

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	DOCKETS UE-150204 and
)	UG-150205 (<i>consolidated</i>)
Complainant,)	
)	
v.)	
)	
AVISTA CORPORATION d/b/a)	
AVISTA UTILITIES,)	
)	
Respondent.)	
_____)	

**EXHIBIT BGM-9
COMMISSION-APPROVED ELECTRIC SERVICES ATTRITION STUDY**

ORDER 05
2016 WASHINGTON ELECTRIC ATTRITION STUDY

Washington - Electric System
Twelve Months Ended December 31, 2014
(000's of Dollars)

Line No.	Description	(a) Attrition Balances	(b) Revenue Growth Factor	(c) Attrition Study Results
1	2016 Rate Base	\$1,357,851	1.013115	\$1,340,273
2	Settlement Rate of Return			7.29%
3	Net Operating Income Requirement			\$97,706
4	2016 Net Operating Income (at 2015 rates)	<u>\$103,723</u>	1.013115	<u>\$102,380</u>
5	2016 Rate of Return (at 2015 rates)			7.64%
6	2016 Net Operating Income Deficiency (Surplus)			(\$4,674)
7	Gross-up Conversion Factor			0.62018
8	2016 Attrition Revenue Deficiency			(\$7,537)
9	2016 Total General Business Revenues (at 2015 rates)			\$499,982
10	Attrition-based 2016 revenue requirement			\$492,445
11	Percent Revenue Requirement Change (vs. 2015)			-1.51%

Multiparty Settlement - Cost of Capital

Washington - Electric System

Twelve Months Ended December 31, 2014

<u>Component</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Total Debt	51.50%	5.20%	2.68%
Common	48.50%	9.50%	4.61%
Total	<u>100.00%</u>		<u>7.29%</u>

**Revenue Conversion Factor
Washington - Electric System**

Twelve Months Ended December 31, 2014

Line No.	Description	Factor
1	Revenues	<i>1.000000</i>
	Expense:	
2	Uncollectibles	0.005353
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038527
5	Total Expense	<u><u>0.045880</u></u>
6	Net Operating Income Before FIT	<i>0.954120</i>
7	Federal Income Tax @ 35%	<u><u>0.333942</u></u>
8	REVENUE CONVERSION FACTOR	<u><u>0.620180</u></u>

2016 ELECTRIC ATTRITION REVENUE REQUIREMENT (\$000)

Line Number	DESCRIPTION	Determine Base Cost and Revenue to Escalate					Escalate Non-Energy Cost			Other Cost & Revenue Adjustments				
		12.2014 Commission Basis Report Restated Totals ¹	(less) 12.2014 Normalized Net Power Supply Cost	Deferred Debit/Credit & Reg. Amorts Adj	Pro Forma Revenue Normalization Adjustment	December 2014 Escalation Base	Escalation Factor	NON-Energy Cost Escalation Amount (E)+(F)-(G)	Trended 2016 Non-Energy Cost [E]+[G]=[H]	(plus) 12.2014 Pro-Formed Net Energy Cost	(plus) Revenue Growth	After Attrition Adj - Colstrip Refund Correction	After Attrition Adj - Project Compass	2016 Revenue and Cost [H]+[I]+[J]+[K]+[L]=[M]
Twelve Months Ended December 31, 2013		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
REVENUES														
1	Total General Business	\$ 488,372		\$ -	\$ 10,688	\$ 499,060	1.31%		\$ 499,060		\$ 6,545			\$ 505,605
2	Interdepartmental Sales	922		-	-	922	1.31%		922		12			934
3	Sales for Resale	60,998	(60,998)	-	-	-			-	57,325	(6,163)			51,162
4	Subtotal: Sales of Electricity	550,292	(60,998)	-	10,688	499,982			499,982	57,325	394			557,701
5	Other Revenue	17,163	(13,684)	-	-	3,479	0.00%		3,479	10,500	29			14,008
6	Total Electric Revenue	567,455	(74,682)	-	10,688	503,461			503,461	67,825	423			571,709
EXPENSES														
Production and Transmission														
7	Operating Expenses	\$ 120,307	\$ (69,476)	\$ -	\$ -	\$ 50,831	6.42%	\$ 3,263	\$ 54,094	\$ 79,630	\$ 9,676	\$ 180		\$ 143,580
8	Purchased Power	116,643	(116,641)	-	-	2		-	2	77,131	387			77,520
9	Depreciation/Amortization	23,715		-	-	23,715	9.55%	2,264	25,979	-	-			25,979
10	Regulatory Amortization	8,101		(3,409)	-	4,692	0.00%	-	4,692	-	-			4,692
11	Taxes	12,828		-	-	12,828	11.96%	1,534	14,362	-	-			14,362
12	Transmission	281,594	(186,117)	(3,409)	-	92,068		7,062	99,130	156,761	10,063	180		266,134
Distribution														
13	Operating Expenses	\$ 21,299		\$ -	\$ -	\$ 21,299	6.42%	\$ 1,367	\$ 22,666					\$ 22,666
14	Depreciation/Amortization	23,794		-	-	23,794	9.55%	2,272	26,066					26,066
Regulatory Amortizations														
15	Taxes	25,575		-	412	25,987	11.96%	3,108	29,095		252			29,347
16	Subtotal: Distribution	70,668		-	412	71,080		6,747	77,827	-	252	-		78,080
17	Customer Accounting	\$ 11,166		\$ -	\$ 57	\$ 11,223	6.42%	\$ 720	\$ 11,943		\$ 35			\$ 11,978
18	Customer Service & Information	1,383		-	-	1,383	6.42%	89	1,472					1,472
19	Sales Expenses	-		-	-	-	6.42%	-	-					-
Administrative & General														
20	Operating Expenses	\$ 46,210		\$ -	\$ 21	\$ 46,231	6.42%	\$ 2,968	\$ 49,199		\$ 13			\$ 49,212
21	Depreciation/Amortization	16,947		-	-	16,947	9.55%	1,618	18,565				3,887	22,452
22	Taxes	-		-	-	-	11.96%	-	-					-
23	Subtotal: A&G	63,157		-	21	63,178		4,586	67,764	-	13	-		71,664
24	Total Electric Expenses	427,968	(186,117)	(3,409)	490	238,932		19,204	258,136	156,761	10,363	180	3,887	429,327
25	OPERATING INCOME BEFORE FI	\$ 139,487	\$ 111,435	\$ 3,409	\$ 10,198	\$ 264,529		\$ (19,204)	\$ 245,325	\$ (88,936)	\$ (9,940)	\$ (180)	\$ (3,887)	\$ 142,382

¹Workpapers for 12.2014 Commission Basis Reports provided with Avista's Response to Staff_DR_130 Revised.

