 for electric services and $1,066,222 for gas services. That amortization is stated post-tax, and thus, the pre-tax revenue requirement impacts of that amortization must further grossed up for taxes, at the new 21% rate.

E. For the current proceeding, provide an updated revenue requirement based on the Company's rebuttal position that accounts for the anticipated impacts of the TCJA.

27. Please see Attachment Bench Request 01-1 for updated revenue requirements calculated for electric services and Attachment Bench Request 01-2 for updated revenue requirements calculated for gas services. These have been prepared based on the revenue requirements identified in the Response Testimony of Mr. Mullins.

28. The TCJA results in two principal adjustments of the revenue requirement model. First, the income tax expense included in results must be restated at the new tax rate. Second, the gains associated with EDFIT must be applied as a restating adjustment as discussed in response to sub-request D of this bench request. The Joint Parties refer to these restating adjustments as TCJA-1 and TCJA-2, respectively.

29. Two other adjustments, however, have also been identified in the referenced attachments. The attachments include Adjustment TCJA-3, which is a placeholder for the amounts deferred over the period January 1, 2018 through April 30, 2018, in case the Commission decides to incorporate those impacts into rates in this matter. The attachment also includes TCJA-4, which separately documents the impact of updating the revenue conversion factor. The impacts of the new revenue conversation factor, however, could also be applied separately to each restating and pro-forma adjustment included in results, rather than as a discrete adjustment.

TCJA-1: TCJA Restating Adjustment

30. The impact of restating income tax expense at the new 21% tax rate can be determined using one of at least two methods: the tax provision method or the gross-up method.

Both are relatively straightforward. Although performing the calculation using the utility's tax provision is, from the perspective of the Joint Parties, a more accurate methodology.

31. Under the tax provision approach the restating impact of the TCJA tax rate on income tax expense is determined by simply recalculating the tax provision (both current and deferred taxes) based on the new, 21% tax rate. Current tax expense is re-calculated by multiplying net taxable income for the test period by the 21% tax rate, rather than the 35% tax rate previously included in results. Deferred tax expense is also recalculated by multiplying the book-tax differences in the test period by the 21% tax rate, rather than the 35% tax rate that is currently being used to calculate deferred income tax expense in results.

32. This simple tax provision calculation has been detailed on Attachment Bench Request 01-1, Page 12 (Tab 5a), for electric services and Attachment Bench Request 1-2, Page 11, for gas services. For electric services, the tax provision method produces a reduction to income tax expense in the amount of $19,771,262, and a corresponding reduction to revenue requirement in the amount of $26,262,760. For gas services, the tax provision method produces a reduction to income tax expense in the amount of $3,178,212, and a corresponding reduction to revenue requirement in the amount of $4,213,330. These impacts also include the effects on all of the other restating and pro forma adjustments. This is the most accurate, and preferred, methodology for determining the impact of restating the tax rate on revenue requirement.

33. The gross-up method is a higher-level approach that is appropriate to be used if the tax provision data is unavailable. Under this approach the impact of the tax rate change may be estimated based on the utility's level of rate base and cost of capital. Under this method the "pre-tax" return on equity is used to determine the portion of revenues dedicated to paying federal income taxes, as show in the following formula:

RB * ROE / (1-T) * E% = Revenues for Taxes

Where: RB = Rate Base; ROE = Return on Equity;
T = Marginal Tax Rate, and; E% = Equity %.

34. The above calculation is based on the old 35% tax rate, and then again based on the new 21% tax rate, to estimate the revenue requirement savings associated with the lower rate. This method is less precise that the provision method, since it does not account for the specific permanent and temporary book-tax differences in the test period.

35. A form of the gross-up calculation has been detailed in Attachment Bench Request 01-1, Page 19 (Tab 7a), for electric services and Attachment Bench Request 01-2, Page 16 (Tab 7a), for gas services. While the Joint Parties recommend against using the gross-up method for calculating base rates in this matter, the Joint Parties are supportive of using the gross-up method for the purposes of calculating the deferral associated with excess taxes collected in current rates over the period January 1, 2018 through April 30, 2018. Accordingly, the calculations referenced above were performed based on the current rate levels, as approved in Dockets UE-150204 and UG-1520205 (Consolidated). These calculations suggest that Avista's current rates are resulting in annual overcollection of income tax expenses by approximately $16,530,000 for electric services and $3,025,062 for gas services, on a pre-tax (i.e., revenue requirement) basis. Those amounts do not include the effects of EDFIT, which must be calculated separately.

TCJA-2: Excess Deferred Federal Income Taxes

36. The second restating adjustment to implement the TCJA is to incorporate EDFIT into the revenue requirement calculation. This restating adjustment is accomplished, first, by reclassifying the EDFIT balance out of ADFIT and assigning it a separate line in the revenue requirement table. The balance is then subjected to amortization through net operating income based on the amounts detailed in response to sub-request D, above. To account for the amortization, the EDFIT rate base balance is then further reduced by one-half of the amortization amount.

37. The revenue requirement impacts of this amortization are an increase to net operating income in the amount of $6,296,882 for electric services and $1,370,074 for gas services. Note that the amortization of EDFIT represents a post-tax gain, since the Company is not required to pay any income taxes on the EDFIT gain amortization. This means that the amortization amount must be grossed-up—by dividing by one minus the new 21% tax rate—in order to be stated on a pre-tax revenue requirement basis.

TCJA-3: TCJA Deferral (Jan 2018 - Apr 2018)

38. As noted above, this adjustment has been included as a placeholder, in case the Commission desires to incorporate the deferral impact into base rates in this matter. If the Commission desires to incorporate those impacts, calculations of deferred amounts, along with amortization proposals, have been detailed in the attachments to this Bench Request. Attachment Bench Request 1-1, Pages 19-20 (Tabs 7a, 7b), detail these calculations for electric services. Attachment Bench Request 1-1, Pages 16-17 (Tabs 7a, 7b), detail these calculations for gas services.

__TCJA-4: Revenue Requirement Gross-up__

39. As a final adjustment, the Joint Parties have separately detailed the impact of applying the new tax rate in the conversion factor used for the purpose of calculating revenue sufficiency or deficiency. Similar to the way cost of capital changes are often presented in revenue requirement results, the change to the conversion factor to account for the TCJA does not necessarily need to be stated as a separate restating adjustment, although the Joint Parties have detailed the relatively minor impact separately.

F. In the event that all impacts of the TCJA are not fully known to the Company by the due date set forth in this bench request, a projected date by which the Company intends to file an accounting petition to address the impacts.

40. The Joint Parties believe that all of the material impacts associated TCJA are known, and that it is appropriate to incorporate all known impacts into revenue requirement.

G. Supporting workpapers in electronic format with all formulas and links intact. See WAC 480-07-510(3)(e).

41. Please see Attachment Bench Request 01-1 for updated revenue requirement calculated for electric services and Attachment Bench Request 01-2 for updated revenue requirement calculated for gas services.

V. Conclusion

42. The Joint Parties again thank the Commission for the opportunity to respond to Bench Request 1. As the Commission can conclude, the Joint Parties' response provides its conclusions and calculations relative to the TCJA's impact on Avista's rates, along with the recommendation that the Commission incorporate the benefits of the TCJA into Avista's rates when setting rates in this docket. The Joint Parties believe that its conclusions and supporting calculations provide evidence sufficient to support this recommendation.

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION Complainant, v. AVISTA CORPORATION d/b/a AVISTA UTILITIES Respondent.	)	DOCKETS UE-170485 and UG-170486 (*Consolidated*) **ICNU-NWIGU RESPONSE TO BENCH REQUEST NO. 1** **ATTACHMENT BENCH REQUEST 01-1**

ELECTRIC GAS TRADITIONAL REVENUE REQUIREMENT CALCULATIONS

(UPDATED FOR THE TAX CUTS AND JOBS ACT)

Electric Revenue Requirement Summary ($000)

			Company Filing (Rev. Req. at ICNU ROR)			ICNU Proposed		
Line	**Adj. No.**	**Description**	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)
1	**1.00**	**Per Book Results (Y/E Dec. 2016)**	**$110,557**	**1,444,926**	**(13,329)**	**$110,557**	**1,444,926**	**(13,329)**
Restating Adjustments:								
2	1.01	Deferred FIT Rate Base	8	806	79	8	806	79
3	1.02	Deferred Debits and Credits	(8)	-	13	(8)	-	13
4	1.03	Working Capital	(30)	(3,006)	(295)	(30)	(3,006)	(295)
5	2.01	Eliminate B & O Taxes	(96)	-	154	(96)	-	154
6	2.02	Restate Property Tax	163	-	(262)	163	-	(262)
7	2.03	Uncollect. Expense	(859)	-	1,386	(859)	-	1,386
8	2.04	Regulatory Expense	(5)	-	7	(5)	-	7
9	2.05	Injuries and Damages	(98)	-	158	(98)	-	158
10	2.06	FIT/DFIT/ ITC Expense	(69)	-	111	(69)	-	111
11	2.07	Office Space Charges to Non-Utility	20	-	(33)	20	-	(33)
12	2.08	Restate Excise Taxes	40	-	(65)	40	-	(65)
13	2.09	Net Gains / Losses	61	-	(99)	61	-	(99)
14	2.10	Weather Normalization	825	-	(1,332)	825	-	(1,332)
15	2.11	Eliminate Adder Schedules	-	-	-	-	-	-
16	2.12	Misc. Restating Non-Util / Non- Recurring Expenses	(969)	-	1,565	(969)	-	1,565
17	2.13	Eliminate WA Power Cost Defer	4,386	-	(7,081)	4,386	-	(7,081)
18	2.14	Nez Perce Settlement Adjustment	3	-	(4)	3	-	(4)
19	2.15	Restating Incentives	407	-	(657)	407	-	(657)
20	2.16	Normalize CS2/Colstrip Major Maint	763	-	(1,232)	763	-	(1,232)
21	2.17	Restate Debt Interest	759	-	(1,225)	(326)	-	526
22	2.18	Authorized Power Supply	(7,696)	-	12,425	(7,696)	-	12,425
23		**Restated Results**	**108,163**	**1,442,726**	**(9,715)**	**107,078**	**1,442,726**	**(7,964)**
Pro Forma Adjustments								
24	3.01	Pro Forma Trans/Power Sup Non-ERM Rev/Exp	(66)	-	106	(66)	-	106
25	3.02	Pro Forma Labor Non-Exec	(1,862)	-	3,005	(1,167)	-	1,884
26	3.03	Pro Forma Labor Exec	21	-	(35)	21	-	(35)
27	3.04	Pro Forma Employee Benefits	234	-	(378)	234	-	(378)
28	3.05	Pro Forma Incentive Expenses	(77)	-	125	(77)	-	125
29	3.06	Pro Forma Property Tax	(1,598)	-	2,579	(1,598)	-	2,579
30	3.07	Pro Forma IS/IT Expense	(451)	-	728	(451)	-	728
31	3.08	Pro Forma Revenue Normalization	(3,286)	-	5,305	(3,286)	-	5,305
32	3.09	Pro Forma Def. Debits, Credits & Regulatory Amorts	1,013	(5,346)	(2,246)	1,013	(5,346)	(2,246)
33	3.10	Pro Forma 2017 Threshhold Capital Adds	(1,743)	34,911	6,804	269	5,565	202
34	3.11	Pro Forma O&M Offsets	642	-	(1,036)	642	-	(1,036)
35	3.12	Pro Forma Director Fees Exp	(244)	-	394	-	-	-
36	3.13	PF Normalize CS2/Colstrip Major Maint	(226)	-	364	(226)	-	364
37	3.14	Pro Forma Underground Equip Inspection	(346)	-	558	(346)	-	558
38	4.00	Pro Forma Power Supply & Transm Revs	(10,288)	-	16,609	-	-	-
39		**Pro Forma Results (Traditional Rev. Req.)**	**89,888**	**1,472,291**	**23,168**	**102,041**	**1,442,945**	**193**
Tax Cuts And Jobs Act Adjustments								
40	TCJA-1	Restate Tax Expense in Results	-	-	-	19,771	-	(26,263)
41	TCJA-2	Excess Deferred Taxes	-	-	-	4,914	2,445	(6,297)
42	TCJA-3	TCJA Deferral (Jan - Apr 2018)	-	-	-	-	-	-
43	TCJA-4	Updated Conversion Factor	-	-	-	-	-	(35)
44		**TCJA Pro Forma Results**	**89,888**	**1,472,291**	**23,168**	**126,726**	**1,445,391**	**(32,401)**

Electric Revenue Requirement Summary ($000)

Line	Adj. No.	Description	Impact of ICNU Adjustments: Pre-Tax Net Oper. Income	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	ICNU Position
1	**1.00**	**Per Book Results (Y/E Dec. 2016)**					
Restating Adjustments:							
2	1.01	Deferred FIT Rate Base	-	-	-	-	Neutral
3	1.02	Deferred Debits and Credits	-	-	-	-	Neutral
4	1.03	Working Capital	-	-	-	-	Neutral
5	2.01	Eliminate B & O Taxes	-	-	-	-	Neutral
6	2.02	Restate Property Tax	-	-	-	-	Neutral
7	2.03	Uncollect. Expense	-	-	-	-	Neutral
8	2.04	Regulatory Expense	-	-	-	-	Neutral
9	2.05	Injuries and Damages	-	-	-	-	Neutral
10	2.06	FIT/DFIT/ ITC Expense	-	-	-	-	Neutral
11	2.07	Office Space Charges to Non-Utility	-	-	-	-	Neutral
12	2.08	Restate Excise Taxes	-	-	-	-	Neutral
13	2.09	Net Gains / Losses	-	-	-	-	Neutral
14	2.10	Weather Normalization	-	-	-	-	Neutral
15	2.11	Eliminate Adder Schedules	-	-	-	-	Neutral
16	2.12	Misc. Restating Non-Util / Non- Recurring Expenses	-	-	-	-	Neutral
17	2.13	Eliminate WA Power Cost Defer	-	-	-	-	Neutral
18	2.14	Nez Perce Settlement Adjustment	-	-	-	-	Neutral
19	2.15	Restating Incentives	-	-	-	-	Neutral
20	2.16	Normalize CS2/Colstrip Major Maint	-	-	-	-	Neutral
21	2.17	Restate Debt Interest	-	(1,085)	-	1,751	Update (Cost of Debt)
22	2.18	Authorized Power Supply	-	-	-	-	Neutral
23		**Restated Results**	**-**	**(1,085)**	**-**	**1,751**	
Pro Forma Adjustments							
24	3.01	Pro Forma Trans/Power Sup Non-ERM Rev/Exp	-	-	-	-	Neutral
25	3.02	Pro Forma Labor Non-Exec	1,068	694	-	(1,121)	Oppose
26	3.03	Pro Forma Labor Exec	-	-	-	-	Neutral
27	3.04	Pro Forma Employee Benefits	-	-	-	-	Neutral
28	3.05	Pro Forma Incentive Expenses	-	-	-	-	Neutral
29	3.06	Pro Forma Property Tax	-	-	-	-	Neutral
30	3.07	Pro Forma IS/IT Expense	-	-	-	-	Neutral
31	3.08	Pro Forma Revenue Normalization	-	-	-	-	Neutral
32	3.09	Pro Forma Def. Debits, Credits & Regulatory Amorts	-	-	-	-	Neutral
33	3.10	Pro Forma 2017 Threshhold Capital Adds	3,095	2,012	(29,346)	(6,602)	Oppose
34	3.11	Pro Forma O&M Offsets	-	-	-	-	Neutral
35	3.12	Pro Forma Director Fees Exp	375	244	-	(394)	Oppose
36	3.13	PF Normalize CS2/Colstrip Major Maint	-	-	-	-	Neutral
37	3.14	Pro Forma Underground Equip Inspection	-	-	-	-	Neutral
38	4.00	Pro Forma Power Supply & Transm Revs	15,827	10,288	-	(16,609)	Oppose
39		**Pro Forma Results (Traditional Rev. Req.)**	**20,365**	**12,153**	**(29,346)**	**(22,974)**	
Tax Cuts And Jobs Act Adjustments							
40	TCJA-1	Restate Tax Expense in Results	-	19,771	-	(26,263)	*New*
41	TCJA-2	Excess Deferred Taxes	-	4,914	2,445	(6,296.882)	*New*
42	TCJA-3	TCJA Deferral (Jan - Apr 2018)	-	-	-	-	*New*
43	TCJA-4	Updated Conversion Factor	-	-	-	(35)	*New*
44		**TCJA Pro Forma Results**	**20,365**	**36,838**	**(26,900)**	**(62,547)**	

CALCULATION OF TRADITIONAL PRO FORMA STUDY REVENUE REQUIREMENT
WASHINGTON ELECTRIC
TWELVE MONTHS ENDED DECEMBER 31, 2016

Line No.	Description	Per Traditional Pro Forma Study Base Rate Change 5/1/2018 (000's of Dollars)
1	Pro Forma Rate Base	$ 1,445,390
2	Proposed Rate of Return	7.08%
3	Net Operating Income Requirement	$102,334
4	Pro Forma Net Operating Income	126,724
5	Net Operating Income Deficiency	($24,390)
6	Conversion Factor	0.752825
7	Revenue Requirement	**($32,398)**
8	Total General Business Revenues	$492,134
9	Percentage Revenue Increase	**-6.58%**
10	Total Billed General Business Revenues	$511,823
11	Percentage Revenue Increase	**-6.33%**

TRADITIONAL PRO FORMA COST OF CAPITAL
WASHINGTON ELECTRIC

Capital Structure

Component	Capital Structure	Cost	Weighted Cost
Total Debt	51.6%	5.19%	2.68%
Common	48.4%	9.10%	4.40%
Total	100.00%		7.08%

REVENUE CONVERSION FACTOR
WASHINGTON ELECTRIC
TWELVE MONTHS ENDED DECEMBER 31, 2016

Line No.	Description	*Factor*	*TCJA Factor*
1	**Revenues**	*1.000000*	*1.000000*
	Expense:		
2	Uncollectibles	*0.006578*	*0.006578*
3	Commission Fees	*0.002000*	*0.002000*
4	Washington Excise Tax	*0.038479*	*0.038479*
6	Total Expense	*0.047057*	*0.047057*
7	Net Operating Income Before FIT	*0.952943*	*0.952943*
8	Federal Income Tax @ 35%; 21%	*0.333530*	*0.200118*
9	**REVENUE CONVERSION FACTOR**	*0.619413*	*0.752825*

WASHINGTON ELECTRIC RESULTS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

Ln No.	DESCRIPTION	ACTUAL RESULTS Results of Operations	RESTATEMENT ADJUSTMENTS Deferred FIT Rate Base	Deferred Debits and Credits	Working Capital	Eliminate B & O Taxes	Restate Property Tax	Uncollect. Expense	Regulatory Expense
	Adjustment Number	**1.00**	**1.01**	**1.02**	**1.03**	**2.01**	**2.02**	**2.03**	**2.04**
	Workpaper Reference	**E-ROO**	**E-DFIT**	**E-DDC**	**E-WC**	**E-EBO**	**E-RPT**	**E-UE**	**E-RE**
	REVENUES								
1	Total General Business	$516,333	$0	$0	$0	($17,807)	$0	$0	$0
2	Interdepartmental Sales	946	-	-	-	-	-	-	-
3	Sales for Resale	78,098	-	-	-	-	-	-	-
4	Total Sales of Electricity	595,377	-	-	-	(17,807)	-	-	-
5	Other Revenue	81,735	-	-	-	(14)	-	-	-
6	Total Electric Revenue	677,112	-	-	-	(17,821)	-	-	-
	EXPENSES								
	Production and Transmission								
7	Operating Expenses	184,672	-	4	-	-	-	-	-
8	Purchased Power	96,772	-		-	-	-	-	-
9	Depreciation/Amortization	26,677	-	-	-	-	-	-	0
10	Regulatory Amortization	4,310	-	-	-	-	-	-	-
11	Taxes	14,904	-	-	-	-	86	-	-
12	Total Production & Transmission	327,335	-	4	-	-	86	-	-
	Distribution								
13	Operating Expenses	21,420	-	-	-	-	-	-	-
14	Depreciation/Amortization	27,913	-	-	-	-	-	-	-
15	Regulatory Amortization	0	-	-	-	-	-	-	-
16	Taxes	45,258	-	-	-	(17,674)	(336)	-	-
17	Total Distribution	94,591	-	-	-	(17,674)	(336)	-	-
18	Customer Accounting	11,733	-	8	-	-	-	1,321	-
19	Customer Service & Information	18,081	-	-	-	-	-	-	-
20	Sales Expenses	0	-	-	-	-	-	-	-
	Administrative & General								
21	Operating Expenses	50,568	-	-	-	-	-	-	7
22	Depreciation/Amortization	23,877	-	-	-	-	-	-	-
23	Taxes	0	-	-	-	-	-	-	-
24	Total Admin. & General	74,445	-	-	-	-	-	-	7
25	Total Electric Expenses	526,185	-	12	-	(17,674)	(250)	1,321	7
26	OPERATING INCOME BEFORE FIT	150,927	-	(12)	-	(147)	250	(1,321)	(7)
	FEDERAL INCOME TAX								
27	Current Accrual	(25,741)	-	*(4)*	-	*(51)*	*88*	*(462)*	*(2)*
28	Debt Interest	0	*(8)*	-	*28*	-	-	-	-
29	Deferred Income Taxes	66,436	-	-	-	-	-	-	-
30	Amortized ITC - Noxon	(325)	-	-	-	-	-	-	-
31	EDFIT Amortization								
32	NET OPERATING INCOME	$110,557	$8	($8)	($28)	($96)	$163	($859)	($5)
	RATE BASE								
	PLANT IN SERVICE								
33	Intangible	$156,057	$0	$0	$0	$0	$0	$0	$0
34	Production	832,833	-	-	-	-	-	-	-
35	Transmission	430,613	-	-	-	-	-	-	-
36	Distribution	970,455	-	-	-	-	-	-	-
37	General	233,266	-	-	-	-	-	-	-
38	Total Plant in Service	2,623,224	-	-	-	-	-	-	-
	ACCUMULATED DEPRECIATION/AMORT								
39	Intangible	(30,914)	-	-	-	-	-	-	-
40	Production	(351,625)	-	-	-	-	-	-	-
41	Transmission	(135,624)	-	-	-	-	-	-	-
42	Distribution	(295,383)	-	-	-	-	-	-	-
43	General	(80,093)	-	-	-	-	-	-	-
44	Total Accumulated Depreciation	(893,639)	-	-	-	-	-	-	-
45	NET PLANT	1,729,585	-	-	-	-	-	-	-
46	DEFERRED TAXES	(354,707)	806	-	-	-	-	-	-
47	EDFIT								
48	Net Plant After DFIT	1,374,878	806	-	-	-	-	-	-
49	DEFERRED DEBITS AND CREDITS & OTHER	4,568	-	-	-	-	-	-	-
50	WORKING CAPITAL	65,480	-	-	(3,006)	-	-	-	-
51	TOTAL RATE BASE	1,444,926	$806	$0	($3,006)	$0	$0	$0	$0
52	RATE OF RETURN	7.65%							
53	REVENUE REQUIREMENT	(13,329)	80	13	(298)	154	(262)	1,386	7

WASHINGTON ELECTRIC RESULTS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

Ln No.	DESCRIPTION	Injuries and Damages	FIT/DFIT/ ITC Expense	Office Space Charges to Non-Utility	Restate Excise Taxes	Net Gains / Losses	Weather Normalization	Eliminate Adder Schedules	Misc. Restating Non-Util / Non-Recurring Expenses
	Adjustment Number	**2.05**	**2.06**	**2.07**	**2.08**	**2.09**	**2.10**	**2.11**	**2.12**
	Workpaper Reference	**E-ID**	**E-FIT**	**E-OSC**	**E-RET**	**E-NGL**	**E-WN**	**E-EAS**	**E-MR**
	REVENUES								
1	Total General Business	$0	$0	$0	$0	$0	$7,392	($18,203)	$0
2	Interdepartmental Sales	-	-	-	-	-	-	-	-
3	Sales for Resale	-	-	-	-	-	-	-	-
4	Total Sales of Electricity	-	-	-	-	-	7,392	(18,203)	-
5	Other Revenue	-	-	-	-	-	(5,775)	684	(2,566)
6	Total Electric Revenue	-	-	-	-	-	1,617	(17,519)	(2,566)
	EXPENSES								
	Production and Transmission								
7	Operating Expenses	-	-	-	-	-	-	(383)	(5)
8	Purchased Power	-	-	-	-	-	-	-	-
9	Depreciation/Amortization	-	-	-	-	-	-	-	-
10	Regulatory Amortization	-	-	-	-	-	-	395	-
11	Taxes	-	-	-	-	-	-	-	-
12	Total Production & Transmission	-	-	-	-	-	-	12	(5)
	Distribution								
13	Operating Expenses	-	-	-	-	-	-	-	(2)
14	Depreciation/Amortization	-	-	-	-	(94)	-	-	-
15	Regulatory Amortization	-	-	-	-	-	-	-	-
16	Taxes	-	-	-	(62)	-	284	(700)	-
17	Total Distribution	-	-	-	(62)	(94)	284	(700)	(2)
18	Customer Accounting	-	-	-	-	-	49	(120)	-
19	Customer Service & Information	-	-	-	-	-	-	(16,675)	-
20	Sales Expenses	-	-	-	-	-	-	-	-
	Administrative & General								
21	Operating Expenses	151	-	(31)	-	-	15	(36)	(1,068)
22	Depreciation/Amortization	-	-	-	-	-	-	-	-
23	Taxes	-	-	-	-	-	-	-	-
24	Total Admin. & General	151	-	(31)	-	-	15	(36)	(1,068)
25	Total Electric Expenses	151	-	(31)	(62)	(94)	348	(17,519)	(1,075)
26	OPERATING INCOME BEFORE FIT	(151)	-	31	62	94	1,269	-	(1,491)
	FEDERAL INCOME TAX								
27	Current Accrual	*(53)*	110	*11*	*22*	*33*	*444*	-	*(522)*
28	Debt Interest	-	-	-	-	-	-	-	-
29	Deferred Income Taxes	-	(40)	-	-	-	-	-	-
30	Amortized ITC - Noxon	-	(1)	-	-	-	-	-	-
31	EDFIT Amortization								
32	NET OPERATING INCOME	($98)	($69)	$20	$40	$61	$825	$0	($969)
	RATE BASE								
	PLANT IN SERVICE								
33	Intangible	$0	$0	$0	$0	$0	$0	$0	$0
34	Production	-	-	-	-	-	-	-	-
35	Transmission	-	-	-	-	-	-	-	-
36	Distribution	-	-	-	-	-	-	-	-
37	General	-	-	-	-	-	-	-	-
38	Total Plant in Service	-	-	-	-	-	-	-	-
	ACCUMULATED DEPRECIATION/AMORT								
39	Intangible	-	-	-	-	-	-	-	-
40	Production	-	-	-	-	-	-	-	-
41	Transmission	-	-	-	-	-	-	-	-
42	Distribution	-	-	-	-	-	-	-	-
43	General	-	-	-	-	-	-	-	-
44	Total Accumulated Depreciation	-	-	-	-	-	-	-	-
45	NET PLANT	-	-	-	-	-	-	-	-
46	DEFERRED TAXES	-	-	-	-	-	-	-	-
47	EDFIT								
48	Net Plant After DFIT	-	-	-	-	-	-	-	-
49	DEFERRED DEBITS AND CREDITS & OTHER	-	-	-	-	-	-	-	-
50	WORKING CAPITAL	-	-	-	-	-	-	-	-
51	TOTAL RATE BASE	$0	$0	$0	$0	$0	$0	$0	$0
52	RATE OF RETURN								
53	REVENUE REQUIREMENT	158	111	(33)	(65)	(99)	(1,332)	-	1,565

