

Exhibit No. \_\_\_\_ (JLB-2C)  
Dockets UE-150204/UG-150205  
Witness: Jason L. Ball  
REDACTED VERSION

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**AVISTA CORPORATION dba AVISTA  
UTILITIES,**

**Respondent.**

**DOCKETS UE-150204 and  
UG-150205  
(Consolidated)**

**EXHIBIT TO  
TESTIMONY OF**

**Jason L. Ball**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Electric Adjustments*

**July 27, 2015**

**CONFIDENTIAL PER PROTECTIVE ORDER  
REDACTED VERSION**

Avista Corporation  
**Restating - Excise Tax Adjustment 2.08**  
 2014 Electric Pro Forma - Test Year Ending 09/30/2014

<u>Line No.</u>		<b>Company</b>		<b>Staff</b>	
		<u>Total Washington Amount</u>		<u>Total Washington Amount</u>	
1	<b>EXPENSES</b>				
2	Distribution				
3	15 Taxes	\$ (63)		\$ (195)	
4	Total	\$ (63)		\$ (195)	
5					
6	Net Income before FIT	\$ 63		\$ 195	
7					
8	Federal Income Tax 35%	\$ 22		\$ 68	
9					
10	Change/Net Income	\$ 41		\$ 127	
11					
12					
13	Description				
14	This adjustment removes the effect of a one-month lag between collection and payment of taxes.				
15					
16					
17	Staff corrects an error made in the Company's initial filing related to the double counting of revenues.				
18					
19					
20					

Avista Corporation  
**Restating - Net Gains & Losses Adjustment 2.09**  
2014 Electric Pro Forma - Test Year Ending 09/30/2014

<u>Line No.</u>		Company	Staff
		<u>Total Washington Amount</u>	<u>Total Washington Amount</u>
1	<b>EXPENSES</b>		
2	Distribution		
3	14 Depreciation/Amortization	\$ (81)	\$ (90)
4	Total	<u>\$ (81)</u>	<u>\$ (90)</u>
5			
6	Net Income before FIT	\$ 81	\$ 90
7			
8	Federal Income Tax 35%	<u>\$ 28</u>	<u>\$ 31</u>
9			
10	Change/Net Income	<u><u>\$ 53</u></u>	<u><u>\$ 59</u></u>

13 Description

14 This adjustment reflects a ten-year amortization of net gains realized from the sale of  
 15 real property disposed of between 2005 and September 2014.  
 16  
 17 Staff corrects an error made in the Company's initial filing related to a calculation  
 18 error.  
 19  
 20

Avista Corporation

**Restating - Long Term Incentive Plant Adjustment 2.18**  
2014 Electric Pro Forma - Test Year Ending 09/30/2014

<u>Line</u> <u>No.</u>	<u>Company</u>		<u>Staff</u>	
		<u>Total Washington</u> <u>Amount</u>		<u>Total Washington</u> <u>Amount</u>
1	<u>EXPENSES</u>			
2	Administrative & General			
3	20 Operating Expenses		\$	(238)
4	Total	\$ -	\$	(238)
5				
6	Net Income before FIT	\$ -	\$	238
7				
8	Federal Income Tax 35%	\$ -	\$	83
9				
10	Change/Net Income	\$ -	\$	155

11  
12  
13 Description

14 This adjustment was introduced in Staff's direct case.  
 15  
 16 Staff's adjustment removes the amount of Restricted Stock Units for the Long  
 17 Term Incentive Plan from the results of operations.  
 18  
 19  
 20

Avista Corporation

**Pro Forma - Transmission Revenue and Expense 3.01**  
2014 Electric Pro Forma - Test Year Ending 09/30/2014

<u>Line No.</u>	<u>Company</u>		<u>Staff</u>	
		<u>Total Washington Amount</u>		<u>Total Washington Amount</u>
1	<b>REVENUES</b>			
2	5 Other Revenue	\$ 347	\$	347
3	Total	\$ 347	\$	347
4				
5	<b>EXPENSES</b>			
6	7 Operating Expenses	\$ 456	\$	256
7	Total	\$ 456	\$	256
8				
9	Net Income before FIT	\$ (109)	\$	91
10				
11	Federal Income Tax 35%	\$ (38)	\$	32
12				
13	Change/Net Income	\$ (71)	\$	59

Description

This adjustment includes transmission-related revenues and expenses to reflect the 12-month period January 1, 2016 - December 31, 2016.

Staff modified several expense line items. See Ball Exhibit No. \_\_ (JLB-5C).

