

Avista Corp.
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January 21, 2015

Public Utility Commission of Oregon
3930 Fairview Industrial Dr SE
Salem, OR 97302-1166

Attention: Filing Center

Via Electronic and Overnight Mail

RE: Docket No. UG-284 – Settlement Stipulation and Motion

Avista Corporation, dba Avista Utilities, hereby encloses the following documents for filing with the Commission:

- The original plus 5 copies of the Settlement Stipulation & Attachments
- The original plus 2 copies of the Motion To Admit Stipulation

The original documents have been sent via overnight mail. Please direct any questions related to the transmission of this filing to me at 509.495.8620 or via email at pat.ehrbar@avistacorp.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Ehrbar", with a long horizontal flourish extending to the right.

Patrick Ehrbar
Manager, Rates & Tariffs

Enclosure

cc: See attached service list

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the Settlement Stipulation, and Joint Motion, in the Oregon Natural Gas General Rate Case Filing of Avista Utilities, a division of Avista Corporation, Docket UG 284, upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail.

Judy Johnson
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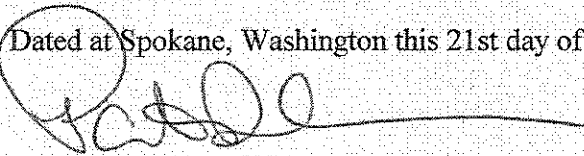
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Michael T. Weirich
Department of Justice
1162 Court St. NE
Salem, OR 97301-4096
michael.weirich@state.or.us

I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 21st day of January, 2015.



Patrick Ehrbar
Manager, Rates & Tariffs

1 **BEFORE THE PUBLIC UTILITY COMMISSION**

2 **OF OREGON**

3 UG 284

4	In the Matter of)	
5	AVISTA CORPORATION, dba AVISTA)	STIPULATION RESOLVING ALL
6	UTILITIES)	ISSUES
7)	
8	Request for a General Rate Revision.)	

9
10 This Stipulation is entered into for the purpose of resolving all issues in this Docket. As
11 such, this Stipulation resolves all revenue requirement issues, including cost of capital issues, as
12 well as rate spread and rate design.

13
14 **PARTIES**

15 The Parties to this Stipulation are Avista Corporation (“Avista” or the “Company”), the
16 Staff of the Public Utility Commission of Oregon (“Staff”), the Citizens’ Utility Board of
17 Oregon (“CUB”), and the Northwest Industrial Gas Users (“NWIGU”) (collectively, “Parties”).
18 These Parties represent all who intervened and appeared in this proceeding.

19
20 **BACKGROUND**

21 1. On September 2, 2014, Avista filed revised tariff schedules to effect a general rate
22 increase for Oregon retail customers of \$9,140,000, or 9.1 percent of its annual revenues. The
23 filing was suspended by the Commission on September 8, 2014, in Order No. 14-311.

24 2. On January 5, 2015, Staff served on all of the Parties its report of issues and
25 proposed adjustments to Avista’s revenue requirement filing. Staff’s report was provided for
26 settlement purposes only.

1 Recognizing that the March 1, 2015 effective date is prior to the expiration of the
2 statutory suspension period (July 3, 2015), the Parties have agreed that Avista will provide an
3 early rate implementation credit of \$0.850 million to customers. This annualized credit will be
4 provided to customers until new rates are in effect from the Company's next general rate case.
5 Table 1 below details the agreed upon revenue changes:

6 **Table 1 – Summary of Revenue Adjustments**

<u>Revenue Item</u>	<u>Amount</u>
Base Revenue Increase	\$ 6,112,000
Cancellation of Schedule 497	\$ (262,000)
Early Rate Implementation Credit ¹ Schedule 491	\$ (850,000)
Net Revenue Increase	<u>\$ 5,000,000</u>

7
8 This Stipulation represents the settlement of all revenue requirement issues in the
9 Company's filing. The Parties support the adjustments to Avista's revenue requirement request
10 shown in Table 2 below:

¹ The early implementation credit of \$850,000 was a negotiated amount between the Parties giving recognition to the fact that Avista will be receiving increased revenues earlier than if the case were litigated, and also took into account the base revenue increase of \$6,112,000 and the net revenue increase of \$5,000,000 effective March 1, 2015. As such, it was interrelated with the overall negotiated revenue increase. Accordingly, the \$850,000 revenue credit should not be viewed in isolation. Per the directive of Administrative Law Judge Patrick Power on page 2 of the Prehearing Conference Memorandum dated September 24, 2014 in this Docket, with new rates effective earlier than the end of the statutory suspension period, the calculation of additional revenue, or value, to the Company from implementing a \$5,850,000 revenue increase March 1, 2015 instead of July 3, 2015, is approximately \$1,550,000. However, because the \$850,000 revenue credit, the \$6,112,000 base revenue increase, and the \$5,000,000 net revenue increase are negotiated numbers and all include consideration by Parties related to the early implementation date, the \$1,550,000 million dollar amount does not reflect the value placed by each Party on early implementation. That is, if a different implementation date were to occur, other than March 1, 2015, a pro-rate share of the \$1,550,000 million in isolation, would not represent the value placed by each party on early implementation.

