

**ATTACHMENT C  
TO  
STAFF RESPONSE TO  
BENCH REQUEST NO. 20**

**AVISTA REBUTTAL**  
**2016 WASHINGTON ELECTRIC ATTRITION STUDY**  
 Edited from Staff Filed Attrition Study Exhibit No. \_ (CRM-2)  
**Calculation of General Revenue Requirement**

**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	\$1,316,105	1.013115	\$1,299,068
2	Settlement Rate of Return			7.29%
3	Net Operating Income Requirement			\$94,702
4	2016 Net Operating Income (at 2015 rates)	<u>\$105,532</u>	1.013115	<u>\$104,165</u>
5	2016 Rate of Return (at 2015 rates)			8.02%
6	2016 Net Operating Income Deficiency (Surplus)			(\$9,463)
7	Gross-up Conversion Factor			0.62018
8	2016 Attrition Revenue Deficiency			<b>(\$15,259)</b>
9	2016 Total General Business Revenues (at 2015 rates)			\$499,982
10	Attrition-based 2016 revenue requirement			<u>\$484,723</u>
11	Percent Revenue Requirement Change (vs. 2015)			<b>-3.05%</b>

**Multiparty Settlement - Cost of Capital**  
**Washington - Electric System**  
**Twelve Months Ended December 31, 2014**

<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 - Electric System**  
**Twelve Months Ended December 31, 2014**

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

2016 ELECTRIC ATTRITION REVENUE REQUIREMENT

CBR Line Number	DESCRIPTION	Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost				Other Cost & Revenue Adj.				2016 Revenue and Cost [H]+[I]+[J]+[K]+ [L] = [M]
		12.2014 Commission Basis Report Restated Totals <sup>1</sup>	(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 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	
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
1	Total General Business	\$ 488,372	\$ -	\$ -	\$ 10,688	\$ 499,060	1.31%	\$ 499,060	\$ 499,060	\$ 6,545	\$ -	\$ -	\$ 505,605	
2	Interdepartmental Sales	\$ 922	\$ -	\$ -	\$ 922	\$ 922	1.31%	\$ -	\$ 922	\$ 12	\$ (2,595)	\$ -	\$ 934	
3	Sales for Resale	\$ 60,998	\$ (60,998)	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 53,757	\$ (2,595)	\$ -	\$ 51,162	
4	Subtotal: Sales of Electricity	\$ 550,292	\$ (60,998)	\$ -	\$ 10,688	\$ 499,982		\$ 499,982	\$ 499,982	\$ 53,757	\$ 3,962	\$ -	\$ 557,701	
5	Other Revenue	\$ 17,163	\$ (13,684)	\$ -	\$ -	\$ 3,479	0.00%	\$ -	\$ 3,479	\$ 10,529	\$ -	\$ -	\$ 14,008	
6	Total Electric Revenue	\$ 567,455	\$ (74,682)	\$ -	\$ 10,688	\$ 503,461		\$ 503,461	\$ 503,461	\$ 64,286	\$ 3,962	\$ -	\$ 571,709	
<b>EXPENSES</b>														
<b>Production and Transmission</b>														
7	Operating Expenses	\$ 120,307	\$ (69,476)	\$ -	\$ -	\$ 50,831	6.42%	\$ 3,263	\$ 54,094	\$ 89,306	\$ -	\$ (1,089)	\$ 144,489	
8	Purchased Power	\$ 116,643	\$ (116,641)	\$ -	\$ -	\$ 2		\$ -	\$ 2	\$ 75,611	\$ 1,907	\$ -	\$ 77,520	
9	Depreciation/Amortization	\$ 23,715	\$ -	\$ -	\$ -	\$ 23,715	9.50%	\$ 2,253	\$ 25,968	\$ -	\$ -	\$ -	\$ 25,968	
10	Regulatory Amortization	\$ 8,101	\$ -	\$ (3,409)	\$ -	\$ 4,692	0.00%	\$ -	\$ 4,692	\$ -	\$ -	\$ -	\$ 4,692	
11	Taxes	\$ 12,828	\$ -	\$ -	\$ -	\$ 12,828	10.99%	\$ 1,410	\$ 14,238	\$ -	\$ -	\$ -	\$ 14,238	
12	Subtotal: Production and	\$ 281,594	\$ (186,117)	\$ (3,409)	\$ -	\$ 92,068		\$ 6,926	\$ 98,994	\$ 164,917	\$ 1,907	\$ 1,089	\$ 266,907	
<b>Distribution</b>														
13	Operating Expenses	\$ 21,299	\$ -	\$ -	\$ -	\$ 21,299	6.42%	\$ 1,367	\$ 22,666	\$ -	\$ -	\$ -	\$ 22,666	
14	Depreciation/Amortization	\$ 23,794	\$ -	\$ -	\$ -	\$ 23,794	9.50%	\$ 2,261	\$ 26,055	\$ -	\$ -	\$ -	\$ 26,055	
15	Regulatory Amortizations	\$ 25,575	\$ -	\$ -	\$ 412	\$ 25,987	10.99%	\$ 2,856	\$ 28,843	\$ -	\$ 252	\$ -	\$ 29,095	
16	Taxes	\$ 70,668	\$ -	\$ -	\$ 412	\$ 71,080		\$ 6,484	\$ 77,564	\$ -	\$ 252	\$ -	\$ 77,816	
17	Subtotal: Distribution	\$ 11,166	\$ -	\$ -	\$ 57	\$ 11,223	6.42%	\$ 721	\$ 11,944	\$ -	\$ 35	\$ -	\$ 11,979	
18	Customer Accounting	\$ 1,383	\$ -	\$ -	\$ -	\$ 1,383	6.42%	\$ 89	\$ 1,472	\$ -	\$ -	\$ -	\$ 1,472	
19	Customer Service & Information Sales Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	6.42%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Administrative &amp; General</b>														
20	Operating Expenses	\$ 46,210	\$ -	\$ -	\$ 21	\$ 46,231	6.42%	\$ 2,968	\$ 49,199	\$ -	\$ 13	\$ -	\$ 49,212	
21	Depreciation/Amortization	\$ 16,947	\$ -	\$ -	\$ -	\$ 16,947	9.50%	\$ 1,610	\$ 18,557	\$ -	\$ -	\$ -	\$ 18,557	
22	Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	10.99%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
23	Subtotal: A&G	\$ 63,157	\$ -	\$ -	\$ 21	\$ 63,178		\$ 4,578	\$ 67,756	\$ -	\$ 13	\$ -	\$ 67,769	
24	Total Electric Expenses	\$ 427,968	\$ (186,117)	\$ (3,409)	\$ 490	\$ 238,932		\$ 18,797	\$ 257,729	\$ 164,917	\$ 2,207	\$ 1,089	\$ 425,942	
25	OPERATING INCOME BEFORE FIT	\$ 139,487	\$ 111,435	\$ 3,409	\$ 10,198	\$ 264,529		\$ (18,797)	\$ 245,732	\$ (100,631)	\$ 1,755	\$ (1,089)	\$ 145,767	

<sup>1</sup>Workpapers for 12.2014 Commission Basis Reports provided with Avista's Response to Staff\_DR\_130 Revised.



