

Exhibit No. \_\_\_ (KHB-10C)  
Dockets UE-120436, et al.  
Witness: Kathryn H. Breda  
REDACTED VERSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION, d/b/a  
AVISTA UTILITIES,

Respondent.

DOCKETS UE-120436/UG-120437  
*(consolidated)*

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WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA  
UTILITIES,

Respondent.

DOCKETS UE-110876/UG-110877  
*(consolidated)*

EXHIBIT TO TESTIMONY OF

Kathryn H. Breda

STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

*Natural Gas Attrition Allowance*

September 19, 2012

Avista Corporation  
Docket UE-120436 and UG-120437  
Attrition Study - Natural Gas  
Washington State  
Dollars in Thousands

<b>Summary Natural Gas Attrition Allowance Calculation</b>				
		<b>Staff Pro Forma Results (a)</b>	<b>Two Year Escalation (b)</b>	<b>Attrition Projected Rate Year (c)</b>
1 Total Revenue		\$ 145,718	\$ 3,076	\$ 148,794
2 Total Operating Expense		127,543	4,638	132,181
3 Income Before Income Tax	L1-L2	\$ 18,175	\$ (1,562)	\$ 16,613
4 Federal Income Tax		5,228	(692)	4,536
5 Net Operating Income	L3-L4	\$ 12,947	\$ (870)	\$ 12,077
6 Net Rate Base		\$ 189,089	\$ 13,061	202,150
7 Return on Rate Base	L5/L6	6.85%		5.97%
8 Proposed Rate of Return		7.22%		7.22%
9 Operating Income Requirement	L6*L8	\$ 13,652		\$ 14,595
10 Operating Income Deficiency	L9-L5	\$ 705		\$ 2,518
11 Conversion Factor		0.620951		0.620951
12 Revenue Requirement	L10/L11	\$ 1,135		\$ 4,055
13 Revenue Growth Factor				\$ 1.02086
<b>14 Attrition Adjusted Revenue Requirement</b>				<b>\$ 3,972</b>
15 Staff Attrition Allowance	L14-L12	\$ 2,837		

Avista Corporation  
Docket UE-120436 and UG-120437  
Attrition Study - Gas  
Washington State  
Dollars in Thousands

Line No. (a)	Description (b)	2011 Restated Total (c)	1-Year Escalation Rate (d)	2-Year Escalation Rate (e)	2-Year Escalation Amount (f)	2013 Projected Amounts (g)
<b>REVENUES</b>						
1	Total General Business	\$ 141,882		2.09%	\$ 2,960	\$ 144,842
2	Total Transportation	\$ 2,201		5.25%	116	2,317
3	Other Revenues	\$ 1,635				1,635
4	Total Gas Revenues	145,718			3,076	148,794
<b>EXPENSES</b>						
Production Expenses						
5	City Gate Purchases	80,007		see calc	1,629	81,636
6	Purchased Gas Expense	(3)	-	-	-	(3)
7	Net Nat Gas Storage Trans	967	-	-	-	967
8	Total Production	80,971			1,629	82,600
Underground Storage						
9	Operating Expenses	673	4.67%	9.56%	64	737
10	Depreciation/Amortization	332	5.81%	11.96%	40	372
11	Taxes	19	3.89%	7.94%	2	21
12	Total Underground Storage	1,024			106	1,130
Distribution						
13	Operating Expenses	8,854	4.67%	9.56%	847	9,701
14	Depreciation/Amortization	6,974	5.81%	11.96%	834	7,808
15	Taxes	7,656	3.89%	7.94%	608	8,264
16	Total Distribution	23,484			2,289	25,773
17	Customer Accounting	5,693	4.67%	9.56%	544	6,237
18	Customer Service & Information	823	4.67%	9.56%	79	902
19	Sales Expenses	3	4.67%	9.56%	-	3
Administrative & General						
20	Operating Expenses	\$ 11,116	4.67%	9.56%	1,063	12,179
21	Depreciation/Amortization	\$ 3,315	7.15%	14.81%	491	3,806
22	Regulatory Amortizations	\$ (449)	-	-	-	(449)
23	Taxes	\$ -	3.89%	7.94%	-	-
24	Total Admin. & General	13,982			1,554	15,536
25	Total Gas Expense	125,980			6,201	132,181
26	OPERATING INCOME BEFORE FIT	19,738			(3,125)	16,613