WASHINGTON ELECTRIC RESULTS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

							(Authorized P.S. @ Authorized P/T ratio)	
Ln No.	**DESCRIPTION**	**Eliminate WA Power Cost Defer**	**Nez Perce Settlement Adjustment**	**Restating Incentives**	**Normalize CS2/Colstrip Major Maint**	**Restate Debt Interest**	**Authorized Power Supply**	**Restated TOTAL**
	Adjustment Number	**2.13**	**2.14**	**2.15**	**2.16**	**2.17**	**2.18**	**R-Ttl**
	Workpaper Reference	**E-EWPC**	**E-NPS**	**E-RI**	**E-PMM**	**E-RDI**	**E-APS**	
	REVENUES							
1	Total General Business	$4,698	$0	$0	$0	$0	$0	**$492,413**
2	Interdepartmental Sales	`	-	-	-	-	-	**946**
3	Sales for Resale	-	-	-	-	-	(20,773)	**57,325**
4	Total Sales of Electricity	4,698	-	-	-	-	(20,773)	**550,684**
5	Other Revenue	-	-	-	-	-	(56,948)	**17,116**
6	Total Electric Revenue	4,698	-	-	-	-	(77,721)	**567,800**
	EXPENSES							
	Production and Transmission							
7	Operating Expenses	(2,270)	(4)	-	(1,174)	-	(46,240)	**134,600**
8	Purchased Power	-	-	-	-	-	(19,641)	**77,131**
9	Depreciation/Amortization	-	-	-	-	-	-	**26,677**
10	Regulatory Amortization	-	-	-	-	-		**4,705**
11	Taxes	-	-	-	-	-	-	**14,990**
12	Total Production & Transmission	(2,270)	(4)	-	(1,174)	-	(65,881)	**258,103**
	Distribution							
13	Operating Expenses	-	-		-	-	-	**21,418**
14	Depreciation/Amortization	-	-	-	-	-	-	**27,819**
15	Regulatory Amortization	-	-	-	-	-	-	**-**
16	Taxes	181	-	-	-	-	-	**26,951**
17	Total Distribution	181	-	-	-	-	-	**76,188**
18	Customer Accounting	30	-	-	-	-	-	**13,021**
19	Customer Service & Information	-	-	-	-	-	-	**1,406**
20	Sales Expenses	-	-	-	-	-	-	**-**
	Administrative & General							
21	Operating Expenses	9	-	(626)	-	-	-	**48,989**
22	Depreciation/Amortization	-	-	-	-	-	-	**23,877**
23	Taxes	-	-	-	-	-	-	**-**
24	Total Admin. & General	9	-	(626)	-	-	-	**72,866**
25	Total Electric Expenses	(2,050)	(4)	(626)	(1,174)	-	(65,881)	**421,584**
26	OPERATING INCOME BEFORE FIT	6,748	4	626	1,174	-	(11,840)	**146,216**
	FEDERAL INCOME TAX							
27	Current Accrual	1,567	*1*	*219*	*411*	202	*(4,144)*	**(27,873)**
28	Debt Interest	-	-	-	-	-	-	**21**
29	Deferred Income Taxes	795	-	-	-	-	-	**67,191**
30	Amortized ITC - Noxon	-	-	-	-	-	-	**(326)**
31	EDFIT Amortization							
32	NET OPERATING INCOME	$4,386	$3	407	763	(202)	($7,696)	**107,203**
	RATE BASE							
	PLANT IN SERVICE							
33	Intangible	$0	$0	$0	$0	$0	$0	**$156,057**
34	Production	-	-	-	-	-	-	**832,833**
35	Transmission	-	-	-	-	-	-	**430,613**
36	Distribution	-	-	-	-	-	-	**970,455**
37	General	-	-	-	-	-	-	**233,266**
38	Total Plant in Service	-	-	-	-	-	-	**2,623,224**
	ACCUMULATED DEPRECIATION/AMORT						-	
39	Intangible	-	-	-	-	-	-	**(30,914)**
40	Production	-	-	-	-	-	-	**(351,625)**
41	Transmission	-	-	-	-	-	-	**(135,624)**
42	Distribution	-	-	-	-	-	-	**(295,383)**
43	General	-	-	-	-	-	-	**(80,093)**
44	Total Accumulated Depreciation	-	-	-	-	-	-	**(893,639)**
45	NET PLANT	-	-	-	-	-	-	**1,729,585**
46	DEFERRED TAXES	-	-	-	-	-	-	**(353,901)**
47	EDFIT							
48	Net Plant After DFIT	-	-	-	-	-	-	**1,375,684**
49	DEFERRED DEBITS AND CREDITS & OTHER	-	-	-	-	-	-	**4,568**
50	WORKING CAPITAL	-	-	-	-	-	-	**62,474**
51	TOTAL RATE BASE	$0	$0	$0	$0	$0	$0	**$1,442,726**
52	RATE OF RETURN							**(1)**
53	REVENUE REQUIREMENT	(7,081)	(4)	(657)	(1,232)	326	12,425	(8,166)

WASHINGTON ELECTRIC RESULTS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

PRO FORMA ADJUSTMENTS

Ln No.	DESCRIPTION	NON ERM Pro Forma Trans/Power Sup Non-ERM Rev/Exp	Contested Pro Forma Labor Non-Exec	Pro Forma Labor Exec	Pro Forma Employee Benefits	Pro Forma Incentive Expenses	Pro Forma Property Tax	Pro Forma IS/IT Expense	Pro Forma Revenue Normalization
	Adjustment Number	**3.01**	**3.02**	**3.03**	**3.04**	**3.05**	**3.06**	**3.07**	**3.08**
	Workpaper Reference	**E-PTR**	**E-PLN**	**E-PLE**	**E-PEB**	**E-PI**	**E-PPT**	**E-CI**	**E-PREV**
	REVENUES								
1	Total General Business	$0		$0	$0	$0	$0	$0	($1,225)
2	Interdepartmental Sales	-		-	-	-	-	-	-
3	Sales for Resale	-		-	-	-	-	-	-
4	Total Sales of Electricity	-	-	-	-	-	-	-	(1,225)
5	Other Revenue	71	-	-	-	-	-	-	(3,887)
6	Total Electric Revenue	71	-	-	-	-	-	-	(5,112)
	EXPENSES								
	Production and Transmission								
7	Operating Expenses	172	538	-	(125)	-	-	-	-
8	Purchased Power	-	-	-		-	-	-	-
9	Depreciation/Amortization	-	-	-	-	-	-	-	-
10	Regulatory Amortization					-	-	-	-
11	Taxes	-	-	-	-	-	1,578	-	-
12	Total Production & Transmission	172	538	-	(125)	-	1,578	-	-
	Distribution								
13	Operating Expenses	-	327		(77)		-	-	-
14	Depreciation/Amortization	-	-	-	-	-	-	-	-
15	Regulatory Amortization	-	-	-	-	-	-	-	-
16	Taxes	-	-	-	-	-	880	-	(47)
17	Total Distribution	-	327	-	(77)	-	880	-	(47)
18	Customer Accounting	-	171		(41)	-	-	-	(8)
19	Customer Service & Information	-	14		(3)	-	-	-	-
20	Sales Expenses	-				-	-	-	-
	Administrative & General								
21	Operating Expenses	-	483	(33)	(114)	119	-	694	(2)
22	Depreciation/Amortization	-	-	-	-	-	-	-	-
23	Taxes	-	-	-	-	-	-	-	-
24	Total Admin. & General	-	483	(33)	(114)	119	-	694	(2)
25	Total Electric Expenses	172	1,534	(33)	(360)	119	2,458	694	(57)
26	OPERATING INCOME BEFORE FIT	(101)	(1,534)	33	360	(119)	(2,458)	(694)	(5,055)
	FEDERAL INCOME TAX								
27	Current Accrual	*(35)*	*(537)*	*12*	*126*	*(42)*	*(860)*	*(243)*	*(1,769)*
28	Debt Interest	-	-	-	-	-	-	-	-
29	Deferred Income Taxes	-	-	-	-	-	-	-	-
30	Amortized ITC - Noxon	-	-	-	-	-	-	-	-
31	EDFIT Amortization								
32	NET OPERATING INCOME	($66)	($997)	$21	$234	($77)	($1,598)	($451)	(3,286)
	RATE BASE								
	PLANT IN SERVICE								
33	Intangible	$0	$0	$0	$0	$0	$0	$0	$0
34	Production	-	-	-	-	-	-	-	-
35	Transmission	-	-	-	-	-	-	-	-
36	Distribution	-	-	-	-	-	-	-	-
37	General	-	-	-	-	-	-	-	-
38	Total Plant in Service	-	-	-	-	-	-	-	-
	ACCUMULATED DEPRECIATION/AMORT	-	-	-	-				
39	Intangible	-	-	-	-	-	-	-	-
40	Production	-	-	-	-	-	-	-	-
41	Transmission	-	-	-	-	-	-	-	-
42	Distribution	-	-	-	-	-	-	-	-
43	General	-	-	-	-	-	-	-	-
44	Total Accumulated Depreciation	-	-	-	-	-	-	-	-
45	NET PLANT	-	-	-	-	-	-	-	-
46	DEFERRED TAXES	-	-	-	-	-	-	-	-
47	EDFIT								
48	Net Plant After DFIT	-	-	-	-	-	-	-	-
49	DEFERRED DEBITS AND CREDITS & OTHER	-	-	-	-	-	-	-	-
50	WORKING CAPITAL	-	-	-	-	-	-	-	-
51	TOTAL RATE BASE	$0	$0	$0	$0	$0	$0	$0	$0
52	RATE OF RETURN								
53	REVENUE REQUIREMENT	106	1,610	(35)	(378)	125	2,579	728	5,305

WASHINGTON ELECTRIC RESULTS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

Ln No.	DESCRIPTION	Pro Forma Def. Debits, Credits & Regulatory Amorts	Contested Pro Forma 2017 Threshhold Capital Adds	Pro Forma O&M Offsets	Contested Pro Forma Director Fees Exp	PF Normalize CS2/Colstrip Major Maint	Pro Forma Underground Equip Inspection	Non-Energy Pro Forma Sub-Total
	Adjustment Number	3.09	3.10	3.11	3.12	3.13	3.14	PF-SubTtl
	Workpaper Reference	E-PRA	E-PCAP16	E-POFF	E-PDF	E-PNM	E-PUEI	
	REVENUES							
1	Total General Business	$0	$0	$0	$0	$0	$0	$491,188
2	Interdepartmental Sales	-	-	-	-	-	-	946
3	Sales for Resale	-	-	-	-	-	-	57,325
4	Total Sales of Electricity	-	-	-	-	-	-	549,459
5	Other Revenue	-	-	-	-	-	-	13,300
6	Total Electric Revenue	-	-	-	-	-	-	562,759
	EXPENSES							
	Production and Transmission							-
7	Operating Expenses	(248)	-	-	-	347	-	135,284
8	Purchased Power	-	-	-	-	-	-	77,131
9	Depreciation/Amortization	-	129	-	-	-	-	26,806
10	Regulatory Amortization	(1,393)		-	-	-	-	3,312
11	Taxes	-	-	-	-	-	-	16,568
12	Total Production & Transmission	(1,641)	129	-	-	347	-	259,101
	Distribution							-
13	Operating Expenses	-	-	-	-	-	532	22,200
14	Depreciation/Amortization	-		(875)	-	-	-	26,944
15	Regulatory Amortization	-	-	-	-	-	-	-
16	Taxes	-	-	-	-	-	-	27,784
17	Total Distribution	-	-	(875)	-	-	532	76,928
18	Customer Accounting	-	-	-	-	-	-	13,143
19	Customer Service & Information	-	-	-	-	-	-	1,417
20	Sales Expenses	-	-	-	-	-	-	-
	Administrative & General							
21	Operating Expenses	-	-	(112)	-	-	-	50,024
22	Depreciation/Amortization	-		-	-	-	-	23,877
23	Taxes	-	-	-	-	-	-	-
24	Total Admin. & General	-	-	(112)	-	-	-	73,901
25	Total Electric Expenses	(1,641)	129	(987)	-	347	532	424,491
26	OPERATING INCOME BEFORE FIT	1,641	(129)	987	-	(347)	(532)	138,268
	FEDERAL INCOME TAX							
27	Current Accrual	*574*	*(45)*	*345*	-	*(121)*	*(186)*	(30,655)
28	Debt Interest	*50*	*(52)*	-	-	-	-	19
29	Deferred Income Taxes	-	-	-	-	-	-	67,191
30	Amortized ITC - Noxon	-	-	-	-	-	-	(326)
31	EDFIT Amortization							
32	NET OPERATING INCOME	$1,017	($32)	642	-	(226)	(346)	102,039
	RATE BASE							
	PLANT IN SERVICE							
33	Intangible	$0	$0	$0	$0	$0	$0	$156,057
34	Production	-	6,889	-	-	-	-	839,722
35	Transmission	-	-	-	-	-	-	430,613
36	Distribution	-		-	-	-	-	970,455
37	General	-	-	-	-	-	-	233,266
38	Total Plant in Service	-	6,889	-	-	-	-	2,630,113
	ACCUMULATED DEPRECIATION/AMORT							
39	Intangible	-		-	-	-	-	(30,914)
40	Production	-	(95)	-	-	-	-	($351,720)
41	Transmission	-	-	-	-	-	-	(135,624)
42	Distribution	-		-	-	-	-	(295,383)
43	General	-	-	-	-	-	-	(80,093)
44	Total Accumulated Depreciation	-	(95)	-	-	-	-	(893,734)
45	NET PLANT	-	6,794	-	-	-	-	1,736,379
46	DEFERRED TAXES	-	(1,229)	-	-	-	-	(355,130)
47	EDFIT							
48	Net Plant After DFIT	-	5,565	-	-	-	-	1,381,249
49	DEFERRED DEBITS AND CREDITS & OTHER	(5,346)	-	-	-	-	-	(778)
50	WORKING CAPITAL	-	-	-	-	-	-	62,474
51	TOTAL RATE BASE	(5,346)	$5,565	$0	$0	$0	$0	1,442,945
52	RATE OF RETURN							
53	REVENUE REQUIREMENT	(2,252)	687	(1,036)	-	364	558	197
								Pro Forma Non-Energy
								0.04%

WASHINGTON ELECTRIC RESULTS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

TCJA ADJUSTMENTS

Ln No.	DESCRIPTION	Contested Pro Forma Power Supply & Transm Revs	Pro Forma Including PS Total	New Restate Test Period Tax Expense	New Apply Excess Deferred Taxes	New TCJA Deferral Amort.	New Update Gross-Up Factor	Pro Forma Including TCJA Total
	Adjustment Number	4.00	PF-Ttl	TCJA-1	TCJA-2	TCJA-3	TCJA-4	Ttl TCJA
	Workpaper Reference	E-PPS						
	REVENUES							
1	Total General Business	$0	$491,188	$0	$0	$0	$0	$491,188
2	Interdepartmental Sales	-	946	-	-	-	-	946
3	Sales for Resale	-	57,325	-	-	-	-	57,325
4	Total Sales of Electricity	-	549,459	-	-	-	-	549,459
5	Other Revenue	-	13,300	-	-	-	-	13,300
6	Total Electric Revenue	-	562,759	-	-	-	-	562,759
	EXPENSES							
	Production and Transmission		-					-
7	Operating Expenses	-	135,284	-	-	-	-	135,284
8	Purchased Power	-	77,131	-	-	-	-	77,131
9	Depreciation/Amortization	-	26,806	-	-	-	-	26,806
10	Regulatory Amortization		3,312					3,312
11	Taxes	-	16,568	-	-	-	-	16,568
12	Total Production & Transmission	-	259,101	-	-	-	-	259,101
	Distribution							
13	Operating Expenses	-	22,200	-	-	-	-	22,200
14	Depreciation/Amortization	-	26,944	-	-	-	-	26,944
15	Regulatory Amortization	-	-	-	-	-	-	-
16	Taxes	-	27,784	-	-	-	-	27,784
17	Total Distribution	-	76,928	-	-	-	-	76,928
18	Customer Accounting	-	13,143	-	-	-	-	13,143
19	Customer Service & Information	-	1,417	-	-	-	-	1,417
20	Sales Expenses	-	-	-	-	-	-	-
	Administrative & General							
21	Operating Expenses	-	50,024	-	-	-	-	50,024
22	Depreciation/Amortization	-	23,877	-	-	-	-	23,877
23	Taxes	-	-	-	-	-	-	-
24	Total Admin. & General	-	73,901	-	-	-	-	73,901
25	Total Electric Expenses	-	424,491	-	-	-	-	424,491
26	OPERATING INCOME BEFORE FIT	-	138,268	-	-	-	-	138,268
	FEDERAL INCOME TAX							
27	Current Accrual	-	(30,655)	7,105	-	-	-	(23,549)
28	Debt Interest	-	19	-	(23)	-	-	(4)
29	Deferred Income Taxes	-	67,191	(26,876)	-	-	-	40,315
30	Amortized ITC - Noxon	-	(326)	-	-	-	-	(326)
31	EDFIT Amortization			-	(4,891)	-	-	(4,891)
32	NET OPERATING INCOME	$0	102,039	19,771	4,914	-	-	126,724
	RATE BASE							
	PLANT IN SERVICE							
33	Intangible	$0	$156,057	$0	$0	$0	$0	$156,057
34	Production	-	839,722	-	-	-	-	839,722
35	Transmission	-	430,613	-	-	-	-	430,613
36	Distribution	-	970,455	-	-	-	-	970,455
37	General	-	233,266	-	-	-	-	233,266
38	Total Plant in Service	-	2,630,113	-	-	-	-	2,630,113
	ACCUMULATED DEPRECIATION/AMORT							
39	Intangible	-	(30,914)	-	-	-	-	(30,914)
40	Production	-	($351,720)	-	-	-	-	($351,720)
41	Transmission	-	(135,624)	-	-	-	-	(135,624)
42	Distribution	-	(295,383)	-	-	-	-	(295,383)
43	General	-	(80,093)	-	-	-	-	(80,093)
44	Total Accumulated Depreciation	-	(893,734)	-	-	-	-	(893,734)
45	NET PLANT	-	1,736,379	-	-	-	-	1,736,379
46	DEFERRED TAXES	-	(355,130)	-	142,051	-	-	(213,079)
47	EDFIT				(139,606)			(139,606)
48	Net Plant After DFIT	-	1,381,249	-	2,445	-	-	1,383,694
49	DEFERRED DEBITS AND CREDITS & OTHER	-	(778)	-	-	-	-	(778)
50	WORKING CAPITAL	-	62,474	-	-	-	-	62,474
51	TOTAL RATE BASE	$0	1,442,945	$0	$2,445	$0	$0	1,445,390
52	RATE OF RETURN							
53	REVENUE REQUIREMENT	-	197	(26,263)	(6,297)	-	(35)	(32,398)
		ERM Power Supply Adj	Ttl Pro Forma w/ PS					Ttl TCJA
		0.00%	0.04%					-6.58%

RESULTS OF OPERATIONS
ELECTRIC FEDERAL INCOME TAXES
For Twelve Months Ended December 31, 2016
Average of Monthly Averages Basis

Report ID: **E-FIT-12A**

Ref/Basis		Description	FIT Expense Per Books System	FIT Expense Per Books Washington		TCJA Restated @ 21% Washington	Restating Adjustment	Aggregate Impact of Tax Rate Change on Other Restating and Pro Forma Adjustments: Restating And Pro Forma Adjustments	TCJA Restated @ 21% Washington	Restating Adjustment
		Calculation of Taxable Operating Income:								
E-OPS		Operating Revenue	1,004,897,629	677,111,810		677,111,810	0			
E-OPS		Less: Operating & Maintenance Expense	576,763,079	383,246,351		383,246,351	0			
E-OPS		Less: Book Deprec/Amort and Reg Amortizations	122,747,970	82,776,635		82,776,635	0			
E-OTX		Less: Taxes Other than FIT	74,725,030	60,161,435		60,161,435	0			
		Net Operating Income Before FIT	230,661,550	150,927,389		150,927,389	0			
E-INT		Less: Interest Expense	59,274,235	39,301,995		39,301,995	0			
E-OPS		Less: Colstrip 3 AFUDC Reallocation Adj	0	(141,072)		(141,072)	0			
E-SCM		Plus: Schedule M Adjustments	(233,451,329)	(148,532,251)		(148,532,251)	0			
		Taxable Net Operating Income	(62,064,014)	(36,765,785)		(36,765,785)	0			
		Tax Rate	35.00%	35.00%		21.00%	-14.00%	35.00%	21.00%	-14.00%
		Total Federal Income Tax	(21,722,405)	(12,868,025)		(7,720,815)	5,147,210	(4,894,917)	(2,936,950)	1,957,967
1		Production Tax Credit	(166,883)	(109,692)		(109,692)	0	0	0	0
1		Investment Tax Credit - Noxon *	(19,418,459)	(12,763,753)		(12,763,753)	0	0	0	0
		Total Net Federal Income Tax	(41,307,747)	(25,741,470)		(20,594,260)	5,147,210	(4,894,917)	(2,936,950)	1,957,967
E-DTE		Deferred FIT	103,899,953	66,436,097	(a)	39,861,658	(26,574,439)	755,000	453,000	(302,000)
1	411400	Amortized Investment Tax Credit - Noxon	(494,274)	(324,886)		(324,886)	0	0	0	0
		Total Net FIT/Deferred FIT	62,097,932	40,369,741		18,942,512	(21,427,229)	(4,139,917)	(2,483,950)	1,655,967

ALLOCATION RATIOS:

E-ALL	1	Production/Transmission Ratio	100.000%	65.730%
E-ALL	99	Not Allocated	0.000%	0.000%

* Deferred taxes are in Deferred FIT balance

EFFECTIVE TAX RATE **0.3623** **0.3617**

(a) Deferred FIT calculated by dividing the $66.4 million Deferred FIT amount by the old 35% tax rate and multiplying by the new 21% tax rate.

Notes:
1) This part of the adjustment isolates the impact of the tax change on the other restating and proforma adjustments. In Tab 4, the impact of the rate change can optionally be applied to each adjustment separately, as a check.
2) Includes debt interest deduction

RESULTS OF OPERATIONS Report ID: AVISTA UTILITIES

ELECTRIC SCHEDULE M ITEMS E-SCM

For Twelve Months Ended December 31, 2016

Average of Monthly Averages Basis

Ref/Basis		Description	SYSTEM Direct	SYSTEM Allocated	SYSTEM Total	WASHINGTON Direct	WASHINGTON Allocated	WASHINGTON Total
	997000	Book Depreciation & Amortization	46,718,535	72,688,641	119,407,176	30,020,487	48,587,290	78,607,777
12	997001	Contributions In Aid of Construction	0	4,975,372	4,975,372	0	3,284,641	3,284,641
2	997002	Injuries and Damages	0	19,890	19,890	0	13,061	13,061
12	997003	Salvage	0	0	0	0	0	0
99	997004	Boulder Park Write Off	(112,280)	0	(112,280)	0	0	0
4	997005	FAS106 Current Retiree Medical Accr	0	2,392,390	2,392,390	0	1,633,285	1,633,285
99	997007	Idaho PCA	2,409,218	0	2,409,218	0	0	0
4	997008	Idaho DSM Book Amortization	0	0	0	0	0	0
1	997009	Rathdrum Turbine Lease	0	0	0	0	0	0
4	997015	Airplane Lease Payments	0	621,725	621,725	0	424,452	424,452
12	997016	Redemption Expense Amortization	0	1,273,551	1,273,551	0	840,773	840,773
99	997017	Amort - Invest in Exch Pwr (405.92,.9	2,450,031	0	2,450,031	2,450,031	0	2,450,031
4	997018	DSM Tariff Rider	(13,142,441)	0	(13,142,441)	(7,628,074)	0	(7,628,074)
99	997019	CSS Temporary Service Fees	0	0	0	0	0	0
4	997020	FAS87 Current Pension Accrual	0	1,499,678	1,499,678	0	1,023,830	1,023,830
99	997021	Wartsilla Generators Amortization	0	0	0	0	0	0
99	997024	Kettle Falls Disallowance	(134,592)	0	(134,592)	(134,592)	0	(134,592)
2	997027	Uncollectibles	0	0	0	0	0	0
99	997028	RTO Funding Amortization	0	0	0	0	0	0
4	997029	FAS106 Post Retirement Benefits	0	0	0	0	0	0
99	997031	Decoupling Mechanism	(17,391,414)	0	(17,391,414)	(11,366,615)	0	(11,366,615)
12	997032	Interest Rate Swaps	0	(37,747,008)	(37,747,008)	0	(24,919,820)	(24,919,820)
4	997033	BPA Residential Exchange	239,001	0	239,001	167,169	0	167,169
99	997034	Montana Hydro Settlement	947,097	0	947,097	676,584	0	676,584
1	997041	Rathdrum Turbine Lease, Tax	0	(287,728)	(287,728)	0	(189,124)	(189,124)
99	997043	Washington Deferred Power Costs	2,898,974	0	2,898,974	2,898,974	0	2,898,974
1	997044	Non-Monetary Power Costs	0	21,358	21,358	0	14,039	14,039
1	997045	Section 199 Manufacturing Deduction	0	0	0	0	0	0
99	997046	Nez Perce Settlement	(16,796)	0	(16,796)	(22,008)	0	(22,008)
99	997047	Clark Fork Preventive Maint. Exp (PM	0	0	0	0	0	0
12	997048	AFUDC	0	(3,962,498)	(3,962,498)	0	(2,615,962)	(2,615,962)
11	997049	Tax Depreciation	0	(292,025,312)	(292,025,312)	0	(190,199,006)	(190,199,006)
99	997050	CS2 Levelized Return	0	0	0	0	0	0
99	997051	Wind Generation AFUDC - ID	0	0	0	0	0	0
1	997052	Noxon Spill	0	0	0	0	0	0
4	997053	Renewable Energy Cert Fees	0	21,750	21,750	0	14,849	14,849
99	997054	Spokane River Relicensing	78,736	0	78,736	72,939	0	72,939
99	997058	Colstrip Settlement	(199,983)	0	(199,983)	0	0	0

