Office of the Secretary
Service Date
April 30, 2014

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S APPLICATION TO UPDATE ELECTRIC LINE EXTENSION SCHEDULE 51 AND ALLOWANCES.	**CASE NO. AVU-E-14-02** **ORDER NO. 33031**

On March 14, 2014, Avista Corporation filed a tariff advice to revise the Company's Electric Line Extension Schedule 51. The Company proposes to update both its line extension costs and the developer/builder allowances that apply to new residential, commercial, and industrial customers' services. The proposed changes would take effect on May 1, 2014.

Although the Company initially filed a tariff advice, the Company and Commission Staff later agreed that the tariff advice—that proposes to update electric line extension allowances that were last set in 2001—should be processed as an application so interested persons could file comments under the Commission's Modified Procedure rules.

On April 1, 2014, the Commission issued a Notice of Application and Notice of Modified Procedure setting an April 22, 2014 comment deadline. *See* Order no. 33003. Staff filed the only comments and the Company concurred with them. *See* Comments of the Commission Staff; Concurrence in Staff's Comments.

Having reviewed the record, we issue this Order approving an updated Schedule 51 based on new line extension costs and allowances as follows.

THE APPLICATION

With its Application, the Company proposes to revise Schedule 51 by updating the costs it incurs to extend electric lines to new customers. It also proposes to update its allowance to developers and builders against those costs. By way of background, the Company annually updates the cost of line extensions (e.g., the cost of transformers and lines) to new customers that are recovered through base rates. Developers and builders who request the line extension must pay for any costs above the Company's line extension allowance. But, while the Company has annually updated its line extension costs, it has not updated the line extension allowance since 2001. The Company now seeks to update both the line extension costs and allowances. The Company's proposed updates and how the Company expects them to impact residential developments are summarized below.

A. Proposed Line Extension Costs

The Company proposes to revise its Schedule 51 line extension costs to reflect its new Construction & Material Standards and the actual costs for materials and labor used to extend lines in 2013. The Company updated its Construction & Material Standards to meet heightened standards contained in the 2012 National Electric Safety Code (NESC). For example, the 2012 NESC sets higher strength standards for guy-supported wood poles and requires upgrades to guy wire insulation. The Company's proposed cost updates also reflect that transformer costs have significantly increased. *See* Application at 1-2.

B. Proposed Line Extension Allowances

The Company also proposes to increase the developer/builder allowances that were last set in 2001. *See* Order No. 28562. The allowances vary by customer class. The Company's current and proposed allowances are:

Service Schedule	Current Allowance	Proposed Allowance
Schedule 1 Individual Customer (per unit)	$1,000	$1,600
Schedule 1 Duplex (per unit)	$800	$1,275
Schedule 1 Multiplex (per unit)	$600	$975
Schedule 11/12 (per kWh)	$0.10703	$0.13766
Schedule 21/11 (per kWh)	$0.06000	$0.11657
Schedule 31/32 (per kWh)	$0.6000	$0.19689

The Company explains that it calculated the proposed allowances using an embedded-cost methodology. The Company believes this methodology ensures that the Company's investment in distribution/terminal facilities for each new customer will equal the embedded costs of the same facilities that were used to calculate base rates. Any costs exceeding the allowance will be paid by the developer/builder as a contribution in aid of construction (CIAC). The Company says that it calculated embedded costs based on the cost-of-service study from its last general rate case (AVU-E-12-01) as updated to account for the settlement agreement in that case. *Id.* at 2.

C. Impact to Residential Developments

The Company claims its proposed changes would lower developer/builder payments for line extensions in residential developments as follows:

Residential Developments Filing – Development Summary	**2013**	**2014**
Total Cost per Lot	$1,716	$1,598
Less: Service Cost	$469	$485
Developer Responsibility	**$1,247**	**$1,113**
Developer Non-refundable Payment	$247	-
Developer Refundable Payment	$1,000	$1,113
Builder Payment	$469	$ 0

Id. at 3.

