

**Exh. CRM-9
Dockets UE-150204/UG-150205
Witness: Chris R. McGuire**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

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

Respondent.

**DOCKETS UE-150204 and
UG-150205
(Consolidated)**

**EXHIBIT TO
TESTIMONY OF**

Chris R. McGuire

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Natural Gas Attrition Study – Revised Exh. EMA-7

September 13, 2019

STAFF RECALCULATION ON REMAND

2016 WASHINGTON NATURAL GAS ATTRITION STUDY

Edited from Avista Exhibit EMA-7

EMA-7 was produced by Avista on Rebuttal, and edited from Staff Exhibit CRM-3

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	\$ 263,655	1.01157	\$260,640
2	Settlement Rate of Return			7.29%
3	Net Operating Income Requirement			\$19,001
4	2016 Net Operating Income (at 2015 rates)	\$ 14,367	1.01157	\$14,203
5	2016 Rate of Return (at 2015 rates)			5.45%
6	2016 Net Operating Income Deficiency (Surplus)			\$4,798
7	Gross-up Conversion Factor			0.62032
8	2016 Attrition Revenue Deficiency (Surplus)			\$7,734
9	2016 Total General Business Revenues (at 2015 rates)			\$ 170,914
10	Attrition-based 2016 revenue requirement			\$ 178,648
11	Percent Revenue Requirement Change (vs. 2015)			4.53%

REMAND CALCULATIONS

12	Pro Forma Revenue Deficiency (Sufficiency) - from Order 05, Table A2			\$ 3,975
13	Attrition Study Revenue Deficiency (sufficiency)			\$ 7,734
14	Attrition Allowance - REVISED PER REMAND			\$ 3,759
15	Attrition Allowance - PER ORDER 05			\$ 6,849
16	Difference (annual) - Owed back to Customers		12 months	\$ 3,090
			11 months	\$ 2,862
			2.3 years	\$ 7,107

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	0.954332
7	Federal Income Tax @ 35%	<u>0.334016</u>
8	REVENUE CONV FACTOR	<u>0.62032</u>

2016 NATURAL GAS ATTRITION R

\$000s		Determine Base Cost and Revenue to Escalate				
CBR Line	DESCRIPTION	12.2014 Commission Basis Report Restated Totals ¹ [A]	Regulatory Amorts Adjs [B]	Pro Forma Revenue Normalization Adjustment [C]	Exclude Normalized Gas Costs and Revenue [D]	December 2014 Escalation Base [E]
REVENUES						
1	Total General Business	\$ 154,546	\$ -	\$ 12,185	\$ (92,072)	\$ 74,659
2	Total Transportation	\$ 3,960	\$ -	\$ 223		\$ 4,183
3	Other Revenues	\$ 332	\$ -	\$ -		\$ 332
4	Total Gas Revenues	\$ 158,838	\$ -	\$ 12,408	\$ (92,072)	\$ 79,174
EXPENSES						
Production Expenses						
5	City Gate Purchases	\$ 84,187	\$ -	\$ 3,680	\$ (87,867)	\$ -
6	Purchased Gas Expense	\$ 779	\$ -	\$ 3		\$ 782
7	Net Nat Gas Storage Trans	\$ -	\$ -	\$ -		\$ -
8	Total Production	\$ 84,966	\$ -	\$ 3,683	\$ (87,867)	\$ 782
Underground Storage						
9	Operating Expenses	\$ 893	\$ -	\$ -		\$ 893
10	Depreciation/Amortization	\$ 402	\$ -	\$ -		\$ 402
11	Taxes	\$ 184	\$ -	\$ -		\$ 184
12	Total Underground Storage	\$ 1,479	\$ -	\$ -	\$ -	\$ 1,479
Distribution						
13	Operating Expenses	\$ 10,704	\$ -	\$ -		\$ 10,704
14	Depreciation/Amortization	\$ 8,513	\$ -	\$ -		\$ 8,513
15	Taxes	\$ 8,719	\$ -	\$ 475	\$ (3,528)	\$ 5,666
16	Total Distribution	\$ 27,936	\$ -	\$ 475	\$ (3,528)	\$ 24,883
17	Customer Accounting	\$ 6,108	\$ -	\$ 66	\$ (493)	\$ 5,681
18	Customer Service & Information	\$ 865	\$ -	\$ -		\$ 865
19	Sales Expenses	\$ -	\$ -	\$ -		\$ -
Administrative & General						
20	Operating Expenses	\$ 12,777	\$ -	\$ 25	\$ (184)	\$ 12,618
21	Depreciation/Amortization	\$ 4,389	\$ -	\$ -		\$ 4,389
22	Regulatory Amortizations	\$ (91)	\$ 1,143	\$ 91		\$ 1,143
23	Taxes	\$ -	\$ -	\$ -		\$ -
24	Total Admin. & General	\$ 17,075	\$ 1,143	\$ 116	\$ (184)	\$ 18,150
25	Total Gas Expense	\$ 138,429	\$ 1,143	\$ 4,341	\$ (92,072)	\$ 51,841
26	OP INCOME BEFORE FIT	\$ 20,409	\$ (1,143)	\$ 8,067	\$ -	\$ 27,333

