**PUBLIC UTILITY COMMISSION
OF
OREGON**

UG 389

STAFF/AVISTA/AWEC/CUB EXHIBIT 300

Joint Testimony in Support of the Third Partial Settlement Stipulation

September 3, 2020

I. INTRODUCTION

Q. Please state your names and positions.

A. My name is Marianne Gardner. I am employed by the Public Utility Commission of Oregon ("PUC") recently serving as the Program Manager, Rates and Accounting in the Rates, Finance and Audit Division of the Utility Program. I am a graduate of Oregon State University with a Masters of Business Administration and a graduate of Montana State University with a Bachelor of Science in Accounting. I have approximately 22 years of professional accounting experience, including cost accounting, public accounting, and non-profit accounting. My responsibilities include research, analysis, and recommendations on a range of cost, revenue and policy issues for electric and natural gas utilities. In this docket, I am the Revenue Requirements Summary Witness for Staff.

My name is Annette M. Brandon. I am employed by Avista Utilities ("Company") as a Manager of Regulatory Affairs in the Regulatory Affairs Department. I am a 2002 graduate of Eastern Washington University with a Bachelor of Arts Degree in Business Administration – Professional Accounting. I started with Avista in January 1999 as a Budget Analyst in the Company's Transmission department. I spent three years in the Company's Tax Department before moving to Resource Accounting for the next eight years. In this role, I was primarily responsible for accounting for natural gas and associated budgeting and reporting requirements. I joined the Regulatory Affairs department as a Regulatory Analyst in 2012, and was promoted to my current role in 2013. My primary responsibilities relate to oversight of the purchase gas cost adjustment filings, Power Supply including general rate case adjustments, monthly/annual reporting, key contact for the Company's compensation and benefits programs, and revenue requirement for Oregon.

My name is Joseph D. Miller. I am a 1999 graduate of Portland State University with a Bachelor's degree in Business Administration, majoring in Accounting. In 2005, I graduated from Gonzaga University with a Master's degree in Business Administration. I joined the Company in March 2008, after spending eight years in both the public and private accounting sector. I started with Avista as a Natural Gas Accounting Analyst in the Company's Resource Accounting Department. In January 2009, I joined the State and Federal Regulation Department as a Regulatory Analyst. My primary responsibility was coordinating discovery for the Company's general rate case filings. In my current role as Senior Manager of Rates and Tariffs, I am responsible for the Company's electric and natural gas rate design and tariff administration, among other things.

My name is William Gehrke. I am an Economist with the Oregon Citizens' Utility Board ("CUB"). As one of CUB's economists, my responsibilities include the review of utility and telecommunications filings in Oregon on behalf of residential customers. In this particular docket, I am representing residential customers' concerns arising from Avista's General Rate Case filing.

My name is Bradley G. Mullins, and I am an Independent Energy and Utilities Consultant representing large energy consumers before state regulatory commissions. I am appearing in this matter on behalf of the Alliance of Western Energy Consumers ("AWEC"), a non-profit trade association of commercial and industrial electric and gas users in the states of Oregon, Idaho and Washington.

Hereafter, Staff, the Company, CUB and AWEC will collectively be referred to as the "Parties."

Q. What is the purpose of your Joint Testimony?

A. The purpose of our Joint Testimony is to describe and support the Third Partial Settlement Stipulation, filed on September 3, 2020 between Staff, CUB, AWEC, and the Company in Docket No. UG-389 (the "Third Stipulation"), which resolved the final issue in this proceeding, the treatment of Working Capital, among the Parties for the general rate increase filed on March 13, 2020. The Third Stipulation is the product of settlement discussions, open to all parties in this proceeding.[1]

Q. Have you prepared any Exhibits?

A. Yes. The Parties' Exhibit No. Joint Testimony/301 is the Third Stipulation filed with the Commission on September 3, 2020.

II. BACKGROUND

Q. Please describe the background behind the Company's original general rate case filing.

A. On March 13, 2020, Avista filed revised tariff schedules to affect a general rate increase for Oregon retail customers of $6,777,000, 6.8% of its annual revenues or 9.8% margin increase. The filing was suspended by the Commission on March 16, 2020, per its Order No. 20-086. Pursuant to Administrative Law Judge Allan J. Arlow's Prehearing Conference Notice of Telephone Prehearing Conference Memorandum of April 3, 2020, the first settlement conference, held telephonically, occurred on May 7, 2020.

