

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-14 _____

EXHIBIT NO. ____ (EMA-2)

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

AVISTA UTILITIES
2015 ELECTRIC ATTRITION STUDY
Calculation of General Revenue Requirement
Washington - Electric System
Twelve Months Ended June 30, 2013
(000's of Dollars)

Line No.	Description	(a) Attrition Balances	(b) Revenue Growth Factor	(c) Attrition Adjusted Balances	(d) After Attrition Adjustments (i)	(e) Final Balances	(f) 2014 Temporary Rate Increase (ii)	(g) 2015 Revenue Requirement
1	Attrition Rate Base	1,393,325	1.020771	\$1,364,972	\$472	\$1,365,444		
2	Proposed Rate of Return		7.71%		7.71%			
3	Net Operating Income Requirement			\$105,239	\$36	\$105,276		
4	Attrition Net Operating Income	\$86,806	1.020771	\$85,040	\$214	\$85,254		
5	Net Operating Income Deficiency			\$20,199	(\$178)	\$20,022		
6	Conversion Factor			0.62074	0.62074	0.62074		
7	Attrition Revenue Requirement			\$32,541	(\$287)	\$32,255	\$14,054	\$18,201
8	Total General Business Revenues					\$466,872		\$480,926
9	Percentage Revenue Increase					6.91%		3.78%

Notes: (i) Adjustments included after the attrition calculated revenue requirement of \$32,541 million shown above were deemed necessary in order to account for the Lake Spokane Deferral Amortization and Operation & Maintenance (O&M) Offset adjustments, which will occur starting in the 2015 rate period. Both of these adjustments represent activity which were not included in the 6/30/2013 normalized commission basis results used as the starting point of the Company's attrition analysis. See Exhibit ___(EMA-1T) Electric Pro Forma adjustments for detailed description of these adjustments. However, after completing our review of this case the Company realized that the O&M Offset adjustment should have been included as a Pro Forma Cross Check Study adjustment only, and not included as an offset to the Attrition adjusted total.

(ii) Order No. 09, Docket Nos. UE-120436 and UG-120436, *Consolidated*, authorized the 2014 rate increase effective January 1, 2014 to December 31, 2014 on a temporary basis, with rates reverting back to 2013 levels absent any intervening Commission action. While the Commission found the 2014 rate increases to be fair, just, reasonable and sufficient on a temporary basis, the Commission stated "justification for our temporary approval lies primarily in Avista's representations that the Company will continue its multi-year capital expenditure program for 2014." The Company has provided its capital spend for 2014 and 2015 of \$331 million and \$355 million, respectively, on a system basis, and detail descriptions of all transfers to plant and service for 2014 and 2015 is included in the Company's filing for consideration of its revenue requirement need. Please See Company witness Mr. DeFelice Exhibit No. ___(DBD-2).

AVISTA UTILITIES
Proposed Cost of Capital
Washington - Electric System

Proposed Cap Structure			
<u>Component</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Total Debt	51.00%	5.42%	2.76%
Common	49.00%	10.10%	4.95%
Total	<u>100.00%</u>		<u>7.71%</u>

AVISTA UTILITIES
Revenue Conversion Factor
Washington - Electric System
Twelve Months Ended June 30, 2013

Line No.	Description	Factor
1	Revenues	<i>1.000000</i>
	Expense:	
2	Uncollectibles	0.004449
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038562
5	Franchise Fees	0.000000
6	Total Expense	<u>0.045011</u>
7	Net Operating Income Before FIT	<i>0.954989</i>
8	Federal Income Tax @ 35%	<u>0.334246</u>
9	REVENUE CONVERSION FACTOR	<u><u>0.62074</u></u>