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

2016 NATURAL GAS ATTRITION RE

\$000s		Determine Base Cost and Revenue to Escalate				
CBR Line	DESCRIPTION	12.2014			December 2014	
No.	DESCRIPTION	Commission Basis Report Restated Totals ¹	Regulatory Amorts Adjs	Pro Forma Revenue Normalization Adjustment	Exclude Normalized Gas Costs and Revenue	Escalation Base
		[A]	[B]	[C]	[D]	[E]
	FEDERAL INCOME TAX					
27	Current Accrual	\$ (6,945)	\$ (400)	2,824	-	\$ (4,521)
28	Debt Interest	\$ (137)	\$ -	\$ -	\$ -	\$ (137)
29	Deferred FIT	\$ 13,105	\$ -	\$ -	\$ -	\$ 13,105
30	Amort ITC	\$ (20)	\$ -	\$ -	\$ -	\$ (20)
31	NET OPERATING INCOME	\$ 14,406	\$ (743)	\$ 5,244	\$ -	\$ 18,907
	RATE BASE					
	PLANT IN SERVICE					
32	Underground Storage	\$ 25,235	\$ -	\$ -	\$ -	\$ 25,235
33	Distribution Plant	\$ 337,894	\$ -	\$ -	\$ -	\$ 337,894
34	General Plant	\$ 59,169	\$ -	\$ -	\$ -	\$ 59,169
35	Total Plant in Service	\$ 422,298	\$ -	\$ -	\$ -	\$ 422,298
	ACCUMULATED DEPR/AMORT					
36	Underground Storage	\$ (9,521)	\$ -	\$ -	\$ -	\$ (9,521)
37	Distribution Plant	\$ (114,795)	\$ -	\$ -	\$ -	\$ (114,795)
38	General Plant	\$ (17,429)	\$ -	\$ -	\$ -	\$ (17,429)
39	Total Accumulated Depr/Amort	\$ (141,745)	\$ -	\$ -	\$ -	\$ (141,745)
40	NET PLANT	\$ 280,553	\$ -	\$ -	\$ -	\$ 280,553
41	DEFERRED TAXES	\$ (54,652)	\$ -	\$ -	\$ -	\$ (54,652)
42	Net Plant After DFIT	\$ 225,901	\$ -	\$ -	\$ -	\$ 225,901
43	GAS INVENTORY	\$ 14,762	\$ -	\$ -	\$ -	\$ 14,762
44	GAIN ON SALE OF BUILDING	\$ -	\$ -	\$ -	\$ -	\$ -
45	OTHER	\$ (479)	\$ -	\$ -	\$ -	\$ (479)
46	WORKING CAPITAL	\$ 10,073	\$ -	\$ -	\$ -	\$ 10,073
47	TOTAL RATE BASE	\$ 250,257	\$ -	\$ -	\$ -	\$ 250,257

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

48 RATE OF RETURN 5.76%

ATTRITION ADJUSTED REVENUE REQUIREMENT		
49	Proposed Rate of Return	7.29%
50	Net Operating Income Requirement	\$ 18,244
51	Net Operating Income per Above	14,406
52	Net Operating Income Deficiency	\$ 3,838
53	Conversion Factor	0.62032
54	Revenue Requirement	\$ 6,187
55	Revenue Growth Factor	
56	Attrition Adjusted Revenue Requirement	

The grey highlighted areas on pages 4 and 5 represent model. For example, corrections to Staff's model were used in column [F] page 4 & 5 (rows 10, 11 and 32) to data. These calculations can be seen on page 9-11. As [K], the Company has included total Project Compass

*Note: Adjustment in Column [B] includes the Regulatory Amortization associated with the deferral of the Natural Gas portion in the 12.2014 Commission Basis. This amount is not escalated as shown in column [F].

REVENUE REQUIREMENT

Escalate Non-Energy Cost		Other Cost & Revenue Adjustments					REMAND	
Escalation Factor	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]+[K]+[L] = [M]	[N]
1.19%		74,659	\$ 92,072	\$ 1,983			\$ 168,714	
-0.14%		4,183		\$ (6)			4,177	
0.00%		332		\$ -			332	
	\$ -	\$ 79,174	\$ 92,072	\$ 1,977			\$ 173,223	
4.84%	38	820	\$ 87,867	950			88,817	
							820	
	\$ 38	\$ 820	\$ 87,867	\$ 950			\$ 89,637	
4.84%	43	936					936	
25.86%	104	506					506	
21.00%	39	223					223	
	\$ 186	\$ 1,665	\$ -	\$ -			\$ 1,665	
4.84%	518	11,222				707	11,929	
25.86%	2,201	10,714					10,714	
21.00%	1,190	6,856	\$ 3,528	\$ 76			10,460	
	\$ 3,909	\$ 28,792	\$ 3,528	\$ 76		\$ 707	\$ 33,103	
4.84%	275	5,956	\$ 493	\$ 11			6,460	
4.84%	42	907					907	
4.84%	-	-					-	
4.84%	611	13,229	\$ 184	\$ 4			13,417	
25.86%	1,135	5,524			1,119		6,643	
0.00%	-	1,143					1,143	
21.00%	-	-					-	
	\$ 1,746	\$ 19,895	\$ 184	\$ 4	\$ 1,119	\$ -	\$ 21,202	
	\$ 6,195	\$ 58,036	\$ 92,072	\$ 1,041	\$ 1,119	\$ 707	\$ 152,975	
	\$ (6,195)	\$ 21,138	\$ -	\$ 936	\$ (1,119)	\$ (707)	\$ 20,248	

REVENUE REQUIREMENT

Escalate Non-Energy Cost			Other Cost & Revenue Adjustments				REMAND
Escalation Factor	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]+[K]+[L] = [M]
[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
	(2,168)	(6,690)	-	327	(392)	(247)	(7,001)
	60	(77)			(114)		(191)
		13,105					13,105
		(20)					(20)
	\$ (4,086)	\$ 14,821	\$ -	\$ 608	\$ (614)	\$ (460)	\$ 14,355
							\$ 14,367

0.00%	\$ -	25,235					\$ 25,235
0.00%	-	337,894					337,894
0.00%	-	59,169			13,239		72,408
	-	422,298			13,239		435,537
0.00%	-	(9,521)					(9,521)
0.00%	-	(114,795)					(114,795)
0.00%	-	(17,429)			(559)		(17,988)
	-	(141,745)			(559)		(142,304)
	\$ -	\$ 280,553			\$ 12,680		293,233
0.00%	-	(54,652)			(577)		(55,229)
	-	225,901			12,103		238,004
0.00%	-	14,762					14,762
0.00%	-	-					-
0.00%	-	(479)					(479)
0.00%	-	10,073					10,073
	\$ -	\$ 250,257			\$ 12,103		\$ 262,360
							\$ 263,655
						No RB escal.	PF Rate Base
						5.47%	5.45%

