

**Exhibit No. CSH-2
Dockets UE-160228/UG-160229
Witness: Christopher S. Hancock**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION d/b/a
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-160228 and
UG-160229 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

CHRISTOPHER S. HANCOCK

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Derivation of Electric Attrition Adjustment

August 17, 2016

Staff's Calculation of an Attrition Adjustment to the Modified Historical Test Year

		Avista Utilities - Electric					
Line	Name	Source:	[A] CSH-4 12ME Dec2017	[B] CSH-6 12ME Jun2018	[C] = ([A]+[B]) ÷ 2 Annualized Figure	[D] JH-2 Staff's MHTY	[E] = [C] - [D] Adj. 4.08 Attr. Adj.
REVENUES							
1	Total General Business	\$	501,860	\$ 503,518	\$ 502,689	\$ 494,144	\$ 8,545
2	Interdepartmental Sales	\$	943	\$ 946	\$ 944	\$ 920	\$ 24
3	Sales for Resale	\$	35,216	\$ 34,548	\$ 34,882	\$ 36,535	\$ (1,653)
4	Subtotal: Sales of Electricity	\$	538,019	\$ 539,011	\$ 538,515	\$ 531,599	\$ 6,916
5	Other Revenue	\$	13,537	\$ 13,340	\$ 13,439	\$ 13,395	\$ 44
6	Total Electric Revenue	\$	551,556	\$ 552,351	\$ 551,953	\$ 544,994	\$ 6,959
EXPENSES							
Production and Transmission							
7	Operating Expenses	\$	136,107	\$ 138,524	\$ 137,315	\$ 129,186	\$ 8,129
8	Purchased Power	\$	72,894	\$ 74,146	\$ 73,520	\$ 69,958	\$ 3,562
9	Depreciation/Amortization	\$	28,043	\$ 28,627	\$ 28,335	\$ 25,372	\$ 2,963
10	Regulatory Amortization	\$	3,600	\$ 3,600	\$ 3,600	\$ 3,519	\$ 81
11	Taxes	\$	15,645	\$ 16,023	\$ 15,834	\$ 14,073	\$ 1,761
12	Subtotal: Production and Transmission	\$	256,290	\$ 260,920	\$ 258,605	\$ 242,108	\$ 16,497
Distribution							
13	Operating Expenses	\$	23,075	\$ 23,406	\$ 23,241	\$ 24,014	\$ (773)
14	Depreciation/Amortization	\$	27,754	\$ 28,347	\$ 28,050	\$ 25,375	\$ 2,675
15	Regulatory Amortizations	\$	-	\$ -	\$ -	\$ -	\$ -
16	Taxes	\$	30,551	\$ 31,345	\$ 30,948	\$ 27,232	\$ 3,716
17	Subtotal: Distribution	\$	81,379	\$ 83,099	\$ 82,239	\$ 76,621	\$ 5,618
18	Customer Accounting	\$	13,144	\$ 13,343	\$ 13,244	\$ 12,073	\$ 1,171
19	Customer Service & Information	\$	1,542	\$ 1,564	\$ 1,553	\$ 1,563	\$ (10)
20	Sales Expenses	\$	-	\$ -	\$ -	\$ 0	\$ (0)
Administrative & General							
21	Operating Expenses	\$	52,324	\$ 53,077	\$ 52,700	\$ 50,021	\$ 2,679
22	Depreciation/Amortization	\$	23,515	\$ 24,018	\$ 23,766	\$ 21,952	\$ 1,814
23	Taxes	\$	-	\$ -	\$ -	\$ -	\$ -
24	Subtotal: A&G	\$	75,839	\$ 77,095	\$ 76,467	\$ 71,973	\$ 4,494
25	Total Electric Expenses	\$	428,195	\$ 436,020	\$ 432,108	\$ 404,338	\$ 27,769
26	OPERATING INCOME BEFORE FIT	\$	123,361	\$ 116,331	\$ 119,846	\$ 140,656	\$ (20,810)
FEDERAL INCOME TAX							
27	Current Accrual	\$	3,062	\$ 601	\$ 1,832	\$ (7,055)	\$ 8,886
28	Debt Interest	\$	(1,444)	\$ (1,694)	\$ (1,569)	\$ (735)	\$ (834)
29	Deferred Income Taxes	\$	29,492	\$ 29,492	\$ 29,492	\$ 44,788	\$ (15,296)
30	Amortized ITC - Noxon	\$	(151)	\$ (151)	\$ (151)	\$ (127)	\$ (24)
31	NET OPERATING INCOME	\$	92,402	\$ 88,082	\$ 90,242	\$ 103,784	\$ (13,542)
RATE BASE							
Plant In Service							
32	Intangible	\$	171,878	\$ 178,605	\$ 175,242	\$ 149,248	\$ 25,994
33	Production	\$	828,521	\$ 836,426	\$ 832,473	\$ 852,193	\$ (19,720)
34	Transmission	\$	433,842	\$ 441,877	\$ 437,860	\$ 402,456	\$ 35,404
35	Distribution	\$	988,357	\$ 1,011,683	\$ 1,000,020	\$ 895,052	\$ 104,968
36	General	\$	247,304	\$ 255,949	\$ 251,626	\$ 212,877	\$ 38,749
37	Subtotal: Plant in Service	\$	2,669,902	\$ 2,724,539	\$ 2,697,221	\$ 2,511,826	\$ 185,395
Accumulated Depreciation & Amort.							
38	Intangible	\$	(29,350)	\$ (30,020)	\$ (29,685)	\$ (25,834)	\$ (3,851)
39	Production	\$	(368,809)	\$ (375,778)	\$ (372,293)	\$ (344,026)	\$ (28,267)
40	Transmission	\$	(139,913)	\$ (142,407)	\$ (141,160)	\$ (129,944)	\$ (11,216)
41	Distribution	\$	(298,527)	\$ (305,333)	\$ (301,930)	\$ (273,578)	\$ (28,352)
42	General	\$	(82,007)	\$ (84,678)	\$ (83,342)	\$ (73,050)	\$ (10,292)
43	Subtotal: Accum. Depreciation/Amortization	\$	(918,605)	\$ (938,215)	\$ (928,410)	\$ (846,432)	\$ (81,978)
44	Net Plant	\$	1,751,297	\$ 1,786,324	\$ 1,768,810	\$ 1,665,394	\$ 103,416
45	Deferred Taxes	\$	(361,008)	\$ (370,881)	\$ (365,945)	\$ (332,939)	\$ (33,006)
46	Net Plant After Deferred Taxes	\$	1,390,289	\$ 1,415,442	\$ 1,402,865	\$ 1,332,455	\$ 70,410
47	Deferred Debits and Credits	\$	2,238	\$ 2,238	\$ 2,238	\$ 1,902	\$ 336
48	Working Capital	\$	48,210	\$ 48,210	\$ 48,210	\$ 48,772	\$ (562)
49	TOTAL RATE BASE	\$	1,440,737	\$ 1,465,890	\$ 1,453,313	\$ 1,383,129	\$ 70,184
50	RATE OF RETURN		6.41%	6.01%	6.21%	7.50%	-19.29%

*(emphasis added) Staff pro-forma rate base.
 "Boxing" does not appear on original.