

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1909**

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON

Investigation of the Scope of the Commission's  
Legal Authority to Defer Capital Costs

AVISTA CORPORATION'S  
SUPPLEMENTAL  
CLOSING BRIEF

**I. INTRODUCTION AND SUMMARY**

This Supplemental Closing Brief is submitted on behalf of Avista Corporation (“Avista”). While the Joint Utilities’ Closing Brief explains why the plain language and legislative intent of ORS 757.259 authorizes the Public Utility Commission of Oregon (“Commission”) to defer the comprehensive revenue requirement impact of capital investments, this Supplemental Closing Brief describes Avista’s history of capital deferrals and highlights why these deferrals were fair and reasonable. In the process, this brief addresses the policy implications raised by Commission Staff, and by the Oregon Citizens’ Utility Board (“CUB”), and the Alliance of Western Energy Consumers (“AWEC”) (collectively, “Intervenors”), not otherwise addressed in the Joint Utilities’ Closing Brief.<sup>1</sup>

In past proceedings, the Commission has ordered certain capital investment deferrals for Avista, particularly natural gas distribution system investments. These deferrals were supported by Staff as being in the public interest—by reducing the number of rate cases, facilitating fair and reasonable settlements, and appropriately matching the costs and benefits borne by customers.

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<sup>1</sup> As noted in the Service List Change filed by The Industrial Customers of Northwest Utilities (“ICNU”) on April 3, 2018, ICNU has changed its name to the Alliance of Western Energy Consumers; additionally, the Northwest Industrial Gas Users (“NWIGU”) has been subsumed into the Alliance of Western Energy Consumers. Therefore, we have referred to both of those parties together as AWEC herein.

None of these concrete, practical benefits were addressed by Staff or Intervenors. Indeed, the parties' briefs are notably devoid of any discussion of actual capital investment deferrals—which all parties in this proceeding have previously supported. In support of Avista's request that the Commission continue to exercise its discretion to approve full revenue requirement deferrals on a case-by-case basis, Avista provides this important background and explains why these deferrals were in the public interest.

## II. DISCUSSION

ORS 757.259(2)(e) establishes the central public benefits of deferrals by authorizing their use “in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.”<sup>2</sup> When the Commission authorized capital deferrals in the past, it found that each deferral met this public interest standard, in addition to providing other public benefits. Each of these deferrals included a cost of capital component, and they were supported by other parties, including Staff and Intervenors (where they participated). In each case, the parties agreed that the revenue requirement deferral was appropriate and stipulated that these deferrals inured to the public benefit—resulting in just and reasonable rates and effectively balancing customers' benefits and burdens.

Now, after decades of consistent practice, Staff and Intervenors claim that capital costs cannot be included in capital investment deferrals, and that all capital investment deferrals are contrary to the public interest and should be uniformly denied.<sup>3</sup> Such a position fails to account for the actual public benefits achieved by Avista's past deferrals.

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<sup>2</sup> ORS 757.259(2)(e).

<sup>3</sup> Docket No. UM 1909, Joint Opening Brief of the Or. Citizens' Util. Bd., the Indus. Customers of Nw. Utils., and Nw. Indus. Gas Users (“Intervenors' Brief”) at 6 (urging the Commission to “adopt a policy that generally prohibits [capital investment] deferrals on policy grounds”).

For example, in 2011 (Docket No. UG 201), Avista, Staff, CUB, and AWEC<sup>4</sup> reached an all issues settlement in which the revenue requirement associated with two pro forma capital additions was deferred for future recovery.<sup>5</sup>

These parties' joint testimony in support of the stipulation recognized that these projects would be completed during the rate period for which rates were being set. The parties also recognized that deferring the revenue requirement associated with these two projects would eliminate the need for the Company to make a general rate case filing simply to recover the costs of these two incremental projects. In order to provide safeguards around the deferral and to ensure that the projects were in the public interest, Avista agreed to provide necessary documentation supporting these projects upon completion. This settlement stipulation was approved by the Commission in Order No. 11-080 in Docket No. UG 201.

Now, Intervenors argue that capital investments should be uniformly denied because they "are more appropriately recovered through the traditional ratemaking process."<sup>6</sup> As demonstrated by this deferral in UG 201, however, both Intervenors and Staff have supported *removing* capital investments from a rate case and placing them in deferral accounts, and have concluded that doing so was in the public interest by avoiding the need for successive rate filings while also matching the costs borne and benefits received by customers.

### III. CONCLUSION

As demonstrated by (1) the Commission's authorization of revenue requirement deferrals, (2) Staff's and Intervenors' support for the appropriateness of such deferrals under ORS 757.259, and (3) the clear public benefits achieved by Avista's own history with capital investment

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<sup>4</sup> In the referenced docket, this party was formerly known as NWIGU.

<sup>5</sup> UG 201 Order No. 11-080, Appendix A, pgs. 5-8.

<sup>6</sup> Intervenors' Brief at 1.

deferrals, there is no support for Intervenors' assertion that deferring capital investments is somehow inconsistent with established Commission precedent or contrary to the public interest. As anticipated by ORS 757.259(2)(e), capital investment deferrals have successfully minimized the frequency of rate cases and better matched the costs borne and benefits received by customer. Finally, these capital investment deferrals have effectively supported fair and reasonable settlements and thereby supported administrative efficiency and conserved all parties' resources. Avista thus requests that the Commission continue to exercise its discretion to approve capital investment deferrals on a case-by-case basis.

Respectfully submitted this 14<sup>th</sup> of May 2018, on behalf of Avista Corporation.



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