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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
DOCKET NO. UM 1918

IN THE MATTER OF THE APPLICATION OF) SUPPLEMENT TO
AVISTA UTILITIES FOR AN ORDER) APPLICATION FOR
AUTHORIZING DEFERRAL OF FEDERAL) AUTHORIZATION OF CERTAIN
INCOME TAX EXPENSES FOR THE EFFECTS) DEFERRAL ACCOUNTS
OF REVISIONS OF THE FEDERAL INCOME)
TAX CODE UPON AVISTA’S COST OF SERVICE)

BACKGROUND

On December 29, 2017, Avista Corporation, dba Avista Utilities (“Avista” or “Company”), pursuant to ORS 757.259 and OAR 860-027-0300(4), applied to the Public Utility Commission of Oregon ("Commission") for an order authorizing it to utilize deferred accounting for the impact to its federal income tax (“FIT”) expenses due to the revisions of the federal income tax code caused by enactment of the “Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018” (“Act”), also referred to as the Tax Cuts and Jobs Act (“TCJA”). Within the Company’s filed request, the Company respectfully requested that this deferral be effective beginning January 1, 2018.

On March 23, 2018, the Staff of the Commission informally requested that each utility supplement its deferral application, no later than April 15, 2018, with the utility’s calculation of its estimated deferral amounts for 2018, based on a 2018 proxy year. The Commission Staff also further requested each utility’s application be supplemented quarterly thereafter.

Summary Table

2018 Annual Amounts	Revenue Requirement (000s)
OR	
<u>Permanent or Long-Term Reductions:</u>	
1) Annual Current/Deferred Tax Expense (35% to 21%)	\$ (3,151)
2a) Annual Plant Excess ADFIT	\$ (553)
Total Permanent or Long-Term Tax Benefits	\$ (3,704)
<u>Temporary Reductions:</u>	
2b) Total Non-Plant Excess ADFIT	\$ (194)
3) Deferred Excess Tax/Excess Plant ADFIT ¹	\$ (3,704)
Total Temporary Tax Benefits	\$ (3,898)
¹ The amount of deferred tax benefits to be returned to customers will vary based on actual balances deferred during calendar 2018, and based on a decision by this Commission on the appropriateness of an earnings test in developing the overall refund of deferred amounts to customers.	

Per the Summary Table above, the individual components are as follows:

- 1) Current and deferred income tax expense and conversion factor (or gross up to cover tax expenses) – The result of lowering the tax rate from 35% to 21% of taxable income, as well as the impact on the conversion factor, reduces current and deferred tax expense. The resulting permanent reduction in natural gas base rates necessary to reflect this tax benefit on a revenue requirement basis is **approximately \$3.2 million** annually.
- 2) Excess deferred income tax asset/liability – As of December 2017, deferred tax amounts were required to be revalued at the lower corporate rate (21%), resulting in excess accumulated deferred federal income tax (ADFIT) reserve balances. Balances associated with regulated utility operations resulted in a balance sheet reclassification from deferred tax to deferred regulatory assets or liabilities. This revaluation impacted both plant (protected) and non-plant (unprotected) balances.³ As a part of this item, amortization of deferred tax amounts that represent the difference between the historical 35% rate and the revised 21% rate have been determined.
 - a) Plant-related excess deferred income tax, the Company will amortize the Oregon natural gas plant DFIT balances (Regulatory Liability of \$36.8 million natural gas, per Table 2 below) in accordance with the TCJA’s Average Rate Assumption Method (ARAM). The Company estimates the ARAM for Avista results in an amortization period of approximately 36 years (system assets). As

³ See definition of “protected” and “unprotected” below.

1 shown in the Summary Table above, the annual long-term benefit from the plant
2 excess deferred amortization (the benefit will change over time as the ARAM is not
3 calculated on a straight-line basis), results in an Oregon natural gas reduction on a
4 revenue requirement basis of **approximately \$553,000** in year one (calendar 2018).

5
6 b) Non-plant related excess deferred income tax, as shown in the Summary
7 Table, the deferred tax “one-time” or “temporary” benefit to return to Oregon
8 natural gas customers on a revenue requirement basis is **approximately \$194,000**.