STAFF COMMENTS

Commission Staff reviewed the Company's Application and recommended some adjustments to the Company's proposed costs and allowances. The Company concurs with Staff's recommendations. The recommendations are summarized below.

A. Recommended Line Extension Costs

Staff recommended some adjustments to the Company's proposed line extension costs. As an initial matter, Staff notes that the Company changed how it calculates construction costs and cost reduction credits after 2013. For example, in 2013 the Company included trenching costs in the Company's construction costs and cost reduction credits. But the Company's proposed costs and credits omit these costs because developers have always provided their own trenching.[1] In addition, the Company's proposed tariff accounts for the costs of complying with the updated 2012 NESC standards. Furthermore, the Company moved some cost components from 2013 categories to new cost categories. For example, while 2013 transformer cost category includes only transformer equipment costs, the Company's proposed transformer cost category also includes transformer installation costs. Although these above changes made it difficult for Staff to compare the Company's existing and proposed construction costs and credits, Staff believes the changes were reasonable.

Because the Company changed how it calculates construction costs and cost reduction credits after 2013, Staff compared the Company's proposed, individual construction cost components to similar cost components from the prior year. Staff reports that the

[1] As the cost reduction credits for developer-provided trenching are not needed, Staff removed $546 in trenching credits from the Company's average underground primary and secondary distribution costs (although the cost to inspect the trench remains). Staff's adjustment reduces the total weighted average cost while increasing the underground primary and secondary credits by $0.13 and $0.21 per lot.

Company's average transformer installation cost per lot changed the most and increased by 51% because: (1) each transformer's cost increased; (2) the Company moved fixed costs from primary distribution costs to transformer costs; and (3) the Company incurred greater costs to satisfy the more rigorous NESC standards. Staff opines that these changes and increases are reasonable. Staff also reports that the Company's distribution and service costs per lot increased or decreased with the average length of an installation. For example, the cost to install underground primary distribution facilities decreased because the average installation length decreased. On the other hand, the cost to install underground secondary distribution and service lines increased because the average installation length grew.

Based on its analysis, Staff recommended some adjustments to the Company's proposed line extension costs. Staff's recommended adjustments combine with the Company's proposal to decrease total line extension costs by 7%, from $1,716 per lot to $1,596 per lot. This decrease mainly occurs because primary distribution costs are 73% less than they were in 2013 (although the costs of secondary distribution, transformers, and service drops have increased). The table below summarizes the Company's approved costs, the Company's proposed costs, and Staff's recommended adjustments:

Change in Developer and Builder Cost

				2013 to 2014 Revised	
Per Lot Cost ($)	**2013**	**2014 Company Filing**	**2014 Revised (No Trenching)**	**$ Difference**	**% Difference**
Primary Distribution Cost	1,227	511	333	(894)	-73%
Secondary Distribution Cost	255	424	308	53	21%
Transformer	311	470	470	159	51%
Total Weighted Avg Cost (Trenching by Developer)	1,793	1,405	1,111	(682)	-38%
Trenching Credit	(546)	(292)	0	546	-100%
Total Developer Cost	1,247	1,113	1,111	(136)	-11%
Service Drop Cost	469	485	485	16	3%
Total Builder/Developer Cost	1,716	1,598	1,596	(120)	-7%

Staff's adjustments to the Company's proposed construction costs and cost reduction credits are further detailed in Attachment A to this Order. Staff opines that the adjusted costs and credits are reasonable and should be approved by the Commission.