As a result of that first settlement discussion, the Parties agreed to settle all issues in this Docket concerning the Cost of Capital, including Capital Structure, Long-Term Debt Cost

[1] The Parties previously entered into a Partial Settlement on Cost of Capital, which was filed on May 18, 2020 and a Second Partial Settlement which settled all remaining issues in this Docket, except for Working Capital, filed on August 13, 2020.

and Return on Equity, subject to the approval of the Commission, which was filed on May 18, 2020. Staff, CUB, and AWEC filed Opening Testimony on July 21, 2020, in response to the Company's original filing on March 13, 2020.

On August 3, 2020 the Parties held a second telephonic settlement discussion and agreed to settle all remaining issues in this Docket, except the issue of Working Capital. The settled items include adjustments to the revenue requirement, rate spread and rate design issues, Allowance for Funds Used During Construction (AFUDC) accounting treatment, changes in customer deposit requirements, and modifications to the language regarding the Comfort Level Billing program, subject to the approval of the Commission. The Second Partial Settlement Stipulation was filed on August 13, 2020. The issue of Working Capital was to be further reviewed by the Parties under the existing Procedural Schedule.

On August 18, 2020 the Company filed reply testimony which addressed the issue of Working Capital. On August 20, 2020 the Parties participated in a telephonic workshop addressing Working Capital and the components of the Company's proposed lead/lag study. On August 24, 2020, a third telephonic settlement discussion was held, for purposes of resolving the final issue of Working Capital. Both the workshop and the settlement discussion were attended by all Parties. The third telephonic settlement discussion resulted in agreement on the treatment of Working Capital and is the basis of this Third Stipulation.

III. <u>SUMMARY OF THE FIRST PARTIAL SETTLEMENT STIPULATION</u>

Q. What revenue requirement adjustments to Avista's originally filed case are included in the First Partial Settlement Stipulation?

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

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

	Revenue Requirement	Rate Base
	$6,777	$304,664
Cost of Capital		
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)	-
Total Adjustments:	($1,092)	$0
	$5,685	$304,664

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.[2]

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%

[2] 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.

IV. TERMS OF THE SECOND PARTIAL SETTLEMENT STIPULATION

Q. Without repeating the testimony provided in support of the Second Partial Settlement Stipulation, what was the effect on Avista's revenue requirement after considering the agreed-upon adjustments (Exhibit No. Joint Testimony/201)?

A. The adjustments reached in the Second Partial Settlement Stipulation resolved all remaining issues in this Docket, with the exception of Working Capital. This resulted in a further reduction to Avista's proposed increase from the First Partial Settlement Stipulation of $5.685 million (as shown in Table No. 1 above) to a base revenue increase request of $4.212 million. In addition, the Parties agreed to reduce rate base from the First Partial Settlement Stipulation of $304.7 million to $303.3 million. The net impact of these adjustments is shown in Table No. 3 below:

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

	Revenue Requirement	Rate Base
First Partial Settlement Stipulation	**$5,685**	**$304,664**
Miscellaneous Adjustments These adjustments resolve all issues in this Docket, with the exception of Working Capital	**(1,473)**	**(1,338)**
Total Adjustments:	**($1,473)**	**($1,338)**
Second Partial Settlement Stipulation Final	**$4,212**	**$303,326**

V. TERMS OF THE THIRD PARTIAL SETTLEMENT STIPULATION

Q. What revenue requirement adjustment to Avista's originally filed case are included in the Third Stipulation (Exhibit No. Joint Testimony/301)?

A. The adjustment reached in this Third Stipulation resolved the final outstanding issue of Working Capital. Company witness Ms. Pluth provided detailed testimony on August

18 related to the genesis and calculation of Avista's Working Capital adjustment. With this agreement, the Parties have now addressed all issues in this Docket. The Parties agreed that Avista should be provided an additional $0.155 million increase related to Working Capital. This results in an increase to Avista's revenue requirement increase request from the Second Partial Settlement Stipulation of $4.212 million (as shown in Table No. 3 above) to a final base revenue increase request of $4.367 million. In addition, the parties agreed to increase rate base from the Second Partial Settlement Stipulation of $303.3 million to $305.0 million. The net impact of these adjustments is shown in Table No. 4 below:

Table No. 4 – Summary of Adjustments to Revenue Requirement and Rate Base (Third Stipulation)

	Revenue Requirement	Rate Base
Second Partial Settlement Stipulation	**$4,212**	**$303,326**
Miscellaneous Adjustments This adjustment reflects the impact of the lead/lag study on Working Capital. For Settlement purposes the Parties agree to a working cash factor of 2.5% resulting in an $155,000 of additional revenue requirement and $1,700,000 increase in rate base.	**155**	**1,700**
Total Adjustments:	**$155**	**$1,700**
Third Partial Settlement Stipulation	**$4,367**	**$305,026**

Attachment A to the Stipulation (Exhibit No. Joint Testimony/301) provides the final agreed-upon revenue requirement and rate base, incorporating all of the agreements reached in the three Stipulations. Further, Attachments B-D also include the net effect of all of the items agreed to in the three Stipulations related to rate spread, rate design, and decoupling.

Q. Did the Parties agree to other issues related to Working Capital?

A. Yes. In addition to the change in revenue requirement and rate base, the Parties agreed to the following as it relates to Working Capital:

a. The Parties agree to include a working cash factor of 2.5 percent, resulting in $155,000 of additional revenue requirement in UG 389 rates for cash working capital (as discussed above).
b. Avista agrees to conduct a new lead/lag study that is robust and designed consistent with industry standards prior to the filing of its next rate case that includes cash working capital in revenue requirement.
c. The Parties agree that measurements used in the new lead/lag study may include but are not limited to statistical sampling, 100 percent sampling, mathematical formula, and segregation of data by type (e.g. customer class, fuel type, or maintenance type).
d. Avista agrees to provide, in supporting testimony for its next rate case that includes cash working capital, a description and supporting documentation for its method of measuring lead or lag for each study component that establishes the validity and appropriateness of the measurement used.
e. Avista agrees to perform sufficient analysis to ensure there is no double-counting between working cash and rate base and will review and document its treatment of vacation accrual, purchase gas and materials and supplies in supporting testimony for its next rate case.
f. The Parties acknowledge this stipulation does not address any effects of the utility's and ratepayers' actions in response to the COVID-19 pandemic, and that any such effects may be addressed separately from this stipulation.

Q. Do the Stipulating Parties agree on the methodology employed by the Parties to determine the Working Capital adjustment?

A. No, the Parties do not necessarily agree upon the methodology used to determine the final Working Capital adjustment included in the Stipulation, however the Parties believe that the agreed-upon adjustment, in combination with the other agreed-upon adjustments included in the first two Stipulations, results in a reasonable financial settlement to address all of the issues in this docket, and result in an overall revenue requirement and rate spread and rate design that will produce rates that are fair, just and reasonable. The Company agrees, however, to address certain matters described above in connection with any proposed working capital adjustment in its next general rate filing.

VI. RATE SPREAD/DESIGN & DECOUPLING UPDATED INFORMATION

Q. What is resulting spread of the agreed-upon revenue requirement, given the rate spread agreement reached in the Second Partial Settlement Stipulation?

A. The Parties support the spread of the January 15, 2021, overall billed revenue increase of $4.367 million, or 4.4 percent, to the Company's service schedules as shown in Table No. 4 below (and as shown in Attachment B in Exhibit No. Joint Testimony/301), <u>including the impact of the Working Capital adjustment agreed to in this Stipulation</u>. This reflects all agreements reached in the all three Settlement Stipulations.

<u>Table No. 5: Agreed-Upon Rate Spread</u>

Schedule Description	Rate Schedule	Revenue Increase ($000s)	% Increase in Base Revenue	% Increase in Billed Revenue*
Residential	410	$2,810	6.3%	4.4%
General Service	420	$1,535	7.9%	5.4%
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	$12	0.5%	0.5%
Total		**$4,367**	**6.3%**	**4.4%**

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

The Parties support the rate design contained in the Second Partial Settlement Stipulation. Attachment C to the Stipulation (Exhibit No. Joint Testimony/301) provides the agreed-upon base rates, reflecting the additional increase related to Working Capital.[3]

Q. What is the impact to the average residential bill as a result of the agreement of the Parties?

A. For the revenue requirement included in this Stipulation, based on an average usage level of 47 therms per month, the average bill for a Schedule 410 residential customer,

[3] The agreed-upon billing determinants reflect the updated load adjustments as discussed in Section 7 item q in the Second Partial Settlement Stipulation.

which includes both base and adder schedules[4], would increase $2.51 per month, or 4.4 percent, from $56.40 to $58.91. This bill change includes the Working Capital adjustment, previously discussed.

