

**AVISTA UTILITIES**  
**COMMISSION STAFF 2015 ELECTRIC ATTRITION STUDY**  
**Calculation of General Revenue Requirement**  
**Washington - Electric System**  
**Twelve Months Ended December 31, 2013**  
**(000's of Dollars)**

Line No.	Description	(a) Attrition Balances	(b) Revenue Growth Factor	(c) Attrition Adjusted Balances	(d) After Attrition Adjustments (i)	(e) Final Balances	(f) 2014 Temporary Rate Increase	(g) 2015 Revenue Requirement
1	Attrition Rate Base	1,332,533	1.000000	\$1,332,533	\$473	\$1,333,006		
2	Proposed Rate of Return			6.77%	6.77%	6.77%		
3	Net Operating Income Requirement			\$90,212	\$32	\$90,245		
4	Attrition Net Operating Income	\$86,821	1.000000	\$86,821	(\$189)	\$86,632	\$95,352	
5	Net Operating Income Deficiency			\$3,391	\$221	\$3,613		
6	Revenue Conversion Factor			0.62049	0.62049	0.62049	0.62049	
7	Attrition Revenue Deficiency (Surplus)			<b>\$5,466</b>	<b>\$357</b>	<b>\$5,823</b>	<b>\$14,054</b>	<b>(\$8,231)</b>
8	Total General Business Revenues					\$466,872	\$480,926	\$472,695
9	Rate of Return (pre-attrition adjustment)					6.50%	7.15%	
10	Percentage Revenue Increase					1.25%		-1.71%
11	Attrition-Based Revenue Requirement					<b>\$472,695</b>		

Notes: (i) Adjustment included after the attrition calculated revenue requirement was to account for the Lake Spokane Deferral Amortization, proposed to start in the 2015 rate period. This adjustment represents activity which was not included in the 12/31/2013 normalized commission basis results used as the starting point for Staff's attrition analysis. This adjustment is the same as that included in the Company's direct case. Staff does not contest this adjustment.

**AVISTA UTILITIES**  
**Staff's Proposed Cost of Capital**  
**Washington - Electric System**  
**Twelve Months Ended December 31, 2013**

<b>Proposed Cap Structure</b>			
<u>Component</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Total Debt	58.00%	5.32%	3.09%
Common	42.00%	8.75%	3.68%
Total	<u>100.00%</u>		<u>6.77%</u>

After tax ROR  
5.6885%

**AVISTA UTILITIES**  
**Revenue Conversion Factor**  
**Washington - Electric System**  
**Twelve Months Ended December 31, 2013**

<b>Line No.</b>	<b>Description</b>	<b>Factor</b>
1	<b>Revenues</b>	<i>1.000000</i>
	<b>Expense:</b>	
2	Uncollectibles	0.004849
3	Commission Fees	0.002000
4	Washington Excise Tax	0.038546
5	Total Expense	<u>0.045395</u>
6	Net Operating Income Before FIT	<i>0.954605</i>
7	Federal Income Tax @ 35%	<u>0.334112</u>
8	<b>REVENUE CONVERSION FACTOR</b>	<u><u>0.620490</u></u>

