



Avista Corp.

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April 25, 2018

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, 2017, 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	6.85%	6.85%	6.65%
Implied Return on Equity	7.94%	7.94%	7.54%

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

Sincerely,

Patrick Ehrbar
Director of Regulatory Affairs
pat.ehrbar@avistacorp

TABLE I

AVISTA UTILITIES
Oregon
Twelve Months Ending December 31, 2017

	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	\$96,739,657	0	\$96,739,657	(\$202,748)	\$96,536,909	0	\$96,536,909
2	Transportation	3,440,087	0	3,440,087	0	3,440,087	0	3,440,087
3	Other	60,031,316	0	60,031,316	116,396	60,147,712	(14,327,887)	45,819,825
4	Total Operating Revenues	160,211,060	0	160,211,060	(86,352)	160,124,708	(14,327,887)	145,796,821
OPERATING EXPENSES								
5	Gas Purchased	94,336,240	0	94,336,240	(83,608)	94,252,632	(13,626,175)	80,626,457
6	Operations & Maintenance	17,122,809	(151,926)	16,970,883	(634)	16,970,249	0	16,970,249
7	Administrative & General	9,298,074	(477,649)	8,820,425	(369)	8,820,056	0	8,820,056
8	Taxes Other Than Income	7,301,617	0	7,301,617	(1,938)	7,299,679	0	7,299,679
9	Depreciation & Amortization	11,693,592	0	11,693,592	0	11,693,592	0	11,693,592
10	Total Operating Expenses	139,752,332	(629,575)	139,122,757	(86,549)	139,036,208	(13,626,175)	125,410,033
11	OPERATING INCOME BEFORE INCOME TAX	20,458,728	629,575	21,088,303	197	21,088,500	(701,712)	20,386,788
INCOME TAXES								
12	Current Federal Income Taxes	(628,569)	322,088	(306,481)	69	(306,412)	(245,599)	(552,011)
13	Deferred Federal Income Taxes	5,494,630	0	5,494,630	0	5,494,630	0	5,494,630
14	State Income Taxes	440,145	(215,145)	225,000	0	225,000	0	225,000
15	Total Income Taxes	5,306,206	106,943	5,413,149	69	5,413,218	(245,599)	5,167,619
16	NET OPERATING INCOME	\$15,152,522	\$522,632	\$15,675,154	\$128	\$15,675,282	(\$456,113)	\$15,219,169
AVERAGE RATE BASE								
17	Utility Plant in Service	\$411,391,074	(597)	\$411,390,477	\$0	\$411,390,477	0	\$411,390,477
18	Less: Accumulated Depreciation & Amortization	(121,008,775)	0	(121,008,775)	0	(121,008,775)	0	(121,008,775)
19	Net Utility Plant	290,382,299	(597)	290,381,702	0	290,381,702	0	290,381,702
20	Accumulated Deferred Income Taxes	(67,160,794)	0	(67,160,794)	0	(67,160,794)	0	(67,160,794)
21	Inventory and Other	5,597,325	0	5,597,325	0	5,597,325	0	5,597,325
22	TOTAL AVERAGE RATE BASE	\$228,818,830	(\$597)	\$228,818,233	\$0	\$228,818,233	\$0	\$228,818,233
23	RATE OF RETURN	6.62%		6.85%		6.85%		6.65%
(4)	IMPLIED RETURN ON EQUITY	7.48%		7.94%		7.94%		7.54%
UM-903 Earnings Test Calculation								
25	EARNINGS THRESHOLD - Return on Equity			10.40% ⁽¹⁾				
26	EQUITY EARNINGS AT THRESHOLD RATE			\$11,922,821				
27	EQUITY EARNINGS ACTUAL			\$9,102,615				
28	100% OF NOI EXCEEDING THRESHOLD			(\$2,820,206)				
29	100% OF REVENUE EXCEEDING THRESHOLD			(\$4,485,681)				
30								
32	33% REVENUE ADJ DUE TO SPRING REVIEW () = Under Threshold			(\$1,480,275)				
33								
34	Conversion factor			0.628713				
AVISTA COST OF CAPITAL								
		Capital Structure (2)	Cost (3)	Weighted Cost				
	Long-Term Debt and Preferred Securities	49.90%	5.74%	2.87%				
	Common Equity	50.10%	9.40%	4.71%				
	Total	100.00%		7.58%				

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 19, 2018 with Avista's amount 10.40%.

(2) Five-quarter Average Actual Capital Structure.