Finally, Attachment D to the Third Stipulation (Exhibit No. Joint Testimony/301) reflects the new decoupling base, incorporating the impacts of the Working Capital adjustment, effective January 15, 2021 that is supported by the Parties. The new decoupling base provides the "Monthly Allowed Customers" and "Monthly Decoupled Revenue per Customer" which incorporate the effects of the settlement revenue requirement discussed earlier.

Q. Should the information contained in Exhibits A-D to the Third Stipulation be treated as reflecting the final cumulative effect of all three Stipulations?

A. Yes. To the extent inconsistent with information provided in the earlier Partial Stipulations, the information in Attachments A through D shall govern and supplant the same.

VII. STATEMENTS OF THE PARTIES[5]

Statement of Avista

Q. Does Avista support the Third Stipulation which resolves the final issue in this Docket (Working Capital), including the associated adjustment to the revenue requirement and rate base?

A. Yes. The Settlement strikes a reasonable balance between the interests of Avista's customers and the Company on the issue of Working Capital. As with the prior Stipulations, the third Stipulation was a compromise among differing interests and represents

[4] "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.
[5] The Statements provided by each Party represent their views only as it relates to the Settlement and should not be construed as being the views of the Parties collectively.

give-and-take. The Third Stipulation was entered into following the filing of reply testimony concerning Working Capital, several informal data responses, and a detailed workshop attended by all parties. For these reasons, the Third Settlement is in the public interest and should be approved by the Commission. In addition, when combined with the prior settlements reached in this matter, the combined agreement resolving all issues we believe is a fair, just and reasonable outcome.

Statement of Staff

Q. Ms. Gardner, please explain why Staff believes the Third Stipulation is in the public interest.

A. Staff supports the Third Stipulation and the prior two stipulations as a reasonable compromise of the issues in this rate case that balances customers' interests and shareholder interests, and that results in fair, just and reasonable rates. Staff supports the resolution on cash working capital in this Third Stipulation based on Staff's evaluation and analysis of the issues, further informed by Staff practice in other rate cases. Staff's position on the adjustments in the three stipulations is supported by its opening testimony, a further evaluation of the available information and the conclusion that the agreed-to adjustments fall within a reasonable range of outcomes at this time.

Statement of CUB

Q. Does CUB support the Third Stipulation which resolves the Working Capital issue.

A. Yes. CUB supports the Third Stipulation. In response to concerns by parties, the Company filed supplemental testimony on Working Capital. Additionally, all parties to the docket participated in a detailed workshop on Working Capital. CUB believes that the Third Stipulation has reached a reasonable outcome on the Working Capital issue.

<u>Statement of AWEC</u>

Q. Please explain why AWEC believes the Third Stipulation is in the public interest.

A. AWEC believes the Third Stipulation is in the public interest and recommends the Commission approve the stipulation because it's a fair compromise on the working capital issue. AWEC supports the Third Stipulation and prior stipulations which combined brought down the overall gas revenue requirement increase from $6,777,000 as originally filed to $4,367,000, generally consistent with the testimony and litigation positions of AWEC and other parties.

Further, the Third Stipulation continues to spread the increase consistent with the recommendation of AWEC using a CIO adjustment as reflected in my opening testimony. The adjustments to my original recommendation including changing the CIO adjustment cap from 150 percent to 125 percent, and changing the CIO adjustment floor from 0.0 percent to 0.5 percent. AWEC believes the Third Stipulation continues to represent a fair compromise of the rate spread issues as it recognizes the results of Avista's long run incremental cost study showing that some rate classes are well above cost of service. While the settlement does not completely move all rates to cost of service, AWEC supports the proposed margin revenue allocation because it makes a gradual movement to cost based rates. The overall result is a fair compromise between Avista and its customers.

VIII. CONCLUSION

Q. Do the Parties agree that the Third Stipulation provided as Exhibit No. Joint Testimony/301 is in the public interest and results in an overall fair, just and reasonable outcome?