B. Recommended Line Extension Allowances

Staff also analyzed the Company's proposed line extension allowance. Staff explains that the Company uses the allowance to credit developers and builders for the upfront distribution and terminal facility line extension costs that the Company recovers through base rates. The Commission set the current allowance in 2001. *See* Case No. AVU-E-00-01. Staff notes that in the present case, the Company updates its allowances using the same method that Staff used to calculate the allowances in Case No. AVU-E-00-01. Applying this calculation method here, the Company proposes increasing all allowances—except Schedule 31/32—from 29% (Schedule 11/12) to 94% (Schedule 21/22) above 2001 levels. Staff finds the updated allowances to be about equal to the fully embedded cost of the same facilities used to calculate base rates for each customer class. Because of this, and because 12 years of growth and inflation have affected the total embedded cost, Staff believes the Company's proposed increases are reasonable.

However, while Staff agrees with the Company's calculation method, Staff believes the Company incorrectly applied that method in one respect. Specifically, Staff says the Company's proposed allowance includes certain service meter costs even though Schedule 51 excludes all meter costs. Staff thus recommended removing all meter costs from the proposed line extension allowance to ensure the allowance is consistent with Schedule 51. The currently approved allowance, Company's proposed allowance, and Staff's proposed adjusted allowance are shown below:

Service Schedule	Company's Current Allowance	Company's Proposed Allowance	Staff's Proposed Allowance
Schedule 1 Individual Customer (per unit)	$1,000	$1,600	$1,550
Schedule 1 Duplex (per unit)	$800	$1,275	$1,240
Schedule 1 Multiplex (per unit)	$600	$975	$930
Schedule 11/12 (per kWh)	$0.10703	$0.13766	$0.12868
Schedule 21/22 (per kWh)	$0.06000	$0.11657	$0.11874
Schedule 31/32 (per kWh)	$0.6000	$0.19689	$0.19279

Staff's proposed, adjusted line extension allowances are further described in Attachments B through E to this Order.

Staff says the adjusted $1,550 per lot allowance would apply to residential developments as follows. The first $1,111 of the allowance would eliminate the total developer cost and reduce current rates by that amount. The remaining $439 of the allowance would be credited to builders against the $485 cost of a service drop for each lot, which decreases the builder's remaining cost to $46 per lot for a 90% decrease from current rates. The following table summarizes these impacts:

Developer and Builder Cost Impact

Per Lot Cost ($)	2013	2014 Company Filing	2014 Revised (No Trenching)	2013 to 2014 Revised $ Difference	2013 to 2014 Revised % Difference
Total Developer Cost	1,247	1,113	1,111	(136)	-11%
Allowance (not to exceed cost)	1,000	1,113	1,111	111	11%
Remaining Developer Cost	247	0	0	(247)	-100%
Total Builder Cost	469	485	485	16	3%
Left-over allowance	0	485	439	439	n/a
Remaining Builder Cost	469	0	46	(423)	-90%
Total Allowance	1,000	1,600	1,550	550	55%
Total Allowance Used	1,000	1,598	1,550	550	55%
Unused Allowance	0	2	0	0	n/a

Besides adjusting the proposed allowance in this case, Staff also recommended the Company regularly seek to update those allowances to ensure any changes are gradual and better represent the costs embedded in base rates. Because the Company would calculate the allowance based on input from the Company's last general rate case, Staff recommended that the Company seek to update the allowances whenever a new general rate case concludes. The Company could apply to update the allowances when it files its annual Schedule 51 Line Extension Cost updates.

C. Summary of Staff Recommendations

In summary, Staff recommended the Commission approve the revised 2014 Schedule 51 Tariff Construction Costs and Cost Reduction Credits contained in the Attachment to this Order, and the following allowances, effective May 1, 2014:

Service Schedule	Allowance
Schedule 1 Individual Customer (per unit)	$1,550
Schedule 1 Duplex (per unit)	$1,240
Schedule 1 Multiplex (per unit)	$930
Schedule 11/12 (per kWh)	$0.12868
Schedule 21/22 (per kWh)	$0.11874
Schedule 31/32 (per kWh)	$0.19279

Staff also recommended the Commission direct the Company to seek allowance updates (using the method applied in this case) when the Company files its annual update of Schedule 51 line extension costs after each general rate case.

