



**Avista Corp.**

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August 13, 2020

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

**RE: UG 389 – Second Partial Settlement Stipulation**

Attached for electronic filing, in lieu of physical copies as permitted in Order No. 20-088, is the Second Partial Settlement Stipulation and Motion to Admit the Partial Settlement Stipulation in Docket UG-389.

Please direct any questions regarding this filing to Patrick D. Ehrbar at (509) 495-8620.

Sincerely,

/s/ David J. Meyer

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

Enclosure

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

3 UG 389

4 In the Matter of )  
5 )  
6 AVISTA CORPORATION, dba AVISTA ) SECOND PARTIAL SETTLEMENT  
7 UTILITIES ) STIPULATION  
8 )  
9 Request for a General Rate Revision. )

10  
11 This Second Partial Settlement Stipulation (“Second Stipulation”) is entered into for the  
12 purpose of resolving all remaining issues in this Docket, with the exception of Working Capital.

13 **PARTIES**

14 The Parties to this Second Stipulation are Avista Corporation (“Avista” or the “Company”),  
15 the Staff of the Public Utility Commission of Oregon (“Staff”), the Oregon Citizens’ Utility Board  
16 (“CUB”), and the Alliance of Western Energy Consumers (“AWEC”) (collectively, “Parties”).  
17 These Parties represent all who intervened and appeared in this proceeding.<sup>1</sup>

18 **BACKGROUND**

19 1. On March 13, 2020, Avista filed revised tariff schedules to effect a general rate  
20 increase for Oregon retail customers of \$6,777,000, or 6.8% of its annual revenues. The filing was  
21 suspended by the Commission on March 16, 2020, per its Order No. 20-086.

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<sup>1</sup> The Parties previously entered into a Partial Settlement on Cost of Capital, which was filed on May 18, 2020.

1           2. Pursuant to Administrative Law Judge Allen J. Arlow’s Prehearing Conference  
2 Notice of Telephone Prehearing Conference Memorandum of April 3, 2020, the first settlement  
3 conference, held telephonically, occurred on May 7, 2020.

4           3. As a result of that first settlement discussion, the Parties agreed to settle all issues in  
5 this Docket concerning the Cost of Capital, including Capital Structure, Long-Term Debt Cost and  
6 Return on Equity, subject to the approval of the Commission, which was filed on May 18, 2020.

7           4. Staff, CUB, and AWEC filed Opening Testimony on July 21, 2020, in response to  
8 the Company’s original filing on March 13, 2020. On August 3, 2020, a second telephonic  
9 settlement conference was held, and was attended by all Parties.

10          5. As a result of the settlement discussion held on August 3, 2020, the Parties have  
11 agreed to settle all remaining issues in this Docket, except Working Capital. This includes  
12 adjustments to the revenue requirement, rate spread and rate design issues, Allowance for Funds  
13 Used During Construction (AFUDC) accounting treatment, changes in customer deposit  
14 requirements, and modifications to the language regarding the Comfort Level Billing program,  
15 based on the following terms, subject to the approval of the Commission. The issue of Working  
16 Capital will continue to be reviewed by the Parties under the existing Procedural Schedule.

## 17                   **SUMMARY OF THE FIRST PARTIAL SETTLEMENT STIPULATON**

### 18           6. **Adjustments to Filed Revenue Requirement:**

19           The adjustments reached in the first Partial Settlement amounted to a total reduction in  
20 Avista’s revenue requirement increase request from \$6.777 million to a base revenue increase  
21 request of \$5.685 million. The adjustments to Avista’s revenue requirement reflected in the first  
22 Partial Settlement Stipulation are shown in Table No. 1 below:

**Table No. 1 – Summary of Adjustments to Revenue Requirement and Rate Base (Partial Settlement)**

	Revenue Requirement	Rate Base
	\$6,777	\$304,664
<b>Cost of Capital</b>		
Adjusts return on equity to 9.40%, long-term debt cost to 5.07%, with a common stock equity component of 50%, and overall Cost of Capital of 7.24%.	(1,092)	-
<b>Total Adjustments:</b>	<b>(\$1,092)</b>	<b>\$0</b>
	<b>\$5,685</b>	<b>\$304,664</b>

This adjustment reduces Avista’s requested cost of capital to an overall cost of capital equal to 7.24% based on the following components: a capital structure consisting of 50% common stock equity and 50% long-term debt, return on equity of 9.40%, and a long-term debt cost of 5.07%. This combination of capital structure and capital costs is shown in the Table No. 2 below.<sup>2</sup>

**Table No. 2 – Agreed-Upon Cost of Capital**

AGREED-UPON COST OF CAPITAL			
	Capital Structure	Debt Cost	Weighted Cost
Long Term Debt	50.00%	5.07%	2.54%
Common Equity	50.00%	9.40%	4.70%
Total	100.00%		7.24%

<sup>2</sup> The agreed-upon capital structure (50/50) and cost of equity (9.4%) represent a continuation of currently approved levels approved in Docket No. UG-366.

