

Exhibit No. ____ (CTM-2)
Dockets UE-120436 et al.
Witness: Christopher T. Mickelson

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
CHRISTOPHER T. MICKELSON
STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Electric Cost of Service

September 19, 2012

**AVISTA UTILITIES
WASHINGTON ELECTRIC
COST OF SERVICE
12 MONTHS ENDED DECEMBER 31, 2011**

Line No.	Description	A	B	C	D	E	F	G	H	I
		System Total	Residential Service Sch 1	General Service Sch 11-12	Large Gen Service Sch 21-22	Extra Large Gen Service Sch 25	Pumping Service Sch 31-32	Street & Area Lights Sch 41-49		
1	Plant In Service									
2	Production Plant	775,077,000	351,949,128	65,666,765	200,925,570	137,373,555	16,136,480	3,025,502		
3	Transmission Plant	333,426,000	151,403,009	28,248,815	86,435,037	59,095,954	6,941,661	1,301,524		
4	Distribution Plant	695,186,000	377,267,679	76,499,108	164,018,215	25,510,159	16,701,655	35,189,183		
5	Intangible Plant	86,962,000	40,306,630	7,586,235	22,300,213	14,204,122	1,835,203	729,597		
6	General Plant	140,219,000	75,745,432	13,821,565	30,433,714	14,500,415	2,875,836	2,842,039		
7	Total Plant In Service	2,030,870,000	996,671,877	191,822,488	504,112,749	250,684,205	44,490,835	43,087,846		
8										
9	Accum Depreciation									
10	Production Plant	(341,353,000)	(155,002,523)	(28,920,413)	(88,489,977)	(60,500,924)	(7,106,695)	(1,332,467)		
11	Transmission Plant	(111,284,000)	(50,532,149)	(9,428,302)	(28,848,490)	(19,723,819)	(2,316,843)	(434,396)		
12	Distribution Plant	(209,013,000)	(112,706,070)	(22,229,057)	(47,127,723)	(7,405,287)	(4,788,284)	(14,756,578)		
13	Intangible Plant	(13,861,000)	(6,655,330)	(1,269,877)	(3,484,099)	(1,928,843)	(299,183)	(223,668)		
14	General Plant	(47,365,000)	(25,771,332)	(4,681,471)	(10,158,532)	(4,839,353)	(965,322)	(948,989)		
15	Total Accumulated Depreciation	(722,876,000)	(350,667,405)	(66,529,121)	(178,108,821)	(94,398,227)	(15,476,328)	(17,696,098)		
16										
17	Net Plant	1,307,994,000	646,004,472	125,293,367	326,003,929	156,285,978	29,014,507	25,391,748		
18	Accumulated Deferred FIT	(206,296,000)	(101,500,853)	(19,493,115)	(51,019,514)	(25,440,171)	(4,507,674)	(4,334,673)		
19	Miscellaneous Rate Base	23,574,000	9,915,065	2,073,877	6,856,757	3,670,353	557,969	499,978		
20	Total Rate Base	1,125,272,000	554,418,683	107,874,129	281,841,172	134,516,160	25,064,802	21,557,053		
21										
22	Revenue From Retail Rates	455,105,000	198,459,000	55,514,000	126,921,000	58,190,000	9,439,000	6,582,000		
23	Other Operating Revenues	67,978,000	31,176,133	5,847,445	17,541,024	11,558,990	1,426,408	428,000		
24	Total Revenues	523,083,000	229,635,133	61,361,445	144,462,024	69,748,990	10,865,408	7,010,000		
25										
26	Operating Expenses									
27	Production Expenses	209,676,000	95,210,263	17,764,357	54,354,948	37,162,679	4,365,286	818,467		
28	Transmission Expenses	20,534,000	9,324,136	1,739,700	5,323,091	3,639,417	427,501	80,154		
29	Distribution Expenses	20,286,000	10,727,108	2,620,720	4,374,831	761,861	530,639	1,270,841		
30	Customer Accounting Expenses	10,825,000	8,374,486	1,301,007	669,662	306,505	131,555	41,786		
31	Customer Information Expenses	1,235,000	870,577	132,077	129,382	82,529	17,542	2,893		
32	Sales Expenses	4,000	1,724	353	1,067	747	90	19		
