

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

In the Matter of  
AVISTA CORPORATION, dba AVISTA UTILITIES

Request for a General Rate Revision

DOCKET NO. UG-288

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JOINT BRIEF OF AVISTA CORPORATION, STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON, NORTHWEST INDUSTRIAL GAS USERS, AND  
CITIZENS' UTILITY BOARD IN SUPPORT OF SECOND PARTIAL  
SETTLEMENT STIPULATION

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1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

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In the Matter of )  
AVISTA CORPORATION, dba AVISTA ) JOINT BRIEF OF AVISTA  
UTILITIES ) CORPORATION, STAFF OF THE PUBLIC  
Request for a General Rate Revision ) UTILITY COMMISSION OF OREGON,  
) CITIZENS' UTILITY BOARD, AND  
) NORTHWEST INDUSTRIAL GAS USERS  
) IN SUPPORT OF SECOND PARTIAL  
) SETTLEMENT STIPULATION  
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7 COMES NOW, Avista Corporation ("Avista" or the "Company"), the Staff of the Public  
8 Utility Commission of Oregon ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and the  
9 Northwest Industrial Gas Users ("NWIGU") (collectively, "Parties"). These Parties represent all  
10 who intervened and appeared in this proceeding.

11 On January 19, 2016, the Parties filed the Second Partial Settlement Stipulation ("Second  
12 Stipulation") with the Commission. In the Second Stipulation, the Parties agreed to reduce the  
13 revenue requirement by \$675,000, to factor in the benefits of 2015 bonus depreciation<sup>1</sup> and its  
14 impact on accumulated deferred federal income taxes ("ADFIT"). The additional ADFIT being  
15 proposed is for the recognition of bonus depreciation that is available to Avista for 2015 plant  
16 additions.

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<sup>1</sup> Bonus depreciation is a tax deduction a company is allowed to take on its federal tax return for capital investment the company made which reduces taxable income and therefore, reduces the amount of taxes a company pays to the IRS. Bonus depreciation acts similar to accelerated tax depreciation. Accelerated depreciation means that a company will record more depreciation in the early years of an asset's life and less depreciation in the later years, relative to book or regulatory depreciation. While this approach results in a timing difference, cumulative tax and book depreciation generally are equal over the course of an asset's life. A deferred tax liability or Accumulated Deferred Federal Income Tax ("ADFIT") is the amount of taxes currently saved by a company that will be repaid in the future due to a temporary timing difference between the "book" treatment of an asset on a company's financial records and the tax treatment based on Internal Revenue Code rules. ADFIT is a benefit that is passed back to customers by lowering rate base.

1 In its original filed case, Avista did not include bonus depreciation for 2015 capital  
2 additions. Congress passed a tax extender package in December 2014 which included a  
3 retroactive extension of 50% bonus depreciation only through the end of 2014. With the  
4 deduction not approved for 2015 when the Company filed its case, the Company had not  
5 incorporated any bonus depreciation for the 2015 capital additions included in this case.

6 Avista was required to estimate its 2015 federal tax expense and make quarterly deposits  
7 to the IRS during 2015. For the first two quarters of 2015, Avista did not reflect any benefit of  
8 bonus tax depreciation in its quarterly payments. For the third quarter of 2015, however, given  
9 the relatively high likelihood that bonus tax depreciation would be approved by Congress, Avista  
10 reflected a partial benefit of bonus tax depreciation in its third quarter (September 15, 2015)  
11 payment to the IRS. The final quarterly deposit was made on December 15, 2015, and also  
12 reflected a higher estimated benefit of bonus tax depreciation. Because Congress and the  
13 President approved the bonus depreciation deduction on December 20, 2015, Avista had made its  
14 2015 estimated tax payments without including the full benefit of bonus depreciation.

15 Even though Avista had not received the full benefit of bonus depreciation in 2015, the  
16 Parties have agreed to reflect an agreed-upon amount of bonus depreciation in ADFIT, which  
17 reduces the revenue requirement by \$675,000.

18 This adjustment was based on consideration of the level of capital additions for 2015 that  
19 were pro formed in the Company's original filing. While the \$675,000 may or may not reflect  
20 100 percent of the ADFIT as allowed for by law, it represents the amount the parties believe is  
21 fair and reasonable in light of Congress's actions regarding extension of the bonus depreciation  
22 deduction at the end of last year. The Parties also agreed that if the Commission approves 2015  
23 capital additions less than the amount pro formed by the Company, the \$675,000 reduction to  
24 revenue requirement should be reduced by a pro rata amount.

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RESPECTFULLY SUBMITTED this 23<sup>rd</sup> day of February, 2016.

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By:  \_\_\_\_\_

By: \_\_\_\_\_

Date: 2/23/16 \_\_\_\_\_

Date: \_\_\_\_\_

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF  
OREGON

By: \_\_\_\_\_

By: \_\_\_\_\_

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RESPECTFULLY SUBMITTED this \_\_\_\_ day of February, 2016.

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

By: 

Date: \_\_\_\_\_

Date: 2/23/16

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF  
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AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

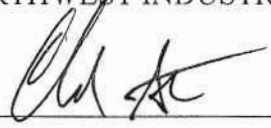
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NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF  
OREGON

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AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF  
OREGON

By: \_\_\_\_\_

By: Robert Jensen

Date: \_\_\_\_\_

Date: 2-24-16