

## ELECTRIC

## Avista Revised Revenue Growth Factor (K-Factor) for Rate Years 2 and 3 (May 1, 2019 and May 1, 2020)

*(Shaded rows or percentages represent agreement between Company and Staff)*

<b>Avista Revised Revenue Growth Factor (K-Factor) Calculation</b>	(a) <b>Growth Rate 2013-2016</b>	(b) <b>Agreed-to Growth Rate</b>	(c) <b>Revenue Portion of Category</b>	(d) <b>Weighted Avg Escalation (a) or (b) x (c)</b>
<b>Operating Expenses (1)</b>		2.36%	37.03%	0.87%
<b>Depreciation/Amortization</b>	9.13%		20.78%	1.90%
<b>Taxes Other than Income</b>	4.53%		10.17%	0.46%
<b>Net Plant After ADFIT (2)</b>		3.04%	32.02%	0.97%
<b>Annual Growth In Sales Revenue (2)</b>			100.00%	-1.06%
<b>Total Escalator % Company</b>				<b>3.14%</b>

See Exh. EMA- 13, page 4 for growth rates and page 2 for revenue proportion and annual growth in sales revenue.

(1) On rebuttal Avista agrees with Staff's operating expenses growth component.

(2) Staff witness Mr. Hancock supports Avista's Net Plant after ADFIT and Annual Growth in Sales Revenue components.

<b>Staff Composite Revenue Escalator Calculation</b>	(a) <b>Growth Rate 2007-2016</b>	(b) <b>Agreed-to Growth Rate</b>	(c) <b>Revenue Portion of Category</b>	(d) <b>Weighted Avg Escalation (a) or (b) x (c)</b>
<b>Operating Expenses - UTC Indices (1)</b>		2.36%	37.03%	0.87%
<b>Depreciation/Amortization</b>	4.70%		20.78%	0.98%
<b>Taxes Other than Income</b>	5.13%		10.17%	0.52%
<b>Net Plant After ADFIT (2)</b>		3.04%	32.02%	0.97%
<b>Annual Growth In Sales Revenue (2)</b>			100.00%	-1.02%
<b>Total Escalator % Staff</b>				<b>2.32%</b>

See Exh. CSH-4, page 1.

(1) On rebuttal Avista agrees with Staff's operating expenses growth component.

(2) Staff witness Mr. Hancock supports Avista's Net Plant after ADFIT and Annual Growth in Sales Revenue components.

AVISTA UTILITIES  
 WASHINGTON ELECTRIC RESULTS  
**YEAR 2 and 3 GROWTH FACTOR CALCULATION DATA**  
 TWELVE MONTHS ENDED DECEMBER 31, 2016  
 (000'S OF DOLLARS)

Remove  
 Authorized  
 Power Supply

Line No.	DESCRIPTION	Restated TOTAL	Remove Authorized Power Supply	Non-Energy Restated Total
	Adjustment Number Workpaper Reference	R-Ttl	Remove	NE-Total
	REVENUES			
1	Total General Business	\$492,413	(\$92,915)	\$399,498
2	Interdepartmental Sales	-	-	-
3	Sales for Resale	57,325	(57,325)	-
4	Total Sales of Electricity	549,738	(150,240)	399,498
5	Other Revenue	17,116	(10,225)	6,891
6	Total Electric Revenue	566,854	(160,465)	406,389
	EXPENSES			
	Production and Transmission			
7	Operating Expenses	134,600	(78,962)	55,638
8	Purchased Power	77,131	(77,131)	-
9	Depreciation/Amortization	26,677	-	26,677
10	Regulatory Amortization	4,705	-	4,705
11	Taxes	14,990	-	14,990
12	Total Production & Transmission	258,103	(156,093)	102,010
	Distribution			
13	Operating Expenses	21,418	-	21,418
14	Depreciation/Amortization	27,819	-	27,819
15	Regulatory Amortization	-	-	-
16	Taxes	26,951	(\$3,575)	23,376
17	Total Distribution	76,188	(3,575)	72,613
18	Customer Accounting	13,021	(\$611)	12,410
19	Customer Service & Information	1,406	-	1,406
20	Sales Expenses	-	-	-
	Administrative & General			
21	Operating Expenses	48,989	(\$186)	48,803
22	Depreciation/Amortization	23,877	-	23,877
23	Taxes	-	-	-
24	Total Admin. & General	72,866	(186)	72,680
25	Total Electric Expenses	421,584	(160,465)	261,119
26	OPERATING INCOME BEFORE FIT	145,270	0	145,270
	FEDERAL INCOME TAX			
27	Current Accrual	(28,530)	0	(28,530)
28	Debt Interest	22	-	22
29	Deferred Income Taxes	67,191	-	67,191
30	Amortized ITC - Noxon	(326)	-	(326)
31	NET OPERATING INCOME	106,913	0	106,913
	PLANT IN SERVICE			
32	Intangible	\$156,057	\$0	\$156,057
33	Production	832,833	-	832,833
34	Transmission	430,613	-	430,613
35	Distribution	970,455	-	970,455
36	General	233,266	-	233,266
37	Total Plant in Service	2,623,224	-	2,623,224
	ACCUMULATED DEPRECIATION/AMORT			
38	Intangible	(30,914)	-	(30,914)
39	Production	(351,625)	-	(351,625)
40	Transmission	(135,624)	-	(135,624)
41	Distribution	(295,383)	-	(295,383)
42	General	(80,093)	-	(80,093)
43	Total Accumulated Depreciation	(893,639)	-	(893,639)
44	NET PLANT	1,729,585	-	1,729,585
45	DEFERRED TAXES	(353,901)	-	(353,901)
46	Net Plant After DFIT	1,375,684	-	1,375,684
47	DEFERRED DEBITS AND CREDITS & OTHER	4,568	-	4,568
48	WORKING CAPITAL	62,474	-	62,474
49	TOTAL RATE BASE	\$1,442,726	\$0	1,442,726

