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DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

February 2, 2016

Patrick Power
Administrative Law Judge
Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301

Re: UG 288 – Request for Additional Information

Dear Judge Power:

In accordance with the Commission's request made at the parties' oral argument presented on January 28, 2016, Staff has prepared the attached Response. As you will see, the Response shows that the dollar difference between Staff's and the Avista's proposed Capital Structures for the company is approximately \$31,000. Staff has shared the Response with all parties, each of whom stated they were satisfied with Staff's work and had no objection to its filing.

Sincerely,

Michael T. Weirich
Sr. Assistant Attorney General
Business Activities Section

MTW:pjr /7132599
Enclosure
c: all parties

AVA GRC Cost of Capital Scenarios Scenarios
28-Jan-16 Response to Bench Request

All else held constant as depicted in the Scenarios below, the value of the proposed

AVA Current OPUC Authorized (UG 284 Order No. 15-109)			AVA
Component	Percent of Total	Stipulated or Implied Cost	Weighted Average
Long Term Debt	49.00%	5.452%	2.671%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	51.00%	9.50%	4.845%
	100.00%		7.516%

Difference between Staff and Co. Capital Structure	\$ 31,000
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of which interest and tax effects account for \$ 13,000

Scenario 1 – UG 288		Scenario 1		
Component	Percent of Total	Cost	Weighted Average	ROR vs. Current
Long Term Debt	50.00%	5.515%	2.758%	-0.009%
Preferred Stock	0.00%		0.000%	
Common Stock	50.00%	9.50%	4.750%	
	100.00%		7.508%	

Modeling is run with interest synchronization
Assuming a 38.96% Aggregate Tax Rate

For Scenario Purposes Only:

Hypothetical Cost of Capital 1

Differential from Avista Filed Rate Case \$ 932,000
of which, the following portion can be attributed to:
Interest & Tax \$ 136,000

Scenario 2 – UG 288		Scenario 2		
Component	Percent of Total	Cost	Weighted Average	ROR vs. Current
Long Term Debt	50.14%	5.515%	2.765%	-0.015%
Preferred Stock	0.00%		0.000%	
Common Stock	49.86%	9.50%	4.737%	
	100.00%		7.502%	

For Scenario Purposes Only:

Hypothetical Cost of Capital 2

Differential from Avista Filed Rate Case \$ 901,000
of which, the following portion can be attributed to:
Interest & Tax \$ 123,000