AVISTA'S 2015 ELECTRIC ATTRITION REVENUE REQUIREMENT

CBR Line Number	DESCRIPTION	Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost				Other Cost & Revenue Adjustments		
		06.2013 Commission Basis Restated Totals [A]	06.2013 (less) Ending Normalized Net Power Supply [B]	06.2013 Ending Balance Plant Adjustment [C]	Incremental Revenue Normalization Adjustment [D]	June 2013 Escalation Base [E]	Escalation Factor [F]	Non-Energy Cost Escalation Amount [G]	Trended 2015 Non-Energy Cost [H]	(plus) 06.2013 Pro-Formed Net Energy Cost [I]	(plus) Revenue Growth [J]	2015 Revenue and Cost [K]
REVENUES												
1	Total General Business	\$ 463,169	\$ -	\$ -	\$ 2,854	\$ 466,023	2.08%	\$ 466,023	\$ 466,023	\$ -	\$ 9,680	\$ 475,703
2	Interdepartmental Sales	\$ 849	\$ -	\$ -	\$ -	\$ 849	2.08%	\$ 849	\$ 849	\$ -	\$ 18	\$ 867
3	Sales for Resale	\$ 77,802	\$ (77,802)	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ 43,788	\$ -	\$ 43,788
4	Subtotal: Sales of Electricity	\$ 541,820	\$ (77,802)	\$ -	\$ 2,854	\$ 466,872	-	\$ 466,872	\$ 466,872	\$ 43,788	\$ 9,698	\$ 520,358
5	Other Revenue	\$ 14,040	\$ (11,042)	\$ -	\$ -	\$ 2,998	3.86%	\$ 2,998	\$ 2,998	\$ 10,696	\$ 116	\$ 13,810
6	Total Electric Revenue	\$ 555,860	\$ (88,844)	\$ -	\$ 2,854	\$ 469,870	-	\$ 469,870	\$ 469,870	\$ 54,484	\$ 9,813	\$ 534,167
EXPENSES												
Production and Transmission												
7	Operating Expenses	\$ 131,270	\$ (82,768)	\$ -	\$ 217	\$ 48,719	10.30%	\$ 5,019	\$ 53,738	\$ 84,489	\$ -	\$ 138,227
8	Purchased Power	\$ 120,164	\$ (120,164)	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ 75,846	\$ 3,699	\$ 79,545
9	Depreciation/Amortization	\$ 24,438	\$ -	\$ (1,214)	\$ -	\$ 23,224	13.50%	\$ 3,136	\$ 26,360	\$ -	\$ -	\$ 26,360
10	Regulatory Amortization	\$ (2,014)	\$ -	\$ -	\$ 8,370	\$ 6,356	0.00%	\$ -	\$ 6,356	\$ -	\$ -	\$ 6,356
11	Taxes	\$ 12,878	\$ -	\$ -	\$ -	\$ 12,878	13.77%	\$ 1,773	\$ 14,651	\$ -	\$ -	\$ 14,651
12	Subtotal: Production and Transmission	\$ 286,736	\$ (202,932)	\$ (1,214)	\$ 8,587	\$ 91,177	-	\$ 9,927	\$ 101,104	\$ 160,335	\$ 3,699	\$ 265,138
Distribution												
13	Operating Expenses	\$ 21,042	\$ -	\$ -	\$ -	\$ 21,042	10.30%	\$ 2,168	\$ 23,210	\$ -	\$ -	\$ 23,210
14	Depreciation/Amortization	\$ 21,488	\$ 868	\$ -	\$ -	\$ 22,356	13.50%	\$ 3,018	\$ 25,374	\$ -	\$ -	\$ 25,374
15	Taxes	\$ 23,032	\$ -	\$ -	\$ 110	\$ 23,142	13.77%	\$ 3,186	\$ 26,328	\$ -	\$ 373	\$ 26,701
16	Subtotal: Distribution	\$ 65,562	\$ 868	\$ 110	\$ -	\$ 66,540	-	\$ 8,372	\$ 74,912	\$ -	\$ 373	\$ 75,285
Customer Accounting												
17	Customer Accounting	\$ 10,453	\$ -	\$ -	\$ 13	\$ 10,466	10.30%	\$ 1,078	\$ 11,544	\$ -	\$ 43	\$ 11,587
18	Customer Service & Information	\$ 14,792	\$ -	\$ -	\$ (13,217)	\$ 1,575	10.30%	\$ 162	\$ 1,737	\$ -	\$ -	\$ 1,737
19	Sales Expenses	\$ 8	\$ -	\$ -	\$ -	\$ 8	10.30%	\$ 1	\$ 9	\$ -	\$ -	\$ 9
Administrative & General												
20	Operating Expenses	\$ 45,924	\$ 476	\$ 5	\$ 5	\$ 46,405	10.30%	\$ 4,781	\$ 51,186	\$ -	\$ 19	\$ 51,205
21	Depreciation/Amortization	\$ 13,535	\$ 1,032	\$ -	\$ -	\$ 14,567	13.50%	\$ 1,967	\$ 16,534	\$ -	\$ -	\$ 16,534
22	Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	13.77%	\$ -	\$ -	\$ -	\$ -	\$ -
23	Subtotal: Administrative and General	\$ 59,459	\$ 1,508	\$ 5	\$ 5	\$ 60,972	-	\$ 6,747	\$ 67,719	\$ -	\$ 19	\$ 67,739
24	Total Electric Expenses	\$ 437,010	\$ (202,932)	\$ 1,162	\$ (4,502)	\$ 230,738	-	\$ 26,288	\$ 257,026	\$ 160,335	\$ 4,135	\$ 421,496
25	OPERATING INCOME BEFORE FIT	\$ 118,850	\$ 114,088	\$ (1,162)	\$ 7,356	\$ 239,132	-	\$ (26,288)	\$ 212,844	\$ (105,851)	\$ 5,678	\$ 112,672

