BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION Complainant, v. AVISTA CORPORATION d/b/a AVISTA UTILITIES Respondent.	)	DOCKETS UE-170485 and UG-170486 (*Consolidated*)

EXHIBIT BGM-7

RESPONSES TO DATA REQUESTS

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/18/2016
CASE NO:	UE-160228 & UG-160229	WITNESS:	Elizabeth Andrews
REQUESTER:	ICNU	RESPONDER:	Joel Anderson
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	ICNU – 039	TELEPHONE:	(509) 495-2811
		EMAIL:	joel.anderson@avistacorp.com

REQUEST:

Reference FERC Account 405930 - Amortization of Investment in WNP3 Exch Power:

a. Please provide a narrative description of the purpose of the amortization expense booked to this account.

b. Please identify the Commission order where the accounting underlying this amortization expense was approved.

c. Please provide workpapers detailing the calculation of the $2.5 million of amortization expense related to this account in the test period.

RESPONSE:

The adjustment in the exchange power represents the Company's previous investment in Washington Public Power Supply System Project 3 (WNP-3), a nuclear project that was terminated prior to completion. Under a settlement agreement with the Bonneville Power Administration in 1985, Avista Utilities began receiving power in 1987, for a 32.5-year period, related to its investment in WNP-3. Through a settlement agreement with the Washington Utilities and Transportation Commission (WUTC) in the Washington jurisdiction, Avista Utilities is amortizing the recoverable portion of its investment in WNP-3 (recorded as an investment in exchange power) over a 32.5 year period beginning in 1987. For the Idaho jurisdiction, Avista Utilities has fully amortized the recoverable portion of its investment in exchange power.

As discussed in Elizabeth Andrews testimony, UE-17_Andrews Exh. EMA-2 the "Settlement Exchange Power" reflects the rate base associated with the recovery of 64.1% of the Company's investment in Settlement Exchange Power. The 64.1% recovery level was approved by the Commission's Second Supplemental Order in Cause No. U-86-99 dated February 24, 1987. Amortization expense and deferred FIT expense recorded during the test period are accurately reflected in results of operations. The production rate base and accumulated deferred FIT amounts within results of operations are reflected on a twelve-month ending December 31, 2016 test period AMA basis.

Please also refer to Attachment A for a copy for Andrews' workpapers previously provided in the Company's direct filing which detail the calculation of the $2.5 million of amortization expense related to this account.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/11/2017
CASE NO:	UE-170485 & UG-170486	WITNESS:	Karen Schuh
REQUESTER:	ICNU	RESPONDER:	David Machado
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	ICNU – 049	TELEPHONE:	(509) 495-4554
		EMAIL:	david.machado@avistacorp.com

REQUEST:

Reference the Company's depreciation expenses, generally:

a. Please provide a copy of the latest depreciation study completed by the Company and approved by the Commission.

b. Please identify when the Company intends to conduct its next depreciation study.

c. Please provide workpapers supporting the calculation of depreciation and amortization expenses in the test period, demonstrating that the calculations correspond to the parameters approved in the Company's most recent depreciation study.

RESPONSE:

a. ICNU_DR_049 Attachment A includes Avista's most recent completed depreciation study, with plant balances as of December 31, 2010 for all non-transportation assets. ICNU_DR_049 Attachment B includes Avista's most recent completed depreciation study for transportation assets (as of December 31, 2011). The depreciation rates determined through these studies were approved by the Commission in Docket Nos. UE-120436 and UG-120437 (consolidated), Order 09. Both attachments are being provided in electronic format only do to the size of the reports.

b. The Company is currently in the process of performing its next depreciation study and intends to file, by the end of the year, an application for the approval of updated depreciation rates associated with the study.

