



**Avista Corp.**

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November 29, 2016

Public Utility Commission of Oregon  
Attn: Filing Center  
201 High St SE, Suite 100  
Salem, OR 97301

**RE: Advice 16-15-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:

Nineteenth Revision Sheet 410	Canceling	Eighteenth Revision Sheet 410
Eighteenth Revision Sheet 420	Canceling	Seventeenth Revision Sheet 420
Seventeenth Revision Sheet 424	Canceling	Sixteenth Revision Sheet 424
Seventeenth Revision Sheet 440	Canceling	Sixteenth Revision Sheet 440
Eighteenth Revision Sheet 444	Canceling	Seventeenth Revision Sheet 444
Sixteenth Revision Sheet 456	Canceling	Fifteenth Revision Sheet 456

Please note that Exhibit 401 of Jody Morehouse is being provided in electronic format only due to the voluminous nature of the exhibit. Avista’s CONFIDENTIAL Exhibit Nos. 201, 202 and 203 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

## 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 16-15-G/UG-\_\_\_) upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail.

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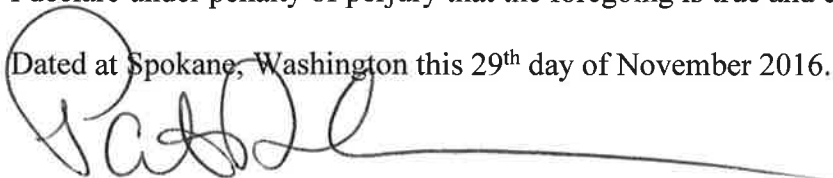
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I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 29<sup>th</sup> day of November 2016.



Patrick Ehrbar  
Senior Manager, Rates & Tariffs

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

Advice 16-15-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 June 30, 2016, Avista supplied retail electric service to 374,962 customers and retail natural gas service to 334,732 customers, including approximately 99,065 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 September 30, 2018. The Company's pro forma results of operations for the test year indicate that, at the current rate levels, Avista would earn a rate of return ("ROR") of 5.63 percent. This ROR is 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 on a billing basis (including natural gas costs) for Oregon retail customers of \$8,539,000, or 9.0 percent<sup>1</sup>, which would produce an overall rate of return of 7.83 percent and a return on equity of 9.9 percent. Pursuant to ORS 757.220, the revised schedules contain an effective date of December 30, 2016.

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<sup>1</sup> The overall increase in total billed revenue, which includes natural gas costs and all other rate adjustments, is 9.0%. On a margin revenue basis, which excludes the cost of natural gas and all other rate components, the overall increase is 14.5%.

4.

A combination of capital additions and increases in general business expenses now require the Company to request an increase in overall base retail rates of \$8,539,000. 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 is proposing to increase Schedule 410 rates by the same amount as the overall percentage increase in margin revenue. The Company is proposing to keep the rates for Schedules 424, 440, 444 and 456 unchanged. The remaining revenue requirement was applied to Schedule 420, which provides a reasonable level of movement toward unity.

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 primary factors driving the Company's need for general rate relief, and provides some background on why utility costs are continuing to increase. Mr. Morris explains the Company's customer support programs in place to assist our customers, as well as our communications initiatives to help customers better understand the changes in costs that are causing our rates to increase.

(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 overview of the Company's 2016 Natural Gas Integrated Resource Plan.

(e) Revenue Requirement and Allocations – Exhibit 500. **Jennifer S. Smith**, Senior Regulatory Analyst, will discuss the Company's overall revenue requirement proposal. She will also explain the twelve-months ended September 30, 2018 test year operating results including expense and rate base adjustments made to actual operating results and rate base.

(f) Capital Projects – Exhibit 600. **David Machado**, Senior Regulatory Analyst, will describe the Company's proposed regulatory treatment of capital investments in utility plant through December 31, 2017, as well as capital investments in utility plant related to new customer hookups for the twelve-months ended September 30, 2018.

(g) Load Forecast – Exhibit 700. **Dr. Grant Forsyth**, Chief Economist, describes the Company's methodology used to generate the forecasts for customers, use-per-customer, and total load which are used in the Company's twelve-months ended September 30, 2018 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 revenues compare to the indicated cost.

(i) Rate Spread, Rate Design, and Certain Adjustments – Exhibit 900. **Patrick D. Ehrbar**, Senior Manager, Rates and Tariffs, discusses the spread of the proposed revenue increase among the Company's general service schedules and related rate design. Mr. Ehrbar also discusses the twelve-months ended September 30, 2018 Test Year Revenue Load Adjustment and Fee Free Payment Adjustment.

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 on the respective schedules, the total annual margin revenue derived under the existing schedule, and the amount of estimated margin revenue derived from applying the proposed rate revisions. For each tariff schedule, the exhibit also shows the average monthly customer use and resulting bills (on a margin revenue basis) under both existing rates and proposed rates.

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: November 29, 2016.