A. Yes, the Parties do. The Stipulating Parties have reviewed Avista's opening and reply testimony, Staff and the Intervenors' opening testimony, the Parties' responses to numerous data requests, participated in a Working Capital workshop, and carefully analyzed the issues. The Stipulating Parties find that the agreement around Working Capital, which had not been resolved in the prior settlements, represents a reasonable resolution of the issue presented by the Parties and will, in combination with the other Stipulations reached in this case, result in rates that are fair, just and reasonable.

Q. What do the Parties recommend regarding the Stipulation?

A. We recommend that the Commission adopt the Stipulation in its entirety.

Q. Does this conclude your Joint Testimony?

A. Yes.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 389

In the Matter of	)	
	)	
AVISTA CORPORATION, dba AVISTA UTILITIES	)	THIRD PARTIAL SETTLEMENT STIPULATION
	)	
Request for a General Rate Revision	)	

This Third Partial Settlement Stipulation ("Third Stipulation") is entered into for the purpose of resolving the remaining issue in this proceeding, the treatment of Working Capital.

PARTIES

The Parties to this Third Stipulation are Avista Corporation ("Avista" or the "Company"), the Staff of the Public Utility Commission of Oregon ("Staff"), the Oregon Citizens' Utility Board ("CUB"), and the Alliance of Western Energy Consumers ("AWEC") (collectively, "Parties"). These Parties represent all who intervened and appeared in this proceeding.[1]

BACKGROUND

1. On March 13, 2020, Avista filed revised tariff schedules to affect a general rate increase for Oregon retail customers of $6,777,000, or 6.8% of its annual revenues or 9.8% margin increase. The filing was suspended by the Commission on March 16, 2020, per its Order No. 20-086.

[1] The Parties previously entered into a Partial Settlement on Cost of Capital, which was filed on May 18, 2020 and a Second Partial Settlement which settled all remaining issues in this Docket, except for Working Capital, filed on August 13, 2020.

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

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

4. Staff, CUB, and AWEC filed Opening Testimony on July 21, 2020, in response to the Company's original filing on March 13, 2020.

5. On August 3, 2020 the Parties held a second telephonic settlement discussion and agreed to settle all remaining issues in this Docket, except the issue of Working Capital. The settled items include adjustments to the revenue requirement, rate spread and rate design issues, Allowance for Funds Used During Construction (AFUDC) accounting treatment, changes in customer deposit requirements, and modifications to the language regarding the Comfort Level Billing program, subject to the approval of the Commission. The Second Partial Settlement Stipulation was filed on August 13, 2020. The issue of Working Capital was to be further reviewed by the Parties under the existing Procedural Schedule.

6. On August 18, 2020 the Company filed reply testimony, sponsored by Company witness Ms. Pluth, which addressed the issue of Working Capital. On August 20, 2020 the Parties participated in a telephonic workshop addressing Working Capital and the components of the Company's proposed lead/lag study. On August 24, 2020, a third telephonic settlement discussion was held, for purposes of resolving the final issue of Working Capital. Both the workshop and the settlement discussion were attended by all Parties. The third telephonic settlement discussion resulted in agreement on the treatment of Working Capital and is the basis of this Third Stipulation.

SUMMARY OF THE FIRST PARTIAL SETTLEMENT STIPULATON

7. Adjustments to Filed Revenue Requirement:

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

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

	Revenue Requirement	Rate Base
	$6,777	**$304,664**
Cost of Capital		
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)**	**-**
Total Adjustments:	**($1,092)**	**$0**
	$5,685	**$304,664**

8. 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.[2]

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%

[2] 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.

SUMMARY OF THE SECOND PARTIAL SETTLEMENT STIPULATON

9. The adjustments reached in the Second Partial Settlement Stipulation resolved all remaining issues in this Docket, with the exception of Working Capital. This resulted in a further reduction to Avista's proposed increase from the First Partial Settlement Stipulation of $5.685 million (as shown in Table No. 1 above) to a base revenue increase request of $4.212 million. In addition, the Parties agreed to reduce rate base from the First Partial Settlement Stipulation of $304.7 million to $303.3 million. The net impact of these adjustments is shown in Table No. 3 below:

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

	Revenue Requirement	Rate Base
First Partial Settlement Stipulation	**$5,685**	**$304,664**
Miscellaneous Adjustments These adjustments resolve all issues in this Docket, with the exception of Working Capital	**(1,473)**	**(1,338)**
Total Adjustments:	**($1,473)**	**($1,338)**
Second Partial Settlement Stipulation Final	**$4,212**	**$303,326**

SUMMARY OF THE THIRD PARTIAL SETTLEMENT STIPULATON

10. The adjustment reached in this Third Stipulation resolved the final outstanding issue of Working Capital. Company witness Ms. Pluth provided detailed testimony on August 18, 2020 related to the genesis and calculation of Avista's Working Capital adjustment. With this adjustment, the Parties have now addressed all issues in this Docket. The Parties agreed that Avista should be provided an additional $0.155 million increase related to Working Capital. This results in an increase to Avista's revenue requirement increase request from the Second Partial Settlement Stipulation of $4.212 million (as shown in Table No. 3 above) to a final base revenue increase

request of $4.367 million. In addition, the Parties agreed to increase rate base from the Second Partial Settlement Stipulation of $303.3 million to $305.0 million. The net impact of these adjustments is shown in Table No. 4 below:

Table No. 4 – Summary of Adjustments to Revenue Requirement and Rate Base (Third Stipulation)

	Revenue Requirement	Rate Base
Second Partial Settlement Stipulation	**$4,212**	**$303,326**
Miscellaneous Adjustments This adjustment reflects the impact of the lead/lag study on Working Capital. For Settlement purposes the Parties agree to a working cash factor of 2.5% resulting in an $155,000 of additional revenue requirement and $1,700,000 increase in rate base.	**155**	**1,700**
Total Adjustments:	**$155**	**$1,700**
Third Partial Settlement Stipulation	**$4,367**	**$305,026**

In addition to the change in revenue requirement and rate base, the Parties agreed to the following as it relates to Working Capital:

a. The Parties agree to include a working cash factor of 2.5 percent, resulting in $155,000 of additional revenue requirement in UG 389 rates for cash working capital (as discussed above).
b. Avista agrees to conduct a new lead/lag study that is robust and designed consistent with industry standards prior to the filing of its next rate case that includes cash working capital in revenue requirement.
c. The Parties agree that measurements used in the new lead/lag study may include but are not limited to statistical sampling, 100 percent sampling, mathematical formula, and segregation of data by type (e.g. customer class, fuel type, or maintenance type).
d. Avista agrees to provide, in supporting testimony for its next rate case that includes cash working capital, a description and supporting documentation for its method of measuring lead or lag for each study component that establishes the validity and appropriateness of the measurement used.
e. Avista agrees to perform sufficient analysis to ensure there is no double-counting between working cash and rate base and will review and document its treatment of vacation accrual, purchase gas and materials and supplies in supporting testimony for its next rate case.

f. The Parties acknowledge this Stipulation does not address any effects of the utility's and ratepayers' actions in response to the COVID-19 pandemic, and that any such effects may be addressed separately from this stipulation.

11. For the ease of the Commission, Attachment A to this Stipulation provides the final agreed-upon revenue requirement, incorporating all of the agreements reached in the three Stipulations. Further, Attachments B-D also include the net effect of all of the items agreed to in the three Stipulations related to rate spread, rate design, and decoupling, and are discussed further below.

12. **<u>Proposed Effective Date:</u>** The proposed rate effective date is January 15, 2021, consistent with the Second Partial Settlement Stipulation.

13. **<u>Rate Spread:</u>** The Parties support the spread of the January 15, 2021, overall billed revenue increase of $4.367 million, or 4.4 percent, to the Company's service schedules as shown in Table No. 4 below (and as shown in Attachment B to this Stipulation), <u>including the impact of the Working Capital adjustment agreed to in this Stipulation</u>. This reflects all agreements reached in all three Settlement Stipulations.

