

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)			\$5,466	\$357	\$5,823	\$14,054	(\$8,231)
8	Total General Business Revenues					\$476,570	\$490,624	\$482,393
9	Rate of Return (pre-attrition adjustment)					6.50%	7.15%	
10	Percentage Revenue Increase					1.22%		-1.68%
11	Attrition-Based Revenue Requirement					\$482,393		

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

Proposed Cap Structure			
<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

Line No.	Description	Factor
1	Revenues	<i>1.000000</i>
	Expense:	
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	REVENUE CONVERSION FACTOR	<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	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]
REVENUES												
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
EXPENSES												
Production and Transmission												
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
Distribution												
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	\$ -	\$ 373	\$ 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
Administrative & General												
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	\$ -	\$ 19	\$ 62,842
24	Total Electric Expenses	\$ 435,119	\$ (201,471)	\$ -	\$ 220	\$ 233,868		\$ 18,897	\$ 252,765	\$ 171,119	\$ 439	\$ 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

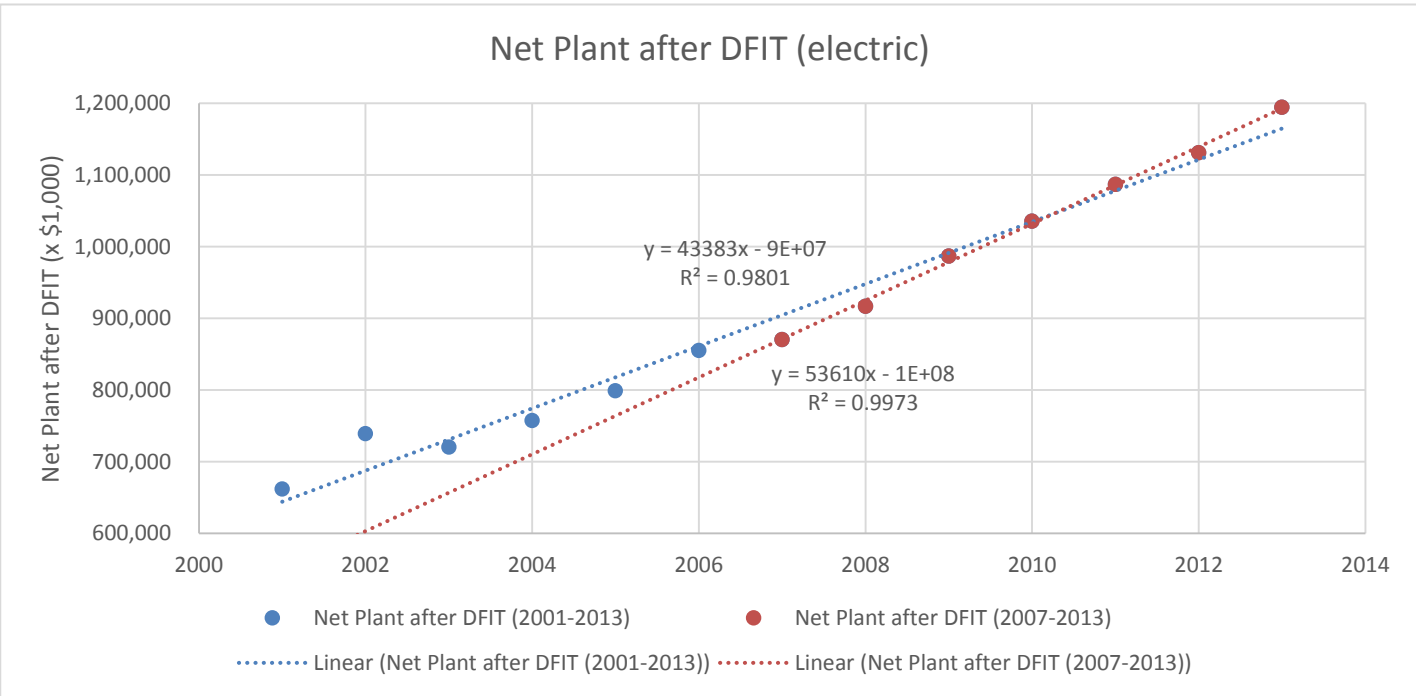
AVISTA'S 2015 ELECTRIC ATTRITION REVENUE REQUIREMENT