**REVENUE GROWTH FACTOR (K-FACTOR) CALCULATION**

Authorized ROR					
Component	Capital Structure	Weighted Cost	Weighted Cost	Tax	Tax on equity return
Total Debt	51.5%	5.20%	2.68%		
Common	48.5%	9.50%	4.61%	32.31%	1.49%
Total	100.00%		7.29%		
			Tax on Equity Return	1.49%	
			Total % to apply to RB	8.78%	

	Revenue on CB Less PS*	Portion of Total	2013-2016 Growth Rate	2018-2020 Growth Rate	
Depreciation	78,373	20.78%	9.13%		
O&M	139,675	37.03%	2.84%	2.36%	Agree to Staff
Taxes OTI	38,366	10.17%	4.53%		
Net Plant After ADFIT	1,375,684	32.02%	4.81%	3.04%	Reduction to Growth in Net Plant 2019-2020 Staff Agrees
(RB)*8.78%	120,777	100.00%			
Non PS Revenue	\$ 377,190	Non-ERM revenues (1)			

\*includes revenue related expenses  
 (1) Non-ERM Revenues, covering investment-related costs and operating expenses.

Revenues Growth: (Per Adj. 18.06 w/ps - 2.333 years from 2016 to 04.30.2019)		
	Annual	
\$	9,356	\$ 4,010
Revenue Growth to remove:		-1.06%

	Rate Yrs 2 & 3 K-Factor 2019-2020	
Depreciation	1.90%	Avista Proposed
O&M	0.87%	Agree to Staff
Taxes OTI	0.46%	Avista Proposed
Net Plant After ADFIT	0.97%	Staff agrees
Revenues	-1.06%	
	3.14%	Overall % does not change Only the Non-Erm revenues

## ELECTRIC COST AND REVENUE TREND CALCULATIONS 2013-2016

## Commission Basis Results of Operations

## AVISTA UTILITIES

(000'S OF DOLLARS)

