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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** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission comments as follows on Avista Corporation's Application to update Electric Line Extension Schedule 51.

BACKGROUND

On March 14, 2014, Avista Corporation applied to revise the Company's Electric Line Extension Schedule 51 applicable to new residential, commercial, and industrial customers' services. The proposed changes are to take effect on May 1, 2014.[1]

COMPANY APPLICATION

In the Application, the Company proposes to revise line extension costs based on updates to the Company's Construction & Material Standards as well as an updated actual average cost of all material and labor used in line extensions during 2013. The Company also proposes to

[1] The Company initially filed its Application as a Tariff Advice. But the Company and Staff later agreed that it would be better to process the filling as an Application to afford interested persons an opportunity to comment on the proposed changes.

update the electric line extension allowances that apply to new residential, commercial, and industrial customer's services. The current allowances were set in 2001. *See* Order No. 28562 (Case No. AVU-E-00-01). For purposes of calculating the revised allowances, the Company says it used an embedded-cost methodology to ensure that investment in distribution/terminal facilities for each new customer will equal the embedded costs of the same facilities used to calculate base rates. The Company says the new customer would pay any costs above the allowance as a contribution in aid of construction. The Company says it calculated the embedded costs by using the cost-of-service study from its most recent general rate case (AVU-E-12-0l) as updated to reflect the approved settlement agreement in that case. The changes to the proposed allowances are, in summary:

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 21/22 (per kWh)	$0.06000	$0.11657
Schedule 31/32 (per kWh)	$0.6000	$0.19689

The Company says that for residential developments, the proposed changes to Construction & Material Standards, construction costs based on 2013 average costs, and increased allowance per residential unit results in a lower payment for developers and builders. In summary:

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

STAFF REVIEW

Staff thoroughly reviewed Avista's Schedule 51 Tariff revisions. Besides conducting its normal annual review of the Company's proposed line extension cost updates, Staff also analyzed the proposed line extension allowances that were last updated in February 2001. Based on its analysis, Staff proposes several adjustments that have been validated by the Company. The following is a summary of Staff's findings.

Analysis of Line Extension Costs

Staff reviewed line extension costs, which include Tariff Construction Costs and Cost Reduction Credits for developer/builder-performed services. Staff's proposed adjustments decrease total builder and developer average cost by 7% from $1,716 per lot to $1,596 per lot. This decrease in total builder and developer costs is driven primarily by a 73% reduction in primary distribution cost, even though the costs of secondary distribution, transformers, and service drops have increased over costs included in the current tariff. The developers' average cost decreases by 38%—from $1,793 to $1,111 per lot—and the average builder's cost increases by 3%, or $16 per lot, for the cost of a service drop over current rates. The table below summarizes these changes:

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%

Comparing the cost of current and proposed construction costs and cost reduction credits (shown in Attachment A) was difficult this year because the Company has changed how it calculates those costs. First, proposed construction costs for developments no longer include the cost for Company-provided trenching, recognizing that developers have always been required to perform their own trenching. As a result, cost-reduction credits for developer-provided trenching are no longer needed. Staff does not believe this changes the average cost methodology set forth

in Commission Order No. 28562. However the change does provide benefits by: (1) adding clarity to line extension quotes provided to developers, (2) streamlining the Company's internal quotation process, and (3) making the development of annual updates for Schedule 51 tariffs more efficient and clear.

During its review, Staff discovered trenching-related costs that should have been removed from the Company's average underground primary and secondary distribution costs. The Company persuaded Staff that a cost for inspecting the trench, which was included in the original trenching cost, should remain. These adjustments slightly increase the underground primary and secondary credits of $0.13 and $0.21 per lot, respectively. With Staff's adjustment, $546 of trenching credits were completely removed with about the same reduction in total weighted average cost.

Second, the Company updated the Tariff to reflect current approved National Electric Safety Code (NESC) Construction and Material Standards. In many cases, the NESC update fundamentally alters the standard design of installations by changing the type of material, the amount of labor required, and the composition of individual cost components included in Tariff Construction Costs.

Third, the Company started using a standard design as the cost basis for Tariff Construction Costs that formerly accounted for multiple designs. In a few cases, this change recognized that "one-off" designs were rare, (e.g., service pole charges were removed from variable overhead service charges). But this transition was primarily driven by more consistent and stringent NESC standards. For example, primary and secondary underground installations must now have conduit in all jobs, which eliminates variations not requiring conduit.

Finally, the Company shifted several individual cost components from one tariff cost category to another. For example, the transformer cost now includes the incremental cost to install the transformer, while the current charge only includes the cost of the transformer itself. Staff believes this change is appropriate.

For these reasons, Staff focused its analysis on comparing individual components of Tariff Construction Costs to similar-cost components from the prior year. Staff also looked at the composition of individual cost components within each Tariff Construction Cost and reconciled them with the previously described changes.

Of the individual component costs that were comparable, the largest impact was due to the cost of transformers increasing the average cost per lot by 51%. Depending on the size and

type, transformer cost increased from 2-6%. In addition, fixed cost previously included in primary distribution has shifted to the cost of transformers; and of those costs, more rigorous NESC standards have further increased costs. Also, the average size of transformers installed last year has increased, which impacts this year's average cost. Staff believes these increases are reasonable.

Most of the difference between current and proposed distribution and service cost per lot is due to a change in the average length of installations. For example, the cost per lot for underground primary distribution is reduced by about 73% and much of this reduction is caused by a 50% decrease in the average length of an installation. This can be attributed to a trend toward more compact developments in Avista's service area. On the other hand, the cost per lot to install underground secondary distribution and service lines has increased because the installation lengths have grown, increasing the per lot cost of those installations.