CBR Line Number	S000s	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	NET OPERATING INCOME	\$ 92,777	\$ 75,516	\$ 99	\$ (1,455)	\$ 166,937		\$ (10,802)	\$ 156,135	\$ (75,434)	\$ 6,119	\$ 86,821
	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	TOTAL RATE BASE	\$ 1,226,052	\$ -	\$ 9,488	\$ -	\$ 1,235,540		\$ 96,993	\$ 1,332,533			\$ 1,332,533
50	RATE OF RETURN											6.52%
	ATTRITION ADJUSTED REVENUE REQUIREMENT											
50	Proposed Rate of Return	6.77%										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	

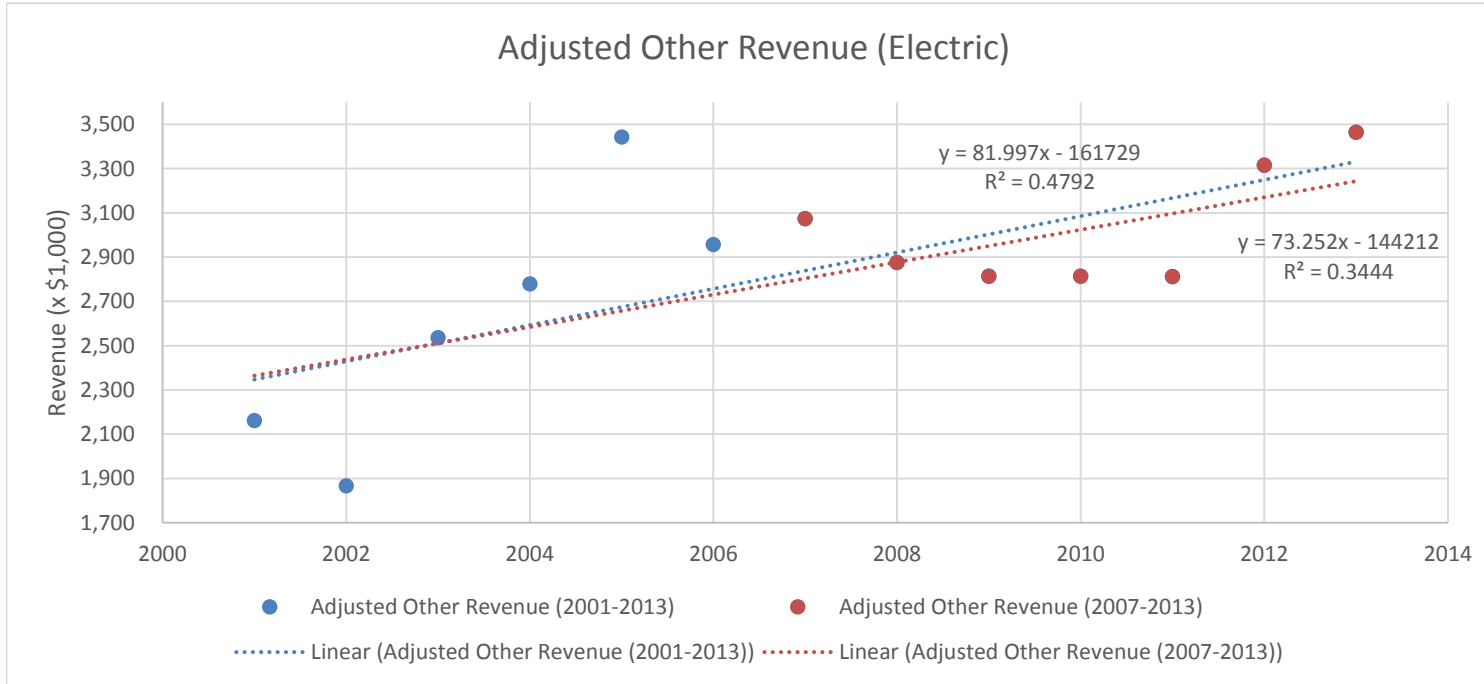
	Slope (Annual \$)	Rate	Two year
Regression (2001-2013)	43,383	0.0363	
Regression (2007-2013)	53,610	0.04486	
Weighted 50-50 (not plotted)		0.04058	8.12%