c. Company witness Karen Schuh's workpapers included with the Company's originally filed case include calculations of the depreciation expense on a functional category basis, using the weighted average depreciation rate for that functional category (see pages 5, 8, and 22-26 of Ms. Schuh's workpapers), as determined in the Company's latest depreciation study (discussed earlier). ICNU_DR_049 Attachment C includes an excerpt from the latest depreciation study, with the group rates that were utilized for the Company's capital addition adjustments in this case highlighted.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	10/04/2017
CASE NO:	UE-170485 & UG-170486	WITNESS:	Elizabeth Andrews
REQUESTER:	ICNU	RESPONDER:	Jeanne Pluth
TYPE:	Data Request	DEPT:	State & Fed. Regulation
REQUEST NO.:	ICNU – 067	TELEPHONE:	(509) 495-2204
		EMAIL:	jeanne.pluth@avistacorp.com

REQUEST:

For the period 2013 through 2016 (inclusive), please provide a table showing the Company's actual rate of return on a normalized, and non-normalized, basis for both gas and electric services.

RESPONSE:
The table below was prepared in response to ICNU Data Requests Nos. 67-69:

Actual (Non-normalized) Basis

	2013	2014	2015	2016	12 Months Ended June 30, 2017	Expected 2017
ROE - WA Electric	10.8%	11.5%	10.2%	10.4%	9.8%	8.6%
ROE - WA Natural Gas	7.6%	5.8%	5.6%	11.5%	10.8%	10.8%
ROR - WA Electric	8.0%	8.3%	7.6%	7.7%	7.5%	7.0%
ROR - WA Natural Gas	6.5%	5.6%	5.4%	8.2%	7.9%	8.1%

Normalized Basis

	2013	2014	2015	2016	12 Months Ended June 30, 2017	Expected 2017
ROE - WA Electric	9.9%	10.6%	9.4%	9.4%	N/A	8.8%
ROE - WA Natural Gas	7.2%	6.4%	7.0%	10.7%	N/A	10.5%
ROR - WA Electric	7.6%	7.9%	7.3%	7.3%	N/A	7.1%
ROR - WA Natural Gas	6.2%	5.8%	6.1%	8.0%	N/A	7.9%

Expected actual & normalized results for 2017 on a calendar basis are based on current data available.
(1) Actual electric results as of 12 months ended June 30, 2017 reflect higher results than expected for calendar 2017, mainly due to the benefit of favorable hydro conditions experienced in the first half of 2017. In addition, the actual and normalized results for 12 months ended June 2017 includes 6 months of 2016 results, and does not include the growth in transfers to plant for the second half of 2017. Capital transfer to plant for the period July through December tend to be much higher than the first half of the year.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	10/17/2017
CASE NO:	UE-170485 & UG-170486	WITNESS:	Karen Schuh
REQUESTER:	ICNU	RESPONDER:	David Machado
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	ICNU – 074	TELEPHONE:	(509) 495-4554
		EMAIL:	david.machado@avistacorp.com

REQUEST:

Reference the Company's response to ICNU Data Request 49, concerning depreciation expenses:

a. Please provide workpapers showing the calculation of depreciation expense by FERC account, and sub-account, accrued in the 2016 test period for both gas and electric services (including common, and transportation plant).

b. Please provide a table showing the original cost of plant by FERC account as of December 31, 2016, with a level of granularity substantially similar to that presented in ICNU_DR_049 Attachment C.

c. Will the Company propose to change its electric service rates depending on the outcome of the expected depreciation study?

d. Please explain how the future depreciation study results might impact the rate plan proposal of the Company.

e. Please reconcile the approximate $10.4 million of depreciation expense related to hydro production in the Company's 2016 results to the approximate $7.5 million in the Company's 2011 depreciation study.

f. Please reconcile the approximate $11.8 million of transmission depreciation expense in the Company's 2016 results of operations to the approximate $9.0 million in the Company's 2011 depreciation study.

g. Please reconcile the approximate $44.1 million of electric distribution depreciation expense in the Company's 2016 results of operations to the approximate $31.5 million included in the Company's 2011 depreciation study.

h. Please reconcile the approximate $21.4 million of gas distribution depreciation expense in the Company's 2016 results of operations to the approximate $10.8 million included in the Company's 2011 depreciation study.

i. Please reconcile the approximate $24.4 million of general plant depreciation expense to the approximate $10.8 million attributable to common plant in the 2011 depreciation study.