2016 ELECTRIC ATTRITION REVENUE REQUIREMENT

CBR Line Number	Determine Base Cost and Revenue to Escalate		Escalate Non-Energy Cost				Other Cost & Revenue Adj		After Attrition Adj - Project Compass	2016 Revenue and Cost			
	12.2014 Commission Basis Report Restated Totals <sup>1</sup>	(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	Energy Cost Escalation Amount	Trended 2016 Non-Energy Cost			(plus) 12.2014 Pro-Formed Net Energy Cost	Revenue Growth	After Attrition Adj - Colstrip Refund Correction
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
Federal Income Tax													
26 Current Accrual	\$ (7,683)	\$ 39,002	\$ 1,193	\$ 3,569	\$ 36,081		\$ (6,579)	\$ 29,502	\$ (35,221)	\$ 614	\$ (381)	\$ (5,486)	\$ (5,486)
27 Debt Interest	\$ (136)	\$ -	\$ 60	\$ -	\$ (76)		\$ (160)	\$ (236)				\$ (236)	\$ (236)
28 Deferred Income Taxes	\$ 46,085	\$ -	\$ -	\$ -	\$ 46,085		\$ -	\$ 46,085				\$ 46,085	\$ 46,085
29 Amortized ITC - Noxon	\$ (128)	\$ -	\$ -	\$ -	\$ (128)		\$ -	\$ (128)				\$ (128)	\$ (128)
30													
31 NET OPERATING INCOME	\$ 101,349	\$ 72,433	\$ 2,156	\$ 6,629	\$ 182,567		\$ (12,058)	\$ 170,509	\$ (65,410)	\$ 1,141	\$ (708)	\$ 105,532	\$ 105,532
RATE BASE													
Plant in Service													
32 Intangible	\$ 102,620	\$ -	\$ -	\$ -	\$ 102,620	4.05%	\$ 4,157	\$ 106,777				\$ 106,777	\$ 106,777
33 Production	\$ 746,101	\$ -	\$ -	\$ -	\$ 746,101	4.05%	\$ 30,224	\$ 776,325				\$ 776,325	\$ 776,325
34 Transmission	\$ 371,971	\$ -	\$ -	\$ -	\$ 371,971	4.05%	\$ 15,068	\$ 387,039				\$ 387,039	\$ 387,039
35 Distribution	\$ 842,795	\$ -	\$ -	\$ -	\$ 842,795	4.05%	\$ 34,140	\$ 876,935				\$ 876,935	\$ 876,935
36 General	\$ 196,867	\$ -	\$ -	\$ -	\$ 196,867	4.05%	\$ 7,975	\$ 204,842				\$ 204,842	\$ 204,842
37 Subtotal: Plant in Service	\$ 2,260,354	\$ -	\$ -	\$ -	\$ 2,260,354	4.05%	\$ 91,564	\$ 2,351,918				\$ 2,351,918	\$ 2,351,918
Accumulated Depreciation and Amortization													
38 Intangible	\$ (20,242)	\$ -	\$ -	\$ -	\$ (20,242)	4.05%	\$ (820)	\$ (21,062)				\$ (21,062)	\$ (21,062)
39 Production	\$ (325,531)	\$ -	\$ -	\$ -	\$ (325,531)	4.05%	\$ (13,187)	\$ (338,718)				\$ (338,718)	\$ (338,718)
40 Transmission	\$ (123,869)	\$ -	\$ -	\$ -	\$ (123,869)	4.05%	\$ (5,018)	\$ (128,887)				\$ (128,887)	\$ (128,887)
41 Distribution	\$ (252,722)	\$ -	\$ -	\$ -	\$ (252,722)	4.05%	\$ (10,237)	\$ (262,959)				\$ (262,959)	\$ (262,959)
42 General	\$ (65,720)	\$ -	\$ -	\$ -	\$ (65,720)	4.05%	\$ (2,662)	\$ (68,382)				\$ (68,382)	\$ (68,382)
43 Subtotal: Accumulated Depreciation and Amortization	\$ (788,084)	\$ -	\$ -	\$ -	\$ (788,084)		\$ (31,924)	\$ (820,008)				\$ (820,008)	\$ (820,008)
44 Net Plant	\$ 1,472,270	\$ -	\$ -	\$ -	\$ 1,472,270		\$ 59,640	\$ 1,531,910				\$ 1,531,910	\$ 1,531,910
45 Deferred Taxes	(257,766)	\$ -	\$ -	\$ -	\$ (257,766)	4.05%	\$ (10,442)	\$ (268,208)				\$ (268,208)	\$ (268,208)
46 Net Plant After Deferred taxes	\$ 1,214,504	\$ -	\$ -	\$ -	\$ 1,214,504		\$ 49,198	\$ 1,263,702				\$ 1,263,702	\$ 1,263,702
47 Deferred Debits and Credits	10,846	\$ (6,250)	\$ -	\$ -	\$ 4,596	0.00%	\$ -	\$ 4,596				\$ 4,596	\$ 4,596
48 Working Capital	47,807	\$ -	\$ -	\$ -	\$ 47,807	0.00%	\$ -	\$ 47,807				\$ 47,807	\$ 47,807
49 TOTAL RATE BASE	\$ 1,273,157	\$ -	\$ (6,250)	\$ -	\$ 1,266,907		\$ 49,198	\$ 1,316,105				\$ 1,316,105	\$ 1,316,105
50 RATE OF RETURN	7.96%											8.02%	8.02%
<p><sup>1</sup>Workpapers for 12.2014 Commission Basis Reports provided with Avista's Response to Staff_DR_130 Revised.</p>													
<p><b>ATTRITION ADJUSTED REVENUE REQUIREMENT</b></p> <p>The grey highlighted areas on pages 4 and 5 represent changes Avista made to Staff Witness Mr. McGuire's Electric Attrition model. For example, corrections to Staff's model were made in columns [C], [L] and [M]. Avista proposed growth escalations were used in column [F] page 4 &amp; 5 (rows 9, 11 and 32) to reflect Staff's linear regression calculation, however, using years 2007-2014 data. These calculations can be seen on page 9-11. Column [F] page 4 (row 7), includes Avista's proposed O&amp;M escalation as calculated on page 12. The Company has removed Staff's After Attrition Adjustment related to Coyote Springs II/Colstrip normalized maintenance, as the Company is proposing to defer the "hours-based" major maintenance projects in 2016 forward, with amortization to occur in the following year. Avista has added column [K] After Attrition Adjustment Colstrip Refund Correction to remove a non-recurring item. Lastly, in column [L], the Company has included total Project Compass costs, rather than the discounted balances proposed by Staff.</p>													
50 Proposed Rate of Return												\$ 95,944	\$ 95,944
51 Return on Plant in Service at Proposed Rate												\$ (9,588)	\$ (9,588)
52 Operating Income Deficiency												\$ 0.62018	\$ 0.62018
53 Revenue Conversion Factor												\$ (15,459)	\$ (15,459)
54 Revenue Requirement												\$ 1.013115	\$ 1.013115
55 Revenue Growth Factor												\$ (15,259)	\$ (15,259)
56 Attrition Adjusted Revenue Requirement												\$	\$

**ELECTRIC COST AND REVENUE TREND CALCULATIONS 2001-2013**

**Commission Basis Results of Operations**

AVISTA UTILITIES

(000'S OF DOLLARS)

