

Exhibit No. ___ (KHB-8)
Dockets UE-120436, et al.
Witness: Kathryn H. Breda

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)**

**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**

Staff Adjustment 3.09, Electric - Pullman Smart Grid Adjustment

September 19, 2012

AVISTA UTILITIES
WASHINGTON ELECTRIC RESULTS
TWELVE MONTHS ENDED DECEMBER 31, 2011
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma 2011 Smart Grid Disallowance
	Adjustment Number	3.09
	REVENUES	
1	Total General Business	\$0
2	Interdepartmental Sales	-
3	Sales for Resale	-
4	Total Sales of Electricity	-
5	Other Revenue	-
6	Total Electric Revenue	-
	EXPENSES	
	Production and Transmission	
7	Operating Expenses	-
8	Purchased Power	-
9	Depreciation/Amortization	-
10	Regulatory Amortization	-
11	Taxes	-
12	Total Production & Transmission	-
	Distribution	
13	Operating Expenses	-
14	Depreciation/Amortization	-
15	Taxes	-
16	Total Distribution	-
17	Customer Accounting	-
18	Customer Service & Information	-
19	Sales Expenses	-
	Administrative & General	
20	Operating Expenses	-
21	Depreciation/Amortization	-
22	Taxes	-
23	Total Admin. & General	-
24	Total Electric Expenses	-
25	OPERATING INCOME BEFORE FIT	-
	FEDERAL INCOME TAX	
26	Current Accrual	-
27	Debt Interest	9
28	Deferred Income Taxes	-
29	Amortized ITC - Noxon	-
30	NET OPERATING INCOME	<u><u>(\$9)</u></u>
	RATE BASE	
	PLANT IN SERVICE	
31	Intangible	\$0
32	Production	-
33	Transmission	-
34	Distribution	(896)
35	General	-
36	Total Plant in Service	<u>(896)</u>
	ACCUMULATED DEPRECIATION/AMORT	
37	Intangible	-
38	Production	-
39	Transmission	-
40	Distribution	(88)
41	General	-
42	Total Accumulated Depreciation	<u>(88)</u>
43	NET PLANT	<u>(807)</u>
44	DEFERRED TAXES	<u>(19)</u>
45	Net Plant After DFIT	<u>(827)</u>
46	DEFERRED DEBITS AND CREDITS	-
47	WORKING CAPITAL	-
48	TOTAL RATE BASE	<u><u>(\$827)</u></u>
49	RATE OF RETURN	

AVISTA UTILITIES
WASHINGTON ELECTRIC RESULTS
TWELVE MONTHS ENDED DECEMBER 31, 2011
(000'S OF DOLLARS)

Line No.	DESCRIPTION	2013 Smart Grid Disallowance
	Adjustment Number	
	REVENUES	
1	Total General Business	\$0
2	Interdepartmental Sales	-
3	Sales for Resale	-
4	Total Sales of Electricity	-
5	Other Revenue	-
6	Total Electric Revenue	-
	EXPENSES	
	Production and Transmission	
7	Operating Expenses	-
8	Purchased Power	-
9	Depreciation/Amortization	-
10	Regulatory Amortization	-
11	Taxes	-
12	Total Production & Transmission	-
	Distribution	
13	Operating Expenses	-
14	Depreciation/Amortization	-
15	Taxes	-
16	Total Distribution	-
17	Customer Accounting	-
18	Customer Service & Information	-
19	Sales Expenses	-
	Administrative & General	
20	Operating Expenses	-
21	Depreciation/Amortization	-
22	Taxes	-
23	Total Admin. & General	-
24	Total Electric Expenses	-
25	OPERATING INCOME BEFORE FIT	-
	FEDERAL INCOME TAX	
26	Current Accrual	-
27	Debt Interest	30
28	Deferred Income Taxes	-
29	Amortized ITC - Noxon	-
30	NET OPERATING INCOME	<u><u>(\$30)</u></u>
	RATE BASE	
	PLANT IN SERVICE	
31	Intangible	\$0
32	Production	-
33	Transmission	-
34	Distribution	(4,165)
35	General	-
36	Total Plant in Service	<u>(4,165)</u>
	ACCUMULATED DEPRECIATION/AMORT	
37	Intangible	-
38	Production	-
39	Transmission	-
40	Distribution	(508)
41	General	-
42	Total Accumulated Depreciation	<u>(508)</u>
43	NET PLANT	<u>(3,658)</u>
44	DEFERRED TAXES	<u>(27)</u>
45	Net Plant After DFIT	<u>(3,685)</u>
46	DEFERRED DEBITS AND CREDITS	-
47	WORKING CAPITAL	-
48	TOTAL RATE BASE	<u><u>(\$3,685)</u></u>
49	RATE OF RETURN	