9
10 3) Deferred excess tax and deferred excess plant ADFIT – Beginning January 1, 2018 the
11 Company began to immediately account for the financial benefits from the January 1,
12 2018 tax rate reduction to 21%, by deferring the benefits of the TCJA until such time
13 as the benefits are reflected in customer rates, and a decision by the Commission on
14 what deferred benefits, and how those net deferred benefits will be returned to
15 customers is made.⁴ As shown in the Summary Table above, the annual current and
16 deferred income tax expense benefit is \$3.2 million, and the excess plant-related
17 ADFIT tax benefit for calendar 2018 is \$553,000. These two balances, or \$3.7 million,
18 is the current estimate of these benefits using a “2018 proxy year” of the annual
19 amount to be deferred during 2018. A determination, however, of the amount to be
20 returned to customers will vary based on actual balances deferred during calendar
21 2018, and based on a decision by this Commission on the appropriateness of an
22 earnings test in developing the overall refund of deferred amounts to customers.⁵

23 **Current/Deferred Tax Rate Change to 21%**

24 The primary provision of the TCJA was a reduction in the federal corporate tax rate from
25 35% to 21%, reducing the current and deferred tax expense currently included in customers’ rates.
26 Avista’s current retail rates, effective November 1, 2017 per Order No. 17-344 in Docket No. UG
27 325, assumed a federal corporate tax rate of 35%. To recognize the 21% tax rate, the Company
28 has revised its revenue requirement calculation recently approved by the PUC of Oregon for the
29 calendar year 2018 to include the impact on current and deferred tax expense. The corporate tax

⁴ Through this application, Docket No. UM 1918, the Company is requesting approval by the Commission to authorize the deferral of FIT/DFIT expenses for the effects of revisions of the TCJA on Avista’s cost of service.

⁵ With the limited amount of time since the legislation has been signed into law, not all impacts of the TCJA on the Company are known at this time. For example, there may be additional interpretations and rulings from government agencies related to the law which may result in additional adjustments up or down. The Company, therefore, believes it necessary to continue to track any appropriate differences through the deferred regulatory liability as a result of 1) differences between estimated amounts for 2018, versus actual amounts recorded during 2018; and 2) unanticipated tax effects from changes in tax legislation.

1 rate of 21% also has an effect on the gross up to cover tax expenses (conversion factor). Included
2 as Attachment A with this response is the revenue requirement model previously approved in
3 Docket No. UG 325, updated to reflect the current tax rate of 21%.

4 As shown in the Summary Table above, the result of lowering the tax rate from 35% to
5 21% of taxable income, as well as the impact on the conversion factor, has the effect of reducing
6 the Company’s Oregon natural gas annual revenue requirement by approximately \$3.2 million.
7 (See Attachment A, Tax Reform Adjustment #1, and supporting workpapers provided as
8 Attachment B (.pdf) and Attachment C (electronic).)

9 **Accumulated Deferred Federal Income Tax – Excess Tax Reserve**

10 The Company has complied with the financial accounting requirements of Accounting
11 Standards Codification (“ASC”) - 740 which required recognition of the effect of certain tax law
12 changes to be recognized in the period of enactment, in this case, December 2017. Recognition of
13 this tax law change at December 31, 2017, resulted in the recording of excess accumulated
14 deferred federal income tax (ADFIT) assets and liabilities.

15 The ADFIT balances as of December 31, 2017 (included on an end-of period basis), prior
16 to adjustment for the TCJA corporate tax rate change to 21% is as follows in Table 1:

17 **Table 1**

18 **Oregon Accumulated Deferred Federal Income Tax**
19 **(ADFIT) Balance at December 31, 2017:**

20 Plant	\$ (70,784,210)
21 Non-Plant	\$ (413,757)

22 As shown in Table 1 above, Avista has both Oregon plant (\$70,784,210) and non-plant
23 (\$413,757) related ADFIT balances as of December 31, 2017. Plant related balances are recorded
24 in FERC Account 282. Non-plant balances are recorded in FERC Accounts 190 and 283. In order
25 to comply with the TCJA, these tax assets/liabilities were adjusted to be 21% of the associated

1 deferred asset/liability. The difference between the original balance recorded at 35% and the new
 2 balance recorded at 21%, was recorded as plant or non-plant excess ADFIT.