(3) Five-quarter Actual Average Cost.

AVISTA UTILITIES
Oregon
Type I Adjustments
Twelve Months Ending December 31, 2017

	Uncollectible Expense Adj.	Salaries & Wages Adj.	Incentive Pay Adj.	Memberships & Dues Adj.	Miscellaneous True Ups Adj.	State Income Tax Adj.	Restate Debt Interest	Total Type I Adjustments
	(1a)	(1b)	(1c)	(1d)	(1e)	(1f)	(1g)	
OPERATING REVENUES								
1	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-
OPERATING EXPENSES								
5	-	-	-	-	-	-	-	-
6	(123,876)	(31,079)	-	-	3,029	-	-	(151,926)
7	-	-	(445,922)	(31,727)	-	-	-	(477,649)
8	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-
10	(123,876)	(31,079)	(445,922)	(31,727)	3,029	-	-	(629,575)
11	123,876	31,079	445,922	31,727	(3,029)	-	-	629,575
INCOME TAXES								
12	43,357	10,878	156,073	11,104	(1,060)	75,301	26,435	322,088
13	-	-	-	-	-	-	-	-
14	-	-	-	-	-	(215,145)	-	(215,145)
15	43,357	10,878	156,073	11,104	(1,060)	(139,844)	26,435	106,943
16	80,519	20,201	289,849	20,623	(1,969)	139,844	(26,435)	522,632
AVERAGE RATE BASE								
17	-	(597)	-	-	-	-	-	(597)
18	-	-	-	-	-	-	-	-
19	-	(597)	-	-	-	-	-	(597)
20	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-
22	-	(597)	-	-	-	-	-	(597)

TABLE III

AVISTA UTILITIES
Oregon
Type II Adjustments
Twelve Months Ending December 31, 2017

	Gas Cost Adjustment	Total Type II Adjustments
	(2a)	
OPERATING REVENUES		
1 Total General Business	-	-
2 Transportation	-	-
3 Other	(14,327,887)	(14,327,887)
4 Total Operating Revenues	<u>(14,327,887)</u>	<u>(14,327,887)</u>
OPERATING EXPENSES		
5 Gas Purchased	(13,626,175)	(13,626,175)
6 Operations & Maintenance	-	-
7 Administrative & General	-	-
8 Taxes Other Than Income	-	-
9 Depreciation & Amortization	-	-
10 Total Operating Expenses	<u>(13,626,175)</u>	<u>(13,626,175)</u>
11 OPERATING INCOME BEFORE INCOME TAX	(701,712)	(701,712)
INCOME TAXES		
12 Current Federal Income Taxes	(245,599)	(245,599)
13 Deferred Federal Income Taxes	-	-
14 State Income Taxes	-	-
15 Total Income Taxes	<u>(245,599)</u>	<u>(245,599)</u>
16 NET OPERATING INCOME	<u>(456,113)</u>	<u>(456,113)</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, 2017
Results of Operations

	Rate	Adjustments
OPERATING REVENUES		
1 Total General Business	\$	96,739,657
2 Transportation		3,440,087
3 Other		60,031,316
4 Total Operating Revenues		<u>160,211,060</u>
OPERATING EXPENSES		
5 Gas Purchased		94,336,240
6 Operations & Maintenance		17,122,809
Uncollectible expense adjustment		-
7 Administrative & General		9,298,074
Commission fees adjustment		-
Energy Resource Supplier Assessment adj		-
8 Taxes Other Than Income		7,301,617
Franchise Fee		-
9 Depreciation & Amortization		11,693,592
10 Total Operating Expenses		<u>139,752,332</u>
11 OPERATING INCOME BEFORE INCOME TAX		20,458,728
INCOME TAXES		
12 Current Federal Income Taxes		(628,569)
13 Deferred Federal Income Taxes		5,494,630
14 State Income Taxes		440,145
15 Total Income Taxes		<u>5,306,206</u>
16 NET OPERATING INCOME	\$	<u>15,152,522</u>
AVERAGE RATE BASE		
17 Utility Plant in Service	\$	411,391,074
18 Less: Accumulated Depreciation & Amortization		<u>(121,008,775)</u>
19 Net Utility Plant		<u>290,382,299</u>
20 Accumulated Deferred Income Taxes		(67,160,794)
21 Inventory and Other		<u>5,597,325</u>
22 TOTAL AVERAGE RATE BASE	\$	<u>228,818,830</u>