RESULTS OF OPERATIONS Report ID: AVISTA UTILITIES

ELECTRIC SCHEDULE M ITEMS E-SCM

For Twelve Months Ended December 31, 2016

Average of Monthly Averages Basis

Ref/Basis		Description	SYSTEM Direct	SYSTEM Allocated	SYSTEM Total	WASHINGTON Direct	WASHINGTON Allocated	WASHINGTON Total
99	997059	Spokane River Relicensing PME	73,312	0	73,312	46,316	0	46,316
1	997061	CDA Fund Settlement	0	0	0	0	0	0
4	997062	Gain on Sale of Office Bldg	0	0	0	0	0	0
1	997063	CDA Lake Settlement	183,093	884,086	1,067,179	152,118	581,110	733,228
99	997064	Chicago Climate Exchange	0	0	0	0	0	0
99	997065	Amortization - Unbilled Revenue Add-	789,058	0	789,058	786,607	0	786,607
1	997067	CDA IPA Fund	0	0	0	0	0	0
1	997068	Noxon	0	0	0	0	0	0
1	997069	Lancaster Deferral	0	0	0	0	0	0
1	997072	CDA Fund Settlement-Prepayment	0	0	0	0	0	0
99	997073	DSIT Amortization - ID	0	0	0	0	0	0
11	997080	Book Transportation Depreciation	0	8,605,036	8,605,036	0	5,604,546	5,604,546
4	997081	Deferred Compensation	0	(236,499)	(236,499)	0	(161,458)	(161,458)
4	997082	Meal Disallowances	0	477,163	477,163	0	325,759	325,759
4	997083	Paid Time Off	0	239,879	239,879	0	163,765	163,765
2	997084	Customer Uncollectibles	0	351,025	351,025	0	230,497	230,497
99	997088	Deferred O&M Colstrip & CS2	2,151,630	0	2,151,630	1,102,752	0	1,102,752
99	997089	CNC Transmission	0	0	0	0	0	0
99	997091	LIDAR O&M Reg Def DFIT	0	0	0	0	0	0
99	997092	Smart Grid	0	0	0	0	0	0
99	997093	EWEB Renewable Energy Credits	0	0	0	0	0	0
99	997094	Palouse Wind & Thornton	0	0	0	0	0	0
99	997095	WA REC Deferral	(609,868)	0	(609,868)	(609,868)	0	(609,868)
1	997096	CDA Settlement Costs	0	32,721	32,721	0	21,508	21,508
99	997097	BPA Parallel Capacity	0	0	0	0	0	0
99	997098	Provision for Rate Refund	(1,163,062)	0	(1,163,062)	(178,023)	0	(178,023)
1	997099	Kettle Falls Diesel Leak	0	139,960	139,960	0	91,996	91,996
99	997100	WA REC Amort	32,055	0	32,055	32,055	0	32,055
1	997101	Repairs 481 (a)	0	(18,347,070)	(18,347,070)	0	(12,059,529)	(12,059,529)
1	997102	Amort Idaho Earnings Test (254229)	(2,365,951)	0	(2,365,951)	0	0	0
99	997103	Def Project Compass	668,590	0	668,590	0	0	0
99	997104	Spokane River TDG	407,618	0	407,618	290,395	0	290,395
1	997106	Investment Tax Credit	0	0	0	0	0	0
		TOTAL SCHEDULE M ADJUSTMEN	23,834,353	(258,361,890)	(233,451,329)	18,757,247	(167,289,498)	(148,532,251)

RESULTS OF OPERATIONS Report ID: AVISTA UTILITIES
ELECTRIC SCHEDULE M ITEMS E-SCM
For Twelve Months Ended December 31, 2016
Average of Monthly Averages Basis

Ref/Basis		Description	SYSTEM Direct	SYSTEM Allocated	SYSTEM Total	WASHINGTON Direct	WASHINGTON Allocated	WASHINGTON Total
ALLOCATION RATIOS:								
E-ALL	1	Production/Transmission Ratio		100.000%			65.730%	
E-ALL	2	Number of Customers - AMA		100.000%			65.664%	
E-ALL	4	Jurisdictional 4-Factor Ratio		100.000%			68.270%	
E-ALL	11	Book Depreciation		100.000%			65.131%	
E-ALL	12	Net Electric Plant (before DFIT) - AMA		100.000%			66.018%	
E-ALL	99	Not Allocated		0.000%			0.000%	

RESULTS OF OPERATIONS Report ID: AVISTA UTILITIES

ELECTRIC DEFERRED INCOME TAX EXP E-DTE-

For Twelve Months Ended December 31, 2016

Average of Monthly Averages Basis

			SYSTEM			WASHINGTON			IDAHO		
Ref/Bas	Acct No	Description	Direct	Allocated	Total	Direct	Allocated	Total	Direct	Allocated	Total
14	410100	Deferred Federal Income Tax Expe	0	96,021,094	96,021,094	0	62,173,658	62,173,658	0	33,847,436	33,847,436
99	410100	Deferred Federal Income Tax Expe	5,406,102	0	5,406,102	5,406,102	0	5,406,102	0	0	0
99	410100	Deferred Federal Income Tax Expe	3,833,877	0	3,833,877	0	0	0	3,833,877	0	3,833,877
	410100	Total	9,239,979	96,021,094	105,261,073	5,406,102	62,173,658	67,579,760	3,833,877	33,847,436	37,681,313
14	411100	Deferred Federal Income Tax Expe	0	(213,391)	(213,391)	0	(138,171)	(138,171)	0	(75,220)	(75,220)
99	411100	Deferred Federal Income Tax Expe	(1,005,492)	0	(1,005,492)	(1,005,492)	0	(1,005,492)	0	0	0
99	411100	Deferred Federal Income Tax Expe	(142,237)	0	(142,237)	0	0	0	(142,237)	0	(142,237)
	411100	Total	(1,147,729)	(213,391)	(1,361,120)	(1,005,492)	(138,171)	(1,143,663)	(142,237)	(75,220)	(217,457)
		Total Deferred Federal Income Tax Expense	8,092,250	95,807,703	103,899,953	4,400,610	62,035,487	66,436,097	3,691,640	33,772,216	37,463,856

			System	Washington	Idaho
E-ALL	14	Net Allocated Schedule M's - AMA	100.000%	64.750%	35.250%
E-ALL	99	Not Allocated	0.000%	0.000%	0.000%

Avista Corporation, Electric Services
Calculation of Excess Deferred Federal Income Tax ("EDFIT") Reserve and Amortization
Using the Alternative Method ($000)

	ADIT Book/Tax Difference	Per Books ADIT @ 35% Rate	Com. Basis Adjusted ADIT @ 35% Rate	Reverse Old Gross Up Rate	Cum. Book/Tax Diffrnce Amount	Apply New Gross-Up Rate	TCJA ADIT @ 21% Rate	Reserve for EDFIT	Amort. Rate*		EDFIT Amort.
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)		(i)
		Per ROO	See Tab 6b		= (b) / (c)		= (d) * (e)	= (b) - (f)	See notes		= (g) * (h)
	ADFIT - Colstrip PCB (283200)	(67)	(67)	35%	(192)	21%	(40)	(27)	6%	(a)	(2)
1	ADFIT - Electric Plant In Service (282900)	(312,064)				21%	-	-			
2	Intangible		(5,471)	35%	(15,633)	21%	(3,283)	(2,189)	20.00%	(b)	(438)
3	Production		(109,845)	35%	(313,842)	21%	(65,907)	(43,938)	2.24%	(c)	(986)
4	Transmission		(56,795)	35%	(162,270)	21%	(34,077)	(22,718)	1.83%	|	(416)
5	Distribution		(130,743)	35%	(373,552)	21%	(78,446)	(52,297)	2.92%	|	(1,527)
6	General Utility (Direct)		(8,404)	35%	(24,013)	21%	(5,043)	(3,362)	3.81%	|	(128)
7	ADFIT - Common Plant (282900 from C-DTX)	(32,392)	(32,043)	35%	(91,551)	21%	(19,226)	(12,817)	8.43%	|	(1,080)
8	ADFIT - Common Plant (283750 from C-DTX)	(753)	(350)	35%	(999)	21%	(210)	(140)	8.43%	/	(12)
9	ADFIT - CDA Lake Settlement - Allocated (283382)	(7,636)	(7,636)	35%	(21,816)	21%	(4,581)	(3,054)	2.35%	(d)	(72)
10	ADFIT - CDA Settlement Costs (283333)	254	254	35%	726	21%	153	102	2.35%	/	2
11	ADFIT - Electric portion of Bond Redemptions (28385	(2,047)	(2,047)	35%	(5,848)	21%	(1,228)	(819)	20.00%	(e)	(164)
12	AFUDC - CWIP Intangibles		(753)	35%	(2,152)	21%	(452)	(301)	20.00%	(f)	(60)
13	**Total ADIT (Restated)**	**(354,705)**	**(353,899)**		**(1,011,141)**		**(212,340)**	**(141,560)**			**(4,881)**
	Check	2	2								
		T/A: Tab 3, E-ROO	T/A: Tab 3,R-Ttl								
14	Pro-Forma Plant (Little Falls)		(1,229)	35%	(3,511)	21%	(737)	(492)	1.87%	(g)	(9.19)
15	**Total (Pro Forma)**		**(355,128)**		**(1,014,653)**		**(213,077)**	**(142,051.361)**			**(4,890.642)**
	Check		2								
			T/A: Tab 3, PF-Ttl								

(a) Amortize over remaining life span estimate for Colstrip Units 3 and 4 of 2034 and 2035 respectively (approximately 17.5 years)
(b) Assume 5-year life as used by the Company for software in its post-test period pro forma capital adjustment
(c) Composite depreciation rate from depreciation study.
(d) Amortize over Post Falls remaining life through 2060 (approximately 42.5 years)
(e) Bond life unknonwn, estimated to reverse over five years
(f) Composite rate for intangibles from depreciation study
(g) Composite rate for hydro from depreciation study

AVISTA UTILITIES
Electric Accumulated Deferred Taxes
Average - Twelve Months Ended December 31, 2016

		Alloc Basis	Electric System	Washington	Idaho
ACCELERATED TAX DEPRECIATION					
Electric	Intangible	1	(8,324,201)	(5,471,497)	(2,852,704)
	Production	1	(167,114,787)	(109,844,549)	(57,270,238)
	Transmission	1	(86,405,995)	(56,794,661)	(29,611,334)
	Distribution	10	(198,236,675)	(130,743,034)	(67,493,641)
	General Utility (Direct)	13	(12,614,123)	(8,404,412)	(4,209,711)
General/Intangible	CD AA	4	(46,935,380)	(32,042,784)	(14,892,596)
General/Intangible	CD AN	4	(512,045)	(349,573)	(162,472)
Subtotal			(520,143,206)	(343,650,510)	(176,492,696)
CDA Lake CDR Fund		1	0	0	0
CDA Lake IPA Fund		1	0	0	0
CDA Lake Settlement		1	(11,616,517)	(7,635,537)	(3,980,980)
CDA Lake Settlement-Costs		1	386,765	254,221	132,544
Subtotal			(11,229,752)	(7,381,316)	(3,848,436)
Total Plant DFIT			(531,372,957)	(351,031,826)	(180,341,131)
Colstrip PCB - Elec		1	(102,294)	(67,238)	(35,056)
AFUDC - CWIP Intangibles		4	(1,103,509)	(753,365)	(350,143)
FMB & MTN Redeemed		12	(3,100,627)	(2,046,972)	(1,053,655)
Total Other Deferred FIT			(4,306,430)	(2,867,576)	(1,438,855)
Total Deferred FIT		I	(535,679,388)	(353,899,402)	(181,779,986)
				K	
Amount at 12/31/2016 AMA			(535,679,394)	(354,705,553)	(180,973,841)
Adjustment			6	806,151	(806,145)

Allocation Notes:				
Production/Transmission	1	100.000%	65.730%	34.270%
Jurisdictional four-factor	4	100.000%	68.270%	31.730%
Net electric distribution plant - AMA	10	100.000%	65.953%	34.047%
Net electric plant - AMA	12	100.000%	66.018%	33.982%
Net electric general plant - AMA	13	100.000%	66.627%	33.373%
Direct	D			

Source of Allocation Factors: Results of Operations Report E-ALL-12A
Source of Allocation Factors: Results of Operations Report E-PLT-12A

Avista Corporation, Electric Services
Calculation of the Deferral Related to Excess Taxes Collected in Rates over the Period January 1, 2018 through April 30, 2018
($000)

Line						
1	**Restating Adjustment Calculation Using :**					
2	Rate Base	UE-150204, Order 05, Table A2	1,315,891			
3	Equity %	UE-150204 May 1, 2015 Stipulation	48.50%			
4	Equity Portion of Rate Base	Line 2 * Line 3	638,207			
5	Return On Equity	UE-150204 May 1, 2015 Stipulation	9.50%			
6	Pretax Return On Equity (35% Rate)	Line 5 * (1 - 35%)	14.62%			
7	Pretax Equity Returns Required (35% Rate)	Line 4 * Line 5	93,276.43			
8	Pretax Return on Equity (21% Rate)	Line 7 * (1 - 21%)	12.03%			
9	Pretax Equity Return (21% Rate)	Line * Line 7	76,746.43			
10	**Annual Equity Return Differential (35% to 21% Rate)**	Line 9 * Line	**(16,530.000)**			
11	**Monthly Deferral Calculation**		**1/1/2018**	**2/1/2018**	**3/1/2018**	**4/1/2018**
12	Monthly Return Diff. at Restated 21 % Tax Rate	Line 10 / 12	1,377	1,377	1,377	1,377
13	Monthly EDFIT Amortization	Tab 6a	408	408	408	408
14	Monthly EDFIT Amortization (Pretax)	Line 13 / (1-21%)	516	516	516	516
15	Total Deferred Amounts	Line 13 + Line 14	1,785	1,785	1,785	1,785
16	Carrying Charge (Per Mo. at Pre-tax ROR)		3.14%	3.14%	3.14%	3.14%
17	Balance					
18	Beginning Balance		-	1,785	3,570	5,355
19	Deferral	Line 15	1,785	1,785	1,785	1,785
20	Interest	Line 16 * (Line 17 + Line 18 / 2)	28	84	140	196
21	Ending Balance	∑ Lines 18:20	1,785	3,570	5,355	7,140

Avista Corporation, Electric Services
Amortization of the Deferral for Excess Taxes Collected in Rates Over the Period January 1, 2018 through April 30, 2018
($000)

Month	Beg Balance	Amortization	Interest Rate	Interest	Ending Balance	
5/1/2018	7,140	**(457)**	3.14%	253	6,937	
6/1/2018	6,937	*(457)*	3.14%	247	6,726	
7/1/2018	6,726	*(457)*	3.14%	240	6,510	
8/1/2018	6,510	*(457)*	3.14%	233	6,286	
9/1/2018	6,286	*(457)*	3.14%	226	6,056	
10/1/2018	6,056	*(457)*	3.14%	219	5,818	
11/1/2018	5,818	*(457)*	3.14%	212	5,573	
12/1/2018	5,573	*(457)*	3.14%	204	5,320	
1/1/2019	5,320	*(457)*	3.14%	196	5,059	
2/1/2019	5,059	*(457)*	3.14%	188	4,790	
3/1/2019	4,790	*(457)*	3.14%	179	4,512	
4/1/2019	4,512	*(457)*	3.14%	171	4,226	
5/1/2019	4,226	*(457)*	3.14%	162	3,930	
6/1/2019	3,930	*(457)*	3.14%	152	3,626	
7/1/2019	3,626	*(457)*	3.14%	143	3,312	
8/1/2019	3,312	*(457)*	3.14%	133	2,988	
9/1/2019	2,988	*(457)*	3.14%	123	2,653	
10/1/2019	2,653	*(457)*	3.14%	112	2,309	
11/1/2019	2,309	*(457)*	3.14%	101	1,953	
12/1/2019	1,953	*(457)*	3.14%	90	1,586	
1/1/2020	1,586	*(457)*	3.14%	79	1,208	
2/1/2020	1,208	*(457)*	3.14%	67	818	
3/1/2020	818	*(457)*	3.14%	54	415	
4/1/2020	415	*(457)*	3.14%	42	0	<-Goal Seek to Zero

Annual Amortization: **(5,483)**

Attachment Bench Request 01-2
Dockets UE-170485/UG-170486
Witness: Bradley G. Mullins

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION Complainant, v. AVISTA CORPORATION d/b/a AVISTA UTILITIES Respondent.	DOCKETS UE-170485 and UG-170486 (*Consolidated*) **ICNU-NWIGU RESPONSE TO BENCH REQUEST NO. 1** **ATTACHMENT BENCH REQUEST 01-2**

GAS TRADITIONAL REVENUE REQUIREMENT CALCULATIONS

(UPDATED FOR THE TAX CUTS AND JOBS ACT)

Gas Revenue Requirement Summary ($000)

Line	Adj. No.	Description	Company Filing (Rev. Req. at ICNU ROR) Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	NWIGU Proposed Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)
1	**1.00**	**Per Book Results (Y/E Dec. 2016)**	**23,458**	**287,787**	**(4,977)**	**23,458**	**287,787**	**(4,977)**
Restating Adjustments:								
2	1.01	Deferred FIT Rate Base	(3)	(325)	(32)	(3)	(325)	(32)
3	1.02	Deferred Debits and Credits	(1)	-	2	(1)	-	2
4	1.03	Working Capital	(9)	(864)	(85)	(9)	(864)	(85)
5	2.01	Eliminate B & O Taxes	(21)	-	34	(21)	-	34
6	2.02	Restate Property Tax	(244)	-	394	(244)	-	394
7	2.03	Uncollectible Expense	384	-	(619)	384	-	(619)
8	2.04	Regulatory Expense	2	-	(3)	2	-	(3)
9	2.05	Injuries & Damages	(49)	-	80	(49)	-	80
10	2.06	FIT / DFIT Expense	-	-	-	-	-	-
11	2.07	Office Space Charges to Subs	6	-	(9)	6	-	(9)
12	2.08	Restate Excise Taxes	(1)	-	2	(1)	-	2
13	2.09	Net Gains & Losses	8	-	(14)	8	-	(14)
14	2.10	Weather Normalization / Gas Cost Adjust	(3)	-	4	(3)	-	4
15	2.11	Eliminate Adder Schedules	(310)	-	501	(310)	-	501
16	2.12	Misc. Restating Non-Util / Non- Recurring Expenses	205	-	(331)	205	-	(331)
17	2.13	Project Compass Deferral	(701)	-	1,132	(701)	-	1,132
18	2.14	Restating Incentives	118	-	(190)	118	-	(190)
19	2.15	Restate Debt Interest	171	-	(276)	13	-	(20)
20		**Restated Results**	**23,009**	**286,598**	**(4,387)**	**22,850**	**286,598**	**(4,131)**
Pro Forma Adjustments								
21	3.01	Pro Forma Atmospheric Testing & Leak Survey	(226)	-	365	(226)	-	365
22	3.02	Pro Forma Labor Non-Exec	(568)	-	917	(371)	-	599
23	3.03	Pro Forma Labor Exec	7	-	(10)	7	-	(10)
24	3.04	Pro Forma Employee Benefits	114	-	(185)	114	-	(185)
25	3.05	Pro Forma Incentive Adjustment	(22)	-	36	(22)	-	36
26	3.06	Pro Forma Property Tax	(309)	-	500	(309)	-	500
27	3.07	Pro Forma IS/IT Expense	(131)	-	211	(131)	-	211
28	3.08	Pro Forma Revenue Normalization	(599)	-	968	(599)	-	968
29	3.09	Pro Forma Regulatory Amortization	701	-	(1,132)	701	-	(1,132)
30	3.10	Pro Forma 2017 Threshhold Capital Adds	(848)	17,841	3,409	(115)	11,745	1,527
31	3.11	Pro Forma O&M Offsets	21	-	(34)	21	-	(34)
32	3.12	Pro Forma Director Fees Expense	(70)	-	113	-	-	-
33	3.13	Pro Forma Leap Deferral Gas Line Ext.	(365)	1,474	757	(365)	1,474	757
34		**Pro Forma Results (Traditional Rev. Req.)**	**20,712**	**305,913**	**1,527**	**21,555**	**299,817**	**(530)**
Tax Cuts And Jobs Act Adjustments								
35	TCJA-1	Restate Tax Expense in Results	-	-	-	3,178	-	(4,213)
36	TCJA-2	Excess Deferred Taxes	-	-	-	1,071	533	(1,370)
37	TCJA-3	TCJA Deferral (Jan - Apr 2018)	-	-	-	-	-	-
38	TCJA-4	Update Conversion Factor	-	-	-	-	-	94
39		**TCJA Pro Forma Results**	**20,712**	**305,913**	**1,527**	**25,805**	**300,350**	**(6,020)**

Gas Revenue Requirement Summary ($000)

Line	Adj. No.	Description	Impact of NWIGU Adjustments: Pre-Tax Net Oper. Income	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	NWIGU Position
1	**1.00**	**Per Book Results (Y/E Dec. 2016)**					
Restating Adjustments:							
2	1.01	Deferred FIT Rate Base	-	-	-	-	Neutral
3	1.02	Deferred Debits and Credits	-	-	-	-	Neutral
4	1.03	Working Capital	-	-	-	-	Neutral
5	2.01	Eliminate B & O Taxes	-	-	-	-	Neutral
6	2.02	Restate Property Tax	-	-	-	-	Neutral
7	2.03	Uncollectible Expense	-	-	-	-	Neutral
8	2.04	Regulatory Expense	-	-	-	-	Neutral
9	2.05	Injuries & Damages	-	-	-	-	Neutral
10	2.06	FIT / DFIT Expense	-	-	-	-	Neutral
11	2.07	Office Space Charges to Subs	-	-	-	-	Neutral
12	2.08	Restate Excise Taxes	-	-	-	-	Neutral
13	2.09	Net Gains & Losses	-	-	-	-	Neutral
14	2.10	Weather Normalization / Gas Cost Adjust	-	-	-	-	Neutral
15	2.11	Eliminate Adder Schedules	-	-	-	-	Neutral
16	2.12	Misc. Restating Non-Util / Non- Recurring Expenses	-	-	-	-	Neutral
17	2.13	Project Compass Deferral	-	-	-	-	Neutral
18	2.14	Restating Incentives	-	-	-	-	Neutral
19	2.15	Restate Debt Interest	-	(158)	-	256	Update (Cost of Debt)
20		**Restated Results**	**-**	**(158)**	**-**	**256**	
Pro Forma Adjustments							
21	3.01	Pro Forma Atmospheric Testing & Leak Survey	-	-	-	-	Neutral
22	3.02	Pro Forma Labor Non-Exec	304	197	-	(319)	Oppose
23	3.03	Pro Forma Labor Exec	-	-	-	-	Neutral
24	3.04	Pro Forma Employee Benefits	-	-	-	-	Neutral
25	3.05	Pro Forma Incentive Adjustment	-	-	-	-	Neutral
26	3.06	Pro Forma Property Tax	-	-	-	-	Neutral
27	3.07	Pro Forma IS/IT Expense	-	-	-	-	Neutral
28	3.08	Pro Forma Revenue Normalization	-	-	-	-	Neutral
29	3.09	Pro Forma Regulatory Amortization	-	-	-	-	Neutral
30	3.10	Pro Forma 2017 Threshhold Capital Adds	1,217	734	(6,096)	(1,882)	Oppose
31	3.11	Pro Forma O&M Offsets	-	-	-	-	Neutral
32	3.12	Pro Forma Director Fees Expense	108	70	-	(113)	Oppose
33	3.13	Pro Forma Leap Deferral Gas Line Ext.	-	-	-	-	Neutral
34		**Pro Forma Results (Traditional Rev. Req.)**	**1,629**	**843**	**(6,096)**	**(2,058)**	
Tax Cuts And Jobs Act Adjustments							
35	TCJA-1	Restate Tax Expense in Results	-	3,178.212	-	(4,213.330)	New
36	TCJA-2	Excess Deferred Taxes	-	1,071.223	533.111	(1,370.074)	New
37	TCJA-3	TCJA Deferral (Jan - Apr 2018)	-	-	-	-	New
38	TCJA-4	Update Conversion Factor	-	-	-	94	New
39		**TCJA Pro Forma Results**	**1,629**	**5,092**	**(5,563)**	**(8,857)**	

CALCULATION OF TRADITIONAL PRO FORMA STUDY REVENUE REQUIREMENT
WASHINGTON NATURAL GAS
TWELVE MONTHS ENDED DECEMBER 31, 2016

Line No.	Description		Per Traditional Pro Forma Study May 1, 2018 (000's of Dollars)
1	Pro Forma Rate Base	$	300,350
2	Proposed Rate of Return		7.08%
3	Net Operating Income Requirement		$21,265
4	Pro Forma Net Operating Income	$	25,805
5	Net Operating Income Deficiency		($4,540)
6	Conversion Factor		0.754323
7	Revenue Requirement - 2016		**($6,020)**
8	Total Base Distribution Revenues*	$	88,832
9	Percentage Base Distribution Revenue Increase		**-6.78%**
10	Total Present Billed Revenue	$	152,089
11	Percentage Billed Revenue Increase		**-3.96%**

* Line 8 "Total General Business Revenues" includes special contract transportation revenues.