3 The amount of excess deferred income tax reserve (excess ADFIT) as described in Internal
 4 Revenue Code (IRC) Sec 168(i)(9)(A)(ii) as of December 31, 2017, to comply with the TCJA as
 5 shown in Table 2 below is as follows:

6 **Table 2**

Excess Deferred Federal Income Tax Reserve at December 31, 2017				
	Protected (normalized plant)		Unprotected (non-plant)	
	Avista Utility System	OR Natural Gas	Avista Utility System	OR Natural Gas
Excess Reserve	\$ 320,850,109	\$ 28,293,932	\$ 13,530,194	\$ 165,503
Gross-up for taxes	\$ 96,109,097	\$ 8,475,310	\$ 4,052,904	\$ 49,575
Regulatory Liability	\$ 416,959,206	\$ 36,769,242	\$ 17,583,098	\$ 215,078

11 As shown in Table 2 above, Avista has two main types of excess ADFIT as defined by the
 12 IRC, “protected” and “unprotected.”

13 **Protected** excess ADFIT is generally defined as capital assets depreciated under IRC
 14 section 167, whereby these timing differences are required to be recorded and then reversed (i.e.
 15 normalized) over the depreciable lives of the capital assets that created the ADFIT. The utility
 16 plant related excess ADFIT at December 31, 2017 system-wide was \$320,850,109, exclusive of
 17 the tax gross up.⁶ The Oregon natural gas share of this amount is \$28,293,932. As required by
 18 the IRC, the plant related excess ADFIT will be amortized over a longer period of time
 19 (approximately 36 years for total system assets, following the IRS Average Rate Assumption
 20 Method or “ARAM”). The annual revenue requirement benefit to be returned to customers,

⁶ Embedded in the protected excess number are various basis adjustments to plant that are not specifically classified as “protected” Internal Revenue Code Section 167 amounts. Avista uses a tax depreciation system called PowerTax to calculate tax depreciation and associated ADFIT. This system starts with Avista’s book plant balances and then records what is called tax basis adjustments due to various tax timing differences. Common tax basis adjustments are accelerated depreciation which are protected, as well as unprotected items, such as Contributions in Aid of Construction (CIAC), AFUDC capitalization, and tangible repairs. These unprotected tax basis adjustments are directly tied, and essentially comingled within the basis of the underlying plant asset and associated ADFIT, and therefore are included with “protected” plant by the Company.

1 therefore, will vary annually. As shown in the Summary Table on page 3, the 2018 annual Oregon
2 tax benefit, on a revenue requirement basis, is approximately **\$553,000**. (See Attachment A, Tax
3 Reform Adjustment #2, and supporting workpapers provided as Attachment B (.pdf) and C
4 (electronic).)

5 **Unprotected** excess ADFIT makes up the remainder of the Company’s excess ADFIT,
6 mainly representing non-plant related deferred assets/liabilities, as well as plant-related tax basis
7 adjustments (included by the Company within its “protected” balances.) The utility non-plant
8 related excess ADFIT at December 31, 2017 system-wide was \$13,530,194, exclusive of the tax
9 gross up. The Oregon natural gas share of this amount is \$165,503. On a revenue requirement
10 basis, as shown in the Summary Table on page 3, the Oregon natural gas “one-time” or
11 “temporary” tax benefit to be returned to customers is approximately **\$194,000**. (See Attachment
12 A, Tax Reform Adjustment #3, and supporting workpapers provided as Attachment B (.pdf) and C
13 (electronic).)

14 **2018 Annual Deferral**

15 Through the Company’s original application, Docket No. UM 1918, the Company
16 requested approval by the Commission to authorize the deferral of FIT/DFIT expenses for the
17 effects of revisions of the TCJA on Avista’s cost of service. While specific approval has not been
18 received by this Commission, nor a specific course of action been determined on how to refund
19 amounts to customers, in order to preserve these tax benefits beginning January 1, 2018, Avista
20 began to defer the actual monthly reduction in income tax expense, as well as the monthly
21 amortization of the excess plant ADFIT. The Company will continue to defer these tax benefits
22 monthly until such time as the benefits are reflected in customer rates and the net deferred balance
23 has been returned to customers.