33	Admin & General Expenses	44,480,000	22,264,061	4,212,258	10,426,115	6,028,195	925,132	624,239		
34	Total O&M Expenses	307,040,000	146,772,356	27,770,471	75,279,096	47,981,933	6,397,744	2,838,399		
35										
36	Taxes Other Than Income Taxes	33,268,000	15,118,847	3,599,376	8,894,274	4,447,935	703,559	504,009		
37	Other Income Related Items	(418,000)	(196,895)	(37,440)	(106,496)	(62,842)	(8,959)	(5,369)		
38	Depreciation Expense									
39	Production Plant Depreciation	17,392,000	7,897,408	1,473,501	4,508,581	3,082,534	362,087	67,889		
40	Transmission Plant Depreciation	6,428,000	2,918,844	544,599	1,666,350	1,139,290	133,826	25,092		
41	Distribution Plant Depreciation	19,762,000	10,727,967	2,208,676	4,659,981	743,619	479,722	942,036		
42	General Plant Depreciation	11,617,000	6,170,914	1,136,076	2,586,748	1,245,546	241,113	236,602		
43	Amortization Expense	4,678,000	2,126,692	397,042	1,212,030	825,190	97,481	19,565		
44	Total Depreciation Expense	59,877,000	29,841,826	5,759,894	14,633,690	7,036,178	1,314,230	1,291,183		
45	Income Tax	29,418,000	6,957,572	6,960,395	12,315,901	2,054,627	559,489	570,016		
46	Total Operating Expenses	429,185,000	198,493,706	44,052,697	111,016,465	61,457,831	8,966,063	5,198,238		
47										
48	Net Income	93,898,000	31,141,427	17,308,747	33,445,559	8,291,159	1,899,345	1,811,762		
49										
50	Rate of Return	8.34%	5.62%	16.05%	11.87%	6.16%	7.58%	8.40%		
51	Return Ratio	1.00	0.67	1.92	1.42	0.74	0.91	1.01		
52	Interest Expense	34,872,000	17,181,347	3,343,002	8,734,213	4,168,634	776,754	668,050		
53										
54	Functional Cost Components at Current Return by Schedule									
55	Production	241,998,203	102,251,559	24,673,321	68,633,067	40,547,019	4,946,170	947,067		
56	Transmission	44,174,248	16,460,181	5,707,940	14,231,293	6,724,999	876,278	173,558		
57	Distribution	104,598,014	49,383,474	17,660,111	27,718,693	3,095,988	2,302,236	4,437,513		
58	Common	64,334,535	30,363,786	7,472,628	16,337,947	7,821,994	1,314,316	1,023,862		
59	Total Current Rate Revenue	455,105,000	198,459,000	55,514,000	126,921,000	58,190,000	9,439,000	6,582,000		
60										

Line No.	A Description	B	C System Total	D Residential Service Sch 1	E General Service Sch 11-12	F Large Gen Service Sch 21-22	G Extra Large Gen Service Sch 25	H Pumping Service Sch 31-32	I Street & Area Lights Sch 41-49	
61	Expressed as \$/kWh									
62	Production		\$0.04341	\$0.04278	\$0.05040	\$0.04632	\$0.03813	\$0.03982	\$0.03659	
63	Transmission		\$0.00792	\$0.00689	\$0.01166	\$0.00960	\$0.00632	\$0.00706	\$0.00670	
64	Distribution		\$0.01876	\$0.02066	\$0.03607	\$0.01871	\$0.00291	\$0.01854	\$0.17142	
65	Common		\$0.01154	\$0.01270	\$0.01526	\$0.01103	\$0.00736	\$0.01058	\$0.03955	
66	Total Current Melded Rates		\$0.08164	\$0.08303	\$0.11339	\$0.08565	\$0.05473	\$0.07600	\$0.25426	
67										
68	Functional Cost Components at Uniform Current Return									
69	Production		243,382,424	110,515,770	20,620,063	63,092,767	43,136,758	5,067,026	950,040	
70	Transmission		44,847,695	20,364,567	3,799,626	11,626,005	7,948,742	933,693	175,062	
71	Distribution		104,674,066	59,618,664	12,130,631	22,318,938	3,679,472	2,453,366	4,472,995	
72	Common		64,870,858	33,064,996	6,171,107	14,974,573	8,280,437	1,350,043	1,029,702	