RESPONSE:

a. Depreciation expense is a system generated calculation performed by the Company's plant accounting software system. Therefore, this is not a workpaper driven calculation. ICNU_DR_074 Attachment A is a report from Avista's financial reporting system that includes the monthly plant balances (gross plant, accumulated depreciation, and net plant) and the monthly depreciation expense for each combination of FERC plant account, service, and jurisdiction. (Provided in electronic format only)

b. See ICNU_DR_074 Attachment A, as discussed in part a, above.

c. As depreciation expense should be recovered in retail rates to reflect the return of investment in plant assets, to the extent the outcome of the in-process depreciation study suggests updates to depreciation rates are necessary, the Company would propose associated changes in its service rates. The Company will file an application separate from this general rate case.

d. As discussed in part "c," the Company will file an application separate from this general rate case to reflect the updates to depreciation rates. This application will be subject to review by interested parties and will be considered incrementally (reflecting up or down changes in rates) to and separately from the Company's rate plan proposal in this case.

e.-i. First, the Company notes that these depreciation expense balances are system balances.

Second, it is important to consider that depreciation expense is a function of the gross plant balance. Therefore, if plant balances increase over time, depreciation expense would also be expected to increase. A full reconciliation from the depreciation expense per the Company's previous depreciation study to the Company's depreciation expense contained in the Company's 2016 results of operations would require listing every single plant addition and retirement over this period, along with the associated depreciation rate for each addition and retirement. This reconciliation is not readily available and would require substantial manual effort.

Because depreciation expense is a function of the gross plant balance, the Company has prepared the reconciliation included in ICNU_DR_079 Attachment B, which includes the depreciation expense and gross plant values, by functional group requested above, from both the previous depreciation study and the 2016 results of operations. For each data source, the weighted average depreciation rate is calculated for each functional group. This reconciliation illustrates that the functional group weighted average depreciation rates in 2016 are consistent with those as of the 2011 depreciation study. The slight differences are generally driven by changes in the relative weighting of FERC plant accounts within each functional group. The decrease in the general plant weighted average depreciation rate is primarily driven by plant investment in facilities and communication equipment in the intervening period, both of which carry lower depreciation rates than the weighted average rate as of the previous depreciation study.

Finally, part "h" to this request references $10.8 million of natural gas distribution depreciation expense in the previous depreciation study. This balance represents only the Washington and Idaho natural gas distribution depreciation expense. Including the Oregon depreciation expense results in a system depreciation expense for natural gas of $15.7

million from the previous depreciation study. Additionally, part “i” to this request references $10.8 million of common plant depreciation expense in the previous study. This balance includes only the general plant that is common to all services and jurisdictions; including the general plant depreciation expense that is associated with specific services and jurisdictions results in a system general plant depreciation expense of $13.5 million from the previous depreciation study. Both of these corrections are reflected in the analysis contained in ICNU_DR_079 Attachment B.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	10/20/2017
CASE NO:	UE-170485 & UG-170486	WITNESS:	Elizabeth Andrews
REQUESTER:	ICNU	RESPONDER:	Liz Andrews
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	ICNU – 107	TELEPHONE:	(509) 495-8601
		EMAIL:	liz.andrews@avistacorp.com

REQUEST:
Refer to Andrews, Exh. EMA-2, 20:13-21:5, 41:5-42:23. Please confirm that the Company's proposed treatment of director fee expense does not conform to the Commission's decision in Order 05 of the Company's 2015 GRC ("Order 05"), ¶ 220, in which the Commission decided to "continue to authorize only 50 percent of director fees and meeting costs in both electric and natural gas rates." If the Company does confirm, please explain why the Company's proposed treatment is appropriate, notwithstanding the Commission's decision in Order 05. If the Company does not confirm, please explain.