1 Table 3 below, (see also Summary Table above), reflects the estimated amount for the
 2 2018 calendar period. As noted above, the current/deferred excess tax expense was determined by
 3 reflecting the reduction in tax from 35% to 21% within the Company’s final general rate case
 4 model approved from Docket No. UG 325 (See Attachment A). The 2018 annual Excess Plant
 5 ADFIT was determined as described immediately above in section “Accumulated Deferred
 6 Federal Income Tax – Excess Tax Reserve.” Table 3 below captures the annual amounts
 7 estimated to be deferred during 2018:

8 **Table 3**

<u>Estimated 2018 Annual Excess Accumulated Deferred Federal Income Tax and Current/Deferred Tax Expense (000s)</u>	
	OR
	Natural Gas
Current/Deferred Tax Expense	\$ (3,151)
Excess ADFIT - Plant (Protected⁽¹⁾)	<u>\$ (553)</u>
Total Estimated 2018 Annual Deferral	<u>\$ (3,704) ⁽²⁾</u>
⁽¹⁾ The excess ADFIT reserve as of December 31, 2017 associated with the non-plant balances are not currently being amortized. Therefore, there are no "unprotected" balances included in the estimated annual deferral.	
⁽²⁾ This balance is an estimate of the total amount to defer during 2018. The actual amount deferred will vary. The amount returned to customers may also be subject to an earnings test, if this Commission determines this to be appropriate.	

17 As shown in Table 3, the estimated deferred tax benefit on a revenue requirement basis for
 18 Oregon natural gas is **approximately \$3.7 million**. (See Attachment A and supporting
 19 workpapers provided as Attachments B (.pdf) and C (electronic).)

20 This estimated balance of the total amount to defer during calendar 2018 will vary from
 21 that actually deferred and recorded by the Company. Furthermore, with the limited amount of
 22 time since the legislation has been signed into law, not all impacts of the TCJA on Avista may be
 23 known. For example, there may be additional interpretations and rulings from government
 24 agencies related to the law which may result in additional adjustments up or down. The Company,

1 therefore, will defer any appropriate changes associated with unanticipated tax effects from
2 changes in tax legislation. This difference, up or down, could have an effect on the estimate noted
3 above. The amount returned to customers may also vary from that ultimately recorded as a
4 deferred liability, if this Commission decides any set refund is to be subject to the annual earnings
5 test.

6 **Return of Tax Benefits to Customers**

7 How and when the tax benefit balances are ultimately returned to customers and adjusted
8 in customer rates is yet to be determined. With regards to the “permanent” or “long-term” tax
9 benefits, the Company is not opposed to adjusting customer rates through adjustment to base tariff
10 schedules or by way of a separate tariff rider, crediting customers for the reduction in rates, until
11 such time as can be incorporated in the Company’s next general rate case. With regards to the
12 “temporary” tax benefits, including both the excess non-plant ADFIT, as well as the amount
13 deferred during 2018 and ultimately approved for refund, the Company is not opposed to returning
14 these balances over a one-year or multi-year period through a new “temporary” tariff schedule. To
15 the extent the Commission would prefer other means or timing for returning these “temporary”
16 benefits back to customers, i.e., in conjunction or timing with the Company’s PGA, for example,
17 the Company would not be opposed to such treatment.

**AVISTA UTILITIES
OREGON JURISDICTION
NATURAL GAS
TWELVE MONTH TEST YEAR ENDED SEPTEMBER 30, 2018**

Attachment A
Docket UG 325: AVISTA / 501
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Per UG 325 - approved per Order No. 17-344