Line	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>NO. REVENUES</b>														
1	\$258,201	\$273,318	\$283,356	\$283,399	\$289,216	\$321,929	\$326,335	\$363,425	\$402,618	\$415,740	\$451,837	\$459,266	\$468,034	\$488,372
2	528	791	752	752	713	733	739	820	872	790	820	816	884	922
3	91,388	29,918	35,252	40,460	44,718	35,380	34,954	46,848	31,491	133,479	52,604	54,549	75,349	60,998
4	350,117	304,027	319,360	326,611	334,647	358,042	362,028	413,093	434,981	500,009	505,261	514,631	544,239	550,292
5	14,305	34,274	57,244	8,587	10,259	10,178	10,170	10,927	9,395	11,786	13,666	13,089	13,408	17,163
6	364,422	338,301	376,604	335,198	344,906	368,220	372,198	424,020	444,376	561,795	518,927	527,720	557,647	567,455
<b>EXPENSES</b>														
<b>Production and Transmission</b>														
7	47,157	101,475	132,098	101,545	105,374	104,260	102,890	117,123	87,599	147,107	145,634	131,795	143,904	120,307
8	132,159	50,769	46,591	51,042	55,046	79,146	65,640	72,508	100,437	142,197	91,142	101,283	109,034	116,643
9	15,202	20,157	20,523	22,312	22,629	24,577	24,877	23,076	23,969	25,008	25,158	25,680	23,284	23,715
10	(6,050)	(6,349)	(5,608)	567	(8,817)	1,168	(3,082)	(1,076)	(1,703)	(2,879)	403	(7,744)	8,629	8,101
11	5,139	7,164	6,722	7,283	9,900	9,115	8,319	8,146	9,014	9,955	10,846	11,456	12,913	12,828
12	193,607	173,216	200,326	182,749	184,132	218,266	198,644	219,777	219,316	321,388	273,183	262,470	297,764	281,594
<b>Distribution</b>														
13	10,560	9,631	10,171	12,016	14,263	15,485	14,563	17,329	17,267	18,354	19,081	21,152	20,878	21,299
14	9,178	9,427	9,752	10,067	10,399	10,776	11,333	15,611	16,809	17,985	19,240	20,749	22,303	23,794
15	15,462	16,996	17,286	17,401	14,988	16,307	16,156	17,416	18,207	19,990	22,393	22,595	23,288	25,575
16	35,200	36,054	37,209	39,484	39,650	42,568	42,032	50,356	52,283	56,329	60,714	64,496	66,469	70,668
17	6,196	7,113	7,129	7,352	7,156	7,097	7,514	7,919	9,646	9,261	10,275	10,336	11,334	11,166
18	5,381	6,261	6,620	266	7,127	1,159	7,472	12,847	19,736	20,832	21,292	18,487	1,516	1,383
19	734	628	734	686	430	657	682	571	660	176	4	5	5	0
<b>Administrative &amp; General</b>														
20	25,102	30,304	30,153	31,927	33,143	33,148	35,844	35,982	38,461	44,662	44,779	49,333	43,310	46,210
21	4,414	6,606	6,659	6,072	6,537	6,459	6,739	7,187	7,688	9,277	10,906	12,517	14,721	16,947
22	2	1	2	3	(4)	0	(9)	(3)	(3)	2	0	(4)	0	0
23	29,518	36,911	36,814	38,002	39,676	39,607	42,574	43,166	46,146	53,941	55,685	61,846	58,031	63,157
24	270,636	260,183	288,832	268,539	278,171	309,354	298,938	334,636	347,787	461,927	421,153	417,640	435,119	427,968
25	93,786	78,118	87,772	66,659	66,735	58,866	73,260	89,384	96,589	99,868	97,774	110,080	122,528	139,487
<b>FEDERAL INCOME TAX</b>														
26	7,803	12,532	18,199	10,603	6,760	3,584	5,070	(6,217)	(1,846)	9,263	6,569	11,499	19,267	(7,683)
27	0	0	0	0	0	0	0	0	0	0	207	70	1	(136)
28	16,107	3,470	1,284	608	3,867	3,975	6,497	26,634	23,983	13,823	16,402	15,684	10,613	46,085
29	0	0	0	0	0	0	0	0	0	(83)	(99)	(128)	(130)	(128)
30	5,369	0	0	0	0	0	0	0	0	0	0	0	0	0
31	\$64,507	\$62,116	\$68,289	\$55,448	\$56,108	\$51,307	\$61,693	\$68,967	\$74,510	\$76,865	\$74,695	\$82,954	\$92,777	\$101,349

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

ELECTRIC COST AND REVENUE TREND CALCULATIONS 2001-2013

Commission Basis Results of Operations

AVISTA UTILITIES

(000'S OF DOLLARS)		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>PLANT IN SERVICE</b>															
No	RATE BASE														
32	Intangible	\$16,340	\$20,910	\$21,299	\$21,374	\$22,459	\$23,458	\$20,632	\$23,321	\$57,116	\$81,955	\$84,081	\$85,247	\$91,466	\$102,620
33	Production	460,292	545,002	556,067	598,268	615,624	649,965	645,576	657,099	677,646	692,689	706,894	717,448	738,315	746,101
34	Transmission	191,517	186,550	196,937	213,539	224,696	244,435	259,532	289,302	301,090	312,505	328,012	342,382	359,941	371,971
35	Distribution	416,914	429,987	443,649	459,739	480,886	502,838	529,067	561,248	602,201	642,143	696,082	743,732	796,640	842,795
36	General	59,846	59,771	60,444	63,155	65,299	80,110	81,368	91,205	98,727	120,996	140,218	155,104	179,134	196,867
37	Total Plant in Service	1,144,909	1,242,220	1,278,396	1,356,075	1,408,964	1,500,806	1,536,175	1,622,175	1,736,780	1,850,288	1,955,287	2,043,913	2,165,496	2,260,354
<b>ACCUMULATED DEPRECIATION/AMORT</b>															
38	Intangible	na	na	na	na	na	na	na	na	na	na	3,744	4,369	17,667	20,242
39	Production	na	na	na	na	na	na	na	na	na	na	286,300	300,170	314,599	325,531
40	Transmission	na	na	na	na	na	na	na	na	na	na	111,144	116,316	122,308	123,869
41	Distribution	na	na	na	na	na	na	na	na	na	na	209,101	221,408	236,201	252,722
42	General	na	na	na	na	na	na	na	na	na	na	56,694	61,871	58,357	65,720
43	Total Accumulated Depreciation	373,090	391,351	422,390	447,359	474,906	506,599	526,307	557,426	585,821	629,399	666,983	704,134	749,132	788,084
44	NET PLANT	771,819	850,869	856,006	908,716	934,058	994,207	1,009,868	1,064,749	1,150,959	1,220,889	1,288,304	1,339,779	1,416,364	1,472,270
45	DEFERRED TAXES	(109,541)	(111,367)	(135,404)	(150,960)	(134,967)	(138,495)	(139,033)	(147,502)	(163,716)	(184,825)	(201,163)	(208,209)	(221,354)	(257,766)
46	Net Plant After Deferred Income Taxes	662,278	739,502	720,602	757,756	799,091	855,712	870,835	917,247	987,243	1,036,064	1,087,141	1,131,570	1,195,010	1,214,504
47	DEFERRED DEBITS AND CREDITS	(64,763)	22,356	21,841	20,255	20,751	18,799	21,020	19,593	17,776	17,776	18,845	16,438	14,761	10,846
48	WORKING CAPITAL	0	0	0	0	0	0	0	0	0	18,188	31,877	10,967	16,281	47,807
49	TOTAL RATE BASE	\$597,515	\$761,858	\$742,443	\$778,011	\$819,842	\$874,511	\$891,855	\$936,840	\$1,005,019	\$1,072,028	\$1,137,863	\$1,158,975	\$1,226,052	\$1,273,157

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



**ELECTRIC COST AND REVENUE TREND CALCULATIONS 2001-2013**

AVISTA UTILITIES  
WASHINGTON ELECTRIC RESULTS  
(000'S OF DOLLARS)