73	Total Uniform Current Cost		457,775,043	223,563,997	42,721,427	112,012,283	63,045,408	9,804,128	6,627,800	
74										
75	Expressed as \$/kWh									
76	Production		\$0.04366	\$0.04624	\$0.04212	\$0.04258	\$0.04057	\$0.04080	\$0.03670	
77	Transmission		\$0.00804	\$0.00852	\$0.00776	\$0.00785	\$0.00748	\$0.00752	\$0.00676	
78	Distribution		\$0.01878	\$0.02494	\$0.02478	\$0.01506	\$0.00346	\$0.01975	\$0.17279	
79	Common		\$0.01164	\$0.01383	\$0.01261	\$0.01011	\$0.00779	\$0.01087	\$0.03978	
80	Total Current Uniform Melded Rates		\$0.08211	\$0.09354	\$0.08726	\$0.07559	\$0.05929	\$0.07894	\$0.25603	
81										
82	Revenue to Cost Ratio at Current Rates		0.99	0.89	1.30	1.13	0.92	0.96	0.99	
83				0.89	1.31	1.14	0.93	0.97	1.00	
84										
85	Functional Cost Components at Proposed Return by Schedule									
86	Production		234,854,838	100,673,556	23,251,679	65,187,571	39,967,144	4,857,522	917,365	
87	Transmission		40,797,090	15,712,631	5,036,531	12,604,111	6,450,008	834,287	159,523	
88	Distribution		96,746,608	47,425,707	15,712,257	24,336,718	2,964,971	2,192,178	4,114,777	
89	Common		62,326,463	29,850,591	7,011,348	15,476,599	7,719,723	1,288,834	979,368	
90	Total Proposed Rate Revenue		434,725,000	193,662,486	51,011,815	117,604,999	57,101,847	9,172,820	6,171,034	
91										
92	Expressed as \$/kWh									
93	Production		\$0.04213	\$0.04212	\$0.04749	\$0.04399	\$0.03759	\$0.03911	\$0.03544	
94	Transmission		\$0.00732	\$0.00657	\$0.01029	\$0.00851	\$0.00607	\$0.00672	\$0.00616	
95	Distribution		\$0.01735	\$0.01984	\$0.03209	\$0.01642	\$0.00279	\$0.01765	\$0.15895	
96	Common		\$0.01118	\$0.01249	\$0.01432	\$0.01044	\$0.00726	\$0.01038	\$0.03783	
97	Total Proposed Melded Rates		\$0.07798	\$0.08103	\$0.10420	\$0.07936	\$0.05370	\$0.07386	\$0.23839	
98										
99	Functional Cost Components at Uniform Requested Return									
100	Production		235,194,438	106,797,747	19,926,353	60,970,170	41,685,531	4,896,559	918,078	
101	Transmission		40,957,156	18,597,940	3,470,009	10,617,448	7,259,189	852,695	159,876	
102	Distribution		96,075,306	54,978,138	11,171,634	20,213,047	3,349,078	2,240,383	4,123,026	
103	Common		62,498,100	31,827,827	5,940,708	14,429,975	8,018,949	1,299,985	980,657	
104	Total Uniform Cost		434,725,000	212,201,652	40,508,703	106,230,640	60,312,745	9,289,623	6,181,636	
105										
106	Expressed as \$/kWh									
107	Production		\$0.04219	\$0.04468	\$0.04070	\$0.04114	\$0.03921	\$0.03943	\$0.03547	
108	Transmission		\$0.00735	\$0.00778	\$0.00709	\$0.00716	\$0.00683	\$0.00687	\$0.00618	
109	Distribution		\$0.01723	\$0.02300	\$0.02282	\$0.01364	\$0.00315	\$0.01804	\$0.15927	
110	Common		\$0.01121	\$0.01332	\$0.01213	\$0.00974	\$0.00754	\$0.01047	\$0.03788	
111	Total Uniform Melded Rates		\$0.07798	\$0.08878	\$0.08274	\$0.07169	\$0.05672	\$0.07480	\$0.23880	
112										
113	Revenue to Cost Ratio at Proposed Rates		1.00	0.91	1.26	1.11	0.95	0.99	1.00	
114										
115	Current Revenue to Proposed Cost Ratio		1.05	0.94	1.37	1.19	0.96	1.02	1.06	
116										
117	Target - Base Case		(20,379,000)	13,742,000	(15,005,000)	(20,690,000)	2,123,000	(149,000)	(400,000)	
118										
119	Cost Classifications at Current Return by Schedule									