<p>Staff's proposed changes Avista made to Staff witness Mr. McGuire's Natural Gas Attrition costs were made in columns [J], [K] and [L]. Avista's proposed growth escalations were intended to reflect Staff's linear regression calculation, however, using years 2007-2014 instead of 2007-2015. Avista accepted Staff's O&M escalation growth rate as filed. Lastly, in column [M], Avista's proposed costs, rather than the discounted balances proposed by Staff.</p>	7.29%	7.29%
	\$ 19,126	\$ 19,220
	14,355	14,367
	\$ 4,771	\$ 4,853
	0.62032	0.62032
	\$ 7,691	\$ 7,823
	1.011566	1.011566
\$ 7,604	\$ 7,735	

portion of the Project Compass Customer Information System (CIS) project as this amount is not included

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2014

**AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
(000'S OF DOLLARS)**

Commission Basis Results of Operations

Line No.	DESCRIPTION	2001 Restated Total	2002 Restated Total	2003 Restated Total	2004 Restated Total	2005 Restated Total	2006 Restated Total	2007 Restated Total	2008 Restated Total	2009 Restated Total	2010 Restated Total	2011 Restated Total	2012 Restated Total	2013 Restated Total	2014 Restated Total
REVENUES															
1	Total General Business	\$ 144,574	\$ 148,580	\$ 137,031	\$ 159,265	\$ 178,724	\$ 197,821	\$ 209,186	\$ 203,727	\$ 182,706	\$ 142,370	\$ 152,457	\$ 142,048	\$ 144,257	\$ 154,546
2	Total Transportation	4,274	3,878	3,392	2,842	3,440	3,111	3,263	3,369	3,275	3,155	3,448	3,627	3,915	3,960
3	Other Revenues	2,541	2,340	2,183	2,168	30,131	2,372	68,416	153,093	84,085	115,257	98,841	68,107	403	332
4	Total Gas Revenues	151,389	154,798	142,606	164,275	212,295	203,304	280,865	360,189	270,066	260,782	254,746	213,782	148,575	158,838
EXPENSES															
Production Expenses															
5	City Gate Purchases	106,139	109,325	96,222	114,371	167,251	149,802	222,364	310,276	194,267	197,494	188,167	139,073	76,801	84,187
6	Purchased Gas Expense	988	1,177	1,186	369	651	653	792	(9,103)	803	800	14	130	891	779
7	Net Nat Gas Storage Trans	134	128	-	-	(8,407)	-	283	2	10,720	(3,322)	(4,366)	4,352	-	-
8	Total Production	107,261	110,630	97,408	114,740	159,495	150,455	223,439	301,175	205,790	194,972	183,815	143,555	77,692	84,966
Underground Storage															
9	Operating Expenses	322	357	342	381	450	492	451	436	403	380	585	712	820	893
10	Depreciation/Amortization	314	297	309	309	310	312	310	276	393	348	395	438	380	402
11	Taxes	108	120	118	120	115	122	95	113	121	116	19	17	158	184
12	Total Underground Storage	744	774	769	810	875	926	856	825	917	844	999	1,167	1,358	1,479
Distribution															
13	Operating Expenses	4,655	5,482	5,762	5,958	6,084	6,359	6,467	6,123	7,700	7,696	8,854	9,511	10,820	10,704
14	Depreciation/Amortization	4,390	4,496	4,707	4,902	5,088	5,369	5,605	5,673	6,064	6,367	6,649	6,978	7,925	8,513
15	Taxes	7,315	8,070	7,205	8,213	8,573	9,457	9,844	8,941	8,746	7,223	8,051	7,825	8,116	8,719
16	Total Distribution	16,360	18,048	17,674	19,073	19,745	21,185	21,916	20,737	22,510	21,286	23,554	24,314	26,861	27,936
17	Customer Accounting	3,367	4,108	4,121	4,337	4,249	4,225	4,487	4,692	5,586	5,234	5,740	5,796	6,270	6,108
18	Customer Service & Information	1,513	2,252	2,747	480	3,523	1,061	4,658	5,169	7,609	9,505	9,777	6,955	983	865
19	Sales Expenses	445	375	492	427	320	496	516	442	497	105	3	3	3	-
Administrative & General															
20	Operating Expenses	7,578	9,399	9,827	8,911	9,196	8,393	8,901	9,706	9,770	11,383	11,585	13,419	11,862	12,777
21	Depreciation/Amortization	1,020	1,275	1,363	1,180	1,343	1,282	1,498	1,803	1,999	2,412	2,734	3,276	3,868	4,389
22	Regulatory Amortizations	167	185	159	169	-	-	(815)	(242)	440	216	(186)	171	91	(91)
23	Taxes	21	23	24	24	23	24	20	17	19	24	-	(1)	-	-
24	Total Admin. & General	8,786	10,882	11,373	10,284	10,562	9,699	9,604	11,284	12,228	14,035	14,133	16,865	15,821	17,075
25	Total Gas Expense	138,476	147,069	134,584	150,151	198,769	188,047	265,476	344,324	255,137	245,981	238,021	198,655	128,988	138,429
26	OPERATING INCOME BEFORE FIT	12,913	7,729	8,022	14,124	13,526	15,257	15,389	15,865	14,929	14,801	16,725	15,127	19,587	20,409
FEDERAL INCOME TAX															
27	Current Accrual	(256)	6,949	651	655	(3,110)	6,693	5,010	506	2,468	(5,811)	(907)	(1,185)	4,253	(6,945)
28	Debt Interest											63	3	(56)	(137)
29	Deferred FIT	3,078	(6,302)	325	2,340	5,522	(3,072)	(1,442)	3,320	1,238	9,594	5,691	5,033	1,403	13,105
30	Amort ITC	(30)	(31)	(31)	(31)	(30)	(30)	(31)	(31)	(30)	(29)	(27)	(25)	(24)	(20)
31	NET OPERATING INCOME	\$ 10,121	\$ 7,113	\$ 7,077	\$ 11,160	\$ 11,144	\$ 11,666	\$ 11,852	\$ 12,070	\$ 11,253	\$ 11,047	\$ 11,906	\$ 11,301	\$ 14,011	\$ 14,406

Note: The Regulatory Amortizations Category has been restated in prior years to reflect consistency with the current reporting format.