TRADITIONAL PRO FORMA COST OF CAPITAL
WASHINGTON NATURAL GAS

Capital Structure

Component	Capital Structure	Cost	Weighted Cost
Total Debt	51.6%	5.19%	2.68%
Common Equity	48.4%	9.10%	4.40%
Total	100.00%		7.08%

REVENUE CONVERSION FACTOR
WASHINGTON NATURAL GAS
TWELVE MONTHS ENDED DECEMBER 31, 2016

Line No.	Description	Factor	TCJA Factor
1	**Revenues**	1.000000	1.000000
	Expense:		
2	Uncollectibles	0.004827	0.004827
3	Commission Fees	0.002000	0.002000
4	Washington Excise Tax	0.038334	0.038334
6	Total Expense	0.045161	0.045161
7	Net Operating Income Before FIT	0.954839	0.954839
8	Federal Income Tax @ 35%, .21%	0.334194	0.200516
9	REVENUE CONVERSION FACTOR	0.620645	0.754323

WASHINGTON NATURAL GAS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

ACTUAL RESULTS **RESTATING ADJUSTMENTS**

Line No.	DESCRIPTION	Per Results Report	Deferred FIT Rate Base	Deferred Debits and Credits	Working Capital	Eliminate B & O Taxes	Restate Property Tax	Uncollectible Expense	Regulatory Expense	Injuries & Damages	FIT / DFIT Expense
	Adjsutment Number	1.00	1.01	1.02	1.03	2.01	2.02	2.03	2.04	2.05	2.06
	Workpaper Reference	G-ROO	G-DFIT	G-DDC	G-WC	G-EBO	G-RPT	G-UE	G-RE	G-ID	G-FIT
	REVENUES										
1	Total General Business	$ 146,098	$ -	$ -	$ -	$ (5,097)	$ -	$ -	$ -	$ -	$ -
2	Total Transportation	4,595	-	-	-	(118)	-	-	-	-	-
3	Other Revenues	69,723	-	-	-	-	-	-	-	-	-
4	Total Gas Revenues	220,416	-	-	-	(5,215)	-	-	-	-	-
	EXPENSES										
	Production Expenses										
5	City Gate Purchases	112,605	-	-	-	-	-	-	-	-	-
6	Purchased Gas Expense	988	-	-	-	-	-	-	-	-	-
7	Net Nat Gas Storage Trans	2,932	-	-	-	-	-	-	-	-	-
8	Total Production	116,525	-	-	-	-	-	-	-	-	-
	Underground Storage										
9	Operating Expenses	974	-	-	-	-	-	-	-	-	-
10	Depreciation/Amortization	492	-	-	-	-	-	-	-	-	-
11	Taxes	210	-	-	-	-	-	-	-	-	-
12	Total Underground Storage	1,676	-	-	-	-	-	-	-	-	-
	Distribution										
13	Operating Expenses	12,049	-	-	-	-	-	-	-	-	-
14	Depreciation/Amortization	9,866	-	-	-	-	-	-	-	-	-
15	Taxes	12,807	-	-	-	(5,183)	375	-	-	-	-
16	Total Distribution	34,722	-	-	-	(5,183)	375	-	-	-	-
17	Customer Accounting	7,352	-	2	-	-		(590)	-	-	-
18	Customer Service & Information	7,595	-	-	-	-	-	-	-	-	-
19	Sales Expenses	-	-	-	-	-	-	-	-	-	-
	Administrative & General										
20	Operating Expenses	13,763	-	-	-	-	-	-	(3)	76	-
21	Depreciation/Amortization	6,260	-	-	-	-	-	-	-	-	-
22	Regulatory Amortizations	-									
23	Taxes	-	-	-	-	-	-	-	-	-	-
24	Total Admin. & General	20,023	-	-	-	-	-	-	(3)	76	-
25	Total Gas Expense	187,893	-	2	-	(5,183)	375	(590)	(3)	76	-
26	OPERATING INCOME BEFORE FIT	32,523	-	(2)	-	(32)	(375)	590	3	(76)	-
	FEDERAL INCOME TAX										
27	Current Accrual	(841)	-	(1)	-	(11)	(131)	207	1	(27)	-
28	Debt Interest	-	3	-	8	-	-	-	-	-	-
29	Deferred FIT	9,923	-	-	-	-	-	-	-	-	-
30	EDFIT Amortization										
31	Amort ITC	(17)				-	-	-	-	-	-
32	NET OPERATING INCOME	$ 23,458	$ (3)	$ (1)	$ (8)	$ (21)	$ (244)	$ 384	$ 2	$ (49)	$ -
	RATE BASE										
	PLANT IN SERVICE										
33	Underground Storage	$ 26,868	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
34	Distribution Plant	390,508	-	-	-	-	-	-	-	-	-
35	General Plant	82,624	-	-	-	-	-	-	-	-	-
36	Total Plant in Service	500,000	-	-	-	-	-	-	-	-	-
	ACCUMULATED DEPRECIATION/AMORT										
37	Underground Storage	(10,317)	-	-	-	-	-	-	-	-	-
38	Distribution Plant	(129,098)	-	-	-	-	-	-	-	-	-
39	General Plant	(23,473)	-	-	-	-	-	-	-	-	-
40	Total Accumulated Depreciation/Amortization	(162,888)	-	-	-	-	-	-	-	-	-
41	NET PLANT	337,112	-	-	-	-	-	-	-	-	-
42	DEFERRED TAXES	(73,856)	(325)	-	-	-	-	-	-	-	-
43	EDFIT										
44	Net Plant After DFIT	263,256	(325)	-	-	-	-	-	-	-	-
45	GAS INVENTORY	9,116	-	-	-	-	-	-	-	-	-
46	GAIN ON SALE OF BUILDING	-	-	-	-	-	-	-	-	-	-
47	OTHER	(249)		-							
48	WORKING CAPITAL	15,664	-	-	(864)	-	-	-	-	-	-
49	**TOTAL RATE BASE**	**$ 287,787**	**$ (325)**	**$ -**	**$ (864)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
50	RATE OF RETURN	8.15%									
51	REVENUE REQUIREMENT	-4,967	-32	2	-86	34	393	-618	-3	80	0

WASHINGTON NATURAL GAS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Office Space Charges to Subs	Restate Excise Taxes	Net Gains & Losses	Weather Normalization / Gas Cost Adjust	Eliminate Adder Schedules	Misc. Restating Non-Util / Non-Recurring Expenses	Project Compass Deferral	Restating Incentives	Restate Debt Interest	Restated TOTAL
	Adjsutment Number	2.07	2.08	2.09	2.10	2.11	2.12	2.13	2.14	2.15	
	Workpaper Reference	G-OSC	G-RET	G-NGL	G-WNGC	G-EAS	G-MR	G-CD	G-RI	G-DI	R-Ttl
	REVENUES										
1	Total General Business	$ -	$ -	$ -	$ 11,209	$ (1,240)	$ -	$ -	$ -	$ -	$ 150,970
2	Total Transportation	-	-	-		-	-	-	-	-	4,477
3	Other Revenues	-	-	-	(5,427)	(63,276)	-	-	-	-	1,020
4	Total Gas Revenues	-	-	-	5,782	(64,516)	-	-	-	-	156,467
	EXPENSES										
	Production Expenses										
5	City Gate Purchases	-	-	-	5,274	(54,419)	-	-	-	-	63,460
6	Purchased Gas Expense	-	-	-	6	-	-	-	-	-	994
7	Net Nat Gas Storage Trans	-	-	-	-	(2,932)	-	-	-	-	-
8	Total Production	-	-	-	5,280	(57,351)	-	-	-	-	64,454
	Underground Storage										
9	Operating Expenses	-	-	-	-	-	-	-	-	-	974
10	Depreciation/Amortization	-	-	-	-	-	-	-	-	-	492
11	Taxes	-	-	-	-	-	-	-	-	-	210
12	Total Underground Storage	-	-	-	-	-	-	-	-	-	1,676
	Distribution										
13	Operating Expenses	-	-	-	-	-	1	-	-	-	12,050
14	Depreciation/Amortization	-	-	(13)	-	-	-	-	-	-	9,853
15	Taxes	-	2	-	430	(48)	-	-	-	-	8,383
16	Total Distribution	-	2	(13)	430	(48)	1	-	-	-	30,286
17	Customer Accounting	-	-	-	54	(6)	-	-	-	-	6,812
18	Customer Service & Information	-	-	-	-	(6,632)	-	-	-	-	963
19	Sales Expenses	-	-	-	-	-	-	-	-	-	-
	Administrative & General										-
20	Operating Expenses	(9)	-	-	22	(2)	(316)	-	(181)	-	13,350
21	Depreciation/Amortization	-	-	-			-	-	-	-	6,260
22	Regulatory Amortizations				-	-	-	1,079	-	-	1,079
23	Taxes	-	-	-	-	-	-	-	-	-	-
24	Total Admin. & General	(9)	-	-	22	(2)	(316)	1,079	(181)	-	20,689
25	Total Gas Expense	(9)	2	(13)	5,786	(64,039)	(315)	1,079	(181)	-	124,880
26	OPERATING INCOME BEFORE FIT	9	(2)	13	(4)	(477)	315	(1,079)	181	-	31,587
	FEDERAL INCOME TAX										
27	Current Accrual	3	(1)	5	(1)	(167)	110	(378)	63	40	(1,129)
28	Debt Interest	-	-	-	-	-	-	-	-		11
29	Deferred FIT	-	-	-	-	-	-	-	-	-	9,923
30	EDFIT Amortization										
31	Amort ITC	-	-	-	-	-	-	-	-	-	(17)
32	NET OPERATING INCOME	$ 6	$ (1)	$ 8	$ (3)	$ (310)	$ 205	$ (701)	$ 118	$ (40)	$ 22,798
	RATE BASE										
	PLANT IN SERVICE										
33	Underground Storage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,868
34	Distribution Plant	-	-	-	-	-	-	-	-	-	390,508
35	General Plant	-	-	-	-	-	-	-	-	-	82,624
36	Total Plant in Service	-	-	-	-	-	-	-	-	-	500,000
	ACCUMULATED DEPRECIATION/AMORT										
37	Underground Storage	-	-	-	-	-	-	-	-	-	(10,317)
38	Distribution Plant	-	-	-	-	-	-	-	-	-	(129,098)
39	General Plant	-	-	-	-	-	-	-	-	-	(23,473)
40	Total Accumulated Depreciation/Amortization	-	-	-	-	-	-	-	-	-	(162,888)
41	NET PLANT	-	-	-	-	-	-	-	-	-	337,112
42	DEFERRED TAXES	-	-	-	-	-	-	-	-	-	(74,181)
43	EDFIT										
44	Net Plant After DFIT	-	-	-	-	-	-	-	-	-	262,931
45	GAS INVENTORY	-	-	-	-	-	-	-	-	-	9,116
46	GAIN ON SALE OF BUILDING	-	-	-	-	-	-	-	-		-
47	OTHER										(249)
48	WORKING CAPITAL	-	-	-	-	-	-	-	-	-	14,800
49	**TOTAL RATE BASE**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 286,598
50	RATE OF RETURN										(1)
51	REVENUE REQUIREMENT	-9	2	-14	4	500	-330	1,130	-190	64	-4,040

WASHINGTON NATURAL GAS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

PRO FORMA ADJUSTMENTS

Line No.	DESCRIPTION	Pro Forma Atmospheric Testing & Leak Survey	Contested Pro Forma Labor Non-Exec	Pro Forma Labor Exec	Pro Forma Employee Benefits	Pro Forma Incentive Adjustment	Pro Forma Property Tax	Pro Forma IS/IT Expense	Pro Forma Revenue Normalization
	Adjsutment Number	3.01	3.02	3.03	3.04	3.05	3.06	3.07	3.08
	Workpaper Reference	G-PAT	G-PLN	G-PLE	G-PEB	G-PI	G-PPT	G-PIS	G-PREV
	REVENUES								
1	Total General Business	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (66,671)
2	Total Transportation	-	-	-	-	-	-	-	56
3	Other Revenues	-	-	-	-	-	-	-	(776)
4	Total Gas Revenues	-	-	-	-	-	-	-	(67,391)
	EXPENSES								
	Production Expenses								
5	City Gate Purchases	-	-	-	-	-	-	-	(63,460)
6	Purchased Gas Expense	-	16	-	(6)	-	-	-	-
7	Net Nat Gas Storage Trans	-	-	-	-	-	-	-	-
8	Total Production	-	16	-	(6)	-	-	-	(63,460)
	Underground Storage								
9	Operating Expenses	-	-	-	-	-	-	-	-
10	Depreciation/Amortization	-	-	-	-	-	-	-	-
11	Taxes	-	-	-	-	-	37	-	-
12	Total Underground Storage	-	-	-	-	-	37	-	-
	Distribution								
13	Operating Expenses	348	202		(76)	-	-	-	-
14	Depreciation/Amortization	-	-	-	-	-	-	-	-
15	Taxes	-	-	-	-	-	439	-	(2,554)
16	Total Distribution	348	202	-	(76)	-	439	-	(2,554)
17	Customer Accounting	-	109	-	(41)	-			(322)
18	Customer Service & Information	-	9	-	(4)	-	-	-	-
19	Sales Expenses	-	-	-	-	-	-	-	-
	Administrative & General								
20	Operating Expenses	-	133	(10)	(49)	34	-	201	(133)
21	Depreciation/Amortization	-	-	-	-		-	-	-
22	Regulatory Amortizations					-			-
23	Taxes	-	-	-	-	-	-	-	-
24	Total Admin. & General	-	133	(10)	(49)	34	-	201	(133)
25	Total Gas Expense	348	469	(10)	(176)	34	476	201	(66,469)
26	OPERATING INCOME BEFORE FIT	(348)	(469)	10	176	(34)	(476)	(201)	(922)
	FEDERAL INCOME TAX								
27	Current Accrual	(122)	(164)	4	62	(12)	(167)	(70)	(323)
28	Debt Interest	-	-	-	-	-	-	-	-
29	Deferred FIT	-	-	-	-	-	-	-	-
30	EDFIT Amortization								
31	Amort ITC	-	-	-	-	-	-	-	-
32	NET OPERATING INCOME	$ (226)	$ (305)	$ 7	$ 114	$ (22)	$ (309)	$ (131)	$ (599)
	RATE BASE								
	PLANT IN SERVICE								
33	Underground Storage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
34	Distribution Plant	-	-	-	-	-	-		-
35	General Plant	-	-	-	-	-	-		-
36	Total Plant in Service	-	-	-	-	-	-	-	-
	ACCUMULATED DEPRECIATION/AMORT								
37	Underground Storage	-	-	-	-	-	-	-	-
38	Distribution Plant	-	-	-	-	-	-		-
39	General Plant	-	-	-	-	-	-		-
40	Total Accumulated Depreciation/Amortization	-	-	-	-	-	-	-	-
41	NET PLANT	-	-	-	-	-	-	-	-
42	DEFERRED TAXES					-	-		-
43	EDFIT								
44	Net Plant After DFIT	-	-	-	-	-	-	-	-
45	GAS INVENTORY					-	-	-	-
46	GAIN ON SALE OF BUILDING					-	-	-	-
47	OTHER								
48	WORKING CAPITAL					-	-	-	-
49	**TOTAL RATE BASE**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
50	RATE OF RETURN								
51	REVENUE REQUIREMENT	364	491	-10	-184	36	499	211	966

WASHINGTON NATURAL GAS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Regulatory Amortization	Contested Pro Forma 2017 Threshhold Capital Adds	Pro Forma O&M Offsets	Contested Pro Forma Director Fees Expense	Pro Forma Leap Deferral Gas Line Ext.	Pro Forma Total
	Adjsutment Number	3.09	3.10	3.11	3.12	3.13	
	Workpaper Reference	G-PRA	G-PCAP16	G-POFF	G-PDF	G-PLEAP	PF-Ttl
	REVENUES						
1	Total General Business	$ -	$ -	$ -	$ -	$ -	$ 84,299
2	Total Transportation	-	-	-	-	-	4,533
3	Other Revenues	-	-	-	-	-	244
4	Total Gas Revenues	-	-	-	-	-	89,076
	EXPENSES						
	Production Expenses						
5	City Gate Purchases	-	-	-	-	-	-
6	Purchased Gas Expense	-	-	-	-	-	1,004
7	Net Nat Gas Storage Trans	-	-	-	-	-	-
8	Total Production	-	-	-	-	-	1,004
	Underground Storage						
9	Operating Expenses	-	-	-	-	-	974
10	Depreciation/Amortization	-	-	-	-	-	492
11	Taxes	-	-	-	-	-	247
12	Total Underground Storage	-	-	-	-	-	1,713
	Distribution						
13	Operating Expenses	-	-	-	-	-	12,524
14	Depreciation/Amortization	-	366	-	-	-	10,219
15	Taxes	-	-	-	-	-	6,268
16	Total Distribution	-	366	-	-	-	29,011
17	Customer Accounting	-	-	-		-	6,558
18	Customer Service & Information	-	-	-	-	-	968
19	Sales Expenses	-	-	-	-	-	-
	Administrative & General						
20	Operating Expenses	-	-	(32)		-	13,494
21	Depreciation/Amortization	-		-	-	-	6,260
22	Regulatory Amortizations	(1,079)				584	584
23	Taxes	-	-	-	-	-	-
24	Total Admin. & General	(1,079)	-	(32)	-	584	20,338
25	Total Gas Expense	(1,079)	366	(32)	-	584	59,592
26	OPERATING INCOME BEFORE FIT	1,079	(366)	32	-	(584)	29,484
	FEDERAL INCOME TAX						
27	Current Accrual	378	(128)	11	-	(204)	(1,865)
28	Debt Interest	-	(110)	-	-	(14)	(113)
29	Deferred FIT	-	-	-	-	-	9,923
30	EDFIT Amortization						-
31	Amort ITC	-	-	-	-	-	(17)
32	NET OPERATING INCOME	$ 701	$ (128)	$ 21	$ -	$ (366)	$ 21,555
	RATE BASE						
	PLANT IN SERVICE						
33	Underground Storage	$ -	$ -	$ -	$ -	$ -	$ 26,868
34	Distribution Plant	-	14,510	-	-	-	405,018
35	General Plant	-	-	-	-	-	82,624
36	Total Plant in Service	-	14,510	-	-	-	514,510
	ACCUMULATED DEPRECIATION/AMORT						
37	Underground Storage	-	-	-	-	-	(10,317)
38	Distribution Plant	-	(163)	-		-	(129,261)
39	General Plant	-	-	-		-	(23,473)
40	Total Accumulated Depreciation/Amortization	-	(163)	-	-	-	(163,051)
41	NET PLANT	-	14,347	-	-	-	351,459
42	DEFERRED TAXES		(2,602)				(76,783)
43	EDFIT						
44	Net Plant After DFIT	-	11,745	-	-	-	274,676
45	GAS INVENTORY		-		-		9,116
46	GAIN ON SALE OF BUILDING				-		-
47	OTHER					1,474	1,225
48	WORKING CAPITAL				-		14,800
49	**TOTAL RATE BASE**	$ -	$ 11,745	$ -	$ -	$ 1,474	$ 299,817
50	RATE OF RETURN						
51	REVENUE REQUIREMENT	-1,130	1,546	-34	0	757	(529)

WASHINGTON NATURAL GAS - PRO FORMA
TRADITIONAL PRO FORMA STUDY
TWELVE MONTHS ENDED DECEMBER 31, 2016
(000'S OF DOLLARS)

TCJA ADJUSTMENTS

Line No.	DESCRIPTION	New Restate Test Period Tax Expense	New Apply Excess Deferred Taxes	New TCJA Deferral Amort.	New Update Gross-Up Factor	TCJA Pro Forma Total
	Adjsutment Number	TCJA-1	TCJA-2	TCJA-3	TCJA-4	
	Workpaper Reference					TCJA-Ttl
	REVENUES					
1	Total General Business	$ -	$ -	$ -	$ -	$ 84,299
2	Total Transportation	-	-	-	-	4,533
3	Other Revenues	-	-	-	-	244
4	Total Gas Revenues	-	-	-	-	89,076
	EXPENSES					
	Production Expenses					
5	City Gate Purchases	-	-	-	-	-
6	Purchased Gas Expense	-	-	-	-	1,004
7	Net Nat Gas Storage Trans	-	-	-	-	-
8	Total Production	-	-	-	-	1,004
	Underground Storage					
9	Operating Expenses	-	-	-	-	974
10	Depreciation/Amortization	-	-	-	-	492
11	Taxes	-	-	-	-	247
12	Total Underground Storage	-	-	-	-	1,713
	Distribution					
13	Operating Expenses	-	-	-	-	12,524
14	Depreciation/Amortization	-	-	-	-	10,219
15	Taxes	-	-	-	-	6,268
16	Total Distribution	-	-	-	-	29,011
17	Customer Accounting	-	-	-	-	6,558
18	Customer Service & Information	-	-	-	-	968
19	Sales Expenses	-	-	-	-	-
	Administrative & General					
20	Operating Expenses	-	-	-	-	13,494
21	Depreciation/Amortization	-	-	-	-	6,260
22	Regulatory Amortizations	-	-	-	-	584
23	Taxes	-	-	-	-	-
24	Total Admin. & General	-	-	-	-	20,338
25	Total Gas Expense	-	-	-	-	59,592
26	OPERATING INCOME BEFORE FIT	-	-	-	-	29,484
	FEDERAL INCOME TAX					
27	Current Accrual	791	-	-	-	(1,074)
28	Debt Interest	-	(5)	-	-	(118)
29	Deferred FIT	(3,969)	-	-	-	5,954
30	EDFIT Amortization		(1,066)			(1,066)
31	Amort ITC	-	-	-	-	(17)
32	NET OPERATING INCOME	$ 3,178	$ 1,071	$ -	$ -	$ 25,805
	RATE BASE					
	PLANT IN SERVICE					
33	Underground Storage	$ -	$ -	$ -	$ -	$ 26,868
34	Distribution Plant	-	-	-	-	405,018
35	General Plant	-	-	-	-	82,624
36	Total Plant in Service	-	-	-	-	514,510
	ACCUMULATED DEPRECIATION/AMORT					
37	Underground Storage	-	-	-	-	(10,317)
38	Distribution Plant	-	-	-	-	(129,261)
39	General Plant	-	-	-	-	(23,473)
40	Total Accumulated Depreciation/Amortization	-	-	-	-	(163,051)
41	NET PLANT	-	-	-	-	351,459
42	DEFERRED TAXES		30,713			(46,070)
43	EDFIT		(30,180)			(30,180)
44	Net Plant After DFIT	-	533	-	-	275,209
45	GAS INVENTORY					9,116
46	GAIN ON SALE OF BUILDING					-
47	OTHER	-	-	-	-	1,225
48	WORKING CAPITAL					14,800
49	**TOTAL RATE BASE**	$ -	$ 533	$ -	$ -	$ 300,350
50	RATE OF RETURN					
51	REVENUE REQUIREMENT	(4,213)	(1,370)	-	94	(6,019)

RESULTS OF OPERATIONS | Report ID: G-FIT-12A

FEDERAL INCOME TAXES--GAS

For Twelve Months Ended December 31, 2016

Average of Monthly Averages Basis

AVISTA UTILITIES

Aggregate Impact of Tax Rate Change on Other Restating and Pro Forma Adjustments

Ref/Basis		Description	System	Washington	Idaho		Washington	Adjustment	Restating And Pro Forma Adjustments	TCJA Restated @ 21% Washington	Restating Adjustment
		Calculation of Taxable Operating Income:									
G-OPS		Operating Revenue	315,168,743	220,415,618	94,753,125		220,415,618	0			
G-OPS		Operating & Maintenance Expense	228,903,631	158,258,430	70,645,201		158,258,430	0			
G-OPS		Book Deprec/Amort and Reg Amortizations	24,360,597	16,618,046	7,742,551		16,618,046	0			
G-OTX		Taxes Other than FIT	15,699,539	13,017,005	2,682,534		13,017,005	0			
		Net Operating Income Before FIT	46,204,976	32,522,137	13,682,839		32,522,137	0			
G-INT		Less: Interest Expense	11,566,825	7,827,784	3,739,041		7,827,784	0			
G-SCM		Schedule M Adjustments	(39,639,147)	(27,096,770)	(12,542,377)		(27,096,770)	0			
		Taxable Net Operating Income	(5,000,996)	(2,402,417)	(2,598,579)		(2,402,417)	0			
		Tax Rate	35.00%	35.00%	35.00%		21.00%	-14.00%	35.00%	21.00%	-14.00%
		Total Federal Income Tax	(1,750,349)	(840,846)	(909,503)		(504,508)	336,338	(1,136,506)	(681,903)	454,602
G-DTE		Deferred FIT	14,549,380	9,922,880	4,626,500	(a)	5,953,728	(3,969,152)	0	0	0
99	411400	Amortized Investment Tax Credit	(25,164)	(17,490)	(7,674)		(17,490)	0	0	0	0
		Total FIT/Deferred FIT & ITC	12,773,867	9,064,544	3,709,323		5,431,730	(3,632,814)	(1,136,506)	(681,903)	454,602
ALLOCATION RATIOS:											
G-ALL	99	Not Allocated	0.000%	0.000%	0.000%						
		EFFECTIVE TAX RATE	**0.3688**	**0.3671**	**0.3730**						

(a) Deferred FIT calculated by dividing the Deferred FIT amount by the old 35% tax rate and multiplying by the new 21% tax rate

Notes:
1) This part of the adjustment isolates the impact of the tax change on the other restating and proforma adjustments. In Tab 4, the impact of the rate change can optionally be applied to each adjustment separately, as a check.