120	Energy		229,662,298	90,722,690	25,013,259	67,799,097	40,034,416	5,020,464	1,072,373	
121	Demand		221,110,748	96,777,534	27,755,719	67,140,606	21,806,494	4,551,746	3,078,648	
122	Customer		40,784,930	28,216,935	7,086,224	1,623,698	103,735	642,817	3,111,522	
123	Total Current Rate Revenue		491,557,976	215,717,159	59,855,201	136,563,401	61,944,645	10,215,027	7,262,542	
124										

Line No.	A Description	B	C System Total	D Residential Service Sch 1	E General Service Sch 11-12	F Large Gen Service Sch 21-22	G Extra Large Gen Service Sch 25	H Pumping Service Sch 31-32	I Street & Area Lights Sch 41-49	
125	Expressed as Unit Cost									
126	Energy	\$/kWh	\$0.04120	\$0.03796	\$0.05109	\$0.04575	\$0.03765	\$0.04042	\$0.04143	
127	Demand	\$/kW/mo	\$17.26	\$16.05	\$22.27	\$20.15	\$11.99	\$14.95	\$39.67	
128	Customer	\$/Cust/mo	\$14.45	\$11.67	\$20.86	\$50.45	\$392.93	\$22.32	\$787.93	
129										
130										
131	Cost Classifications at Uniform Current Return									
132	Energy		230,525,933	99,375,140	20,355,460	61,511,806	43,043,286	5,163,927	1,076,313	
133	Demand		221,660,794	112,046,743	20,148,979	57,738,091	23,852,924	4,773,202	3,100,854	
134	Customer		41,931,810	30,792,231	5,774,787	1,466,167	107,458	661,512	3,129,656	
135	Total Uniform Current Cost		494,118,537	242,214,115	46,279,226	120,716,064	67,003,668	10,598,641	7,306,823	
136										
137	Expressed as Unit Cost									
138	Energy	\$/kWh	\$0.04135	\$0.04158	\$0.04158	\$0.04151	\$0.04048	\$0.04158	\$0.04158	
139	Demand	\$/kW/mo	\$17.31	\$18.59	\$16.16	\$17.33	\$13.12	\$15.68	\$39.95	
140	Customer	\$/Cust/mo	\$14.86	\$12.74	\$17.00	\$45.56	\$407.04	\$22.97	\$792.52	
141										
142										
143	Revenue to Cost Ratio at Current Rates		0.99	0.89	1.29	1.13	0.92	0.96	0.99	
144				0.90	1.30	1.14	0.93	0.97	1.00	
145										
146	Cost Classifications at Proposed Return by Schedule									
147	Energy		221,643,908	89,069,168	23,379,023	63,887,276	39,360,061	4,915,199	1,033,181	
148	Demand		208,820,366	93,853,612	25,085,596	61,287,361	21,347,337	4,388,955	2,857,505	
149	Customer		39,539,664	27,724,898	6,626,097	1,525,679	102,905	629,099	2,930,987	
150	Total Proposed Rate Revenue		470,003,938	210,647,678	55,090,716	126,700,315	60,810,304	9,933,252	6,821,673	
151										
152	Expressed as Unit Cost									
153	Energy	\$/kWh	\$0.03976	\$0.03727	\$0.04775	\$0.04311	\$0.03702	\$0.03958	\$0.03991	
154	Demand	\$/kW/mo	\$16.31	\$15.57	\$20.12	\$18.40	\$11.74	\$14.42	\$36.82	
155	Customer	\$/Cust/mo	\$14.01	\$11.47	\$19.50	\$47.41	\$389.79	\$21.84	\$742.21	
156										
157										
158	Cost Classifications at Uniform Requested Return									
159	Energy		221,489,919	95,479,894	19,557,579	59,100,704	41,356,102	4,961,515	1,034,124	
160	Demand		208,168,835	105,166,791	18,844,722	54,129,140	22,704,909	4,460,451	2,862,822	
161	Customer		40,264,701	29,632,972	5,550,142	1,405,749	105,375	635,134	2,935,329	
162	Total Uniform Cost		469,923,455	230,279,657	43,952,443	114,635,593	64,166,386	10,057,100	6,832,275	
163										
164	Expressed as Unit Cost									
165	Energy	\$/kWh	\$0.03973	\$0.03995	\$0.03995	\$0.03988	\$0.03890	\$0.03995	\$0.03995	
166	Demand	\$/kW/mo	\$16.25	\$17.44	\$15.12	\$16.25	\$12.49	\$14.65	\$36.88	