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2014

AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
(000'S OF DOLLARS)

Commission Basis Results of Operations

Line No.	DESCRIPTION	2001 Restated Total	2002 Restated Total	2003 Restated Total	2004 Restated Total	2005 Restated Total	2006 Restated Total	2007 Restated Total	2008 Restated Total	2009 Restated Total	2010 Restated Total	2011 Restated Total	2012 Restated Total	2013 Restated Total	2014 Restated Total
RATE BASE															
PLANT IN SERVICE															
32	Underground Storage	\$ 13,533	\$ 13,439	\$ 13,712	\$ 13,632	\$ 13,708	\$ 13,854	\$ 13,758	\$ 15,260	\$ 21,798	\$ 20,047	\$ 22,008	\$ 24,365	\$ 24,711	\$ 25,235
33	Distribution Plant	178,943	185,314	191,970	200,079	208,396	219,287	229,417	240,778	255,976	269,469	281,279	296,152	313,469	337,894
34	General Plant	15,060	15,368	16,112	16,499	17,878	20,791	21,708	24,256	27,747	33,401	38,971	44,809	52,223	59,169
35	Total Plant in Service	207,536	214,121	221,794	230,210	239,982	253,932	264,883	280,294	305,521	322,917	342,258	365,326	390,403	422,298
ACCUMULATED DEPRECIATION/AMORT															
36	Underground Storage	6,220	6,115	6,495	6,659	6,924	7,249	7,427	7,581	7,807	7,912	8,286	8,677	9,088	9,521
37	Distribution Plant	51,645	55,845	60,239	64,817	69,428	74,019	77,997	81,405	84,021	89,620	97,489	102,678	108,662	114,795
38	General Plant	5,695	6,442	7,446	6,984	7,208	7,230	7,136	8,309	8,882	10,722	10,926	12,186	14,724	17,429
39	Total Accumulated Depreciation/Amortization	63,560	68,402	74,180	78,460	83,560	88,498	92,560	97,295	100,710	108,254	116,701	123,541	132,474	141,745
40	NET PLANT	143,976	145,719	147,614	151,750	156,422	165,434	172,323	182,999	204,811	214,663	225,557	241,785	257,929	280,553
41	DEFERRED TAXES	(14,476)	(15,979)	(22,570)	(26,800)	(23,805)	(24,645)	(26,823)	(28,945)	(31,005)	(36,762)	(42,004)	(46,498)	(50,170)	(54,652)
42	Net Plant After DFIT	129,500	129,740	125,044	124,950	132,617	140,789	145,500	154,054	173,806	177,901	183,553	195,287	207,759	225,901
43	GAS INVENTORY	3,190	4,191	4,568	4,807	6,936	7,628	5,607	15,327	8,440	10,226	13,753	13,107	11,702	14,762
44	GAIN ON SALE OF BUILDING	(470)	(424)	(378)	(243)	(286)	(153)	(197)	(152)	(109)	(44)	(14)	-	-	-
45	OTHER	3,304	2,855	2,393	1,204	1,529	1,098	789	452	(1,359)	(1,163)	(1,012)	(816)	(332)	(479)
46	WORKING CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	5,695	10,073
47	TOTAL RATE BASE	\$ 135,524	\$ 136,362	\$ 131,627	\$ 130,718	\$ 140,796	\$ 149,362	\$ 151,699	\$ 169,681	\$ 180,778	\$ 186,920	\$ 196,280	\$ 207,578	\$ 224,824	\$ 250,257

Note: The Other (Deferred Debits and Credits) Category has been restated in prior years to reflect consistency with the current reporting format.

