

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON**

UG 461

In the Matter of)
)
Avista Corporation, dba Avista Utilities,)
)
Request for a General Rate Revision.)
_____)

OPENING TESTIMONY OF BRADLEY G. MULLINS (AMENDED)

ON BEHALF OF

THE ALLIANCE OF WESTERN ENERGY CONSUMERS

July 7, 2023

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EXHIBIT LIST

AWEC/101 – Qualification Statement of Bradley G. Mullins

AWEC/102 – AWEC Proposed Revenue Requirement

AWEC/103 – Responses to Data Requests

I. INTRODUCTION AND SUMMARY

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Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Bradley G. Mullins. I am a consultant representing utility customers before state public utility commissions in the Northwest and Intermountain West. My witness qualification statement can be found in **Exhibit AWEC/101**.

Q. PLEASE IDENTIFY THE PARTY ON WHOSE BEHALF YOU ARE TESTIFYING.

A. I am testifying on behalf of the Alliance of Western Energy Consumers (“AWEC”). AWEC is a non-profit trade association whose members are large energy users in the Western United States, including customers receiving sales and transportation services from Avista Utilities (“Avista”).

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I discuss Avista’s request for a \$10,991,000 or a 14.4% margin rate increase effective January 1, 2024, as discussed by Avista witness Schultz. I also respond the cost of service, rate spread, and rate design proposals of Avista witnesses Anderson and Miller.

Q. HAS AVISTA’S REVENUE REQUIREMENT REQUEST DECLINED AS A RESULT OF RECENTLY FILED STIPULATIONS?

A. Yes. Following its initial filing, two settlement stipulations have been executed reducing the amount of revenue Avista is seeking in this matter. On May 8, 2023, a Partial Multi-party Stipulation on cost of capital was submitted in this docket, and on June 21, 2023 a Stipulation on depreciation rates was submitted in Docket No. UM 2277. AWEC participated in settlement negotiations for, and was a party to, both stipulations. As demonstrated in the revenue requirement calculations provided in **Exhibit AWEC/102**, these stipulations collectively reduce Avista’s revenue requirement request by \$2,322,113, resulting in a revised

1 revenue requirement request of \$8,669,027 or an 11.3% margin rate increase. Approximately
2 \$1,652,323 of the reduction was attributable to the Partial Multi-Party Stipulation on cost of
3 capital and \$669,791 of the reduction was attributable to the Stipulation on depreciation rates
4 in Docket UM 2277.

5 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

6 A. My principal recommendations and conclusions are as follows:

- 7 • I recommend several adjustments to Avista’s revenue requirement supporting a
8 revenue requirement deficiency of \$2,909,043, or a 3.8% margin rate increase.
- 9 • Avista’s filed cost of service study shows that rate reductions are warranted for
10 large volume (Schedules 424 and 440) and transportation service (Schedule 456)
11 customers (collectively, “Large Customers”).
- 12 • With corrections, for example, transportation service (Schedule 456) customers
13 need to be reduced by 44.3% to reach parity with cost of service.
- 14 • Accordingly, I recommend a rate spread that: 1) applies zero rate increase to
15 Large Customers; 2) applies an average rate increase to residential service
16 (Schedule 410) customers; and 3) applies the remainder of the increase to general
17 service (Schedule 420) customers.
- 18 • I recommend Climate Protection Plan (“CPP”) compliance cost be allocated in
19 a way that reflects each rate classes’ contribution to CPP compliance obligations.
- 20 • I recommend delaying expected PGA rate reductions until the rate effective date
21 in this docket to mitigate the effects of the January 1, 2024 rate increase.
- 22 • I recommend Schedule 456 rate design be modified to recover 50% of allocated
23 revenue requirement based on contract demand, rather than volumetric rates.
- 24 • I recommend Rule 21 be modified to eliminate the section entitled Entitlements,
25 allowing transportation customers to rely on Avista’s storage in an entitlement
26 event.

27 Relevant data requests supporting my recommendations may be found in **Exhibit**

28 **AWEC/103** in serial order.

II. REVENUE REQUIREMENT

Q. PLEASE SUMMARIZE YOUR REVENUE REQUIREMENT RECOMMENDATION.

A. Avista calculated revenue requirement using a historical test period over the 12-months ending September 30, 2022. Avista then applied a series of restating and pro forma adjustments to arrive at pro forma results for year ending December 31, 2024. Based on Avista’s analysis and considering both the cost of capital and depreciation settlements identified above, Avista is requesting a revenue requirement increase of \$8,669,027 or an 11.3% margin revenue increase. This amount, however, is based on several questionable assumptions and does not consider potential opportunities to use Schedule 486 deferred balances to mitigate the proposed rate increase. **Table 1**, below, details AWEC’s revenue requirement recommendation, which supports a revenue requirement increase of \$2,902,728, or an 3.8% margin revenue increase.

Table 1
AWEC Proposed Revenue Requirement (\$000)

1	Initial Filing	10,991	<i>14.4%</i>
	<u>Stipulated Adjustments</u>		
2	Stipulation - Cost of Capital	(1,652)	
3	Stipulation - Depreciation Study	<u>(670)</u>	
4	Total Stipulated Adj.	(2,322)	
	Total After Stipulations	8,669	<i>11.3%</i>
	<u>AWEC Adjustments</u>		
5	Tax Customer Credit Amort.	(2,270)	
6	Meters and IDD#5 Flow Through	(2,203)	
7	Non-Labor O&M Expense	(1,021)	
8	Allocation Factor Adj.	(27)	
9	Labor Expense	<u>(239)</u>	
10	Total AWEC Adjustments	(5,760)	
11	Adjusted Revenue Requirement	2,909	<i>3.8%</i>

1 Further support for the operating income and rate base impacts for these adjustments
2 may be found in in **Exhibit AWEC/102**

3 **a. Schedule 486 Customer Tax Credit**

4 **Q. PLEASE PROVIDE AN OVERVIEW OF THE SCHEDULE 486 CUSTOMER TAX**
5 **CREDIT.**

6 A. In October 2020, Avista filed two Forms 3115 with its 2019 federal tax return. Through these
7 forms, Avista changed its tax accounting method for deducting certain capitalized overhead
8 expenditures—called Industry Director Directive No. 5 (IDD #5) expenditures—and the
9 method for deducting meter expenditures. Prior to the change in accounting method, these
10 expenditures were capitalized for tax purposes and depreciated using the Modified Accelerated
11 Cost Recovery System (“MACRS”). After the change, Avista transitioned to expensing and
12 deducting the expenditures in the period when the expenditures are made, accelerating the tax
13 benefits associated with such expenditures. As a result of the change in accounting method, a
14 large sum—approximately \$395,241,899—of previously capitalized IDD#5 and meter
15 expenditures became immediately deductible, resulting in a large up-front deduction and tax
16 benefit.

17 Contemporaneous with implementing the change in tax accounting method, Avista filed
18 for an accounting order and deferral request to return these benefits to customers. In Docket
19 No. UM 2124, the Commission approved Avista’s deferral request and its request to transition
20 to flow-through accounting, rather than normalization accounting, for the tax expense
21 associated with the IDD#5 and meters expenditures. Specifically, Avista requested the
22 Commission “authoriz[e] Avista to change its accounting for federal income tax expense from
23 a normalization method to a flow-through method.” The IRS normalization requirements only

1 apply to property being depreciated under IRC § 168(k). The IDD#5 and meters expenditures
2 are now being expensed and no longer depreciated through MACRS under IRC § 168(k).
3 Accordingly, the IRS normalization requirements no longer apply to the tax benefit from these
4 expenditures. This means that, for regulatory purposes, it is possible to use flow-through
5 accounting, where the entire tax deduction for the expenditures is considered as an offset to
6 current taxes, with no associated deferred taxes.

7 **Q. HOW DID PARTIES AGREE TO RETURN THESE BENEFITS TO RATEPAYERS IN**
8 **AVISTA’S LAST GENERAL RATE CASE?**

9 A. In the Second Stipulation in Docket No. UG 433, Parties agreed to pass back the deferred
10 savings associated with the tax accounting changes over a 10-year period.¹ The balance being
11 amortized totaled \$22,300,000 (grossed up) and was calculated as of December 31, 2021.

12 **Q. HOW WERE THE ONGOING BENEFITS BEING HANDLED?**

13 A. The ongoing benefits of approximately \$2,203,222 (grossed up) per year were not reflected in
14 the amortization approved in UG 433. The stipulation stated that “[t]he Company will
15 continue to defer annually the on-going deferred federal customer tax credits, beyond the
16 December 31, 2021 amount deferred, for consideration in a future general rate case or other
17 proceeding.”² Accordingly, Avista has continued to seek reauthorization of the deferred
18 amounts pursuant to the deferral application approved in Docket No. UM 2124.