**AVISTA'S 2015 ELECTRIC ATTRITION REVENUE REQUIREMENT**

CBR Line Number	DESCRIPTION	Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost			Other Cost & Revenue Adjustments			
		12.2013 Commission Basis Report Restated Totals	12.2013 (less) Normalized Net Power Supply	Proposed Working Capital & Restated Def. Deb/Cred Adjustment	Incremental Revenue Normalization Adjustment	December 2013 Escalation Base	Escalation Factor	Non-Energy Cost Escalation Amount	Trended 2015 Non-Energy Cost	(plus) 12.2013 Pro- Formed Net Energy Cost	(plus) Revenue Growth	2015 Revenue and Cost
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
<b>REVENUES</b>												
1	Total General Business	\$ 468,006		\$ -	\$ (2,018)	\$ 465,988	2.08%	\$ 465,988		\$ 9,679	\$ 475,667	
2	Interdepartmental Sales	\$ 884		\$ -	\$ -	\$ 884	2.08%	\$ 884		\$ 18	\$ 902	
3	Sales for Resale	\$ 75,349	\$ (75,349)	\$ -	\$ -	\$ -			\$ 44,341		\$ 44,341	
4	Subtotal: Sales of Electricity	\$ 544,239	\$ (75,349)	\$ -	\$ (2,018)	\$ 466,872		\$ 466,872	\$ 44,341	\$ 9,698	\$ 520,911	
5	Other Revenue	\$ 13,408	\$ (9,944)	\$ -	\$ -	\$ 3,464	4.48%	\$ 3,464	\$ 10,726	\$ 155	\$ 14,345	
6	Total Electric Revenue	\$ 557,647	\$ (85,293)	\$ -	\$ (2,018)	\$ 470,336		\$ 470,336	\$ 55,067	\$ 9,853	\$ 535,256	
<b>EXPENSES</b>												
<b>Production and Transmission</b>												
7	Operating Expenses	\$ 143,904	\$ (92,437)	\$ -	\$ 312	\$ 51,779	8.00%	\$ 4,142	\$ 55,921	\$ 85,959	\$ 141,881	
8	Purchased Power	\$ 109,034	\$ (109,034)	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 85,160	\$ 85,160	
9	Depreciation/Amortization	\$ 23,284		\$ -	\$ -	\$ 23,284	9.04%	\$ 2,106	\$ 25,390		\$ 25,390	
10	Regulatory Amortization	\$ 8,629		\$ -	\$ -	\$ 8,629	0.00%	\$ -	\$ 8,629		\$ 8,629	
11	Taxes	\$ 12,913		\$ -	\$ -	\$ 12,913	8.69%	\$ 1,122	\$ 14,035		\$ 14,035	
12	Subtotal: Production and Transmission	\$ 297,764	\$ (201,471)	\$ -	\$ 312	\$ 96,605		\$ 7,370	\$ 103,975	\$ 171,119	\$ 275,094	
<b>Distribution</b>												
13	Operating Expenses	\$ 20,878		\$ -	\$ -	\$ 20,878	8.00%	\$ 1,670	\$ 22,548		\$ 22,548	
14	Depreciation/Amortization	\$ 22,303		\$ -	\$ -	\$ 22,303	9.04%	\$ 2,017	\$ 24,320		\$ 24,320	
15	Taxes	\$ 23,288		\$ -	\$ (78)	\$ 23,210	8.69%	\$ 2,017	\$ 25,227	\$ 373	\$ 25,600	
16	Subtotal: Distribution	\$ 66,469		\$ -	\$ (78)	\$ 66,391		\$ 5,704	\$ 72,095	\$ -	\$ 72,468	
17	Customer Accounting	\$ 11,334		\$ -	\$ (10)	\$ 11,324	8.00%	\$ 906	\$ 12,230	\$ 47	\$ 12,277	
18	Customer Service & Information	\$ 1,516		\$ -	\$ -	\$ 1,516	8.00%	\$ 121	\$ 1,637		\$ 1,637	
19	Sales Expenses	\$ 5		\$ -	\$ -	\$ 5	8.00%	\$ 0	\$ 5		\$ 5	
<b>Administrative &amp; General</b>												
20	Operating Expenses	\$ 43,310		\$ -	\$ (4)	\$ 43,306	8.00%	\$ 3,464	\$ 46,770	\$ 19	\$ 46,790	
21	Depreciation/Amortization	\$ 14,721		\$ -	\$ -	\$ 14,721	9.04%	\$ 1,331	\$ 16,052		\$ 16,052	
22	Taxes	\$ -		\$ -	\$ -	\$ -	8.69%	\$ -	\$ -		\$ -	
23	Subtotal: Administrative and General	\$ 58,031	\$ -	\$ -	\$ (4)	\$ 58,027		\$ 4,796	\$ 62,823	\$ -	\$ 62,842	
24	Total Electric Expenses	\$ 435,119	\$ (201,471)	\$ -	\$ 220	\$ 233,868		\$ 18,897	\$ 252,765	\$ 171,119	\$ 424,324	
25	OPERATING INCOME BEFORE FIT	\$ 122,528	\$ 116,178	\$ -	\$ (2,238)	\$ 236,468		\$ (18,897)	\$ 217,571	\$ (116,052)	\$ 9,413	\$ 110,932