NATURAL GAS COST AND REVENUE TREND CALCULATIONS 2001-2014

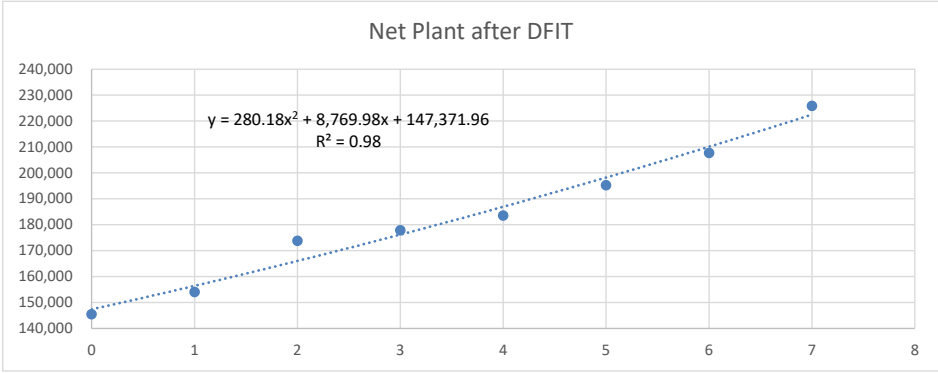
**AVISTA UTILITIES
WASHINGTON NATURAL GAS RESULTS
(000'S OF DOLLARS)**

Natural Gas Data for Escalators

Line No.		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exclude Gas Cost and Adder Schedule Expenses (DSM Tariff Rider, Decoupling Surcharge/Rebate) from O&M															
1	Underground Storage CBR Line 9	322	357	342	381	450	492	451	436	403	380	585	712	820	893
2	Distribution CBR Line 13	4,655	5,482	5,762	5,958	6,084	6,359	6,467	6,123	7,700	7,696	8,854	9,511	10,820	10,704
3	Customer Accounting CBR Line 17	3,367	4,108	4,121	4,337	4,249	4,225	4,487	4,692	5,586	5,234	5,740	5,796	6,270	6,108
4	Customer Service and Information CBR Line 18	1,513	2,252	2,747	480	3,523	1,061	4,658	5,169	7,609	9,505	9,777	6,955	983	865
5	Sales CBR Line 19	445	375	492	427	320	496	516	442	497	105	3	3	3	0
6	Administrative and General CBR Line 20	7,578	9,399	9,827	8,911	9,196	8,393	8,901	9,706	9,770	11,383	11,585	13,419	11,862	12,777
7	Operating expenses excluding production	17,880	21,973	23,291	20,494	23,822	21,026	25,480	26,568	31,565	34,303	36,544	36,396	30,758	31,347
8	Add Non PGA production O&M expenses	232	261	285	369	651	653	792	783	802	800	981	928	891	779
9	Deduct Gas Cost Rev Related Expenses	-823	-849	-749	-882	-1,006	-1,154	-1,202	-1,136	-933	-609	-647	-577	-592	-648
10	Deduct DSM Tariff Rider Expenses	-956	-1,710	-2,044	0	-2,864	0	-3,865	-4,415	-6,829	-8,481	-9,022	-5,987	0	0
11	Deduct Decoupling Surcharge/Rebate Expenses	0	0	0	0	0	0	0	-3	-5	-4	-4	-1	0	0
12	Adjusted Operating Expenses	16,333	19,675	20,783	19,981	20,603	20,525	21,205	21,797	24,600	26,009	27,852	30,759	31,057	31,478
	Annual Percentage Change	-50.09%	20.46%	5.63%	-3.86%	3.11%	-0.38%	3.31%	2.79%	12.86%	5.73%	7.09%	10.44%	0.97%	1.36%
Depreciation/Amortization															
13	Underground Storage CBR Line 10	314	297	309	309	310	312	310	276	393	348	395	438	380	402
14	Distribution CBR Line 14	4,390	4,496	4,707	4,902	5,088	5,369	5,605	5,673	6,064	6,367	6,649	6,978	7,925	8,513
15	Administrative & General CBR Line 21	1,020	1,275	1,363	1,180	1,343	1,282	1,498	1,803	1,999	2,412	2,734	3,276	3,868	4,389
16	Total Depreciation/Amortization	5,724	6,068	6,379	6,391	6,741	6,963	7,413	7,752	8,456	9,127	9,778	10,692	12,173	13,304
	Annual Percentage Change	3.60%	6.01%	5.13%	0.19%	5.48%	3.29%	6.46%	4.57%	9.08%	7.94%	7.13%	9.35%	13.85%	9.29%
Exclude Adder Schedule amortizations (Decoupling Surcharge/Rebate) from Regulatory Amortizations															
17	Regulatory Amortizations CBR Line 22	167	185	159	169	0	0	-815	-242	440	216	-186	171	91	-91
18	Deduct Decoupling Surcharge/Rebate Expenses	0	0	0	0	0	0	-85	-432	-710	-494	-494	-184	0	0
19	Adjusted Regulatory Amortizations	167	185	159	169	0	0	-900	-674	-270	-278	-680	-13	91	-91
Exclude Gas Cost and Adder Schedule excise taxes (DSM Tariff Rider, Decoupling Surcharge/Rebate) from Taxes Other Than Income Tax															
20	Underground Storage CBR Line 11	108	120	118	120	115	122	95	113	121	116	19	17	158	184
21	Distribution CBR Line 15	7,315	8,070	7,205	8,213	8,573	9,457	9,844	8,941	8,746	7,223	8,051	7,825	8,116	8,719
22	Administrative & General CBR Line 23	21	23	24	24	23	24	20	17	19	24	0	-1	0	0
23	Total Taxes Other Than Income	7,444	8,213	7,347	8,357	8,711	9,603	9,959	9,071	8,886	7,363	8,070	7,841	8,274	8,903
24	Deduct Gas Cost Excise Tax	-4,287	-4,425	-3,899	-4,592	-5,240	-6,014	-6,261	-5,917	-4,858	-3,171	-3,374	-3,003	-3,083	-3,380
25	Deduct DSM Tariff Rider Excise Tax	-38	-68	-81	0	-114	0	-154	-176	-272	-338	-359	-239	0	0
26	Deduct Decoupling Surcharge/Rebate Excise Tax	0	0	0	0	0	0	-3	-17	-28	-20	-20	-7	0	0
27	Adjusted Taxes Other Than Income	3,119	3,720	3,367	3,765	3,357	3,589	3,541	2,961	3,728	3,834	4,317	4,592	5,191	5,523
	Annual Percentage Change	13.50%	19.27%	-9.49%	11.82%	-10.84%	6.91%	-1.34%	-16.38%	25.90%	2.84%	12.59%	6.38%	13.04%	6.40%
28	Net Plant After Deferred Income Tax CBR Line 42	129,500	129,740	125,044	124,950	132,617	140,789	145,500	154,054	173,806	177,901	183,553	195,287	207,759	225,901
	Annual Percentage Change	3.70%	0.19%	-3.62%	-0.08%	6.14%	6.16%	3.35%	5.88%	12.82%	2.36%	3.18%	6.39%	6.39%	8.73%
29	Total Rate Base CBR Line 47	135,524	136,362	131,627	130,718	140,796	149,362	151,699	169,681	180,778	186,920	196,280	207,578	224,824	250,257
	Annual Percentage Change	3.52%	0.62%	-3.47%	-0.69%	7.71%	6.08%	1.56%	11.85%	6.54%	3.40%	5.01%	5.76%	8.31%	11.31%
Exclude Gas Cost Deferral related and JP Storage non-recurring revenues from Other Operating Revenue															
30	Other Operating Revenue CBR Line 3	2,541	2,340	2,183	2,168	30,131	2,372	68,416	153,093	84,085	115,257	98,841	68,107	403	332
31	Deduct Gas Cost Deferral related revenues	-244	-144	0	0	-28,334	0	-66,686	-153,018	-83,992	-115,193	-98,794	-67,822	0	0
32	Deduct JP Storage allocated revenue (ended 2007)	-2,289	-2,187	-2,174	-2,156	-1,723	-2,361	-1,717	0	0	0	0	0	0	0
33	Adjusted Other Operating Revenue	8	9	9	12	74	11	13	75	93	64	47	285	403	332
	Annual Percentage Change	60.00%	12.50%	0.00%	33.33%	516.67%	-85.14%	18.18%	476.92%	24.00%	-31.18%	-26.56%	506.38%	41.40%	-17.62%