TABLE 2: SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE			
(\$000s of Dollars)			
		Revenue Requirement	Rate Base
Amount as filed:		\$9,140	\$198,448
Adjustments:			
a	Rate of Return		
	Adjusts return on equity to 9.50%, long-term debt cost to 5.452%, with a common stock equity component of 51%, and overall Cost of Capital of 7.516%.	(853)	-
b	Revenue Sensitive - uncollectible rate and state tax rate		
	Revises the State Income Tax (SIT) rate to factor in future use of SIT credits. These changes impact the Conversion Factor and adjustment "f" below.	(147)	-
c	Uncollectibles		
	Reduces the Company's uncollectible expense by adjusting the 3-year historical average.	(39)	-
d	Working Cash		
	Removes the additional working capital rate base adjustment to include only materials and supplies.	(501)	(4,641)
e	Interest Synchronization		
	Includes the flow through of the federal and state tax impact on rate base adjustments due to the change in the cost of debt.	61	-
f	State Taxes		
	Revises level of SIT to an agreed-upon level.	(317)	-
g	Escalation		
	Reduces non-labor expense based on a lower forecasted inflation factor (CPI) for calendar years 2014 and 2015 expenses.	(97)	-
h	Advertising and Marketing		
	This reduces advertising and marketing expenses based on lower inflation factors for 2014 and 2015 expenses.	(40)	-
i	D&O Insurance		
	This reduces the Company's D&O insurance to exclude 50% of various D&O layers.	(31)	-
j	Various A&G Expenses		
	Revises the Company's expected administrative and general expenses related to meals and other expenses.	(44)	-
k	Capital Additions		
	Adjusts capital additions to reflect the updated information and end-of-period rate base at February 28, 2015, prior to rates going into effect on March 1, 2015.	286	2,750
l	Distribution O&M		
	Reduces the Company's Atmospheric Testing expense and adjusts for revised CPI.	(602)	-
m	Other Gas Supply Expense		
	Reduces the Company's natural gas supply expense to an agreed-upon level.	(60)	-
n	Memberships and Dues		
	Reduces the Company's membership and dues expense to an agreed-upon level.	(3)	-
o	Regulatory Commission Expense		
	Reduces the Company's regulatory commission expense to an agreed-upon level.	(76)	-
p	Allocation Factors		
	Includes a reduction in allocated expense to an agreed-upon level.	(100)	-
q	Incentives		
	Includes reduction to incentives to agreed-upon level.	(11)	(76)
r	Wages & Salaries		
	Revises wages and salaries related to overtime, full-time employee equivalents (FTE), associated payroll taxes, and applicable depreciation expense related to the reduction to rate base and an update to CPI.	(108)	-
s	Medical Benefits		
	Includes a reduction to medical expenses to an agreed-upon level.	(170)	-
t	Pensions		
	Removes the Company's net prepaid pension asset from rate base and revises the Company's pension expense to an agreed-upon level.	(282)	(4,318)
u	Property Tax		
	Includes updates to the Company's property tax expense to an agreed-upon level.	134	-
v	Insurance		
	Includes updates to the Company's insurance expense.	(28)	-
Total Adjustments:		(\$3,028)	(\$6,285)
Adjusted Base Revenue Requirement & Rate Base - Effective Mar. 1, 2015:		\$6,112	\$192,163
	Expiration of Schedule 497	(\$262)	
	Early Rate Implementation Credit Schedule 491	(\$850)	
Net Revenue Increase Effective Mar. 1, 2015		\$5,000	\$192,163

1 The following information provides an explanation for each of the adjustments in Table 2
 2 above. Attachment A summarizes the Company's filed rate case and the stipulated adjustments.
 3 The numbers in parenthesis represent the agreed-upon increase or decrease in revenue
 4 requirement associated with the item.

5 a. Rate of Return – (-\$853,000) This adjustment reduces Avista's requested cost of
 6 capital to an overall cost of capital equal to 7.516% based on the following components: a capital
 7 structure consisting of 51% common stock equity and 49% long-term debt, return on equity of
 8 9.50%, and a long-term debt cost of 5.452%. This combination of capital structure and capital
 9 costs is shown in the schedule below:

Agreed-upon Cost of Capital			
	<u>Percent of</u> <u>Total Capital</u>	<u>Cost</u>	<u>Component</u>
Long-term Debt	49.0%	5.452%	2.67%
Common Equity	51.0%	9.500%	4.85%
Total	100.0%		7.516%

15 b. Revenue Sensitive – uncollectible rate and state tax rate – (-\$147,000) Revises the
 16 State Income Tax (SIT) rate to factor in future use of SIT credits. The adjustment also revises the
 17 uncollectible rate to 0.5313 percent calculated on a three-year historical average. These changes
 18 impact the Conversion Factor and adjustment "f" below.

19 c. Uncollectibles – (-\$39,000) Reduces the Company's uncollectible expense by
 20 adjusting the three -year historical average.