¹ Docket No. UG 433, Second Stipulation at ¶ 8.

² *Id.*

1 **Q. DID THE STIPULATION ALLOW FOR PARTIES TO REEVALUATE THE**
2 **AMORTIZATION PERIOD IN FUTURE GENERAL RATE CASES?**

3 A. Yes. Paragraph 8 of the Second Stipulation in Docket No UG 433 specifically stated that
4 “[a]ny party may propose a different amortization period of the remaining balance, including
5 additional net deferrals, available at the time of the Company’s next general rate case.”³

6 **Q. IS IT REASONABLE TO RECONSIDER THE AMORTIZATION PERIOD IN THIS**
7 **DOCKET?**

8 A. Yes. A principal reason for adopting a longer-term, 10-year amortization was the fact that the
9 rate increase at issue in Docket No. UG 433 was relatively small. The settled revenue
10 requirement represented only a \$1,600,000 rate increase. Given the larger rate increase being
11 sought in this case (\$8,669,027 after the two settlements), readdressing the amortization period
12 and considering the additional deferrals since December 31, 2021 is appropriate.

13 **Q. WHAT IS THE CURRENT OUTSTANDING BALANCE INCLUDING THE**
14 **ADDITIONAL DEFERRALS?**

15 A. Avista provided the Schedule 486 balance outstanding in response to AWEC Data Request 05.
16 According to Avista’s calculation, \$22,094,539 was outstanding as of March 30, 2023.

17 **Q. HOW DO YOU RECOMMEND HANDLING THE OUTSTANDING BALANCE?**

18 A. I recommend transitioning Schedule 486 to a 5-year amortization beginning on January 1,
19 2024, including incremental balances accrued since December 31, 2021. This will have the
20 effect of increasing the annual amortization to approximately \$4,400,000, relative to the
21 approximate \$2,200,000 amortization approved in UG 433.

³ *Id.*

1 **b. Ongoing Flow-Through Benefit of Meters and IDD#5 Deductions**

2 **Q. IS IT NECESSARY TO CONTINUE DEFERRING THE FLOW THROUGH TAX**
3 **BENEFIT ASSOCIATED WITH METERS AND IDD#5 EXPENDITURES?**

4 A. No. Rather than perpetually deferring these benefits, it is more reasonable to transition the
5 flow through benefits into base rates based on the tax provision calculations Avista used to
6 support its filing. Accordingly, I also recommend that these flow through benefits be
7 transitioned into base rates beginning in this case.

8 **Q. WHAT IS THE IMPACT OF TRANSITIONING THE FLOW-THROUGH TAX**
9 **BENEFITS OF THESE ITEMS INTO BASE RATES?**

10 A. In its tax provision workpapers, Avista calculated a total schedule M Adjustment of \$8,033,052
11 for both tax items on an Oregon-allocated basis. On a tax effected basis, this represents a flow-
12 through benefit of \$1,686,941 to Oregon customers. For purposes of revenue requirement, this
13 benefit, which is stated on a post-tax basis, results in an approximate \$2,203,222 reduction to
14 revenue requirement.

15 **c. Non-Labor O&M Adjustment**

16 **Q. PLEASE SUMMARIZE AVISTA’S TEST YEAR EXPENSE ADJUSTMENT.**

17 A. Avista adjustment No. 2.00 adjusts non-labor expenses incurred in the historical period based
18 on generic escalation factors. As discussed in Avista witness Schultz’ testimony, Avista
19 applied escalation factors of 8.10%, 4.20% and 2.50% year over year for 2022, 2023 and 2024
20 to non-labor O&M expenses.⁴

⁴ Avista/500, Schultz/14 at 19.

1 **Q. WHAT STANDARD HAS THE COMMISSION HISTORICALLY RELIED UPON FOR**
2 **POST-TEST PERIOD EXPENSE ADJUSTMENTS, SUCH AS THESE?**

3 A. The Commission has historically relied upon a “reasonably certain” standard for assessing
4 post-test period adjustments. This was discussed in Pacific Northwest Bell, UT 43, Order No.
5 87-406, as well as in subsequent dockets. For example, the Commission has stated the
6 following:

7 “[B]ecause ratemaking is prospective, ‘recurring increases in revenues and expenses
8 that are reasonably certain to occur are added to the test year.’ The ‘reasonably
9 certain’ standard, rather than the ‘known and measurable’ standard, is the correct
10 one for judging whether a given adjustment is appropriate. That standard does not
11 preclude forecasts. We use the same standard to exclude nonrecurring revenues and
12 expenses.”⁵

13 **Q. DOES AVISTA’S TEST YEAR EXPENSE ADJUSTMENT SATISFY THIS**
14 **STANDARD?**

15 A. Not necessarily. While it is generally accepted that the costs of goods and services will
16 increase over time from inflation, there is no certainty that Avista will incur greater cost
17 because of inflation, nor is there certainty regarding the level of cost increases that might result
18 from inflation, whether it be 0.5%, 8.1% as Avista proposed, or some other level.

19 **Q. WHAT IS YOUR RECOMMENDATION FOR THESE ESCALATION FACTORS?**

20 A. Since the level of inflation for these costs is not reasonably certain, I recommend applying no
21 escalation to non-labor O&M costs in this proceeding. To the extent Avista can demonstrate
22 that its costs have increased based on more recent results of operations, there may be
23 justification in applying an adjustment to non-labor O&M expense levels, which AWEC will

⁵ Docket Nos. UT 125 and 80, Order No. 00-191, at 14-15 (Apr. 14, 2000).

1 further address in Rebuttal Testimony. This adjustment reduces revenue requirement by
2 \$1,020,613.

3 **d. Allocation Factors**

4 **Q. WHAT ADJUSTMENT DOES AVISTA MAKE FOR INTERJURISDICTIONAL**
5 **ALLOCATION FACTORS?**

6 A. Avista allocates common system costs to the Oregon jurisdiction using a series of allocation
7 factors. The allocation factors used in Avista’s test period results were based on cost data from
8 2021. Avista applies an adjustment that updates the allocation factors to be based on cost data
9 from 2022. This adjustment is labeled as 1.01 in Avista’s revenue requirement model and was
10 described generally in Exhibit Avista/500, Schultz/9:21-10:9.

11 **Q. DO YOU HAVE ANY SPECIFIC CONCERNS WITH THE ALLOCATION FACTOR**
12 **CALCULATIONS?**

13 A. Avista provided the allocation factor calculations in Schultz workpaper “2023-Allocation
14 Factors- 4 (E&G),7,8,9-2022 Data-FINAL.” Avista also provided its 2022 results, which were
15 used to derive the 2023 allocation factors in response to AWEC Data Request 02. One of the
16 key components in developing the four factor allocation factors are direct operating expenses,
17 including both direct labor and direct non-labor expense. While I was unable to perfectly tie
18 out the values between the 2022 results and the allocation factor calculations, it appears that
19 Avista may have included \$5,615,034 Oregon Demand Side Management (“DSM”) payments
20 booked to FERC Account 908 in the calculation of Oregon’s allocation factors.

21 **Q. IS IT APPROPRIATE TO INCLUDE DSM EXPENSES IN THE FOUR FACTOR**
22 **ALLOCATION FACTOR?**

23 A. No. The use of direct non-labor expense in the allocation factor calculation implies a
24 relationship between the amount of costs spent in Oregon to the amount of overhead allocated

1 to Oregon. If Avista makes a greater amount of DSM payments in Oregon, versus Washington
2 or Idaho, that does not necessarily entail a higher responsibility over common costs.

3 Accordingly, the DSM payments booked to FERC Account 908 are appropriately removed
4 when calculating the allocation factors.

5 **Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THIS ADJUSTMENT?**

6 A. At this time, I have been unable to reconcile the values in Avista's results to the 2022
7 allocation factors used in Avista's adjustment. Further, it is unknown how the allocation
8 factors will change in the forecast period. Accordingly, I recommend retaining the test period
9 allocation factors, without the allocation factor adjustment Avista proposed. The impact of this
10 recommendation is a \$27,165 reduction to revenue requirement.

11 **e. Labor Wage Escalation**

12 **Q. HOW DOES AVISTA FORECAST LABOR EXPENSE?**

13 A. Avista uses a Full-Time Equivalent ("FTE") labor model to calculate the base employee costs,
14 including provisions for overtime and employment taxes. The model also splits the employee
15 costs between capital and expense. Avista subsequently applies escalation rates to individual
16 employee categories based on expected wage increase through the rate effective period.