AVISTA'S 2015 ELECTRIC ATTRITION REVENUE REQUIREMENT

CBR Line Number	Determine Base Cost and Revenue to Escalate										Other Cost & Revenue Adjustments	
	06.2013 Commission Basis Report Restated Totals [A]	(less) 06.2013 Normalized Net Power Supply [B]	06.2013 Ending Balance Plant Adjustment [C]	Incremental Revenue Normalization Adjustment [D]	June 2013 Escalation Base [E]	Escalation Factor [F]	Non-Energy Escalation Amount [G]	Trended 2015 Non-Energy Cost [H]	(plus) 06.2013 Pro-Formed Net Energy Cost [I]	(plus) Revenue Growth [J]	2015 Revenue and Cost [K]	
	\$ 17,603	\$ 39,931	\$ (407)	\$ 2,575	\$ 59,702		\$ (9,201)	\$ 50,501	\$ (37,048)	\$ 1,987	\$ 15,441	
26	Current Accrual	16	\$ (373)	\$ (63)	\$ (420)		\$ (377)	\$ (377)			\$ (377)	
28	Deferred Income Taxes	10,942	\$ -	\$ -	\$ 10,942		\$ -	\$ 10,942			\$ 10,942	
29	Amortized ITC - Noxon	(140)	\$ -	\$ -	\$ (140)		\$ -	\$ (140)			\$ (140)	
30												
31	NET OPERATING INCOME	\$ 90,429	\$ 74,157	\$ (382)	\$ 4,844	\$ 169,048	\$ (16,710)	\$ 151,918	\$ (68,803)	\$ 3,691	\$ 86,806	
	RATE BASE											
	Plant in Service											
32	Intangible	\$ 87,324	\$ -	\$ 2,264	\$ -	\$ 89,588	13.33%	\$ 11,941	\$ 101,529		\$ 101,529	
33	Production	725,940	\$ -	\$ 15,392	\$ -	\$ 741,332	13.33%	\$ 98,811	\$ 840,143		\$ 840,143	
34	Transmission	350,373	\$ -	\$ 7,144	\$ -	\$ 357,517	13.33%	\$ 47,653	\$ 405,170		\$ 405,170	
35	Distribution	768,726	\$ -	\$ 25,933	\$ 6,096	\$ 800,755	13.33%	\$ 106,731	\$ 907,486		\$ 907,486	
36	General	165,337	\$ -	\$ 13,274	\$ -	\$ 178,611	13.33%	\$ 23,807	\$ 202,418		\$ 202,418	
37	Subtotal: Plant in Service	\$ 2,097,700	\$ -	\$ 64,007	\$ 6,096	\$ 2,167,803		\$ 288,943	\$ 2,456,746		\$ 2,456,746	
	Accumulated Depreciation and Amortization											
38	Intangible	\$ (16,103)	\$ -	\$ (1,848)	\$ -	\$ (17,951)	13.33%	\$ (2,393)	\$ (20,344)		\$ (20,344)	
39	Production	(307,317)	\$ -	\$ (6,007)	\$ -	\$ (313,324)	13.33%	\$ (41,762)	\$ (355,086)		\$ (355,086)	
40	Transmission	(119,314)	\$ -	\$ (2,426)	\$ -	\$ (121,740)	13.33%	\$ (16,227)	\$ (137,967)		\$ (137,967)	
41	Distribution	(228,494)	\$ -	\$ (8,638)	\$ (107)	\$ (237,239)	13.33%	\$ (31,621)	\$ (268,860)		\$ (268,860)	
42	General	(54,355)	\$ -	\$ (4,767)	\$ -	\$ (59,122)	13.33%	\$ (7,880)	\$ (67,002)		\$ (67,002)	
43	Subtotal: Accumulated Depreciation and Amortization	\$ (725,583)	\$ -	\$ (23,686)	\$ (107)	\$ (749,376)		\$ (99,883)	\$ (849,259)		\$ (849,259)	
44	Net Plant	\$ 1,372,117	\$ -	\$ 40,321	\$ 5,989	\$ 1,418,427	\$ -	\$ 189,060	\$ 1,607,487		\$ 1,607,487	
45	Deferred Taxes	(214,825)	\$ -	\$ (5,121)	\$ (53)	\$ (219,999)	13.33%	\$ (29,323)	\$ (249,322)		\$ (249,322)	
46	Net Plant After Deferred taxes	\$ 1,157,292	\$ -	\$ 35,200	\$ 5,936	\$ 1,198,428	\$ 0	\$ 159,737	\$ 1,358,165		\$ 1,358,165	
47	Deferred Debits and Credits	16,040	\$ -	\$ -	\$ -	\$ 16,040	0.00%	\$ -	\$ 16,040		\$ 16,040	
48	Working Capital	19,120	\$ -	\$ -	\$ -	\$ 19,120	0.00%	\$ -	\$ 19,120		\$ 19,120	
49	TOTAL RATE BASE	\$ 1,192,452	\$ -	\$ 35,200	\$ 5,936	\$ 1,233,588		\$ 159,737	\$ 1,393,325		\$ 1,393,325	
50	RATE OF RETURN	7.58%				(1)					6.23%	

