

AVISTA CORPORATION
ELECTRIC DOCKET NO. UE-150204
CALCULATION OF GENERAL REVENUE REQUIREMENT
TEST YEAR ENDED SEPTEMBER 30, 2014
(000s of Dollars)

Dockets UE-150204 & UG-150205
Exhibit No. DMR-2
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Schedule No. 1

Line No.	Description	Amount Per Company	Amount Per PC
1	Adjusted Rate Base	1,419,343	1,301,385
2	Rate of Return, per Settlement	<u>7.29%</u>	<u>7.29%</u>
3	Net Operating Income Requirement	103,470	94,871
4	Adjusted Net Operating Income	<u>97,247</u>	<u>113,273</u>
5	Net Operating Income Deficiency/(Sufficiency)	6,223	(18,402)
6	Revenue Conversion Factor	<u>0.62000</u>	<u>0.62000</u>
7	Revenue Requirement	<u><u>10,037</u></u>	<u><u>(29,680)</u></u>

Avista Adj. #	Public Counsel Adj. #	Adjustment Description	Avista Adjustments - As Revised			Public Counsel Adjustments and/or PC Neutral in Direct			Public Counsel Position on Avista's Revised Position	Rev. Req. Impact of Differences
			NOI	Rate Base	Rev Req	NOI	Rate Base	Rev Req		
1.00		Results of Operations	102,983	1,260,500	(17,891)	102,983	1,260,500	(17,891)		
1.01		Deferred FIT Rate Base	(56)	(6,009)	(616)	(56)	(6,009)	(616)	PC Neutral in Direct	
1.02		Deferred Debits and Credits	614	(7,399)	(1,861)	614	(7,399)	(1,861)	PC Neutral in Direct	
1.03		Working Capital	194	20,703	2,121	194	20,703	2,121	PC Neutral in Direct	
		Subtotal	103,735	1,267,795	(18,247)	103,735	1,267,795	(18,247)		
2.01		Eliminate B & O Taxes	(57)	0	92	(57)	0	92	PC Neutral in Direct	
2.02		Restate Property Tax	(244)	0	393	(244)	0	393	PC Neutral in Direct	
2.03		Uncollect. Expense	(726)	0	1,171	(726)	0	1,171	PC Neutral in Direct	
2.04		Regulatory Expense	48	0	(78)	48	0	(78)	PC Neutral in Direct	
2.05		Injuries and Damages	(157)	0	253	(157)	0	253	PC Neutral in Direct	
2.06		FIT/DFIT/ ITC/PTC Expense	(213)	0	344	(213)	0	344	PC Neutral in Direct	
2.07		Office Space Charges to Subsidiaries	10	0	(17)	10	0	(17)	PC Neutral in Direct	
2.08		Restate Excise Taxes	41	0	(66)	41	0	(66)	PC Neutral in Direct	
2.09		Net Gains / Losses	53	0	(85)	53	0	(85)	PC Neutral in Direct	
2.10		Weather Normalization	(4,375)	0	7,056	(4,375)	0	7,056	PC Neutral in Direct	
2.11		Eliminate Adder Schedules	0	0	0	0	0	0	PC Neutral in Direct	
2.12		Misc. Restating Expenses	(1)	0	2	(1)	0	2	PC Neutral in Direct	
2.13		Eliminate WA Power Cost Defer	1,703	0	(2,747)	1,703	0	(2,747)	PC Neutral in Direct	
2.14		Nez Perce Settlement Adjustment	(9)	0	15	(9)	0	15	PC Neutral in Direct	
2.15		Restate Debt Interest	(869)	0	1,402	(869)	0	1,402	PC Neutral in Direct	
2.16		Restate Incentive Expenses	729	0	(1,175)	729	0	(1,175)	PC Neutral in Direct	
PC-E2.18		Remove Long Term Incentive Plan Exp.				155		(250)	PC Recommendation	(250)
2.17		Regulatory Amortization Restating Adj.	1,604	0	(2,587)	1,604	0	(2,587)	PC Neutral in Direct	
		Restated Total	101,273	1,267,795	(14,275)	101,428	1,267,795	(14,525)		
3.00		Pro Forma Power Supply	8,211	0	(13,244)	8,211	0	(13,244)	PC Neutral in Direct	
3.01		Pro Forma Transmission Rev/Exp	(71)	0	114	(71)	0	114	PC Neutral in Direct	
3.02	PC-E3.02	Pro Forma Labor Non-Exec	(2,503)	0	4,037	(1,061)	0	1,711	PC Modified	(2,325)
3.03		Pro Forma Labor Exec	(143)	0	231	(143)	0	231	PC Neutral in Direct	
3.04		Pro Forma Employee Benefits	(2,117)	0	3,415	(2,117)	0	3,415	PC Neutral in Direct	
3.05	PC-E3.05	Pro Forma Insurance Expense	(168)	0	272	35	0	(56)	PC Modified	(328)
3.06	PC-E3.06	Pro Forma Property Tax	(2,068)	0	3,335	(733)	0	1,182	PC Modified	(2,153)
3.07		Pro Forma Information Tech/Serv Exp	(1,091)	0	1,760	0	0	0	PC Opposes	(1,760)
3.08		Pro Forma Lake Spokane Deferral	(189)	0	305	(189)	0	305	PC Neutral in Direct	
3.09		Pro Forma Revenue Normalization	10,144	0	(16,361)	10,144	0	(16,361)	PC Neutral in Direct	
3.10		Pro Forma Major Maint-Hydro Thermal, C	(3,218)	0	5,191	0	0	0	PC Opposes	(5,191)
3.11		Planned Capital Add Dec 2014 EOP	(2,794)	35,098	8,633	0	0	0	PC Opposes	(8,633)
3.12U		Planned Capital Add Dec 2014 EOP-Updat	1,044	(39,469)	(6,324)	0	0	0	PC Opposes	6,324
PC-E.3.13		Reflect Updated Repairs Tax Deduction				(173)	(18,470)	(1,892)	PC Recommendation	(1,892)
4.01	PC-E.4.01	Planned Capital Add 2015 EOP	(5,957)	153,351	27,639	(2,058)	52,060	9,441	PC Modified	(18,198)
4.02		Planned Capital Add 2016 AMA	(1,734)	(1,029)	2,676	0	0	0	PC Opposes	(2,676)
4.03		Meter Retirement	(1,127)	20,276	4,202	0	0	0	PC Opposes	(4,202)
4.04		O&M Offsets	127	0	(205)	0	0	0	PC Opposes	205
4.05		Reconcile Pro Forma To Attrition	(371)	(16,679)	(1,363)	0	0	0	PC Opposes	1,363
		Pro Forma Total	97,247	1,419,343	10,037	113,273	1,301,385	(29,680)		(39,717)