RESULTS OF OPERATIONS Report ID:
GAS SCHEDULE M ITEMS G-SCM-
For Twelve Months Ended December 31, 2016
Average of Monthly Averages Basis

AVISTA UTILITIES

			************** SYSTEM **************			*********** WASHINGTON ***********		
Ref/Basis	Account	Description	Direct	Allocated	Total	Direct	Allocated	Total
	997000	Book Depreciation & Amortization	15,154,300	9,236,295	24,390,595	10,126,432	6,491,617	16,618,049
12	997001	Contributions In Aid of Construction	0	339,208	339,208	0	228,307	228,307
2	997002	Injuries and Damages	0	6,800	6,800	0	4,502	4,502
12	997003	Salvage	0	0	0	0	0	0
4	997005	FAS106 Current Retiree Medical Accrual	0	669,424	669,424	0	470,518	470,518
6	997008	DSM Book Amortization	0	0	0	0	0	0
99	997010	Deferred Gas Credit and Refunds	10,894,725	0	10,894,725	7,405,819	0	7,405,819
4	997015	Airplane Lease Payments	0	173,967	173,967	0	122,276	122,276
12	997016	Redemption Expense Amortization	0	290,491	290,491	0	195,518	195,518
4	997020	FAS87 Current Pension Accrual	0	419,631	419,631	0	294,946	294,946
4	997029	FAS 106 Post Retirement Benefits	0	0	0	0	0	0
99	997031	Decoupling Mechanism	(10,397,212)	0	(10,397,212)	(8,191,427)	0	(8,191,427)
12	997032	Interest Rate Swaps	0	(10,562,134)	(10,562,134)	0	(7,108,950)	(7,108,950)
4	997033	DSM Tariff Rider	640,309	0	640,309	656,453	0	656,453
12	997048	AFUDC	0	(665,539)	(665,539)	0	(447,948)	(447,948)
11	997049	Tax Depreciation	0	(49,953,270)	(49,953,270)	0	(33,811,370)	(33,811,370)
1	997055	Deferred Gas Exchange	0	0	0	0	0	0
4	997062	Gain on Sale of Office Building	0	0	0	0	0	0
99	997065	Amortization of Unbilled Revenue Add-Ins	460,777	0	460,777	229,962	0	229,962
99	997073	DSIT Amortization - ID	0	0	0	0	0	0
11	997080	Book Transportation Depreciation	0	(534,972)	(534,972)	0	(362,101)	(362,101)
4	997081	Deferred Compensation	0	(66,176)	(66,176)	0	(46,513)	(46,513)
4	997082	Meal Disallowances	0	133,517	133,517	0	93,845	93,845
4	997083	Paid Time Off	0	67,121	67,121	0	47,177	47,177
2	997084	Customer Uncollectibles	0	98,222	98,222	0	65,027	65,027
99	997098	Provision for Rate Refund	2,548,243	0	2,548,243	2,767,455	0	2,767,455
12	997101	Repairs 481 (a)	0	(7,256,838)	(7,256,838)	0	(4,884,287)	(4,884,287)
12	997102	Amort Idaho Earnings Test (254229)	(60,144)	0	(60,144)	0	0	0
99	997103	Def Project Compass	168,136	0	168,136	0	0	0
99	997105	WA Nat Gas Line Extension	(1,444,028)	0	(1,444,028)	(1,444,028)	0	(1,444,028)
		TOTAL SCHEDULE M ADJUSTMENT	19,301,142	(57,604,253)	(39,639,147)	11,550,666	(38,647,436)	(27,096,770)

ALLOCATION RATIOS:

			System	Washington
G-ALL	1	Contract System Demand	100.000%	70.530%
G-ALL	2	Number of Customers - AMA	100.000%	66.204%
G-ALL	4	Jurisdictional 4-Factor Ratio	100.000%	70.287%
G-ALL	6	Actual Therms Purchased	100.000%	68.268%
G-ALL	11	Book Depreciation	100.000%	67.686%
G-ALL	12	Net Gas Plant (before DFIT) - AMA	100.000%	67.306%
G-ALL	99	Not Allocated	0.000%	0.000%

RESULTS OF OPERATIONS	Report ID:	AVISTA UTILITIES
DEFERRED INCOME TAX EXPENSE--GAS	**G-DTE-12A**	
For Twelve Months Ended December 31, 2016		
Average of Monthly Averages Basis		

Ref/Basis	Account	Description	System	Washington	Idaho
14	410100	Deferred Federal Income Tax Expense - Allocated	15,570,227	10,446,221	5,124,006
99	410100	Deferred Federal Income Tax Exp	(822,486)	(417,971)	(404,515)
		SUBTOTAL	14,747,741	10,028,250	4,719,491
14	411100	Deferred Federal Income Tax Expense - Allocated	(37,089)	(24,883)	(12,206)
99	411100	Deferred Federal Income Tax Exp	(161,272)	(80,487)	(80,785)
		SUBTOTAL	(198,361)	(105,370)	(92,991)
		Total Deferred Federal Income Tax Expense	14,549,380	9,922,880	4,626,500

ALLOCATION RATIOS:

G-ALL	14	Net Allocated Schedule M's - AMA	100.000%	67.091%	32.909%
G-ALL	99	Not Allocated	0.000%	0.000%	0.000%

Avista Corporation, Natural Gas Services
Calculation of Excess Deferred Federal Income Tax ("EDFIT") Reserve and Amortization
Using the Alternative Method ($000)

ADIT Book/Tax Difference	Per Books ADIT @ 35% Rate	Com. Basis Adjusted ADIT @ 35% Rate	Reverse Old Gross Up Rate	Cum. Book/Tax Differnce Amount	Apply New Gross-Up Rate	TCJA ADIT @ 21% Rate	Reserve for EDFIT	Amort. Rate	EDFIT Amort.
ADFIT - Gas Plant In Service	(63,730)								
Intangible		(296)	35%	(846)	21%	(178)	(118)	20.00% (a)	(24)
UG Storage		(3,884)	35%	(11,096)	21%	(2,330)	(1,553)	1.59% (b)	(25)
Distribution		(57,302)	35%	(163,719)	21%	(34,381)	(22,921)	2.52% |	(578)
General (Direct)		(2,573)	35%	(7,353)	21%	(1,544)	(1,029)	5.00% |	(51)
ADFIT - Common Plant (282900 from C-DTX)	(9,325)	(9,231)	35%	(26,374)	21%	(5,539)	(3,692)	8.43% |	(311)
ADFIT - Common Plant (283750 from C-DTX)	(217)	(94)	35%	(270)	21%	(57)	(38)	8.43% /	(3)
ADFIT - Gas portion of Bond Redemptions	(584)	(584)	35%	(1,668)	21%	(350)	(234)	20.00% (c)	(47)
AFUDC - CWIP Intangibles	-	(217)	35%	(620)	21%	(130)	(87)	1.59% (d)	(1)
Total ADIT (Restated)	**(73,856)**	**(74,181)**		**(211,946)**		**(44,509)**	**(29,672)**		**(1,040)**
Check	-	0							
	T/A: Tab 4, E-ROO	T/A: Tab 4, R-Ttl							
Adj. 3.10 Pro-Forma Plant		(2,602)	35%	(7,434)	21%	(1,561)	(1,041)	2.52% (e)	(26.23)
Total (Pro forma)		**(76,783)**		**(219,381)**		**(46,070)**	**(30,713)**		**(1,066.222)**
Check		0							
		T/A: Tab 4, PF-Ttl							

(a) Assume 5-year life as used by the Company for software in its post-test period pro forma capital adjustment
(c) Composite depreciation rate from depreciation study.
(d) Bond life unknonwn, estimated to reverse over five years
(e) Composite rate for intangibles from depreciation study
(e) Composite rate for distribution from depreciation study

AVISTA UTILITIES
Gas Accumulated Deferred Taxes
Average - Twelve Months Ended December 31, 2016

		Alloc Basis	Gas System	Washington	Idaho
ACCELERATED TAX DEPRECIATION					
Gas North	Intangible	4	(421,028)	(295,928)	(125,100)
	UG Storage	1	(5,506,458)	(3,883,705)	(1,622,753)
	Distribution	12	(85,136,082)	(57,301,691)	(27,834,391)
	General (Direct)	13	(3,623,302)	(2,573,486)	(1,049,816)
General/Intangible	CD AA	4	(13,133,167)	(9,230,909)	(3,902,258)
General/Intangible	CD AN	12	(140,391)	(94,492)	(45,900)
Total Plant DFIT			(107,960,429)	(73,380,212)	(34,580,217)
AFUDC - CWIP Intangibles		4	(308,777)	(217,030)	(91,747)
FMB & MTN Redeemed		12	(867,598)	(583,946)	(283,653)
Total Other Deferred FIT			(1,176,375)	(800,976)	(375,400)
Total Deferred FIT		J	(109,136,804)	(74,181,188) L	(34,955,617)
Amount at 12/31/2016 AMA			(109,136,798)	(73,856,318)	(35,280,480)
Adjustment			(6)	(324,870)	324,863

Allocation Notes:

System Contract Demand	1	100.000%	70.530%	29.470%
Jurisdictional four-factor	4	100.000%	70.287%	29.713%
Net gas plant - AMA	12	100.000%	67.306%	32.694%
Net gas general plant - AMA	13	100.000%	71.026%	28.974%

Source of Allocation Factors: Results of Operations Report G-PLT-12A
(1) Source: Results of Operations (G-PLT-12A)

Avista Corporation, Electric Services
Calculation of the Deferral Related to Excess Taxes Collected in Rates over the Period January 1, 2018 through April 30, 2018
($000)

Line						
1	**Restating Adjustment Calculation Using Gross-up Method:**					
2	Rate Base	UE-150204 (Cons.), Order 05, Table A2	240,814			
3	Equity %	UE-150204 (Cons) May 1, 2015 Stipulation	48.50%			
4	Equity Portion of Rate Base	Line 2 * Line 3	116,795			
5	Return On Equity	UE-150204 (Cons) May 1, 2015 Stipulation	9.50%			
6	Pretax Return On Equity (35% Rate)	Line 5 * (1 - 35%)	14.62%			
7	Pretax Equity Returns Required (35% Rate)	Line 4 * Line 5	17,070.01			
8	Pretax Return on Equity (21% Rate)	Line 7 * (1 - 21%)	12.03%			
9	Pretax Equity Return (21% Rate)	Line * Line 7	14,044.94			
10	**Annual Equity Return Differential (35% to 21% Rate)**	Line 9 * Line	**(3,025)**			
11	**Monthly Deferral Calculation**		**1/1/2018**	**2/1/2018**	**3/1/2018**	**4/1/2018**
12	Monthly Return Diff. at Restated 21 % Tax Rate	Line 10 / 12	252	252	252	252
13	Monthly EDFIT Amortization	Tab 6a	(89)	(89)	(89)	(89)
14	Monthly EDFIT Amortization (Pretax)	Line 13 / (1-21%)	(112)	(112)	(112)	(112)
15	Total Deferred Amounts	Line 13 + Line 14	163	163	163	163
16	Carrying Charge (Per Mo. at Pre-tax ROR)		3.14%	3.14%	3.14%	3.14%
17	Balance					
18	Beginning Balance		-	163	326	490
19	Deferral	Line 15	163	163	163	163
20	Interest	Line 16 * (Line 17 + Line 18 / 2)	3	8	13	18
21	Ending Balance	∑ Lines 18:20	163	326	490	653

Avista Corporation, Electric Services
Amortization of the Deferral for Excess Taxes Collected in Rates Over the Period January 1, 2018 through April 30, 2018
($000)

Month	Beg Balance	Amortization	Interest Rate	Interest	Ending Balance	
5/1/2018	653	**(42)**	3.14%	23	634	
6/1/2018	634	*(42)*	3.14%	23	615	
7/1/2018	615	*(42)*	3.14%	22	595	
8/1/2018	595	*(42)*	3.14%	21	575	
9/1/2018	575	*(42)*	3.14%	21	554	
10/1/2018	554	*(42)*	3.14%	20	532	
11/1/2018	532	*(42)*	3.14%	19	510	
12/1/2018	510	*(42)*	3.14%	19	486	
1/1/2019	486	*(42)*	3.14%	18	463	
2/1/2019	463	*(42)*	3.14%	17	438	
3/1/2019	438	*(42)*	3.14%	16	413	
4/1/2019	413	*(42)*	3.14%	16	386	
5/1/2019	386	*(42)*	3.14%	15	359	
6/1/2019	359	*(42)*	3.14%	14	332	
7/1/2019	332	*(42)*	3.14%	13	303	
8/1/2019	303	*(42)*	3.14%	12	273	
9/1/2019	273	*(42)*	3.14%	11	243	
10/1/2019	243	*(42)*	3.14%	10	211	
11/1/2019	211	*(42)*	3.14%	9	179	
12/1/2019	179	*(42)*	3.14%	8	145	
1/1/2020	145	*(42)*	3.14%	7	110	
2/1/2020	110	*(42)*	3.14%	6	75	
3/1/2020	75	*(42)*	3.14%	5	38	
4/1/2020	38	*(42)*	3.14%	4	0	<-Goal Seek to Zero

Annual Amortization: **(501)**

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION Complainant, v. AVISTA CORPORATION d/b/a AVISTA UTILITIES Respondent.	DOCKETS UE-170485 and UG-170486 (*Consolidated*) **ICNU-NWIGU RESPONSE TO BENCH REQUEST NO. 1** **ATTACHMENT BENCH REQUEST 01-3**

CURRENTLY APPROVED DEPRECIATION RATES

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated Annual Accrual Amount (7)	Calculated Annual Accrual Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
ELECTRIC PLANT									
Steam Production Plant									
310.3	Removing Other Property								
	Kettle Falls	SQUARE *	0	138,174.50	102,161	36,014	2,001	1.45	18.0
310.4	Easements, Permits								
	Kettle Falls	SQUARE *	0	10,000.00	7,393	2,607	145	1.45	18.0
311	Structures and Improvements								
	Kettle Falls	70-S1.5 *	(10)	21,315,323.55	17,936,912	5,509,944	322,766	1.51	17.1
	Colstrip 3 and Common	70-S1.5 *	(10)	50,516,933.72	38,168,152	17,400,475	788,447	1.56	22.1
	Colstrip 4	70-S1.5 *	(10)	49,668,109.24	34,741,047	19,893,873	832,044	1.68	23.9
	Total Account 311			121,500,366.51	90,846,111	42,804,292	1,943,257	1.60	22.0
311.1	Structures and Improvements - Landfill								
	Kettle Falls	50-S3 *	0	3,640,093.42	1,869,207	1,770,886	101,626	2.79	17.4
312	Boiler Plant Equipment								
	Kettle Falls	60-R1 *	(10)	41,358,059.22	32,203,534	13,290,331	796,369	1.93	16.7
	Colstrip 3 and Common	60-R1 *	(10)	76,878,225.48	52,651,773	31,914,275	1,485,133	1.93	21.5
	Colstrip 4	60-R1 *	(10)	50,136,356.66	29,501,075	25,648,917	1,101,277	2.20	23.3
	Total Account 312			168,372,641.36	114,356,382	70,853,523	3,382,779	2.01	20.9
314	Turbogenerators								
	Kettle Falls	40-R0.5 *	(5)	13,308,186.93	9,766,718	4,206,878	282,296	2.12	14.9
	Colstrip 3 and Common	40-R0.5 *	(5)	18,668,655.13	9,494,826	10,107,262	520,099	2.79	19.4
	Colstrip 4	40-R0.5 *	(5)	16,304,242.97	7,335,549	9,783,906	468,814	2.88	20.9
	Total Account 314			48,281,085.03	26,597,093	24,098,046	1,271,209	2.63	19.0
315	Accessory Electric Equipment								
	Kettle Falls	50-R3 *	0	10,837,723.31	8,067,494	2,770,229	168,992	1.56	16.4
	Colstrip 3 and Common	50-R3 *	0	9,389,493.95	5,982,553	3,406,941	162,222	1.73	21.0
	Colstrip 4	50-R3 *	0	6,706,342.53	3,822,531	2,883,812	125,858	1.88	22.9
	Total Account 315			26,933,559.79	17,872,578	9,060,982	457,072	1.70	19.8
316	Miscellaneous Power Plant Equipment								
	Kettle Falls	53-R2 *	0	2,603,732.97	1,843,191	760,542	45,222	1.74	16.8
	Colstrip 3 and Common	53-R2 *	0	8,838,752.22	6,142,329	2,696,423	128,890	1.46	20.9
	Colstrip 4	53-R2 *	0	4,212,496.61	2,666,044	1,546,453	68,228	1.62	22.7
	Total Account 316			15,654,981.80	10,651,564	5,003,418	242,340	1.55	20.6
Total Steam Production Plant				384,530,902.41 (a)	262,302,489	153,629,768	7,400,429	(b) 1.92	

Production Plant Composite Rate
Original Cost ∑(a) = 1,063,525,186
Annual Accrual ∑(b) = 23,811,310
∑ (b) / ∑(a) = 2.24%

III-4

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated Annual Accrual Amount (7)	Calculated Annual Accrual Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
	Hydro Production Plant								
330.1	Asset Agreement - Settlement								
	Little Falls	50-SQ	0	4,200,000.00	1,200,425	2,999,575	83,095	1.98	36.1
330.3	Removing Property of Others								
	Little Falls	100-R4 *	0	13,633.60	2,473	11,161	457	3.35	24.4
	Long Lake	100-R4 *	0	171,079.55	25,510	145,570	4,043	2.36	36.0
	Spokane Upper Falls	100-R4 *	0	63,563.76	11,849	51,715	2,328	3.66	22.2
	Nine Mile	100-R4 *	0	9,936.75	1,105	8,832	246	2.48	35.9
	Post Falls	100-R4 *	0	23,166.89	3,820	19,347	933	4.03	20.7
	Cabinet Gorge	100-R4 *	0	6,783,236.89	909,902	5,873,335	135,988	2.00	43.2
	Noxon Rapids	100-R4 *	0	29,413,621.64	3,579,808	25,833,814	529,362	1.80	48.8
	Total Account 330.3			36,478,239.08	4,534,467	31,943,774	673,357	1.85	47.4
330.31	Twin Creek Channel Restoration								
	Cabinet Gorge	100-R4 *	0	242,033.02	16,492	225,541	3,694	1.53	61.1
330.4	Land Easements								
	Little Falls	75-R3 *	0	3,626.67	2,007	1,620	203	5.60	8.0
	Long Lake	75-R3 *	0	246,562.25	126,656	119,906	10,903	4.42	11.0
	Nine Mile	75-R3 *	0	979.50	522	458	42	4.29	10.9
	Post Falls	75-R3 *	0	2,708,437.11	784,439	1,923,998	76,225	2.81	25.2
	Cabinet Gorge	75-R3 *	0	365,924.35	149,818	216,106	8,518	2.33	25.4
	Noxon Rapids	75-R3 *	0	10,607.41	3,954	6,653	221	2.08	30.1
	Total Account 330.4			3,336,137.29	1,067,396	2,268,741	96,112	2.88	23.6
330.41	Land Easements - Conservation - Habitat								
	Cabinet Gorge	75-R3 *	0	333,906.35	27,123	306,783	5,436	1.63	56.4
	Noxon Rapids	75-R3 *	0	550,000.00	61,219	488,781	8,254	1.50	59.2
	Total Account 330.41			883,906.35	88,342	795,564	13,690	1.55	58.1
331	Structures and Improvements								
	Monroe Street	110-R2 *	(20)	7,935,872.16	1,816,609	7,706,438	135,333	1.71	56.9
	Little Falls	110-R2 *	(20)	1,184,973.99	450,268	971,701	22,977	1.94	42.3
	Long Lake	110-R2 *	(20)	1,924,658.36	820,845	1,488,745	38,256	1.99	38.9
	Spokane Upper Falls	110-R2 *	(20)	552,828.89	261,662	401,733	9,785	1.77	41.1
	Nine Mile	110-R2 *	(20)	3,943,109.90	1,104,855	3,626,877	77,930	1.98	46.5
	Post Falls	110-R2 *	(20)	1,231,528.17	302,659	1,175,175	25,785	2.09	45.6
	Cabinet Gorge	110-R2 *	(20)	9,846,516.03	4,217,211	7,598,608	147,680	1.50	51.5
	Noxon Rapids	110-R2 *	(20)	12,789,369.09	4,285,458	11,061,785	189,405	1.48	58.4
	Total Account 331			39,408,856.59	13,259,567	34,031,062	647,151	1.64	52.6
331.1	Structures and Improvements - Fish and Wildlife Conservation								
	Monroe Street	50-S2.5 *	0	205.59	153	53	2	0.97	26.5
	Long Lake	50-S2.5 *	0	64,872.23	52,577	12,295	392	0.60	31.4

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND
CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group	Survivor Curve	Net Salvage	Original Cost as of December 31, 2010	Book Reserve	Future Book Accruals	Calculated Annual Accrual Amount	Calculated Annual Accrual Rate	Composite Remaining Life
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7)/(4)	(9)=(6)/(7)
	Post Falls	50-S2.5 *	0	2,664.78	1,322	1,343	36	1.35	37.3
	Cabinet Gorge	50-S2.5 *	0	23,537.69	4,426	19,112	419	1.78	45.6
	Noxon Rapids	50-S2.5 *	0	97,471.49	22,323	75,148	1,672	1.72	44.9
	Total Account 331.1			188,751.78	80,801	107,951	2,521	1.34	42.8
331.2	Structures and Improvements - Recreation								
	Monroe Street	50-S0.5 *	(5)	507,701.37	241,146	291,940	8,539	1.68	34.2
	Long Lake	50-S0.5 *	(5)	205,233.75	49,989	165,506	4,665	2.27	35.5
	Spokane Upper Falls	50-S0.5 *	(5)	31,387.01	16,407	16,549	518	1.65	31.9
	Post Falls	50-S0.5 *	(5)	111,361.53	18,437	98,493	2,549	2.29	38.6
	Cabinet Gorge	50-S0.5 *	(5)	775,829.98	167,758	646,863	15,729	2.03	41.1
	Noxon Rapids	50-S0.5 *	(5)	1,036,722.05	175,883	912,675	20,997	2.03	43.5
	Total Account 331.2			2,668,235.69	669,620	2,132,026	52,997	1.99	40.2
331.26	Structures and Improvements - Recreation Information and Education								
	Cabinet Gorge	45-R2.5 *	0	24,242.30	11,781	12,461	321	1.32	38.8
	Noxon Rapids	45-R2.5 *	0	11,358.62	5,512	5,847	150	1.32	39.0
	Total Account 331.26			35,600.92	17,293	18,308	471	1.32	38.9
332	Reservoirs, Dams and Waterways								
	Monroe Street	100-R1 *	0	8,047,295.90	2,089,930	5,957,366	112,066	1.39	53.2
	Little Falls	100-R1 *	0	5,051,135.86	1,267,322	3,783,814	86,784	1.72	43.6
	Long Lake	100-R1 *	0	16,532,311.79	5,598,539	10,933,773	273,468	1.65	40.0
	Spokane Upper Falls	100-R1 *	0	7,064,524.81	1,149,295	5,915,230	130,948	1.85	45.2
	Nine Mile	100-R1 *	0	13,253,784.93	2,340,766	10,913,019	241,983	1.83	45.1
	Post Falls	100-R1 *	0	6,032,693.39	1,414,510	4,618,183	103,427	1.71	44.7
	Cabinet Gorge	100-R1 *	0	17,577,980.37	8,110,439	9,467,541	198,365	1.13	47.7
	Noxon Rapids	100-R1 *	0	30,381,947.02	12,504,552	17,877,395	340,192	1.12	52.6
	Total Account 332			103,941,674.07	34,475,353	69,466,321	1,487,233	1.43	46.7
332.1	Reservoirs, Dams and Waterways - Fish and Wildlife Conservation								
	Nine Mile	60-S1 *	0	3,534.58	670	2,865	72	2.04	39.8
	Post Falls	60-S1 *	0	16,133.11	4,087	12,046	318	1.97	37.9
	Cabinet Gorge	60-S1 *	0	12,445,558.38	1,019,519	11,426,039	236,660	1.90	48.3
	Noxon Rapids	60-S1 *	0	1,337,205.46	141,970	1,195,235	24,139	1.81	49.5
	Total Account 332.1			13,802,431.53	1,166,246	12,636,185	261,189	1.89	48.4
332.15	Reservoirs, Dams and Waterways - Fish and Wildlife Conservation								
	Cabinet Gorge	60-S1 *	0	1,003,258.85	140,178	863,081	18,095	1.80	47.7
	Noxon Rapids	60-S1 *	0	481,128.48	78,266	402,862	8,230	1.71	49.0
	Total Account 332.15			1,484,387.33	218,444	1,265,943	26,325	1.77	48.1

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group	Survivor Curve		Net Salvage	Original Cost as of December 31, 2010	Book Reserve	Future Book Accruals	Calculated Annual Accrual Amount	Calculated Annual Accrual Rate	Composite Remaining Life
	(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)=(7)/(4)	(9)=(6)/(7)
332.2	Reservoirs, Dams and Waterways - Recreation									
	Little Falls	60-S1	*	0	14,365.60	4,766	9,600	266	1.85	36.1
	Long Lake	60-S1	*	0	105,639.43	45,508	60,131	1,919	1.82	31.3
	Spokane Upper Falls	60-S1	*	0	61,643.84	19,533	42,111	1,140	1.85	36.9
	Nine Mile	60-S1	*	0	92,744.40	28,389	64,355	1,728	1.86	37.2
	Post Falls	60-S1	*	0	268,669.62	106,464	162,206	4,783	1.78	33.9
	Cabinet Gorge	60-S1	*	0	107,152.79	34,059	73,094	1,851	1.73	39.5
	Noxon Rapids	60-S1	*	0	97,935.99	33,611	64,325	1,663	1.70	38.7
	Total Account 332.2				748,151.67	272,330	475,822	13,350	1.78	35.6
333	Turbines and Generators									
	Monroe Street	65-R1.5	*	(10)	11,030,835.12	2,373,043	9,760,876	214,664	1.95	45.5
	Little Falls	65-R1.5	*	(10)	3,971,075.62	1,162,942	3,205,241	95,338	2.40	33.6
	Long Lake	65-R1.5	*	(10)	8,823,605.08	2,492,802	7,213,164	216,908	2.46	33.3
	Spokane Upper Falls	65-R1.5	*	(10)	1,186,151.30	404,339	900,427	30,062	2.53	30.0
	Nine Mile	65-R1.5	*	(10)	9,627,201.18	2,163,317	8,426,604	208,854	2.17	40.3
	Post Falls	65-R1.5	*	(10)	2,233,650.87	854,174	1,602,842	54,072	2.42	29.6
	Cabinet Gorge	65-R1.5	*	(10)	37,440,635.41	7,573,312	33,611,387	765,416	2.04	43.9
	Noxon Rapids	65-R1.5	*	(10)	75,262,907.26	12,234,142	70,555,056	1,486,926	1.98	47.5
	Total Account 333				149,576,061.84	29,258,071	135,275,597	3,072,240	2.05	44.0
334	Accessory Electric Equipment									
	Monroe Street	38-R2.5	*	(5)	1,679,385.33	654,943	1,108,412	47,318	2.82	23.4
	Little Falls	38-R2.5	*	(5)	2,027,138.53	895,178	1,233,317	55,565	2.74	22.2
	Long Lake	38-R2.5	*	(5)	2,823,133.72	1,289,645	1,674,645	74,349	2.63	22.5
	Spokane Upper Falls	38-R2.5	*	(5)	4,268,226.44	282,128	4,199,510	119,809	2.81	35.1
	Nine Mile	38-R2.5	*	(5)	2,636,793.96	1,105,641	1,662,993	73,957	2.80	22.5
	Post Falls	38-R2.5	*	(5)	715,555.29	389,099	362,234	19,896	2.78	18.2
	Cabinet Gorge	38-R2.5	*	(5)	5,457,367.57	2,524,545	3,205,691	162,337	2.97	19.7
	Noxon Rapids	38-R2.5	*	(5)	14,201,208.10	3,222,663	11,688,606	396,089	2.79	29.5
	Total Account 334				33,808,808.94	10,363,842	25,135,408	949,320	2.81	26.5
335	Miscellaneous Power Plant Equipment									
	Monroe Street	65-R1.5	*	0	33,563.70	14,302	19,262	399	1.19	48.3
	Little Falls	65-R1.5	*	0	144,436.85	103,857	40,580	999	0.69	40.6
	Long Lake	65-R1.5	*	0	529,440.48	274,853	254,587	6,455	1.22	39.4
	Spokane Upper Falls	65-R1.5	*	0	106,857.48	60,508	46,349	1,126	1.05	41.2
	Nine Mile	65-R1.5	*	0	296,788.36	189,805	106,983	2,599	0.88	41.2
	Post Falls	65-R1.5	*	0	222,773.24	114,725	108,048	2,566	1.15	42.1
	Cabinet Gorge	65-R1.5	*	0	2,498,837.66	2,028,635	470,203	9,426	0.38	49.9
	Noxon Rapids	65-R1.5	*	0	3,003,969.21	1,716,604	1,287,365	24,018	0.80	53.6
	Total Account 335				6,836,666.98	4,503,289	2,333,377	47,588	0.70	49.0