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Dollars in Thousands

Line No. (a)	Description (b)	2011 Restated Total (c)	1-Year Escalation Rate (d)	2-Year Escalation Rate (e)	2-Year Escalation Amount (f)	2013 Projected Amounts (g)
<b>FEDERAL INCOME TAX</b>						
27	Current Accrual	124			(1,094)	(970)
28	Debt Interest	(17)			(141)	(158)
29	Deferred FIT	5,691				5,691
30	Amort ITC	(27)				(27)
31	<b>NET OPERATING INCOME</b>	<b>\$ 13,967</b>			<b>\$ (1,890)</b>	<b>\$ 12,077</b>
<b>RATE BASE</b>						
<b>PLANT IN SERVICE</b>						
32	Underground Storage	\$ 22,008			\$ 2,685	\$ 24,693
33	Distribution Plant	\$281,279			\$ 21,057	\$ 302,336
34	General Plant	\$ 38,971			\$ 13,532	\$ 52,503
35	<b>Total Plant in Service</b>	<b>342,258</b>			<b>37,274</b>	<b>379,532</b>
<b>ACCUMULATED DEPRECIATION/AMORT</b>						
36	Underground Storage	8,286			\$ 788	9,074
37	Distribution Plant	97,489			\$ 12,746	110,235
38	General Plant	10,926			\$ 4,832	15,758
39	<b>Total Accumulated Depreciation/Amortization</b>	<b>116,701</b>			<b>18,366</b>	<b>135,067</b>
40	<b>NET PLANT</b>	<b>225,557</b>			<b>18,908</b>	<b>244,465</b>
41	<b>DEFERRED TAXES</b>	<b>(42,004)</b>			<b>(5,847)</b>	<b>(47,851)</b>
42	Net Plant After DFIT	183,553			13,061	196,614
43	<b>GAS INVENTORY</b>	<b>2,980</b>			<b>-</b>	<b>2,980</b>
44	<b>GAIN ON SALE OF BUILDING</b>	<b>-</b>			<b>-</b>	<b>-</b>
45	<b>OTHER</b>	<b>(1,012)</b>			<b>-</b>	<b>(1,012)</b>
46	<b>WORKING CAPITAL</b>	<b>3,568</b>			<b>-</b>	<b>3,568</b>
47	<b>TOTAL RATE BASE</b>	<b>\$189,089</b>			<b>\$ 13,061</b>	<b>\$ 202,150</b>
<b>ATTRITION ADJUSTED REVENUE REQUIREMENT</b>						
48	Proposed Rate of Return	7.39%				5.97%
49	Net Operating Income Requirement	\$ 13,652				\$ 14,595
50	Net Operating Income per Above	13,967				12,077
51	Net Operating Income Deficiency	\$ (315)				\$ 2,518
52	Conversion Factor	0.62095				0.62095
53	Revenue Requirement	\$ (507)				4,055
54	Revenue Growth Factor					1.02086
<b>55</b>	<b>ATTRITION ADJUSTED REVENUE REQUIREMENT</b>					<b>\$ 3,972</b>
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56	Staff Base Revenue Requirement	1,135				
57	Attrition Allowance	\$ 2,837				

AVISTA UTILITIES  
 WASHINGTON NATURAL GAS  
 BILLING DETERMINANT INDEX  
 2011 TO 2013 WEIGHTED REVENUE GROWTH

Line No.	Description A	Schedule B	Billing Determinant C	Revenue Model 2011 D	Forecast 2013 E	Billing Determinant Growth F=(E-D)/D	Revenue 2011 G	Weight H=G/SUM G	Weighted Growth I=FxH
1	General Svc	101	Basic/Min	1,748,256	1,779,062	1.76%	\$10,489,536	7.39%	0.13%
2	Lrg Gen Svc	111/112	Basic/Min	28,783	30,319	5.34%	\$4,375,304	3.08%	0.16%
3	Ex Lrg Gen Svc	121/122	Basic/Min	312	306	-1.92%	\$118,133	0.08%	0.00%
4	Interruptible Svc	131/132	Basic/Min	12	12	0.00%	\$0	0.00%	0.00%
5	General Svc	101	Volumes	119,024,606	121,315,568	1.92%	\$95,118,514	67.04%	1.29%
6	Lrg Gen Svc	111/112	Volumes	45,569,603	47,161,187	3.49%	\$27,640,186	19.48%	0.68%
7	Ex Lrg Gen Svc	121/122	Volumes	6,264,998	5,522,428	-11.85%	\$3,775,963	2.66%	-0.32%
8	Interruptible Svc	131/132	Volumes	642,905	987,486	53.60%	\$365,060	0.26%	0.14%
9	Total			171,502,112	174,988,682		\$141,882,696	100.00%	2.09%
10	Transportation Svc	146	Basic/Min	444	480	8.11%	\$111,000	2.97%	0.24%
11	Special Contract	148	Basic/Min	60	60	0.00%	\$325,584	8.71%	0.00%
12	Transportation Svc	146	Volumes	29,448,649	31,860,715	8.19%	\$2,090,277	55.93%	4.58%
13	Special Contract	148	Volumes	45,681,404	46,282,042	1.31%	\$1,210,145	32.38%	0.43%
14	Total			75,130,053	78,142,757		\$3,737,006	100.00%	5.25%
15	General Svc	101	Total Revenue				\$105,608,050		
16	Lrg Gen Svc	111/112	Total Revenue				\$32,015,490		
17	Ex Lrg Gen Svc	121/122	Total Revenue				\$3,894,096		
18	Interruptible Svc	131/132	Total Revenue				\$365,060		
19	Transportation Svc	146	Total Revenue				\$2,201,277		
20	Special Contract	148	Total Revenue				\$1,535,729		
21	Total						\$145,619,702		
Change in Purchased Gas Cost									
				2011	2013	Increase (Decrease)	Gas Costs Per Therm		
22	General Svc	101	Volumes	119,024,606	121,315,568	2,290,962	\$0.46817	\$1,072,560	
23	Lrg Gen Svc	111/112	Volumes	45,569,603	47,161,187	1,591,584	\$0.46488	\$739,896	
24	Ex Lrg Gen Svc	121/122	Volumes	6,264,998	5,522,428	-742,570	\$0.44824	-\$332,850	
25	Interruptible Svc	131/132	Volumes	642,905	987,486	344,581	\$0.42744	\$147,288	
26	Total			171,502,112	174,986,669	3,484,557			
27	Total Transp	146/148		75,130,053	78,142,757	3,012,704			
28	Total							\$1,627	\$1,628,520