Source/Notes:

Avista Adjustments - Revised from response to Staff - 131-Revised, Staff_DR_131 Revised - Attachment B - Updated Electric Pro Forma Study (REVISED 6/18/2015)

AVISTA CORPORATION
 ELECTRIC DOCKET NO. UE-150204
 REMOVE LONG TERM INCENTIVE PLAN EXPENSE
 TEST YEAR ENDED SEPTEMBER 30, 2014

Dockets UE-150204 & UG-150205
 Exhibit No. DMR-2
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 Schedule No. 3
 PC-E.2.18

Line No.	Description	WA-Electric	WA-Gas	Total WA
1	LTIP Expense to Income in Test Year, per Company	238,529	70,758	309,287
2	LTIP Expense to Include in Test Year, per PC	-	-	-
3	Reduction to Expenses to Remove LTIP	(238,529)	(70,758)	(309,287)
4	Federal Income Tax Rate	35%	35%	35%
5	Reduction in Federal Income Tax Expense	83,485	24,765	108,250
6	Adjustment to Net Operating Income	155,044	45,993	201,037

Source/Notes:

Line 1: Per response to ICNU-031.

Line No.	Description	WA-Electric	WA-Gas
1	Total Non-Exec. Labor Adjustment, per Company	3,850,480	1,153,135
2	Remove Projected 2016 Wage Increases	(939,682)	(281,739)
3	Remove Avista's Project Compass Adjustment	<u>(1,278,548)</u>	<u>(379,177)</u>
4	Total Non-Exec. Labor Adjustment, per PC	1,632,250	492,219
5	Federal Income Tax Rate	<u>35%</u>	<u>35%</u>
6	Reduction in Federal Income Tax Expense	<u>(571,288)</u>	<u>(172,277)</u>
7	Adjustment to Net Operating Income, per PC	<u><u>(1,060,962)</u></u>	<u><u>(319,942)</u></u>

Source/Notes:

Line 1: Exhibit__ (JSS-2), page 8 of 10 and Company Labor Adjustment Workpapers

Lines 2 - 3: Company Labor Adjustment Workpapers

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Actual Test Period D&O Insurance Expense, per Company	1,118,004
2	Removal Percentage, per Company	<u>10%</u>
3	Adjustment to Test Year Insurance Expense, per PC	(111,800)
4	Portion Allocated To Washington Electric, per Company	<u>0.4824</u>
5	Reduction to Test Year Insurance Expense - WA Electric Basis	(53,932)
6	Federal Income Tax Rate	<u>35%</u>
7	Increase in Federal Income Tax Expense	<u>18,876</u>
8	Adjustment to Net Operating Income, per PC	<u><u>35,056</u></u>

Source/Notes:

Lines 1, 2, and 4: Company Pro Forma Insurance Expense Workpapers

Line No.	Description	Per PC Adjustment	Per Avista Adjustment
1	Pro Forma Property Tax Expense Adjustment	1,127	3,181
2	Federal Income Tax Rate	<u>35%</u>	<u>35%</u>
3	Reduction in Federal Income Tax Expense	<u>(394)</u>	<u>(1,113)</u>
4	Adjustment to Net Operating Income	<u><u>(733)</u></u>	<u><u>(2,068)</u></u>

Source/Notes:

Per Avista Adjustment from Exhibit No.__(JSS-2), page 8 of 10.