Avista Corporation  
**Pro Forma - Labor Non Executive 3.02**  
2014 Electric Pro Forma - Test Year Ending 09/30/2014

<u>Line No.</u>		<u>Company</u>	<u>Staff</u>
		<u>Total Washington Amount</u>	<u>Total Washington Amount</u>
1	<b>EXPENSES</b>		
2	Production & Transmission		
3	7 Operating Expense	\$ 899	\$ 573
4		<u>\$ 899</u>	<u>\$ 573</u>
5	Distribution		
6	13 Operating Expense	\$ 607	\$ 393
7		<u>\$ 607</u>	<u>\$ 393</u>
8	Customer		
9	17 Customer Acctg.	\$ 302	\$ 191
10	18 Cust. Serv. & Info	\$ 28	\$ 17
11		<u>\$ 330</u>	<u>\$ 208</u>
12	Administrative & General		
13	20 Operating Expenses	\$ 2,014	\$ 1,706
14	Total	<u>\$ 3,850</u>	<u>\$ 2,880</u>
15			
16	Net Income before FIT	\$ (3,850)	\$ (2,880)
17			
18	Federal Income Tax 35%	<u>\$ (1,347)</u>	<u>\$ (1,008)</u>
19			
20	Change/Net Income	<u>\$ (2,503)</u>	<u>\$ (1,872)</u>

23 Description

24 This adjustment reflects changes to test period union and non-union wages and  
 25 salaries.  
 26  
 27 Staff recommends including wage increases through March 2015 for both  
 28 administrative and union personnel. Staff does not include proposed increases  
 29 that begin in 2016.  
 30

Avista Corporation  
**Pro Forma - Labor Executive 3.03**  
 2014 Electric Pro Forma - Test Year Ending 09/30/2014

<u>Line No.</u>	<u>Company</u>		<u>Staff</u>	
		<u>Total Washington Amount</u>		<u>Total Washington Amount</u>
1	<u>EXPENSES</u>			
2	Production & Transmission			
3	7 Operating Expense	\$ (26)	\$	(26)
4		\$ (26)	\$	(26)
5	Administrative & General			
6	20 Operating Expenses	\$ 246	\$	147
7	Total	\$ 220	\$	121
8				
9	Net Income before FIT	\$ (220)	\$	(121)
10				
11	Federal Income Tax 35%	\$ (77)	\$	(42.35)
12				
13	Change/Net Income	\$ (143)	\$	(79)
14				
15				

16 Description

17 This adjustment reflects an annualized 2014 level of allocated executive officer

18 salaries and an updated utility and non-utility allocation percentage for 2016.

19

20 Staff recommends using an 83%/17% split for utility/non-utility time sheet

21 allocation.

22

23

24

Avista Corporation  
**Pro Forma - Employee Benefits 3.04**  
 2014 Electric Pro Forma - Test Year Ending 09/30/2014

<u>Line No.</u>		<u>Company</u>	<u>Staff</u>
		<u>Total Washington Amount</u>	<u>Total Washington Amount</u>
1	<b>EXPENSES</b>		
2	Production & Transmission		
3	7 Operating Expense	\$ 835	\$ 1,238
4		\$ 835	\$ 1,238
5	Distribution		
6	13 Operating Expense	\$ 564	\$ 848
7		\$ 564	\$ 848
8	Customer		
9	17 Customer Acctg.	\$ 280	\$ 412
10	18 Cust. Serv. & Info	\$ 26	\$ 37
11		\$ 306	\$ 449
12	Administrative & General		
13	20 Operating Expenses	\$ 680	\$ 990
14	Total	\$ 2,385	\$ 3,525
15			
16	Net Income before FIT	\$ (2,385)	\$ (3,525)
17			
18	Federal Income Tax 35%	\$ (835)	\$ (1,233.75)
19			
20	Change/Net Income	<u>\$ (1,550)</u>	<u>\$ (2,291)</u>

23 Description

24 This adjustment reflects changes in both the Company's pension and medical

25 insurance expense.

26

27 Staff includes a minor caclulation error related to double counting.

28



Avista Corporation  
**Pro Forma - Insurance Expense 3.05**  
2014 Electric Pro Forma - Test Year Ending 09/30/2014

<u>Line No.</u>		<u>Company</u>	<u>Staff</u>
		<u>Total Washington Amount</u>	<u>Total Washington Amount</u>
1	<b>EXPENSES</b>		
2	Administrative & General		
3	20 Operating Expenses	\$ 259	\$ -
4	Total	\$ 259	\$ -
5			
6	Net Income before FIT	\$ (259)	\$ -
7			
8	Federal Income Tax 35%	\$ (91)	\$ -
9			
10	Change/Net Income	\$ (168)	\$ -

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Description

This adjustment reflects the expected 2016 level insurance.