Avista Corporation  
Docket UE-120436/UG-120437  
State of Washington  
Natural Gas Attrition Study - Revenue

1 **Smoothed General Service Growth**

Washington Total Natural Gas Usage							
	2011	2012	2013	2014	2015	2016	5 -Yr Average
2							
3							
4 General Service 101	119,024,606		121,315,568				
5 Lg. Gen. Service 111/112	45,569,603		47,161,187				
6 Ex. Lg. Gen Service 121/122	6,264,998		5,522,428				
7 Interruptible Service 131/132	642,905		987,486				
8 Total General Business	171,504,123		174,988,682				
9			#DIV/0!				
10			2.0%				
11 Transportation Service 146	29,448,649		31,393,095				
12 Special Contract 148	45,681,404		46,682,096				
13 Total Washington Usage	75,130,053		78,075,190				
14 Percentage Growth			#DIV/0!				
15 Percentage Growth 2011 to 2013			3.9%				

16 First Forecast (Response to DR 179C Attachment C)

Washington Total Natural Gas Usage							
	2011	2012	2013	2014	2015	2016	5 -Yr Average
17							
18							
19 General Service 101	119,024,606		118,855,778				
20 Lg. Gen. Service 111/112	45,569,603		48,890,073				
21 Ex. Lg. Gen Service 121/122	6,264,998		4,833,988				
22 Interruptible Service 131/132	642,905		1,825,414				
23 Total General Business	171,504,123		174,407,267				
24							
25			1.7%				
26 Transportation Service 146	29,448,649		28,315,995				
27 Special Contract 148	45,681,404		44,607,364				
28 Total Transportation/Special Contract	75,130,053		72,923,360				
29 Percentage Growth							
30 Percentage Growth 2011 to 2013			-2.9%				

31 July 27, 2012 Update (Supplemental Response to Staff DR178C Attachment B)

Washington Total Natural Gas Usage							
	2011	2012	2013	2014	2015	2016	5 -Yr Average
32							
33							
34 General Service 101	119,024,606		118,951,416				
35 Lg. Gen. Service 111/112	45,569,603		47,538,560				
36 Ex. Lg. Gen Service 121/122	6,264,998		4,374,339				
37 Interruptible Service 131/132	642,905		1,802,748				
38 Total General Business	171,504,123		172,669,075				
39							
40			0.7%				
41 Transportation Service 146	29,448,649		31,860,715				
42 Special Contract 148	45,681,404		46,282,042				
43 Total Washington Usage	75,130,053		78,142,757				
44 Percentage Growth							
45 Percentage Growth 2011 to 2013			4.0%				

46 First Forecast (Response to DR 179C Attachment C)

Washington Customers by Class							
	2011	2012	2013	2014	2015	2016	5 -Yr Average
47							
48							
49 General Service 101	146,987						
50 Lg. Gen. Service 111/112	2,392						
51 Ex. Lg. Gen Service 121/122	25						
52 Interruptible Service 131/132	1						
53 Transportation Service 146	35						
54 Special Contract 148	5						
55 Total Washington Customers	149,445						
56 Percentage Growth							
57 Percentage Growth 2011 to 2013							

58 July 27, 2012 Update (Supplemental Response to Staff DR178C Attachment B)

Washington Customers by Class							
	2011	2012	2013	2014	2015	2016	5 -Yr Average
59							
60							
61 General Service 101	146,987						
62 Lg. Gen. Service 111/112	2,392						
63 Ex. Lg. Gen Service 121/122	25						
64 Interruptible Service 131/132	1						
65 Transportation Service 146	35						
66 Special Contract 148	5						
67 Total Washington Customers	149,445						
68 Percentage Growth							
69 Percentage Growth 2011 to 2013							