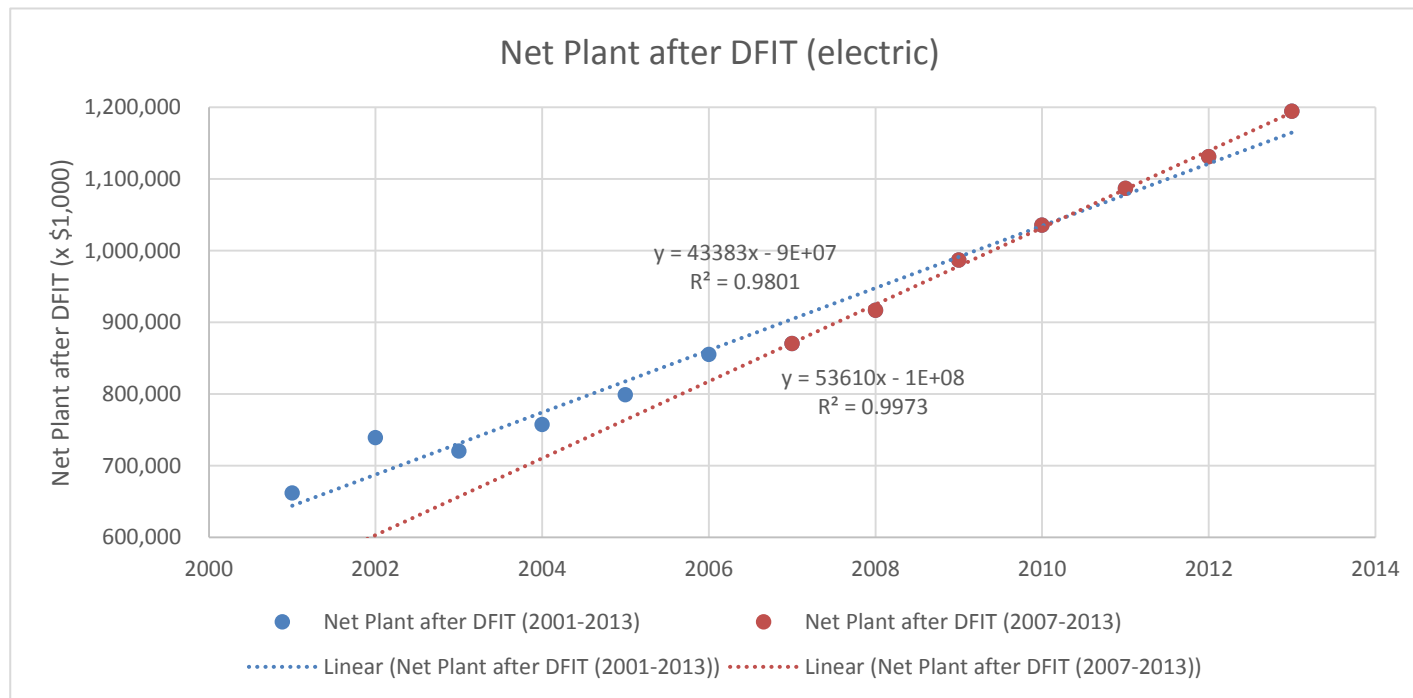
**AVISTA'S 2015 ELECTRIC ATTRITION REVENUE REQUIREMENT**

