

**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-10
COMMISSION-APPROVED GAS SERVICES ATTRITION STUDY**

ORDER 05
2016 NATURAL GAS ATTRITION STUDY

Washington - Natural Gas 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	\$300,446	1.011566	\$297,011	
2	Settlement Rate of Return			7.29%	
3	Net Operating Income Requirement			\$21,652	
4	2016 Net Operating Income (at 2015 rates)	\$ 15,101	1.01157	\$14,928	
5	2016 Rate of Return (at 2015 rates)			5.03%	
6	2016 Net Operating Income Deficiency (Surplus)			\$6,724	[Line 3 - Line 4]
7	Gross-up Conversion Factor			0.62032	
8	2016 Attrition Revenue Deficiency (Surplus)			\$10,841	
9	2016 Total General Business Revenues (at 2015 rates)			\$ 170,914	[pg. 4, col. H, Lines 1-2, plus col. I, Line 12]
10	Attrition-based 2016 revenue requirement			\$ 181,755	[Line 8 + Line 9]
11	Percent Revenue Requirement Change (vs. 2015)			6.34%	
12	Order 05 Pro Forma 2016 Revenue Requirement			\$ 174,889	[Line 9 + 6,183 - 2,208 (per Order 05 Table 2A)]
13	Attrition Allowance			\$ 6,866	[Line 10 - Line 12]

Multiparty Settlement - Cost of Capital
Washington - Natural Gas System

Proposed Cap Structure			
<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 -Natural Gas System
Twelve Months Ended December 31, 2014**

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	Revenues	<i>1.000000</i>
	Expense:	
2	Uncollectibles	0.005354
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038314
5	Total Expense	<u>0.045668</u>
6	Net Operating Income Before FIT	<i>0.954332</i>
7	Federal Income Tax @ 35%	<u>0.334016</u>
8	REVENUE CONVERSION FACTOR	<u><u>0.62032</u></u>

2016 NATURAL GAS ATTRITION REVENUE REQUIREMENT

Line No.	DESCRIPTION	Base Cost and Revenue to Escalate					Escalate Non-Energy Cost			Other Cost & Revenue Adjustments				
		12.2014 Commission Basis Report Restated Totals	Regulatory Amorts Adjs	Pro Forma Revenue Normalization Adjustment	Exclude Normalized Gas Costs and Revenue	December 2014 Escalation Base	Escalation Factor	Escalation Amount [E] * [F]=[G]	Trended 2016 Non-Energy Cost [E]+[G]=[H]	(plus) 12.2014 Pro-Formed Gas Cost/Revenue	(plus) Revenue Growth	After Attrition Adj - Project Compass	After Attrition Adj - Atmos Testing	2016 Revenue and Cost [H]+[I]+[J]+ [PCOMP]=[K]
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
REVENUES														
1	Total General Business	\$ 154,546	\$ -	\$ 12,185	\$ (92,072)	\$ 74,659	1.19%		74,659	\$ 92,072	\$ 1,983			\$ 168,714
2	Total Transportation	3,960	-	223		4,183	-0.14%		4,183		(6)			4,177
3	Other Revenues	332	-	-		332	0.00%		332		-			332
4	Total Gas Revenues	158,838	-	12,408	(92,072)	79,174		-	79,174	92,072	1,977			173,223
EXPENSES														
Production Expenses														
5	City Gate Purchases	\$ 84,187	\$ -	\$ 3,680	\$ (87,867)	\$ -			-	\$ 87,867	950			88,817
6	Purchased Gas Expense	779	-	3		782	4.84%	38	820					820
7	Net Nat Gas Storage Trans	-	-	-		-		-	-					-
8	Total Production	84,966	-	3,683	(87,867)	782		38	820	87,867	950			89,637
Underground Storage														
9	Operating Expenses	\$ 893	\$ -	\$ -		\$ 893	4.84%	43	936					936
10	Depreciation/Amortization	402	-	-		402	22.27%	90	492					492
11	Taxes	184	-	-		184	18.94%	35	219					219
12	Total Underground Storage	1,479	-	-		1,479		168	1,647					1,647
Distribution														
13	Operating Expenses	\$ 10,704	\$ -	\$ -		\$ 10,704	4.84%	\$ 518	\$ 11,222				\$ 707	\$ 11,929
14	Depreciation/Amortization	8,513	-	-		8,513	22.27%	1,896	10,409					10,409
15	Taxes	8,719	-	475	(3,528)	5,666	18.94%	1,073	6,740	3,528	76			10,344
16	Total Distribution	27,936	-	475	(3,528)	24,883		3,487	28,371	3,528	76		707	32,682
17	Customer Accounting	\$ 6,108	\$ -	\$ 66	\$ (493)	\$ 5,681	4.84%	\$ 275	\$ 5,956	\$ 493	\$ 11			6,460
18	Customer Service & Information	865	-	-		865	4.84%	42	907					907
19	Sales Expenses	-	-	-		-	4.84%	-	-					-
Administrative & General														
20	Operating Expenses	\$ 12,777	\$ -	\$ 25	\$ (184)	\$ 12,618	4.84%	\$ 611	\$ 13,229	\$ 184	\$ 4			\$ 13,417
21	Depreciation/Amortization	4,389	-	-		4,389	22.27%	978	5,367			1,119		6,486
22	Regulatory Amortizations	(91)	1,143	91		1,143	0.00%	-	1,143					1,143
23	Taxes	-	-	-		-	18.94%	-	-					-
24	Total Admin. & General	17,075	1,143	116	(184)	18,150		1,588	19,738	184	4	1,119	707	21,045
25	Total Gas Expense	138,429	1,143	4,341	(92,072)	51,841		5,598	57,439	92,072	1,041	1,119	707	152,378
26	OPERATING INCOME BEFORE FIT	\$ 20,409	\$ (1,143)	\$ 8,067	\$ -	\$ 27,333		\$ (5,598)	\$ 21,735	\$ -	\$ 936	\$ (1,119)	\$ (707)	\$ 20,845