**TERMS OF THE SECOND SETTLEMENT STIPULATION**

**7. Adjustments to Revenue Requirement:**

The Parties support further reductions to Avista’s requested revenue requirement to reflect the additional adjustments discussed below. The adjustments reached in this Second Stipulation through negotiation, which resolve all remaining issues with the exception of Working Capital, amount to a further reduction in Avista’s revenue requirement increase request from \$5.685 million (as shown above) to a base revenue increase request of \$4.212 million. The Parties support the further adjustments to Avista’s revenue requirement request, as shown in Table No. 3 below:

**Table No. 3 – Summary of Adjustments to Revenue Requirement and Rate Base (Second Stipulation)**

SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE (\$000s of Dollars)		
	Revenue Requirement	Rate Base
<b>Results of Partial Settlement Stipulation:</b>	<b>\$5,685</b>	<b>\$304,664</b>
<b>Second Settlement Stipulation Adjustments:</b>		
<b>a Wages &amp; Salaries</b> This adjustment is related to reductions associated with the Company’s overall increases related to overtime, full-time employee equivalents (FTE), and associated payroll taxes, as well as expenses related to Executive Officer salaries.	<b>(239)</b>	<b>(58)</b>
<b>b Advertising Expense</b> This adjustment removes the impact of certain Category A advertising expenses not applicable to Oregon operations.	<b>(4)</b>	
<b>c Customer Accounts &amp; Services</b> This adjustment decreases Customer Accounts & Services to reflect the most recent (June 2020) All-Urban CPI.	<b>(10)</b>	
<b>d Operation and Maintenance (O&amp;M) expense</b> This adjustment reduces the level of O&M expense based on a three-year trend analysis scaled up by All Urban CPI, among other items.	<b>(350)</b>	
<b>e Administrative and General (A&amp;G) expense</b> This adjustment reduces the level of A&G expense based on a three-year trend analysis scaled up by All Urban CPI, among other items.	<b>(31)</b>	

	<b>Second Settlement Stipulation Adjustments (Continued):</b>	<b>Revenue Requirement</b>	<b>Rate Base</b>
1			
2	<b>f Atmospheric Testing</b> This adjustment updates the escalation factor to the June 2020 All-Urban CPI.	(3)	
3	<b>g Rate Case Expense</b> This adjustment updates the escalation factor to the June 2020 All-Urban CPI.	(1)	
4	<b>h Plant in Service</b> This adjustment reduces the overall level of 2020 pro forma capital additions.	(100)	(1,092)
5	<b>i O&amp;M Offset</b> This adjustment reflects O&M offsets related to efficiencies resulting from the implementation of several Enterprise Technology projects to an agreed-upon level.	(90)	
6	<b>j 2020 Capital (Average Depreciation)</b> This adjustment reduces the level of depreciation expense related to 2020 pro forma capital additions.	(70)	
7	<b>k 2020 Capital (Net Salvage)</b> This adjustment is related to negative net salvage associated with plant retirements.	(13)	
8	<b>l Medical Benefit Expense</b> This adjustment is related to a 5% increase in medical benefit expense over 2019 test period levels.	70	
9	<b>m Pension Benefit Expense</b> This adjustment decreases pension benefit expense to an agreed-upon level.	(256)	
10	<b>n Other Gas Expense</b> This adjustment reduces the level of Other Gas expense to reflect a three-year trend analysis scaled up by All-Urban CPI.	(6)	
11	<b>o Taxes Other Than Income - Property</b> This adjustment reflects an adjustment based on a three year average property tax rate.	(7)	
12	<b>p Director and Officer (D&amp;O) Insurance</b> This adjustment reflects a sharing of 50/50 between shareholders and rate payers related to Oregon-allocated D&O insurance.	(44)	
13	<b>q Load and Revenue Forecast</b> This adjustment is related to an updated load forecast for the test year.	(6)	
14	<b>r Other Revenue</b> This adjustment reflects an increase in Other Revenue due to customer growth.	(5)	
15	<b>s Allocations</b> This adjustment reflects the correction/removal of certain expenses related to depreciation and amortization expenses inadvertently included in the original case.	(492)	
16	<b>t Depreciation Expense</b> This adjustment reflects a correction for a formula error related to transportation depreciation expense.	177	(188)
17	<b>u Meals, Entertainment, and Miscellaneous O&amp;M Expenses</b> This adjustment is related to a removal of certain expenses related to meals, entertainment and miscellaneous O&M expense.	(31)	
18	<b>v Miscellaneous Restating</b> This adjustment removes the impact of an AFUDC deferral which was put in base rates in Docket No. UG 366 on January 15, 2020.	163	
19	<b>w Legal Expense</b> This adjustment is related to a reduction in certain legal expenses.	(15)	
20	<b>x Miscellaneous Operations &amp; Maintenance (O&amp;M)</b> This adjustment is related to a reduction to miscellaneous O&M expenses.	(76)	
21	<b>y Tax Apportionment</b> This adjustment is related to the weighted average approach to calculating the Oregon Tax Apportionment.	(34)	
22			
23	<b>Total Adjustments:</b>	<b>(\$1,473)</b>	<b>(\$1,338)</b>
	<b>Adjusted Base Revenue Requirement &amp; Rate Base after Second Settlement Stipulation:</b>	<b>\$4,212</b>	<b>\$303,326</b>

1 The following information provides an explanation for each of the adjustments in Table No. 2  
2 above. Attachment A summarizes the Company's filed rate case and the stipulated adjustments.  
3 The numbers in parenthesis below represent the agreed-upon increase or decrease in revenue  
4 requirement associated with the item.

5 a) Wages and Salaries (-\$239,000): Staff proposed an adjustment to the Company's  
6 Wages and Salaries expense for reductions associated with overtime, full-time  
7 employee equivalents (FTE), and associated payroll taxes. AWEC proposed an  
8 adjustment to the Company's Wages and Salaries expense for Executive Officer  
9 salaries. For settlement purposes the Parties agree to reductions to an agreed-upon level  
10 of expense, thereby reducing the proposed revenue requirement by \$239,000. The  
11 adjustment also reduces rate base by \$58,000.