C B R L i n e N u m b e r		\$000s		Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost		Other Cost & Revenue Adjustments		
		12.2013 Commission Basis Report Restated Totals	12.2013 Normalized Net Power Supply	Proposed Working Capital & Restated Def. Deb/Cred	Incremental Revenue Normalization Adjustment	December 2013 Escalation Base	Escalation Factor	Non-Energy Cost Escalation Amount	Trended 2015 Non-Energy Cost	(plus) 12.2013 Pro- Formed Net Energy Cost	(plus) Revenue Growth	2015 Revenue and Cost
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
Federal Income Tax												
26	Current Accrual	\$ 19,267	\$ 40,662	\$ -	\$ (783)	\$ 59,146		\$ (6,614)	\$ 52,532	\$ (40,618)	\$ 3,295	\$ 15,208
27	Debt Interest	\$ 1		\$ (99)	\$ -	\$ (98)		\$ (1,481)	\$ (1,580)			\$ (1,580)
28	Deferred Income Taxes	\$ 10,613		\$ -	\$ -	\$ 10,613		\$ -	\$ 10,613			\$ 10,613
29	Amortized ITC - Noxon	\$ (130)		\$ -	\$ -	\$ (130)		\$ -	\$ (130)			\$ (130)
30												
31	<b>NET OPERATING INCOME</b>	<b>\$ 92,777</b>	<b>\$ 75,516</b>	<b>\$ 99</b>	<b>\$ (1,455)</b>	<b>\$ 166,937</b>		<b>\$ (10,802)</b>	<b>\$ 156,135</b>	<b>\$ (75,434)</b>	<b>\$ 6,119</b>	<b>\$ 86,821</b>
RATE BASE												
Plant in Service												
32	Intangible	\$ 91,466		\$ -	\$ -	\$ 91,466	8.12%	\$ 7,424	\$ 98,890			\$ 98,890
33	Production	\$ 738,315		\$ -	\$ -	\$ 738,315	8.12%	\$ 59,925	\$ 798,240			\$ 798,240
34	Transmission	\$ 359,941		\$ -	\$ -	\$ 359,941	8.12%	\$ 29,215	\$ 389,156			\$ 389,156
35	Distribution	\$ 796,640		\$ -	\$ -	\$ 796,640	8.12%	\$ 64,659	\$ 861,299			\$ 861,299
36	General	\$ 179,134		\$ -	\$ -	\$ 179,134	8.12%	\$ 14,539	\$ 193,673			\$ 193,673
37	Subtotal: Plant in Service	\$ 2,165,496	\$ -	\$ -	\$ -	\$ 2,165,496		\$ 175,763	\$ 2,341,259			\$ 2,341,259
Accumulated Depreciation and Amortization												
38	Intangible	\$ (17,667)		\$ -	\$ -	\$ (17,667)	8.12%	\$ (1,434)	\$ (19,101)			\$ (19,101)
39	Production	\$ (314,599)		\$ -	\$ -	\$ (314,599)	8.12%	\$ (25,534)	\$ (340,133)			\$ (340,133)
40	Transmission	\$ (122,308)		\$ -	\$ -	\$ (122,308)	8.12%	\$ (9,927)	\$ (132,235)			\$ (132,235)
41	Distribution	\$ (236,201)		\$ -	\$ -	\$ (236,201)	8.12%	\$ (19,171)	\$ (255,372)			\$ (255,372)
42	General	\$ (58,357)		\$ -	\$ -	\$ (58,357)	8.12%	\$ (4,737)	\$ (63,094)			\$ (63,094)
43	Subtotal: Accumulated Depreciation and Amortization	\$ (749,132)	\$ -	\$ -	\$ -	\$ (749,132)		\$ (60,803)	\$ (809,935)			\$ (809,935)
44	Net Plant	\$ 1,416,364	\$ -	\$ -	\$ -	\$ 1,416,364	\$ -	\$ 114,959	\$ 1,531,323			\$ 1,531,323
45	Deferred Taxes	(221,354)		\$ -	\$ -	(221,354)	8.12%	\$ (17,966)	\$ (239,320)			\$ (239,320)
46	Net Plant After Deferred taxes	\$ 1,195,010	\$ -	\$ -	\$ -	\$ 1,195,010	\$ 0	\$ 96,993	\$ 1,292,003			\$ 1,292,003
47	Deferred Debits and Credits	14,761		\$ (7,495)	\$ -	7,266	0.00%	\$ -	\$ 7,266			\$ 7,266
48	Working Capital	16,281		\$ 16,983	\$ -	33,264	0.00%	\$ -	\$ 33,264			\$ 33,264
49	<b>TOTAL RATE BASE</b>	<b>\$ 1,226,052</b>	<b>\$ -</b>	<b>\$ 9,488</b>	<b>\$ -</b>	<b>\$ 1,235,540</b>		<b>\$ 96,993</b>	<b>\$ 1,332,533</b>			<b>\$ 1,332,533</b>
50	<b>RATE OF RETURN</b>											<b>6.52%</b>
<b>ATTRITION ADJUSTED REVENUE REQUIREMENT</b>												
50	Proposed Rate of Return											6.77%
51	Return on Plant in Service at Proposed Rate	\$ 83,004										\$ 90,212
52	Operating Income Deficiency	\$ (9,773)										\$ 3,392
53	Revenue Conversion Factor	0.62049										0.62049
54	Revenue Requirement	\$ (15,751)										\$ 5,466
55	Revenue Growth Factor											1.000000
56	Attrition Adjusted Revenue Requirement											\$ 5,466
57	Plus After-Attrition Adjustments											\$ 5,823

