

**Avista Corp.**  
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April 30, 2015

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

**RE: Advice 15-03-G/UG-\_\_\_ – Avista Corporation’s Request for General Rate Revision**

In accordance with Oregon Administrative Rules, Avista Corp., dba Avista Utilities (Avista or Company), respectfully submits an original and 20 copies of the Company’s trial brief, testimony and associated exhibits in support of its request for a general rate revision associated with the Company’s Tariff P.U.C OR. No. 5. Also enclosed with this filing is a Motion for Protective Order. The Company is requesting the proposed revisions to the following enclosed tariff sheets:

Seventeenth Revision Sheet 410	Canceling	Sixteenth Revision Sheet 410
Sixteenth Revision Sheet 420	Canceling	Fifteenth Revision Sheet 420
Sixteenth Revision Sheet 424	Canceling	Fifteenth Revision Sheet 424
Sixteenth Revision Sheet 440	Canceling	Fifteenth Revision Sheet 440
Seventeenth Revision Sheet 444	Canceling	Sixteenth Revision Sheet 444
Fifteenth Revision Sheet 456	Canceling	Fourteenth Revision Sheet 456
Original Sheet 475		
Original Sheet 475A		
Original Sheet 475B		
Original Sheet 475C		

Please note that Exhibit 401 of Jody Morehouse is being provided in electronic format only due to the voluminous nature of the file. Avista’s CONFIDENTIAL Exhibit Nos. 202, and 204 are being provided under a sealed separate envelope, marked CONFIDENTIAL. Additionally, three (3) copies of supporting work papers have also been included with this filing.

Copies of the Company’s responses to the Standard Data Requests are being provided under separate cover.

Please direct any questions regarding this filing to Jennifer Smith at (509) 495-2098.

Sincerely,

David J. Meyer  
Vice President and Chief Counsel for Regulatory and Governmental Affairs

Enclosure  
cc: See attached service list

## CERTIFICATE OF SERVICE

**I HEREBY CERTIFY** that I have this day served Direct Testimony and Exhibits in the Oregon Natural Gas General Rate Case Filing of Avista Utilities, a division of Avista Corporation, (Advice 15-03-G/UG-\_\_\_\_) upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail.

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

Dated at Spokane, Washington this 30th day of April 2015.

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Wendy Manskey  
Rates Coordinator

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

Advice 15-03-G/UG-\_\_\_

In the matter of the Application of )  
AVISTA CORPORATION, DBA )  
AVISTA UTILITIES for a General )  
Rate Revision )

TRIAL BRIEF OF  
AVISTA CORPORATION

Avista Corporation, doing business as Avista Utilities (“Avista” or “Company”), is filing tariff schedules, pursuant to ORS 757.205 and ORS 757.220, to effect a general revision for its natural gas customers in Oregon. This brief is submitted to meet the requirements of OAR 860-022-0019.

1.

Avista provides natural gas service in the State of Oregon and is a public utility subject to the Public Utility Commission of Oregon’s jurisdiction under ORS 757.005(1)(a)(A). Avista provides natural gas distribution service in southwestern and northeastern Oregon. The Company also provides electric and natural gas service within a 30,000 square mile area of eastern Washington and northern Idaho. As of December 31, 2014, Avista supplied retail electric service to 366,305 customers and retail natural gas service to 325,919 customers, including approximately 98,194 customers in Oregon who will be affected by the proposed rate revision. Avista’s principal place of business is located in Spokane, Washington.

2.

Avista requests that all notices, pleadings, and correspondence regarding this filing be sent to the following:

David J. Meyer, Esq.  
Vice President and Chief Counsel for  
Regulatory and Governmental Affairs  
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3.

The test year being used by the Company is the twelve months ended December 31, 2016. The Company's pro forma results of operations for the test year indicate that, at the current rate levels, Avista would earn a return on equity ("ROE") of 5.44 percent. This ROE is clearly not sufficient to provide Avista with a fair and reasonable return or allow the Company to attract capital at reasonable rates.

Avista's revised tariff schedules effect an increase in base rates (including natural gas costs) for Oregon retail customers of \$8,557,000, or 8.0 percent<sup>1</sup>, which would produce an overall rate of return of 7.72 percent and a return on equity of 9.9 percent. Pursuant to ORS 757.220, the revised schedules contain an effective date of January 1, 2016.

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<sup>1</sup> The overall increase in total revenue, which includes natural gas costs and all other rate adjustments, is 8.0%. On a margin revenue basis, which excludes the cost of gas and all other rate components, the overall increase is 16.1%.

4.

A combination of capital additions, declining margins and increases in general business expense now require the Company to request an increase in overall base retail rates of \$8,557,000. The Company used the cost of service results prepared by Company witness Mr. Miller as a guide in the proposed spread of the requested increase to the various service schedules. As described in Company witness Mr. Ehrbar's testimony, the Company's proposed rate spread results in an approximate 50% movement towards unity (1.00). The Company proposes that Schedules 410 and 420 receive a greater than overall percentage increase, on a margin basis, than the Company's overall request. For Schedules 424, 444 and 456, the Company proposes a margin rate reduction of 7.0%. Finally, the Company proposes that Schedule 440 receives no rate change.