<u>Table No. 5: Agreed-Upon Rate Spread</u>

Schedule Description	Rate Schedule	Revenue Increase ($000s)	% Increase in Base Revenue	% Increase in Billed Revenue*
Residential	410	$2,810	6.3%	4.4%
General Service	420	$1,535	7.9%	5.4%
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>
Total		**<u>$4,367</u>**	**<u>6.3%</u>**	**<u>4.4%</u>**

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

14. **Rate Design:** The Parties support the rate design contained in the Second Partial Settlement Stipulation. Attachment C to this Stipulation provides the agreed-upon base rates, reflecting the additional increase related to Working Capital.[3]

15. **Residential Bill Change:** For the revenue requirement included in this Stipulation, based on an average usage level of 47 therms per month, the average bill for a Schedule 410 residential customer, which includes both base and adder schedules[4], would increase $2.51 per month, or 4.4 percent, from $56.40 to $58.91. This bill change includes the Working Capital adjustment, previously discussed.

16. **Decoupling:** Attachment D to the Third Stipulation reflects the new decoupling base, incorporating the impacts of the Working Capital adjustment, effective January 15, 2021 that is supported by the Parties. The new decoupling base provides the "Monthly Allowed Customers" and "Monthly Decoupled Revenue per Customer" which incorporate the effects of the settlement revenue requirement discussed earlier.[5]

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

18. The Parties agree that this Third Stipulation represents a compromise in the positions of the Parties. Without the written consent of all Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this Docket, are not admissible in the instant or any subsequent proceeding unless

[3] The agreed-upon billing determinants reflect the updated load adjustments as discussed in Section 7 item q in the Second Partial Settlement Stipulation.
[4] "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.
[5] See footnote 4.

independently discoverable or offered for other purposes allowed under ORS 40.190. Nothing in this paragraph precludes a party from stating as a factual matter what the Parties agreed to in this Third Stipulation or in the Parties' testimony supporting the stipulation.

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

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

21. If this Third Stipulation is challenged by any other party to this proceeding, the Parties to this Third Stipulation reserve the right to cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlement embodied in this Third Stipulation. Notwithstanding this reservation of rights, the Parties agree that they will continue to support the Commission's adoption of the terms of this Third Stipulation.

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

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

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

25. This Third Stipulation may not be modified or amended except by written agreement among all Parties who have executed it.

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

AVISTA CORPORATION	STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON
By: /s/ David J. Meyer David J. Meyer	By: ______________________ Johanna Riemenschneider
Date: September 3, 2020	Date: ______________________
ALLIANCE OF WESTERN ENERGY CONSUMERS	OREGON CITIZENS' UTILITY BOARD
By: ______________________ Chad M. Stokes	By: ______________________ Michael P. Goetz
Date: 09-03-2020	Date: ______________________

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AVISTA CORPORATION

By: /s/ David J. Meyer
David J. Meyer

Date: September 3, 2020

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By: /s/ Johanna Riemenschneider
Johanna Riemenschneider

Date: September 3, 2020

ALLIANCE OF WESTERN ENERGY CONSUMERS

By: ______________________________
Chad M. Stokes

Date: ____________________________

OREGON CITIZENS' UTILITY BOARD

By: ______________________________
Michael P. Goetz

Date: ____________________________

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By: /s/ David J. Meyer David J. Meyer	By: ________________ Johanna Riemenschneider
Date: September 3, 2020	Date: ________________
ALLIANCE OF WESTERN ENERGY CONSUMERS	OREGON CITIZENS' UTILITY BOARD
By: ________________ Chad M. Stokes	By: ________________ Michael P. Goetz
Date: ________________	Date: 9/3/20

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

PRESENT RATES

SUMMARY SHEET	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)
Operating Revenues									
General Business	$88,988	($23,005)	$65,983	$6,777	$72,760	$6	$65,989	$4,368	$70,357
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
Total Operating Revenues	$144,733	($75,613)	$69,120	$6,777	$75,897	$11	$69,131	$4,368	$73,498
Operating Expenses									$0
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	$97	$1,638
Uncollectibles	$56	$259	$315	$23	$338	$0	$315	$15	$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
Total Operation & Maintenance	$110,891	($83,342)	$27,549	$206	$27,755	($1,500)	$26,048	$133	$26,181
Depreciation	$11,083	$3,987	$15,070	$0	$15,070	$92	$15,162	$0	$15,162
Amortization	$249		$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	$312	$3,065	$1,097	$4,161
Total Operating Expenses	$129,548	($78,408)	$51,140	$1,907	$53,047	($955)	$50,185	$1,229	$51,414
Net Operating Revenues	$15,185	$2,795	$17,980	$4,870	$22,850	$965	$18,946	$3,138	$22,084
Average Rate Base									
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
Net Utility Plant	$265,468	$33,347	$298,815	$0	$298,815	($1,338)	$297,477	$0	$297,477
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
Cash Working Capital	$0	$0	$0	$0	$0	$1,700	$1,700	$0	$1,700
Fuel Stock	$2,377	$0	$2,377	$0	$2,377	$0	$2,377	$0	$2,377
Materials & Supplies	$3,656	$159	$3,815	$0	$3,815	$0	$3,815	$0	$3,815
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
Total Average Rate Base	$271,158	$33,506	$304,664	$0	$304,664	$362	$305,026	$0	$305,026
Rate of Return	5.60%		5.90%		7.50%		6.21%		7.24%
Implied Return on Equity	6.100%		6.100%		9.900%		7.342%		9.400%