Staff recommends rejecting this adjustment as it is not representative of expected on-going costs.

Avista Corporation  
**Proforma - Information and Technology Services (IT/IS) Adjustment**  
**3.07**  
 2014 Electric Pro Forma - Test Year Ending 09/30/2014

<u>Line No.</u>		<u>Company</u>	<u>Staff</u>
		<u>Total Washington Amount</u>	<u>Total Washington Amount</u>
1	<b>EXPENSES</b>		
2	Administrative & General		
3	20 Operating Expenses	\$ 1,679	\$ 336
4	Total	\$ 1,679	\$ 336
5			
6	Net Income before FIT	\$ (1,679)	\$ (336)
7			
8	Federal Income Tax 35%	\$ (588)	\$ (118)
9			
10	Change/Net Income	\$ (1,091)	\$ (218)

13 Description

14 This adjustment increase operating expense for expenditures related to  
 15 Information Technology and Services projects and contracts.  
 16  
 17 Staff includes only those projects that have signed contracts or support for the  
 18 test year expense.

Avista Corporation  
**Pro Forma - Major Maintenance Adjustment 3.10**  
**Hydro, Thermal, and Other (Excluding CS2 & Colstrip)**  
2014 Electric Pro Forma - Test Year Ending 09/30/2014

<u>Line No.</u>		<u>Company</u>	<u>Staff</u>
		<u>Total Washington Amount</u>	<u>Total Washington Amount</u>
1	<b>EXPENSES</b>		
2	Production & Transmission		
3	7 Operating Expenses	\$ 2,415	
4	Total	\$ 2,415	\$ -
5			
6	Net Income before FIT	\$ (2,415)	\$ -
7			
8	Federal Income Tax      35%	\$ (845)	\$ -
9			
10	Change/Net Income	\$ (1,570)	\$ -

11  
 12  
 13 **Description**

14 This adjustment increases test year O&M by including major maintenance  
 15 activities planned for 2015 and 2016. This excludes O&M related to Colstrip  
 16 and CS2.  
 17  
 18 Staff does not include any pro forma increase in expenses for major  
 19 maintenance.  
 20

Avista Corporation  
**Pro Forma - Colstrip and Coyote Springs 2 Adjustment 3.13**  
 2014 Electric Pro Forma - Test Year Ending 09/30/2014

Line No.	Company			Staff		
	CS2	Colstrip	Total	CS2	Colstrip	Total
			Total Washington Amount 65.19%			Total Washington Amount 65.19%
1						
2						
3						
4						
5	\$ 3,442,000	\$ 2,008,000	\$ 5,450,000	\$ 860,500		\$ (277,114)
6						
7						
8						
9						
10						
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17						
18						

14 Description  
 15 Per the settlement stipulation, this adjustment separately identifies test period O&M for Colstrip and CS2.  
 16  
 17 Staff rejects the company's adjustments to 2016 pro forma levels, adjusts the test year to reduce the overhaul level, and normalizes it over the expected period of major maintenance (3 years for  
 18 Colstrip, 4 for CS2).

CBR Line Number	DESCRIPTION	Determine Base Cost and Revenue to Escalate				Escalate Non-Energy Cost		Other Cost & Revenue Adjs.		After Attrition Adj - CS2/Colstrip PF O&M Major Maint [AA]	2016 Revenue and Cost [H]+[I]-[J]-[AA]-[K]	
		12.2014 Commission Basis Report Restated Totals [A]	(less) 12.2014 Normalized Net Power Supply Cost [B]	Deferred Debt/Credit & Reg. Amorts Adj* [C]	Pro Forma Revenue Normalization Adjustment [D]	December 2014 Escalation Base [E]	Escalation Factor [F]	Non-Energy Cost Escalation Amount [E]+[F]-[G]	Trended 2016 Non-Energy Cost [E]+[G]-[H]			(plus) 12.2014 Pro-Formed Net Energy Cost [I]
7	Production and Transmission Operating Expenses	\$ 120,307	\$ (69,476)	\$ -	\$ 50,831	5.80%	\$ 2,948	\$ 53,779	\$ 89,306	\$ -	\$ 180	\$ 143,265
	<i>Illustrative</i> CS2/Colstrip O&M Only	\$ 24,340	\$ -	\$ -	\$ 24,340	5.80%	\$ 1,412	\$ 25,752	\$ -	\$ -	\$ 180	\$ 25,932