2016 NATURAL GAS ATTRITION REVENUE REQUIREMENT

Line No.	DESCRIPTION	Base Cost and Revenue to Escalate					Escalate Non-Energy Cost			Other Cost & Revenue Adjustments				
		12.2014 Commission Basis Report Restated Totals [A]	Regulatory Amorts Adjs [B]	Pro Forma Revenue Normalization Adjustment [C]	Exclude Normalized Gas Costs and Revenue [D]	December 2014 Escalation Base [E]	Escalation Factor [F]	Escalation Amount [E]*[F]=[G]	Trended 2016 Non-Energy Cost [E]+[G]=[H]	(plus) 12.2014 Pro-Formed Gas Cost/Revenue [I]	(plus) Revenue Growth [J]	After Attrition Adj - Project Compass [K]	After Attrition Adj - Atmos Testing [L]	2016 Revenue and Cost [H]+[I]+[J]+[PCOMP]=[K] [M]
FEDERAL INCOME TAX														
27	Current Accrual	\$ (6,945)	\$ (400)	2,824	-	\$ (4,521)		\$ (1,959)	\$ (6,481)	\$ -	\$ 327	\$ (392)	\$ (247)	\$ (6,792)
28	Debt Interest	(137)	-	-	-	(137)		(298)	(435)			(114)		(548)
29	Deferred FIT	13,105	-	-	-	13,105			13,105					13,105
30	Amort ITC	(20)	-	-	-	(20)			(20)					(20)
31	NET OPERATING INCOME	\$ 14,406	\$ (743)	\$ 5,244	\$ -	\$ 18,907		\$ (3,341)	\$ 15,566	\$ -	\$ 608	\$ (727)	\$ (460)	\$ 15,101
RATE BASE														
PLANT IN SERVICE														
32	Underground Storage	\$ 25,235	\$ -	\$ -	-	\$ 25,235	16.86%	\$ 4,255	29,490					\$ 29,490
33	Distribution Plant	337,894	-	-	-	337,894	16.86%	56,968	394,862					394,862
34	General Plant	59,169	-	-	-	59,169	16.86%	9,976	69,145			13,239		82,384
35	Total Plant in Service	422,298	-	-	-	422,298		71,198	493,496					506,735
ACCUMULATED DEPR/AMORT														
36	Underground Storage	\$ (9,521)	\$ -	\$ -	-	\$ (9,521)	16.86%	(1,605)	(11,126)					(11,126)
37	Distribution Plant	(114,795)	-	-	-	(114,795)	16.86%	(19,354)	(134,149)					(134,149)
38	General Plant	(17,429)	-	-	-	(17,429)	16.86%	(2,938)	(20,367)			(559)		(20,926)
39	Total Accumulated Depr/Amort	(141,745)	-	-	-	(141,745)		(23,898)	(165,643)					(166,202)
40	NET PLANT	280,553	-	-	-	280,553		47,300	327,853					340,533
41	DEFERRED TAXES	(54,652)	-	-	-	(54,652)	16.86%	(9,214)	(63,866)			(577)		(64,443)
42	Net Plant After DFIT	225,901	-	-	-	225,901		38,086	263,987					276,090
43	GAS INVENTORY	14,762	-	-	-	14,762	0.00%	-	14,762					14,762
44	GAIN ON SALE OF BUILDING	-	-	-	-	-	0.00%	-	-					-
45	OTHER	(479)	-	-	-	(479)	0.00%	-	(479)					(479)
46	WORKING CAPITAL	10,073	-	-	-	10,073	0.00%	-	10,073					10,073
47	TOTAL RATE BASE	\$ 250,257	\$ -	\$ -	\$ -	\$ 250,257		\$ 38,086	\$ 288,343			\$12,103		\$ 300,446
48	RATE OF RETURN	5.76%										5.03%		
ATTRITION ADJUSTED REVENUE REQUIREMENT														
49	Proposed Rate of Return	7.29%										7.29%		
50	Net Operating Income Requirement	\$ 18,244											\$ 21,903	
51	Net Operating Income per Above	14,406											15,101	
52	Net Operating Income Deficiency	\$ 3,838											\$ 6,802	
53	Conversion Factor	0.62032											0.62032	
54	Revenue Requirement	\$ 6,187											\$ 10,965	
55	Revenue Growth Factor											1.01157		
56	Attrition Adjusted Revenue Requirement											\$ 10,840		

*Note: Adjustment in Column [B] includes the Regulatory Amortization associated with the deferral of the Natural Gas portion of the Project Compass Customer Information System (CIS) project as this amount is not included in the 12.2014 Commission Basis. This amount is not escalated as shown in column [F].