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND
CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)		Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated Annual Accrual Amount (7)	Calculated Annual Accrual Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
335.1	Miscellaneous Equipment - Fish and Wildlife Conservation									
	Cabinet Gorge	40-R3	*	0	105,242.14	58,318	46,924	1,343	1.28	34.9
	Noxon Rapids	40-R3	*	0	355,980.02	275,689	80,291	2,617	0.74	30.7
	Total Account 335.1				461,222.16	334,007	127,215	3,960	0.86	32.1
335.2	Miscellaneous Equipment - Recreation									
	Cabinet Gorge	40-R3	*	0	21,108.60	14,430	6,679	202	0.96	33.1
	Noxon Rapids	40-R3	*	0	17,558.56	7,514	10,045	282	1.61	35.6
	Total Account 335.2				38,667.16	21,944	16,724	484	1.25	34.6
336	Roads, Railroads and Bridges									
	Monroe Street	55-S2	*	0	50,448.44	16,094	34,354	938	1.86	36.6
	Nine Mile	55-S2	*	0	625,181.31	187,256	437,925	12,093	1.93	36.2
	Cabinet Gorge	55-S2	*	0	1,098,564.01	689,410	409,154	21,549	1.96	19.0
	Noxon Rapids	55-S2	*	0	225,368.74	89,044	136,325	4,257	1.89	32.0
	Total Account 336				1,999,562.50	981,804	1,017,758	38,837	1.94	26.2
	Total Hydro Production Plant				400,139,394.90 (a)	102,529,733	322,272,892	7,473,614 (b)	1.87	
	Other Production Plant									
341	Structures and Improvements									
	Northeast Turbine	55-S4	*	0	365,279.55	317,307	47,973	5,997	1.64	8.0
	Boulder Park	55-S4	*	0	1,163,930.34	220,935	942,995	29,604	2.54	31.9
	Rathdrum Turbine	55-S4	*	0	3,258,386.42	820,480	2,437,906	101,620	3.12	24.0
	Coyoted Springs 2	55-S4	*	0	11,348,798.75	2,652,029	8,696,770	265,238	2.34	32.8
	Total Account 341				16,136,395.06	4,010,751	12,125,644	402,459	2.49	30.1
342	Fuel Holders, Producers and Accessories									
	Kettle Falls	55-R3	*	(10)	89,232.19	40,364	57,791	3,265	3.66	17.7
	Northeast Turbine	55-R3	*	(10)	31,460.00	27,276	7,330	921	2.93	8.0
	Boulder Park	55-R3	*	(10)	115,969.66	35,178	92,389	3,044	2.62	30.4
	Rathdrum Turbine	55-R3	*	(10)	1,695,808.40	444,975	1,420,414	60,463	3.57	23.5
	Lancaster	55-R3	*	(10)	91,977.92	2,160	99,016	3,372	3.67	29.4
	Coyoted Springs 2	55-R3	*	(10)	19,127,874.62	4,717,459	16,323,203	519,568	2.72	31.4
	Total Account 342				21,152,322.79	5,267,412	18,000,143	590,633	2.79	30.5
343	Prime Movers									
	Kettle Falls	55-S2.5	*	0	9,071,493.38	3,821,755	5,249,738	294,103	3.24	17.8
	Northeast Turbine	55-S2.5	*	0	9,089,742.72	8,502,065	587,678	73,552	0.81	8.0
	Boulder Park	55-S2.5	*	0	57,216.28	12,627	44,589	1,441	2.52	30.9
	Rathdrum Turbine	55-S2.5	*	0	3,658,328.03	1,274,077	2,384,251	101,265	2.77	23.5
	Total Account 343				21,876,780.41	13,610,524	8,266,256	470,361	2.15	17.6

III-8

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated Annual Accrual Amount (7)	Calculated Annual Accrual Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
344	Generators								
	Kettle Falls	45-R1 *	0	3,718.22	1,199	2,519	152	4.09	16.6
	Northeast Turbine	45-R1 *	0	2,605,231.80	2,123,628	481,604	65,082	2.50	7.4
	Boulder Park	45-R1 *	0	30,610,885.13	6,354,332	24,256,553	900,172	2.94	26.9
	Rathdrum Turbine	45-R1 *	0	48,858,107.18	9,160,332	39,697,775	1,840,677	3.77	21.6
	Lancaster	45-R1 *	0	208,505.82	3,410	205,096	7,719	3.70	26.6
	Coyoted Springs 2	45-R1 *	0	116,984,016.85	18,962,753	98,021,264	3,514,381	3.00	27.9
	Total Account 344			199,270,465.00	36,605,654	162,664,811	6,328,183	3.18	25.7
344.01	Generators - Solar								
	Central Operations Facility	25-S2.5 *	0	63,328.00	3,298	60,030	3,356	5.30	17.9
345	Accessory Electric Equipment								
	Kettle Falls	20-S2 *	(5)	4,893.78	1,401	3,737	327	6.68	11.4
	Northeast Turbine	20-S2 *	(5)	1,158,405.64	67,842	1,148,484	144,714	12.49	7.9
	Boulder Park	20-S2 *	(5)	345,181.77	64,378	298,063	20,827	6.03	14.3
	Rathdrum Turbine	20-S2 *	(5)	2,567,151.03	391,197	2,304,312	151,146	5.89	15.2
	Coyoted Springs 2	20-S2 *	(5)	12,701,072.60	2,863,214	10,472,912	780,035	6.14	13.4
	Total Account 345			16,776,704.82	3,388,032	14,227,508	1,097,049	6.54	13.0
346	Miscellaneous Power Plant Equipment								
	Northeast Turbine	35-R3 *	0	300,214.80	241,636	58,579	7,544	2.51	7.8
	Boulder Park	35-R3 *	0	7,200.33	1,768	5,432	207	2.87	26.2
	Coyoted Springs 2	35-R3 *	0	1,271,476.80	245,443	1,026,034	37,475	2.95	27.4
	Total Account 346			1,578,891.93	488,847	1,090,045	45,226	2.86	24.1
Total Other Production Plant				276,854,888.01 (a)	63,374,518	216,434,437	8,937,267 (b)	3.23	
Transmission Plant									
350.3	Removing Property of Others	75-R4	0	1,487,565.91	611,982	875,584	18,389	1.24	47.6
350.4	Land Rights	75-R4	0	13,798,944.94	3,598,135	10,200,810	179,721	1.30	56.8
352	Structures and Improvements	60-S2	(5)	16,585,557.68	4,312,389	13,102,447	272,841	1.65	48.0
353	Station Equipment	45-R2.5	(10)	192,799,947.51	63,117,488	148,962,454	4,496,363	2.33	33.1
354	Towers and Fixtures	70-R4	(15)	17,120,820.11	7,018,574	12,670,369	308,670	1.80	41.0
355	Poles and Fixtures	65-R2.5	(15)	135,112,530.36	52,947,521	102,431,889	1,870,988	1.38	54.7
356	Overhead Conductors and Devices	65-R2.5	(10)	108,159,785.76	32,733,505	86,242,259	1,716,881	1.59	50.2
357	Underground Conduit	60-R4	0	2,605,487.58	393,315	2,212,173	42,750	1.64	51.7
358	Underground Conductors and Devices	50-S2	0	2,330,071.82	662,450	1,667,622	47,070	2.02	35.4
359	Roads and Trails	65-R4	0	1,872,245.99	636,340	1,235,906	31,160	1.66	39.7
Total Transmission Plant				491,872,957.66	166,031,699	379,601,513	8,984,833	1.83	
Distribution Plant									
360.4	Land - Easements	75-R4	0	1,025,699.61	4,017	1,021,683	13,724	1.34	74.4
361	Structures and Improvements	60-R2.5	(10)	14,521,648.54	4,812,293	11,161,520	235,862	1.62	47.3
362	Station Equipment	45-R1.5	0	97,095,752.27	31,626,546	65,469,206	1,913,573	1.97	34.2

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group	Survivor Curve	Net Salvage	Original Cost as of December 31, 2010	Book Reserve	Future Book Accruals	Calculated Annual Accrual Amount	Calculated Annual Accrual Rate	Composite Remaining Life
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7)/(4)	(9)=(6)/(7)
364	Poles, Towers and Fixtures	55-R2.5	(25)	229,311,309.05	69,440,760	217,198,376	5,287,267	2.31	41.1
365	Overhead Conductors and Devices	50-R3	(20)	151,716,380.29	42,097,227	139,962,429	4,273,771	2.82	32.7
366	Underground Conduit	50-S2	(25)	77,764,058.52	17,999,504	79,205,569	2,106,872	2.71	37.6
367	Underground Conductors and Devices	28-S2	(20)	129,764,214.80	32,847,809	122,869,249	7,300,691	5.63	16.8
368	Line Transformers	44-R2	(5)	178,517,768.64	62,891,935	124,551,722	3,772,581	2.11	33.0
	Services								
369.1	Overhead	55-R4	(40)	45,088,691.07	18,909,284	44,214,883	1,315,958	2.92	33.6
369.2	Underground - Spokane Network	55-R4	(40)	2,631,376.00	453,258	3,230,668	71,765	2.73	45.0
369.3	Underground - Other	55-R4	(40)	72,456,704.63	24,280,768	77,158,618	1,859,964	2.57	41.5
	Total Account 369			120,176,771.70	43,643,310	124,604,169	3,247,687	2.70	
	Meters								
370.1	Idaho Standard	18-L0.5	0	2,857.88	1,080	1,778	210	7.35	8.5
370.2	Idaho AMR	15-S2.5	0	20,404,846.22	833,728	19,571,118	1,560,379	7.65	12.5
370.3	Washington Standard	35-S0	0	25,647,306.26	5,079,605	20,567,701	869,885	3.39	23.6
	Total Account 370			46,055,010.36	5,914,413	40,140,597	2,430,474	5.28	
	Street Lighting and Signal Systems								
373.1	Mercury Vapor	35-R2.5	(25)	4,787,175.94	4,443,393	1,540,577	64,986	1.36	23.7
373.2	Underground Conductor	35-R2.5	(25)	2,866,363.03	2,110,541	1,472,413	54,734	1.91	26.9
373.3	Decorative and Metal Standards	35-R2.5	(25)	7,752,829.79	4,153,970	5,537,067	189,870	2.45	29.2
373.4	High Pressure Sodium Vapor	35-R2.5	(30)	16,361,180.15	5,999,687	15,269,847	569,249	3.48	26.8
	Total Account 373			31,767,548.91	16,707,591	23,819,904	878,839	2.77	
Total Distribution Plant				1,077,716,162.69	327,985,405	950,004,424	31,461,341	2.92	
General Plant									
390.1	Structures and Improvements - Company	48-S2	(5)	3,588,758.74	1,422,202	2,345,995	60,098	1.67	39.0
	Office Furniture and Equipment								
391.1	Computer Hardware	5-SQ	0	1,990,856.72	590,019	1,400,838	423,640	21.28	3.3
392	Transportation Equipment - Class 7 and 8	15-L2.5	20	2,738,493.24	1,503,277	687,518	50,198	1.83	13.7
393	Stores Equipment	25-SQ	0	390,377.08	43,004	347,373	17,893	4.58	19.4
394	Tools, Shop and Garage Equipment	20-SQ	0	3,257,563.21	1,668,931	1,588,632	155,793	4.78	10.2
395	Laboratory Equipment	15-SQ	0	1,127,659.68	508,659	619,001	154,830	13.73	4.0
396	Power Operated Equipment	16-S0.5	5	2,266,434.18	603,642	1,549,470	131,305	5.79	11.8
397	Communication Equipment	15-SQ	0	41,361,518.25	27,706,405	13,655,113	1,163,846	2.81	11.7
398	Miscellaneous Equipment	10-SQ	0	8,466.99	528	7,939	1,127	13.31	7.0
Total General Plant				56,730,128.09	34,046,667	22,201,879	2,158,730	3.81	
TOTAL DEPRECIABLE ELECTRIC PLANT				2,687,844,433.76	956,270,511	2,044,144,913	66,416,214	2.47	

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group	Survivor Curve	Net Salvage	Original Cost as of December 31, 2010	Book Reserve	Future Book Accruals	Calculated Annual Accrual Amount	Calculated Annual Accrual Rate	Composite Remaining Life
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7)/(4)	(9)=(6)/(7)
GAS PLANT - WASHINGTON AND IDAHO									
Natural Gas Storage and Processing Plant									
350.2	Rights of Way	50-R3	0	59,811.72	19,201	40,611	1,109	1.85	36.6
	Structures and Improvements								
351.1	Structures and Improvements	55-S2.5	(5)	793,767.13	388,051	445,404	12,010	1.51	37.1
351.2	Compressor Station	55-S2.5	(5)	282,549.34	178,614	118,063	3,900	1.38	30.3
351.3	Measuring and Regulating Station	55-S2.5	(5)	52,850.07	33,765	21,728	725	1.37	30.0
351.4	Office	55-S2.5	(5)	110,236.38	46,843	68,905	1,761	1.60	39.1
351.41	Pump House	55-S2.5	(5)	61,655.69	39,390	25,348	847	1.37	29.9
	Total Account 351			1,301,058.61	686,663	679,448	19,243	1.48	
	Wells								
352	Storage Wells	50-R3	0	8,135,247.04	4,448,188	3,687,059	93,889	1.15	39.3
352.2	Reservoirs	45-R4	0	203,330.47	49,533	153,797	4,806	2.36	32.0
352.3	Non-Recoverable Gas	50-R4	0	4,101,161.47	3,434,611	666,550	17,382	0.42	38.3
	Total Account 352			12,439,738.98	7,932,332	4,507,406	116,077	0.93	
353	Lines	55-S2.5	0	1,044,477.12	449,113	595,364	15,805	1.51	37.7
354	Compressor Station Equipment	50-S2.5	0	11,227,511.13	1,749,334	9,478,177	209,772	1.87	45.2
355	Measuring and Regulating Equipment	35-R3	0	173,783.82	(429,323)	603,107	48,162	27.71	12.5
356	Purification Equipment	30-S3	0	407,617.44	345,926	61,691	5,546	1.36	11.1
357	Other Equipment	40-R2	0	1,453,687.75	647,571	806,117	31,930	2.20	25.2
Total Natural Gas Storage and Processing Plant				28,107,686.57	11,400,817	16,771,921	447,644	1.59	
Distribution Plant									
374.4	Land - Easements	50-R3	0	64,232.41	1,603	62,629	1,291	2.01	48.5
375	Structures and Improvements	50-R2.5	0	743,264.41	205,504	537,760	13,579	1.83	39.6
376	Mains	55-R2.5	(30)	214,835,280.03	69,422,257	209,863,607	5,137,474	2.39	40.8
378	Measuring and Regulating Equipment - General	35-R1.5	(15)	5,017,641.37	826,887	4,943,401	179,432	3.58	27.6
379	Compressor Station Equipment	40-S0.5	(15)	5,908,215.95	775,128	6,019,320	169,584	2.87	35.5
380	Services	45-R2.5	(20)	138,010,054.54	57,223,580	108,388,485	3,334,270	2.42	32.5
381	Meters								
	Idaho	36-R1.5	(2)	12,766,025.87	3,987,792	9,033,554	352,509	2.76	25.6
	Washington	36-R1.5	(2)	46,490,452.81	8,626,862	38,793,400	1,508,213	3.24	25.7
				59,256,478.68	12,614,654	47,826,954	1,860,722	3.14	
385	Industrial Measuring and Regulating Equipment	50-R2	(15)	2,754,720.38	1,008,646	2,159,282	51,671	1.88	41.8
Total Distribution Plant				426,589,887.77	142,078,259	379,801,438	10,748,023	2.52	
General Plant									
390.1	Structures and Improvements - Company	30-S1	0	937,997.02	158,564	779,433	33,154	3.53	23.5
392	Transportation Equipment - Class 7 and 8	15-L2.5	10	472,239.61	183,929	241,087	20,515	4.34	11.8

III-11

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group	Survivor Curve	Net Salvage	Original Cost as of December 31, 2010	Book Reserve	Future Book Accruals	Calculated Annual Accrual Amount	Calculated Annual Accrual Rate	Composite Remaining Life
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7)/(4)	(9)=(6)/(7)
393	Stores Equipment	25-SQ	0	84,271.45	20,430	63,841	3,919	4.65	16.3
394	Tools, Shop and Garage Equipment	20-SQ	0	1,876,851.37	967,953	908,898	75,053	4.00	12.1
395	Laboratory Equipment	15-SQ	0	236,462.92	123,188	113,275	39,593	16.74	2.9
396	Power Operated Equipment	16-S0.5	20	1,529,421.18	916,805	306,732	19,868	1.30	15.4
397	Communication Equipment	15-SQ	0	801,000.19	516,716	284,284	22,906	2.86	12.4
	Total General Plant			5,938,243.74	2,887,585	2,697,550	215,008	3.62	
	TOTAL GAS PLANT - WASHINGTON AND IDAHO			**460,635,818.08**	**156,366,661**	**399,270,909**	**11,410,675**	**2.48**	
	GAS PLANT - ALLOCATED ALL								
	General Plant								
391	Office Furniture and Equipment	15-SQ	0	378,871.41	194,442	184,429	24,591	6.49	7.5
391.1	Computer Hardware	5-SQ	0	17,942.09	2,188	15,754	3,875	21.60	4.1
	Total Account 391			396,813.50	196,630	200,183	28,466	7.17	
394	Tools, Shop and Garage Equipment	20-SQ	0	1,092,853.76	150,815	942,039	55,252	5.06	17.0
395	Laboratory Equipment	15-SQ	0	77,286.38	4,074	73,212	5,529	7.15	13.2
397	Communication Equipment	15-SQ	0	926,079.41	648,184	277,895	35,518	3.84	7.8
	Total General Plant			2,493,033.05	999,703	1,493,329	124,765	5.00	
	TOTAL GAS PLANT - ALLOCATED ALL			**2,493,033.05**	**999,703**	**1,493,329**	**124,765**	**5.00**	
	GAS PLANT - OREGON AND ALLOCATED SOUTH								
	Natural Gas Storage and Processing Plant								
	Structures and Improvements								
351.2	Compressor Station	55-S2.5	(5)	1,043.51	33	1,063	20	1.92	53.2
351.4	Office	55-S2.5	(5)	11,304.09	197	11,672	218	1.93	53.5
	Total Account 351			12,347.60	230	12,735	238	1.93	
	Wells								
352	Storage Wells	50-R3	0	885,565.70	34,259	851,307	17,903	2.02	47.6
352.2	Reservoirs	45-R4	0	41,848.67	2,716	39,133	926	2.21	42.3
352.3	Non-Recoverable Gas	50-R4	0	269,761.05	40,144	229,617	4,865	1.80	47.2
	Total Account 352			1,197,175.42	77,119	1,120,057	23,694	1.98	
353	Lines	55-S2.5	0	62,303.99	3,251	59,053	1,124	1.80	52.5
354	Compressor Station Equipment	50-S2.5	0	2,876,673.76	117,287	2,759,387	58,090	2.02	47.5
357	Other Equipment	40-R2	0	4,615.85	119	4,497	114	2.47	39.4
	Total Natural Gas Storage and Processing Plant			4,153,116.62	198,006	3,955,729	83,260	2.00	

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group	Survivor Curve	Net Salvage	Original Cost as of December 31, 2010	Book Reserve	Future Book Accruals	Calculated Annual Accrual Amount	Calculated Annual Accrual Rate	Composite Remaining Life
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7)/(4)	(9)=(6)/(7)
Distribution Plant									
374.4	Land - Easements	50-R3	0	96,478.00	2,300	94,178	1,939	2.01	48.6
375	Structures and Improvements	50-R2.5	0	291,875.82	115,003	176,873	5,395	1.85	32.8
376	Mains	55-R2.5	(30)	130,326,659.60	45,742,426	123,682,231	2,705,212	2.08	45.7
378	Measuring and Regulating Equipment - General	35-R1.5	(15)	3,195,636.01	690,853	2,984,128	95,052	2.97	31.4
379	Compressor Station Equipment	40-S0.5	(15)	1,656,656.60	356,390	1,548,765	45,787	2.76	33.8
380	Services	45-R2.5	(20)	56,987,729.53	31,921,328	36,463,947	1,041,548	1.83	35.0
381	Meters	36-R1.5	(2)	32,434,693.27	4,466,491	28,616,896	1,070,391	3.30	26.7
385	Industrial Measuring and Regulating Equipment	50-R2	(15)	1,207,391.03	663,149	725,351	15,635	1.29	46.4
387	Other Equipment	12-S3	0	539.29	539	0	0	-	-
Total Distribution Plant				226,197,659.15	83,958,479	194,292,369	4,980,959	2.20	
General Plant									
390.1	Structures and Improvements - Company	30-S1	0	3,227,131.72	1,675,611	1,551,521	55,424	1.72	28.0
392	Transportation Equipment - Class 7 & 8	15-L2.5	10	32,132.07	25,193	3,726	257	0.80	14.5
393	Stores Equipment	25-SQ	0	57,226.52	29,309	27,918	2,801	4.89	10.0
394	Tools, Shop and Garage Equipment	20-SQ	0	897,816.59	350,567	547,250	48,058	5.35	11.4
395	Laboratory Equipment	15-SQ	0	229,575.11	115,503	114,072	40,480	17.63	2.8
396	Power Operated Equipment	16-S0.5	20	43,833.95	16,138	18,929	1,559	3.56	12.1
397	Communication Equipment	15-SQ	0	724,685.78	174,952	549,734	48,605	6.71	11.3
398	Miscellaneous Equipment	10-SQ	0	2,367.16	29	2,338	246	10.39	9.5
Total General Plant				5,214,768.90	2,387,302	2,815,488	197,430	3.79	
TOTAL GAS PLANT - OREGON AND ALLOCATED SOUTH				**235,565,544.67**	**86,543,787**	**201,063,586**	**5,261,649**	**2.23**	
TOTAL DEPRECIABLE GAS PLANT				**698,694,395.80**	**243,910,151**	**601,827,824**	**16,797,089**	**2.40**	
COMMON PLANT									
	Land and Land Rights								
389.3	Removing Property of Others	65-R4	0	1,878,143.80	47,543	1,830,601	29,351	1.56	62.4
389.4	Land Easements	65-R4	0	39,786.75	34,141	5,646	157	0.39	36.0
	Total Account 389			1,917,930.55	81,684	1,836,247	29,508	1.54	
390.1	Structures and Improvements - Company	55-R1.5	(5)	58,938,847.06	5,135,894	56,749,895	1,177,206	2.00	48.2
	Office Furniture and Equipment								
391	Office Furniture and Equipment	15-SQ	0	7,566,125.45	213,123	7,353,002	1,334,191	17.63	5.5
391.1	Computer Hardware	5-SQ	0	28,289,483.67	10,331,168	17,958,316	6,703,443	23.70	2.7
	Total Account 391			35,855,609.12	10,544,291	25,311,318	8,037,634	22.42	
392	Transportation Equipment - Class 7 and 8	15-L2.5	10	475,195.16	219,665	208,011	24,603	5.18	8.5
393	Stores Equipment	25-SQ	0	1,480,700.59	465,830	1,014,871	64,051	4.33	15.8
394	Tools, Shop and Garage Equipment	20-SQ	0	4,664,596.34	724,064	3,940,532	229,898	4.93	17.1

III-13

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group (1)	Survivor Curve (2)	Net Salvage (3)	Original Cost as of December 31, 2010 (4)	Book Reserve (5)	Future Book Accruals (6)	Calculated Annual Accrual Amount (7)	Calculated Annual Accrual Rate (8)=(7)/(4)	Composite Remaining Life (9)=(6)/(7)
395	Laboratory Equipment	15-SQ	0	573,783.87	106,962	466,822	81,967	14.29	5.7
396	Power Operated Equipment	16-S0.5	10	2,041,872.60	970,792	866,893	66,384	3.25	13.1
	Communication Equipment								
397	Communication Equipment	15-SQ	0	19,557,271.22	11,987,288	7,569,983	665,438	3.40	11.4
397.2	Portable	10-SQ	0	2,064,294.19	445,496	1,618,798	246,654	11.95	6.6
	Total Account 397			21,621,565.41	12,432,784	9,188,781	912,092	4.22	
398	Miscellaneous Equipment	10-SQ	0	412,287.37	(118,475)	530,762	166,878	40.48	3.2
	TOTAL DEPRECIABLE COMMON PLANT			127,982,388.07 (c)	30,563,491	100,114,132	10,790,221 (d)	8.43	
	AMORTIZIABLE AND LAND - ELECTRIC PLANT								
302	Franchises & Consents			44,630,382.78					
303	Misc. Intangible Plant			2,386,200.89					
303.1	Misc. Intangible Plant - Software			945,078.46					
303.11	Misc. Intangible Plant - PC Software			256,845.99					
	Total Amortiziable and Land - Electric Plant			48,218,508.12					
	AMORTIZIABLE AND LAND - GAS PLANT - WASHINGTON AND IDAHO								
303	Miscellaneous Intangible Plant			1,138,289.88					
303.11	Misc. Intangible Plant - PC Software			19,337.45					
390.2	Structures and Improvements - Leasehold			1,862.53					
	Total Amortiziable and Land - Gas Plant - Washington and Idaho			1,159,489.86					
	AMORTIZIABLE AND LAND - GAS PLANT - ALLOCATED ALL								
303	Miscellaneous Intangible Plant			1,147,057.39					
303.11	Misc. Intangible Plant - PC Software			89,628.41					
	Total Amortiziable and Land - Gas Plant - Allocated All			1,236,685.80					
	AMORTIZIABLE AND LAND - GAS PLANT - OREGON AND ALLOCATED SOUTH								
303	Miscellaneous Intangible Plant			410,125.67					
303.1	Misc. Intangible Plant - Software			46,439.85					
303.11	Misc. Intangible Plant - PC Software			1,231.09					
390.2	Structures and Improvements - Leasehold			58,403.92					
	Total Amortizable and Land - Gas Plant - Oregon and Allocated South			516,200.53					

Common Plant Composite Rate
(d)/(c) = 8.43%

III-14

AVISTA CORPORATION

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC, GAS AND COMMON PLANT AS OF DECEMBER 31, 2010

	Depreciable Group	Survivor Curve	Net Salvage	Original Cost as of December 31, 2010	Book Reserve	Future Book Accruals	Calculated Annual Accrual Amount	Calculated Annual Accrual Rate	Composite Remaining Life
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7)/(4)	(9)=(6)/(7)
AMORTIZIABLE AND LAND - COMMON PLANT									
303	Miscellaneous Intangible Plant			194,057.94					
303.1	Misc. Intangible Plant - Software			30,482,180.48					
303.11	Misc. Intangible Plant - PC Software			2,412,521.47					
390.2	Structures and Improvements - Leasehold			143,735.76					
Total Amortiziable and Land - Common Plant				33,038,437.71					
TOTAL ELECTRIC, GAS AND COMMON PLANT				3,598,690,539.65	1,230,744,153	2,746,086,869	94,003,524		

* Life Span Procedure was used. Curve Shown is Interim Survivor Curve.