**Electric Data for Escalators**

Line No.	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exclude Power Supply and Adder Schedule Expenses (DSM Tariff Rider and Residential Exchange Credit) from O&M														
1	Production/Transmission	47,157	101,475	132,098	101,545	105,374	104,260	102,890	117,123	147,107	145,634	131,795	143,904	120,307
2	Purchased Power	132,159	50,769	46,591	51,042	55,046	79,146	65,640	72,508	100,437	91,142	101,283	109,034	116,643
3	Distribution	10,560	9,631	10,171	12,016	14,263	15,485	14,563	17,329	18,354	19,081	21,152	20,878	21,299
4	Customer Accounting	6,196	7,113	7,129	7,352	7,156	7,097	7,514	7,919	9,261	10,275	10,336	11,334	11,166
5	Customer Service and Information	5,381	6,261	6,620	6,686	6,886	7,127	7,472	7,919	8,332	8,887	9,261	9,646	10,336
6	Sales	734	628	734	686	430	657	682	571	1,159	1,159	1,159	1,159	1,159
7	Administrative and General	30,304	31,927	33,148	31,927	33,148	33,148	35,844	35,844	44,662	44,662	44,662	44,662	46,210
8	Total Operating & Maintenance Expenses	227,289	206,181	233,496	204,834	222,539	234,605	264,279	273,806	382,589	332,207	332,391	329,981	317,008
9	Deduct Power Supply Expenses	(156,185)	(124,379)	(154,282)	(122,799)	(133,120)	(152,124)	(135,719)	(146,538)	(249,369)	(188,584)	(180,834)	(201,471)	(186,117)
10	Deduct DSM Tariff Rider Expenses	(5,113)	(6,111)	(6,177)	(6,177)	(6,552)	0	(6,711)	(12,172)	(19,005)	(20,235)	(17,018)	0	0
11	Deduct Res X Credit Expenses	11	58	49	62	0	37	24	27	41	31	55	0	0
12	<b>Adjusted Operating Expenses</b>	<b>66,002</b>	<b>75,749</b>	<b>73,086</b>	<b>82,035</b>	<b>82,829</b>	<b>88,828</b>	<b>92,212</b>	<b>108,289</b>	<b>113,650</b>	<b>123,419</b>	<b>134,594</b>	<b>128,510</b>	<b>130,891</b>
		3.19%	25.69%	2.06%	4.11%	2.90%	5.68%	2.72%	6.81%	7.85%	5.80%	6.59%	2.31%	6.88%
Depreciation/Amortization														
13	Production/Transmission	15,202	20,157	20,523	22,312	22,629	24,577	24,877	23,076	23,969	25,158	25,680	23,284	23,715
14	Distribution	9,178	9,427	10,076	10,399	10,776	11,333	15,611	16,809	17,985	19,240	20,749	22,303	23,794
15	Administrative and General	4,414	6,606	6,659	6,072	6,537	7,187	7,688	9,277	7,688	12,517	14,721	16,947	16,947
16	<b>Total Depreciation/Amortization</b>	<b>28,794</b>	<b>36,190</b>	<b>36,934</b>	<b>38,451</b>	<b>39,565</b>	<b>41,812</b>	<b>42,949</b>	<b>45,874</b>	<b>48,466</b>	<b>52,270</b>	<b>55,304</b>	<b>60,308</b>	<b>64,456</b>
		3.19%	25.69%	2.06%	4.11%	2.90%	5.68%	2.72%	6.81%	7.85%	5.80%	6.59%	2.31%	6.88%
Exclude Adder Schedule amortizations (Residential Exchange Credit) from Regulatory Amortizations														
17	Regulatory Amortizations	(6,020)	(6,349)	(5,608)	567	9,388	1,168	(3,082)	(1,076)	(1,703)	403	(7,744)	8,629	8,101
18	Deduct Res X Credit amortization	1,416	7,512	6,339	0	9,388	0	5,582	3,576	4,005	4,610	8,327	0	0
19	<b>Adjusted Regulatory Amortizations</b>	<b>(4,604)</b>	<b>1,163</b>	<b>731</b>	<b>567</b>	<b>571</b>	<b>1,168</b>	<b>2,500</b>	<b>2,500</b>	<b>2,302</b>	<b>5,013</b>	<b>583</b>	<b>8,629</b>	<b>8,101</b>
Exclude Adder Schedule excise taxes (DSM Tariff Rider and Residential Exchange Credit) from Taxes Other Than Income Tax														
20	Production/Transmission	5,139	7,164	6,722	7,283	9,900	9,115	8,319	8,146	9,014	10,846	11,456	12,913	12,828
21	Distribution	15,462	16,996	17,286	17,401	14,988	16,307	16,156	17,416	18,207	19,990	22,393	23,288	25,575
22	Administrative and General	2	1	2	3	(4)	0	(9)	(3)	2	0	(4)	0	0
23	Total Taxes Other Than Income Tax	20,603	24,161	24,010	24,687	24,884	25,422	24,466	25,559	27,218	29,947	33,239	34,047	38,403
24	Deduct DSM Tariff Rider Excise Tax	(205)	(245)	(248)	0	(267)	0	(269)	(488)	(762)	(812)	(683)	0	0
25	Deduct Res X Credit Excise Tax	57	303	256	0	379	0	225	144	162	252	186	336	0
26	<b>Adjusted Taxes Other Than Income Tax</b>	<b>20,455</b>	<b>24,219</b>	<b>24,018</b>	<b>24,687</b>	<b>24,996</b>	<b>25,422</b>	<b>24,422</b>	<b>25,215</b>	<b>26,617</b>	<b>29,412</b>	<b>32,614</b>	<b>33,701</b>	<b>38,403</b>
		-5.20%	18.40%	-0.83%	2.78%	1.25%	3.25%	-3.93%	3.25%	5.56%	10.50%	10.88%	3.33%	6.08%
27	<b>Net Plant After Deferred Income Tax</b>	<b>662,278</b>	<b>739,502</b>	<b>720,602</b>	<b>757,756</b>	<b>799,091</b>	<b>855,712</b>	<b>870,835</b>	<b>917,247</b>	<b>987,243</b>	<b>1,087,141</b>	<b>1,131,570</b>	<b>1,195,010</b>	<b>1,214,504</b>
		2.02%	11.66%	-2.56%	5.16%	5.45%	7.09%	1.77%	5.33%	7.63%	4.93%	4.09%	5.61%	1.63%
28	<b>Total Rate Base</b>	<b>597,515</b>	<b>761,858</b>	<b>742,443</b>	<b>778,011</b>	<b>819,842</b>	<b>874,511</b>	<b>891,855</b>	<b>936,840</b>	<b>1,005,019</b>	<b>1,072,028</b>	<b>1,137,863</b>	<b>1,158,975</b>	<b>1,226,052</b>
		5.11%	27.50%	-2.55%	4.79%	5.38%	6.67%	1.98%	5.04%	7.28%	6.67%	6.14%	1.86%	5.79%
Exclude Power Supply and Transmission Wheeling from Other Operating Revenue														
29	Other Operating Revenue	14,305	34,274	57,244	8,587	10,259	10,178	10,927	9,395	11,786	13,666	13,089	13,408	17,163
30	Deduct Power Supply Other Revenue	(2,251)	(25,293)	(47,139)	(179)	(1,799)	(221)	(1,839)	(448)	(640)	(1,752)	(1,489)	(282)	(3,062)
31	Deduct Transmission Other Revenue	(9,892)	(7,115)	(7,569)	(5,323)	(6,637)	(6,213)	(6,333)	(8,285)	(9,102)	(8,333)	(9,102)	(8,285)	(9,662)
32	<b>Adjusted Other Revenue</b>	<b>2,162</b>	<b>1,866</b>	<b>2,536</b>	<b>2,179</b>	<b>3,443</b>	<b>3,073</b>	<b>2,875</b>	<b>2,814</b>	<b>2,813</b>	<b>2,812</b>	<b>3,315</b>	<b>3,464</b>	<b>3,478</b>
		23.52%	-13.69%	35.91%	9.58%	23.89%	-14.14%	3.96%	-6.44%	-2.13%	-0.02%	17.86%	4.50%	0.41%