Avista Proposed Based on Staff Methodology for 2007-2014

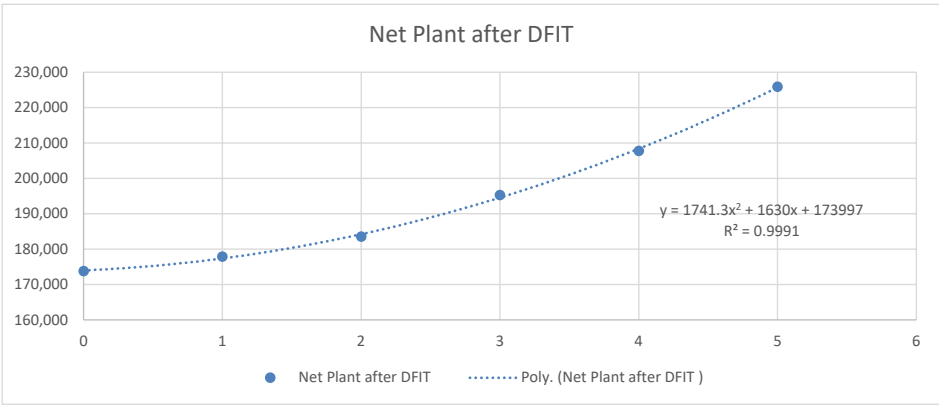
	2007	2008	2009	2010	2011	2012	2013	2014
Net Plant after DFIT	145,500	154,054	173,806	177,901	183,553	195,287	207,759	225,901
	0	1	2	3	4	5	6	7
Net Plant after DFIT	145,500	154,054	173,806	177,901	183,553	195,287	207,759	225,901



	x	C	
Derivative of Quadratic (below)	560.36	8,770	
x = 7 (2014 is year 7)	3922.52		
Sum (x and C)		12692.5	
rate (1-year)		5.62%	0% Changed to zero per Remand
rate (2-year)		11.24%	0% Escalation factor (to 2016)

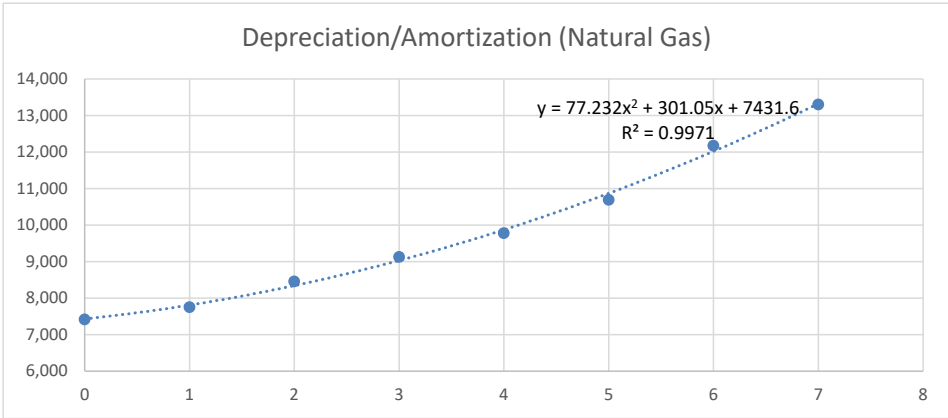
As Proposed by Staff per CRM-3	2009	2010	2011	2012	2013	2014
Net Plant after DFIT	173,806	177,901	183,553	195,287	207,759	225,901
	0	1	2	3	4	5
Net Plant after DFIT	173,806	177,901	183,553	195,287	207,759	225,901

	x	C	
Derivative of Quadratic (below)	3482.6	1630	
x = 7 (2014 is year 7)	17413		
Sum (x and C)		19043	
rate (1-year)		8.43%	
rate (2-year)		16.86%	Escalation factor (to 2016)



Avista Proposed Based on Staff Methodology for 2007-2014

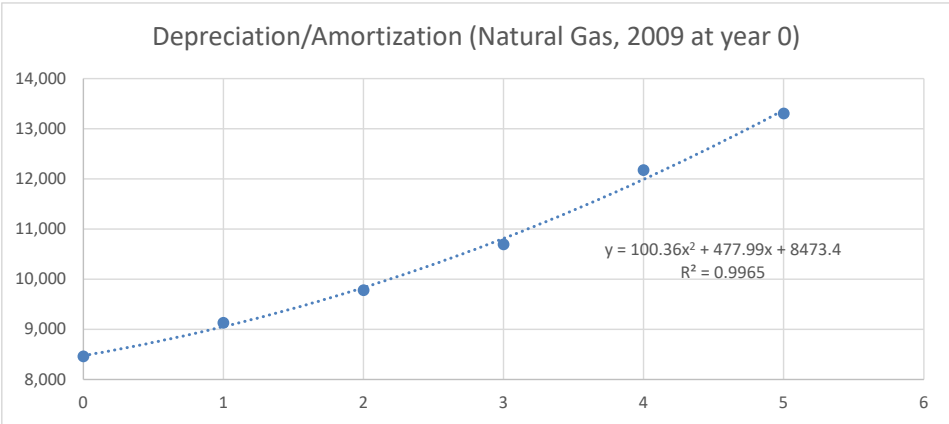
	2007	2008	2009	2010	2011	2012	2013	2014
Depreciation/Amortization	7,413	7,752	8,456	9,127	9,778	10,692	12,173	13,304
	0	1	2	3	4	5	6	7
Depreciation/Amortization	7,413	7,752	8,456	9,127	9,778	10,692	12,173	13,304



	x	C
Derivative of Quadratic (below)	154.464	301.05
x = 7 (2014 is year 7)	1081.248	
Sum (x and C)		1382.298
rate (1-year)		0.129283
rate (2-year)		25.86% Escalation factor (to 2016)

