

**ATTACHMENT C
TO
COMMISSION STAFF'S
MOTION TO REOPEN RECORD**

ATTACHMENT C

INSTRUCTIONS ON THE MECHANICS OF STAFF'S ATTRITION MODEL CRM - 2.1

To give effect to the four adjustments specified in Order 05, the following instructions are provided:

1. Remove the disallowance for project Compass – On the tab labeled 'Attrition 09.2014 to 2016,' values in column [L], labeled 'After Attrition Adj – Project Compass' are changed. To capture the effect of the disallowance, supplant all values in this column with the values provided by Avista in its rebuttal filing (Exhibit No. EMA-6, 'Attrition 09.2014 to 2016,' column [L]). In the attached work papers, the changed values are highlighted in red.
2. Change O&M growth rate to 3.21% – This is equivalent to changing the two-year escalation rate to 6.42%. On the tab labeled 'Attrition 09.2014 to 2016,' value Excel cell K16 is changed to 6.42%. Other operating expense escalators in cells K24, K30, K31, K32 and K35 are automatically updated. The changed cell K16 is highlighted in red.
3. Zero distribution plant escalation – On the tab labeled 'Attrition 09.2014 to 2016,' the escalation factor for distribution plant and distribution accumulated depreciation are removed by changing values in Excel cells K61 and K68 to 0. Note that these cells are labeled F35 and F41 in hard copy exhibits. The changed cells are highlighted in green.
4. Update power costs – This adjustment can be done most precisely outside of the model by simply incorporating the change in net power costs (-\$12,259) in the revenue requirement. To incorporate the power cost update into the attrition model, without further information from the Company 2016 sales for resale and purchased power expense must be estimated. The attached work papers include the October power supply update with an estimate for 2016 sales for resale and purchased power expense. The resulting change to revenue requirement, -\$12,081, is very close to the change to revenue requirement specified in the company's October power supply update (-\$12,259). To incorporate the power supply update, changes must be made to tabs 'PF Power Supply 09.2014 load' and 'PF Power Supply 2016 load.' For the purposes of simplifying this presentation, only the material changes to power supply costs are made in the model. In tab 'PF Power Supply 09.2014 load' the changed cells (highlighted in red) are D11 (Sales for Resale), D24 (Other Fuel Expense), and D26 (Purchased Power). These values can be found in Avista's October power supply update. To make the corresponding changes to tab 'PF Power Supply 2016 load,' the very same cells in that worksheet are changed. However, only Other Fuel Expense (\$77,293) in cell D24 can be found in the October power supply update. Staff updated sales for resale and purchased power expense values by assuming the difference in those items between the 09.2014 loads and the 2016 were constant for the pre-updated and the post-updated power supply costs. The resulting estimates (\$84,578 and \$122,143) are highlighted in red in cells D11 and D26.