Avista Utilities
UE-120436 and UG-120437
Based on PC Data Request No. 244

Estimated rate impact of Pullman Smart Grid Demonstration Project at proposed rate of return and all other costs constant

Disallowance		cost effective
Pullman project cost	Avoided Cost	%
\$/mWh	\$/mWh	
\$ 159	\$ 100	63%

Rate/%	Amount Requested AMA 2011	Amount Requested EOY 2012	Amount Requested EOY 2013	AMA 2013	Disallowance	
					2011	2013
	cumulative				in \$000	
	2,227,360	10,183,197	9,677,850	9,930,524	827	3,685
0.0722	\$ 160,815	\$ 735,227	\$ 698,741	\$ 716,984	\$ 60	\$ 266
	\$ 2,413,907	\$ 11,127,814	\$ 11,322,814	\$ 11,225,314	\$ 896	\$ 4,165
	\$ (238,253)	\$ (1,040,895)	\$ (1,695,949)	\$ (1,368,422)	\$ (88)	\$ (508)
	\$ 51,706	\$ 96,279	\$ 50,986	\$ 73,632	\$ 19	\$ 27
	2,227,360	10,183,197	9,677,850	9,930,524	827	3,685
	\$ 160,815	\$ 735,227	\$ 698,741	\$ 716,984	\$ 60	\$ 266

Total Estimated Investment						
WA share 100%						
Estimated Capital Investment						
Accumulated Depreciation						
Accumulated Deferred DFIT						
Estimated Net Rate Base						
Return on Rate Base (per Staff)						
Depreciation Expense	\$ 476,505	\$ 564,390	\$ 655,054	\$ 609,722	\$ -	\$ -
Property Tax Expense***	-	\$ 58,899	\$ 135,759	\$ 97,329	\$ -	\$ -
O&M Related Expenses	\$ 446,055	-	-	-	\$ -	\$ -
Less Offsets *	\$ 110,019	\$ (39,350)	\$ (21,226)	\$ (30,288)	\$ -	\$ -
Total Expenses	1,032,579	583,939	769,588	676,764	-	-
Net Operating Income Before FIT	(1,032,579)	(583,939)	(769,588)	(676,764)	-	-
FIT Benefit of Depreciation and Property Tax	361,403	204,379	269,356	236,867	-	-
FIT Benefit of Interest Expense	23,153	105,854	100,601	103,228	9	38
Net Operating Income Impact	\$ (648,023)	\$ (273,706)	\$ (399,631)	\$ (336,669)	\$ 9	\$ 38
Net Operating Income Requirement	\$ 808,838	\$ 1,008,933	\$ 1,098,372	\$ 1,053,652	\$ 51	\$ 228
Conversion Factor						
Total Revenue Requirement of Program	\$ 1,302,855	\$ 1,625,162	\$ 1,769,227	\$ 1,697,195	\$ 82	\$ 367

* Includes additional costs as noted in Staff_DR_30-Attachment BC (2530)
**** Updated with the new levy rates as indicated in the Company's response to Staff's DR No. 333C.