17 **Q. WHAT WAGE INCREASES DID AVISTA PROPOSE?**

18 A. Avista's proposed wage increases are detailed in Table 2, below

Table 2
Avista Proposed Wage Increase by Employee Type

	<u>Q4.2022</u>	<u>2023</u>	<u>2024</u>
Officers	1.7%	6.0%	2.9%
Exempt	1.7%	6.0%	2.9%
Non-Exempt	1.7%	6.0%	2.9%
Union	2.0%	3.5%	2.6%

1 **Q. WHAT INFORMATION DID AVISTA PROVIDE TO SUPPORT THESE**
2 **INCREASES?**

3 a. At Avista/500, Schultz/19:17-20:10, Avista states that the 1.7 % for non-union employees in
4 2022 represents the annualized amounts of the wage increase approved effective March 2022.
5 Correspondingly, the 6.0% represents the wage increase that was approved effective March
6 2023. Finally, the 2.9% represents the annualized wage increase approved by the board in
7 January 2023 for March 2024. Union wage increases were made in accordance with the union
8 contract terms.

9 **Q. HOW DO YOU RECOMMEND HANDLING THE WAGE INCREASES?**

10 A. For non-executive, non-union employees, I recommend including only the wage increases
11 effective through the end of 2023 in revenue requirement. While it is possible that further
12 wage increases may have been discussed and approved for March 2024 in a January 2023
13 board meeting, it is still possible that the board will modify the proposed increase for 2024.
14 Further, for executive compensation, I recommend holding the rate increase to the test period
15 level, eliminating the post-test period wage escalation assumed for officers. The work of those
16 highly compensated employees benefits both shareholders and ratepayers. Accordingly, to the
17 extent that the board of directors deems it appropriate to provide a salary increase to officers

1 after filing a rate case, such salary increases are appropriately considered a shareholder benefit
2 and subject to regulatory lag, outside of the rate case process.

3 **Q. WHAT IS THE IMPACT OF YOUR RECOMMENDATION?**

4 A. This recommendation reduces revenue requirement by \$239,002.

5 **III. COST OF SERVICE STUDY**

6 **Q. HOW DOES AVISTA CALCULATE CLASS COST OF SERVICE?**

7 A. Avista uses a per-customer marginal cost method for calculating class cost of service. This
8 method allocates functionalized revenue requirement in proportion to the replacement cost of
9 rebuilding the entire distribution system. Thus, rather than assigning costs based on the cost of
10 the individual plant investments used to serve each customer, the method recalculates the cost
11 of rebuilding the entire system at today's costs and allocates the functionalized costs in
12 proportion to the recalculated replacement costs.

13 **Q. HOW DOES AVISTA ALLOCATE THE COSTS OF CORE DISTRIBUTION MAINS?**

14 A. Core distribution mains represents the predominant cost item and cost driver in a natural gas
15 cost of service study. To allocate these costs, Avista uses a peak and average method, which
16 segregates the core distribution system costs between demand-related costs and volumetric-
17 related costs. The peak and average method assigns costs between demand and throughput
18 based on Avista's system load factor, which results in 70% of the mains costs attributed to
19 demand and 30% attributed to throughput. Further, the demand-related costs are assigned in
20 proportion to the design day load factors of the respective rate classes, whereas the volumetric-
21 related costs are allocated based on throughput.

1 **Q. DO YOU AGREE WITH AVISTA’S METHOD FOR CALCULATING COST OF**
2 **SERVICE?**

3 A. No. I disagree that the peak and average method is appropriate to use for allocating the cost of
4 core distribution mains to individual customer classes in a natural gas cost of service study, as
5 it overstates the costs attributable to large volume customers. While the peak and average
6 method has been used in the past, allocating 30% of core distribution mains based on
7 throughput is not consistent with cost causation. Investments are made in the core gas
8 distribution system for the purpose of having the capacity available to deliver sufficient natural
9 gas to satisfy the requirements of all firm customers. Mains costs are not incurred in
10 proportion to the volumes delivered. A consumer that reserves 100 dth/day of firm capacity
11 results in the same core mains investment, whether it ultimately consumes 100 dth/day or zero
12 dth/day. Another principal problem with a peak and average approach is that the peak used in
13 the calculation already encompasses the average firm throughput. This results in a double
14 weighting of throughput in the allocation factor. The peak day throughput, by definition,
15 already encompasses the average daily throughput.

16 **Q. IS IT NECESSARY TO RESOLVE THESE ISSUES WITH THE COST OF SERVICE**
17 **STUDY METHOD TO ESTABLISH A REASONABLE RATE SPREAD?**

18 A. No. Even using Avista’s filed cost of service method, which in my opinion overallocated cost
19 to large volume customers, it is apparent that Large Customers are overpaying relative to their
20 actual cost of service. Avista’s cost of service study, however, contains a few minor errors,
21 and flawed assumptions, which I discuss below. As shown in Table 3, below, adjusting for
22 these errors and assumptions, shows results in an even greater overpayment by large
23 customers.

Table 3
Avista Cost of Service Study Results with Corrections
Target Increase/(Reduction) as a Percentage of Revenue Requirement

<u>Rate Class</u>	<u>Avista Requested*</u>	<u>Sch. 456 Demand Correction</u>	<u>Interruptible Demand Diversity</u>	<u>Interruptible Demand</u>
SCH 410 Residential	12.4%	12.5%	13.2%	14.0%
SCH 420 General	15.0%	15.2%	16.4%	17.7%
SCH 424 Large General	-2.8%	-2.6%	-1.7%	-0.7%
SCH 440 Interruptible	-38.9%	-38.8%	-43.4%	-52.5%
SCH 444 Seasonal	-27.8%	-27.7%	-27.1%	-26.5%
<i>SCH 447 Special Contracts*</i>	<i>122.1%</i>	<i>122.6%</i>	<i>125.2%</i>	<i>128.2%</i>
SCH 456 Transportation	-1.7%	-6.2%	-25.0%	-44.3%
Total	11.3%	11.3%	11.3%	11.3%

** Special contracts not included in cost allocation*
*** With Settlement Adjustments.*

1 As demonstrated in Table 3 above, even in Avista’s filed cost of service model, updated for the
 2 cost of capital and depreciation settlement, Large Customers should be receiving a rate
 3 reduction, even before considering further revenue requirement adjustments that may be
 4 adopted in the final rate calculation. With the corrections and adjustments identified in the
 5 columns to the right, which are discussed below, even further rate reductions would be
 6 warranted for Large Customers.

7 **a. Schedule 456 Demand Correction**

8 **Q. HAS AVISTA ACKNOWLEDGED A FORMULA ERROR IN ITS CALCULATION OF**
 9 **THE DEMAND CHARGE FOR LARGE CUSTOMERS?**

10 A. Yes. In response to AWEC Data Request 14, Avista acknowledged a formula error in its
 11 calculation of the demand for Transportation Schedule 456. The impact of this change, which
 12 increases the necessary rate reduction for transportation customers to 6.2%, has been detailed
 13 in Table 3, above.

1 **b. Interruptible Customer Demand Diversity**

2 **Q. HOW DOES AVISTA CALCULATE THE DEMAND FOR INTERRUPTIBLE**
3 **CUSTOMERS WHEN ALLOCATING CORE MAIN INVESTMENTS?**

4 A. Avista calculates the demand for interruptible customers using their contract demand. As a
5 condition for taking services, the customers generally must have a services agreement with
6 Avista that specifies the maximum amount of daily throughput that they expect to take from
7 the system. These contract demands, however, are not always enforced nor impactful for
8 interruptible customers, and therefore, not relevant in considering the demand characteristics of
9 interruptible customers. Further, use of contract demands fails to recognize diversity within
10 the rate class. If demand-related component for mains is going to be allocated to interruptible
11 customers, it would be more appropriate for Avista to use a statistical analysis that considers
12 customer diversity within the class, as done with all other customer classes.

13 **Q. DO INTERRUPTIBLE CUSTOMER CONTRACT DEMANDS REPRESENT THE**
14 **ACTUAL SYSTEM DEMANDS FOR THOSE CUSTOMERS?**

15 A. No. The estimated demands set in individual interruptible sales and transportation customers'
16 contracts may reflect physical limits on the amount of gas that can flow to a facility, but are
17 otherwise generally arbitrary in relation to the facility's actual demand requirement. There is
18 no charge assessed on a customer's contract demand. Accordingly, customers can set the
19 demand at a level as high as they desire, potentially ensuring a greater level of service, without
20 incurring any additional charges from Avista. Several customers in schedule 456 are operating
21 at contract demand load factors of around 10%. This does not mean that the facility has a
22 higher demand requirement than other customers, but rather means that the customers usage is
23 consistently lower than its contract demand. Further, services provided under Interruptible
24 sales Schedule 440 and transportation Schedule 456 are non-firm and interruptible. When

1 calculating design day demands in the context of Avista's IRP, the throughput of these
2 customers is not considered. Therefore, considering these demands as a firm requirement for
3 allocating the demand-related portion of distribution mains in the cost of service study does not
4 reflect their requirements. The issue of interruptible loads is discussed further below, though
5 correcting Avista's method, if it is to be used, is also necessary to discuss.