167	Customer	\$/Cust/mo	\$14.27	\$12.26	\$16.34	\$43.68	\$399.15	\$22.05	\$743.31	
168										
169	Revenue to Cost Ratio at Proposed Rates		1.00	0.91	1.25	1.11	0.95	0.99	1.00	
170										
171	Current Revenue to Proposed Cost Ratio		1.05	0.94	1.36	1.19	0.97	1.02	1.06	
172										
173	Meter, Services, Meter Reading & Billing Costs by Schedule at Requested Rate of Return									
174										
175	Rate Base									
176	Services		76,191,000	65,366,953	9,186,636	858,563	0	778,848	0	
177	Services Accum. Depr.		(28,270,000)	(24,253,833)	(3,408,620)	(318,562)	0	(288,985)	0	
178	Total Services		47,921,000	41,113,120	5,778,015	540,001	0	489,863	0	
179										
180	Meters		26,286,000	16,055,740	6,137,585	3,050,265	61,020	981,391	0	
181	Meters Accum. Depr.		(4,947,000)	(3,021,675)	(1,155,088)	(574,057)	(11,484)	(184,697)	0	
182	Total Meters		21,339,000	13,034,065	4,982,497	2,476,208	49,536	796,694	0	
183										
184	Total Rate Base		69,260,000	54,147,185	10,760,513	3,016,209	49,536	1,286,557	0	
185										
186	Return on Rate Base @ 7.22%		5,000,572	3,909,427	776,909	217,770	3,576	92,889	0	
187	Revenue Conversion Factor		0.62082	0.62082	0.62082	0.62082	0.62082	0.62082	0.62082	
188	Rate Base Revenue Requirement		8,054,786	6,297,199	1,251,424	350,778	5,761	149,624	0	

Line No.	A Description	B	C System Total	D Residential Service Sch 1	E General Service Sch 11-12	F Large Gen Service Sch 21-22	G Extra Large Gen Service Sch 25	H Pumping Service Sch 31-32	I Street & Area Lights Sch 41-49
189									
190	Expenses								
191	Services Depr Exp		2,073,000	1,778,500	249,949	23,360	0	21,191	0
192	Meters Depr Exp		1,009,000	616,307	235,594	117,086	2,342	37,671	0
193	Services Operations Exp		479,000	410,951	57,755	5,398	0	4,896	0
194	Meters Operating Exp		1,717,000	1,048,760	400,907	199,243	3,986	64,104	0
195	Meters Maintenance Exp		89,000	54,362	20,781	10,328	207	3,323	0
196	Meter Reading		2,611,000	2,205,520	309,963	29,363	36,273	26,279	3,603
197	Billing		5,644,000	4,828,900	678,651	64,288	6,736	57,536	7,888
198									
199	Total Expenses		13,622,000	10,943,301	1,953,599	449,065	49,543	215,001	11,491
200	Revenue Conversion Factor		0.9551	0.9551	0.9551	0.9551	0.9551	0.9551	0.9551
201	Expense Revenue Requirement		14,262,381	11,457,754	2,045,440	470,176	51,872	225,108	12,032
202									
203	Total Meter, Service, Meter Reading, and Billing Cost		22,317,167	17,754,952	3,296,864	820,954	57,633	374,732	12,032
204									
205	Total Customer Bills		2,822,306	2,417,371	339,736	32,183	264	28,803	3,949
206									
207	Average Unit Cost per Month		\$7.91	\$7.34	\$9.70	\$25.51	\$218.31	\$13.01	\$3.05
208									
209									
210									
211	Total Customer Related Cost		40,264,701	29,632,972	5,550,142	1,405,749	105,375	635,134	2,935,329
212	Customer Related Unit Cost per Month		\$14.27	\$12.26	\$16.34	\$43.68	\$399.15	\$22.05	\$743.31
213									
214	Total Distribution Demand Related Cost		88,695,709	45,565,398	9,387,427	24,716,278	4,331,821	2,291,228	2,403,557
215	Dist Demand Related Unit Cost per Month		\$31.43	\$18.85	\$27.63	\$767.99	\$16,408.41	\$79.55	\$608.65
216									
217	Total Distribution Unit Cost per Month		\$45.69	\$31.11	\$43.97	\$811.67	\$16,807.56	\$101.60	\$1,351.96
218									