



Avista Corp.

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April 9, 2019

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

RE: Avista Corp. Oregon Division Results of Operations

The enclosed filing is Avista's combined earnings report meant to satisfy the reporting requirements associated with UM-903 (associated Order 99-272), AR-357 Rulemaking (associated Order 99-284) as well as the standard Oregon annual reporting requirements. For UM-903 purposes, Avista makes no adjustment to normalize for weather, per the stipulation approved by Order No. 98-543. The following is a summary of the results:

Please see the attached report for the twelve-months ended December 31, 2018, along with accompanying workpapers, for the Oregon Division of Avista Corp. The results of the report was as follows:

	Per UM-903	Annual Report After All Type I	Annual Report After Type II
Rate of Return	6.52%	6.52%	6.34%
Implied Return on Equity	7.61%	7.61%	7.25%

Please direct any questions on this matter to me at (509) 495-2098.

Sincerely,

Jennifer S. Smith
Manager of Regulatory Affairs
jennifer.smith@avistacorp

TABLE I

AVISTA UTILITIES
Oregon
Twelve Months Ending December 31, 2018

	Per Results Reports	Earnings Test Adjustments (fr/ Table II)	Earnings Test Results UM-903	Weather Normalization Sales/Purch	Total Type I Results	Total Type II Adjustments (fr/ Table III)	Earnings Test Incl. Type II Adj.	
	A	B	C	D	E	F	G	
OPERATING REVENUES								
1	Total General Business	\$87,431,678	0	\$87,431,678	\$1,733,686	\$89,165,364	0	\$89,165,364
2	Transportation	3,463,485	0	3,463,485	0	3,463,485	0	3,463,485
3	Other	54,347,729	0	54,347,729	(1,003,819)	53,343,910	(13,770,062)	39,573,848
4	Total Operating Revenues	145,242,892	0	145,242,892	729,867	145,972,759	(13,770,062)	132,202,697
OPERATING EXPENSES								
5	Gas Purchased	81,236,064	0	81,236,064	706,705	81,942,769	(13,166,321)	68,776,448
6	Operations & Maintenance	15,684,597	(105,353)	15,579,244	3,785	15,583,029	0	15,583,029
7	Administrative & General	9,785,295	(523,130)	9,262,165	3,226	9,265,391	0	9,265,391
8	Taxes Other Than Income	7,711,226	0	7,711,226	17,061	7,728,287	0	7,728,287
9	Depreciation & Amortization	13,174,322	0	13,174,322	0	13,174,322	0	13,174,322
10	Total Operating Expenses	127,591,504	(628,483)	126,963,021	730,777	127,693,798	(13,166,321)	114,527,477
11	OPERATING INCOME BEFORE INCOME TAX	17,651,388	628,483	18,279,871	(910)	18,278,961	(603,741)	17,675,220
INCOME TAXES								
12	Current Federal Income Taxes	566,422	178,420	744,842	(179)	744,663	(118,424)	626,239
13	Deferred Federal Income Taxes	1,067,048	0	1,067,048	0	1,067,048	0	1,067,048
14	State Income Taxes	75,000	59,988	134,988	(60)	134,928	(39,816)	95,112
15	Total Income Taxes	1,708,470	238,408	1,946,878	(239)	1,946,639	(158,240)	1,788,399
16	NET OPERATING INCOME	\$15,942,918	\$390,075	\$16,332,993	(\$671)	\$16,332,322	(\$445,501)	\$15,886,821
AVERAGE RATE BASE								
17	Utility Plant in Service	\$445,053,215	(17,251)	\$445,035,964	\$0	\$445,035,964	0	\$445,035,964
18	Less: Accumulated Depreciation & Amortization	(127,612,289)	0	(127,612,289)	0	(127,612,289)	0	(127,612,289)
19	Net Utility Plant	317,440,926	(17,251)	317,423,675	0	317,423,675	0	317,423,675
20	Accumulated Deferred Income Taxes	(71,800,724)	0	(71,800,724)	0	(71,800,724)	0	(71,800,724)
21	Inventory and Other	4,935,844	0	4,935,844	0	4,935,844	0	4,935,844
22	TOTAL AVERAGE RATE BASE	\$250,576,046	(\$17,251)	\$250,558,795	\$0	\$250,558,795	\$0	\$250,558,795
23	RATE OF RETURN	6.36%		6.52%		6.52%		6.34%
(4)	IMPLIED RETURN ON EQUITY	7.29%		7.61%		7.61%		7.25%
UM-903 Earnings Test Calculation								
25	EARNINGS THRESHOLD - Return on Equity			10.54% ⁽¹⁾				
26	EQUITY EARNINGS AT THRESHOLD RATE			\$12,971,522				
27	EQUITY EARNINGS ACTUAL			\$9,365,587				
28	100% OF NOI EXCEEDING THRESHOLD			(\$3,605,935)				
29	100% OF REVENUE EXCEEDING THRESHOLD			(\$5,046,533)				
30								
32	33% REVENUE ADJ DUE TO SPRING REVIEW () = Under Threshold			(\$1,665,356)				
33								
34	Conversion factor			0.714537				
AVISTA COST OF CAPITAL								
		Capital Structure (2)	Cost (3)	Weighted Cost				
	Long-Term Debt and Preferred Securities	50.88%	5.47%	2.78%				
	Common Equity	49.12%	9.40%	4.62%				
	Total	100.00%		7.40%				

Type I: Adjustments for uncollectible estimate, debt synchronization, salaries, incentives, dues, prior period true-ups

Type II: Adjustment for Gas Cost Incentive

(1) Earnings Threshold based on Oregon Staff Memo from Matt Muldoon dated January 18, 2019 with Avista's amount 10.54%.