AVISTA CORPORATION
TRANSPORTATION AND POWER OPERATED EQUIPMENT

ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND
CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO UTILITY PLANT AS OF DECEMBER 31, 2011

	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL ACCRUAL AMOUNT (7)	CALCULATED ANNUAL ACCRUAL RATE (8)=(7)/(4)	COMPOSITE REMAINING LIFE (9)=(6)/(7)
	ELECTRIC TRANSPORTATION AND POWER OPERATED EQUIPMENT								
392.20	TRANSPORTATION EQUIPMENT - LIGHT TRUCKS	10-R2	10	3,531,125.82	1,502,007	1,676,006	252,880	7.16	6.6
392.30	TRANSPORTATION EQUIPMENT - MEDIUM TRUCKS	12-L4	10	9,723,390.87	2,356,640	6,394,412	951,171	9.78	6.7
392.40	TRANSPORTATION EQUIPMENT - HEAVY TRUCKS	15-L3	15	105,425.77	89,612	0	0	-	-
392.50	TRANSPORTATION EQUIPMENT - OTHER	15-L0	5	3,035,348.40	1,632,861	1,250,720	91,928	3.03	13.6
	TOTAL ACCOUNT 392			16,395,290.86	5,581,120	9,321,138	1,295,979	5.42	
396.30	POWER OPERATED EQUIPMENT - MEDIUM TRUCKS	12-L4	10	8,349,789.58	3,193,260	4,321,551	576,548	6.90	7.5
396.40	POWER OPERATED EQUIPMENT - HEAVY TRUCKS	15-L3	15	23,387,667.65	3,962,935	15,916,583	2,047,294	8.75	7.8
396.50	POWER OPERATED EQUIPMENT - OTHER	15-L0	5	2,765,943.82	712,637	1,915,010	149,835	5.42	12.8
	TOTAL ACCOUNT 396			34,503,401.05	7,868,832	22,153,144	2,773,677	5.42	
	TOTAL ELECTRIC TRANSPORTATION AND POWER OPERATED EQUIPMENT			**50,898,691.91**	**13,449,952**	**31,474,282**	**4,069,656**	**8.00**	
	GAS (WA and ID) TRANSPORTATION AND POWER OPERATED EQUIPMENT								
392.20	TRANSPORTATION EQUIPMENT - LIGHT TRUCKS	10-R2	10	2,856,920.79	332,042	2,239,187	464,245	16.25	4.8
392.30	TRANSPORTATION EQUIPMENT - MEDIUM TRUCKS	12-L4	10	2,474,278.53	133,955	2,092,896	315,743	12.76	6.6
392.40	TRANSPORTATION EQUIPMENT - HEAVY TRUCKS	15-L3	15	101,711.45	20,373	66,082	6,862	6.75	9.6
392.50	TRANSPORTATION EQUIPMENT - OTHER	15-L0	5	496,790.13	189,104	282,847	22,192	4.47	12.7
	TOTAL ACCOUNT 392			5,929,700.90	675,474	4,681,012	809,042	5.42	
396.40	POWER OPERATED EQUIPMENT - HEAVY TRUCKS	15-L3	15	2,282,890.59	670,867	1,269,590	255,781	11.20	5.0
396.50	POWER OPERATED EQUIPMENT - OTHER	15-L0	5	1,110,776.73	266,032	789,206	62,791	5.65	12.6
	TOTAL ACCOUNT 396			3,393,667.32	936,899	2,058,796	318,572	5.42	
	TOTAL GAS (WA and ID) TRANSPORTATION AND POWER OPERATED EQUIPMENT			**9,323,368.22**	**1,612,373**	**6,739,808**	**1,127,614**	**12.09**	
	GAS (OR) TRANSPORTATION AND POWER OPERATED EQUIPMENT								
392.20	TRANSPORTATION EQUIPMENT - LIGHT TRUCKS	10-R2	10	1,621,750.72	631,131	828,445	137,393	8.47	6.0
392.30	TRANSPORTATION EQUIPMENT - MEDIUM TRUCKS	12-L4	10	657,257.25	232,034	359,498	56,813	8.64	6.3
392.40	TRANSPORTATION EQUIPMENT - HEAVY TRUCKS	15-L3	15	92,388.86	78,531	0	0	-	-
392.50	TRANSPORTATION EQUIPMENT - OTHER	15-L0	5	32,132.07	18,338	12,187	911	2.84	13.4
	TOTAL ACCOUNT 392			2,403,528.90	960,034	1,200,130	195,117	5.42	
396.50	POWER OPERATED EQUIPMENT - OTHER	15-L0	5	43,833.95	17,743	23,899	2,036	4.64	11.7
	TOTAL ACCOUNT 396			43,833.95	17,743	23,899	2,036	5.42	
	TOTAL GAS (OR) TRANSPORTATION AND POWER OPERATED EQUIPMENT			**2,447,362.85**	**977,777**	**1,224,029**	**197,153**	**8.06**	
	COMMON TRANSPORTATION AND POWER OPERATED EQUIPMENT								
392.10	TRANSPORTATION EQUIPMENT - AUTOS	6-L3	5	134,401.94	12,394	115,288	28,607	21.28	4.0
392.20	TRANSPORTATION EQUIPMENT - LIGHT TRUCKS	10-R2	10	2,448,188.39	330,886	1,872,484	395,936	16.17	4.7
392.30	TRANSPORTATION EQUIPMENT - MEDIUM TRUCKS	12-L4	10	799,160.44	82,886	636,358	152,512	19.08	4.2
392.40	TRANSPORTATION EQUIPMENT - HEAVY TRUCKS	15-L3	15	125,203.55	6,152	100,271	7,594	6.07	13.2
392.50	TRANSPORTATION EQUIPMENT - OTHER	15-L0	5	434,003.15	156,472	255,831	24,605	5.67	10.4
	TOTAL ACCOUNT 392			3,940,957.47	588,790	2,980,232	609,254	5.42	
396.30	POWER OPERATED EQUIPMENT - MEDIUM TRUCKS	12-L4	10	59,501.89	53,552	0	0	-	-
396.50	POWER OPERATED EQUIPMENT - OTHER	15-L0	5	1,746,961.94	667,796	991,818	85,745	4.91	11.6
	TOTAL ACCOUNT 396			1,806,463.83	721,348	991,818	85,745	5.42	
	TOTAL COMMON TRANSPORTATION AND POWER OPERATED EQUIPMENT			**5,747,421.30**	**1,310,138**	**3,972,050**	**694,999**	**12.09**	
	TOTAL TRANSPORTATION AND POWER OPERATED EQUIPMENT			**68,416,844.28**	**17,350,240**	**43,410,169**	**6,089,422**	8.9	

III-4

Bob Ferguson
ATTORNEY GENERAL OF WASHINGTON
800 Fifth Avenue #2000 • Seattle WA 98104-3188

January 26, 2018

SENT VIA WEB PORTAL AND ABC LMI
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: *Wash. Utils. & Transp. Comm'n v. Avista Corp.* (Avista General Rate Case 2017)
Dockets UE-170485 and UG-170486 (*Consolidated*)

Dear Mr. King:

Enclosed please find the original and 10 copies of Public Counsel's Comments on Avista's Response to Bench Request No. 1 with Attachments A through C and a Certificate of Service.

Please do not hesitate to contact me if there are any questions on this filing. Thank you.

Sincerely,

LISA W. GAFKEN
Assistant Attorney General
Public Counsel Unit Chief
(206) 464-6595

LWG:cm
Enclosures
cc: Service List (via U.S. First Class Mail & E-mail)
Judge Rayne Pearson (via E-mail)
Judge Marguerite Friedlander (via E-mail)

AVISTA CORPORATION
ELECTRIC DOCKET NO. UE-170485
CALCULATION OF GENERAL REVENUE REQUIREMENT
TEST YEAR ENDED DECEMBER 31, 2016
(000s of Dollars)

Line No.	Description	Amount Per Company	Amount Per PC
1	Adjusted Rate Base	$ 1,472,291	$ 1,472,291
2	Rate of Return	7.69%	7.26%
3	Net Operating Income Requirement	$ 113,219	$ 106,888
4	Adjusted Net Operating Income	89,991	102,252
5	Net Operating Income Deficiency/(Sufficiency)	$ 23,229	$ 4,637
6	Revenue Conversion Factor	0.61941	0.61941
7	Revenue Deficiency/(Sufficiency) Before Tax Rate Reduction	$ 37,501	$ 7,486
8	Federal Income Tax Rate Reduction	$ (19,267)	**$ (17,541)**
9	Excess ADIT Amortization, Alternative Method	(8,435)	**(8,435)**
10	Net Change in Rates	$ 9,798	$ (18,491)

Avista Adj. #	WP Ref	Description of Adjustment	Avista Adjustments NOI	Avista Adjustments Rate Base	Avista Adjustments Rev Req	PC Adjustment	Public Counsel Adjustments and/or PC Neutral in Direct NOI	Public Counsel Adjustments and/or PC Neutral in Direct Rate Base	Public Counsel Adjustments and/or PC Neutral in Direct Rev Req	Public Counsel Position on Avista's Revised Position	Rev. Req. Impact of Differences
1.00	E-ROO	Results of Operations	110,557	1,444,926	901		110,557	1,444,926	(9,130)	PC Neutral in Direct	(10,031)
1.01	E-DFIT	Deferred FIT Rate Base	8	806	87		8	806	81	PC Neutral in Direct	(6)
1.02	E-DDC	Deferred Debits and Credits	(8)	-	13		(8)	-	13	PC Neutral in Direct	0
1.03	E-WC	Working Capital	(30)	(3,006)	(324)		(30)	(3,006)	(303)	PC Neutral in Direct	21
2.01	E-EBO	Eliminate B & O Taxes	(96)	-	154		(96)	-	154	PC Neutral in Direct	0
2.02	E-RPT	Restate Property Tax	163	-	(262)		163	-	(262)	PC Neutral in Direct	0
2.03	E-UE	Uncollect. Expense	(859)	-	1,386		(859)	-	1,386	PC Neutral in Direct	0
2.04	E-RE	Regulatory Expense	(5)	-	7		(5)	-	7	PC Neutral in Direct	0
2.05	E-ID	Injuries and Damages	(98)	-	158		(98)	-	158	PC Neutral in Direct	0
2.06	E-FIT	FIT/DFIT/ ITC Expense	(69)	-	111		(69)	-	111	PC Neutral in Direct	0
2.07	E-OSC	Office Space Charges to Non-Utility	20	-	(33)		20	-	(33)	PC Neutral in Direct	0
2.08	E-RET	Restate Excise Taxes	40	-	(65)		40	-	(65)	PC Neutral in Direct	0
2.09	E-NGL	Net Gains / Losses	61	-	(99)		61	-	(99)	PC Neutral in Direct	0
2.10	E-WN	Weather Normalization	825	-	(1,332)		825	-	(1,332)	PC Neutral in Direct	0
2.11	E-EAS	Eliminate Adder Schedules	-	-	0		-	-	0	PC Neutral in Direct	0
2.12	E-MR	Misc. Restating Non-Util / Non-Rec Exp.	(969)	-	1,565		(969)	-	1,565	PC Neutral in Direct	0
2.13	E-EWPC	Eliminate WA Power Cost Defer	4,386	-	(7,081)		4,386	-	(7,081)	PC Neutral in Direct	0
2.14	E-NPS	Nez Perce Settlement Adjustment	3	-	(4)		3	-	(4)	PC Neutral in Direct	0
2.15	E-RI	Restating Incentives	407	-	(657)		407	-	(657)	PC Neutral in Direct	0
2.16	E-PMM	Normalize CS2/Colstrip Major Maint	$763	-	(1,232)		$763	-	(1,232)	PC Neutral in Direct	0
2.17	E-RDI	Restate Debt Interest	860	-	(1,388)		860	-	(1,388)	PC Neutral in Direct	0
2.18	E-APS	Authorized Power Supply	(7,696)	-	12,425		(7,696)	-	12,425	PC Neutral in Direct	0
2.19	OPEN	OPEN	-	-			-	-		PC Neutral in Direct	0
		Restated Total	108,263	1,442,726			108,263	1,442,726			
Pro Forma Adjustments									0		
3.01	E-PTR	Pro Forma Trans/Power Sup Non-ERM Rev	(66)	-	106		(66)	-	106	PC Neutral in Direct	0
3.02	E-PLN	Pro Forma Labor Non-Exec	(1,862)	-	3,005	(1) 931	(931)	-	1,503	PC Opposes	(1,503)
3.03	E-PLE	Pro Forma Labor Exec	21	-	(35)		21	-	(35)	PC Neutral in Direct	0
3.04	E-PEB	Pro Forma Employee Benefits	234	-	(378)		234	-	(378)	PC Neutral in Direct	0
3.05	E-PI	Pro Forma Incentive Expenses	(77)	-	125		(77)	-	125	PC Neutral in Direct	0
3.06	E-PPT	Pro Forma Property Tax	(1,598)	-	2,579	(2) 799	(799)	-	1,290	PC Opposes	(1,290)
3.07	E-CI	Pro Forma IS/IT Expense	(451)	-	728		(451)	-	728	PC Neutral in Direct	0
3.08	E-PREV	Pro Forma Revenue Normalization	(3,286)	-	5,305		(3,286)	-	5,305	PC Neutral in Direct	0
3.09	E-PRA	Pro Forma Def. Debits, Credits & Regulator	1,013	(5,346)	(2,298)		1,013	(5,346)	(2,261)	PC Neutral in Direct	37
3.10	E-PCAP16	Pro Forma 2017 Threshhold Capital Adds	(1,741)	34,911	7,144		(1,741)	34,911	6,902	PC Neutral in Direct	(242)
3.11	E-POFF	Pro Forma O&M Offsets	642	-	(1,036)		642	-	(1,036)	PC Neutral in Direct	0
3.12	E-PDF	Pro Forma Director Fees Exp	(244)	-	394	(3) 244	-	-	0	PC Opposes	(394)
3.13	E-PNM	PF Normalize CS2/Colstrip Major Maint	(226)	-	364		(226)	-	364	PC Neutral in Direct	0
3.14	E-PUEI	Pro Forma Underground Equip Inspection	(346)	-	558		(346)	-	558	PC Neutral in Direct	0
		Pro Forma Study (Step 1 increase excluc	100,278	1,472,291			102,252	1,472,291		PC Neutral in Direct	0
4.00	E-PPS	Pro Forma Power Supply & Transm Revs	(10,288)	-	16,609	(4) 10,288	-	-	0	PC Opposes	(16,609)
		Total Pro Forma Study: Step 1 increases &	89,991	1,472,291	37,501		102,252	1,472,291	7,486		(30,015)

Public Counsel Adjustments

(1) Reverse 50% of Company's proposed adjustment to Pyroll Expense.
(2) Reverse 50% of Company's proposed adjustment to Property Tax Expense.
(3) Reverse 100% of Company's proposed adjustment for Director's Fees.
(4) Reverse 100% of Company's proposed adjustment for Power Costs.

Line No.	Description	WA-Electric	WA-Gas
1	Total Non-Exec. Labor Adjustment	(2,864)	-
2	Federal Income Tax Rate	35%	35%
3	Reduction in Federal Income Tax Expense	1,002	-
4	Avista Adjustment to Net Operating Income	(1,862)	-
5	Remove Half of Company Adjustment	(931)	
6	PC Adjustment	(931)	

Source/Notes:
Exh EMA-2 Pro Forma Study Electric Model; Adj Detail Input Tab

AVISTA CORPORATION
ELECTRIC DOCKET NO. UE-170485
PRO FORMA PROPERTY TAX EXPENSE
TEST YEAR ENDED DECEMBER 31, 2016
(000s of Dollars)

Line No.	Description	Per PC Adjustment	Per Avista Adjustment
1	Pro Forma Property Tax Expense Adjustment	(2,458)	
2	Federal Income Tax Rate	35%	
3	Reduction in Federal Income Tax Expense	860	
4	Adjustment to Net Operating Income	(1,598)	
5	Remove Half of Company Adjustment	(799)	
6	PC Adjustment	(799)	

Source/Notes:
Exh EMA-2 Pro Forma Study Electric Model; Adj Detail Input Tab

AVISTA CORPORATION
ELECTRIC DOCKET NO. UE-170485
DIRECTOR'S FEES
TEST YEAR ENDED DECEMBER 31, 2016
(000s of Dollars)

Line No.	Description	Per PC Adjustment	Per Avista Adjustment
1	Directors Fee per Avista	(375)	
2	Federal Income Tax Rate	35%	35%
3	Reduction in Federal Income Tax Expense	131	-
4	Adjustment to Net Operating Income	(244)	-
5	Remove 100% of Company Adjustment	(244)	
6	PC Adjustment	(244)	

Source/Notes:
Exh EMA-2 Pro Forma Study Electric Model; Adj Detail Input Tab

Line No.	Description	Per PC Adjustment	Per Avista Adjustment
1	Power Cost Adjustment	(15,827)	
2	Federal Income Tax Rate	35%	35%
3	Reduction in Federal Income Tax Expense	5,539	-
4	Adjustment to Net Operating Income	(10,288)	-
5	Remove 100% of Company Adjustment	(10,288)	
6	PC Adjustment	(10,288)	

Source/Notes:
Exh EMA-2 Pro Forma Study Electric Model; Adj Detail Input Tab

AVISTA UTILITIES
TRADITIONAL PRO FORMA COST OF CAPITAL
WASHINGTON ELECTRIC

Capital Component	Capital Structure	Cost	Weighted Cost
Total Debt	51.5%	5.62%	2.89%
Common	48.5%	9.90%	4.80%
Total	100.00%		7.69%

PUBLIC COUNSEL
TRADITIONAL PRO FORMA COST OF CAPITAL
WASHINGTON ELECTRIC

Capital Component	Capital Structure	Cost	Weighted Cost
Total Debt	51.5%	5.62%	2.89%
Common	48.5%	9.00%	4.37%
Total	100.00%		7.26%

Line No.	Description		Amount Per Company	Amount Per PC
1	Rate Base (Thousands)		$ 1,472,291	$ 1,472,291
2	Weighted Cost of Common Equity		4.80%	4.37%
3	2018 Income Tax Factor	1.265822785		
4	2017 Income Tax Factor	1.538461538		
5	Tax Factor Change		-0.27263875	-0.27263875
6	Potential Change in Income Tax Expense (Thousands)		$ (19,267)	$ (17,541)
7	Accumulated Deferred Income Taxes		$ 361,893	$ 361,893
8	Excess ADIT Factor (-14%/35%)		-0.40	-0.40
9	Excess ADIT (Thousands)		$ (144,757)	$ (144,757)
10	2018 Income Tax Factor		1.265822785	1.265822785
11	Excess ADIT Regulatory Liability		$ (183,237)	$ (183,237)
12	Net Plant	$ 1,772,488		
13	Depreciation Expense	81,594		
14	Average Life of Plant		21.72	21.72
15	Excess ADIT Amortization Under the Alternative Meth		$ (8,435)	$ (8,435)

EXHIBIT A

DOCKET NO. 46831
SOAH DOCKET NO. 473-17-2686

APPLICATION OF EL PASO ELECTRIC COMPANY TO CHANGE RATES	§ § §	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

STIPULATION AND AGREEMENT

Public Utility Commission of Texas (PUCT or Commission) Docket No. 46831 is the proceeding established to determine the just and reasonable base rates for El Paso Electric Company (EPE or Company). Settlement discussions among the parties to Docket No. 46831 have been held, including for base rate purposes, revenue allocation, and rate design issues. As a result of these discussions, the parties to Docket No. 46831 either agree to or do not oppose the terms of this Stipulation and Agreement, including its attachments (the Agreement). The signatories to the Agreement (Signatories) further agree to support the Commission's implementation of the Agreement. The Agreement provides for a resolution of all base rate issues in this docket.

The Signatories agree that this Agreement results in just and reasonable rates and that the public interest will be served by resolution of the issues in the manner prescribed by this Agreement. Therefore, in consideration of the mutual agreements expressed herein, the Signatories agree and stipulate as follows:

Article I

Base Rate Revenue and Rate Issues

A. **Overall Revenues:** The Signatories agree that the Commission should authorize EPE to implement an overall annual increase of $14.5 million in Texas base rate and other revenues over EPE's test year adjusted revenues, effective for electricity consumed on and after July 18, 2017.

B. **Future Change to Corporate Federal Income Tax Expense:** If the federal statutory corporate income tax rate is decreased before EPE files its next base rate case, then EPE will record, as a regulatory liability, taking into account changes in billing determinants, the difference between (i) the amount of federal income tax expense that EPE collects

EXHIBIT A

through the revenue requirement approved in this proceeding and reflected in its rates and (ii) the amount of federal income tax expense calculated using the new federal statutory income tax rate, taking into account any other federal corporate tax changes, such as the deductibility of interest costs. This regulatory liability will accumulate from (i) the later of (a) the date that the new base rates established in this case for EPE became effective or (b) the date on which the tax rate reduction became effective until (ii) the refund tariff described below becomes effective.

1. EPE will file a refund tariff with the Commission and municipal regulatory authorities within 120 days after the enactment of the law making the tax rate change reflecting (i) the reduction in federal income tax rates and (ii) a credit for the regulatory liability referenced above over a twelve month period. The tariff will calculate the difference in tax expense as the difference in: (i) federal income tax expense collected in rates (i.e., reflecting the federal income tax rate embedded in the tax factor indicated on Attachment 1) and (ii) the federal income taxes that would have been collected in rates had the changes in the federal income tax rates, and other associated changes in the federal income tax calculation, been in effect at the time settlement rates were established. The proposed refund amount will be allocated to rate classes based upon the allocation of rate base as shown in Attachment 2.

2. In each subsequent year, EPE will file to update the refund factor to reflect any over- or under-recovery of federal income tax expense and to reflect any subsequent changes in federal income tax rates or calculations that would affect the settlement income tax calculation reflected on Attachment 1. The refund factors in each subsequent year will be filed within 90 days after the end of EPE's fiscal year. The refund factor will be discontinued upon the effective date of rates in EPE's next base rate case, with a final reconciliation determined at the time of the final order in the base rate case.

3. The amount and timing of the reduction in rates to reflect a federal statutory income tax rate decrease will be subject to any new federal rules or state laws or

EXHIBIT A

regulations that address how a utility's rates should be adjusted to account for the reduction of federal income tax rates.

4. The regulatory treatment of any excess deferred taxes resulting from a reduction in the federal income tax rate will be addressed in EPE's next base rate case.

C. **Financial Matters**: Effective beginning August 1, 2017, EPE's Weighted Average Cost of Capital (WACC) shall be 7.725% based upon a 5.922% Cost of Debt, an authorized Return on Equity (ROE) of 9.65%, and an authorized regulatory capital structure of 51.652% long-term debt and 48.348% equity. The foregoing WACC, Cost of Debt, ROE, and capital structure will apply, in accordance with the Public Utility Regulatory Act (PURA)[1] and Commission rules, in all Commission proceedings or Commission filings requiring application of EPE's Cost of Debt, WACC, ROE, or capital structure to the same extent as if these factors had been determined in a final order in a fully-litigated proceeding.

D. **Prudence Finding Regarding Investment**: The Signatories agree that all EPE investment through the end of the test year (September 30, 2016), as presented in EPE's rate filing package, is used and useful in providing service, and prudent and included in rate base.

E. **Jurisdictional Allocation of Certain Solar Facilities:** The Signatories agree that the 50 MW Macho Springs solar power purchase agreement (PPA) (for solar power from the Macho Springs Solar Facility in Luna County, New Mexico) and the 10 MW Newman solar PPA (for solar power from the PSEG El Paso Solar Energy Center in El Paso County, Texas) will be system resources for jurisdictional allocation purposes.

F. **Imputed Capacity.** The Signatories agree that the classification of costs incurred by EPE as either base rate capacity charges or fuel charges for the 50 MW Macho Springs solar PPA and the 10 MW Newman solar PPA shall be as follows for the term of these contracts: Effective beginning August 1, 2017, the imputed capacity charge for the 50 MW Macho Springs solar PPA shall be $2.35/kW per month, and the imputed capacity

---

1 Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-58.303 (West 2016), §§ 59.001-66.017 (West 2007 & Supp. 2016) (PURA).

PUC DOCKET NO. 46449
SOAH DOCKET NO. 473-17-1764

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR AUTHORITY TO CHANGE RATES	**§ § §**	**PUBLIC UTILITY COMMISSION OF TEXAS**

ORDER

This order addresses the application of Southwestern Electric Power Company (SWEPCO) for authority to change its rates, filed on December 16, 2016. SWEPCO originally sought a \$69 million increase to its Texas retail revenue requirement, primarily to reflect investments in environmental controls. However, SWEPCO also proposed a significant modification to the manner in which its transmission costs should be recovered. In addition, SWEPCO sought additional cost recovery for vegetation management, rate-case expenses, and a regulatory asset for certain costs under the Southwest Power Pool's open-access tariff.

A hearing on the merits was held between June 5 and June 15, 2017 at the State Office of Administrative Hearings (SOAH). On September 22, 2017, the SOAH administrative law judges (ALJs) filed their proposal for decision (PFD) in which they recommended a Texas retail revenue requirement increase of approximately \$51 million. The SOAH ALJs rejected SWEPCO's new method to recover transmission costs and recommended granting its requested rate-case expenses, and regulatory asset. In response to parties' exceptions and replies to the PFD, on November 8, 2017, the SOAH ALJs filed a letter making changes to the PFD.

Except as discussed in this order, the Commission adopts the PFD as modified, including findings of fact and conclusions of law. The Commission's decisions result in a Texas retail base-rate revenue requirement of \$369,234,023, which is an increase of \$50,001,133 from SWEPCO's present Commission-authorized Texas retail base-rate revenue requirement. New findings of fact 17A through 17J are added to address the procedural history of this docket after the close of the evidentiary record at SOAH. The Commission incorporates by reference the abbreviations table provided in the PFD.

quantify the cost in dollars to generate the next MWh for an online generating unit at a given operating point.

346. The evidence establishes that SWEPCO has correctly bid its coal units into the SPP IM based on the incremental costs of the units and has realized revenues in excess of the associated incremental costs from the SPP IM.

Change to Corporate Federal-Income-Tax Expense

346A. It is appropriate for the Commission's order to address changes to SWEPCO's corporate federal-income-tax expense.

346B. It is appropriate for the Commission to require SWEPCO to record, as a regulatory liability, taking into account changes in billing determinants, the difference between (a) the amount of federal-income-tax expense that SWEPCO collects through the revenue requirement approved in this proceeding and reflected in its rates and (b) the amount of federal-income-tax expense calculated using the new federal-income-tax rate, taking into account any other federal-corporate-tax changes, such as the deductibility of interest costs.

III. Conclusions of Law

1. SWEPCO is subject to the Public Utility Regulatory Act (PURA). Tex. Util. Code §§ 11.001-58.302 (West 2016 & Supp. 2017), §§ 59.001-66.016 (West 2007 & Supp. 2017).

2. SWEPCO is a public utility as that term is defined in PURA § 11.004(1) and an electric utility as that term is defined in PURA § 31.002(6)

3. The Commission exercises regulatory authority over SWEPCO, and jurisdiction over the subject matter of this application under PURA §§ 14.001, 32.001, 32.101, 33.002, 33.051, and 36.001-.112.

3A. The Commission's jurisdiction to establish rates extends beyond the date a proposed rate is suspended. PURA §§ 36.003-.004, 36.051-.065, 36.108(c), and 36.111.

4. SOAH has jurisdiction over matters related to the conduct of the hearing and the preparation of a proposal for decision in this docket, under PURA § 14.053 and Tex. Gov't. Code § 2003.049.

FILED
JAN 16 2018
COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF	)	
OKLAHOMA GAS AND ELECTRIC COMPANY	)	
FOR AN ORDER OF THE COMMISSION	)	
AUTHORIZING APPLICANT TO MODIFY ITS	)	CAUSE NO. PUD 201700496
RATES, CHARGES, AND TARIFFS FOR RETAIL	)	
ELECTRIC SERVICE IN OKLAHOMA	)	

Direct Testimony

of

Donald R. Rowlett

on behalf of

Oklahoma Gas and Electric Company

January 16, 2018

Donald R. Rowlett
Direct Testimony

Q. **Please state your name, position, by whom you are employed, and your business address.**

A. My name is Donald R. Rowlett. I am the Managing Director of Regulatory Affairs for Oklahoma Gas and Electric Company ("OG&E"). My business address is 321 N. Harvey Avenue, Oklahoma City, Oklahoma 73102.