* includes $1 rounding difference

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	$2,810	$47,741	52,670	**6.3%**	$63,250	$2,810	$66,060	**4.4%**
2	General Service	420	$19,385	$1,535	$20,920	29,002	**7.9%**	$28,609	$1,535	$30,143	**5.4%**
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	$4,367	$73,310	131,968	**6.3%**	$99,658	$4,367	$104,026	**4.4%**

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

Present Base Rates	Base Tariff Change	Proposed Base Rates
Residential Service Schedule 410		
$10.00 Customer Charge	$0.50/month	$10.50 Customer Charge
All Therms - $0.63943/Therm	$0.04267/therm	All Therms - $0.68210/Therm
General Service Schedule 420		
$17.00 Customer Charge	$0.00/month	$17.00 Customer Charge
All Therms - $0.58382/Therm	$0.05291/therm	All Therms - $0.63673/Therm
Large General Service Schedule 424 and 425		
$50.00 Customer Charge	$5.00/month	$55.00 Customer Charge
All Therms - $0.13887/Therm	-$0.00055/therm	All Therms - $0.13832/Therm
Interruptible Service Schedule 439 and 440		
$0.00 Customer Charge	$75.00/month	$75.00 Customer Charge
All Therms - $0.11652/Therm	-$0.00184/therm	All Therms - $0.11468/Therm
Seasonal Service Schedule 444		
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
Transportation Service Schedule 456		
$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
Schedule 456 Monthly Minimum Charge		Schedule 456 Monthly Minimum Charge
$ 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	$ 4,367,000	$ 2,810,000	$ 1,535,000	$ 2,000	$ 8,000	$ -	$ 12,000
3 Total Delivery Revenue (2021 Test Year) (Ln 1 + Ln 2)	$ 73,310,000	$ 47,741,000	$ 20,920,000	$ 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)	$ 58,845,040	$ 35,925,403	$ 18,466,747	$ 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
		Residential	Non-Residential Group				Exempt from Decoupling Mechanism
9 Average Number of Customers (Line 8 / 12 mos.)		93,775	12,138				
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

Line No.		Source	Residential	Non-Residential Schedules*
	(a)	(b)	(c)	(d)
1	Decoupled Revenue	Page 1	$ 35,925,403	$ 20,548,838
2	Test Year Number of Customers 2021	Revenue Data	93,775	12,138
3	Decoupled Revenue Per Customer	(1) / (2)	$ 383.10	$ 1,692.97

*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	**Natural Gas Delivery Volume**														
3	*Residential*														
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	*Non-Residential Sales**														
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	**Monthly Decoupled Revenue Per Customer ("RPC")**														
12	*Residential*														
13	- Decoupled Revenue per Customer	Page 2 - Decoupled RPC													$ 383.10
14	- Monthly Decoupled Revenue per Customer	(5) x (13)	$ 63.11	$ 50.64	$ 45.65	$ 32.25	$ 18.40	$ 12.25	$ 10.22	$ 9.89	$ 9.96	$ 21.85	$ 44.50	$ 64.38	$ 383.10
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	*Non-Residential Sales**														
17	- Decoupled Revenue per Customer	Page 2 - Decoupled RPC													$ 1,692.97
18	- Monthly Decoupled Revenue per Customer	(9) x (17)	$ 221.02	$ 190.96	$ 174.37	$ 133.21	$ 89.80	$ 77.94	$ 81.46	$ 83.70	$ 89.71	$ 133.52	$ 189.54	$ 227.73	$ 1,692.97
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.														