## Growth Trends - Net Plant after Deferred Income Taxes

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Plant after DFIT (2001-2013)	662,278	739,502	720,602	757,756	799,091	855,712	870,835	917,247	987,243	1,036,064	1,087,141	1,131,570	1,195,010
Net Plant after DFIT (2007-2013)						870,835	917,247	987,243	1,036,064	1,087,141	1,131,570	1,195,010	

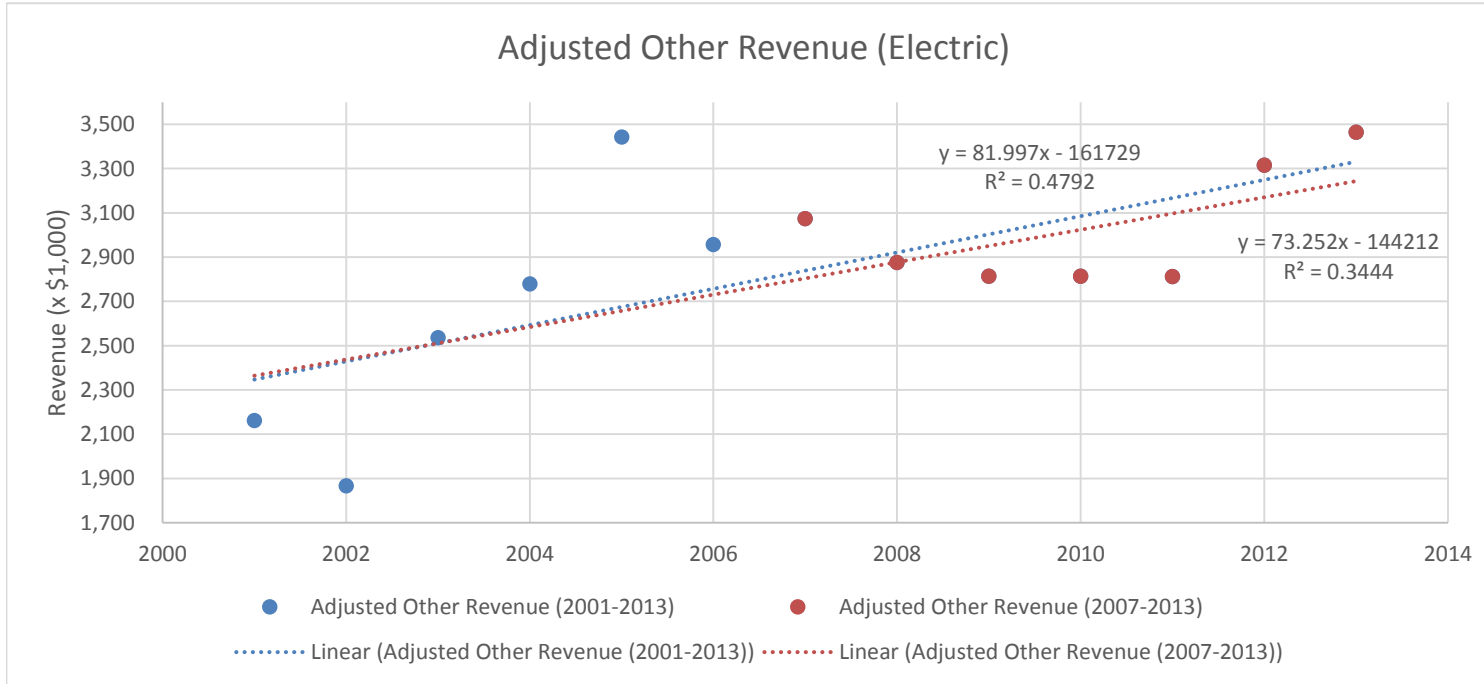
	Slope (Annual \$)	Rate	Two year
Regression (2001-2013)	43,383	0.0363	
Regression (2007-2013)	53,610	0.04486	
Weighted 50-50 (not plotted)		0.04058	8.12%



## Growth Trends - Adjusted Other Revenue (Electric)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Adjusted Other Revenue (2001-2013)	2,162	1,866	2,536	2,779	3,443	2,956	3,073	2,875	2,814	2,813	2,812	3,315	3,464
Adjusted Other Revenue (2007-2013)							3,073	2,875	2,814	2,813	2,812	3,315	3,464