COMMISSION FINDINGS

We have reviewed the record, including the Application, Staff's comments, and Avista's concurrence in Staff's comments. We find that Avista is an electrical and gas corporation, and that we have jurisdiction and authority over Avista and the issues in this case under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

We also find the Company's proposed changes to Schedule 51, as adjusted by Staff, are fair, just, and reasonable and we approve those changes with a May 1, 2014 effective date. In making this finding, we specifically approve of the method that the parties used to calculate the updated allowances in this case. That method ensures the allowances will roughly equal the fully embedded facilities cost used to calculate base rates for each customer class. This, in turn, ensures that new customer-related distribution costs will not drive revenue requirement and base rate increases, and that new customers will pay the cost of new distribution facilities that benefit them. We further find that removing service meter costs from the Company's proposed line extension allowances is reasonable and consistent with Schedule 51's exclusion of meter costs.

Lastly, we find it is reasonable, and we direct the Company, to seek allowance updates (using the methodology used for this case) with the annual update of Schedule 51 line extension costs after each general rate case. Updating the line extension allowances in this manner will ensure that any changes are gradual and are informed by input obtained during the general rate case.

O R D E R

IT IS HEREBY ORDERED that the Company shall update Schedule 51 to reflect updated line extension costs and allowances as described in this Order. These changes and the new Schedule 51 shall take effect May 1, 2014. The Company shall promptly file conforming tariffs, and shall take such other action as directed above.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of April 2014.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

O:AVU-E-14-02_kk2

Tariff Construction Cost

Type	Facility	Cost Type	Unit	2013	2014 Company Filing	2014 Revised	2013 vs. 2014 Revised $ Difference	2013 vs. 2014 Revised % Difference
Overhead	Primary	Fixed	per foot	4,814.40	4,215.86	4,215.86	(598.54)	-12.4%
Overhead	Primary	Variable	per foot	5.61	7.92	7.92	2.31	41.2%
Overhead	3-phase Primary	Fixed	per foot	7,648.77	5,468.41	5,468.41	(2,180.36)	-28.5%
Overhead	3-phase Primary	Variable	per foot	7.88	10.91	10.91	3.03	38.5%
Overhead	Service	Variable	per foot	4.56	2.94	2.94	(1.62)	-35.5%
Overhead	Transformer	Fixed	per unit	1,543.96	2,487.43	2,487.43	943.47	61.1%
Underground	Primary	Fixed	per foot	1,840.92	1,656.76	1,656.76	(184.16)	-10.0%
Underground	Primary	Variable	per foot	9.02	9.58	9.58	0.56	6.2%
Underground	3-phase Primary	Fixed	per foot	2,884.30	3,509.24	3,509.24	624.94	21.7%
Underground	3-phase Primary	Variable	per foot	17.66	18.76	18.76	1.10	6.2%
Underground	Secondary	Fixed	per foot	239.98	290.67	290.67	50.69	21.1%
Underground	Secondary	Variable	per foot	7.05	8.71	8.71	1.66	23.5%
Underground	Service	Fixed	per foot	239.98			(239.98)	-100.0%
Underground	Service	Variable	per foot	7.05	6.93	6.93	(0.12)	-1.7%
Underground	Transformer	Fixed	per unit	1,703.55	2,984.94	2,984.94	1,281.39	75.2%

Cost Reduction Credits for Develoments and Individual Customers

Type	Facility	Cost Description	Unit	2013	2014 Company Filing	2014 Revised	2013 vs. 2014 Revised $ Difference	2013 vs. 2014 Revised % Difference
Underground	Secondary	Conduit for Development	per lot	71.41	90.54	90.75	19.34	27.1%
Underground	Primary	Conduit for Development	per lot	90.60	54.33	54.46	(36.14)	-39.9%
Underground	Service	Ditch (Individual Customer)	per foot	3.90	3.02	3.02	(0.88)	-22.6%
Underground	Primary	Ditch (Individual Customer)	per foot	4.62	3.91	3.91	(0.71)	-15.4%
Underground	Primary/Service	Conduit (Individual Customer)	per foot	1.29	1.23	1.23	(0.06)	-4.7%