**Avista Proposed Based on Staff Methodology for 2007-2014:**

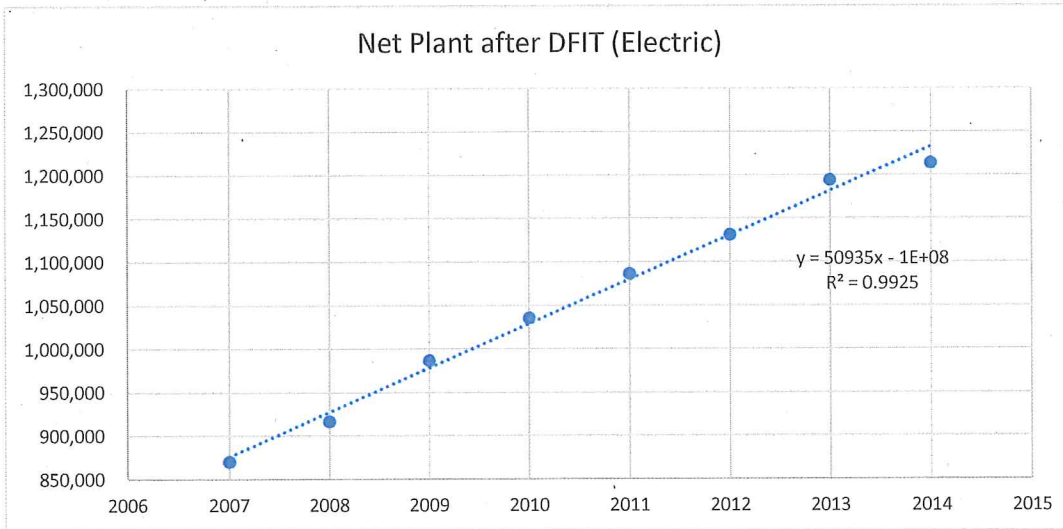
	2007	2008	2009	2010	2011	2012	2013	2014
Net Plant after DFIT	870,835	917,247	987,243	1,036,064	1,087,141	1,131,570	1,195,010	1,214,504

Per CBR

Annual Increase (slope below) 51,080  
 Rate (Annual) 4.21%  
 Rate (2-year, to 2016) **8.41%** (Escalation Factor)      **Order 05**

annual 000	rate	escalation
24599	2.03%	<b>4.05%</b>

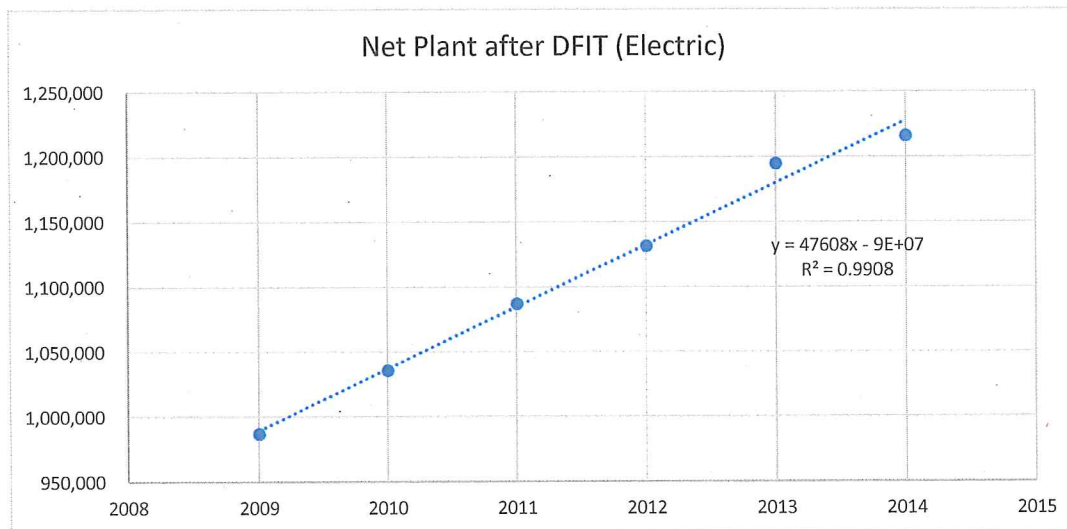
(from "remove dist" tab)



**AS PROPOSED BY STAFF PER CRM-2:**

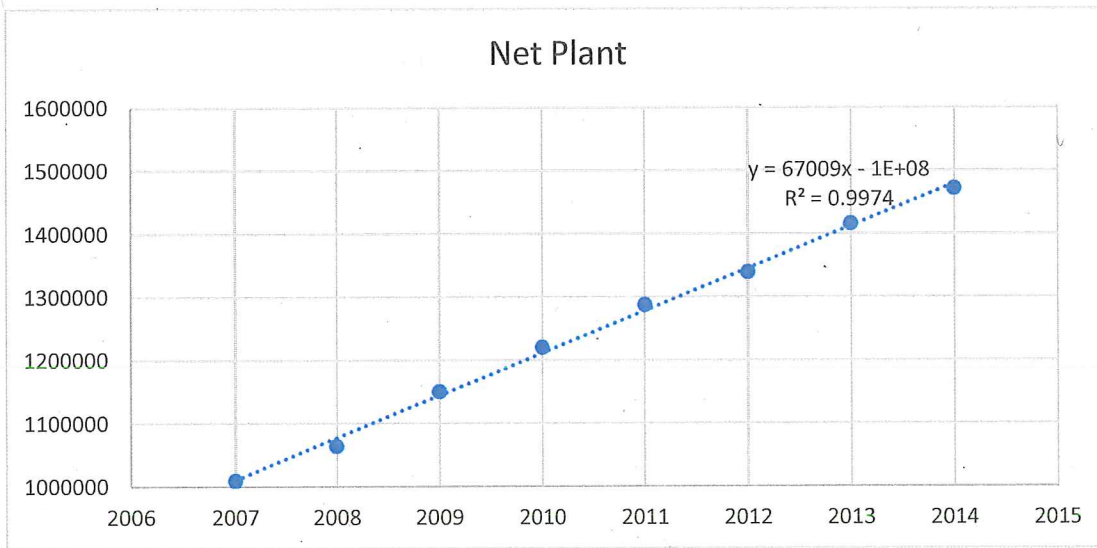
	2009	2010	2011	2012	2013	2014	McGuire Number
Net Plant after DFIT	987,243	1,036,064	1,087,141	1,131,570	1,195,010	1,216,245	

Annual Increase (slope below) 47,608  
 Rate (Annual) 3.91%  
 Rate (2-year, to 2016) **7.83%** (Escalation Factor)      7.98%

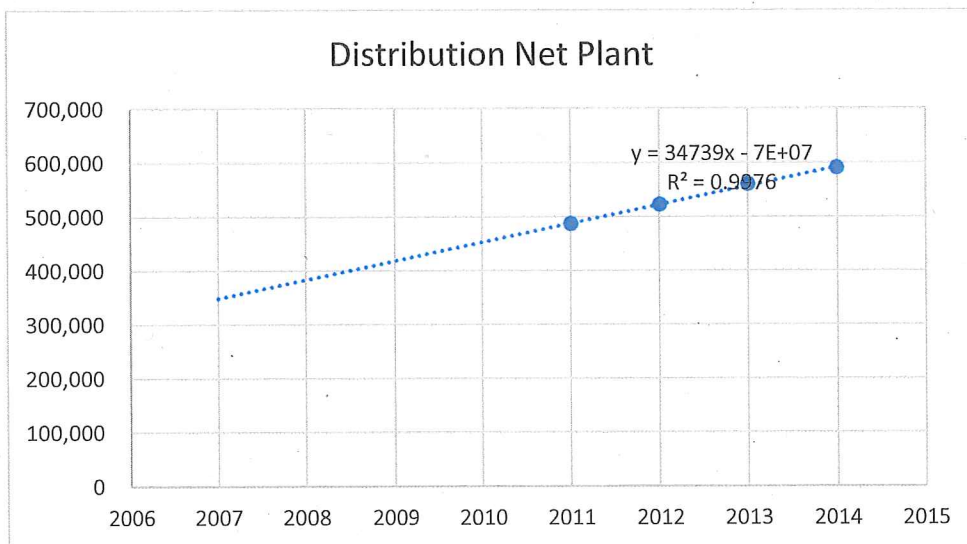


	2007	2008	2009	2010	2011	2012	2013	2014
Net Plant	1009868	1064749	1150959	1220889	1288304	1339779	1416364	1472270