21 d. Working Capital – (-\$501,000) Removes the additional working capital rate base
 22 adjustment to include only materials and supplies. This adjustment reduces rate base \$4,641,000.

1 e. Interest Synchronization – (+\$61,000) This adjustment includes the flow through of
2 the federal and state tax impact on rate base adjustments due to the change in the cost of debt.

3 f. State Taxes – (-\$317,000) – This adjustment reduces the level of SIT to an agreed-
4 upon level.

5 g. Expense Escalation – (-\$97,000) This adjustment reduces non-labor expenses based
6 on a lower forecasted inflation factor (Consumer Price Index or CPI) for calendar years 2014 and
7 2015.

8 h. Advertising and Marketing – (-\$40,000) This reduces advertising and marketing
9 expenses based on lower inflation factors for 2014 and 2015 expenses.

10 i. Directors & Officers (D&O) Insurance – (-\$31,000) This reduces the Company's
11 D&O insurance to exclude 50% of various D&O insurance layers.

12 j. Various Administrative & General (A&G) Expenses – (-\$44,000) This adjustment
13 revises the Company's expected administrative and general expenses related to meals and other
14 expenses.

15 k. Capital Additions – (+\$286,000) This adjustment revises capital additions to
16 include updated information, and reflects the end-of period rate base at February 28, 2015, prior
17 to rates going into effect on March 1, 2015². This adjustment increases rate base \$2,750,000.

18 l. Distribution Operating & Maintenance (O&M) Expenses – (-\$602,000) This
19 adjustment reduces the Company's Atmospheric Testing expense to reflect expected rate period
20 levels and adjusts for revised CPI.

21 m. Other Gas Supply Expense – (-\$60,000) Reduces the Company's natural gas supply
22 expense to an agreed-upon level.

² Prior to March 1, 2015, the Company will provide an Officer's Certification attesting to the fact that the capital additions, including Project Compass, are in-service, used and useful, and providing service to Oregon customers.

1 n. Memberships & Dues – (-\$3,000) This adjustment reduces the Company's
2 membership and dues expense to an agreed-upon level.

3 o. Regulatory Commission Expense – (-\$76,000) Reduces the Company's regulatory
4 commission expense to an agreed-upon level.

5 p. Allocation Factors – (-\$100,000) This adjustment includes a reduction in allocated
6 expenses to an agreed-upon level.

7 q. Incentive Compensation – (-\$11,000) This adjustment includes a reduction to
8 incentives to an agreed-upon level. This adjustment reduces rate base \$76,000.

9 r. Wages and Salaries – (-\$108,000) This adjustment revises wages and salaries
10 related to overtime, full-time employee equivalents (FTE), associated payroll taxes, and
11 applicable depreciation expense related to the reduction to rate base and an update to CPI.

12 s. Medical Benefits – (-\$170,000) Includes an adjustment to reduce medical expenses
13 to an agreed-upon level.

14 t. Pension Expense & Prepaid Pension Asset – (-\$282,000) This adjustment removes
15 the rate base treatment of the Company's prepaid pension asset from this Docket, reducing rate
16 base by \$4,318,000, and revises the Company's pension expense to an agreed-upon level.

17 u. Property Taxes – (+\$134,000) This adjustment includes updates to the Company's
18 property tax expense to an agreed-upon level.

19 v. Insurance – (-\$28,000) This adjustment includes updates to the Company's
20 insurance expense.

21

1 6. **Long-Run Incremental Cost Study:** The Parties agree that in future rate cases
2 filed by the Company, it will make the following adjustments to its Long Run Incremental Cost
3 study:

4 a. Natural Gas Planning will be allocated on a volumetric basis rather than on a
5 customer-count basis.

6 b. Core main costs, estimated on a LRIC/as-new basis, will be defined as total main
7 costs minus main extension costs.

8 c. Storage investment will be allocated on the basis of January sales rather than annual
9 sales.

10 7. **Rate Spread:** The Parties agree there is no precedent being established by the
11 agreed-upon one-time rate spread. The parties further agree that a party to this rate spread
12 agreement is not agreeing with the general proposition that when costs are generally increasing,
13 some customer classes should receive price signals suggesting that costs are decreasing, or as
14 viewed by other Parties that the rates currently charged to some customers are inequitably too
15 high from a cost-of-service standpoint. Notwithstanding the above reservation of positions, the
16 Parties all support the spread of the March 1, 2015 overall billed revenue increase³ of \$5.00
17 million, or 4.9%, to the Company's service schedules as follows:

³ The net overall or billed revenue increase includes the base general rate increase of \$6.112 million, the reduction of \$0.262 associated with the expiration of Schedule 497 (Aldyl A Pipe Replacement Program Capital Project Costs), and the \$0.85 million temporary credit to customers for the early implementation of the general rate increase.