Service Cost Per Lot

Type	Facility	Cost Description	Unit	2013	2014 Company Filing	2014 Revised	2013 vs. 2014 Revised $ Difference	2013 vs. 2014 Revised % Difference
Underground	Service	Ditch (Individual Customer)	per lot	201.98	244.38	244.38	42.40	21.0%
Underground	Service	Conduit (Individual Customer)	per lot	50.19	97.67	97.67	47.48	94.6%
Underground	Service	Cable, Etc. (Individual Customer)	per lot	216.38	143.05	143.05	(73.33)	-33.9%
Total Cost per Lot				468.55	485.1	485.1	16.55	3.5%

Attachment A
Order No. 33031
Case No. AVU-E-14-02

Calculation of Allowance - Schedule 51
Schedule 001

Summary			
Total Cost per Customer (C18)	$	1,387 16	
Return on Common Equity (C4*C27)	$	106 69	
Debt Costs (C4*E22)	$	41.68	
Subtotal	$	148.37	
Depreciation Expense	$	62.05	
Total Revenue Requirement	$	210.42	
Revenue Requirement Factor		13.55%	
Allowable Investment	$	1,553.22	
Less Meter Cost	$	-	Input
TOTAL ALLOWANCE	$	1,553.22	

Cost per Customer			
Number of Customers		100,853	Input
Total Net Plant Distribution	$	98,707,458	Input
Total Net Plant Terminal Facilities	$	41,191,860	Input
Total per Customer	$	1,387.16	

Rate of Return/Capital Structure	Capital Structure	
Long Term Debt	50%	Input
Common Equity	50%	Input
Long Term Debt Cost	6.01%	Input
Common Equity Return	9.80%	Input
Weighted Debt Cost	3.005%	
Weighted Equity	4.9000%	
Rate of Return before Gross Up	7.91%	
Gross Up Factor	1.57	Input
Return on Equity after Gross Up	7.69%	
Rate of Return after Gross Up	10.696%	

Depreciation			
Rate for Distribution		3.05%	
Rate for Terminal Facilities		2.48%	
Distribution Depreciation Expense	$	44.98	
Terminal Fac. Depreciation Expense	$	17.07	
Total Annual Depreciation		62.05	
Weighted Average Depreciation Rate		2.8514%	Input

Apartments			
Current Schedule 1 Allowance		1000	Schedule 51
Current Duplex Allowance		800	Schedule 51
Current Multiplex Allowance		600	Schedule 51
Ratio of Duplex to Residence		0.8	
New Duplex Allowance	$	1,242.58	
Ratio of Multiplex to Residence		0.6	
New Multiplex Allowance	$	931.93	

Residential (Schedule 1)			
# Customers	100,853		
Rate of Return	10.696%		
AVU-E-12-08 Cost of Service Study	Distribution Plant	Terminal Facilities	Total
Net Plant	98,707,458	41,191,860	139,899,318
Return on Net Plant	10,557,730	4,405,873	14,963,602
Depreciation Expense	4,536,270	1,721,649	6,257,919
Total	15,094,000	6,127,522	21,221,521
Per Customer Expenses	Distribution Plant	Terminal Facilities	Total
Net Plant	978 73	408 43	1387 16
Return on Net Plant	104 68	43 69	148.37
Depreciation Expense	44 98	17 07	62 05
Total	149 66	60 76	210.42
Allowable Investment	$1,104.74	$448.48	$1,663.22
Less Meter Cost	$0 00	$0 00	$0.00
Allowable Investment	$1,104.74	$448.48	$1,553.22

