

**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-12  
GAS ATTRITION STUDY EXCLUDING AMOUNTS  
ATTRIBUTABLE TO RATE BASE**

**ORDER 05  
2016 NATURAL GAS ATTRITION STUDY**

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

<b>Line No.</b>	<b>Description</b>	<b>(a) Attrition Balances</b>	<b>(b) Revenue Growth Factor</b>	<b>(c) Attrition Study Results</b>	
1	2016 Rate Base	\$263,655	1.011566	\$260,640	
2	Settlement Rate of Return			7.29%	
3	Net Operating Income Requirement			\$19,001	
4	2016 Net Operating Income (at 2015 rates)	\$ 16,499	1.01157	\$16,310	
5	2016 Rate of Return (at 2015 rates)			6.26%	
6	2016 Net Operating Income Deficiency (Surplus)			\$2,691	[Line 3 - Line 4]
7	Gross-up Conversion Factor			0.62032	
8	2016 Attrition Revenue Deficiency (Surplus)			\$4,339	
9	2016 Total General Business Revenues (at 2015 rates)			\$ 170,914	[pg. 4, col. H, Lines 1-2, plus col. I, Line 12]
10	<b>Attrition-based 2016 revenue requirement</b>			<b>\$ 175,253</b>	[Line 8 + Line 9]
11	Percent Revenue Requirement Change (vs. 2015)			2.54%	
12	Order 05 Pro Forma 2016 Revenue Requirement			\$ 174,889	[Line 9 + 6,183 - 2,208 (per Order 05 Table 2A)]
13	<b>Attrition Allowance</b>			<b>\$ 364</b>	[Line 10 - Line 12]

**Multiparty Settlement - Cost of Capital**  
**Washington - Natural Gas System**

<b>Proposed Cap Structure</b>			
<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	<b>Revenues</b>	<i>1.000000</i>
	<b>Expense:</b>	
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	<b>REVENUE CONVERSION FACTOR</b>	<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				Appeals Decision Adj.		2016 Revenue and Cost Σ[H]:[N]= [O]
		12.2014 Commission Basis Report Restated Totals	Regulatory Amorts Adj	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	Adj. to Pro Forma Rate Base (BGM-14)	Adj. to Pro Forma Depreciation (BGM-14)	
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[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						(90)	402
11	Taxes	184	-	-		184	18.94%	35	219							219
12	Total Underground Storage	1,479	-	-		1,479		168	1,647						(90)	1,557
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						(1,777)	8,632
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		(1,777)	30,905
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			(815)	5,670
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			(815)	20,230
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		(2,682)	149,696
26	OPERATING INCOME BEFORE FI1	\$ 20,409	\$ (1,143)	\$ 8,067	\$ -	\$ 27,333		\$ (5,598)	\$ 21,735	\$ -	\$ 936	\$ (1,119)	\$ (707)		\$ 2,682	\$ 23,527

## 2016 NATURAL GAS ATTRITION REVENUE REQUIREMENT

Line No.	DESCRIPTION	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	Regulatory Amorts Adj	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	Adj. to Pro Forma Rate Base (BGM-14)	Adj. to Pro Forma Depreciation (BGM-14)	
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[M]
FEDERAL INCOME TAX																
27	Current Accrual	\$ (6,945)	\$ (400)	2,824	-	\$ (4,521)	\$ (1,959)	\$ (6,481)		\$ -	\$ 327	\$ (392)	\$ (247)		\$ 939	\$ (5,854)
28	Debt Interest	(137)	-	-	-	(137)	(298)	(435)				(114)			345	(203)
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)	\$ -	\$ 1,398	\$ 16,499	
RATE BASE																
PLANT IN SERVICE																
32	Underground Storage	\$ 25,235	\$ -	\$ -		\$ 25,235	16.86%	\$ 4,255	29,490					\$ (3,949)		\$ 25,540
33	Distribution Plant	337,894	-	-		337,894	16.86%	56,968	394,862					(44,644)		350,217
34	General Plant	59,169	-	-		59,169	16.86%	9,976	69,145			13,239		(8,823)		73,561
35	Total Plant in Service	422,298	-	-		422,298		71,198	493,496			13,239		(57,416)		449,318
ACCUMULATED DEPR/AMORT																
36	Underground Storage	\$ (9,521)	\$ -	\$ -		\$ (9,521)	16.86%	(1,605)	(11,126)					1,580		(9,546)
37	Distribution Plant	(114,795)	-	-		(114,795)	16.86%	(19,354)	(134,149)					16,381		(117,768)
38	General Plant	(17,429)	-	-		(17,429)	16.86%	(2,938)	(20,367)			(559)		2,467		(18,460)
39	Total Accumulated Depr/Amort	(141,745)	-	-		(141,745)		(23,898)	(165,643)			(559)		20,427		(145,774)
40	NET PLANT	280,553	-	-		280,553		47,300	327,853			12,680		(36,989)		303,544
41	DEFERRED TAXES	(54,652)	-	-		(54,652)	16.86%	(9,214)	(63,866)			(577)		1,810		(62,634)
42	Net Plant After DFIT	225,901	-	-		225,901		38,086	263,987			11,544		(35,179)		240,911
43	GAS INVENTORY	14,762	-	-		14,762	0.00%	-	14,762					(1,961)		12,801
44	GAIN ON SALE OF BUILDING	-	-	-		-	0.00%	-	-					-		-
45	OTHER	(479)	-	-		(479)	0.00%	-	(479)					51		(428)
46	WORKING CAPITAL	10,073	-	-		10,073	0.00%	-	10,073					298		10,371
47	TOTAL RATE BASE	\$ 250,257	\$ -	\$ -	\$ -	\$ 250,257	\$ 38,086	\$ 288,343	\$ 12,103	\$ (36,791)	\$ 263,655					
48	RATE OF RETURN	5.76%														6.26%
ATTRITION ADJUSTED REVENUE REQUIREMENT																
49	Proposed Rate of Return	7.29%														7.29%
50	Net Operating Income Requirement	\$ 18,244														\$ 19,220
51	Net Operating Income per Above	14,406														16,499
52	Net Operating Income Deficiency	\$ 3,838														\$ 2,722
53	Conversion Factor	0.62032														0.62032
54	Revenue Requirement	\$ 6,187														\$ 4,388
55	Revenue Growth Factor															1.01157
56	Attrition Adjusted Revenue Requirement															\$ 4,338

Order 05 Attrition Rev Req \$ 10,824

Variance From Order 05 \$ (6,486)