ATTRITION ADJUSTED REVENUE REQUIREMENT	
Proposed Rate of Return	7.71%
Return on Plant in Service at Proposed Rate	\$ 91,938
Operating Income Deficiency	\$ 1,509
Revenue Conversion Factor	0.62074
Revenue Requirement	\$ 33,217
Revenue Growth Factor	1.020771
Attrition Adjusted Revenue Requirement	\$ 32,541

Note: (1) included in Column [D] "Incremental Revenue Normalization Adjustment," are rate base amounts required to add back new revenue plant that was excluded from Column [C] "06-2013 Ending Balance Plant Adjustment." New revenue plant is included here in order to match plant costs with related growth revenue included in the attrition analysis above.

ELECTRIC COST AND REVENUE TREND CALCULATIONS 2000-2012

**AVISTA UTILITIES
WASHINGTON ELECTRIC RESULTS**

Commission Basis Results of Operations

(000'S OF DOLLARS)

Line No.	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES													
1	\$242,529	\$258,201	\$273,318	\$283,356	\$285,399	\$289,216	\$321,929	\$326,335	\$365,425	\$402,618	\$415,740	\$451,837	\$459,266
2	546	528	791	752	752	713	733	739	820	872	790	820	816
3	137,117	91,388	29,918	35,252	40,460	44,718	35,380	34,954	46,848	31,491	133,479	52,604	54,549
4	380,192	350,117	304,027	319,360	326,611	334,647	358,042	362,028	413,093	434,981	550,009	505,261	514,631
5	13,062	14,305	34,274	57,244	8,587	10,259	10,178	10,170	10,927	9,395	11,786	13,666	13,089
6	393,254	364,422	338,301	376,604	335,198	344,906	368,220	372,198	424,020	444,376	561,795	518,927	527,720
EXPENSES													
Production and Transmission													
7	78,721	47,157	101,475	132,098	101,545	105,374	104,260	102,890	117,123	87,599	147,107	145,634	131,795
8	181,189	132,159	50,769	46,591	51,042	55,046	79,146	65,640	72,508	104,869	142,197	91,142	101,283
9	14,850	15,202	20,157	20,523	22,312	22,629	24,577	24,877	23,076	23,969	25,008	25,158	25,680
10	(17,964)	(6,050)	(6,349)	(5,608)	567	(8,817)	1,168	(3,082)	(1,076)	(1,703)	(2,879)	403	(7,744)
11	9,346	5,139	7,164	6,722	7,283	9,900	9,115	8,319	8,146	9,014	9,955	10,846	11,456
12	266,142	193,607	173,216	200,326	182,749	184,132	218,266	198,644	219,777	223,748	321,388	273,183	262,470
Distribution													
13	9,418	10,560	9,631	10,171	12,016	14,263	15,485	14,563	17,329	17,267	18,354	19,081	21,152
14	9,056	9,178	9,427	9,752	10,067	10,399	10,776	11,333	15,611	16,809	17,985	19,240	20,749
15	11,693	15,462	16,996	17,286	17,401	14,988	16,307	16,156	17,416	18,207	19,990	22,393	22,595
16	30,167	35,200	36,054	37,209	39,484	39,650	42,568	42,052	50,356	52,283	56,329	60,714	64,496
17	5,768	6,196	7,113	7,129	7,352	7,156	7,097	7,514	7,919	9,646	9,261	10,275	10,336
18	5,704	5,381	6,261	6,620	266	7,127	1,159	7,472	12,847	19,736	20,832	21,292	18,487
19	1,071	734	628	734	686	430	657	682	571	660	176	4	5
Administrative & General													
20	30,350	25,102	30,304	30,153	31,927	33,143	33,148	35,844	35,982	38,461	44,662	44,779	49,333
21	3,998	4,414	6,606	6,659	6,072	6,537	6,459	6,739	7,187	7,688	9,277	10,906	12,517
22	5	2	1	2	3	(4)	0	(9)	(3)	(3)	2	0	(4)
23	34,353	29,518	36,911	36,814	38,002	39,676	39,607	42,574	43,166	46,146	53,941	55,685	61,846
24	343,205	270,636	260,183	288,832	268,539	278,171	309,354	298,938	334,636	352,219	461,927	421,153	417,640
25	50,049	93,786	78,118	87,772	66,659	66,735	58,866	73,260	89,384	92,157	99,868	97,774	110,080
FEDERAL INCOME TAX													
26	13,500	7,803	12,532	18,199	10,603	6,760	3,584	5,070	(6,217)	(1,846)	9,263	6,569	11,499
27	0	0	0	0	0	0	0	0	0	0	0	207	70
28	3,549	16,107	3,470	1,284	608	3,867	3,975	6,497	26,634	23,983	13,823	16,402	15,684
29	0	0	0	0	0	0	0	0	(58)	(83)	(99)	(128)	
30	5,683	5,369	0	0	0	0	0	0	0	0	0	0	0
31	\$27,317	\$64,507	\$62,116	\$68,289	\$55,448	\$56,108	\$51,307	\$61,693	\$68,967	\$70,078	\$76,865	\$74,695	\$82,954

