AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	10/28/2015
CASE NO:	UE-150204 & UG-150205	WITNESS:	Elizabeth M. Andrews
REQUESTER:	Bench	RESPONDER:	Liz Andrews
TYPE:	Bench Request	DEPT:	State & Federal Regulation
REQUEST NO.:	Bench Request No. 16	TELEPHONE:	(509) 495-8601
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REQUEST:
Bench Request No. 16:

Elizabeth Andrews' Exh. No. EMA-7 at page 12 states, "Use of an average based on actual 2007-2014 linear trend plus revised 2013-2014 linear trend (removing impact of benefits) consistent with electric, would result in a significant increase in O&M expenses above 2014 levels." Please calculate the escalation rate using the data of the "actual 2007-2014 linear trend" from Elizabeth Andrews' Exh. No. EMA-7 at page 8, Line 12, "adjusted operating expense." Please provide supporting workpapers in electronic spreadsheet format with all formulas and links intact.

RESPONSE:

In response to Bench Request No. 16, the Company has calculated the 2007-2014 annual O&M escalation rate using regression analysis that fit a non-linear line.[1] For natural gas, this non-linear regression analysis to trend data was consistently applied by both Avista on rebuttal and Staff for all natural gas escalation components.

The natural gas O&M escalation rate using actual 2007-2014 data from Elizabeth Andrews' Exh. No. EMA-7 at page 8, Line 12 is:

Annual escalation rate:	**3.50%**
Two-year escalation rate from the 2014 test period to the 2016 rate year:	**7.00%**

For supporting workpapers please see Avista's response to Bench_DR_17.

[1] On page 12 of Exhibit No. EMA-7 the statement should have said that the natural gas trending analysis used regression analysis that fit a non-linear trend line instead of linear, as the historical natural gas data was non-linear in nature. The electric trending analysis used regression analysis that fit a linear line, as the historical data was linear in nature. As noted by Mr. McGuire starting at page 38, line 15 of Exhibit No. CRM-1T, the natural gas service does not fit a linear model; therefore growth factors were calculated using "second-order polynomial functions." This creates a trend line which fits to a non-linear line.