	<u>Base Rate Increase</u>	<u>Net Overall Increase</u>
1 Residential Service Sch. 410	6.72%	5.3%
2 General Service Sch. 420	8.20%	6.9%
3 Large General Service Sch. 424	-1.38%	-1.6%
4 Interruptible Service Sch. 440	-1.58%	-1.8%
5 Seasonal Service Sch. 444	-1.52%	-1.8%
6 Special Contract Sch. 447	0.0%	0.0%
7 Transportation Service Sch. 456	-7.00%	-8.1%

9 The calculation of the revenue increase by service schedule is shown on Page 1 of
10 Attachment B.

11 8. **Rate Design:** The Parties support the following rate design. For Residential
12 Service Schedule 410, the monthly customer charge will remain at the current \$8.00. The
13 monthly customer charge for General Service Schedule 420 will be increased by \$2.00 per
14 month, from \$12.00 to \$14.00. For Large General Service Schedule 424, the monthly customer
15 charge will remain unchanged at \$50.00 per month, and the volumetric (per therm) rate will be
16 decreased by the appropriate amount to equal the total revenue decrease for that schedule. For
17 Interruptible Service Schedule 440 and Seasonal Service Schedule 444, the volumetric rate will
18 be decreased by the appropriate amount to equal the total revenue decrease for those schedules.
19 Finally, for Transportation Service Schedule 456, the monthly customer charge will remain at
20 \$275.00 per month. The revenue decrease for the Schedule is reflected through a uniform
21 percentage decrease applied to the volumetric rates within the Schedule.

22 The present and proposed base rates, as well as the increases to all rate components
23 within the schedules, are shown on Page 2 of Attachment B.

1 9. **Customer Count Tracking Mechanism:**

2 Beginning on March 1, 2015, Avista will compare, on a monthly basis, the actual number
3 of its Oregon customers at the end of each month, by rate schedule, to the number of customers
4 included in the Company's general rate case (i.e., "base" number of customers). If the actual
5 number of customers in the month is higher than the base level, the margin associated with the
6 number of customers above the base level of customers will be deferred, by rate schedule, and
7 returned on an equal percent margin basis across all customers. If the actual number of
8 customers in the month is less than the base number of customers, there will be no deferral
9 recorded for that month. This tracking mechanism is the subject of a separate Application for
10 Authorization to Defer Certain Expenses or Revenues filed coincident with this Settlement
11 Stipulation. Because an application to defer is only granted for a one-year period, the Company
12 agrees to file for a reauthorization to defer as necessary to comply with subsection (a) below.
13 Because the two matters are interrelated (in fact, this Stipulation is dependent upon Commission
14 approval of the Deferral Application), the Parties request that both filings be acted upon by the
15 Commission at the same time.

- 16 a. **Term of Mechanism** – The mechanism will be effective as of the effective date of
17 the Settlement, proposed to be March 1, 2015, and will end when new base rates are
18 implemented from the Company's next general rate case..
- 19 b. **Base Level of Customers, Usage, and Margin by Rate Schedule** – Appendix C to
20 the Stipulation contains the base level of customers by month and by rate schedule.
21 Appendix C also contains the average annual use per customer, shaped by month, for
22 each rate schedule, as well as the stipulated margin by rate schedule, net of the

1 Schedule 491 "Early Implementation Credit," that will be used to calculate any
2 deferral.

3 c. **Rate Adjustment** – On May 1, 2016, the Company will file a tariff and supporting
4 workpapers with the Commission to rebate to customers, effective November 1, 2016
5 (i.e., coincident with any PGA adjustment), any deferrals from the March 2015
6 through February 2016 12-month deferral period. If the tracking mechanism extends
7 beyond February 2016, the Company would continue to file on May 1 of each
8 successive year for a November 1 rate adjustment to return to customers any deferrals
9 from the prior March through February deferral period.

10 d. **Deferral Limitation** – The Parties agree that the Company will not defer more than
11 \$530,000 under the mechanism in any rolling 12-month period for which the deferral
12 is in effect.

13 e. **Interest on Deferrals** – Interest will accrue on deferrals at the Company's authorized
14 rate of return of 7.516%, similar to other Company deferrals.

15 f. **Interest on Amortization of Deferrals** – Once a deferral balance is approved for
16 amortization, interest will accrue at the Modified Blended Treasury Rate, similar to
17 other Company amortizations.

18 10. The Parties agree that this Stipulation is in the public interest and results in an
19 overall fair, just and reasonable outcome.

20 11. The Parties agree that this Stipulation represents a compromise in the positions of
21 the Parties. Without the written consent of all Parties, evidence of conduct or statements,
22 including but not limited to term sheets or other documents created solely for use in settlement
23 conferences in this Docket, are not admissible in the instant or any subsequent proceeding unless

1 independently discoverable or offered for other purposes allowed under ORS 40.190. Nothing in
2 this paragraph precludes a party from stating as a factual matter what the Parties agreed to in this
3 Stipulation or in the Parties' testimony supporting the stipulation.

4 12. Further, this Stipulation sets forth the entire agreement between the Parties and
5 supersedes any and all prior communications, understandings, or agreements, oral or written,
6 between the Parties pertaining to the subject matter of this Stipulation.