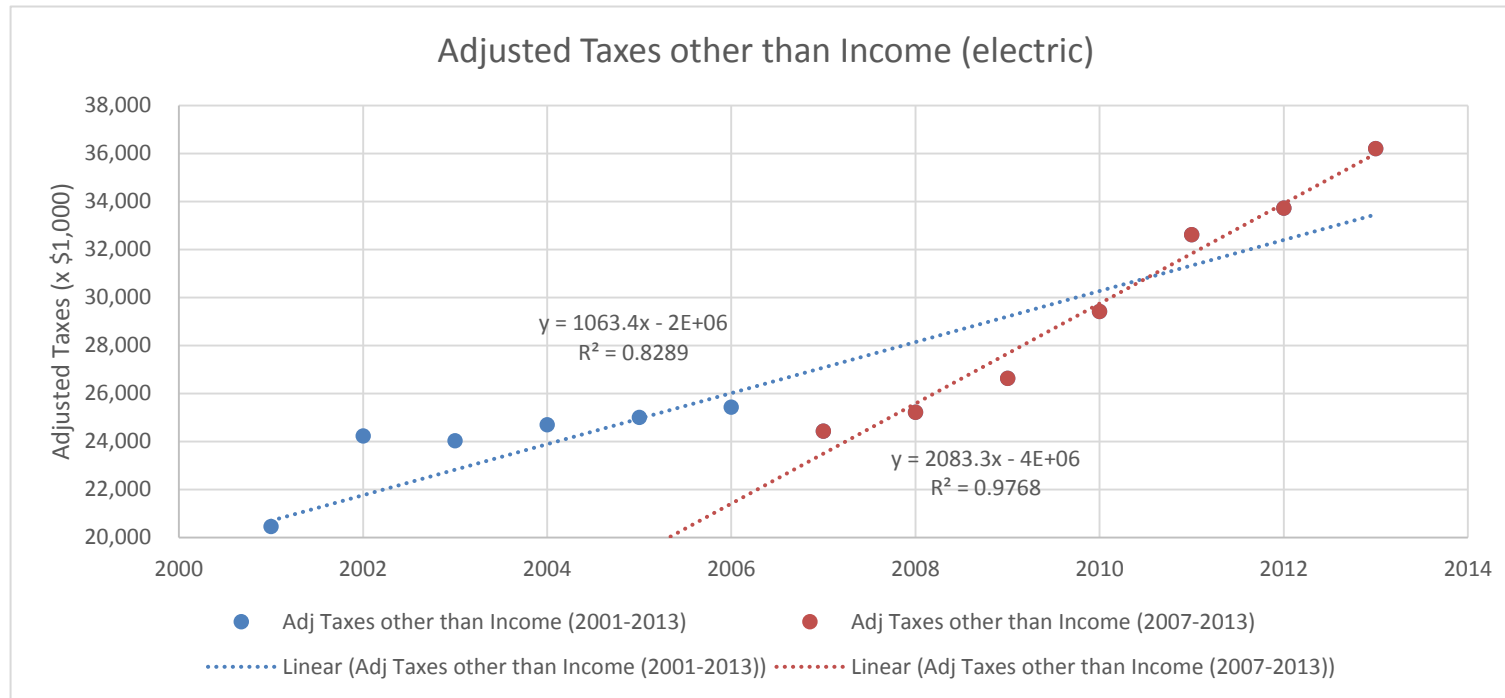
	Slope (annual \$)	Rate	Two year
Regression (2001-2013)	82.0	0.023672	
Regression (2007-2013)	73.3	0.021161	
Weighted 50-50 (not plotted)		0.022416	4.48%



## Growth Trends - Adjusted Taxes (other than income)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Adj Taxes other than Income (2001-2013)	20,455	24,219	24,018	24,687	24,996	25,422	24,422	25,215	26,617	29,412	32,614	33,715	36,201
Adj Taxes other than Income (2007-2013)							24,422	25,215	26,617	29,412	32,614	33,715	36,201

	Slope (Annual \$)	Rate	Two year
Regression (2001-2013)	1,063	0.02936	
Regression (2007-2013)	2,083	0.05754	
Weighted 50-50 (not plotted)		0.04345	8.69%