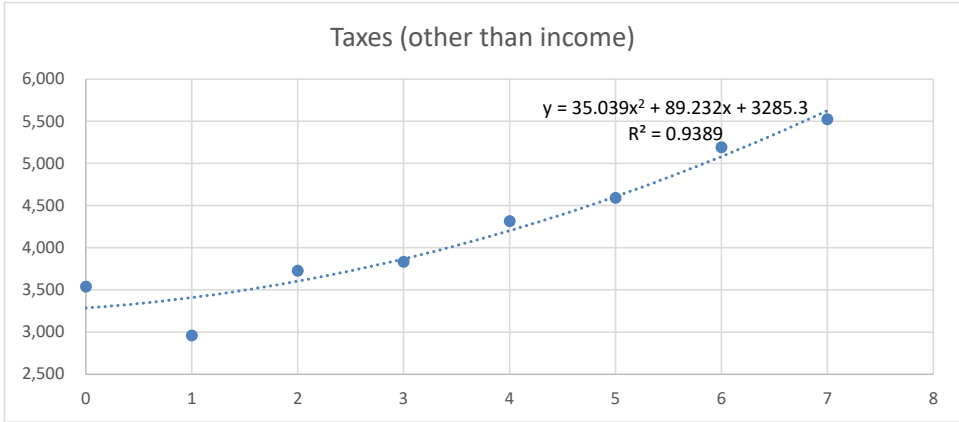
As Proposed by Staff per CRM-3	2009	2010	2011	2012	2013	2014
Depreciation/Amortization	8,456	9,127	9,778	10,692	12,173	13,304
	0	1	2	3	4	5
Depreciation/Amortization	8,456	9,127	9,778	10,692	12,173	13,304

	x	C
Derivative of Quadratic (below)	200.72	477.99
x = 5 (2014 is year 5)	1003.6	
Sum (x and C)		1481.59
rate (1-year)		0.111364
rate (2-year)		22.27% Escalation factor (to 2016)



Avista Proposed Based on Staff Methodology for 2007-2014

	2007	2008	2009	2010	2011	2012	2013	2014
Taxes (other than income)	3,541	2,961	3,728	3,834	4,317	4,592	5,191	5,523
	0	1	2	3	4	5	6	7
Taxes (other than income)	3,541	2,961	3,728	3,834	4,317	4,592	5,191	5,523



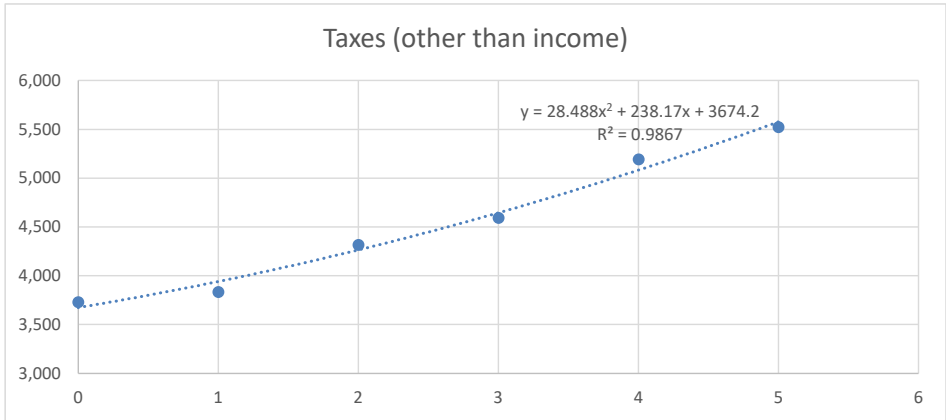
	x	C
Derivative of Quadratic (below)	70.078	89.232
x = 7 (2014 is year 7)	490.546	
Sum (x and C)		579.778
rate (1-year)		0.104975
rate (2-year)		21.00%

Escalation factor (to 2016)

	2009	2010	2011	2012	2013	2014
Taxes (other than income)	3,728	3,834	4,317	4,592	5,191	5,523
	0	1	2	3	4	5
Taxes (other than income)	3,728	3,834	4,317	4,592	5,191	5,523

	x	C
Derivative of Quadratic (below)	56.976	238.17
x = 5 (2014 is year 5)	284.88	
Sum (x and C)		523.05
rate (1-year)		0.094704
rate (2-year)		18.94%

Escalation factor (to 2016)

