

**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-11
ELECTRIC ATTRITION STUDY EXCLUDING AMOUNTS
ATTRIBUTABLE TO RATE BASE**

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	\$1,315,892	1.013115	\$1,298,858
2	Settlement Rate of Return			7.29%
3	Net Operating Income Requirement			\$94,687
4	2016 Net Operating Income (at 2015 rates)	<u>\$113,280</u>	1.013115	<u>\$111,814</u>
5	2016 Rate of Return (at 2015 rates)			8.61%
6	2016 Net Operating Income Deficiency (Surplus)			(\$17,127)
7	Gross-up Conversion Factor			0.62018
8	2016 Attrition Revenue Deficiency			(\$27,616)
9	2016 Total General Business Revenues (at 2015 rates)			\$499,982
10	Attrition-based 2016 revenue requirement			\$472,366
11	Percent Revenue Requirement Change (vs. 2015)			-5.52%

Multiparty Settlement - Cost of Capital

Washington - Electric System

Twelve Months Ended December 31, 2014

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 - 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><i>0.045880</i></u>
6	Net Operating Income Before FIT	<i>0.954120</i>
7	Federal Income Tax @ 35%	<u><i>0.333942</i></u>
8	REVENUE CONVERSION FACTOR	<u><u><i>0.620180</i></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				Appeals Decision Adj.		2016 Revenue and Cost Σ[H][N]-[O]	
		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	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	Adj. to Pro Forma Rate Base (BGM-13)		Adj. to Pro Forma Depreciation (BGM-13)
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]
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	(2,595)					54,730
4	Subtotal: Sales of Electricity	550,292	(60,998)	-	10,688	499,982			499,982	57,325	3,962					561,269
5	Other Revenue	17,163	(13,684)	-	-	3,479	0.00%		3,479	10,500	1					13,980
6	Total Electric Revenue	567,455	(74,682)	-	10,688	503,461			503,461	67,825	3,963					575,249
EXPENSES																
Production and Transmission																
7	Operating Expenses	\$ 120,307	\$ (69,476)	\$ -	\$ -	\$ 50,831	6.42%	\$ 3,263	\$ 54,094	\$ 79,630	\$ (2) 180					133,902
8	Purchased Power	116,643	(116,641)	-	-	2		-	2	77,131	1,908					79,041
9	Depreciation/Amortization	23,715		-	-	23,715	9.55%	2,264	25,979	-	-				(2,606)	23,373
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	1,906	180			(2,606)	255,370
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						(1,969)	24,097
15	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	-			(1,969)	76,110
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		964	23,416
22	Taxes	-		-	-	-	11.96%	-	-							-
23	Subtotal: A&G	63,157		-	21	63,178		4,586	67,764	-	13	-			964	72,628
24	Total Electric Expenses	427,968	(186,117)	(3,409)	490	238,932		19,204	258,136	156,761	2,206	180	3,887		(3,612)	417,559
25	OPERATING INCOME BEFORE F	\$ 139,487	\$ 111,435	\$ 3,409	\$ 10,198	\$ 264,529		\$ (19,204)	\$ 245,325	\$ (88,936)	\$ 1,757	\$ (180)	\$ (3,887)		\$ 3,612	\$ 157,691