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

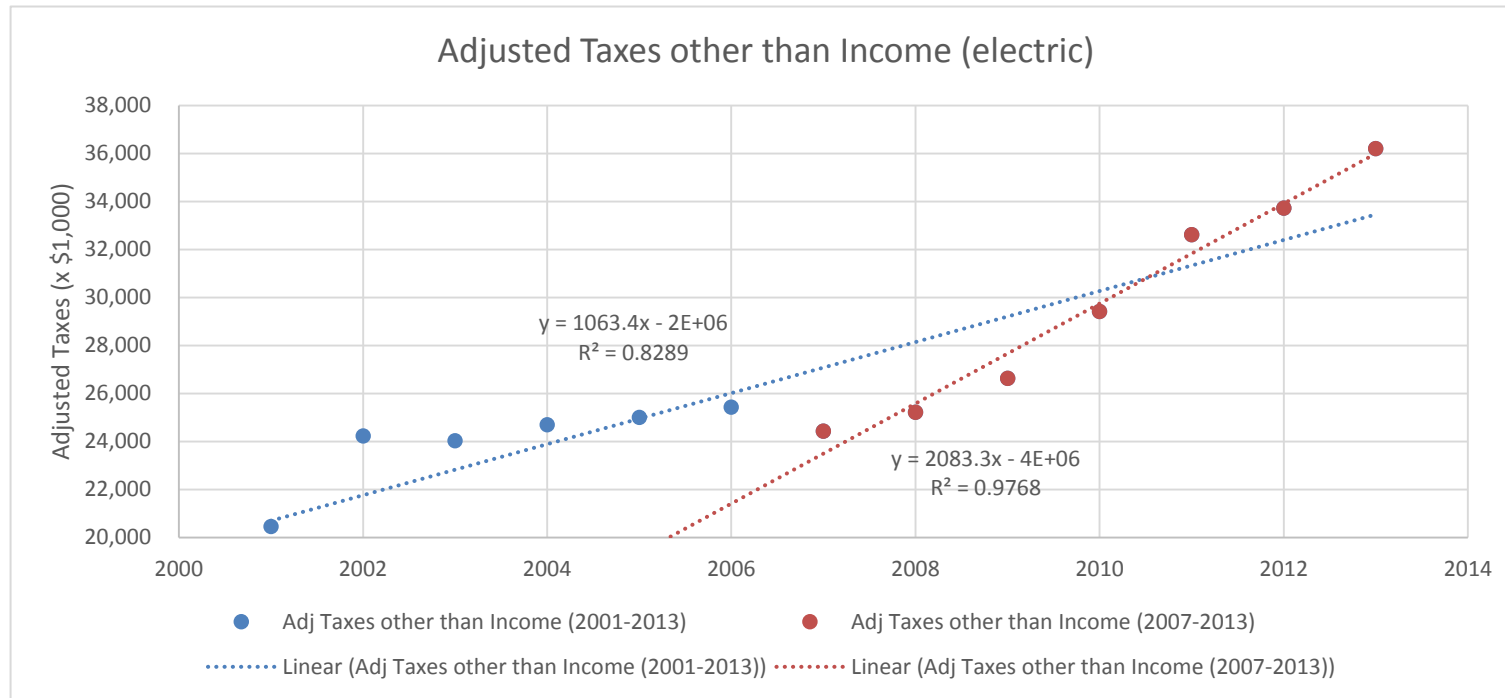
	Slope (annual \$)	Rate	Two year
Regression (2001-2013)	82.0	0.023672	
Regression (2007-2013)	73.3	0.021161	
Weighted 50-50 (not plotted)		0.022416	4.48%



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

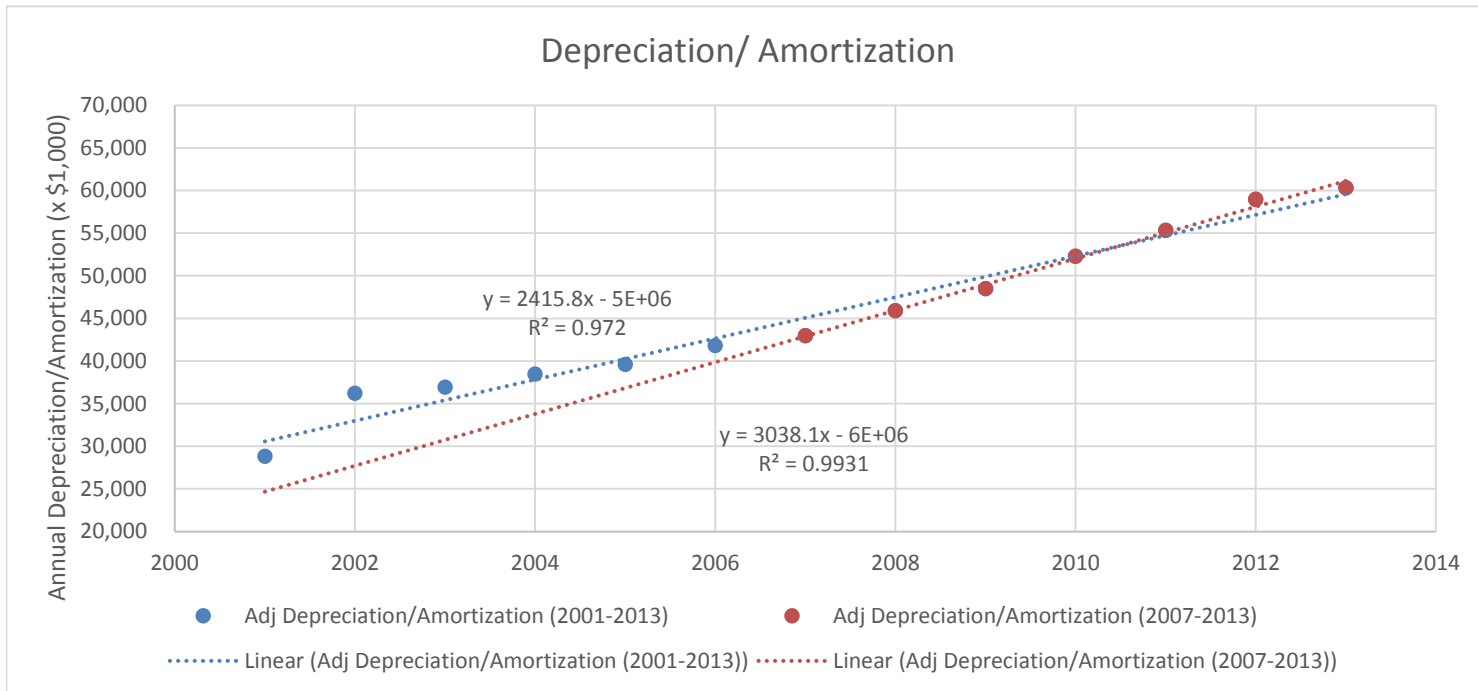
	Slope (Annual \$)	Rate	Two year
Regression (2001-2013)	1,063	0.02936	
Regression (2007-2013)	2,083	0.05754	
Weighted 50-50 (not plotted)		0.04345	8.69%



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
Adjusted Operating Expense (2001-2013)	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
Adjusted Operating Expense (2001-2013)	66,004	75,748	73,085	82,035	82,829	88,828	92,212	99,146					128,510
Adjusted Operating Expense (2009-2012)									112,721	113,650	123,419	134,597	

	Slope (Annual \$)	Rate	Two year
Regression (2001-2013) (not plotted)	5,690	0.04428	
Regression (2007-2013) (not plotted)	6,803	0.05294	
Regression (2001-2013, omit 2009-2012)	4,979	0.03875	7.75% (Shown in plot below)
Avista-proposed rate		0.04	8.00% (Used for attrition analysis)