Per PC Adjustment calculated using the Company's electronic Property Tax workpapers. The per PC amounts removed the Company's projected escalation in the property tax rates (used actual 2014 effective rates from Company workpaper) and limited the amount to the projected 2015 property tax accrual year based on the per Company 2014 plant book value excluding the tax rate escalation. Per Company amount based on escalated tax rates and projected 2016 property tax accrual year based on Company projected 2014 plant book values.

AVISTA CORPORATION
ELECTRIC DOCKET NO. UE-150204
COLSTRIP & COYOTE SPRINGS 2 O&M EXPENSE
TEST YEAR ENDED SEPTEMBER 30, 2014

Dockets UE-150204 & UG-150205
Exhibit No. DMR-2
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Schedule No. 7

Line No.	Description	Coyote Springs 2	Colstrip	Combined
1	2008	7,180,325	10,034,971	17,215,296
2	2009	4,404,146	11,801,590	16,205,736
3	2010	4,506,539	10,722,063	15,228,602
4	2011	3,370,776	12,998,522	16,369,298
5	2012	11,007,913	10,596,589	21,604,502
6	2013	5,209,199	12,841,477	18,050,676
7	2014	5,764,318	12,978,671	18,742,989
8	3 year avg	7,327,143	12,138,912	19,466,056
9	4 year avg	6,338,052	12,353,815	18,691,866
10	5 year avg	5,971,749	12,027,464	17,999,213
11	Test Year Actual	5,892,966	12,996,535	18,889,501
12	2016 Estimate per Avista	9,334,860	15,005,259	24,340,119
13	TY Compared to 3 Yr Avg (L.8 - L.11)	1,434,177	(857,623)	576,555
14	TY Compared to 4 Yr Avg (L.9 - L.11)	445,086	(642,720)	(197,635)
15	TY Compared to 5 Yr Avg (L.10 - L.11)	78,783	(969,071)	(890,288)
16	Company Proposed Adj. (L.12 - L.11)	3,441,894	2,008,724	5,450,618

Source/Notes:

Amounts are on a total Company basis.

Lines 1 - 7: Staff_DR_174 Attachment A

Lines 11 and 12: Exhibit No.__(WGJ-2) and related Company workpapers

Line No.	Description	Non-Major	Major	Combined
1	2010	2,422,074	771,593	3,193,667
2	2011	2,807,083	1,711,377	4,518,460
3	2012	2,849,841	877,998	3,727,839
4	2013	2,727,374	2,159,074	4,886,448
5	2014	2,572,580	1,675,642	4,248,222
6	5 year average	2,675,790	1,439,137	4,114,927
7	Test Year Actual			4,349,450
8	2016 Estimate per Avista, as Corrected			6,701,705
9	Adjustment, per Avista			2,352,255
10	Per Company Adjusted Amount - WA Basis (L.8 x 65.19%)			1,533,435

Source/Notes:

All above amounts exclude internal labor costs.

Lines 1 - 5: Derived from Staff_DR-041-Attachment A and Staff_DR-042 - Attachment A

Lines 7 and 8: Staff_DR_131-Attachment D, page 5 of 16.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Impact of Repairs Tax Deduction on ADFIT in Adjusted Test Year 12/31/14 EOP Basis, per Company	27,516
2	Impact of Repairs Tax Deduction on ADFIT in Unadjusted Test Year Ended 9/30/14, per Company	<u>9,046</u>
3	Increase in ADFIT Offset to Rate Base for Impact of Repairs Tax Deduction, per PC	<u>18,470</u>
4	Per PC Reduction to Rate Base	<u><u>(18,470)</u></u>
5	Impact on Federal Income Tax for Debt Interest	<u>173</u>
6	Per PC Reduction in Net Operating Income	<u><u>(173)</u></u>

Source:

Line 1: Response to PC-051

Line 2: Response to PC-049

Line 5: -Line 4 x 2.68% weighted cost of debt x 35% FIT rate

Line No.	Description	Amount	Reference
<u>Clark Fork Implement PME Agreement Capital Additions:</u>			
1	Actual Additions to Plant in Service October 2014 - December 2014	5,326,640	Staff_DR_143 Attachment A REVISED
2	Actual Additions to Plant in Service Jan 2015 - May 2015	<u>6,381,828</u>	Staff_DR_143 Attachment B REVISED
3	Clark Fork Implement PME Agreement - Actual Pro Forma Additions	11,708,468	
4	Depreciation Rate, per Company	<u>1.87%</u>	PC_DR-032 Attachment A
5	Depreciation Expense	<u>218,948</u>	
<u>Customer Information System Replacement (Proj. Compass) Capital Additions:</u>			
6	Actual Additions to Plant in Service October 2014 - April 2015	44,215,399	PC_DR-032 Attachment A
7	Accumulated Deferred Federal Income Tax	<u>(3,863,586)</u>	PC_DR-032 Attachment A
8	Net Rate Base Impact (PIS less ADFIT)	<u>40,351,813</u>	
9	Depreciation Expense, per Company	<u>3,698,176</u>	PC_DR-032 Attachment A
<u>Net Operating Income Impact of Major Pro Forma Plant Additions:</u>			
10	Depreciation Expense	3,917,124	Lines 5 and 9
11	FIT Benefit of Depreciation/Amortization	(1,370,993)	Line 10 x 35%
12	FIT Benefit of Debt Interest	<u>(488,325)</u>	Line 14 x 2.68% wtd cost of debt x 35%
13	Net Operating Income	<u>(2,057,806)</u>	
<u>Rate Base Impact of Major Pro Forma Plant Additions:</u>			
14	Net Rate Base Impact	<u>52,060,281</u>	Lines 3 and 8

Line No	Description	Per PC EOP 9/30/14 - exclude new revenue (A)	Per Avista EOP 12/31/14 - exclude new revenue (B)	Per PC Adjustment (C)
<u>Depreciation/Amortization Expense</u>				
1	Intangible	1,603	2,210	(607)
2	Production	167	402	(235)
3	Transmission	113	389	(276)
4	Distribution	648	1,126	(478)
5	General	621	678	(57)
6	Total Depreciation Expense	<u>3,152</u>	<u>4,805</u>	<u>(1,653)</u>
<u>Net Operating Income Before FIT</u>				
7	FIT Benefit of Depreciation/Amortization	(1,103)	(1,682)	579
8	FIT Benefit of Debt Interest	23	(329)	352
9	Net Operating Income	<u>(2,072)</u>	<u>(2,794)</u>	<u>722</u>
<u>Plant Cost</u>				
10	Intangible	6,461	9,188	(2,727)
11	Production	8,687	21,114	(12,427)
12	Transmission	6,896	22,089	(15,193)
13	Distribution	17,028	33,385	(16,357)
14	General	8,819	9,189	(370)
15	Total Plant Cost	<u>47,891</u>	<u>94,965</u>	<u>(47,074)</u>
<u>Accumulated Depreciation</u>				
16	Intangible	(2,622)	(3,411)	789
17	Production	(7,664)	(11,229)	3,565
18	Transmission	(1,176)	(1,260)	84
19	Distribution	(9,306)	(14,098)	4,792
20	General	(5,160)	(3,967)	(1,193)
21	Total Accumulated Depreciation	<u>(25,928)</u>	<u>(33,966)</u>	<u>8,038</u>
<u>Accumulated DFIT</u>				
22	Intangible	(2,374)	(2,257)	(117)
23	Production	(3,339)	(4,180)	841
24	Transmission	(1,819)	(2,249)	430
25	Distribution	(5,271)	(6,167)	896
26	General	(11,635)	(11,048)	(587)
27	Total Accumulated DFIT	<u>(24,438)</u>	<u>(25,901)</u>	<u>1,463</u>
28	Net Rate Base	<u>(2,475)</u>	<u>35,098</u>	<u>(37,573)</u>

Source/Notes:

Company Workpapers E-CAP14 and Exhibit No.__(JSS-2), page 9 of 10.

The above adjustment results in plant in service, accumulated depreciation, ADFIT and depreciation expense based on End of Test Year 9/30/14 plant balances instead of End Of Period 12/31/14 projected balances incorporated in Company's filing. While Public Counsel does not recommend the above adjustment be made and the traditional AMA approach for the test year be maintained, if the Commission elects to adopt an End Of Period approach to capital additions for Avista's electric operations, then the amounts presented in Column (A) should be used instead of the per-Company amounts in Column (B) so that the EOP adjustment is based on amounts as of the end of the test year (i.e., September 2014) instead of a period 3-months beyond the end of the test year as proposed by the Company. Under this approach - EOP September 2014, Avista Adjustment 3.11 would be replaced by Column (A), above.