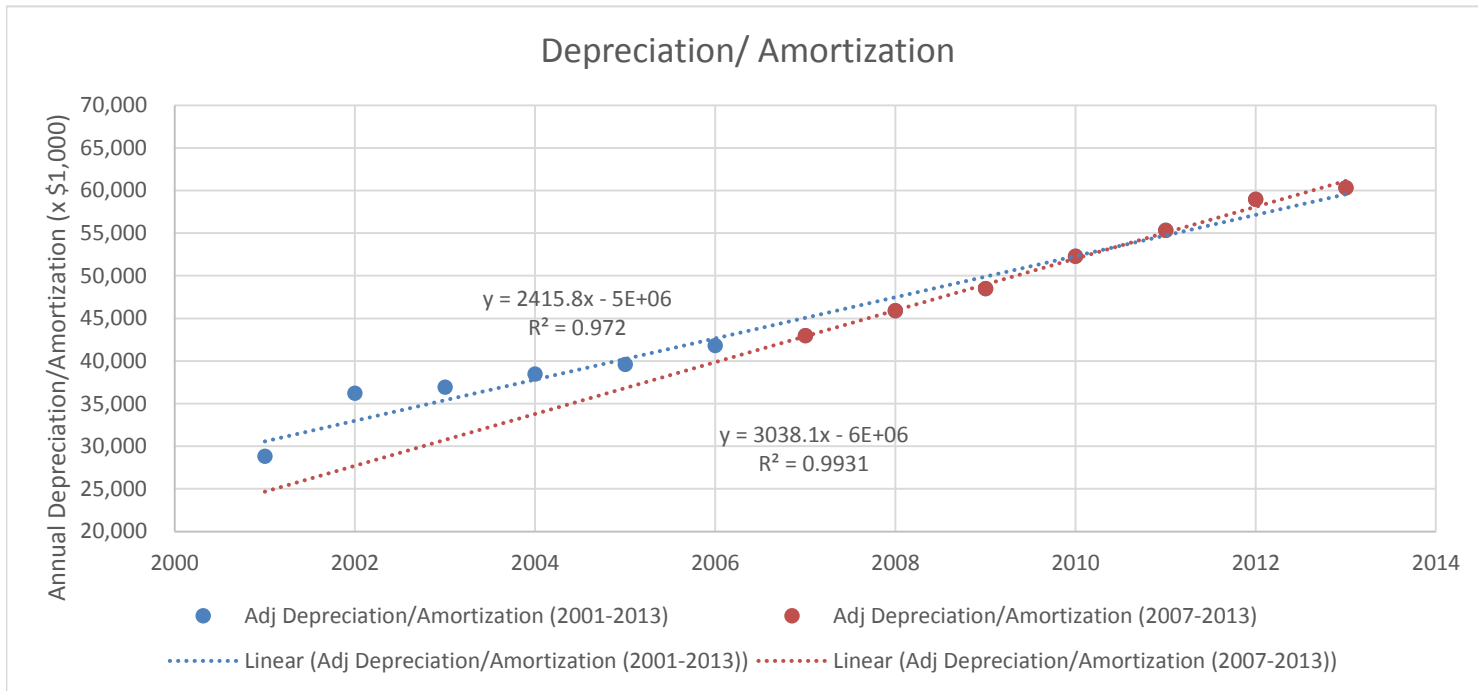




## Growth Trends - Adjusted Depreciation/Amortization

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Adj Depreciation/Amortization (2001-2013)	28,794	36,190	36,934	38,451	39,565	41,812	42,949	45,874	48,466	52,270	55,304	58,946	60,311
Adj Depreciation/Amortization (2007-2013)							42,949	45,874	48,466	52,270	55,304	58,946	60,311

	Slope (Annual \$)	Rate	Two year
Reg (2001-2013)	2,416	0.04006	
Reg (2007-2013)	3,038	0.05037	
Weighted 50-50 (not plotted)		0.04521	9.04%



## Growth Trends - Adjusted Operating Expense

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Adjusted Operating Expense (2001-2013)</b>	66,004	75,748	73,085	82,035	82,829	88,828	92,212	99,146	112,721	113,650	123,419	134,597	128,510
<b>Adjusted Operating Expense (2001-2013)</b>	66,004	75,748	73,085	82,035	82,829	88,828	92,212	99,146					128,510
<b>Adjusted Operating Expense (2009-2012)</b>									112,721	113,650	123,419	134,597	

	Slope (Annual \$)	Rate	Two year
<b>Regression (2001-2013) (not plotted)</b>	5,690	0.04428	
<b>Regression (2007-2013) (not plotted)</b>	6,803	0.05294	
<b>Regression (2001-2013, omit 2009-2012)</b>	4,979	0.03875	7.75%
<b>Avista-proposed rate</b>		0.04	8.00%

(Shown in plot below)      (Used for attrition analysis)