12 b) Advertising Expense (-\$4,000): Staff proposed an adjustment to remove the impact of  
13 certain Category A expenses they believed were not applicable to Oregon operations.  
14 For settlement purposes, the Parties agreed-upon a lower level of advertising expense,  
15 thereby reducing the proposed revenue requirement by \$4,000.

16 c) Customer Accounts & Services (-\$10,000): Staff proposed an adjustment to Customer  
17 Accounts & Services to reflect the most recent (June 2020) All-Urban CPI. For  
18 settlement purposes the Parties agree to reductions to an agreed-upon level of expense,  
19 thereby reducing the proposed revenue requirement by \$10,000.

20 d) Operations & Maintenance (O&M) Adjustment (-\$350,000): Staff proposed an  
21 adjustment based on a three-year trend analysis scaled up by All Urban CPI, among  
22 other items. For settlement purposes the Parties agree to reductions to an agreed-upon  
23 level of expense, thereby reducing the proposed revenue requirement by \$350,000.

- 1 e) Administrative and General (A&G) Adjustment (-\$31,000): Staff proposed an  
2 adjustment based on a three-year trend analysis scaled up by All Urban CPI, among  
3 other items. For settlement purposes the Parties agree to reductions to an agreed-upon  
4 level of expense, thereby reducing the proposed revenue requirement by \$31,000.
- 5 f) Atmospheric Testing (-\$3,000): Staff proposed an adjustment to update the escalation  
6 factor to the most recent (June 2020) All-Urban CPI. For settlement purposes the  
7 Parties agree to reductions to an agreed-upon level of expense, thereby reducing the  
8 revenue requirement by \$3,000.
- 9 g) Rate Case Expense (-\$1,000): Staff proposed an adjustment to update the escalation  
10 factor to the most recent (June 2020) All-Urban CPI. For settlement purposes the  
11 Parties agree to reductions to an agreed-upon level of expense, thereby reducing the  
12 revenue requirement by \$1,000.
- 13 h) Plant in Service (-\$100,000): In their testimony, Staff proposed a number of proposed  
14 adjustments to the plant additions included in the Company's original filing. These  
15 related to, among other items, certain Enterprise Technology projects as well as the  
16 overall level of 2020 pro forma capital additions. For its part, AWEC also proposed in  
17 testimony a number of adjustments to plant and plant-related items (discussed in ¶17  
18 and ¶18 below). For settlement purposes, the Parties agreed to a reduction in revenue  
19 requirement of \$100,000. The adjustment also reduces rate base by \$1.1 million. In  
20 addition, Avista agrees to provide an Officer Attestation, prior to the rate effective date,  
21 to the fact that Enterprise Technology and natural gas distribution projects above  
22 \$250,000 are in-service for Oregon customers as of December 31, 2020 and describe  
23 the actual costs for those projects for review by the Parties. If these projects are not



1 complete and in service by December 31, 2020, the revenue requirement associated  
2 with the projects will be removed from the test year rate base and the January 15, 2021  
3 base rate change.

4 i) O&M Offset (-\$90,000): Staff proposed an adjustment to reflect O&M offsets related  
5 to efficiencies resulting from the implementation of several Enterprise Technology  
6 projects. For settlement purposes, the Parties agree to reductions to an agreed-upon  
7 level of expense, thereby reducing the proposed revenue requirement by \$90,000.

8 j) 2020 Capital (Average Depreciation) (-\$70,000): AWEC proposed an adjustment to  
9 reflect depreciation expense on an “average of monthly average” basis, rather than on  
10 an “end of period” basis, for 2020 pro forma capital additions. For settlement purposes,  
11 the Parties agree to a reduction to the level of depreciation expense, resulting in a  
12 decrease to the revenue requirement of \$70,000.

13 k) 2020 Capital (Net Salvage) (-\$13,000): AWEC proposed a reduction related to  
14 negative net salvage associated with plant retirements. For settlement purposes, the  
15 Parties agree to a \$13,000 reduction in revenue requirement.

16 l) Medical Benefit Expense (+\$70,000): The Parties agreed to a 5% increase in medical  
17 benefit expense over 2019 test period levels, for settlement purposes. The result  
18 increases revenue requirement by \$70,000.

19 m) Pension Benefit Expense (-\$256,000): In testimony, Staff proposed the use of the  
20 actual 2019 base year discount rate as the basis for calculating the pension expense.  
21 For settlement purposes, the Parties agree to a decrease in pension benefit expense,  
22 resulting in a reduction in the revenue requirement of \$256,000.

- 1 n) Other Gas Expense (-\$6,000): Staff proposed an adjustment based on a three-year trend  
2 analysis scaled up by All Urban CPI. For settlement purposes, the Parties agree to a  
3 reduction in Other Gas Expense, resulting in a decrease in the revenue requirement of  
4 \$6,000.
- 5 o) Taxes Other Than Income - Property (-\$7,000): Staff proposed an adjustment based  
6 on a three year average property tax rate. For settlement purposes, the Parties agree to  
7 a reduction in the revenue requirement of \$7,000.
- 8 p) Director and Officer (D&O) Insurance (-\$44,000): In testimony, Staff proposed a  
9 sharing of 50/50 between shareholders and rate payers related to the Oregon-allocated  
10 D&O insurance. For settlement purposes, the Parties agree to a reduction in the  
11 revenue requirement of \$44,000.
- 12 q) Load and Revenue Forecast (-\$6,000): The Company presented an updated load  
13 forecast for the test year. For settlement purposes, the Parties agreed to use the revised  
14 forecast for Rate Schedules 424, 440, 444, and 456. This adjustment decreases the  
15 proposed revenue requirement by \$6,000.
- 16 r) Other Revenue (-\$5,000): For settlement purposes the Parties agreed to reflect an  
17 increase in Other Revenue due to customer growth. This adjustment decreases the  
18 proposed revenue requirement by \$5,000.
- 19 s) Allocations (-\$492,000): This adjustment reflects the correction/removal of certain  
20 expenses related to depreciation and amortization expenses inadvertently included in  
21 the original case. The Parties agree in this Stipulation to correct for that error, which  
22 results in a decrease to the revenue requirement of \$492,000.