7 13. This Stipulation will be offered into the record in this proceeding as evidence
8 pursuant to OAR 860-001-0350(7). The Parties agree to use best efforts to prepare and submit
9 the Stipulation and supporting materials to the Commission in time to permit the Commission to
10 take action that will allow rates to go into effect by March 1, 2015. The Parties agree to support
11 this Stipulation throughout this proceeding and any appeal. The Parties further agree to provide
12 witnesses to sponsor the Stipulation at any hearing held, or, in a Party's discretion, to provide a
13 representative at the hearing authorized to respond to the Commission's questions on the Party's
14 position as may be appropriate.

15 14. If this Stipulation is challenged by any other party to this proceeding, the Parties to
16 this Stipulation reserve the right to cross-examine witnesses and put on such case as they deem
17 appropriate to respond fully to the issues presented, including the right to raise issues that are
18 incorporated in the Settlement embodied in this Stipulation. Notwithstanding this reservation of
19 rights, the Parties agree that they will continue to support the Commission's adoption of the
20 terms of this Stipulation.

21 15. The Parties have negotiated this Stipulation as an integrated document. If the
22 Commission rejects all or any material portion of this Stipulation, or imposes additional material
23 conditions in approving this Stipulation, any Party disadvantaged by such action shall have the

1 rights provided in OAR 860-001-0350(9) and shall be entitled to seek reconsideration or appeal
2 of the Commission's Order.

3 16. By entering into this Stipulation, no Party shall be deemed to have approved,
4 admitted, or consented to the facts, principles, methods, or theories employed by any other Party
5 in arriving at the terms of this Stipulation. No Party shall be deemed to have agreed that any
6 provision of this Stipulation is appropriate for resolving the issues in any other proceeding.

7 17. This Stipulation may be executed in counterparts and each signed counterpart shall
8 constitute an original document. The Parties further agree that any facsimile copy of a Party's
9 signature is valid and binding to the same extent as an original signature.

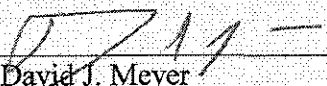
10 18. This Stipulation may not be modified or amended except by written agreement
11 among all Parties who have executed it.

12 This Stipulation is entered into by each Party on the date entered below such Party's
13 signature.

1 DATED this 21st day of January 2015.

2
3 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

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6
7 By: 
8 David J. Meyer

By: _____
Michael Weirich

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10 Date: 1/21/15

Date: _____

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14 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF
OREGON

15
16
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18 By: _____
19 Chad M. Stokes

By: _____
G. Catriona McCracken

20
21 Date: _____

Date: _____

1 DATED this _____ day of January 2015.

2
3 AVISTA CORPORATION

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7 By: _____
8 David J. Meyer

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10 Date: _____

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13 NORTHWEST INDUSTRIAL GAS USERS

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18 By: _____
19 Chad M. Stokes

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21 Date: _____

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: Michael Weirich
Michael Weirich

Date: 1/21/15

CITIZENS' UTILITY BOARD OF
OREGON

By: _____
G. Catriona McCracken

Date: _____

1 DATED this _____ day of January 2015.

2
3 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

6
7 By: _____
8 David J. Meyer


By: _____
Michael Weirich

9
10 Date: _____

Date: _____

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14 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF
OREGON

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17 By:  _____
18 Chad M. Stokes

By: _____
G. Catriona McCracken

19
20 Date: 1/21/15

Date: _____

1 DATED this _____ day of January 2015.

2
3 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

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7 By: _____
8 David J. Meyer

By: _____
Michael Weirich

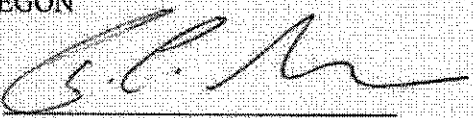
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14 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF
OREGON

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18 By: _____
19 Chad M. Stokes

By: 
G. Catriona McCracken

20
21 Date: _____

Date: 1-21-15

Avista Utilities
UG 284
Twelve Months Ended December 31, 2015
(000)