Note: The Regulatory Amortization Category has been restated in prior years to reflect consistency with the current reporting format.

ELECTRIC COST AND REVENUE TREND CALCULATIONS 2000-2012

**AVISTA UTILITIES
WASHINGTON ELECTRIC RESULTS**

Commission Basis Results of Operations

(000'S OF DOLLARS)

Line No	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PLANT IN SERVICE													
32	\$15,127	\$16,340	\$20,910	\$21,299	\$21,374	\$22,459	\$23,458	\$20,632	\$23,321	\$57,116	\$81,955	\$84,081	\$85,247
33	455,498	460,292	545,002	556,067	598,268	615,624	649,965	645,576	657,099	677,646	692,689	706,894	717,448
34	181,627	191,517	186,550	196,937	213,539	224,696	244,435	259,532	289,302	301,090	312,505	328,012	342,382
35	398,952	416,914	429,987	443,649	459,739	480,886	502,838	529,067	561,248	602,201	642,143	696,082	743,732
36	58,402	59,846	59,771	60,444	63,155	65,299	80,110	81,368	91,205	98,727	120,996	140,218	155,104
37	1,109,606	1,144,909	1,242,220	1,278,396	1,356,075	1,408,964	1,500,806	1,536,175	1,622,175	1,736,780	1,850,288	1,955,287	2,043,913
ACCUMULATED DEPRECIATION/AMORT													
38	na	na	na	na	na	na	na	na	na	na	na	3,744	4,369
39	na	na	na	na	na	na	na	na	na	na	na	286,300	300,170
40	na	na	na	na	na	na	na	na	na	na	na	111,144	116,316
41	na	na	na	na	na	na	na	na	na	na	na	209,101	221,408
42	na	na	na	na	na	na	na	na	na	na	na	56,694	61,871
43	354,682	373,090	391,351	422,390	447,359	474,906	506,599	526,307	557,426	585,821	629,399	616,830	651,365
44	754,924	771,819	850,869	856,006	908,716	934,058	994,207	1,009,868	1,064,749	1,150,959	1,220,889	1,338,457	1,392,548
45	(105,775)	(109,541)	(111,367)	(135,404)	(150,960)	(134,967)	(138,495)	(139,033)	(147,502)	(163,716)	(184,825)	(193,671)	(201,890)
46	649,149	662,278	739,502	720,602	757,756	799,091	855,712	870,835	917,247	987,243	1,036,064	1,144,786	1,190,658
47	(80,657)	(64,763)	22,356	21,841	20,255	20,751	18,799	21,020	19,593	17,776	17,776	18,845	16,438
48	0	0	0	0	0	0	0	0	0	0	18,188	18,188	10,967
49	\$568,492	\$597,515	\$761,858	\$742,443	\$778,011	\$819,842	\$874,511	\$891,855	\$936,840	\$1,005,019	\$1,072,028	\$1,137,863	\$1,158,975

Note: The Deferred Debits and Credits Category has been restated in prior years to reflect consistency with the current reporting format.