Q. **Please state your educational qualifications and employment history.**

A. I earned a Bachelor of Science degree in Business with an accounting emphasis (1980) and a Master's in Business Administration (1992), from Oklahoma City University. I have also completed all work, except for the dissertation, on a Ph.D. from Oklahoma State University in Business Administration. I joined OG&E in 1989. I currently serve as Managing Director of Regulatory Affairs where I am responsible for overseeing the Company's economic regulatory activities with the Oklahoma Corporation Commission, the Arkansas Public Service Commission and the Federal Energy Regulatory Commission. I have served in various financial roles in the Company including ten years as Vice President, Controller and Chief Accountant. As the Company's Controller I was responsible for financial and operations accounting, federal, state and local income and property taxes and budgeting. I have also made investor presentations and participated in numerous public equity and debt offerings. Prior to joining OG&E, I was employed by Arthur Andersen & Co. as a financial consultant and audit manager. During my employment, I performed audits of financial statements in a variety of industries. Additionally, I prepared filings with the Securities and Exchange Commission ("SEC") and provided clients with guidance on the financial reporting requirements of the SEC and Generally Accepted Accounting Principles ("GAAP").

OG&E's books. OG&E recommends amortizing this regulatory liability over 5-years. Pension expenses have decreased over the last several years, in large part, due to a declining number of participants in the defined benefit plan. The reduction resulted in an over-recovery. The annual amortization would reduce OG&E's annual jurisdictional revenue requirement by approximately $8 million. Combined with the annual pension expense reduction of approximately $23 million and the elimination of the previous pension liability amortization of approximately $5 million, the overall reduction in revenue requirement due to pension savings is approximately $27 million. The Pension Tracker is further discussed by OG&E witness Thenmadathil.

Income Tax Treatment

Q. **How has OG&E addressed the Tax and Jobs Act of 2017 ("TCJA" or the "Act"))?**

A. OG&E has incorporated the changes in federal income tax rates and other provisions of the Act in determining its revenue requirement as shown on Schedule A. The TCJA creates three opportunities to reduce customer rates.

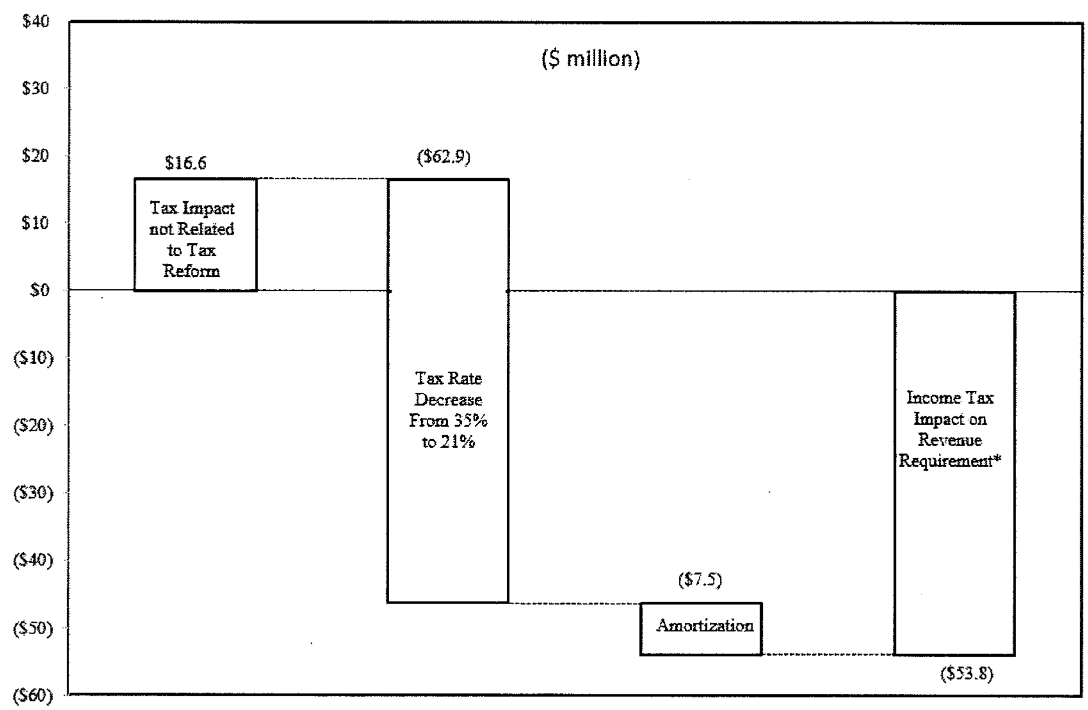
First, the federal corporate income tax rate has been reduced from 35% to 21%, resulting in an approximate $63 million reduction in OG&E's annual revenue requirement. The new federal income tax rate is reflected in this application on the schedules in Section J of the MFR package.

Second, OG&E's current rates for electric service reflect a 35% federal income tax rate. Beginning January 1, 2018, OG&E's federal income tax rate dropped to 21%. OG&E began recording a regulatory liability for the difference in the provision for income taxes based on the 35% federal income tax rate and the amount that would have been provided had rates been based on a 21% federal rate. In accordance with Commission Order No. 671982 in Cause No. 201700569, the Company will accrue a carrying charge on that liability at the 7.0667% weighted cost of capital. OG&E proposes that the amount accumulated in the regulatory liability be returned to customers through an income tax rider.

Third, OG&E has recorded accumulated deferred income taxes ("ADIT") for temporary differences between book and tax income. These accumulated income taxes are currently based on a 35% federal corporate income tax rate. With the passage of the

TCJA, the deferred income tax liability must be remeasured at the 21% income tax rate. OG&E has previously included the provision for deferred income taxes in determining its revenue requirement. The difference between the ADIT balance previously recorded and the remeasured amount should be recorded as a regulatory liability. OG&E's billed revenues will be lower in the future as a result of returning excess deferred income taxes to customers. The regulatory liability should be grossed up for the income tax benefit that OG&E will realize. This regulatory liability, when grossed up for income taxes, is approximately $1 billion. The current year turnaround of the excess deferred income taxes results in a reduction to OG&E's revenue requirement of approximately $7 million.

Chart 2: Income Tax Impact on Revenue Requirement



* Excludes income taxes and Investment Tax Credits related to Mustang combustion turbines

Q. **How will this regulatory liability for excess deferred income taxes be returned to OG&E's customers?**

A. OG&E will follow the normalization provisions of Section 203 (e)(2)(B) of the 1986 Tax Reform Act that prescribes the Company use the Average Rate Assumption Method ("ARAM"). OG&E's revenue requirement will be reduced in the year that the temporary differences that gave rise to the accumulated deferred income taxes turnaround. Revenues will decrease by the difference between the rate used to accrue them (35%) and the tax rate used to determine how much will be paid (21%).

Q. **Does the level of book/tax differences turning around stay constant?**

A. No. The level of temporary differences turning around will slowly increase over time. As more vintage year additions reach the point where book depreciation expense exceeds tax depreciation.

Q. **How does OG&E propose handle this increase in the turnaround of excess deferred income taxes?**

A. OG&E proposes to record the difference between the level of turnaround of excess deferred income taxes included in rates and actual level that occurs in subsequent years as a regulatory liability. OG&E further proposes that the amount accumulated in the regulatory liability be returned to customers monthly using the proposed Federal Tax Change and Production Tax Credit ("FTCPTC") Rider, which is discussed more fully by OG&E witness Cash.

Q. **Will the Company retain any benefits from the tax changes and are customers harmed by your treatment?**

A. No. The Company's approach to incorporating the tax changes into our filing preserve for our customers all the benefits of the federal tax rate reduction beginning on January 1, 2018, the effective date of the new law.

Q. **When will customers begin to recognize the benefits of the tax changes?**

A. The Company will begin tracking the benefits of lower tax rates effective January 1, 2018. Customers will begin to recognize the benefits of the lower tax rates when new rates are implemented in this Cause.

Q. **What will be included in the FTCPTC rider?**

A. The Rider will include three factors, which are:

1. Federal Tax Change ("FTC") factor,
2. Amortization of the Regulatory Liability ("ARL") factor, and
3. Production Tax Credit ("PTC") factor.

The mechanics and a copy of the proposed FTCPTC rider are attached and discussed in detail in the direct testimony of OG&E witness Cash.

Q. **What is a PTC?**

A. A PTC is a tax credit which reduces the income taxes of qualified tax-paying owners of renewable energy projects based on the electrical output (measured in kilowatt-hours, or kWh) of grid-connected renewable energy facilities. The PTC is an incentive that provides financial support for development of renewable energy facilities. Companies, like OG&E, that generate electricity from wind, or other renewables are eligible for a federal PTC for the first ten years of renewable energy facility's operation. Currently, this PTC incentive is $0.024 per kWh. The Oklahoma state PTC provides a $0.0025 per kWh incentive for facilities placed in service prior to January 1, 2007 and a $0.005 per kWh incentive for facilities placed in service after January 1, 2007. PTCs have been used to reduce the income tax expense component of the Company's cost of service and the PTC's have been used to reduce the cost recovered through individual project riders.

Q. **Were PTCs addressed in OG&E's last rate case?**

A. Yes. In Cause No. 201500273, Final Order 662059, the Commission allowed recovery through the Fuel Clause Adjustment for those PTCs associated with Centennial Wind Farm, expiring in 2017. However, the Commission found that the ratemaking treatment for all subsequently expiring PTCs should be addressed in a subsequent rate case or some other proceeding.

Q. **What treatment is OG&E requesting for Production Tax Credits ("PTCs")?**

A. OG&E is requesting that a rider be established to track the difference between the PTCs customers are receiving in base rates versus the actual PTCs received from the OU Spirit and Crossroads wind farms operations. The purpose of this rider is to account for the variability of PTCs due to the fluctuating wind generation and plan for the scheduled expiration of the PTCs associated with OU Spirit and Crossroads facilities.

Q. **Are there any other reasons for this change?**

A. Yes. As mentioned above, the PTCs are available for the first ten years of production from the facility. Beginning in the eleventh year, the PTCs are no longer available. By implementing this PTC rider, the level of PTCs credited to customers can be adjusted to reflect the actual level of credits being generated.

Q. **Does this change impact the revenue requirement requested in this Cause?**

A. No. There is no impact to revenue requirement in this Cause.

Q. **When do the PTCs for OU Spirit and Crossroads expire?**

A. OU Spirit PTCs expire in December of 2019, while the last of the Crossroads PTCs will expire in March of 2022. By establishing a rider now, the Company can accurately reflect the PTCs being earned each month. If the current treatment of PTCs is left unchanged, once the credits begin to expire, customers will be receiving the benefit, while the Company no longer receives the tax credit. The mechanics of the proposed FTCPTC Rider is fully discussed by OG&E witness Cash.

Q. **Will customers benefit from this change?**

A. Although the intent of this rider is to capture the impact of the expiration of PTCs associated with OU Spirit and Crossroads, customers could benefit, in the short term, when the level of PTCs generated each year are greater than the level estimated in base rates.

<u>Environmental Compliance</u>

Q. **Is OG&E recommending a regulatory asset for Environmental Compliance?**

A. Yes. In Cause No. PUD 201600059, Final Order No. 652208, OG&E's plan to comply with the requirements of Regional Haze by installing dry scrubbers, at Sooner Units 1

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **AVISTA CORPORATION d/b/a AVISTA UTILITIES,** **Respondent.**	**DOCKETS UE-170485 and UG-170486 (*Consolidated*)**

COMMISSION STAFF RESPONSE TO
AVISTA CORPORATION'S RESPONSE TO
BENCH REQUEST NO. 1

Christopher S. Hancock

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

January 26, 2018

I. INTRODUCTION

On December 22, 2017, President Trump signed H.R.1 – An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (The Tax Cuts and Jobs Act, or "TCJA") into law. The TCJA amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. The most notable impact for utilities regulated by the Commission is the reduction of the federal corporate tax rate from 35 percent to 21 percent.

On December 29, 2017, in dockets UE-171221 and UG-171222, Avista Corporation ("Avista" or "Company") filed a Petition for an order authorizing deferral of federal income tax expenses for the effects of the revisions to the federal income tax code upon its cost of service.

On January 2, 2018, the Commission issued a Notice of Bench Request and Notice of Opportunity to Respond ("Notice") in these dockets. The Notice included Bench Request No. 1, which required Avista to provide information related to the TCJA's impacts on the Company's revenue requirement and the Company's proposed ratemaking treatment(s) for those impacts. The Notice also provided parties with an opportunity to file comments related to Avista's response to the Commission's Bench Request.

Commission Staff ("Staff') has reviewed Avista Corporation's ("Avista") response to Bench Request No. 1 and has prepared the this response.

This response will first summarize Avista's response to Bench Request No. 1. Second, this response will address the TCJA impact on rates in this case. It will then address taxes which have already been collected. Finally, it will comment on the TCJA impact on the rate plan Staff recommends in this case. Throughout Staff's response, I will highlight some regulatory principles relevant to the issue at hand.

II. SUMMARY OF AVISTA'S RESPONSE TO BENCH REQUEST NO. 1

Avista did not fully respond to Bench Request No. 1 because it does not yet know the impact of the TCJA. Avista's response explained why determining the effects of the TCJA on its taxes is a complicated and time-consuming task that affects taxes the Company has already collected, taxes that Avista continues to collect under existing rates, and, the collection of taxes going forward as a result of the new revenue requirement that will result from this general rate case.

Avista explained that the Idaho Public Utilities Commission has notified Avista that it must produce a report by March 30, 2018, that explains the ramifications of the tax bill on Avista's service in Idaho. Avista proposes to provide a full response to Bench Request No. 1 on this same date.

Avista also proposes to file a rebate tariff, at a later date, to return "excess taxes"[1] to customers. This rebate would return funds to customers that are captured in the deferred accounting mechanism requested in the Company's petition in UE-171221 and UG-171222. The rebate tariff would aim to rebate excess taxes to customers that were collected prior to *and* after January 1, 2018. Subsequent updates to the rebate tariff would be made to reflect the impacts of the new tax law on years 2 and 3 of the rate plan, should the Commission choose to adopt a rate plan.

Avista also explains that there are some restrictions imposed by the Internal Revenue Service ("IRS") on the pace of the return of some excess taxes, if the Company is to continue to be eligible for accelerated depreciation.

[1] The Company has collected, and continues to collect, more funds from customers than is needed to cover its tax obligations, including its deferred tax obligations. This is what "excess taxes" refers to.

III. HOW SHOULD THE BENEFITS OF THE TAX CUTS AND JOBS ACT ("TCJA") BE APPORTIONED BETWEEN RATEPAYERS AND SHAREHOLDERS?

The tax benefits of the Tax Cuts and Jobs Act should be 100 percent passed on to ratepayers. The Company appears to agree with this position. In Dockets UE-171221 and UG-171222, Avista has sought the ability to defer excess taxes collected from customers, and acknowledges that "all the financial impacts of changes to the federal tax code" should be "properly incorporated in customers' rates."[2]

Ensuring that customers receive all of the benefits of TCJA is consistent with the Commission's ratemaking standards. Corporate income taxes are a pass-through cost that companies have no control over. Taxes are not a cost like operations and maintenance costs, where a revenue requirement is established to cover a reasonable level of costs and the company is incentivized to minimize that cost during the rate period, and is rewarded by pocketing the savings. Instead, income taxes are a cost the company is legally obligated to pay, and so the company should only collect that level of revenue from customers sufficient to cover this legal obligation, and no more. Charging customers more than required to cover the company's legal obligation to pay income taxes is unreasonable, unfair, and unjust.

IV. PROCEDURAL RECOMMENDATIONS

Avista proposes to file a report with the Commission by March 30, 2018, that answers the Bench Request in full. It is clear from Avista's response to Bench Request No. 1 that the Company feels it is appropriate "for the Commission and interested parties to audit"[3], and provide commentary on the report. However, under the current Procedural Schedule, Staff and other parties – including Commission policy staff – would have a relatively short amount of time

---

[3] Bench Request No. 1 pg 4.

to review and comment on Avista's report. The current Procedural Schedule has established April 26, 2018 as the Suspension Date, which is less than one month after Avista intends to file its report. As a practical matter, Commission Staff and other parties would have three weeks at best to respond to Avista's report. In comparison, Idaho staff, for whom the March 30 date appears to have been created, will have 60 days to review and comment on Avista's report.[4]

Commission Staff believes that at least four weeks is necessary to review and comment on Avista's March 30 report. This four week review period applies to Staff's review only and would be *in addition to* any time the Commission itself would need to review the intervening Parties' responses to the Company's report. Staff can also respond to Avista's report with a Staff-updated revenue requirement that incorporates the Company's reported information in that same four-week timeframe. The Company's testimony at the recent evidentiary hearing seemed to suggest that Avista may have the required TJCA-related information as early as mid- to late-February. If that is the case, Staff proposes that Avista provide that information as soon as possible to Staff, the Commission, and the intervening parties to allow for at least four full calendar weeks just to review the Company's report. Alternatively, if the Company cannot provide the requisite information until March 30, Staff recommends the Company voluntarily extend the Suspension Date to allow for the Parties to have at least a four week review period.

V. DETERMINING TAX EXPENSE GOING FORWARD

The most significant change brought by the passage of the TCJA is a change in the corporate tax rate from 35 percent to 21 percent. This change requires a re-calculation of the revenue conversion factor[5] used to convert pre-tax revenue requirements to final revenue requirements. It

---

[4] https://www.puc.idaho.gov/orders/recent/Notice_of_Investigation_Order_No_33965.pdf
[5] The revenue conversion factor converts a net income deficiency into a gross revenue income deficiency. It recognizes that a utility would need to collect more than one dollar in gross revenue for each dollar of net operating

will also require a re-calculation of several adjustments to the test year that are a function of the corporate income tax rate.

Incorporating these changes will have a large impact on revenue requirements. In fact, it is possible that in doing so, the Commission would arrive at a revenue requirement reduction for the first year of rates. Such a result should not be a cause for alarm and should not be interpreted as punishment of the Company. A revenue requirement reduction would simply reflect the fact that the Company no longer needs to collect as much revenue from customers to meet its future income tax obligations as it previously did.

A. The Revenue Conversion Factor

Staff's filed revenue requirement models assumed a 35 percent federal income tax rate. As a result, Staff used a conversion factor of 0.619659 for electric service, and 0.619798 for natural gas service, both of which were based on a 35 percent tax rate. Adjusting Staff's conversion factor to reflect the new, lower tax rate of 21 percent results in a conversion factor of 0.753124 for electric service and 0.753293 for natural gas service.

B. Adjustments that are a function of the corporate tax rate

Restating and *pro forma* adjustments in the various revenue requirement models submitted by parties to this case have components that are a function of the corporate income tax rate. Adjustment 2.16 in Exhibit JH-3 is one such example, where debt interest is a function of the corporate tax rate. These components all assumed a 35 percent tax rate, but should now be re-calculated using the new, lower tax rate of 21 percent. Even the test year itself will have to be adjusted to account for the new corporate income tax rate.

---

income it keeps for itself. Amongst other things, it is a function of several tax rates, one of which is the federal corporate income tax rate.

C. Expenses no longer deductible

Prior to the passage of the TCJA, public utilities could deduct some expenses from their taxable income. The TCJA has eliminated this provision in some circumstances. For example, utilities lose the benefit of bonus depreciation going forward. Avista's proposed March 30 report promises to shed light on the ramifications of these changes.

In the short-term, utilities will likely still have no federal income taxes due, because of net-operating losses ("NOL") from previous years that are carried forward. Once those NOLs are exhausted, utilities are likely to incur income tax obligations. If the loss of bonus depreciation results in taxable income, the utility may use accumulated Production Tax Credits to mitigate the payment of taxes in the current year.

VI. TAXES ALREADY COLLECTED

The Company filed deferred accounting petitions on December 29, 2017, in dockets UE-171221 and UG-171222. The petition seeks "an order authorizing [Avista] to utilize deferred accounting for the impact to its federal income tax (FIT) expenses due to the revisions of the federal income tax code caused by" the TJCA. Avista explains that it "would defer the impact of the changes to federal income tax expenses"[6], and that at a later unspecified date, "the Company will supplement this filing with the expected impact of the changes and with detail of the amounts that have been deferred."[7] The deferred amount will accrue interest at the FERC rate, which is currently 4.25 percent.

Staff supports this proposal. Deferred accounting will be necessary in order to facilitate the return of excess taxes to ratepayers.

[6] Petition page 3.
[7] Petition page 3.

A. Explanation of DFIT

Deferred taxes arise due to differences in how the Company's capital assets are depreciated for utility ratemaking purposes ("straight-line") versus how they are depreciated for federal income tax purposes ("accelerated"). Accelerated depreciation does not change the total taxes paid by the utility over time; it only changes the timing of income tax payments. Accrual of deferred taxes is simply capturing the timing difference between straight-line and accelerated depreciation. Deferred taxes are temporary, because they reverse over time. They are "*deferred*" because the cash is received prior to when these taxes will be paid. Through this tool, the Company and the Commission ensure taxes are recovered from customers fairly over the life of the underlying asset, much in the same way that depreciation of plant occurs evenly over time.

During the time between when taxes are collected from customers, and when those taxes are paid to the government, accumulated DFIT acts as a zero-cost source of capital[8] to the Company, provided by ratepayers. Accumulated DFIT is accounted for as a reduction to rate base for ratemaking purposes, conceptually similar to how customer deposits or contributions in aid of construction are considered offsets to rate base.

These funds were collected under a presumption that future income taxes would be incurred at the 35 percent corporate tax rate. However, as a result of the TCJA, future corporate income taxes will only be assessed at the new reduced 21 percent rate.

B. Excess DFIT related to the depreciation of plant

Excess DFIT exists because the tax rate has been reduced. It is appropriate, reasonable, fair, and just to return excess DFIT to customers, as excess DFIT represents the accumulated amount of taxes customers have overpaid. However, the Commission should consider certain

---

[8] Some may argue that these funds are not zero-cost. Instead, the argument goes, the reduction to rate base implicitly

requirements from the IRS that the Company faces when considering how to return these funds to customers.

Staff expects that Avista will calculate the excess DFIT based on DFIT balances as of December 31, 2017. This excess amount will be removed from DFIT and placed into a regulatory liability account. The net effect on rate base from this action would be zero, as regulatory liabilities act as an offset to rate base, just as accumulated DFIT does. Excess taxes collected by the Company since January 1, 2018 under existing rates will also be placed into the regulatory liability account.

Section 13001(d)(1)[9] of the TCJA requires that, in order for the Company to be considered to use a normalization method of accounting, it must not reduce "the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method." The Company must be considered to use a normalization method of accounting in order to maintain eligibility for accelerated depreciation. Violating the average rate assumption method ("ARAM") provision also comes with a penalty to the Company. These requirements apply to the excess tax reserve associated with the depreciation of plant.

The practical effect is that the Company is restricted with respect to the pace of the return of most excess taxes to customers. This is currently estimated to produce a 36 year amortization schedule. It should be noted that the IRS does not *require* the Company to return excess DFIT to customers; it simply restricts how quickly depreciation-related excess DFIT is returned to customers.

Staff has confirmed through correspondence with the Company that Generally Accepted Accounting Principles ("GAAP") requires the Company to amortize the excess tax reserve

---

results in an interest rate equal to the authorized rate of return.

related to plant depreciation, effective January 1, 2018. Accordingly, the Company will amortize the appropriate amount, reducing the balance of the aforementioned regulatory liability, and increasing the balance of the account established under the deferred accounting petition. Over time, the regulatory liability is reduced through amortization, which produces a larger rate base balance as a result. It is unclear if this process will result in materially larger rate base balances than it otherwise would have, as the DFIT balance would also be reduced as the Company made future federal income tax payments.

The ARAM provision is applicable to excess tax reserves related to plant depreciation. These funds are sometimes referred to as "protected" excess deferred taxes. Most, but not all, excess DFIT is of this nature.

C. Excess DFIT not related to the depreciation of plant

The remaining "unprotected" excess DFIT does not appear to be restricted with respect to the pace it is returned to customers, which provides for considerable discretion for the Commission on this matter.

Excess DFIT that is not related to the depreciation of plant can arise from several sources. Some examples are: a difference in the size of a particular capitalized asset,[10] or, expenses that are not deductible for tax purposes but which are included for ratemaking purposes. Because these items do not accrue DFIT due to life and method differences in the treatment of depreciation, Staff sees no reason to require that the return of "unprotected" DFIT to ratepayers should consider depreciation schedules.

---

[9] https://www.congress.gov/115/bills/hr1/BILLS-115hr1enr.pdf *See:* page 46.
[10] One reason such a difference in asset valuation may exist is if the Commission previously disallowed a portion of an asset's costs for recovery from ratepayers.

Instead, the excess “unprotected” DFIT should be returned to customers consistent with any IRS requirements. If no requirement exists, it should be returned to customers promptly. While intergenerational problems are unavoidable, a prompt return of “unprotected” excess DFIT best ensures that the customers who provided these excess funds are the customers that receive the return of them. An example of a prompt return of “unprotected” excess DFIT to customers would be a three year amortization schedule that coincides with a three year rate plan.

VII. THE TCJA’S IMPACT ON STAFF’S RATE PLAN

Aside from the changes discussed in Section V, “Determining tax expense going forward”, Staff does not have any changes to its recommendation for a rate plan. The mechanics of the rate plan are still sound and appropriate under the new tax law. Staff’s revenue requirement model for Years 2 and 3 of the rate plan will simply have to be updated to incorporate the Year 1 revenue requirement figure determined using the new revenue conversion factor.

VIII. SUMMARY

In summary, the effects of the changes to tax law can and should be captured in this general rate case.

Excess taxes as of December 31, 2017, should be calculated, removed from DFIT, and placed in a regulatory liability, which will have no effect on rate base. Most of these excess taxes will have to meet IRS standards with respect to the pace at which they are returned to customers.

An amortization schedule (or schedules) for excess taxes as of December 31, 2017, will be established. Amortization will result in a reduction of the regulatory liability’s balance, and a corresponding increase in the balance of the deferred accounting mechanism the Company has petitioned for.

Excess taxes collected after December 31, 2017, will be placed in the deferred accounting mechanism as well.

Any errors in implementing the TCJA (given the short timeframe in attempted to reflect the new tax law in rates) can be trued-up through the deferred accounting mechanism, and after the conclusion of this general rate case.

The Company will file a rebate tariff in dockets UE-171221 and UG-171222 that will propose how to return excess taxes, now captured by the deferred accounting mechanism, to customers.

Staff recommends the Commission:

1. Request that the Company provide the report of TCJA effects as soon as feasible and allow the Parties to have at minimum four weeks to review and respond to that report;
2. As an alternative to No. 1, above, if Avista cannot provide the report early enough to allow the Parties at least four weeks for review, the Commission should request the Company voluntarily extend the suspension date in the current rate case such that Parties will have at least a four week review period;
3. Approve the Company's deferred accounting petition in dockets UE-171221 and UG-171222;
4. Reflect the ramifications of the new tax law in the revenue requirements produced as a result of this general rate case, ensuring that customers receive the full benefit of Avista's tax savings regardless of whether the lower corporate tax rate reduces the Company's revenue requirement; and
5. Allow for a process that returns excess taxes as soon as possible but complies with IRS regulations.