- 1 t) Depreciation Expense (+\$177,000): This adjustment reflects the correction for a  
2 formula related to depreciation transportation expense inadvertently included in the  
3 Company's original filing. The Parties agree in this Stipulation to correct for that error,  
4 which results in an increase to the revenue requirement of \$177,000.
- 5 u) Meals, Entertainment, and Miscellaneous O&M Expenses (-\$31,000): Staff proposed  
6 to remove certain expenses related to meals and entertainment expenses, and  
7 miscellaneous O&M expenses. For settlement purposes, the Parties agree to reduce the  
8 revenue requirement by \$31,000.
- 9 v) Miscellaneous Restating (+\$163,000): This adjustment removes the impact of an  
10 AFUDC deferral which was inadvertently included in the Company's filed case. This  
11 deferral was put in base rates in Docket No. UG 366 on January 15, 2020. This  
12 adjustment increases the proposed revenue requirement by \$163,000.
- 13 w) Legal Expense (-\$15,000): In testimony, Staff proposed a reduction in certain legal  
14 expenses. For settlement purposes the Parties agree to a reduction in the proposed  
15 revenue requirement of \$15,000.
- 16 x) Miscellaneous Operations and Maintenance (O&M) (-\$76,000): In testimony, AWEC  
17 proposed a reduction to miscellaneous O&M expenses. For settlement purposes, the  
18 Parties agreed to a reduction in the proposed revenue requirement of \$76,000.
- 19 y) Tax Apportionment (-\$34,000): In testimony, CUB proposed that a weighted average  
20 approach to calculating the Oregon Tax Apportionment. For settlement purposes, the  
21 Parties agreed to CUB's adjustment which reduces the proposed revenue requirement  
22 by \$34,000.
- 23 8. **Proposed Effective Date:** The proposed rate effective date is January 15, 2021.

1           9.    **Rate Spread:** The Parties support the spread of the January 15, 2021, overall billed  
 2 revenue increase of \$4.212 million, or 4.2 percent, to the Company’s service schedules as shown  
 3 in Table No. 4 below (and as shown in Attachment B to the Second Stipulation). The agreed-upon  
 4 rate spread was based on a discrete customer impact offset (“CIO”) adjustment to the cost of  
 5 service results, as described by AWEC witness Mr. Mullins in his opening testimony, with two  
 6 modifications. The first modification changed the CIO adjustment cap from 150% of the average  
 7 rate increase to 125%. The second modification changed the CIO adjustment floor from 0.0% to  
 8 0.5%.

9    **Table No. 4: Agreed-Upon Rate Spread**

<u>Schedule Description</u>	<u>Rate Schedule</u>	<u>Revenue Increase (\$000s)</u>	<u>% Increase in Base Revenue</u>	<u>% Increase in Billed Revenue*</u>
Residential	410	\$2,709	6.0%	4.3%
General Service	420	\$1,481	7.6%	5.2%
Large General Service	424	\$2	0.5%	0.2%
Interruptible Service	440	\$8	0.5%	0.2%
Seasonal Service	444	\$0	0.5%	0.2%
Transportation Service	456	<u>\$12</u>	<u>0.5%</u>	<u>0.5%</u>
<b>Total</b>		<b><u>\$4,212</u></b>	<b><u>6.1%</u></b>	<b><u>4.2%</u></b>

16    \* Billed Revenue includes base rate revenue plus revenues associated with natural gas supply, energy  
 17 efficiency, intervenor funding, and other items.

18           The revenue requirement shown in Table No. 4 above does not reflect the final  
 19 determination related to Working Capital, which is still at issue among the Parties. In its testimony  
 20 set to be filed on or about August 18, 2020, the Company will provide the proposed rate spread  
 21 which includes the effects of the Working Capital along with the revenue requirement agreed to in  
 22 this Stipulation.

1           10. **Rate Design:** The Parties support the following rate design: The Schedule 410  
2 customer charge will increase from \$10.00 to \$10.50, and Schedule 420 will remain unchanged at  
3 \$17.00. To address Parties concerns related to recovering customer related costs under  
4 Interruptible Schedule 440 the Parties agree to a customer charge of \$75.00 per month.<sup>3</sup> All other  
5 rate design components are as proposed by the Company in its original filing. Attachment C to the  
6 Settlement Stipulation provides the agreed-upon base rates.<sup>4</sup>

7           11. **Residential Bill Change:** For the revenue requirement included in this Stipulation,  
8 based on an average usage level of 47 therms per month, the average bill for a Schedule 410  
9 residential customer, which includes both base and adder schedules<sup>5</sup>, would increase \$2.42 per  
10 month, or 4.3 percent, from \$56.40 to \$58.82. This bill change does not include the Working  
11 Capital adjustment, previously discussed.

12           12. **Decoupling:** Attachment D to the Second Stipulation reflects the new decoupling  
13 base effective January 15, 2021 that is supported by the Parties. The new decoupling base provides  
14 the “Monthly Allowed Customers” and “Monthly Decoupled Revenue per Customer” which  
15 incorporate the effects of the settlement revenue requirement and billing determinants discussed  
16 above. In its testimony set to be filed on or about August 18, 2020, the Company will provide the  
17 proposed decoupling base which includes the effects of the Working Capital along with the  
18 revenue requirement agreed to in this Stipulation.