Attachment B
Order No. 33031
Case No. AVU-E-14-02

Calculation of Allowance - Schedule 51
Schedule 011/012

		Cents Per kWh	
Summary			
Total Cost per Customer (C18)	$	0.1149	
Return on Common Equity (C4*C27)	$	0.0088	
Debt Costs (C4*E22)	$	0.0035	
Subtotal	$	0.0123	
Depreciation Expense	$	0.0051	
Total Revenue Requirement	$	0.0174	
Revenue Requirement Factor		13.55%	
Allowable Investment	$	0.1287	
Less Meter Cost	$	-	Input
TOTAL ALLOWANCE	$	0.12868	
Cost per Customer			
Annual MWhs		331,376	Input
Total Net Plant Distribution	$	28,362,255	Input
Total Net Plant Terminal Facilities	$	9,699,864	Input
Total per Customer	$	114.86	
Rate of Return/Capital Structure		Capital Structure	
Long Term Debt		50%	Input
Common Equity		50%	Input
Long Term Debt Cost		6.01%	Input
Common Equity Return		9.80%	Input
Weighted Debt Cost		3.005%	
Weighted Equity		4.9000%	
Rate of Return before Gross Up		7.91%	
Gross Up Factor		1.57	Input
Return on Equity after Gross Up		7.69%	
Rate of Return after Gross Up		10.696%	
Depreciation			
Rate for Distribution		3.05%	
Rate for Terminal Facilities		2.42%	
Distribution Depreciation Expense	$	3.93	
Terminal Fac. Depreciation Expense	$	1.21	
Total Annual Depreciation		5.15	
Weighted Average Depreciation Rate		2.85%	Input

General (Schedule 11/12)			
Annual MWhs	331,376		
Rate of Return	10 696%		
AVU-E-12-08 Cost of Service Study	Distribution Plant	Terminal Facilities	Total
Net Plant	28,362,255	9,699,864	38,062,119
Return on Net Plant	3,033,621	1,037,495	4,071,116
Depreciation Expense	1,303,435	402,253	1,705,688
Total	4,337,056	1,439,748	5,776,804
Per Customer Expenses	Distribution Plant	Terminal Facilities	Total
Net Plant	0 0856	0 0293	0 1149
Return on Net Plant	0 0092	0 0031	0 0123
Depreciation Expense	0 0039	0 0012	0 0051
Total	0 0131	0 0043	0.0174
Allowable Investment	**$0.0966**	**$0.0321**	**$0.1287**
Less Meter Cost	0 00000	0 00000	0.00000
Allowable Investment	**$0.09661**	**$0.03207**	**$0.12868**

Attachment C
Order No. 33031
Case No. AVU-E-14-02

Calculation of Allowance - Schedule 51
Schedule 021/022

		Cents Per kWh	
Summary			
Total Cost per Customer (C18)	$	0.1059	
Return on Common Equity (C4*C27)	$	0.0081	
Debt Costs (C4*E22)	$	0.0032	
Subtotal	$	0.0113	
Depreciation Expense	$	0.0048	
Total Revenue Requirement	$	0.0161	
Revenue Requirement Factor		13.55%	
Allowable Investment	$	0.1187	
Less Meter Cost	$	-	Input
TOTAL ALLOWANCE	$	0.11874	
Cost per Customer			
Annual MWhs		676,398	Input
Total Net Plant Distribution	$	61,588,043	Input
Total Net Plant Terminal Facilities	$	10,017,911	Input
Total per Customer	$	105.86	
Rate of Return/Capital Structure		Capital Structure	
Long Term Debt		50%	Input
Common Equity		50%	Input
Long Term Debt Cost		6.01%	Input
Common Equity Return		9.80%	Input
Weighted Debt Cost		3.005%	
Weighted Equity		4.9000%	
Rate of Return before Gross Up		7.91%	
Gross Up Factor		1.57	Input
Return on Equity after Gross Up		7.69%	
Rate of Return after Gross Up		10.696%	
Depreciation			
Rate for Distribution		3.04%	
Rate for Terminal Facilities		2.17%	
Distribution Depreciation Expense	$	4.17	
Terminal Fac. Depreciation Expense	$	0.59	
Total Annual Depreciation		4.76	
Weighted Average Depreciation Rate		2.85%	Input