5.

Avista's direct case consists of the testimony and exhibits of the following witnesses:

(a) Policy and Operations – Exhibit 100. **Scott L. Morris**, Chairman of the Board, President and Chief Executive Officer of Avista Corporation, presents an overview of the filing and identifies the cost increases that make this filing necessary. Mr. Morris describes efforts to reduce operating costs and explains the Company's customer support programs that are in place to assist customers.

(b) Financial Overview, Capital Structure, and Overall Rate of Return – Exhibit 200. **Mark T. Thies**, Senior Vice President and Chief Financial Officer, will address the Company's capital structure, the proposed cost of embedded debt and the overall rate of return. He will explain the actions the Company has taken to acquire needed capital and improve Avista's financial condition in recent years.

(c) Return on Equity – Exhibit 300. **Adrien M. McKenzie**, as Vice President of Financial Concepts and Applications (FINCAP), Inc., has been retained to present testimony with respect to the reasonableness of the Company's proposed overall capital structure and will testify in support of the proposed 9.9% return on equity.

(d) Gas Supply and Storage – Exhibit 400. **Jody Morehouse**, Director of Gas Supply, will describe Avista's natural gas resource planning process, and provide an update on the Company's 2014 Natural Gas Integrated Resource Plan.

(e) Revenue Requirement and Allocations – Exhibit 500. **Jennifer Smith**, Senior Regulatory Analyst, will discuss the Company's overall revenue requirement proposal. She will also explain the 2016 test year operating results including expense and rate base adjustments made to actual operating results and rate base.

(f) Capital Projects – Exhibit 600. **Karen Schuh**, Senior Regulatory Analyst, will describe the Company's proposed regulatory treatment of capital investments in utility plant through December 31, 2015, as well as capital investments in utility plant related to new customer hookups for the 12 month period ended December 31, 2016.

(g) Load Forecast – Exhibit 700. **Dr. Grant Forsyth**, Chief Economist, will provide an overview of the general economic conditions in the Company's Oregon service territory, and describe the Company's methodology used to generate the forecasts for customers, use-per-customer, and total load which are used in the Company's 2016 Test Year Revenue Load Adjustment.

(h) Long-Run Incremental Cost of Service – Exhibit 800. **Joseph D. Miller**, Senior Regulatory Analyst, sponsors the long-run incremental cost study for Oregon natural gas service.

Mr. Miller discusses his study results and how each schedule's present and proposed rates compare to the indicated cost.

(i) Rate Spread, Rate Design, and Decoupling – Exhibit 900. **Patrick D. Ehrbar**, Manager, Rates and Tariffs, discusses the spread of the annual revenue changes among the Company's general service schedules and related rate design. Mr. Ehrbar also discusses the 2016 Test Year Revenue Load Adjustment and the Company's proposed Natural Gas Decoupling Mechanism.

6.

The following exhibits are attached pursuant to OAR 860-022-0019:

- (a) Exhibit A. The information required by OAR 860-022-0019(1)(a)-(f).
- (b) Exhibit B. From Ms. Smith's Exhibit 501, page 1, which shows the results of operations for Avista's Oregon jurisdiction before and after the proposed rate change, as required by OAR 860-022-0019(1)(g).
- (c) Exhibit C. This exhibit shows the effect of the proposed rate change on each class of customers as required by OAR 860-022-0019(1)(h). Exhibit C also contains information required by OAR 860-022-0030(1). Specifically, the exhibit shows, for each tariff schedule, the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue derived from applying the proposed rate revisions. For each tariff schedule, the exhibit also shows the average monthly use and resulting bills under both existing rates and proposed rates for characteristic customers.

7.

Avista Corporation respectfully requests that the Commission issue an order granting the

rate relief requested in this filing and approving the proposed tariff schedules.

DATED: April 30, 2015.



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David J. Meyer  
Vice President and Chief Counsel for Regulatory  
and Governmental Affairs  
Avista Corporation



## **EXHIBIT A**

### **INFORMATION REQUIRED BY OAR 860-013-0075(1)(b)(A)-(F)**

- A. The dollar amount of total base revenues, excluding natural gas costs, that would be collected under the proposed rates is \$61,948,000.
- B. The dollar amount of revenue change requested is \$8,557,000.
- C. The percentage change in base revenues requested is 8.0 percent.
- D. The forecasted test year proposed is January 1, 2016 to December 31, 2016.
- E. The requested overall rate of return is 7.72 percent and the requested return on equity is 9.9 percent.
- F. The rate base proposed in this filing is \$217,824,000.

**AVISTA UTILITIES  
OREGON JURISDICTION  
NATURAL GAS  
TWELVE MONTH TEST YEAR ENDED DECEMBER 31, 2016**

Line No.	Description	PRESENT RATES			WITH PROPOSED RATES	
		Per Results of Operations Report <i>a</i>	Total Adjustments <i>b</i>	Restated 2016 AMA Test Year <i>c</i>	Proposed Revenues & Related Exp <i>d</i>	Proposed Total (AMA) <i>e</i>
1	OPERATING REVENUES					
2	Total General Business	\$82,303	(\$32,639)	\$49,664	\$8,557	\$58,221
3	Total Transportation	3,191	369	3,560	0	3,560
4	Other Revenues	115,595	(115,428)	167	0	167
5	Total Operating Revenues	201,089	(147,698)	53,391	8,557	61,948
6						
7	OPERATING EXPENSES					
8	Gas Purchased	161,753	(161,753)	0	0	0
9	Operation and Maintenance	5,672	6,882	12,554	0	12,554
12	Uncollectible Accounts	732	(432)	300	47	347
11	Administration & General	8,090	535	8,625	0	8,625
10	OPUC Commission Fees	582	(399)	183	29	212
13	Total Operation & Maintenance	176,829	(155,167)	21,662	76	21,738
14						
15	DEPRECIATION, AMORTIZATION, TAXES					
16						
17	Municipal Occupation & License Tax	1,489	(1,489)	0	0	0
17	Franchise Fees - Conversion Factor	1,851	(677)	1,174	188	1,362
18	R&P Property Tax	2,402	139	2,541	0	2,541
19	State Income Tax	0	0	0	0	0
20	Depreciation & Amortization	7,836	3,183	11,019	0	11,019
21	Total Operating Expenses	190,407	(154,011)	36,396	264	36,660
22						
23	OPERATING INCOME BEFORE FIT/SIT	10,682	6,313	16,995	8,293	25,288
24						
25	INCOME TAXES					
26	Current Federal Income Taxes	(8,507)	1,639	(6,868)	2,671	(4,197)
27	Debt Interest	0	(478)	(478)	0	(478)
28	Deferred Federal Income Taxes	11,277	(7)	11,270	0	11,270
29	State Income Taxes	(416)	1,629	1,213	663	1,876
30	Total Income Taxes	2,354	2,784	5,138	3,334	8,471
31						
32	NET OPERATING INCOME	\$8,328	\$3,529	\$11,857	\$4,960	\$16,817
33						
34						
35	RATE BASE					
36	Utility Plant in Service	\$312,767	\$55,648	\$368,415	\$0	\$368,415
37	Accumulated Depreciation and Amortization	(102,015)	(8,322)	(110,337)	0	(110,337)
38	Accumulated Deferred FIT	(46,513)	(5,715)	(52,228)	0	(52,228)
39	Net Utility Plant	164,239	41,611	205,850	0	205,850
40						
41	Inventory	3,078	0	3,078	0	3,078
42	Working Capital	2,197	1,044	3,241	0	3,241
43	Prepaid Pension, Net of ADFIT (1)	0	5,655	5,655	0	5,655
44						
45	TOTAL RATE BASE	\$169,514	\$48,310	\$217,824	\$0	\$217,824
46						
47	RATE OF RETURN	4.91%		5.44%		7.72%

(1) Prepaid Pension Asset of \$8.0 million is offset by \$2.3 million Accumulated Deferred Federal Income Tax (ADFIT), resulting in a net Prepaid Pension rate base amount of \$5.7 million.

**Avista Utilities**  
**Docket No. UG-\_\_\_**  
**Rate Spread Summary**  
**Oregon - Natural Gas**  
**Pro Forma 12 Months Ended December 31, 2016**

	Type of Service	Schedule Number	Avg. No. of Customers	Annual Therms	Avg. Use per Customer per Month	Revenue at Pres. Rates (\$000's)	Avg. Bill Under Pres. Rates	Revenue Percentage Increase	Revenue Increase (\$000's)	Avg. Increase per Customer per Month	Revenue at Prop. Rates (\$000's)	Avg. Bill Under Prop. Rates
1	Residential	410	87,065	49,018,942	47	\$34,864	\$33.41	17.0%	\$5,924	\$5.68	\$40,788	\$39.09
2	General Service	420	11,416	26,621,408	194	13,605	\$99.17	21.4%	\$2,917	\$21.26	16,522	\$120.43
3	Large General Service	424	83	4,588,281	4,616	687	\$691	-7.0%	-\$48	-\$48	639	\$643
4	Interruptible Service	440	35	3,975,023	9,555	463	\$1,113	0.0%	\$0	\$0	463	\$1,113
5	Seasonal Service	444	3	258,498	6,305	44	\$1,082	-7.0%	-\$3	-\$76	41	\$1,006
6	Transportation Service	456	36	39,791,532	92,110	3,330	\$7,709	-7.0%	-\$233	-\$541	3,097	\$7,169
7	Special Contract	447	<u>2</u>	<u>7,327,488</u>	<u>305,312</u>	<u>231</u>	<u>\$9,599</u>	<u>0.0%</u>	<u>\$0</u>	<u>\$0</u>	<u>231</u>	<u>\$9,599</u>
8	Total		98,640	131,581,172		\$53,224		16.1%	\$8,557		\$61,781	

EXHIBIT C