Line No.	Description	PRESENT RATES			WITH PROPOSED RATES	
		Per Results of Operations Report	Total Adjustments	Restated 12 ME 09.30.18 AMA Test Year	Proposed Revenues & Related Exp	Proposed Total (AMA)
		<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>
1	OPERATING REVENUES					
2	Total General Business	\$84,901	(\$29,286)	\$55,615	\$3,493	\$59,108
3	Total Transportation	3,359	105	3,464		3,464
4	Other Revenues	60,257	(60,133)	124		124
5	Total Operating Revenues	148,517	(89,314)	59,203	3,493	62,696
6						
7	OPERATING EXPENSES					
8	Gas Purchased	88,648	(88,648)	0		0
9	Operation and Maintenance	17,275	(3,592)	13,683		13,683
12	Uncollectible Accounts	824	(448)	376	22	398
11	Administration & General	8,375	(505)	7,870		7,870
10	OPUC Commission Fees	551	(306)	245	14	259
13	Total Operation & Maintenance	115,673	(93,500)	22,173	36	22,209
14						
15	DEPRECIATION, AMORTIZATION, TAXES					
16						
17	Municipal Occupation & License Tax	1,522	(1,522)	0		0
17	Franchise Fees - Conversion Factor	1,883	(558)	1,325	74	1,399
18	R&P Property Tax	2,669	492	3,161		3,161
19	State Income Tax	0	0	0		0
20	Depreciation & Amortization	10,069	2,692	12,761		12,761
21	Total Operating Expenses	131,816	(92,395)	39,421	110	39,531
22						
23	OPERATING INCOME BEFORE FIT/SIT	16,701	3,081	19,782	3,383	23,165
24						
25	INCOME TAXES					
26	Current Federal Income Taxes	(2,816)	1,079	(1,737)	1,184	(553)
27	Debt Interest	0	(231)	(231)		(231)
28	Deferred Federal Income Taxes	7,048	1	7,049		7,049
29	State Income Taxes	0	0	0		0
30	Total Income Taxes	4,232	849	5,081	1,184	6,265
31						
32	NET OPERATING INCOME	\$12,469	\$2,233	\$14,702	\$2,199	\$16,901
33						
34						
35	RATE BASE					
36	Utility Plant in Service	\$359,506	\$59,232	\$418,738	\$0	\$418,738
37	Accumulated Depreciation and Amortization	(110,962)	(12,965)	(123,927)	0	(123,927)
38	Accumulated Deferred FIT	(52,982)	(16,822)	(69,804)	0	(69,804)
39	Net Utility Plant	195,562	29,445	225,007	0	225,007
40						
41	Inventory	2,450	0	2,450	0	2,450
42	Working Capital	2,600	(123)	2,477	0	2,477
43	Prepaid Pension, Net of ADFIT (1)	0	0	0	0	0
44						
45	TOTAL RATE BASE	\$200,612	\$29,322	\$229,934	\$0	\$229,934
46						
47	RATE OF RETURN	6.22%		6.39%		7.35%