6 **Q. ARE ALL INTERRUPTIBLE CUSTOMERS EXPECTED TO USE 100% OF THEIR**
7 **CONTRACT DEMAND ON A DESIGN DAY?**

8 A. No. Even if it were appropriate to assign demand-related costs to interruptible customers,
9 Avista's method for calculating interruptible customer demand is flawed because it assumes
10 that each and every interruptible customer will use 100% of their contract demand on a design
11 day. This assumption is not accurate and inconsistent with how demand is calculated for every
12 other rate class, including the large sales customers in Schedule 424 and special contract
13 customers in Schedule 447. Most of the customers are transporting or using far less than their
14 contract demand every day of the year, so it is improbable that every customer on Schedule
15 456 will use 100% of their contract demands on a design day. For other schedules, Avista
16 determines the expected usage on a design day using a statistical analysis, which considers
17 diversity of customer use within individual rate classes. In contrast, Avista's method for
18 interruptible customers does not consider the diversity of requirements in those classes,
19 resulting in a mismatch and substantially overstating the amount of demand-related costs
20 assigned to those customers in the cost of service study.

1 **Q. HOW DOES AVISTA CALCULATE THE DEMAND REQUIREMENTS FOR OTHER**
2 **CUSTOMERS?**

3 A. For every other rate class, Avista uses a statistical analysis to determine the design day load
4 factor. The analysis for the other customer classes, which was provided in response to AWEC
5 Data Request 07, Attachment A, is based on a statistical correlation between average monthly
6 usage and heating degree days over a three-year historical period. While Avista performed a
7 similar analysis for interruptible customers, it did not use the resultant demand calculations in
8 its cost of service study calculation. In AWEC Data Request 15, Avista was requested to
9 explain why it did not use the same statistical approach for Schedule 456. Avista responded
10 that it used a different approach “for other rate schedules because they are considered weather
11 sensitive and customers on schedule 456 are not considered weather sensitive.”

12 **Q. IS THE LACK OF WEATHER SENSITIVITY OF INTERRUPTIBLE CUSTOMERS A**
13 **REASON NOT TO USE A CONSISTENT APPROACH FOR THOSE CUSTOMERS?**

14 A. No. Consistency is an important consideration in any cost of service analysis. Using one
15 approach for one set of customers, and another approach for others, can lead to skewed and
16 inaccurate results. While the regression analysis might show that the correlation between
17 heating degree days and load are lower for interruptible customers, it is still necessary to utilize
18 a similar statistical analysis to predict the diversity of demand within the interruptible classes
19 on a design day. For the other classes, the statistical models Avista uses are based on monthly
20 averages, not the sum of the maximum throughput for each individual customer. By using the
21 sum of the maximum throughput for each individual customer for the Interruptible Customer
22 classes, however, it results in a skewed analysis that overstates the amount of costs allocable to

1 those customers. To form an apples-to-apples comparison of demand, the same approach
2 needs to be used for all rate classes.

3 **Q. CAN THE SAME APPROACH BE USED FOR INTERRUPTIBLE CUSTOMERS?**

4 A. Yes. Interruptible customers still have some temperature correlation, so it would not be
5 unreasonable to use a similar approach. In response to AWEC Data Request 07, Avista
6 acknowledged that, if the diversity of Schedule 456 requirements are taken into consideration,
7 the statistical model estimates a design day demand of 135,885 therms in contrast to the
8 302,408 therms of aggregate contract demand Avista assumed in its cost of service study.
9 Thus, by using contract demand, Avista has overstated the relative demand requirements for
10 Schedule 456 by 122.5%.

11 Alternatively, if one were to conclude that there was no weather sensitivity, the demand
12 requirements for Schedule 456 could otherwise be calculated as a simple average, or percentile,
13 based on the same monthly data that was used for all other customers. For Schedule 456, for
14 example, the 90th percentile average demand was just 100,346, well below the weather
15 predicted value. Accordingly, I used the weather predicted value in Table 3, above, which
16 shows that Schedule 456 rates would need to be reduced by 25% if such an approach were
17 used.

18 **Q. DO YOU RECOMMEND THAT AVISTA PERFORM A LOAD STUDY TO BETTER**
19 **EVALUATE DEMAND REQUIREMENTS IN FUTURE PROCEEDINGS?**

20 A. Yes. Avista's demand modeling is generally problematic in that it uses average monthly
21 throughput to estimate the peak day throughput of individual customer classes. The average
22 monthly throughput, however, is not a reasonable estimate of a customer classes' usage on any
23 particular day of the month. A more accurate approach would be to use a regression model

1 based on daily throughput to predict the demand requirements of individual classes on a design
2 day. In response to AWEC Data Request 18, Avista confirmed that it lacked the data to
3 perform a regression analysis based on peak daily throughput. In its next rate case, I
4 recommend that Avista develop a load study that more accurately predicts the design day
5 demands of individual customer classes.

6 **c. Interruptible Service Demand**

7 **Q. HOW ARE THE DEMAND REQUIREMENTS OF INTERRUPTIBLE CUSTOMERS**
8 **COMMONLY HANDLED UNDER THE PEAK AND AVERAGE METHOD?**

9 A. Under Avista's peak and average methodology, mains are allocated 30% based on throughput
10 and 70% based on demand. The common practice for handling interruptible customers in the
11 peak and average method is to allocate throughput costs, but no demand-related costs, in
12 recognition of the fact that these customers are subject to an interruption in design day
13 conditions.

14 **Q. DOES AVISTA APPLY THIS APPROACH?**

15 A. No. While interruptible service customers on Schedules 440 and 456 are allocated their full
16 proportion of the throughput-related mains costs, Avista also allocates the demand related costs
17 to interruptible customers, albeit at 50% of the level applicable to other customers.

18 **Q. DO INTERRUPTIBLE CUSTOMERS IMPOSE DEMAND ON THE SYSTEM ON A**
19 **DESIGN DAY?**

20 A. No. Interruptible customers are not considered in the design day requirements that are used to
21 build out the distribution system. These customers are excluded from the modeling that is
22 performed in the IRP and therefore do not impose any incremental system mains investment on
23 the distribution system. If the throughput for interruptible customers were considered firm,
24 even at a 50% level, it would be necessary for Avista to make significant investments on its

1 system in order to ensure reliability. By serving customers on an interruptible basis, it provides
2 Avista with the ability to serve more customers, driving down average system costs, without
3 making major system investments that would otherwise be necessary if those customers were
4 to be served on a firm basis.

5 **Q. DOES THE PEAK AND AVERAGE METHOD CONSIDER INTERRUPTIBLE**
6 **CUSTOMERS' USE OF THE CORE DISTRIBUTION SYSTEM?**

7 A. Yes. Under the peak and average method, interruptible customers pay for using the core
8 distribution though the portion of costs that are allocated on a throughput basis. The peak and
9 average method specifies what proportion of the system costs are deemed to be demand related
10 versus throughput related. Going beyond that evaluation and concluding that a portion of the
11 demand-related costs are also throughput-related, and thus assignable to transportation
12 customers, is illogical. In other words, attributing additional costs to interruptible customers
13 through the demand-related component of the peak and average calculation is not necessary to
14 capture those customers' use of the system because the volumetric-related component already
15 accounts for those costs.

16 **Q. ARE SEASONAL CUSTOMERS TREATED CONSISTENTLY?**

17 A. No. Unlike interruptible customers, Avista's model allocates zero demand-related main
18 investment costs to Schedule 444 seasonal customers. This treatment, however, inconsistent
19 with the treatment of interruptible customers, who likewise have no firm right to take gas on a
20 design day. In fact, seasonal customers probably have a much greater potential to cause system
21 demands on a design day, as Schedule 444 is a firm schedule that extends from March 1,
22 through November 30. As was experienced in 2022, it is possible that a design day could

1 occur in November, in which case Avista would be obligated to provide firm gas services to
2 seasonal customers.

3 **Q. WHAT DO YOU RECOMMEND?**

4 A. I recommend that, in the context of the peak and average allocation, interruptible customers be
5 subject only to the through-put related mains investment and not the demand-related mains
6 investment. The impact of this change has been detailed in Table 3, above, and shows that if
7 the cost of service study were corrected in this manner, Schedule 456 rates would need to be
8 reduced by 44.3%. Such a method is the most accurate way to evaluate the cost of service for
9 interruptible customers and consistent with common practice.

10 **IV. RATE SPREAD AND RATE DESIGN**

11 **a. AWEC Proposed Rate Spread**

12 **Q. PLEASE SUMMARIZE AWEC'S PROPOSED RATE SPREAD.**

13 A. Based on the cost of service study results, I recommend allocating no rate increase the large
14 customer classes. I recommend that residential customers be allocated an average rate
15 increase. Finally, I recommend that the remainder of the increase be allocated to general
16 service customers. This rate spread will result in general service customers receiving a rate
17 increase that is approximately 1.26 times the average rate increase, which is within a range of
18 reasonableness of the overall rate increase. This proposal is summarized in **Table 4**, below.