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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, which would be collected under the proposed rates is \$67,361,000.
- B. The dollar amount of revenue change requested is \$8,539,000.
- C. The percentage change in base revenues requested is 14.5 percent.
- D. The forecasted test year proposed is twelve-months ended September 30, 2018.
- E. The requested overall rate of return is 7.83 percent and the requested return on equity is 9.9 percent.
- F. The rate base proposed in this filing is \$243,424,000.

**AVISTA UTILITIES  
OREGON JURISDICTION  
NATURAL GAS  
TWELVE MONTH TEST YEAR ENDED SEPTEMBER 30, 2018**

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	\$84,901	(\$29,680)	\$55,221	\$8,539	\$63,760
3	Total Transportation	3,359	144	3,503	0	3,503
4	Other Revenues	60,257	(60,159)	98	0	98
5	Total Operating Revenues	148,517	(89,695)	58,822	8,539	67,361
6						
7	OPERATING EXPENSES					
8	Gas Purchased	88,648	(88,648)	0	0	0
9	Operation and Maintenance	17,275	(3,486)	13,789	0	13,789
12	Uncollectible Accounts	823	(265)	558	94	652
11	Administration & General	8,412	792	9,204	0	9,204
10	OPUC Commission Fees	514	(275)	239	33	272
13	Total Operation & Maintenance	115,672	(91,882)	23,790	127	23,917
14						
15	DEPRECIATION, AMORTIZATION, TAXES					
16						
17	Municipal Occupation & License Tax	1,522	(1,522)	0	0	0
17	Franchise Fees - Conversion Factor	1,883	(595)	1,288	181	1,469
18	R&P Property Tax	2,669	551	3,220	0	3,220
19	State Income Tax	0	0	0	0	0
20	Depreciation & Amortization	10,069	2,692	12,761	0	12,761
21	Total Operating Expenses	131,815	(90,756)	41,059	308	41,367
22						
23	OPERATING INCOME BEFORE FIT/SIT	16,702	1,061	17,763	8,231	25,994
24						
25	INCOME TAXES					
26	Current Federal Income Taxes	(2,816)	372	(2,444)	2,881	436
27	Debt Interest	0	(552)	(552)	0	(552)
28	Deferred Federal Income Taxes	7,048	1	7,049	0	7,049
29	State Income Taxes	0	0	0	0	0
30	Total Income Taxes	4,232	(180)	4,052	2,881	6,933
31						
32	NET OPERATING INCOME	\$12,470	\$1,240	\$13,710	\$5,350	\$19,061
33						
34						
35	RATE BASE					
36	Utility Plant in Service	\$359,506	\$69,279	\$428,785	\$0	\$428,785
37	Accumulated Depreciation and Amortization	(110,962)	(13,004)	(123,966)	0	(123,966)
38	Accumulated Deferred FIT	(52,982)	(16,823)	(69,805)	0	(69,805)
39	Net Utility Plant	195,562	39,452	235,014	0	235,014
40						
41	Inventory	2,450	0	2,450	0	2,450
42	Working Capital	2,600	3,360	5,960	0	5,960
43	Prepaid Pension, Net of ADFIT (1)	0	0	0	0	0
44						
45	TOTAL RATE BASE	\$200,612	\$42,812	\$243,424	\$0	\$243,424
46						
47	RATE OF RETURN	6.22%		5.63%		7.83%

**Avista Utilities**  
**Docket No. UG-\_\_\_**  
**Rate Spread Summary**  
**Oregon - Natural Gas**  
**Pro Forma 12 Months Ended September 30, 2018**

	Type of Service	Schedule Number	Avg. No. of Customers	Annual Therms	Avg. Use per Customer per Month	Distribution Revenue at Pres. Rates (\$000's)	Distribution Avg. Bill Under Pres. Rates	Distribution Revenue Percentage Increase	Distribution Revenue Increase (\$000's)	Avg. Increase per Customer per Month	Distribution Revenue at Prop. Rates (\$000's)	Distribution Avg. Bill Under Prop. Rates
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Residential	410	89,871	50,011,168	46	\$38,744	\$35.71	14.5%	\$5,634	\$5.19	\$44,377	\$40.90
2	General Service	420	11,687	26,984,073	192	15,340	\$109.19	18.9%	\$2,905	\$20.67	18,245	\$129.86
3	Large General Service	424	82	3,972,666	4,033	601	\$610	0.0%	\$0	\$0	601	\$610
4	Interruptible Service	440	36	4,212,778	9,707	491	\$1,131	0.0%	\$0	\$0	491	\$1,131
5	Seasonal Service	444	4	264,821	5,634	45	\$967	0.0%	\$0	\$0	45	\$967
6	Transportation Service	456	38	41,423,239	90,840	3,290	\$7,215	0.0%	\$0	\$0	3,290	\$7,215
7	Special Contract	447	2	5,773,284	240,554	213	\$8,875	0.0%	\$0	\$0	213	\$8,875
8	Total		101,720	132,642,029		\$58,724		14.5%	\$8,539		\$67,262	

EXHIBIT C