19           13. **Transportation Rate Schedules:** The Parties agree to add new transportation  
20 Schedules 425 and 439 as described by Company witness Mr. Miller in his pre-filed testimony.

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<sup>3</sup> The Company contends that the average cost per month for Meter Reading, Billing, Meters and Services is \$181.99 based on the Company’s filed LRIC Study.

<sup>4</sup> The agreed-upon billing determinants reflect the updated load adjustments as discussed in Section 7 item q above.

<sup>5</sup> “Adder” schedules recover costs associated with natural gas supply (Schedules 461 and 462), energy efficiency (Schedules 469 and 478), intervenor funding (Schedule 476), and other items.

1 To address concern regarding possible future cost shift, the new transportation Schedules 425 and  
2 439 will be limited to ten customers on each rate schedule. If either of these Schedules are to reach  
3 the ten-customer limit, the Company will, in a subsequent general rate case, address the concern  
4 in order to adjust the limit on customers.

5 14. **Curtailment Penalties:** Avista agrees that all entitlement and curtailment  
6 penalties are, and will be, returned to core customers in the annual PGA filings. Avista will make  
7 a housekeeping filing to correct the updated curtailment penalty amount specified in Rule 20 from  
8 \$1 to \$10.

9 15. **Allowance for Funds Used During Construction (AFUDC):** Due to  
10 recommendations made by the Federal Energy Regulatory Commission (FERC) in a recent audit  
11 of Avista, the Parties agree that the Company would defer the AFUDC difference calculated  
12 between using the State AFUDC rate and the FERC AFUDC rate as a regulatory asset (i.e. FERC  
13 Account No. 182.3), which is included in rate base, and amortize this regulatory asset over the  
14 composite remaining life of the plant-in-service.

15 16. **Customer Deposits:** Avista agrees to temporarily suspend the collection of  
16 residential customer deposits for two years from the rate effective date in this proceeding.

17 17. **Comfort Level Billing (CLB) Program:** Avista agrees to further promote its CLB  
18 program to customers via bill inserts, social media, its website, and when customer's call in to the  
19 Call Center with financial hardship. Avista also agrees to add language to its website that promotes  
20 CLB to inform Oregon customers that those customers with past due balances are eligible for  
21 levelized payments plans or equal pay arrearage plans per OAR 860-021-0415, and directing those  
22 customers to contact the Company.

1           18. The Parties agree that this Second Stipulation is in the public interest and results in  
2 an overall fair, just and reasonable outcome, and will serve to reduce the number of contested  
3 adjustments in this case.

4           19. The Parties agree that this Second Stipulation represents a compromise in the  
5 positions of the Parties. Without the written consent of all Parties, evidence of conduct or  
6 statements, including but not limited to term sheets or other documents created solely for use in  
7 settlement conferences in this Docket, are not admissible in the instant or any subsequent  
8 proceeding unless independently discoverable or offered for other purposes allowed under ORS  
9 40.190. Nothing in this paragraph precludes a party from stating as a factual matter what the  
10 Parties agreed to in this Second Stipulation or in the Parties' testimony supporting the stipulation.

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

14           21. This Second Stipulation will be offered into the record in this proceeding as evidence  
15 pursuant to OAR 860-001-0350(7). The Parties agree to support this Second Stipulation  
16 throughout this proceeding and any appeal. The Parties further agree to provide witnesses to  
17 sponsor the Second Stipulation at any hearing held, or, in a Party's discretion, to provide a  
18 representative at the hearing authorized to respond to the Commission's questions on the Party's  
19 position as may be appropriate.

20           22. If this Second Stipulation is challenged by any other party to this proceeding, the  
21 Parties to this Second Stipulation reserve the right to cross-examine witnesses and put on such case  
22 as they deem appropriate to respond fully to the issues presented, including the right to raise issues  
23 that are incorporated in the settlement embodied in this Second Stipulation. Notwithstanding this

1 reservation of rights, the Parties agree that they will continue to support the Commission's  
2 adoption of the terms of this Second Stipulation.

3 23. The Parties have negotiated this Second Stipulation as an integrated document. If the  
4 Commission rejects all or any material portion of this Second Stipulation, or imposes additional  
5 material conditions in approving this Second Stipulation, any Party disadvantaged by such action  
6 shall have the rights provided in OAR 860-001-0350(9) and shall be entitled to seek  
7 reconsideration or appeal of the Commission's Order.

8 24. By entering into this Second Stipulation, no Party shall be deemed to have approved,  
9 admitted, or consented to the facts, principles, methods, or theories employed by any other Party  
10 in arriving at the terms of this Second Stipulation. No Party shall be deemed to have agreed that  
11 any provision of this Second Stipulation is appropriate for resolving the issues in any other  
12 proceeding.

13 25. This Second Stipulation may be executed in counterparts and each signed counterpart  
14 shall constitute an original document. The Parties further agree that any electronically-generated  
15 signature of a Party is valid and binding to the same extent as an original signature.

16 26. This Second Stipulation may not be modified or amended except by written  
17 agreement among all Parties who have executed it.

18 This Second Stipulation is entered into by each Party on the date entered below such Party's  
19 signature.

20 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

21  
22  
23  
24 By: /s/ David J. Meyer  
25 David J. Meyer

By: \_\_\_\_\_  
Johanna Riemenschneider

26  
27 Date: August 13, 2020

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



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15 signature of a Party is valid and binding to the same extent as an original signature.

16 26. This Second Stipulation may not be modified or amended except by written  
17 agreement among all Parties who have executed it.

18 This Second Stipulation is entered into by each Party on the date entered below such Party's  
19 signature.

20 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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23  
24 By: \_\_\_\_\_  
25 David J. Meyer

By: /s/ Johanna Riemenschneider  
Johanna Riemenschneider

26  
27 Date: \_\_\_\_\_

Date: August 13, 2020

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ALLIANCE OF WESTERN ENERGY  
CONSUMERS

By:  \_\_\_\_\_  
Chad M. Stokes

Date: 08-13-2020

OREGON CITIZENS' UTILITY BOARD

By: \_\_\_\_\_  
Michael P. Goetz

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

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ALLIANCE OF WESTERN ENERGY  
CONSUMERS

By: \_\_\_\_\_  
Chad M. Stokes

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

OREGON CITIZENS' UTILITY BOARD

By:  \_\_\_\_\_  
Michael P. Goetz

Date: 8/13/20

**Avista Utilities**  
**UG 389**  
**Twelve Months Ended 12.31.2021**  
**(\$000)**

**PRESENT RATES**

<b>SUMMARY SHEET</b>	Base Period Results Per Company Filing 12 ME 12.31.19 (1)	Company Adjustments to Base Period (2)	Restated Company 12 ME 12.31.2021 Test Year (1) + (2) (3)	Company Proposed incremental Rev. requirement (4)	Company Filed 12.31.2021 Results at Reasonable Return (3) + (4) (5)	Staff Adjustments to Company 12.31.2021 Results Test Year (6)	Staff Adjusted 12.31.2021 Company Results (3) + (6) (7)	Staff Required Change for Reasonable Return (8)	Staff Results at Reasonable Return (7) + (8) (9)
<b>Operating Revenues</b>									
General Business	\$88,988	(\$23,005)	\$65,983	\$6,777	\$72,760	\$6	\$65,989	\$4,212	\$70,201
Transportation	\$2,951	\$3	\$2,954	\$0	\$2,954	\$0	\$2,954	\$0	\$2,954
Other Revenues	\$52,794	(\$52,611)	\$183	\$0	\$183	\$5	\$188	\$0	\$188
<b>Total Operating Revenues</b>	<b>\$144,733</b>	<b>(\$75,613)</b>	<b>\$69,120</b>	<b>\$6,777</b>	<b>\$75,897</b>	<b>\$11</b>	<b>\$69,131</b>	<b>\$4,212</b>	<b>\$73,343</b>
<b>Operating Expenses</b>									
Gas Purchased	\$87,176	(\$87,176)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPUC Fees	\$612	(\$289)	\$323	\$32	\$355	\$0	\$323	\$20	\$343
Franchise Fees	\$1,966	(\$426)	\$1,540	\$151	\$1,691	\$0	\$1,541	\$94	\$1,635
Uncollectibles	\$56	\$259	\$315	\$23	\$338	\$0	\$315	\$14	\$330
General Operations & Maintenance	\$4,746	\$3,831	\$8,577	\$0	\$8,577	(\$174)	\$8,403	\$0	\$8,403
Admin & General Expenses	\$16,335	\$458	\$16,793	\$0	\$16,793	(\$1,327)	\$15,466	\$0	\$15,466
<b>Total Operation &amp; Maintenance</b>	<b>\$110,891</b>	<b>(\$83,342)</b>	<b>\$27,549</b>	<b>\$206</b>	<b>\$27,755</b>	<b>(\$1,500)</b>	<b>\$26,048</b>	<b>\$128</b>	<b>\$26,176</b>
Depreciation	\$11,083	\$3,987	\$15,070	\$0	\$15,070	\$92	\$15,162	\$0	\$15,162
Amortization	\$249	\$0	\$249	\$0	\$249	\$158	\$407	\$0	\$407
Taxes Other than Income	\$6,131	(\$612)	\$5,519	\$0	\$5,519	(\$16)	\$5,503	\$0	\$5,503
Income Taxes	\$1,194	\$1,559	\$2,753	\$1,701	\$4,454	\$323	\$3,076	\$1,057	\$4,133
<b>Total Operating Expenses</b>	<b>\$129,548</b>	<b>(\$78,408)</b>	<b>\$51,140</b>	<b>\$1,907</b>	<b>\$53,047</b>	<b>(\$944)</b>	<b>\$50,196</b>	<b>\$1,185</b>	<b>\$51,382</b>
<b>Net Operating Revenues</b>	<b>\$15,185</b>	<b>\$2,795</b>	<b>\$17,980</b>	<b>\$4,870</b>	<b>\$22,850</b>	<b>\$954</b>	<b>\$18,934</b>	<b>\$3,026</b>	<b>\$21,961</b>
<b>Average Rate Base</b>									
Utility Plant in Service	\$474,210	\$49,626	\$523,836	\$0	\$523,836	(\$1,150)	\$522,686	\$0	\$522,686
Less: Accumulated Depreciation & Amortization	(\$135,955)	(\$14,544)	(\$150,499)	\$0	(\$150,499)	(\$188)	(\$150,687)	\$0	(\$150,687)
Accumulated Deferred Income Taxes	(\$72,787)	(\$1,735)	(\$74,522)	\$0	(\$74,522)	\$0	(\$74,522)	\$0	(\$74,522)
Accumulated Deferred Inv. Tax Credit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Utility Plant</b>	<b>\$265,468</b>	<b>\$33,347</b>	<b>\$298,815</b>	<b>\$0</b>	<b>\$298,815</b>	<b>(\$1,338)</b>	<b>\$297,477</b>	<b>\$0</b>	<b>\$297,477</b>
Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Acquisition Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working Capital	\$3,656	\$159	\$3,815	\$0	\$3,815	\$0	\$3,815	\$0	\$3,815
Fuel Stock	\$2,377	\$0	\$2,377	\$0	\$2,377	\$0	\$2,377	\$0	\$2,377
Materials & Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Customer Advances for Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Weatherization Loans	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Misc. Deferred Debits & Credits	(\$343)	\$0	(\$343)	\$0	(\$343)	\$0	(\$343)	\$0	(\$343)
Misc. Rate Base Additions/(Deductions)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Average Rate Base</b>	<b>\$271,158</b>	<b>\$33,506</b>	<b>\$304,664</b>	<b>\$0</b>	<b>\$304,664</b>	<b>(\$1,338)</b>	<b>\$303,326</b>	<b>\$0</b>	<b>\$303,326</b>
<b>Rate of Return</b>	5.60%		5.90%		7.50%		6.24%		7.24%
<b>Implied Return on Equity</b>	6.100%		6.100%		9.900%		7.404%		9.400%

**Avista Utilities**  
**Proposed Revenue Increase by Schedule**  
**Oregon - Natural Gas**  
**Pro Forma 12 Months Ended December 31, 2021**  
**(000s of Dollars)**

Line No.	Type of Service	Schedule Number	Distribution Revenue Under Present Rates	Proposed GRC Increase	Distribution Revenue Under Proposed Rates	Therms (000s)	Distribution Revenue Percentage Increase	Billed Revenue Under Present Rates	Proposed GRC Increase	Billed Revenue Under Proposed Rates	Billed Revenue Percentage Increase
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Residential	410	\$44,931	\$2,709	\$47,640	52,670	6.0%	\$63,250	\$2,709	\$65,959	4.3%
2	General Service	420	\$19,385	\$1,481	\$20,866	29,002	7.6%	\$28,609	\$1,481	\$30,089	5.2%
3	Large General Service	424/425	\$496	\$2	\$498	3,264	0.5%	\$1,565	\$2	\$1,567	0.2%
4	Interruptible Service	439/440	\$1,623	\$8	\$1,631	13,929	0.5%	\$3,743	\$8	\$3,751	0.2%
5	Seasonal Service	444	\$34	\$0	\$34	199	0.5%	\$99	\$0	\$99	0.2%
6	Transportation Service	456	\$2,299	\$12	\$2,311	27,049	0.5%	\$2,218	\$12	\$2,230	0.5%
7	Special Contract	447	\$175	\$0	\$175	5,856	0.0%	\$175	\$0	\$175	0.0%
8	Total		\$68,943	\$4,212	\$73,155	131,968	6.1%	\$99,658	\$4,212	\$103,871	4.2%

**Avista Utilities**  
**Comparison of Present & Proposed Natural Gas Rates**  
**Oregon - Natural Gas**

<u>Present Base Rates</u>	<u>Base Tariff Change</u>	<u>Proposed Base Rates</u>
<b>Residential Service Schedule 410</b>		
\$10.00 Customer Charge	\$0.50/month	\$10.50 Customer Charge
All Therms - \$0.63943/Therm	\$0.04076/therm	All Therms - \$0.68019/Therm
<b>General Service Schedule 420</b>		
\$17.00 Customer Charge	\$0.00/month	\$17.00 Customer Charge
All Therms - \$0.58382/Therm	\$0.05104/therm	All Therms - \$0.63486/Therm
<b>Large General Service Schedule 424 and 425</b>		
\$50.00 Customer Charge	\$5.00/month	\$55.00 Customer Charge
All Therms - \$0.13887/Therm	-\$0.00055/therm	All Therms - \$0.13832/Therm
<b>Interruptible Service Schedule 439 and 440</b>		
\$0.00 Customer Charge	\$75.00/month	\$75.00 Customer Charge
All Therms - \$0.11652/Therm	-\$0.00184/therm	All Therms - \$0.11468/Therm
<b>Seasonal Service Schedule 444</b>		
All Therms - \$0.17155/Therm	\$0.00086/therm	All Therms - \$0.17241/Therm
Seasonal Minimum Charge:		Seasonal Minimum Charge:
\$ 5,810.92		\$ 5,840.04
<b>Transportation Service Schedule 456</b>		
\$275.00 Customer Charge	\$25.00/month	\$300.00 Customer Charge
1st 10,000 Therms - \$0.15876/Therm	\$0.00014/therm	1st 10,000 Therms - \$0.15890/Therm
Next 20,000 Therms - \$0.09555/Therm	\$0.00008/therm	Next 20,000 Therms - \$0.09563/Therm
Next 20,000 Therms - \$0.07853/Therm	\$0.00007/therm	Next 20,000 Therms - \$0.07860/Therm
Next 200,000 Therms - \$0.06147/Therm	\$0.00005/therm	Next 200,000 Therms - \$0.06152/Therm
Over 250,000 Therms - \$0.03118/Therm	\$0.00003/therm	Over 250,000 Therms - \$0.03121/Therm
<u>Schedule 456 Monthly Minimum Charge</u>		<u>Schedule 456 Monthly Minimum Charge</u>
\$ 2,698.69		\$ 2,725.78

**Avista Utilities**  
**Natural Gas Decoupling Mechanism (Oregon)**  
**Development of Decoupled Revenue by Rate Schedule - Natural Gas**  
**Docket No. UG-389 Rates Effective January 15, 2021**

	TOTAL	RESIDENTIAL SCHEDULE 410	SM COMMERCIAL & INDUSTRIAL SCH. 420	LG COMMERCIAL & INDUSTRIAL SCH. 424/425	INTERRUPTIBLE SCH 439/440	SEASONAL SCH 444	TRANSPORTATION SCH 456/447
1 Total Normalized 2021 Margin Revenue	\$ 68,943,000	\$ 44,931,000	\$ 19,385,000	\$ 496,000	\$ 1,623,000	\$ 34,000	\$ 2,474,000
2 Settlement Margin Revenue Increase	\$ 4,212,000	\$ 2,709,000	\$ 1,481,000	\$ 2,000	\$ 8,000	\$ -	\$ 12,000
3 Total Delivery Revenue (2021 Test Year) (Ln 1 + Ln 2)	\$ 73,155,000	\$ 47,640,000	\$ 20,866,000	\$ 498,000	\$ 1,631,000	\$ 34,000	\$ 2,486,000
4 Customer Bills (2021 Test Year)	1,271,356	1,125,295	144,309	857	450	37	408
5 Proposed Basic Charges		\$10.50	\$17.00	\$55.00	\$75.00	\$0.00	\$300.00
6 Basic Charge Revenue (Ln 4 * Ln 5)	\$ 14,464,960	\$ 11,815,598	\$ 2,453,253	\$ 47,129	\$ 33,780	\$ -	\$ 115,200
7 Decoupled Revenue (Ln 6 - Ln 3)	\$ 58,690,040	\$ 35,824,403	\$ 18,412,747	\$ 450,871	\$ 1,597,220	\$ 34,000	\$ 2,370,800
8 Normalized Therms (2021 Test Year)	131,968,306	52,669,603	29,002,292	3,264,235	13,929,025	198,830	32,904,321
9 Average Number of Customers (Line 8 / 12 mos.)		Residential 93,775	Non-Residential Group 12,138				Exempt from Decoupling Mechanism
10 Annual Therms		52,669,603	46,394,382				
11 Basic Charge Revenues		\$ 11,815,598	\$ 2,534,162				
12 Customer Bills		1,125,295	145,653				
13 Average Basic Charge		\$10.50	\$17.40				

**Avista Utilities**  
**Natural Gas Decoupling Mechanism (Oregon)**  
**Development of Decoupled Revenue Per Customer - Natural Gas**  
**Docket No. UG-389 Rates Effective January 15, 2021**

<b>Line No.</b>	<b>Source</b>	<b>Residential</b>	<b>Non-Residential Schedules*</b>
(a)	(b)	(c)	(d)
1	Decoupled Revenue	Page 1	
		\$ 35,824,403	\$ 20,494,838
2	Test Year Number of Customers 2021	Revenue Data	
		93,775	12,138
3	Decoupled Revenue Per Customer	(1) / (2)	
		\$ 382.03	\$ 1,688.52

\*Schedules 420, 424, 425, 439, 440, and 444



**Avista Utilities**  
**Natural Gas Decoupling Mechanism (Oregon)**  
**Development of Monthly Decoupled Revenue Per Customer - Natural Gas**  
**Docket No. UG-389 Rates Effective January 15, 2021**

Line No.	Source	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	
1															
2	<b><u>Natural Gas Delivery Volume</u></b>														
3	<i>Residential</i>														
4	- Weather-Normalized Therm Delivery Volume	Monthly Rate Year	8,676,502	6,962,438	6,276,681	4,433,535	2,529,145	1,683,573	1,404,461	1,359,425	1,369,522	3,004,514	6,118,531	8,851,276	52,669,603
5	- % of Annual Total	% of Total	16.47%	13.22%	11.92%	8.42%	4.80%	3.20%	2.67%	2.58%	2.60%	5.70%	11.62%	16.81%	100.00%
6															
7	<i>Non-Residential Sales*</i>														
8	- Weather-Normalized Therm Delivery Volume	Monthly Rate Year	6,056,803	5,233,025	4,778,562	3,650,474	2,460,876	2,136,004	2,232,358	2,293,829	2,458,385	3,658,899	5,194,291	6,240,876	46,394,382
9	- % of Annual Total	% of Total	13.06%	11.28%	10.30%	7.87%	5.30%	4.60%	4.81%	4.94%	5.30%	7.89%	11.20%	13.45%	100.00%
10															
11	<b><u>Monthly Decoupled Revenue Per Customer ("RPC")</u></b>														
12	<i>Residential</i>														
13	- Decoupled Revenue per Customer	Page 2 - Decoupled RPC													\$ 382.03
14	- Monthly Decoupled Revenue per Customer	(5) x (13)	\$ 62.93	\$ 50.50	\$ 45.53	\$ 32.16	\$ 18.34	\$ 12.21	\$ 10.19	\$ 9.86	\$ 9.93	\$ 21.79	\$ 44.38	\$ 64.20	\$ 382.03
15	- Monthly Allowed Customers		94,058	94,061	94,074	93,970	93,808	93,521	93,213	93,012	93,005	93,534	94,222	94,817	
16	<i>Non-Residential Sales*</i>														
17	- Decoupled Revenue per Customer	Page 2 - Decoupled RPC													\$ 1,688.52
18	- Monthly Decoupled Revenue per Customer	(9) x (17)	\$ 220.44	\$ 190.46	\$ 173.92	\$ 132.86	\$ 89.56	\$ 77.74	\$ 81.25	\$ 83.48	\$ 89.47	\$ 133.17	\$ 189.05	\$ 227.14	\$ 1,688.52
19	- Monthly Allowed Customers		12,173	12,194	12,189	12,161	12,147	12,127	12,087	12,069	12,059	12,082	12,143	12,221	
20	*Schedules 420, 424, 425, 439, 440, and 444.														