Large General (Schedule 21/22)			
Annual MWhs	676,398		
Rate of Return	10 696%		
AVU-E-12-08 Cost of Ser	Distribution Plant	Terminal Facilities	Total
Net Plant	61,588,043	10,017,911	71,605,954
Return on Net Plant	6,587,445	1,071,514	7,658,958
Depreciation Expense	2,822,414	399,589	3,222,003
Total	9,409,859	1,471,103	10,880,961
Per Customer Expenses	Distribution Plant	Terminal Facilities	Total
Net Plant	0.0911	0.0148	0.1059
Return on Net Plant	0.0097	0.0016	0.0113
Depreciation Expense	0.0042	0.0006	0.0048
Total	0.0139	0.0022	0.0161
Allowable Investment	$0.1027	$0.0161	$0.1187
Less Meter Cost	0.00000	0.00000	0.00000
Allowable Investment	$0.10269	$0.01605	$0.11874

Calculation of Allowance - Schedule 51
Schedule 031/032

Summary		Cents Per kWh	
Total Cost per Customer (C18)	$	0.1719	
Return on Common Equity (C4*C27)	$	0.0132	
Debt Costs (C4*E22)	$	0.0052	
Subtotal	$	0.0184	
Depreciation Expense	$	0.0077	
Total Revenue Requirement	$	0.0261	
Revenue Requirement Factor		13.55%	
Allowable Investment	$	0.1928	
Less Meter Cost	$	-	Input
TOTAL ALLOWANCE	$	0.19279	

Cost per Customer			
Annual MWhs		56,445	Input
Total Net Plant Distribution	$	7,971,221	Input
Total Net Plant Terminal Facilities	$	1,732,224	Input
Total per Customer	$	171.91	

Rate of Return/Capital Structure	Capital Structure	
Long Term Debt	50%	Input
Common Equity	50%	Input
Long Term Debt Cost	6.01%	Input
Common Equity Return	9.80%	Input
Weighted Debt Cost	3.005%	
Weighted Equity	4.9000%	
Rate of Return before Gross Up	7.91%	
Gross Up Factor	1.57	Input
Return on Equity after Gross Up	7.69%	
Rate of Return after Gross Up	10.696%	

Depreciation			
Rate for Distribution		3.05%	
Rate for Terminal Facilities		2.25%	
Distribution Depreciation Expense	$	6.49	
Terminal Fac. Depreciation Expense	$	1.24	
Total Annual Depreciation		7.73	
Weighted Average Depreciation Rate		2.85%	Input

Pumping (Schedule 31/32)			
Annual MWhs	56,445		
Rate of Return	10 696%		
AVU-E-12-08 Cost of Service Study	Distribution Plant	Terminal Facilities	Total
Net Plant	7,971,221	1,732,224	9,703,445
Return on Net Plant	852,600	185,278	1,037,878
Depreciation Expense	366,330	70 040	436,370
Total	1,218,930	255,318	1,474,248
Per Customer Expenses	Distribution Plant	Terminal Facilities	Total
Net Plant	0.1412	0.0307	0.1719
Return on Net Plant	0.0151	0.0033	0.0184
Depreciation Expense	0.0065	0 0012	0.0077
Total	0.0216	0.0045	0.0261
Allowable Investment	$0.1594	$0.0334	$0.1928
Less: Meter Cost	0.00000	0.00000	0.00000
Allowable Investment	$0.15940	$0.03339	$0.19279

Attachment E
Order No. 33031
Case No. AVU-E-14-02