(2) Five-quarter Average Actual Capital Structure.

(3) Five-quarter Actual Average Cost.

AVISTA UTILITIES
Oregon
Type I Adjustments
Twelve Months Ending December 31, 2018

	Uncollectible Expense Adj.	Salaries & Wages & Adj.	Incentive Pay Adj.	Memberships & Dues & Adj.	Miscellaneous True Ups Adj.	Restate Debt Interest	Total Type I Adjustments
	(1a)	(1b)	(1c)	(1d)	(1e)	(1f)	
OPERATING REVENUES							
1 Total General Business	-	-	-	-	-	-	-
2 Transportation	-	-	-	-	-	-	-
3 Other	-	-	-	-	-	-	-
4 Total Operating Revenues	-	-	-	-	-	-	-
OPERATING EXPENSES							
5 Gas Purchased	-	-	-	-	-	-	-
6 Operations & Maintenance	(89,090)	(15,086)	-	-	(1,177)	-	(105,353)
7 Administrative & General	-	-	(501,496)	(21,634)	-	-	(523,130)
8 Taxes Other Than Income	-	-	-	-	-	-	-
9 Depreciation & Amortization	-	-	-	-	-	-	-
10 Total Operating Expenses	(89,090)	(15,086)	(501,496)	(21,634)	(1,177)	-	(628,483)
11 OPERATING INCOME BEFORE INCOME TA	89,090	15,086	501,496	21,634	1,177	-	628,483
INCOME TAXES							
12 Current Federal Income Taxes	17,475	2,959	98,369	4,243	231	55,143	178,420
13 Deferred Federal Income Taxes	-	-	-	-	-	-	-
14 State Income Taxes	5,875	995	33,073	1,427	78	18,540	59,988
15 Total Income Taxes	23,350	3,954	131,442	5,670	309	73,683	238,408
16 NET OPERATING INCOME	65,740	11,132	370,054	15,964	868	(73,683)	390,075
AVERAGE RATE BASE							
17 Utility Plant in Service	-	(17,251)	-	-	-	-	(17,251)
18 Less: Accumulated Depreciation & Amortizat	-	-	-	-	-	-	-
19 Net Utility Plant	-	(17,251)	-	-	-	-	(17,251)
20 Accumulated Deferred Income Taxes	-	-	-	-	-	-	-
21 Inventory and Other	-	-	-	-	-	-	-
22 TOTAL AVERAGE RATE BASE	-	(17,251)	-	-	-	-	(17,251)

TABLE III

AVISTA UTILITIES
Oregon
Type II Adjustments
Twelve Months Ending December 31, 2018

	Gas Cost Adjustment	Total Type II Adjustments
	(2a)	
OPERATING REVENUES		
1 Total General Business	-	-
2 Transportation	-	-
3 Other	(13,770,062)	(13,770,062)
4 Total Operating Revenues	<u>(13,770,062)</u>	<u>(13,770,062)</u>
OPERATING EXPENSES		
5 Gas Purchased	(13,166,321)	(13,166,321)
6 Operations & Maintenance	-	-
7 Administrative & General	-	-
8 Taxes Other Than Income	-	-
9 Depreciation & Amortization	-	-
10 Total Operating Expenses	<u>(13,166,321)</u>	<u>(13,166,321)</u>
11 OPERATING INCOME BEFORE INCOME TAX	(603,741)	(603,741)
INCOME TAXES		
12 Current Federal Income Taxes	(118,424)	(118,424)
13 Deferred Federal Income Taxes	-	-
14 State Income Taxes	(39,816)	(39,816)
15 Total Income Taxes	<u>(158,240)</u>	<u>(158,240)</u>
16 NET OPERATING INCOME	<u>(445,501)</u>	<u>(445,501)</u>
AVERAGE RATE BASE		
17 Utility Plant in Service	-	-
18 Less: Accumulated Depreciation & Amortization	-	-
19 Net Utility Plant	<u>-</u>	<u>-</u>
20 Accumulated Deferred Income Taxes	-	-
21 Inventory and Other	<u>-</u>	<u>-</u>
22 TOTAL AVERAGE RATE BASE	<u>-</u>	<u>-</u>

AVISTA UTILITIES
Oregon
Twelve Months Ending December 31, 2018
Results of Operations

	Rate	Adjustments
OPERATING REVENUES		
1	Total General Business	\$ 87,431,678
2	Transportation	3,463,485
3	Other	54,347,729
4	Total Operating Revenues	145,242,892
OPERATING EXPENSES		
5	Gas Purchased	81,236,064
6	Operations & Maintenance	15,684,597
	Uncollectible expense adjustment	-
7	Administrative & General	9,785,295
	Commission fees adjustment	-
	Energy Resource Supplier Assessment adj	-
8	Taxes Other Than Income	7,711,226
	Franchise Fee	-
9	Depreciation & Amortization	13,174,322
10	Total Operating Expenses	127,591,504
11	OPERATING INCOME BEFORE INCOME TAX	17,651,388
INCOME TAXES		
12	Current Federal Income Taxes	566,422
13	Deferred Federal Income Taxes	1,067,048
14	State Income Taxes	75,000
15	Total Income Taxes	1,708,470
16	NET OPERATING INCOME	\$ 15,942,918
AVERAGE RATE BASE		
17	Utility Plant in Service	\$ 445,053,215
18	Less: Accumulated Depreciation & Amortization	(127,612,289)
19	Net Utility Plant	317,440,926
20	Accumulated Deferred Income Taxes	(71,800,724)
21	Inventory and Other	4,935,844
22	TOTAL AVERAGE RATE BASE	\$ 250,576,046