RESPONSE:
Within the Miscellaneous Restating Non-Utility/Non-Recurring Expenses (adjustment 2.12) included in the Company's case, the Company adjusted actual recorded director fee expense to reflect a 50%/50% sharing level within its restated total, thus conforming to previous order.

However, as noted within Andrews' Exh. EMA-2, starting at page 41, line 5, the Company proposes the Commission approve Pro Forma Director Fee Expense (Adjustment 3.12) to reflect the proper level of director fee expense as follows:

> **Pro Forma Director Fee Expense**, column (3.12), reflects an increase in director fee expense to reflect director fee expense using a 97% utility / 3% non-utility split.[1] Avista proposes to reflect director fee expense based on annual surveys of the Board of Directors of their time split between utility/non-utility operations, which reflect a 97% utility / 3% non-utility. This adjustment, as proposed by Avista, removes the effect of adjustment 2.12 (director fee expense noted above) reflecting a 50%/50% sharing, to reflect the proper level of director fee expense that should be included during the rate period. The effect of this adjustment decreases net operating income by $244,000.
>
> **Q. As noted above, the Company is proposing to exclude 3% of Director Fee expenses, rather than 50%. What is the basis for removing 3% of these costs?**
>
> A. Annually in November, the Company requests each of its Directors to estimate the time they spend on utility versus non-utility duties and responsibilities, based on their actual experience. The responses from the Directors in November 2016 indicated that 97% of the Directors' time is dedicated to utility matters, and approximately 3% to non-utility[2]. During the test period utilized in this case, the Company had recorded approximately 97% to utility and 3% to non-utility expense.

[1] Restating adjustment 2.12 "Miscellaneous Restating Non-Utility /Non-Recurring Expenses," reduced director fee expense recorded on Avista's books at a 97% utility/3% non-utility basis, to a 50%/50% per Docket No. UE-090134. This adjustment, as proposed by Avista, removes the effect of adjustment 2.12 to reflect the proper level of director fee expense.

[2] A change from previous years, in which the results of the Board of Director surveys had been approximately 90% utility/10% non-utility, is directly reflective of the sale of Avista's subsidiary Ecova and the purchase of Alaska Energy and Resource Company (AERC) / Alaska Electric Light and Power Company (AEL&P) in mid-2014.

Adjustment 2.12 (Miscellaneous Restating Non-Utility /Non-Recurring Expenses Adjustment), however, reduced this expense to a 50/50 sharing. The Company believes director fees are now understated, and that the survey results are a better indication of the proper costs to charge the utility based on the discussion below.

In Docket Nos. UE-090134 and UG-090135, Order No. 10, in reference to a 90/10 sharing for D&O insurance, the Commission stated:

> D&O insurance is a benefit that is part of the compensation package offered to attract and retain qualified officers and directors. Accordingly, it makes sense to split the costs in the same manner we require other elements of their compensation to be shared. Based on the formula currently used to allocate officer compensation between ratepayers and shareholders, this results in 90 percent of the costs being included for recovery in rates. (emphasis added) (See page 56, paragraph 137)

This Commission, as shown above, has recognized that D&O insurance is part of the "compensation package" (splitting such costs on a 90/10 basis[3]). Similarly, Directors' fees, like D&O insurance referred to above, are a part of the Directors' compensation package offered to attract and retain qualified Directors. Based on the actual time dedicated to the utility, a 97%/3% sharing should be applied to Directors' fees. Using a 97%/3% sharing for the Director fees paid during the test period for participating in Avista Corp./Utility board meetings, increased the Company's expense included in this filing by approximately $375,000. The net effect of this adjustment reduces net operating income by $244,000.

[3] Based on survey results of Avista Officers during each calendar year, D&O insurance is currently split approximately 90% utility / 10% non-utility.