	Company Filed 2015 Results at Reasonable Return (1)	Stipulated Adjustments (2)	2015 Adjusted (3)	Stipulated Price Increase (4)	Results at Stipulated Return (5)
1 Operating Revenues					
2 General Business	\$104,037	\$0	\$94,897	\$6,112.40	\$101,010
3 Transportation	\$3,320	\$0	\$3,320	\$0	\$3,320
4 Other Revenues	\$153	\$0	\$153	\$0	\$153
5 Total Operating Revenues	\$107,510	\$0	\$98,370	\$6,112	\$104,483
6 Operating Expenses					\$0
7 Gas Purchased	\$49,086	\$0	\$49,086	\$0	\$49,086
8 OPUC Fees	\$356	\$0	\$326	\$20	\$346
9 Franchise Fees	\$2,181	\$0	\$1,996	\$124	\$2,120
10 Uncollectibles	\$610	(\$38)	\$523	\$32	\$555
11 General Operations & Maintenance	\$12,613	(\$737)	\$11,876	\$0	\$11,876
12 Admin & General Expenses	\$7,777	(\$275)	\$7,502	\$0	\$7,502
13 Total Operation & Maintenance	\$72,623	(\$1,050)	\$71,309	\$177	\$71,486
14 Depreciation	\$7,828	142	\$7,970	\$0	\$7,970
15 Amortization	\$2,126	(153)	\$1,973	\$0	\$1,973
16 Taxes Other than Income	\$2,313	0	\$2,313	\$0	\$2,313
17 Income Taxes	\$7,201	314	\$4,038	\$2,258	\$6,296
18 Total Operating Expenses	\$92,091	(747)	\$87,603	\$2,435	\$90,038
19 Net Operating Revenues	\$15,419	\$748	\$10,767	\$3,676	\$14,443
20 Average Rate Base					
21 Utility Plant in Service	\$339,602	\$1,640	\$341,242	\$0	\$341,242
22 Accumulated Depreciation & Amortization	(\$110,159)	\$797	(\$109,362)	\$0	(\$109,362)
23 Accumulated Deferred Income Taxes	(\$44,585)	\$237	(\$44,348)	\$0	(\$44,348)
24 Accumulated Deferred Inv. Tax Credit	\$0	\$0	\$0	\$0	\$0
25 Net Utility Plant	\$184,858	\$2,674	\$187,532	\$0	\$187,532
26 Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0
27 Acquisition Adjustments	\$0	\$0	\$0	\$0	\$0
28 Working Capital	\$6,728	(\$4,641)	\$2,087	\$0	\$2,087
29 Fuel Stock	\$2,544	\$0	\$2,544	\$0	\$2,544
30 Materials & Supplies	\$0	\$0	\$0	\$0	\$0
31 Customer Advances for Construction	\$0	\$0	\$0	\$0	\$0
32 Weatherization Loans	\$0	\$0	\$0	\$0	\$0
33 Prepayments	\$4,318	(\$4,318)	\$0	\$0	\$0
34 Misc. Deferred Debits & Credits	\$0	\$0	\$0	\$0	\$0
35 Misc. Rate Base Additions/(Deductions)	\$0	\$0	\$0	\$0	\$0
36 Total Average Rate Base	\$198,448	(\$6,255)	\$192,153	\$0	\$192,163
37 Rate of Return	7.77%		5.60%		7.516%
38 Implied Return on Equity	9.90%		5.75%		9.50%

Avista Utilities
Docket No. UG 284
Settlement Rate Spread

Line No.	OREGON TOTAL	Residential Service SCH 410	General Service SCH 420	Large General Service SCH 424	Interruptible Service SCH 440	Seasonal Service SCH 444	Special Contract Service SCH 447	Transportation Service SCH 456
1	CURRENT BASE MARGIN (from Avista/903 Ehrbar/page 2 of 4)	\$ 47,670,000	\$ 31,376,000	\$ 11,731,000	\$ 667,000	\$ 458,000	\$ 43,000	\$ 3,075,000
2	% of Current Margin excl Sch 447	100.00%	66.26%	24.78%	1.41%	0.97%	0.09%	6.49%
3	Present Base Revenue (from Avista/903 Ehrbar/page 2 of 4)	\$ 98,217,000	\$ 61,343,000	\$ 27,875,000	\$ 3,376,000	\$ 2,030,000	\$ 198,000	\$ 3,075,000
4	Total Margin Increase as % of Present Base Revenue (Line 5 divided by Line 3)	6.22%	6.72%	8.20%	-1.38%	-1.58%	-1.52%	-7.00%
5	Total Margin Revenue Increase (Line 3 times Line 4)	\$ 6,112,000	\$ 4,124,062	\$ 2,284,948	\$ (46,690)	\$ (32,060)	\$ (3,010)	\$ (215,250)
6	PROPOSED BASE MARGIN (Line 1 plus Line 5)	\$ 53,782,000	\$ 35,500,062	\$ 14,015,948	\$ 620,310	\$ 425,940	\$ 39,990	\$ 2,859,750
7	% of Proposed Margin excl Sch 447	100.00%	66.40%	26.22%	1.16%	0.80%	0.07%	5.35%
8	Present Billed Revenue	\$ 101,218,000	\$ 63,128,000	\$ 28,664,000	\$ 3,494,000	\$ 2,290,000	\$ 205,000	\$ 3,117,000
9	Percentage Billed Revenue Increase (Line 5 divided by Line 8)	6.0%	6.5%	8.0%	-1.3%	-1.4%	-1.5%	-6.9%
10	Summary:							
11	Base Rate Increase (Line 5)	\$ 6,112,000	\$ 4,124,062	\$ 2,284,948	\$ (46,690)	\$ (32,060)	\$ (3,010)	\$ (215,250)
12	Cancellation of Schedule 497 (UG-246 Step 2 Increase)	\$ (262,000)	\$ (183,000)	\$ (85,000)	\$ 1,000	\$ (3,000)	\$ -	\$ 8,000
13	Schedule 491 - Early Implementation Tariff (\$850,000 times Line 7)	\$ (850,000)	\$ (664,421)	\$ (222,842)	\$ (9,852)	\$ (6,772)	\$ (638)	\$ (45,488)
14	Total Rate Adjustment	\$ 5,000,000	\$ 3,376,642	\$ 1,977,106	\$ (66,662)	\$ (41,832)	\$ (3,648)	\$ (262,718)
15	Total Billed Revenue Impact (Line 14 divided by Line 8)	4.9%	5.3%	6.9%	-1.6%	-1.8%	-1.8%	-8.1%