Table 4
AWEC Proposed Rate Spread

		Avista Proposed		AWEC Proposed	
		%	\$	%	\$
SCH 410	Residential	11.33%	5,591,031	11.33%	5,591,031
SCH 420	General	13.44%	2,888,429	14.33%	3,079,059
SCH 424	Large General	5.67%	43,297	0.00%	-
SCH 440	Interruptible	0.00%	-	0.00%	-
SCH 444	Seasonal	0.00%	-	0.00%	-
SCH 447	Special Contract*	0.00%	-	0.00%	-
SCH 456	Transportation	5.67%	147,333	0.00%	-
Total		11.33%	8,670,089	11.33%	8,670,089

* Special contracts not included in cost allocation

1 **Q. ARE TRANSPORTATION CUSTOMERS EXPECTED TO RECEIVE A LARGER**
2 **THAN AVERAGE RATE INCREASE IN THE ANNUAL PGA FILING?**

3 A. Yes. In response to AWEC Data Request 9, Avista provided a table that detailed the net
4 expected rate increases, as of January 1, 2024, for the general rate case as well as the impacts
5 of the PGA updates effective November 1, 2023. As a result of expected Climate Protection
6 Plan (“CPP”) compliance costs, transportation customers are expected to see upwards of a
7 40.7% rate increase in conjunction with the PGA update. This can be seen in **Table 5**, below.

Table 5
Expected January 1, 2024 Rate Increases by Rate Class

Total forecasted change in monthly bill due to GRC and forecasted change in deferral amortization rates:					
Schedule	**Average Monthly Usage	Current		Proposed	
		Monthly Bill 1/1/2023	Monthly Bill 1/1/2024	Change in Monthly Bill (\$)	Change in Monthly Bill (%)
410	47	\$ 77.01	\$ 72.90	\$ (4.10)	-5.3%
420	202	\$ 288.67	\$ 268.77	\$ (19.90)	-6.9%
424	3,958	\$ 3,386.13	\$ 2,545.19	\$ (840.94)	-24.8%
440	34,874	\$ 21,819.64	\$ 15,113.05	\$ (6,706.59)	-30.7%
444	6,526	\$ 5,692.04	\$ 4,232.64	\$ (1,459.40)	-25.6%
456	83,204	\$ 7,046.05	\$ 9,915.99	\$ 2,869.93	40.7%

1 Given these anticipated rate impacts, it is particularly important that the costs
2 associated with Avista’s margin revenue requirement be assigned consistent with the cost of
3 service study results and that the cost of service study be performed in a reasonable manner.

4 **b. CPP Cost Allocation**

5 **Q. WHAT COSTS DOES AVISTA ANTICIPATE INCURRING FOR THE CPP?**

6 A. As of the date of this testimony it is unclear what costs Avista will incur with respect to the
7 CPP. It is also unclear how the costs will be passed on to customers. In response to AWEC
8 Data Request 10, Avista explained that the estimated rate increases detailed in Table 5 were
9 based on an estimated \$4,000,000 in spending on Community Climate Investments (“CCI”)
10 instruments in 2023. The CCI program has not yet been developed and Avista has not yet
11 committed to any such funding.

12 **Q. HOW DO YOU PROPOSE ALLOCATING CCP COSTS?**

13 A. Like AWEC’s proposal in Docket No. UG 462, AWEC recommends that the costs be allocated
14 to each customer class based on their contribution to CPP compliance obligations.
15 Specifically, AWEC recommends that throughput over the period 2017 through 2019 be used
16 as the baseline for each customer class, and that costs be allocated in proportion to the
17 difference between actual throughput and the baseline. The allocation I propose is detailed in
18 Table 6, below.

Table 6
AWEC Proposed CPP Allocation (therms)

<u>Schedule</u>	<u>2017-2019 Average*</u>	<u>2024 Cap at -8%</u>	<u>UG 461 Volumes</u>	<u>Volmtrc. %</u>	<u>CPP Contribution</u>	<u>CPP Cont. %</u>
410	51,591,474	47,546,703	53,622,452	38%	6,075,750	34%
420	28,698,705	26,448,727	29,265,544	21%	2,816,817	16%
424	4,221,447	3,890,486	4,914,668	3%	1,024,182	6%
440	14,167,858	13,057,098	17,982,806	13%	4,925,708	27%
444	285,839	263,429	199,640	0%	(63,789)	0%
447	5,845,490	5,387,203	6,456,760	5%	1,069,557	6%
456	30,200,389	27,832,679	29,953,425	21%	2,120,746	12%
Total	135,011,202	124,426,324	142,395,295	100%	17,968,971	100%

*See AWEC DR 11, Adjusted for Migrations Identified in AWEC DR 12

1 CPP compliance is driven by the established declining emission caps, not only by total
2 throughput. Gas distribution companies are only required to acquire compliance instruments,
3 such as Renewable Natural Gas (“RNG”) or CCIs, if emissions exceed the declining caps
4 established by the Oregon Department of Environmental Quality. Thus, it is the difference
5 between actual throughput and the declining capped throughput that is driving CPP
6 compliance. Total throughput for any particular rate class, on the other hand, does not
7 necessarily result in additional CPP compliance costs. Total throughput for a rate class may be
8 declining, for example, and reducing CPP compliance costs relative to the capped emissions
9 levels. An allocation that focuses on individual rate classes contribution towards exceedance
10 of the CPP cap is, therefore, a better method to ensure that CPP-related costs are being
11 properly assigned to the rate schedules driving those costs.

12 Table 6 calculates each rate classes contribution towards the CPP cap based on the
13 volumes presented in this case. The average throughput for each rate schedule in CCP base
14 period is detailed in the first column titled “2017-2019 Average*”. Note that this column has

1 been adjusted for customer migrations. In the second column, the CPP compliance cap for
2 2024 is calculated based upon an approximate 8% reduction to the base period throughput.
3 The CPP compliance cap is then compared to throughput forecast in this docket. Avista's
4 loads have increased since the CPP base period. The difference between the actual throughput
5 and the CPP compliance throughput represents each classes contribution towards Avista's CPP
6 compliance obligations, which is captured in the percentage on the far right of the table.

7 **c. Delayed PGA Effective Date**

8 **Q. WILL THE RATE IMPACTS OF THE PGA AND THIS GENERAL RATE CASE**
9 **RESULT IN AN UNSTABLE RATE TRAJECTORY FOR SALES CUSTOMERS?**

10 A. Yes. If Avista's application is approved, Schedule 410 customers, for example, will receive an
11 approximate 13% gross rate reduction on November 1, 2023, followed by an approximate 8%
12 gross rate increase on January 1, 2024. A rate reduction followed by an immediate rate
13 increase is undesirable as it leads to unstable rates.

14 **Q. HOW DO YOU RECOMMEND ADDRESSING THIS ISSUE?**

15 A. I recommend a two month delay in the implementation of new PGA rates until January 1,
16 2023. This will result in larger deferral balances being amortized over a shorter period, which
17 will further offset the rate increase in this docket. This approach will result in a more level rate
18 trajectory for sales customers and mitigate the impact of the rate reduction that those customers
19 are expected to see from the general rate case.

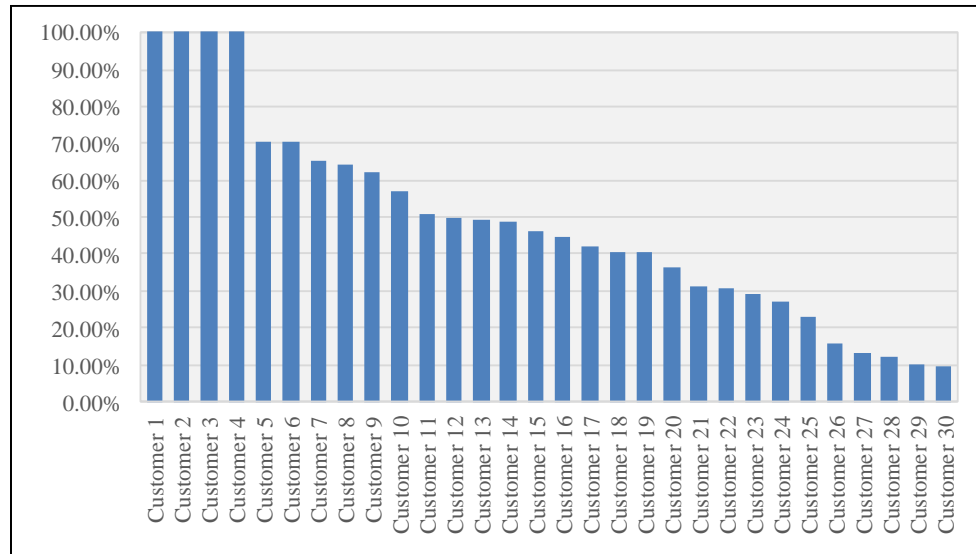
20 **d. Schedule 456 Rate Design**

21 **Q. WHAT IS THE COMPOSITION OF SCHEDULE 456?**

22 A. Schedule 456 has approximately 30 different customers and the customers in the rate class
23 have varied load profiles. Avista provided the contract demand load factors for these

1 customers in response to AWEC Data Request 07. In the response, several customers had very
2 low load factors as measured against their contract demand, whereas other customers have high
3 load factors. The differences in contract demand load factors are detailed in Figure 1, below.

Figure 1
Schedule 456 Contract Demand Load Factors



4 **Q. DOES THE CURRENT RATE DESIGN CONSIDER THE COST IMPLICATIONS OF**
5 **THE DIFFERENT LOAD FACTORS?**

6 A. No. The current rate design is structured primarily based on volumetric charges. Accordingly,
7 customers with low load factors end up paying for a smaller proportion of costs allocated to the
8 rate schedule relative to customers with high load factors.

9 **Q. WHAT IS YOUR RECOMMENDATION?**

10 A. I recommend modifying the Schedule 456 rate design to include a contract demand charge.
11 Specifically, I recommend that the contract demand charge be designed to recover 50% of
12 Schedule 456 revenues, with the remaining costs allocated based on the existing declining
13 block rate structure.

1 **e. Transportation Storage Utilization**

2 **Q. DOES THE COST OF SERVICE STUDY ALLOCATE STORAGE COSTS TO**
3 **TRANSPORTATION CUSTOMERS?**

4 A. Yes. The cost of service study allocates a portion of the costs of Avista’s storage investments
5 to transportation customers. The amount allocated, however, is apparently limited to the costs
6 associated with providing balancing services.

7 **Q. DO TRANSPORTATION CUSTOMERS RELY ON AVISTA’S SYSTEM FOR**
8 **BALANCING SERVICES?**

9 A. No. The balancing requirements of transportation customers is a service provided by the
10 interstate pipeline, not Avista. To the extent that transportation customers use more, or less,
11 gas than they delivered to Avista’s system on any particular day, that will result in a pipeline
12 imbalance to Avista which it subsequently passes through to its transportation customers.
13 Avista does not set aside its storage rights for the purpose of serving its transportation
14 customers.

15 **Q. DO TRANSPORTATION CUSTOMERS HAVE THE ABILITY TO UTILIZE**
16 **AVISTA’S STORAGE RIGHTS FOR BALANCING?**

17 A. No. Transportation customers cannot use Avista’s storage rights at Jackson Prairie to balance
18 their daily or monthly imbalances. There are also certain system conditions, known as
19 entitlements, in which transportation customers are required to balance their requirements
20 daily, or else face high penalties. While storage can be used to balance the gas requirements of
21 sales customers during entitlement periods, transportation customers have no ability to utilize
22 the storage to cover imbalances on such days.

1 **Q. HOW DO YOU RECOMMEND HANDLING THIS INCONSISTENCY?**

2 A. Since transportation customers are paying for storage services from Avista, I recommend that
3 the entitlement provisions of Rule 21 be eliminated, or otherwise modified to allow
4 transportation customers to rely on Avista's storage system on entitlement days in the same
5 manner as sales customers.

6 **Q. DOES THIS CONCLUDE YOUR OPENING TESTIMONY?**

7 A. Yes.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

UG 461

AWEC

Opening Testimony of Bradley G. Mullins

EXHIBIT 101

MW Analytics

ENERGY & UTILITIES

Bradley Mullins
Principal Consultant
brmullins@mwanalytics.com

MW Analytics is the professional practice of Bradley Mullins, a consultant and expert witness that represents utility customers in regulatory proceedings before state utility commissions throughout the western United States. Since starting MW Analytics in 2013, Mr. Mullins has sponsored expert witness testimony in over 100 regulatory proceedings on a variety of subject matters, including revenue requirements, regulatory accounting, rate development, and new resource additions. MW Analytics also assists clients through informal regulatory, legislative and energy policy matters. In addition to providing regulatory services, MW Analytics also provides advisory and other energy consulting services.

Education

- Master of Accounting, Tax Emphasis, University of Utah
- Bachelor of Finance, University of Utah
- Bachelor of Accounting, University of Utah

Relevant Prior Experience

PacifiCorp, Portland, OR: Net Power Cost Consultant 2010 – 2013

- Analyst involved in power cost modeling and forecasting
- Responsible for preparing power cost forecasts, supporting testimony for regulatory filings, preparing annual power cost deferral filings, and developing qualifying facility avoided cost calculations

Deloitte, San Jose, CA: Tax Senior 2007 – 2009

- Staff accountant responsible for preparing corporate tax returns for multinational corporate clients and partnership returns for hedge fund clients
- Joined to national tax practice specializing research and development tax credit studies

Recent Expert Witness Testimony

Docket	Party	Topics
<i>In re PacifiCorp, dba Pacific Power, 2024 Transition Adjustment Mechanism, Or. PUC Docket No. UE 420</i>	Alliance of Western Energy Consumers	Power Cost Forecasting
<i>In re the Application of Avista Corporation dba Avista Utilities Requesting Authority To Revise Its Natural Gas Book Depreciation Rates And Deferred Accounting, Or.PUC Docket No UM 2277</i>	Alliance of Western Energy Consumers	Depreciation
<i>In re Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for Approval of their Joint Natural Disaster Protection Plan, PUC Nv. Docket No. 23-03003</i>	Caesars Enterprise Services, LLC; MGM Resorts International; Wynn Las Vegas, LLC; and Smart Energy Alliance	Wildfire Mitigation
<i>In re NW Natural Gas Corporation, d.b.a NW Natural Renewable Natural Gas Adjustment Mechanism - Dakota City, Or.PUC Docket No UG 462.</i>	Alliance of Western Energy Consumers	Revenue Requirement

Docket	Party	Topics
<i>In re Portland General Electric Company Request for a General Rate Revision, Or. PUC UE 416.</i>	Alliance of Western Energy Consumers	Power Costs / Revenue Requirement
<i>In re the Application of Intermountain Gas Company for Authority to Increase Its Rates and Charges for Natural Gas Service in the State of Idaho, Id.PUC Case No. INT-G-22-07.</i>	Alliance of Western Energy Consumers	Revenue Requirement
<i>In re Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for approval of the fourth amendment to its 2021 Joint Integrated Resource Plan, PUC Nv. Docket No. 22-11032.</i>	Caesars Enterprise Services, LLC; MGM Resorts International; Nevada Resorts Association	Resource Planning
<i>In re Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for approval of the Third Amendment to its 2021 Joint Integrated Resource Plan., PUC Nv. Docket No. 22-09006.</i>	Caesars Enterprise Services, LLC; MGM Resorts International; Nevada Resorts Association	Transportation Electrification
<i>In re Portland General Electric Company, Advice No. 22-18 New Schedule 151 Wildfire Mitigation Cost Recovery, Or.PUC Docket No. UE 412.</i>	Alliance of Western Energy Consumers	Regulatory Accounting
<i>In re PacifiCorp, Automatic Adjustment Clause for Wildfire Protection Plan Costs, Or.PUC Docket No. UE 407.</i>	Alliance of Western Energy Consumers	Regulatory Accounting
<i>In re Portland General Electric Company, Application for Authority to Amortize Deferred Amounts Related to 2020 and 2021 Wildfire and Ice Storm Emergency Events, Or.PUC Docket No. UE 408.</i>	Alliance of Western Energy Consumers	Regulatory Accounting
<i>In re PacifiCorp 2021 Power Cost Adjustment Mechanism, Or.PUC Docket No. UE 404.</i>	Alliance of Western Energy Consumers	Power Cost Deferral
<i>In re Portland General Electric Company, 2021 Annual Power Cost Variance Mechanism, Or. PUC UE 406</i>	Alliance of Western Energy Consumers	Power Cost Deferral
<i>In re Portland General Electric Company, Application Regarding Amortization of Boardman Deferral, Or.PUC Docket No. UE 410.</i>	Alliance of Western Energy Consumers	Regulatory Accounting
<i>In re the application of Sierra Pacific Power Company d/b/a NV Energy for authority to adjust its annual revenue requirement for general rates charged to all classes of electric customers and for relief properly related thereto, PUC Nv. Docket No. 22-06014.</i>	Smart Energy Alliance and Caesars Enterprise Services, LLC	Revenue Requirement
<i>In re the Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications Ut.PSC Docket No. 22-057-03.</i>	Nucor Steel-Utah	Cost of Service, Rate Spread and Rate Design
<i>In re Joint Application of Nevada Power Company d/b/a NV Energy (“NPC”) and Sierra Pacific Power Company d/b/a NV Energy (“SPPC”) for approval to merge into a single corporate entity, to transfer Certificates of Public Convenience and Necessity (“CPC”) 685 Sub 20, 688, and 688 Sub 6 from SPPC to NPC, and to consolidate generation assets, PUC Nv. Docket No. 22-03028.</i>	Wynn Las Vegas, LLC and Smart Energy Alliance	Merger
<i>In re Puget Sound Energy Requests for a General Rate Revision, Wa.UTC Docket. UE-220026 (cons.).</i>	Alliance of Western Energy Consumers	Revenue Requirement

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

UG 461

AWEC

Opening Testimony of Bradley G. Mullins

EXHIBIT 102

Natural Gas Revenue Requirement Summary (\$000)

Line	Adj. No.	Description	Revenue Requirement			Impact of Adjustments			
			Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	Pre-Tax Net Oper. Income	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)
1		Avista Initial Filing	\$18,247	\$351,283	10,991				
<i>Impact of Adjustments:</i>									
2	A1	Stipulation - Cost of Capital	18,265	351,283	9,339	-	18	-	(1,652)
3	A2	Stipulation - Depreciation Study	18,802	351,622	8,669	678	538	339	(670)
4	A3	Tax Customer Credit Amort.	20,540	351,622	6,399	2,200	1,738	-	(2,270)
5	A4	Meters and IDD#5 Flow Through	22,227	351,622	4,196	-	1,687	-	(2,203)
6	A5	Non-Labor O&M Expense	23,009	351,622	3,175	989	781	-	(1,021)
7	A6	Allocation Factor Adj.	23,030	351,622	3,148	26	21	-	(27)
8	A7	Labor Expense	23,213	351,622	2,909	232	183	-	(239)
9		Adjusted Results	23,213	351,622	2,909	4,125	4,966	339	(8,082)

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

UG 461

AWEC

Opening Testimony of Bradley G. Mullins

EXHIBIT 103

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Oregon	DATE PREPARED:	04/25/2023
CASE NO:	UG 461	WITNESS:	Kaylene Schultz
REQUESTER:	AWEC	RESPONDER:	Jeanne Pluth
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	AWEC – 002	TELEPHONE:	(509) 495-2204
		EMAIL:	jeanne.pluth@avistacorp.com

REQUEST:

Reference Schultz workpapers folder “1.00 Results of Operations:” Please provide update results of operations files included in the referenced folder for the year ending December 31, 2022.

RESPONSE:

Please see AWEC_DR_002-Attachment A and AWEC_DR_002-Attachment B for the two reports as of December 31, 2022.

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Oregon	DATE PREPARED:	04/25/2023
CASE NO:	UG 461	WITNESS:	Kaylene Schultz
REQUESTER:	AWEC	RESPONDER:	Megan Kennedy
TYPE:	Data Request	DEPT:	Tax
REQUEST NO.:	AWEC -005	TELEPHONE:	(509) 495-8144
		EMAIL:	megan.kennedy@avistacorp.com

REQUEST:

Reference Schultz workpaper “3) Reconcile SCH Ms to DFIT-9.30.2022” Row “86”: Please provide a schedule detailing the monthly balances of the Customer Tax Credit deferral accounts approved Avista’s 2021 general rate case. Please provide the detail over the period since the accounts were initiated through the most recent month available. Please include detail of all amounts accrued to the balances; all amounts amortized from the balance, and any other adjustments to the monthly balances.

RESPONSE:

See AWEC_DR_005 Attachment A for the Oregon Gas Schedule.

**OR Gas Sch 486
Tax Customer Credit**

Month	254393 Beg Bal	Deferral / True Up	Amort	254393 End Bal	190393	Rate Base
202105	(21,446,298)	(50,603.35)		(21,496,901)	4,514,349	(16,982,552)
202106	(21,496,901)	(50,603.35)		(21,547,504)	4,524,976	(17,022,528)
202107	(21,547,504)	(50,603.35)		(21,598,108)	4,535,603	(17,062,505)
202108	(21,598,108)	(50,603.35)		(21,648,711)	4,546,229	(17,102,482)
202109	(21,648,711)	(50,603.35)		(21,699,314)	4,556,856	(17,142,458)
202110	(21,699,314)	(44,805.17)		(21,744,120)	4,566,265	(17,177,855)
202111	(21,744,120)	(50,603.35)		(21,794,723)	4,576,892	(17,217,831)
202112	(21,794,723)	(531,773.78)		(22,326,497)	4,688,564	(17,637,932)
202201	(22,326,497)	(111,795.21)		(22,438,292)	4,712,041	(17,726,251)
202202	(22,438,292)	(111,795.21)		(22,550,087)	4,735,518	(17,814,569)
202203	(22,550,087)	(111,795.21)		(22,661,882)	4,758,995	(17,902,887)
202204	(22,661,882)	(111,795.21)		(22,773,678)	4,782,472	(17,991,205)
202205	(22,773,678)	(111,795.21)		(22,885,473)	4,805,949	(18,079,524)
202206	(22,885,473)	(111,795.21)		(22,997,268)	4,829,426	(18,167,842)
202207	(22,997,268)	(111,795.21)		(23,109,063)	4,852,903	(18,256,160)
202208	(23,109,063)	(111,795.21)	1,335.71	(23,219,523)	4,876,100	(18,343,423)
202209	(23,219,523)	(120,346.81)	52,629.22	(23,287,240)	4,890,320	(18,396,920)
202210	(23,287,240)	(111,795.21)	98,510.18	(23,300,525)	4,893,110	(18,407,415)
202211	(23,300,525)	(111,795.21)	298,066.33	(23,114,254)	4,853,993	(18,260,261)
202212	(23,114,254)	(236,703.31)	351,930.97	(22,999,027)	4,829,796	(18,169,231)
202301	(22,999,027)	(30,904.55)	366,103.86	(22,663,827)	4,759,404	(17,904,424)
202302	(22,663,827)	(30,904.55)	300,340.91	(22,394,391)	4,702,822	(17,691,569)
202303	(22,394,391)	(30,904.55)	330,756.17	(22,094,539)	4,639,853	(17,454,686)

**OR Gas Sch 486
Tax Customer C**

Factor for Rev Req 0.7116%

Month	Net Tariff Rev Credit (pre-tax)	AMA Rate Base	Cumulative Change to Rate Base	Allowed Return on Rate Base	Cumulative Return	A/R	Rev Net of Related Expenses	FIT Payable
202105								
202106								
202107								
202108								
202109								
202110								
202111								
202112								
202201								
202202								
202203								
202204								
202205								
202206								
202207								
202208	1,716	(17,736,456)	(87,263)	(392)	(392)	(1,716)	1,716	360
202209	53,464	(17,840,431)	(140,760)	(859)	(1,251)	(53,464)	53,464	11,227
202210	99,526	(17,943,932)	(151,255)	(1,045)	(2,296)	(99,526)	99,526	20,900
202211	298,467	(18,038,598)	(4,101)	(412)	(2,708)	(298,467)	298,467	62,678
202212	351,562	(18,104,170)	86,929	379	(2,329)	(351,562)	351,562	73,828
202301	364,350	(18,133,731)	351,736	1,805	(524)	(364,350)	364,350	76,513
202302	296,988	(18,136,030)	564,591	3,450	2,926	(296,988)	296,988	62,368
202303	325,832	(18,112,230)	801,474	5,067	7,993	(325,832)	325,832	68,425

**OR Gas Sch 486
Tax Customer C**

21% 97.1915% Rev Related Exp Factor

Month	FIT	254393	190393	410
202105				
202106				
202107				
202108				
202109				
202110				
202111				
202112				
202201				
202202				
202203				
202204				
202205				
202206				
202207				
202208	(360)	1,336	(280)	(1,055)
202209	(11,227)	52,629	(11,052)	(41,577)
202210	(20,900)	98,510	(20,687)	(77,823)
202211	(62,678)	298,066	(62,594)	(235,472)
202212	(73,828)	351,931	(73,906)	(278,025)
202301	(76,513)	366,104	(76,882)	(289,222)
202302	(62,368)	300,341	(63,072)	(237,269)
202303	(68,425)	330,756	(69,459)	(261,297)

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Oregon	DATE PREPARED:	5/1/2023
CASE NO.:	UG-461	WITNESS:	Joel Anderson
REQUESTER:	AWEC	RESPONDER:	Joel Anderson
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	AWEC – 007	TELEPHONE:	(509) 495-2811
		EMAIL:	joel.anderson@avistacorp.com

REQUEST:

Reference Anderson Workpaper “Exhibit 901 and 902 Anderson (Avista):” Tab “Exh 901 - Inc Investment:”

- a. Please provide workpapers used to calculate the estimated design day load factors on row 29.
- b. Please provide design day demands for each rate schedule.
- c. Please confirm that transportation service on schedule 456 is an interruptible schedule.
- d. Please provide workpapers used to calculate the levelized plant cost factors in cells “F15,” “F20,” and “F40”

RESPONSE:

- a. Please see AWEC_DR_007 Attachment A. The requested information is on tab “LF Calc” in row 26.
- b. Please see AWEC_DR_007 Attachment A. The requested information is on tab “LF Calc” in row 25.
- c. Yes, schedule 456 is an interruptible schedule.
- d. Please see AWEC_DR_007 Attachment B. The requested information is in cell “L12”.

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Oregon	DATE PREPARED:	06/26/2023
CASE NO:	UG 461	WITNESS:	Joe Miller
REQUESTER:	AWEC	RESPONDER:	Marcus Garbarino
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	AWEC – 009	TELEPHONE:	(509) 495-2567
		EMAIL:	marcus.garbarino@avistacorp.com

REQUEST:

Reference Avista’s Response to Staff Data Request 147: Please provide an updated version of the referenced workpapers based on Avista’s most recent forecast through the end of 2023.

RESPONSE:

Please see AWEC_DR_009 Attachment A for the requested information. Note that each schedule has its analysis performed on a separate tab within the workbook. Also note that the forecasted changes to the PGAs and amortizations of other deferrals are based on current information/inputs and will change when the actual filings requesting changes to the tariff rates are made based on updated inputs and actual deferral balances.

Below is a summary of the assumptions used for the forecasted rates effective 1/1/2024:

Base rates – These values came from Exhibit 1003 Miller workpapers (“Rate Design” tab) filed with this case and represent the proposed basic charges and base rate per therm by schedule.

PGA (Schedule 461) – Using the commodity WACOG calculation workbook from UG-438 (2022 PGA filing), we updated the forecasted forward commodity WACOG using 60-day average pricing as of 6/22/2023, actual executed hedges through May 2023, and the current forecasted loads for Nov 23’ – Oct 24’. No other inputs to the commodity WACOG calculation were adjusted as we do not believe changes will be material. Also, there was no adjustment made to the demand WACOG compared to the amount included in current rates as there is not expected to be a material change.

PGA (Schedule 462) – This deferral amortization rate is based on the current forecasted deferral and residual amortization balances as of 6/30/2023 and current forecasted loads for Nov 23’ – Oct 24’.

COVID Deferred Costs (Schedule 467) – This surcharge amortization is expected to expire on or before 11/1/2023.

Public Purpose Funding (Schedule 469), Intervenor Funding (Schedule 476), Regulatory Fee Amortization (Schedule 482)– These amortization rates are not expected to change materially between now and 1/1/2024.

Decoupling (Schedule 475) – This deferral amortization rate is based on the decoupling deferral balance as of 12/31/2022 that will be used to set the rate effective 11/1/2023.

Tax Customer Credit (Schedule 486) and Deferred Tax Credit (Schedule 487) – These amortization rates will not change on, or before, 1/1/2024.

LIRAP (Schedule 493) – The final deferral is not known, however, the current estimate is that it will increase from an annual revenue of approximately \$250k per year up to approximately \$1M per year (4 times the current rate).

Climate Protection Program (CPP) Costs (Schedule TBD) – The Company estimates it will need to purchase approximately 30,000 Community Climate Investment (CCI) credits in 2023 to comply with CPP for 2022 emissions at a cost of \$123/credit resulting in a forecasted surcharge rate to collect approximately \$4 million spread evenly on a per therm basis across all schedules with a requested effective on or before 1/1/2024.

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Oregon	DATE PREPARED:	06/27/2023
CASE NO:	UG 461	WITNESS:	Joe Miller
REQUESTER:	AWEC	RESPONDER:	Shawn Bonfield
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	AWEC – 010	TELEPHONE:	(509) 495-2782
		EMAIL:	shawn.bonfield@avistacorp.com

REQUEST:

Reference Avista’s Response to Staff Data Request 147, Tab “CPP Costs,”: Please provide details supporting Avista’s estimate of \$4,000,000, including detail of each type of compliance instrument included in the estimated amount. If Avista has an updated estimate of CPP costs, please also provide the updated estimate.

RESPONSE:

Avista’s estimate of \$4,000,000 for CPP Costs consists of the costs to purchase Community Climate Investment (CCI) credits to cover its 2022 actual emissions and the estimated costs of offering an energy efficiency program to interruptible customers in 2023. Regarding CCIs, Avista must purchase 29,716 credits to cover its emissions for 2022 at a price of \$123 per credit, which amounts to \$3,655,068. The Department of Environmental Quality (DEQ) has indicated that CCIs will be available for purchase in the Fall of 2023, which as soon as available, Avista intends to purchase this amount. Regarding the energy efficiency program for interruptible customers, based on an agreed upon budget with the Energy Trust of Oregon, Avista is estimated to spend \$338,184 on the program in 2023. Between the CCIs and the energy efficiency expense, this amounts to an estimate of \$3,993,252.

Avista does not have an updated estimate at this time for the CPP costs it may incur in 2023 that it will seek recovery of beginning November 1, 2023. Avista continues to explore an energy efficiency program for transport customers that may launch in 2023. If this happens, it will increase the estimate of CPP costs beyond the current \$4,000,000 estimate.

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Oregon	DATE PREPARED:	7/5/2023
CASE NO.:	UG-461	WITNESS:	Joel Anderson
REQUESTER:	AWEC	RESPONDER:	Joel Anderson
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	AWEC – 014	TELEPHONE:	(509) 495-2811
		EMAIL:	joel.anderson@avistacorp.com

REQUEST:

Reference Avista’s response to AWEC Data Request 007, Attachment A, Tab “LF Calc,” cell “I25”: Please explain why the design day demand in the referenced cell is higher than the total contract demand in Tab “Lg Cust”, cell “F92.”

RESPONSE:

Please see the Company’s response in AWEC_DR_014C for the requested information. AWEC_DR_014C is **CONFIDENTIAL SUBJECT TO GENERAL PROTECTIVE ORDER.**

For purposes of calculating “Estimated Design Day Usage”, the Average Daily Usage for Schedule 456 is divided by the Design Day Load Factor. In AWEC Data Request 007, there was an error on line 92 in the “Lg Cust” tab. The totals on line 92 did not include two lines of data. Also, there were some customers that moved between schedules during the year causing a small difference between the load in tab “Lg Cust” and the load in tab “LF Calc”. Attached is an updated worksheet (AWEC_DR_014C Confidential Attachment A) showing these two changes.

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Oregon	DATE PREPARED:	7/5/2023
CASE NO.:	UG-461	WITNESS:	Joel Anderson
REQUESTER:	AWEC	RESPONDER:	Joel Anderson
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	AWEC – 015	TELEPHONE:	(509) 495-2811
		EMAIL:	joel.anderson@avistacorp.com

REQUEST:

Reference Avista's response to AWEC Data Request 007, Attachment A, Tab "456": Does Avista agree that at a Design Day DDH of 61, as used for the other rate schedules, Schedule 456 would have a design day demand of 135,885 therms based on Avista's regression modelling? If yes, please explain why the weather predicted value is so different from the 302,408 therms that Avista assumed for design day throughput for Schedule 456? If no, please provide the corrected value.

RESPONSE:

Yes, using a Design Day DDH of 61 for schedule 456 would result in a design day demand of 135,885. However, a DDH of 61 is used for other rate schedules because they are considered weather sensitive and customers on schedule 456 are not considered weather sensitive. Because of this, demand for schedule 456 is based on the maximum contract amount as shown on tab "LG Cust" in AWEC_DR_014 Attachment A rather than design day DDH.

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Oregon	DATE PREPARED:	06/27/2023
CASE NO:	UG 461	WITNESS:	Kevin Holland
REQUESTER:	AWEC	RESPONDER:	Tom Pardee
TYPE:	Data Request	DEPT:	Gas Supply
REQUEST NO.:	AWEC – 018	TELEPHONE:	(509) 495-2159
		EMAIL:	tom.pardee@avistacorp.com

REQUEST:

Please provide actual system peak day throughput by month for each rate schedule over the period January 1, 2017 through the most recent month available. For each monthly peak day, please specify the date and identify the Design Day DDH at Medford.

RESPONSE:

An actual system peak day by rate schedule is not possible to provide at anything other than a summary level. Avista’s billing system captures rate schedule but is only available monthly and would capture only monthly billed volumes. The monthly billed dates are scattered throughout the month and should not be considered accurate to include only volumes for each specific calendar month. Additional information needs to be provided to define “system peak day” as it may or may not include certain customer classes like Transport. The same clarification is needed for the term “DDH” as its definition is unclear.