Line	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
No. REVENUES										
1 Total General Business	\$326,335	\$365,425	\$402,618	\$415,740	3.00%	\$459,266	\$468,006	\$488,372	\$497,229	\$492,413
2 Interdepartmental Sales	739	820	872	790	820	816	884	922	928	946
3 Sales for Resale	34,954	46,848	31,491	133,479	52,604	54,549	75,349	60,998	49,505	57,854
4 Total Sales of Electricity	362,028	413,093	434,981	550,009	53,424	514,631	544,239	550,292	547,662	551,213
5 Other Revenue	10,170	10,927	9,395	11,786	13,666	13,089	13,408	17,163	16,920	17,310
6 Total Electric Revenue	372,198	424,020	444,376	561,795	67,090	527,720	557,647	567,455	564,582	568,523
EXPENSES										
Production and Transmission										
7 Operating Expenses	102,890	117,123	87,599	147,107	145,634	131,795	143,904	120,307	140,485	136,385
8 Purchased Power	65,640	72,508	100,437	142,197	91,142	101,283	109,034	116,643	85,107	78,794
9 Depreciation/Amortization	24,877	23,076	23,969	25,008	25,158	25,680	23,284	23,715	24,947	26,676
10 Regulatory Amortization	(3,082)	(1,076)	(1,703)	(2,879)	403	(7,744)	8,629	8,101	5,974	4,706
11 Taxes	8,319	8,146	9,014	9,955	10,846	11,456	12,913	12,828	14,133	14,654
12 Total Production & Transmission	198,644	219,777	219,316	321,388	273,183	262,470	297,764	281,594	270,646	261,215
Distribution										
13 Operating Expenses	14,563	17,329	17,267	18,354	19,081	21,152	20,878	21,299	24,056	21,415
14 Depreciation/Amortization	11,333	15,611	16,809	17,985	19,240	20,749	22,303	23,794	25,379	27,819
15 Taxes	16,156	17,416	18,216	20,029	22,459	22,699	23,809	25,821	27,448	27,287
16 Total Distribution	42,052	50,356	52,292	56,368	60,780	64,600	66,990	70,914	76,883	76,521
17 Customer Accounting	7,514	7,919	9,646	9,261	10,275	10,336	11,334	11,166	12,363	13,021
18 Customer Service & Information	7,472	12,847	19,736	20,832	21,292	18,487	1,516	1,383	1,454	1,406
19 Sales Expenses	682	571	660	176	4	5	5	0	0	0
Administrative & General										
20 Operating Expenses	35,844	35,982	38,461	44,662	44,779	49,333	43,310	46,210	49,942	48,989
21 Depreciation/Amortization	6,739	7,187	7,688	9,277	10,906	12,517	14,721	16,947	21,503	23,877
22 Taxes	(9)	(3)	(3)	2	0	(4)	0	0	0	0
23 Total Admin. & General	42,574	43,166	46,146	53,941	55,685	61,846	58,031	63,157	71,445	72,866
24 Total Electric Expenses	298,938	334,636	347,796	461,966	421,219	417,744	435,640	428,214	432,791	425,029
25 OPERATING INCOME BEFORE FIT	73,260	89,384	96,580	99,829	(354,129)	109,976	122,007	139,241	131,791	143,494
FEDERAL INCOME TAX										
26 Current Accrual	5,070	(6,217)	(1,846)	9,263	6,569	11,499	19,267	(7,683)	4,968	(29,081)
27 Debt Interest	0	0	0	0	207	70	1	(136)	1	21
28 Deferred Income Taxes	6,497	26,634	23,983	13,823	16,402	15,684	10,613	46,085	29,492	67,191
29 Amortized ITC - Noxon	0	0	(58)	(83)	(99)	(128)	(130)	(128)	(129)	(326)
30 Levelized Settlement Exchange Power	0	0	0	0	0	0	0	0	0	0
31 NET OPERATING INCOME	\$61,693	\$68,967	\$74,501	\$76,826	(\$377,208)	\$82,850	\$92,256	\$101,103	\$97,459	\$105,689
(1) Corrected excise tax error in 2013-2015.										
RATE BASE										
PLANT IN SERVICE										
32 Intangible	\$20,632	\$23,321	\$57,116	\$81,955	\$84,081	\$85,247	\$91,466	\$102,620	\$144,970	\$156,057
33 Production	645,576	657,099	677,646	692,689	706,894	717,448	738,315	746,101	779,441	832,833
34 Transmission	259,532	289,302	301,090	312,505	328,012	342,382	359,941	371,971	401,700	430,613
35 Distribution	529,067	561,248	602,201	642,143	696,082	743,732	796,640	842,795	895,055	970,455
36 General	81,368	91,205	98,727	120,996	140,218	155,104	179,134	196,867	212,726	233,266
37 Total Plant in Service	1,536,175	1,622,175	1,736,780	1,850,288	1,955,287	2,043,913	2,165,496	2,260,354	2,433,892	2,623,224
ACCUMULATED DEPRECIATION/AMORT										
38 Intangible	6,349	7,252	9,302	12,606	13,074	14,736	17,667	20,242	24,943	30,914
39 Production	230,738	243,189	255,390	272,340	286,300	300,170	314,599	325,531	342,899	351,625
40 Transmission	90,140	95,026	100,649	106,041	111,144	116,316	122,308	123,869	129,936	135,624
41 Distribution	162,343	172,026	181,327	194,593	209,101	221,408	236,201	252,722	273,578	295,383
42 General	36,737	39,933	39,153	43,819	47,365	51,504	58,357	65,720	73,050	80,093
43 Total Accumulated Depreciation	526,307	557,426	585,821	629,399	666,984	704,134	749,132	788,084	844,406	893,639
44 NET PLANT	1,009,868	1,064,749	1,150,959	1,220,889	1,288,303	1,339,779	1,416,364	1,472,270	1,589,486	1,729,585
45 DEFERRED TAXES	(139,033)	(147,502)	(163,716)	(184,825)	(201,163)	(208,209)	(221,354)	(257,766)	(317,860)	(353,900)
46 Net Plant After Deferred Income Taxes	870,835	917,247	987,243	1,036,064	1,087,140	1,131,570	1,195,010	1,214,504	1,271,626	1,375,685
47 DEFERRED DEBITS AND CREDITS	21,020	19,593	17,776	17,776	18,845	16,438	14,761	10,846	7,458	4,566
48 WORKING CAPITAL	0	0	0	18,188	31,877	10,967	16,281	47,807	59,722	62,474
49 TOTAL RATE BASE	\$891,855	\$936,840	\$1,005,019	\$1,072,028	\$1,137,863	\$1,158,975	\$1,226,052	\$1,273,157	\$1,338,806	\$1,442,726