16 Rate Spread:

- 17 Schedule 410 - 0.5% Above the Overall Base Revenue % Increase
- 18 Schedule 420 - Up to 2.2% Above the Sch 410 Base Revenue Increase
- 19 Schedule 424 - Reduce Margin Revenue by 7.0%
- 20 Schedule 440 - Reduce Margin Revenue by 7.0%
- 21 Schedule 444 - Reduce Margin Revenue by 7.0%
- 22 Schedule 456 - Reduce Margin Revenue by 7.0%

Basic Charge:

- Schedule 410 - \$8.00 (no increase)
- Schedule 420 - \$14.00 (\$2.00 increase)

23 The base rate increase was spread based on Staff's Settlement proposal with one exception:

- 24 1. For Schedule 447, Staff proposed a 1.0% reduction of base revenue or \$11,000 rate reduction. Customers served under this rate schedule have negotiated fixed rates with Commission approval. Those rates should not change.

25

26 The Early Implementation Tariff Schedule 491 credit (\$850,000) has been spread based on a percentage of proposed margin (excluding Sch 447) as reflected on line 7 above.

Avista Utilities
Docket No. UG 284
Oregon - Natural Gas
Settlement Rates by Schedule

<u>Present Base Rates</u>	<u>Change</u>	<u>Proposed Base Rates</u>
Residential Service Schedule 410		
\$8.00 Customer Charge	\$0.00/month	\$8.00 Customer Charge
All Therms - \$0.46998/Therm	\$0.08400/therm	All Therms - \$0.55398/Therm
General Service Schedule 420		
\$12.00 Customer Charge	\$2.00/month	\$14.00 Customer Charge
All Therms - \$0.38147/Therm	\$0.07610/therm	All Therms - \$0.45757/Therm
Large General Service Schedule 424		
\$50.00 Customer Charge	\$0.00/month	\$50.00 Customer Charge
All Therms - \$0.13908/Therm	-\$0.01051/therm	All Therms - \$0.12857/Therm
Interruptible Service Schedule 440		
All Therms - \$0.11584/Therm	-\$0.00816/therm	All Therms - \$0.10768/Therm
Seasonal Service Schedule 444		
All Therms - \$0.17082/Therm	-\$0.01208/therm	All Therms - \$0.15874/Therm
Transportation Service Schedule 456		
\$275.00 Customer Charge	\$0.00/month	\$275.00 Customer Charge
1st 10,000 Therms - \$0.15016/Therm	-\$0.01092/therm	1st 10,000 Therms - \$0.13924/Therm
Next 20,000 Therms - \$0.09037/Therm	-\$0.00657/therm	Next 20,000 Therms - \$0.08380/Therm
Next 20,000 Therms - \$0.07428/Therm	-\$0.00540/therm	Next 20,000 Therms - \$0.06888/Therm
Next 200,000 Therms - \$0.05814/Therm	-\$0.00423/therm	Next 200,000 Therms - \$0.05391/Therm
Over 250,000 Therms - \$0.02949/Therm	-\$0.00214/therm	Over 250,000 Therms - \$0.02735/Therm

Avista Utilities
Docket No. UG 284
Oregon - Natural Gas
Cancellation of Schedule 497

Capital Cost Recovery (Adlyl A Pipe Replacement from UG-246)

Line No.	Type of Service (a)	Schedule Number (b)	Total Proforma Therms (c)	Schedule 497 Rate Per Therm (d)	Schedule 497 Total Revenue (e)
1	Residential	410	49,097,140	\$ (0.00372)	\$ (182,641)
2	General Service	420	26,450,079	\$ (0.00323)	\$ (85,434)
3	Large General Service	424	4,438,427	\$ 0.00021	\$ 932
4	Interruptible Service	440	3,945,585	\$ (0.00068)	\$ (2,683)
5	Seasonal Service	444	253,423	\$ (0.00073)	\$ (185)
6	Transportation Service	456			
7	Block 1		4,973,548	\$ 0.00038	\$ 1,890
8	Block 2		8,894,640	\$ 0.00023	\$ 2,046
9	Block 3		6,464,231	\$ 0.00019	\$ 1,228
10	Block 4		15,641,729	\$ 0.00015	\$ 2,346
11	Block 5		653,094	\$ 0.00007	\$ 46
12	Total		<u>36,627,242</u>		<u>\$ 7,556</u>
13	Special Contract	447	7,979,130	\$ -	\$ -
14	Total		<u>128,791,026</u>		<u>\$ (262,455)</u>

Avista Utilities
Docket No. UG 284
Oregon - Natural Gas
Schedule 491 Early Rate Implementation Credit