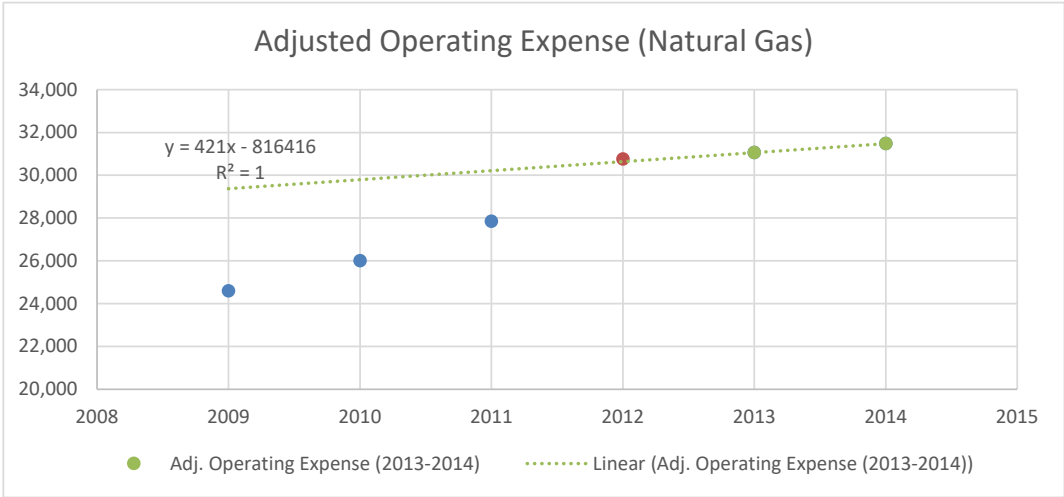


Avista accepts UTC Staff's proposed 2.17% for natural gas operations, because that is a reasonable expectation of increases in costs for natural gas given the expectations in the 2016 rate year, and the overall operations of the natural gas business. Use of an average based on actual 2007-2014 linear trend plus revised 2013-2014 linear trend (removing impact of benefits) consistent with electric, would result in a significant increase in O&M expenses above 2014 levels.

	2009	2010	2011	2012	2013	2014
Adj. Operating Expense (2009-2014, excl. 2012)	24,600	26,009	27,852		31,057	31,478
Adj. Operating Expense (2012)				30,759		
Adj. Operating Expense (2013-2014)					31,057	31,478

	Slope	Rate (1yr)	Escalation
Rate (2013-2014, linear)	421.0	1.34%	2.67%
Company-proposed (2007-2014, linear)	944.3	3.00%	6.00%
Average		2.42%	4.84%

Changed annual rate to 2.42% per Order 05



AVISTA UTILITIES
WASHINGTON NATURAL GAS

Avista Corrections
Staff Proposed

BILLING DETERMINANT INDEX
09.2014 TO 2016 WEIGHTED REVENUE GROWTH

Line No.	Description	Schedule	Billing Determinant	Revenue Model Sept 2014	Forecast 2016	Billing Determinant Growth F=(E-D)/D	Revenue Sept 2014	Weight H=G/SUM G	Weighted Growth I=FxH	Net of Gas Costs	
	A	B	C	D	E		G				
1	General Svc	101	Basic/Min	1,787,943	1,828,182	2.25%	\$16,091,487	9.65%	0.22%	\$362,147	\$362,147
2	Lrg Gen Svc	111/112	Basic/Min	30,697	31,374	2.20%	\$2,671,867	1.60%	0.04%	\$58,902	\$58,902
3	Ex Lrg Gen Svc	121/122	Basic/Min	336	339	0.83%	\$72,321	0.04%	0.00%	\$598	\$598
4	Interruptible Svc	131/132	Basic/Min	24	24	0.00%	\$0	0.00%	0.00%	\$0	\$0
5	General Svc	101	Volumes	120,721,607	121,783,957	0.88%	\$107,498,749	64.47%	0.57%	\$945,989	\$411,340
6	Lrg Gen Svc	111/112	Volumes	47,537,282	48,026,916	1.03%	\$35,598,366	21.35%	0.22%	\$366,663	\$121,337
7	Ex Lrg Gen Svc	121/122	Volumes	5,735,037	5,958,417	3.90%	\$4,064,021	2.44%	0.09%	\$158,294	\$50,446
8	Interruptible Svc	131/132	Volumes	1,115,704	1,252,783	12.29%	\$733,819	0.44%	0.05%	\$90,159	\$27,798
9	Total			175,109,630	177,022,072		\$166,730,631	100.00%	1.19%	\$1,982,752	\$1,032,568
10	Transportation Svc	146	Basic/Min	456	516	13.12%	\$255,207	6.10%	0.80%	\$33,473	\$33,473
11	Special Contract	148	Basic/Min	60	66	9.50%	\$325,584	7.78%	0.74%	\$30,941	\$30,941
12	Transportation Svc	146	Volumes	30,580,202	30,484,401	-0.31%	\$2,321,589	55.50%	-0.17%	-\$7,273	-\$7,221
13	Special Contract	148	Volumes	49,497,099	47,057,044	-4.93%	\$1,280,992	30.62%	-1.51%	-\$63,149	-\$63,149
14	Total			80,077,301	77,541,445		\$4,183,371	100.00%	-0.14%	-\$6,008	-\$5,956
15	General Svc	101	Total Revenue				\$123,590,236	Impute forecasted load change from Staff % Growth			
16	Lrg Gen Svc	111/112	Total Revenue				\$38,270,233		101	\$1,062,350	
17	Ex Lrg Gen Svc	121/122	Total Revenue				\$4,136,342		111/112	\$489,634	
18	Interruptible Svc	131/132	Total Revenue				\$733,819		121/122	\$223,380	
19	Transportation Svc	146	Total Revenue				\$2,576,796				
20	Special Contract	148	Total Revenue				\$1,606,576				
21	Total						\$170,914,002				

Change in Purchased Gas Cost				Sept 2014	2016	Increase (Decrease)	Gas Costs Per Therm		Accept Staff's proposed growth in load, however, gas costs must also be reflected for increased growth.
22	General Svc	101	Volumes	120,721,607	121,783,957	1,062,350	\$0.50327	\$534,649	
23	Lrg Gen Svc	111/112	Volumes	47,537,282	48,026,916	489,634	\$0.50104	\$245,326	
24	Ex Lrg Gen Svc	121/122	Volumes	5,735,037	5,958,417	223,380	\$0.48280	\$107,848	
25	Interruptible Svc	131/132	Volumes	1,115,704	1,252,783	137,079	\$0.45493	\$62,361	
26	Total			175,109,630	177,022,072	1,912,442			
27	Transp	146	Volumes	30,580,202	30,484,401	-95,801	\$0.00054	-\$52	
28	Spec Cont Trans	148	Volumes	49,497,099	47,057,044	-2,440,055	\$0.00000		
29	Total			80,077,301	77,541,445	-2,535,856		\$950,132	
				255,186,931	254,563,517	-623,414			