ELECTRIC COST AND REVENUE TREND CALCULATIONS 2000-2012

**AVISTA UTILITIES
WASHINGTON ELECTRIC RESULTS
(000'S OF DOLLARS)**

Electric Data for Escalators

Line No.	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exclude Power Supply and Adder Schedule Expenses (DSM Tariff Rider and Residential Exchange Credit) from O&M													
1	Production/Transmission	78,721	47,157	101,475	132,098	101,545	105,374	102,890	117,123	87,599	147,107	145,634	131,795
2	Purchased Power	181,189	132,159	50,769	46,591	51,042	55,046	65,640	72,508	104,869	142,197	91,142	101,283
3	Distribution	9,418	10,560	9,631	10,171	12,016	14,263	14,563	17,329	17,267	18,354	19,081	21,152
4	Customer Accounting	5,768	6,196	7,113	7,129	7,352	7,156	7,097	7,919	9,646	9,261	10,275	10,336
5	Customer Service and Information	5,704	5,381	6,261	6,620	266	7,127	1,159	12,847	19,736	20,832	21,292	18,487
6	Sales	1,071	734	628	734	686	430	682	571	660	176	4	5
7	Administrative and General	30,350	25,102	30,304	30,153	31,927	33,148	35,844	35,982	38,461	44,662	44,779	49,333
8	Total Operating & Maintenance Expenses	312,221	227,289	206,181	233,496	204,834	222,539	234,605	264,279	278,238	382,589	332,207	332,391
9	Deduct Power Supply Expenses	(234,785)	(156,185)	(124,379)	(154,282)	(122,799)	(133,120)	(135,719)	(152,984)	(146,538)	(249,369)	(188,583)	(180,834)
10	Deduct DSM Tariff Rider Expenses	(3,466)	(5,108)	(6,105)	(6,171)	(6,793)	(6,652)	(6,711)	(12,172)	(19,005)	(19,612)	(20,235)	(17,018)
11	Deduct Res X Credit Expenses	112	10	51	43	48	62	37	24	27	41	31	58
12	Adjusted Operating Expenses	74,082	66,005	75,748	73,085	75,291	82,829	92,212	99,146	112,721	113,650	123,419	134,597
		-10.90%	14.76%	-3.51%	3.02%	10.01%	-0.67%	12.08%	7.52%	13.69%	0.82%	8.60%	9.06%
Depreciation/Amortization													
13	Production/Transmission	14,850	15,202	20,157	20,523	22,312	22,629	24,877	23,076	23,969	25,008	25,158	25,680
14	Distribution	9,056	9,178	9,427	9,752	10,067	10,399	10,776	11,333	16,809	17,985	19,240	20,749
15	Administrative and General	3,998	4,414	6,606	6,659	6,072	6,537	6,739	7,187	7,688	9,277	10,906	12,517
16	Total Depreciation/Amortization	27,904	28,794	36,190	36,934	38,451	39,565	41,812	42,949	48,466	52,270	55,304	58,946
		3.19%	25.69%	2.06%	4.11%	2.90%	5.68%	2.72%	6.81%	7.85%	7.85%	5.80%	6.59%
Exclude Adder Schedule amortizations (Residential Exchange Credit) from Regulatory Amortizations													
17	Regulatory Amortizations	(17,964)	(6,050)	(6,349)	(5,608)	567	(8,817)	1,168	(1,076)	(1,703)	(2,879)	403	(7,744)
18	Deduct Res X Credit amortization	16,644	1,416	7,512	6,339	7,160	9,388	10,285	5,582	3,576	6,244	4,610	8,683
19	Adjusted Regulatory Amortizations	(1,320)	(4,634)	1,163	731	7,727	571	11,453	2,500	2,302	3,365	5,013	939
Exclude Adder Schedule excise taxes (DSM Tariff Rider and Residential Exchange Credit) from Taxes Other Than Income Tax													
20	Production/Transmission	9,346	5,139	7,164	6,722	7,283	9,900	8,319	8,146	9,014	9,955	10,846	11,456
21	Distribution	11,693	15,462	16,996	17,286	17,401	14,988	16,307	17,416	18,207	19,990	22,393	22,595
22	Administrative and General	5	2	1	2	3	(4)	0	(9)	(3)	2	0	(4)
23	Total Taxes Other Than Income Tax	21,044	20,603	24,161	24,010	24,687	24,884	25,422	24,466	25,559	29,947	33,239	34,047
24	Deduct DSM Tariff Rider Excise Tax	(139)	(205)	(245)	(248)	0	(267)	0	(488)	(762)	(787)	(812)	(683)
25	Deduct Res X Credit Excise Tax	672	57	303	256	0	379	0	225	144	252	186	351
26	Adjusted Taxes Other Than Income Tax	21,577	20,455	24,219	24,018	24,687	24,996	25,422	25,215	26,617	29,412	32,614	33,715
		-5.20%	18.40%	-0.83%	2.78%	1.25%	1.70%	-3.93%	3.25%	5.56%	10.50%	10.88%	3.38%
27	Net Plant After Deferred Income Tax	649,149	662,278	739,502	720,602	757,756	799,091	870,835	917,247	987,243	1,036,064	1,144,786	1,190,658
		2.02%	11.66%	-2.56%	5.16%	5.45%	7.09%	1.77%	5.33%	7.63%	4.95%	10.49%	4.01%
28	Total Rate Base	568,492	597,515	761,858	742,443	778,011	819,842	891,855	936,840	1,005,019	1,072,028	1,137,863	1,158,975
		5.11%	27.50%	-2.55%	4.79%	5.38%	6.67%	1.98%	5.04%	7.28%	6.67%	6.14%	1.86%
Exclude Power Supply and Transmission Wheeling from Other Operating Revenue													
29	Other Operating Revenue	13,062	14,305	34,274	57,244	8,587	10,259	10,178	10,927	9,395	11,786	13,666	13,089
30	Deduct Power Supply Other Revenue	(7,824)	(9,892)	(7,115)	(7,569)	(5,523)	(6,637)	(7,024)	(6,213)	(6,133)	(8,333)	(9,102)	(8,285)
31	Deduct Transmission Other Revenue	(3,488)	(2,251)	(25,293)	(47,139)	(285)	(198)	(221)	(1,839)	(448)	(640)	(1,752)	(1,489)
32	Adjusted Other Revenue	1,750	2,162	1,866	2,536	2,779	3,443	2,956	3,073	2,814	2,813	2,812	3,315
		23.52%	-13.69%	35.91%	9.58%	23.89%	-14.14%	3.96%	-6.44%	-2.13%	-0.02%	-0.03%	17.86%

Note 1 In 2000 there was no Residential Exchange Credit, however the Centralia Gain Credit was recorded as a regulatory amortization. All Res X values shown for the year 2000 are associated with the Centralia Gain Credit.

ELECTRIC COST AND REVENUE TREND CALCULATIONS 2000-2012

AVISTA UTILITIES
 WASHINGTON ELECTRIC RESULTS
 ANNUAL AND COMPOUND GROWTH RATES

Electric Growth Rate Analysis and Escalation Factor Calculation

Line No.	Annual Growth Rates	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
1	Adjusted operating expenses	-10.90%	14.76%	-3.51%	3.02%	10.01%	-0.67%	12.08%	7.52%	13.69%	0.82%	8.60%	9.06%
2	Total depreciation/amortization	3.19%	25.69%	2.06%	4.11%	2.90%	5.68%	2.72%	6.81%	5.65%	7.85%	5.80%	6.59%
3	Adjusted taxes other than income	-5.20%	18.40%	-0.83%	2.78%	1.25%	1.70%	-3.93%	3.25%	5.56%	10.50%	10.88%	3.38%
4	Net Plant After Deferred Income Taxes	2.02%	11.66%	-2.56%	5.16%	5.45%	7.09%	1.77%	5.33%	7.63%	4.95%	10.49%	4.01%
5	Total Rate Base	5.11%	27.50%	-2.55%	4.79%	5.38%	6.67%	1.98%	5.04%	7.28%	6.67%	6.14%	1.86%
6	Adjusted Other Revenue	23.52%	-13.69%	35.91%	9.58%	23.89%	-14.14%	3.96%	-6.44%	-2.13%	-0.02%	-0.03%	17.86%
Compound Growth Rates to 2012													
7	Adjusted operating expenses	5.10%	6.69%	5.92%	7.02%	7.53%	7.18%	8.55%	7.86%	7.94%	6.09%	8.83%	9.06%
7A	Alternative Operating Expense Factor								4.00%				
8	Total depreciation/amortization	6.43%	6.73%	5.00%	5.33%	5.49%	5.86%	5.89%	6.54%	6.47%	6.74%	6.19%	6.59%
9	Adjusted taxes other than income	3.79%	4.65%	3.36%	3.84%	3.97%	4.37%	4.82%	6.66%	7.53%	8.20%	7.06%	3.38%
10	Net Plant After Deferred Income Taxes	5.18%	5.48%	4.88%	5.74%	5.81%	5.86%	5.66%	6.46%	6.74%	6.44%	7.20%	4.01%
11	Rate base	6.12%	6.21%	4.28%	5.07%	5.11%	5.07%	4.81%	5.38%	5.46%	4.87%	3.98%	1.86%
12	Adjusted Other Revenue	5.47%	3.96%	5.91%	3.02%	2.23%	-0.54%	1.93%	1.53%	3.62%	5.61%	8.55%	17.86%
Escalation Factor													
13	Adjusted operating expenses	2.5 years	13.25%	17.58%	15.46%	18.49%	19.91%	18.93%	22.77%	21.05%	15.93%	23.55%	24.20%
13A	Alternative Operating Expense Factor	2.5 years							10.30%				
14	Adjusted depreciation/amortization	2 years	13.27%	13.91%	10.25%	10.95%	11.27%	12.06%	12.13%	13.36%	13.94%	12.77%	13.60%
15	Adjusted taxes other than income	2 years	7.72%	9.51%	6.84%	7.83%	8.10%	8.93%	9.87%	15.63%	17.07%	14.63%	6.87%
16	Net Plant After Deferred Income Taxes	2 years	10.64%	11.25%	9.99%	11.81%	11.96%	12.07%	11.64%	13.93%	13.30%	14.92%	8.17%
17	Rate base	2 years	12.61%	12.80%	8.75%	10.40%	10.48%	9.84%	11.05%	11.23%	9.97%	8.11%	3.75%
18	Adjusted Other Revenue	2.5 years	14.23%	10.20%	15.45%	7.72%	5.66%	-1.35%	4.89%	9.30%	14.63%	22.76%	50.82%

**ELECTRIC BILLING DETERMINANT INDEX
2013 TO 2015 WEIGHTED REVENUE GROWTH**

Line No.	Rate	Schedule	Revenue Model		Forecast	Billing Determinant		June 2013 Escalation B Weight x Growth	
			12 ME 06.2013	[A]		2015	[B]	Growth	[C] = ([B] - [A])/[A]
1	RESIDENTIAL	SCHEDULE 1	2,437,081	2,494,197	2,494,197	2.34%	19,496,648	4.18%	0.10%
2	GENERAL SVC.	SCH. 11,12	351,975	369,788	369,788	5.06%	5,278,625	1.13%	0.06%
3	LG. GEN. SVC.	SCH. 21,22	25,427	24,074	24,074	-5.32%	11,442,151	2.45%	-0.13%
4	EX LG GEN SVC	Fixed Demand/Cust	252	253	253	0.35%	3,654,000	0.78%	0.00%
5	PUMPING	SCH. 30, 31, 32	29,062	34,146	34,146	17.49%	435,930	0.09%	0.02%
6	ST & AREA LTG	SCH. 41-48							
7	RESIDENTIAL	Volumes	2,352,011,939	2,437,508,067	2,437,508,067	3.64%	181,679,105	38.91%	1.41%
8	GENERAL SVC.	Volumes	557,353,354	586,109,432	586,109,432	5.16%	56,889,051	12.19%	0.63%
9	LG. GEN. SVC.	Volumes	1,424,373,231	1,436,806,481	1,436,806,481	0.87%	96,901,080	20.76%	0.18%
10	EX LG GEN SVC	Volumes	1,080,448,696	1,076,126,635	1,076,126,635	-0.40%	52,120,204	11.16%	-0.04%
11	PUMPING	Volumes	131,638,818	127,927,574	127,927,574	-2.82%	10,058,278	2.15%	-0.06%
12	ST & AREA LTG	Volumes	25,646,329	25,328,044	25,328,044	-1.24%	6,670,112	1.43%	-0.02%
13	RESIDENTIAL	Demand							
14	GENERAL SVC.	Demand	339,823	364,641	364,641	7.30%	1,953,982	0.42%	0.03%
15	LG. GEN. SVC.	Demand	2,725,241	2,697,553	2,697,553	-1.02%	15,597,700	3.34%	-0.03%
16	EX LG GEN SVC	Demand	1,248,234	1,168,073	1,168,073	-6.42%	4,694,836	1.01%	-0.06%
17	PUMPING	Demand							
18	ST & AREA LTG	Demand							
19	Total						466,871,702	100.00%	2.08%

Total Customers	2,843,797	2,922,458	2.77%
Total Volumes	5,571,472,367	5,689,806,233	2.12%
Total Demand	4,313,298	4,230,267	-1.93%