Schedule 491
Early Rate Implementation Credit Calculation

Line No.	Type of Service (a)	Schedule Number (b)	Total Proforma Therms (c)	Schedule 491 Rate Per Therm (d)	Schedule 491 Total Revenue (e)
1	Residential	410	49,097,140	\$ (0.01150)	\$ (564,420)
2	General Service	420	26,450,079	\$ (0.00843)	\$ (222,842)
3	Large General Service	424	4,438,427	\$ (0.00222)	\$ (9,862)
4	Interruptible Service	440	3,945,585	\$ (0.00172)	\$ (6,772)
5	Seasonal Service	444	253,423	\$ (0.00251)	\$ (636)
6	Transportation Service	456			
7	Block 1		4,973,548	\$ (0.00231)	\$ (11,474)
8	Block 2		8,894,640	\$ (0.00139)	\$ (12,349)
9	Block 3		6,464,231	\$ (0.00114)	\$ (7,377)
10	Block 4		15,641,729	\$ (0.00089)	\$ (13,972)
11	Block 5		653,094	\$ (0.00045)	\$ (296)
12	Total		36,627,242		\$ (45,468)
13	Special Contract	447	7,979,130	-	-
14	Total		128,791,026		\$ (850,000)

Avista Utilities
Docket No. UG 284
Oregon - Natural Gas
Customer Count Tracking Mechanism

Customers (1)	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Sch 410	86,834	86,704	86,421	86,007	85,645	85,381	85,318	85,791	86,513	87,066	87,720	87,695
Sch 420	11,412	11,371	11,358	11,329	11,278	11,251	11,232	11,238	11,321	11,404	11,477	11,500
Sch 424	80	81	80	83	80	80	80	80	80	80	81	85
Sch 440	33	33	34	34	34	37	38	37	35	34	35	34
Sch 444	1	1	2	2	2	5	9	9	4	2	2	2
Sch 447	3	3	3	3	3	3	3	3	3	3	3	3
Sch 456	35	35	35	35	35	35	35	35	35	35	35	35

Use Per Customer (1)	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Sch 410	66.7	48.2	27.8	17.4	15.0	14.1	13.7	31.6	64.2	98.7	94.2	75.3
Sch 420	261.8	188.6	113.9	76.0	71.5	71.9	71.9	152.1	259.4	383.8	379.3	299.7
Sch 424	5,003.4	3,881.1	3,048.2	2,815.7	3,227.4	3,633.7	3,385.7	5,872.6	6,744.0	6,824.5	5,530.8	5,087.0
Sch 440	9,043.0	7,845.7	5,923.7	5,383.2	5,955.1	6,724.5	11,797.6	12,875.5	13,694.7	12,131.6	11,484.9	10,533.9
Sch 444	5.4	423.0	369.2	1,792.0	1,964.7	2,459.3	15,295.4	9,331.4	1,596.5	1,545.5	658.5	1.4
Sch 447	227,046.3	225,474.3	223,858.7	227,721.7	213,644.0	216,698.0	216,046.7	221,569.3	221,767.3	229,230.3	236,876.7	238,080.7
Sch 456	91,594.6	88,398.8	84,130.9	82,613.3	78,430.3	81,395.7	80,362.6	88,546.2	89,649.7	95,613.0	99,664.6	94,290.6

Margin: (2)	Sch 410	Sch 420	Sch 424	Sch 440	Sch 444	Sch 456
Basic Charge	\$ 8.00	\$ 14.00	\$ 50.00			\$ 275.00

Per Therm:	Sch 410	Sch 420	Sch 424	Sch 440	Sch 444	Sch 456
Base Rate (Sch 410 - 456)	\$ 0.55398	\$ 0.45757	\$ 0.12857	\$ 0.10768	\$ 0.15874	\$ 0.07492 (3)
Sch 491 - Early Rate Implementation Credit	<u>\$ (0.01150)</u>	<u>\$ (0.00843)</u>	<u>\$ (0.00222)</u>	<u>\$ (0.00172)</u>	<u>\$ (0.00251)</u>	<u>\$ (0.00124) (3)</u>
Total Margin Rate	\$ 0.54248	\$ 0.44914	\$ 0.12635	\$ 0.10596	\$ 0.15623	\$ 0.07368

The margin rate for Schedule 447 will be the special contract rate approved by the Commission for any new customers.

- (1) Provided or calculated from the electronic workpapers of Company witness Ehrbar
- (2) Stipulation Attachment B
- (3) Merged volumetric margin rate

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 284

In the Matter of
AVISTA CORPORATION, dba AVISTA
UTILITIES
Request for a General Rate Revision

MOTION TO ADMIT STIPULATION

Pursuant to OAR 860-001-0350(7)(b), Staff of the Public Utility Commission of Oregon, Citizens' Utility Board of Oregon, Northwest Industrial Gas Users, and Avista Corporation ("the Parties") offer the Stipulation filed on January 21, 2015. It is anticipated that testimony and exhibits supporting the Stipulation will be filed no later than January 27, 2015.

DATED: January 21, 2015

AVISTA CORPORATION

Dated: 1/21/15

By: David Meyer
Print name

Signed: [Signature]