Staff believes the Company's proposed Tariff Construction Costs and Cost Reduction Credits, with Staff's proposed adjustments as described above and included in Attachment A, are reasonable and should be approved by the Commission.

Analysis of Allowances

The purpose of the allowance is to credit developers and builders for upfront distribution and terminal facility line extension costs that are currently recovered through base rates. Allowances for line extension costs were last updated in 2001 in Case No. AVU-E-00-01. The method Staff proposed in that case is the same as the method proposed by the Company in this year's Application. Staff's main concern in the prior case was that raising the amount of the allowance beyond embedded costs would put undue upward pressure on base rates. If base rates increase due to higher revenue requirements driven by new customer-related distribution cost, existing customers would subsidize new growth and new customers would not pay the full cost of new distribution facilities from which they benefit.

As shown in the table below, the Company is proposing to increase all allowances, except Schedule 31/32, ranging from 29% (Schedule 11/12) to 94% (Schedule 21/22). Since the Company used Staff's proposed calculation method from the last line extension case (AVU-E-00-01), the proposed allowances are 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 proposed increases are reasonable.

Staff does not believe the Company's calculation properly removed the cost of a service meter. The Schedule 51 Line Extension Tariff does not include service meters because the Company recovers their cost through the customer charge. The Company's calculation of the proposed allowances includes the full revenue requirement for recovery of a meter, yet the Company only backed-out the cost of the meter from the estimated line extension investment. Staff's adjustment eliminated the meter revenue requirement from the allowance calculation. The proposed allowances in the last column of the table below reflect Staff's adjustment.

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

The calculation of allowances with Staff's adjustments is included in Attachments B through E. Staff used inputs from the cost of service and weighted cost of capital approved in the last general rate case (AVU-E-12-08) to determine the allowable investment on a cost per customer basis for new residential customers (Schedule 1) and on a cost-per-kilowatt-hour basis for new general (Schedule 11 or 12), large general (Schedule 21 or 22) and irrigation (Schedule 31) customers.

Using the residential customer allowance calculation illustrated in Attachment B as an example, the net plant (plant in service minus accumulated depreciation) of $1,387.16 per customer of both distribution and terminal facilities is used to calculate the return on investment portion of the revenue requirement. This includes a return of common equity of $106.69 which has been grossed up for taxes using a 1.57 gross-up factor, and a cost of debt of $41.68. When this sum is added to the depreciation expense per customer of $62.05, it produces an average revenue requirement of $210.42 for distribution plant and terminal facilities for a residential customer.

The resulting revenue requirement is the amount of revenue the Company will receive through rates from an average new customer to fully recover distribution and terminal facility (minus the service meter) investment currently embedded in rates. But this revenue requirement is based on investment that has been partially depreciated and does not represent the cost of new investment. To account for this difference and the Company's authorized rate of return, Staff divided the sum of the rate of return after gross-up of 10.696%, and the current weighted average depreciation rate of 2.8514% into the revenue requirement of $210.42. Staff determined the Company can invest $1,550 in new distribution plant and terminal facilities (minus the service meter) for each new residential customer without putting upward pressure on base rates.

Staff believes the Company should review and seek to update allowances at more regular intervals so the magnitude of changes is gradual and better represents distribution-plant and terminal-facility costs embedded in base rates. Because the method for calculating the allowance is based on inputs from the last general rate case, updates to allowances would only need to occur whenever a new general rate case is processed and new base rates are established. This could occur during the annual Schedule 51 Line Extension Cost updates already ordered by the Commission.

Payment Impact for Residential Developments

With the $1,550 per lot allowance recommended by Staff, the first $1,111 is applied to the total developer cost, eliminating it completely and representing a 100% reduction from current rates. The remaining $439 of the allowance would be a credit to builders against the $485 cost of a service drop for each lot. This reduces the builder's remaining cost to $46 per lot for a 90% decrease from current rates. These impacts are summarized in the table below:

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

STAFF RECOMMENDATION

Staff recommends that the revised 2014 Schedule 51 tariff construction costs and cost reduction credits contained in Attachment A, and the following allowances against the cost-of-service line extensions for each of the different classes be approved and made effective on 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 recommends that the Company submit allowance updates (using the method for this case) for review and approval by the Commission with the annual update of Schedule 51 line extension costs after each general rate case.

Respectfully submitted this 22nd day of April 2014.

Karl T. Klein
Deputy Attorney General

Technical Staff: Mike Louis
Kathy Stockton

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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
Case No. AVU-E-14-02
Staff Comments
04-22-14

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**	**$1,553.22**
Less: Meter Cost	$0.00	$0.00	$0.00
Allowable Investment	**$1,104.74**	**$448.48**	**$1,553.22**

Attachment B
Case No. AVU-E-14-02
Staff Comments
04-22-14

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
Case No. AVU-E-14-02
Staff Comments
04-22-14

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**

Attachment D
Case No. AVU-E-14-02
Staff Comments
04-22-14

Calculation of Allowance - Schedule 51
Schedule 031/032

		Cents Per kWh	
Summary			
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
Case No. AVU-E-14-02
Staff Comments
04-22-14

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22ND DAY OF APRIL 2014, SERVED THE FOREGOING COMMENTS OF THE COMMISSION STAFF, IN CASE NO. AVU-E-14-02, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY