

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

**Advice 20-02-G**  
**Docket No. UG-389**

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, for a general rate 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, 2019, Avista supplied retail electric service to approximately 395,000 customers and retail natural gas service to 362,000 customers, including approximately 104,300 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  
Avista Corporation  
P.O. Box 3727  
1411 E. Mission Avenue, MSC-27  
Spokane, Washington 99220-3727  
Telephone: (509) 495-4316  
E-mail: [david.meyer@avistacorp.com](mailto:david.meyer@avistacorp.com)

Patrick Ehrbar  
Director of Regulatory Affairs  
Avista Corporation  
P.O. Box 3727  
1411 E. Mission Avenue, MSC-27  
Spokane, Washington 99220-3727  
Telephone: (509) 495-8620  
E-mail: [pat.ehrbar@avistacorp.com](mailto:pat.ehrbar@avistacorp.com)

Avista Dockets (Electronic Only) - [AvistaDockets@avistacorp.com](mailto:AvistaDockets@avistacorp.com)

3.

The test year being used by the Company is the twelve-months ended December 31, 2021. 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 5.9 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 \$6,777,000, or 6.8 percent<sup>1</sup>, which would produce an overall rate of return of 7.50 percent and a return on equity of 9.9 percent. Pursuant to ORS 757.220, the revised schedules contain an effective date of April 15, 2020.

---

<sup>1</sup> The overall increase in total billed revenue, which includes natural gas costs and all other rate adjustments, is 6.8%. On a margin revenue basis, which excludes the cost of natural gas and all other rate components, the overall increase is 9.8%.

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 \$6,777,000. The Company used the cost of service results prepared by Company witness Mr. Anderson as a guide in the proposed spread of the requested increase to the various service schedules. As described in Company witness Mr. Miller'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 apply half of the overall percentage increase in margin revenue for Schedules 424, 440, 444 and 456. 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. **Mr. Dennis P. Vermillion**, President and CEO of Avista Corporation, will provide an overview of the Company. He summarizes the Company's proposal in this filing, and addresses Avista's level of capital investment, which continues to be the primary driver behind the Company's most recent general rate cases. He discusses our ongoing focus on cost management and cost efficiencies which have been undertaken to help mitigate the overall rate request, as well as our continued focus on communicating with customers, our overall customer satisfaction, and our customer support programs. His testimony will also briefly explain 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. Finally, he introduces the other Company witnesses who support this general rate case filing (which is replicated below).

(b) Financial Overview, Capital Structure, and Overall Rate of Return – Exhibit 200.

**Mr. Mark T. Thies**, Executive Vice President, Chief Financial Officer and Treasurer, provides a financial overview of Avista Corporation as well as explains the proposed capital structure, overall rate of return, and the Company's capital expenditures program. He provides information that shows:

- Avista's plans call for making significant utility capital investments in our electric and natural gas systems to preserve and enhance service reliability for our customers, including the continued replacement of aging infrastructure. Capital expenditures of approximately \$405 million per year, on a system basis, are planned for the five-year period ending December 31, 2024. Avista needs adequate cash flow from operations to fund these requirements, together with access to capital from external sources under reasonable terms, on a sustainable basis.
- We are proposing an overall rate of return of 7.50%, which includes a 50.0% common equity ratio, a 9.9% return on equity, and a cost of debt of 5.10%. We believe our proposed overall rate of return of 7.50% and proposed capital structure provide a reasonable balance between safety and economy.
- Avista's corporate credit rating from Standard & Poor's is currently BBB, and Baa2 from Moody's Investors Service. Avista must operate at a level that will support a solid investment grade corporate credit rating in order to access capital markets at reasonable rates. A supportive regulatory environment is an important consideration by the rating agencies when reviewing Avista. Maintaining solid credit metrics and credit ratings will also help support a stock price necessary to issue equity under reasonable terms to fund capital requirements.

(c) Return on Equity – Exhibit 300. **Mr. Adrien M. McKenzie**, as 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. He also examines the reasonableness of the Company's requested capital structure, considering both the specific risks faced by Avista and other industry guidelines.

(d) Gas Supply and Storage – Exhibit 400. **Ms. Jody Morehouse**, Director of Gas Supply, describes Avista’s natural gas resource planning process, and provide an overview of the Company’s 2018 Natural Gas Integrated Resource Plan (“IRP”) and an update on the Company’s next natural gas IRP.

(e) Revenue Requirement and Allocations – Exhibit 500. **Ms. Annette Brandon**, Manager of Regulatory Affairs, discusses the Company’s overall revenue requirement proposal. She will also explain the twelve-months ended December 31, 2021 test year operating results, including expense and rate base adjustments made to actual operating results and rate base.

(f) Capital Projects – Exhibit 600. **Ms. Kaylene Schultz**, Manager of Regulatory Affairs, covers the Company’s restated twelve-months ended December 31, 2019 net plant, planned 2020 plant additions, and twelve-months ended December 31, 2021 average-of-monthly-averages (AMA) customer growth capital additions adjustments, as well as discuss the Company’s approach to Oregon capital plant investment.

(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 December 31, 2021 Test Year Revenue Load Adjustment.

(h) Long-Run Incremental Cost of Service – Exhibit 800. **Mr. Joel Anderson**, Regulatory Analyst, provides the natural gas cost of service study prepared for this filing. The results of the long-run incremental cost study indicate that at current rates, on a relative margin-to-cost basis, residential customers are at their relative cost of service, and small commercial customers are paying less than their relative cost of service. All other schedules including interruptible, large general, seasonal, and transportation customer groups exceed their relative

cost of service to varying degrees. The results of this study are used as a guide to spread the proposed increase by service schedule.

(g) Rate Spread, Rate Design, and Certain Adjustments – Exhibit 900. **Mr. Joseph D. Miller**, Manager of Pricing and Tariffs, discusses the spread of the proposed revenue increase among the Company’s general service schedules and related rate design. Mr. Miller also sponsors the twelve-months ended December 31, 2021 Test Year Revenue Load Adjustment.

6.

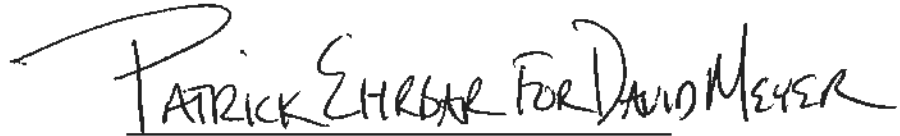
The following exhibits are attached pursuant to OAR 860-022-0019:

- (a) Exhibit A. The information required by OAR 860-022-0019(1)(a)-(f).
- (b) Exhibit B. From Ms. Brandon’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: March 13, 2020.

A handwritten signature in black ink that reads "PATRICK EHRBAR FOR DAVID MEYER". The signature is written in a cursive style with a large initial "P" and "M".

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 \$75,714,000.
- B. The dollar amount of revenue change requested is \$6,777,000.
- C. The percentage change in base revenues requested is 9.8 percent, and the overall change in billed revenues is 6.8%.
- D. The forecasted test year proposed is twelve-months ended December 31, 2021.
- E. The requested overall rate of return is 7.50 percent and the requested return on equity is 9.9 percent.
- F. The rate base proposed in this filing is \$304,664,000.



**AVISTA UTILITIES  
OREGON JURISDICTION  
NATURAL GAS  
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2021**

Line No.	Description	PRESENT RATES			WITH PROPOSED RATES	
		Per Results of Operations Report <i>a</i>	Total Adjustments <i>b</i>	Restated 12 ME 12.31.21 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	\$88,988	(\$23,005)	\$65,983	\$6,777	\$72,760
3	Total Transportation	2,951	3	2,954	0	2,954
4	Other Revenues	52,794	(52,611)	183	0	183
5	Total Operating Revenues	144,733	(75,613)	69,120	6,777	75,897
6						
7	OPERATING EXPENSES					
8	Gas Purchased	87,176	(87,176)	0	0	0
9	Operation and Maintenance	11,862	3,831	15,693	0	15,693
12	Uncollectible Accounts	56	259	315	23	338
11	Administration & General	9,325	458	9,783	0	9,783
10	OPUC Commission Fees	612	(289)	323	32	355
13	Total Operation & Maintenance	109,031	(82,916)	26,115	55	26,170
14						
15	DEPRECIATION, AMORTIZATION, TAXES					
16						
17	Municipal Occupation & License Tax	1,656	(1,656)	0	0	0
17	Franchise Fees - Conversion Factor	1,966	(426)	1,540	151	1,691
18	R&P Property Tax	4,369	244	4,613	0	4,613
19	State Income Tax	0	800	800	0	800
20	Depreciation & Amortization	11,332	3,987	15,319	0	15,319
21	Total Operating Expenses	128,354	(79,967)	48,387	206	48,593
22						
23	OPERATING INCOME BEFORE FIT/SIT	16,379	4,354	20,733	6,571	27,304
24						
25	INCOME TAXES					
26	Current Federal Income Taxes	(1,129)	749	(380)	1,294	914
27	Debt Interest	0	(100)	(100)	0	(100)
28	Deferred Federal Income Taxes	2,248	120	2,368	0	2,368
29	State Income Taxes	75	790	865	407	1,272
30	Total Income Taxes	1,194	1,559	2,753	1,701	4,454
31						
32	NET OPERATING INCOME	\$15,185	\$2,795	\$17,980	\$4,870	\$22,850
33						
34						
35	RATE BASE					
36	Utility Plant in Service	\$474,210	\$49,626	\$523,836	\$0	\$523,836
37	Accumulated Depreciation and Amortization	(135,955)	(14,544)	(150,499)	0	(150,499)
38	Accumulated Deferred FIT	(72,787)	(1,735)	(74,522)	0	(74,522)
39	Net Utility Plant	265,468	33,347	298,815	0	298,815
40						
41	Inventory	2,377	0	2,377	0	2,377
42	Working Capital	3,656	159	3,815	0	3,815
43	Regulatory Asset - AFUDC	0	0	0	0	0
44	Rate Base-Regulatory Liability-Nonplant Exc	(343)	0	(343)	0	(343)
45	Prepaid Pension, Net of ADFIT (1)	0	0	0	0	0
46						
47	TOTAL RATE BASE	\$271,158	\$33,506	\$304,664	\$0	\$304,664
48						
49	RATE OF RETURN	5.60%		5.90%		7.50%

**Avista Utilities**  
**Docket No. UG-389**  
**Rate Spread Summary**  
**Oregon - Natural Gas**  
**Pro Forma 12 Months Ended December 31, 2021**

	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)	Avg. Bill Under Prop. Rates
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Residential	410	93,775	52,669,603	47	\$44,931	\$40.05	9.8%	\$4,417	\$3.94	\$49,348	\$43.99
2	General Service	420	12,026	29,002,292	201	19,385	\$134.35	11.0%	\$2,141	\$14.84	21,526	\$149.19
3	Large General Service	424	92	4,568,309	4,136	690	\$624	5.0%	\$34	\$31	724	\$655
4	Interruptible Service	440	40	8,026,171	16,816	935	\$1,959	4.9%	\$46	\$96	981	\$2,055
5	Seasonal Service	444	4	244,770	5,706	42	\$979	4.9%	\$2	\$48	44	\$1,027
6	Transportation Service	456	33	32,935,576	83,171	2,779	\$7,018	4.9%	\$137	\$344	2,916	\$7,363
7	Special Contract	447	2	5,770,970	240,457	175	\$7,292	0.0%	\$0	\$0	175	\$7,292
8	Total		105,971	133,217,691		\$68,938		9.8%	\$6,777		\$75,714	

EXHIBIT C