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

2016 ELECTRIC ATTRITION REVENUE REQUIREMENT (\$000)

Line Number	DESCRIPTION	Determine Base Cost and Revenue to Escalate					Escalate Non-Energy Cost			Other Cost & Revenue Adjustments				Appeals Decision Adj.		2016 Revenue and Cost Σ[H][N]-[O]
		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	Adj. to Pro Forma Rate Base (BGM-13)	Adj. to Pro Forma Depreciation (BGM-13)	
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]
	Federal Income Tax															
26	Current Accrual	\$ (7,683)	\$ 39,002	\$ 1,193	\$ 3,569	\$ 36,081		\$ (6,721)	\$ 29,360	\$ (31,128)	\$ 615	\$ (63)	\$ (1,360)		\$ 1,264	(1,312)
27	Debt Interest	(136)	-	60	-	(76)		(157)	(233)				(395)		393	(234)
28	Deferred Income Taxes	46,085				46,085			46,085							46,085
29	Amortized ITC - Noxon	(128)				(128)			(128)							(128)
30																
31	NET OPERATING INCOME	\$ 101,349	\$ 72,433	\$ 2,156	\$ 6,629	\$ 182,567		\$ (12,326)	\$ 170,241	\$ (57,808)	\$ 1,142	\$ (117)	\$ (2,132)	\$ -	\$ 1,954	\$ 113,280
	RATE BASE															
	Plant in Service															
32	Intangible	\$ 102,620		\$ -	\$ -	\$ 102,620	7.83%	\$ 8,034	\$ 110,654				\$ 46,004	\$ (1,863)		\$ 154,795
33	Production	746,101		-	-	746,101	7.83%	58,410	804,511					(36,241)		768,269
34	Transmission	371,971		-	-	371,971	7.83%	29,120	401,091					(10,879)		390,213
35	Distribution	842,795		-	-	842,795	0.00%	-	842,795					23,213		866,008
36	General	196,867		-	-	196,867	7.83%	15,412	212,279					(12,081)		200,198
37	Subtotal: Plant in Service	2,260,354	-	-	-	2,260,354		110,976	2,371,330				46,004	(37,851)		2,379,483
	Accumulated Depreciation and Amortization															
38	Intangible	\$ (20,242)		\$ -	\$ -	\$ (20,242)	7.83%	\$ (1,585)	\$ (21,827)				\$ (1,943)	\$ (401)		\$ (24,170)
39	Production	(325,531)		-	-	(325,531)	7.83%	(25,485)	(351,016)					20,845		(330,171)
40	Transmission	(123,869)		-	-	(123,869)	7.83%	(9,697)	(133,566)					8,582		(124,984)
41	Distribution	(252,722)		-	-	(252,722)	0.00%	-	(252,722)					(10,095)		(262,817)
42	General	(65,720)		-	-	(65,720)	7.83%	(5,145)	(70,865)					4,926		(65,939)
43	Subtotal: Accumulated Depreciation and Amortization	(788,084)	-	-	-	(788,084)		(41,912)	(829,996)				(1,943)	23,856		(808,083)
44	Net Plant	1,472,270	-	-	-	1,472,270	\$ -	69,064	1,541,334				-	44,061	(13,995)	1,571,400
45	Deferred Taxes	(257,766)		-	-	(257,766)	7.83%	(20,180)	(277,946)				(2,003)	(25,751)		(305,700)
46	Net Plant After Deferred taxes	1,214,504		-	-	1,214,504	\$ 0	48,885	1,263,389					(39,747)		1,265,700
47	Deferred Debits and Credits	10,846		(6,250)		4,596	0.00%	-	4,596					(147)		4,449
48	Working Capital	47,807		-		47,807	0.00%	-	47,807					(2,065)		45,742
49	TOTAL RATE BASE	\$ 1,273,157	\$ -	\$ (6,250)	\$ -	\$ 1,266,907		\$ 48,885	\$ 1,315,792				\$ 42,058	\$ (41,959)		\$ 1,315,892
50	RATE OF RETURN	7.96%														8.61%
	ATTRITION ADJUSTED REVENUE REQUIREMENT															
50	Proposed Rate of Return															7.29%
51	Return on Plant in Service at Proposed Rate															\$ 95,929
52	Operating Income Deficiency															\$ (17,352)
53	Revenue Conversion Factor															0.62018
54	Revenue Requirement															\$ (27,979)
55	Revenue Growth Factor															1.013115
56	Attrition Adjusted Revenue Requirement															\$ (27,616)

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

Order 05 Attrition Rev Req	\$ (8,110)
Variance From Order 05	\$ (19,506)