Net Plant (rate) 67009 (chart below)  
 Net Plant after DFIT (rate) 51080 (from "Net Plant" tab)  
 Ratio 0.762286 (to adjust distribution Net Plant with an estimate for distribution DFIT)  
 Distribution Net Plant 34739 (second chart below)  
 Dist Net Plant after DFIT 26481 (after estimated DFIT)  
 Adjusted Net Plant after DFIT 24599 (Total, after removal of distribution net plant after DFIT)



	2007	2008	2009	2010	2011	2012	2013	2014
Distribution Net Plant					486,981	522,324	560,439	590,073

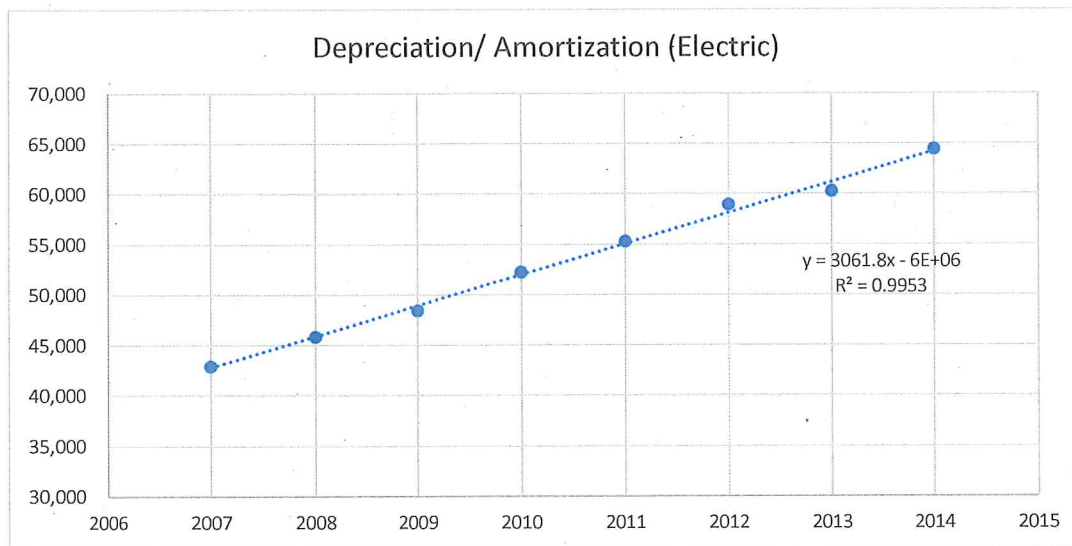




**Avista Proposed Based on Staff Methodology for 2007-2014:**

	2007	2008	2009	2010	2011	2012	2013	2014
Depreciation/ Amortization	42,949	45,874	48,466	52,270	55,304	58,946	60,308	64,456

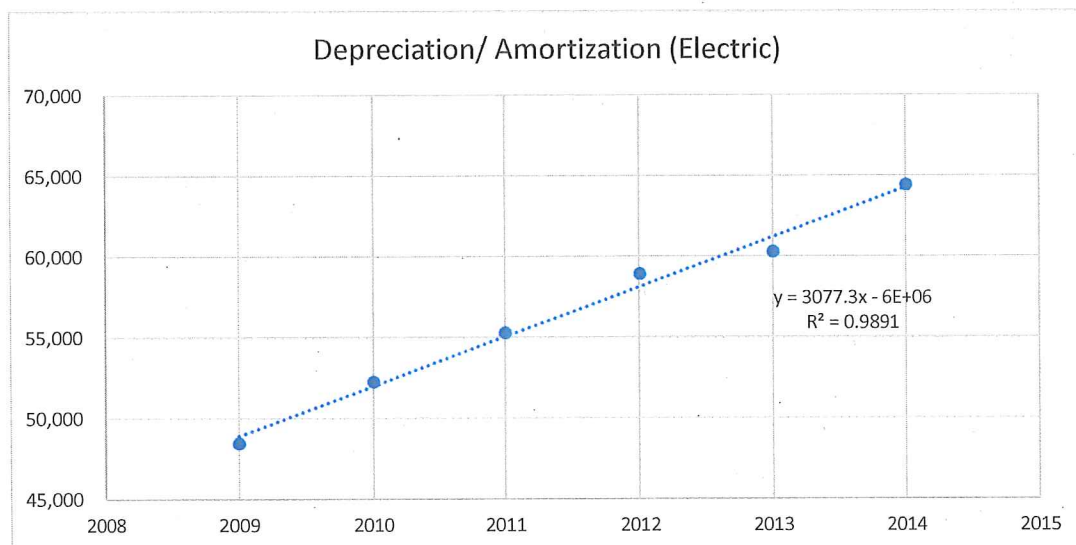
Annual Increase (slope below) 3,062  
 Rate (Annual) 4.75%  
 Rate (2-year, to 2016) **9.50%** (Escalation Factor)



**AS PROPOSED BY STAFF:**

	2009	2010	2011	2012	2013	2014
Depreciation/ Amortization	48,466	52,270	55,304	58,946	60,308	64,456

Annual Increase (slope below) 3,077  
 Rate (Annual) 4.77%  
 Rate (2-year, to 2016) **9.55%** (Escalation Factor) 9.78%

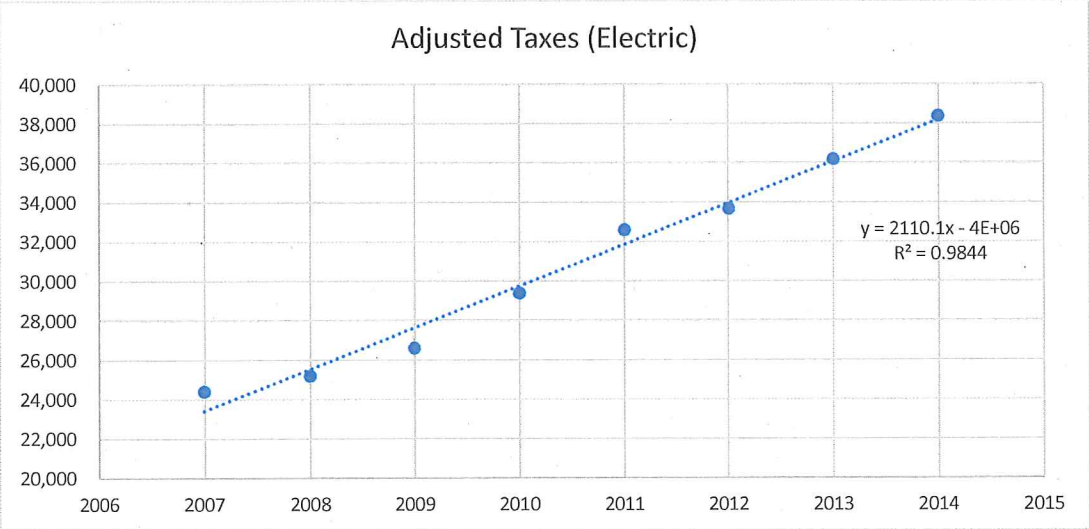




**Avista Proposed Based on Staff Methodology for 2007-2014:**

	2007	2008	2009	2010	2011	2012	2013	2014
Adjusted Taxes	24,422	25,215	26,617	29,412	32,614	33,701	36,201	38,403

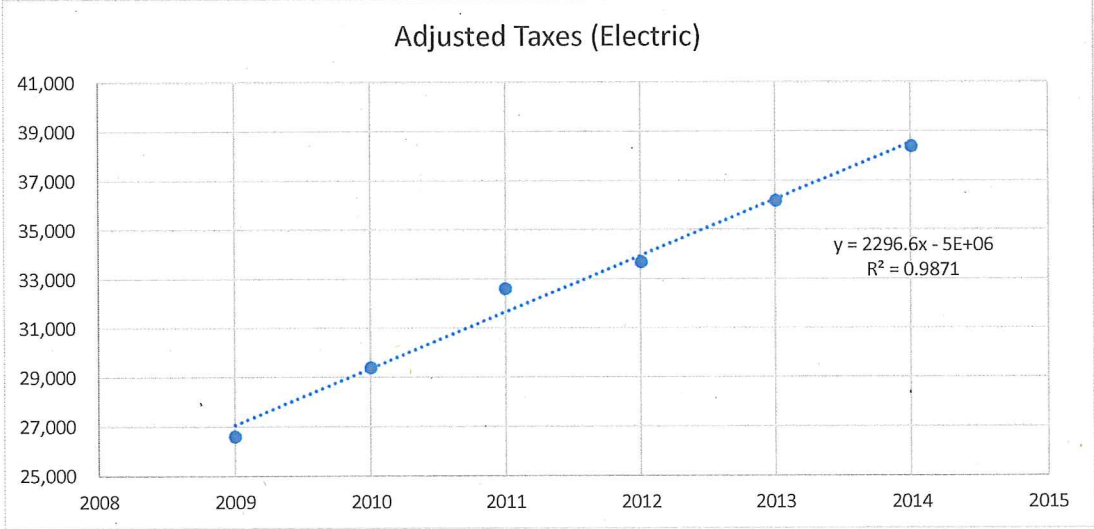
Annual Increase (slope below) 2,110  
 Rate (Annual) 5.49%  
 Rate (2-year, to 2016) **10.99%** (Escalation Factor)



**AS PROPOSED BY STAFF:**

	2009	2010	2011	2012	2013	2014
Adjusted Taxes	26,617	29,412	32,614	33,701	36,201	38,403

Annual Increase (slope below) 2,297  
 Rate (Annual) 5.98%  
 Rate (2-year, to 2016) **11.96%** (Escalation Factor) 12.32%

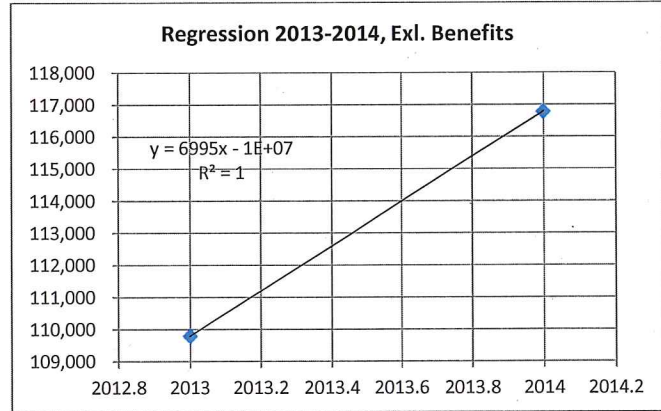
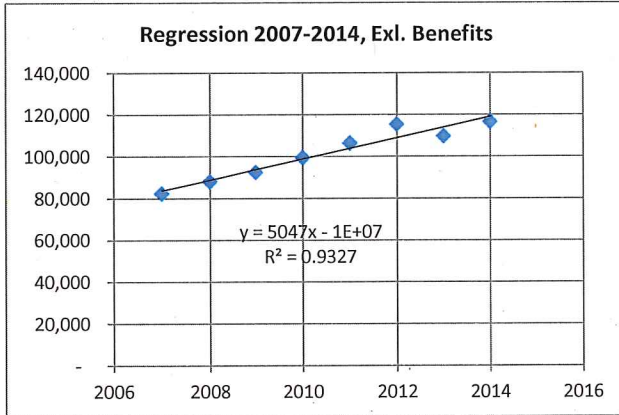


**Avista Proposed-partly based on Staff Methodology (Linear regression and averaging):**

	2007	2008	2009	2010	2011	2012	2013	2014
Total Adjusted Operating Expenses	92,212	99,146	108,289	113,650	123,419	134,594	128,510	130,891
Remove volatility of total Benefits	(9,711)	(10,953)	(15,669)	(14,095)	(16,820)	(19,041)	(18,709)	(14,095)
	82,501	88,193	92,620	99,555	106,599	115,553	109,801	116,796

	Slope	Rate (1 yr)	Escalation
2007-2014 (exl. Benefits)	5,047	4.32%	8.6%
2013-2014 (exl. Benefits)	6,995	5.99%	12.0%
<b>Average</b>		5.16%	<b>10.31%</b>

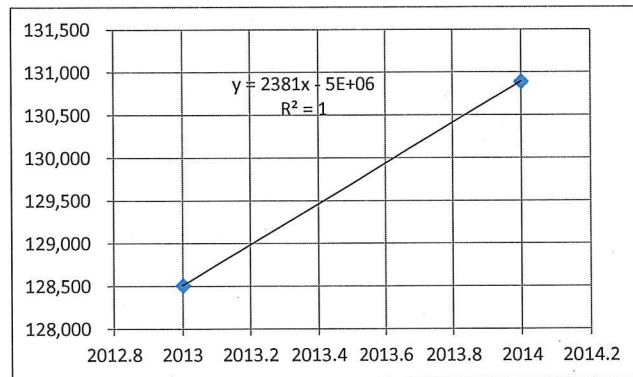
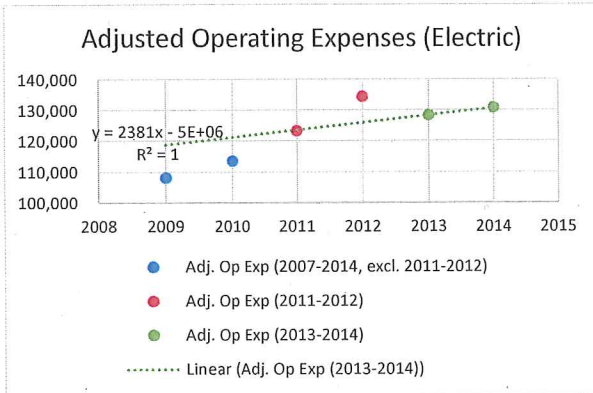
	rate	escalation
<b>Order 05</b>	3.21%	<b>6.42%</b>



**AS PROPOSED BY STAFF:**

	2009	2010	2011	2012	2013	2014
Adj. Op Exp (2007-2014, excl. 2011-2012)	108,289	113,650			128,510	130,891
Adj. Op Exp (2011-2012)			123,419	134,594		
Adj. Op Exp (2013-2014)					128,510	130,891

	Slope	Rate (1yr)	Escalation
Rate (2013-2014, linear, slope below)	2,381.0	1.82%	3.64%
Company-proposed (2007-2014, linear)	3,926.7	3.00%	6.00%
<b>Average</b>		2.41%	<b>4.82%</b>



**ELECTRIC BILLING DETERMINANT INDEX  
09.2014 TO 2016 WEIGHTED REVENUE GROWTH**

Line Ended De Rate	Schedule	Revenue Model 12 ME 09.2014 [A]	Forecast 2016 [B]	Billing Determinant Growth [C] = ([B] - [A])/[A]	Revenue 12 ME 09.2014 [D]	Weight [E] = [D] / SUM([D])	Weight x Growth [F] = [C] x [E]
1	RESIDENTIAL Basic Charge	2,462,067	2,512,732	2.06%	20,927,570	4.19%	0.09%
2	GENERAL SVC. SCH. 11,12 Basic Charge	364,552	379,314	4.05%	6,561,936	1.31%	0.05%
3	LG. GEN. SVC. SCH. 21,22 Fixed Demand/Cust	24,110	24,225	0.48%	12,055,000	2.41%	0.01%
4	EX LG GEN SVC SCH. 25 Fixed Demand/Cust	252	252	-0.12%	5,292,000	1.06%	0.00%
5	PUMPING SCH. 30, 31, 32 Basic Charge	29,216	34,478	18.01%	525,888	0.11%	0.02%
6	ST & AREA LTG SCH. 41-48 Basic Charge						
7	RESIDENTIAL Volumes	2,378,478,031	2,447,894,613	2.92%	193,913,530	38.78%	1.13%
8	GENERAL SVC. Volumes	588,401,236	591,388,923	0.51%	62,328,507	12.47%	0.06%
9	LG. GEN. SVC. Volumes	1,419,228,271	1,431,149,606	0.84%	101,678,503	20.34%	0.17%
10	EX LG GEN SVC Volumes	1,105,372,136	1,114,987,712	0.87%	53,481,706	10.70%	0.09%
11	PUMPING Volumes	137,227,044	131,725,347	-4.01%	10,944,583	2.19%	-0.09%
12	ST & AREA LTG Volumes	25,127,765	24,890,112	-0.95%	7,019,746	1.40%	-0.01%
13	RESIDENTIAL Demand						
14	GENERAL SVC. Demand	402,284	364,641	-9.36%	2,413,704	0.48%	-0.05%
15	LG. GEN. SVC. Demand	2,748,136	2,697,553	-1.84%	16,418,326	3.28%	-0.06%
16	EX LG GEN SVC Demand	1,276,783	1,168,073	-8.51%	6,420,658	1.28%	-0.11%
17	PUMPING Demand						
18	ST & AREA LTG Demand						
19	Total				499,981,655	100.00%	1.31%
Total Customers		2,880,197	2,951,000	2.46%			
Total Volumes		5,653,834,483	5,742,036,314	1.56%			
Total Demand		4,427,203	4,230,267	-4.45%			

Avista Corporation  
 WA Power Supply Pro Forma Net Cost  
 Rate Case Power Supply Adjustment Pro Forma - 09.2014 Historical Loads

	<b>2016 PF REVISED</b>		Staff DR 59
	Power Supply System	Total Washington Amounts	
P/T Allocation Percentages		64.71%	
447 Sales for Resale	\$83,074	\$53,757	
453 Sales of Water and Water Power	466	302	
454 Misc Rents	0	0	
456 Transmission Wheeling Revenue System	15,650	10,127	No Change
456 Transmission Wheeling Revenue Direct WA	100	100	to PF
456 Transmission Wheeling Revenue Direct ID	51	0	Transmission
456 Other Electric Revenue	0	0	
456 Other Electric Revenue-Direct WA	0	0	
Total Revenue	99,341	64,286	
501 Thermal Fuel Expense	29,696	19,216	
546 Other Power Gen Supvsn & Eng	0	0	
547 Other Fuel Expense	92,175	59,646	
536 Water for Power	1,001	648	
555 Purchased Power	116,846	75,611	
549 Misc Other Gen Expense	0	0	
550 Rents	0	0	
556 System Control & Dispatch	0	0	
557 Other Expenses	690	446	
XXX Other Expenses-Direct WA	0	-1,528	Agreed to Reduction \$1528 per Settlement agreement
565 Trans. of Elec. by Others	16,809	10,877	
546-562 CS2 O&M	0	0	Remove from base Power Supply per settlement agreement.
500-514 Colstrip O&M	0	0	Remove from base Power Supply per settlement agreement.
Total Expense	257,217	164,917	
Net Income Before Income Taxes	-157,876	-100,631	
Federal Income Tax	35%	-35,221	
Net Income		-\$65,410	
546-562 CS2 O&M	9,335	6,041	Remove from base Power Supply per settlement agreement.
500-514 Colstrip O&M	15,005	9,710	Remove from base Power Supply per settlement agreement.



Avista Corporation  
 WA Power Supply Pro Forma Net Cost  
 Rate Case Power Supply Adjustment Pro Forma - 2016 Forecast Loads

	Updated PF Power Supply System	Total Washington Amounts	Included same change as DR 59 to Original Filing
P/T Allocation Percentages		64.71%	
447 Sales for Resale	\$79,064	\$51,162	
453 Sales of Water and Water Power	466	302	
454 Misc Rents	0	0	
456 Transmission Wheeling Revenue System	15,650	10,127	
456 Transmission Wheeling Revenue Direct WA	100	100	
456 Transmission Wheeling Revenue Direct ID	51	0	
456 Other Electric Revenue	0	0	
456 Other Electric Revenue-Direct WA	0	0	
Total Revenue	95,331	61,691	
501 Thermal Fuel Expense	29,696	19,217	
546 Other Power Gen Supvsn & Eng	0	0	
547 Other Fuel Expense	92,175	59,646	
536 Water for Power	1,001	648	
555 Purchased Power	119,794	77,518	
549 Misc Other Gen Expense	0	0	
550 Rents	0	0	
556 System Control & Dispatch	0	0	
557 Other Expenses	690	446	
xxx Other Expenses-Direct WA	0	-1,528	Agreed to Reduction \$1528 per Settlement agreement
565 Trans. of Elec. by Others	16,809	10,877	
546-562 CS2 O&M	0	0	Remove from base Power Supply per settlement agreement.
500-514 Colstrip O&M	0	0	Remove from base Power Supply per settlement agreement.
Total Expense	260,165	166,825	
Net Income Before Income Taxes	-164,834	-105,134	
Federal Income Tax	35%	-36,797	
Net Income		-\$68,337	
546-562 CS2 O&M	9,335	6,041	Remove from base Power Supply per settlement agreement.
500-514 Colstrip O&M	15,005	9,710	Remove from base Power Supply per settlement agreement.

**ATTRITION ADJUSTMENT RELATED TO RETAIL REVENUE GROWTH AND  
ASSOCIATED POWER SUPPLY COST**  
(000'S OF DOLLARS)

Line No.	DESCRIPTION	(Note 1)	Revenue Growth and Power Supply Cost		Power Supply Cost Rate Year Load		Incremental Power Supply Cost		Retail Revenue Growth
			Revenue Growth and Power Supply Cost	Power Supply Cost Rate Year Load	Power Supply Cost Rate Year Load	Incremental Power Supply Cost			
<b>REVENUES</b>									
1	Total General Business		6,545						6,545
2	Interdepartmental Sales		12						12
3	Sales for Resale		-2,595		53,757	51,162	-2,595		
4	Total Sales of Electricity		3,962		53,757	51,162	-2,595		6,557
5	Other Revenue		0		10,529	10,529	0		0
6	Total Electric Revenue		3,962		64,286	61,691	-2,595		6,557
<b>EXPENSES</b>									
<b>Production and Transmission</b>									
7	Operating Expenses		0		89,306	89,306	0		0
8	Purchased Power		1,907		75,611	77,518	1,907		
9	Depreciation/Amortization								
10	Regulatory Amortization								
11	Taxes								
12	Total Production & Transmission		1,907		164,917	166,824	1,907		0
<b>Distribution</b>									
13	Operating Expenses								
14	Depreciation/Amortization		252						252
15	Taxes	0.038527	252		0	0	0		252
16	Total Distribution		252		0	0	0		252
17	Customer Accounting	0.005353	35						35
18	Customer Service & Information								
19	Sales Expenses								
<b>Administrative &amp; General</b>									
20	Operating Expenses		13						13
21	Depreciation/Amortization								
22	Taxes		13		0	0	0		13
23	Total Admin. & General		2,207		164,917	166,824	1,907		300
24	Total Electric Expenses		1,755		-100,631	-105,133	-4,502		6,257
25	OPERATING INCOME BEFORE FIT								
<b>FEDERAL INCOME TAX</b>									
26	Current Accrual		614		-35,221	-36,797	-1,576		2,190
27	Debt Interest								
28	Deferred Income Taxes								
29	Amortized ITC - Noxon								
30	NET OPERATING INCOME		1,141		-65,410	-68,336	-2,926		4,067

Note 1: 09.2014 Washington electric revenue conversion factor amounts.