NOI Requirement
Revenue Requirement

Line No.	Description	TR Adj. #1	TR Adj. #2				TR Adj. #3	Estimated Annual Deferral for 2018	
		TAX REFORM			WITH PROPOSED RATES		Tax Reform Temporary Adjustments		
		Tax Reform FIT/DFIT Expense Adj	Tax Reform Excess Tax PF ARAM Adj	Proposed Total with Tax Reform	TR Proposed Revenues & Related Exp	Proposed Total (AMA) with Tax Reform	Tax Reform Excess Tax PF Non-Plant Amort	Tax Reform 2018 Deferral FIT/DFIT Exp	Tax Reform 2018 Deferral ARAM Amort
	<i>f</i>	<i>g</i>	<i>h</i>	<i>i</i>	<i>j</i>	<i>k</i>	<i>l</i>	<i>m</i>	
1	OPERATING REVENUES								
2	Total General Business	\$0	\$0	\$59,108	(\$3,705)	\$55,403	\$0	\$0	\$0
3	Total Transportation	0	0	3,464		3,464	0	0	0
4	Other Revenues	0	0	124		124	0	0	0
5	Total Operating Revenues	0	0	62,696	(3,705)	58,991	0	0	0
6									
7	OPERATING EXPENSES								
8	Gas Purchased	0	0	0		0	0	0	0
9	Operation and Maintenance	0	0	13,683		13,683	0	0	0
12	Uncollectible Accounts	0	0	398	(23)	375	0	0	0
11	Administration & General	0	0	7,870		7,870	0	0	0
10	OPUC Commission Fees	0	0	259	(15)	244	0	0	0
13	Total Operation & Maintenance	0	0	22,209	(38)	22,171	0	0	0
14									
15	DEPRECIATION, AMORTIZATION, TAXES								
16									
17	Municipal Occupation & License Tax	0	0	0		0	0	0	0
17	Franchise Fees - Conversion Factor	0	0	1,399	(79)	1,320	0	0	0
18	R&P Property Tax	0	0	3,161		3,161	0	0	0
19	State Income Tax	0	0	0	0	0	0	0	0
20	Depreciation & Amortization	0	0	12,761		12,761	0	0	0
21	Total Operating Expenses	0	0	39,531	(117)	39,414	0	0	0
22									
23	OPERATING INCOME BEFORE FIT/SIT	0	0	23,165	(3,588)	19,577	0	0	0
24									
25	INCOME TAXES								
26	Current Federal Income Taxes	221	0	(332)	(754)	(1,086)	0	(2,411)	0
27	Debt Interest	92	(1)	(140)		(140)	(1)	0	(1)
28	Deferred Federal Income Taxes	(2,724)	(438)	3,887		3,887	(166)	0	(438)
29	State Income Taxes	0	0	0		0	0	0	0
30	Total Income Taxes	(2,411)	(439)	3,415	(754)	2,661	(167)	(2,411)	(439)
31									
32	NET OPERATING INCOME	\$2,411	\$439	\$19,750	(\$2,834)	\$16,916	\$167	\$2,411	\$439
33									
34									
35	RATE BASE								
36	Utility Plant in Service	\$0	\$0	\$418,738	\$0	\$418,738	\$0	\$0	\$0
37	Accumulated Depreciation and Amortization	0	0	(123,927)	0	(123,927)	0	0	0
38	Accumulated Deferred FIT	0	219	(69,585)	0	(69,585)	263	0	219
39	Net Utility Plant	0	219	225,226	0	225,226	263	0	219
40									
41	Inventory	0	0	2,450	0	2,450	0	0	0
42	Working Capital	0	0	2,477	0	2,477	0	0	0
43	Prepaid Pension, Net of ADFIT (1)	0	0	0	0	0	0	0	0
44									
45	TOTAL RATE BASE	\$0	\$219	\$230,153	\$0	\$230,153	\$263	\$0	\$219
46									
47	RATE OF RETURN			8.58%		7.35%			
	NOI Requirement	(\$2,411)	(\$423)	(\$2,834)	\$2,834	(\$0)	(\$148)	(\$2,411)	(\$423)
	Revenue Requirement	(\$3,151)	(\$553)	(\$3,705)	\$3,705	(\$0)	(\$194)	(\$3,151)	(\$553)
								Total Estimated Deferral:	(\$3,704)

**AVISTA UTILITIES
OREGON NATURAL GAS
CONVERSION FACTOR EXHIBIT
TWELVE MONTH BASE YEAR ENDED JUNE 30, 2016**

Attachment A
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Line No.	Description	Factor	Amounts
1	Revenues	1.000000	3,493
2	Expenses:		
3	Uncollectibles	0.006335	22
4	Commission Fees	0.003000	10
5	Energy Resource Supplier Assessment	0.001172	4
6	Franchise Fees	0.021230	74
7	Oregon Excise Tax	0.000000	-
8	Total Expense	<u>0.031737</u>	<u>110</u>
9	Net Operating Income Before FIT	0.968263	3,383
10	Federal Income Tax @ 35.00%	0.338892	1,184
11	REVENUE CONVERSION FACTOR	<u>0.6293710</u>	<u>2,199</u>

**AVISTA UTILITIES
OREGON NATURAL GAS
CONVERSION FACTOR EXHIBIT
TWELVE MONTH BASE YEAR ENDED JUNE 30, 2016
WITH TAX REFORM**

Line No.	Description	Factor	Amounts
1	Revenues	1.000000	(3,705)
2	Expenses:		
3	Uncollectibles	0.006335	(23)
4	Commission Fees	0.003000	(11)
5	Energy Resource Supplier Assessment	0.001172	(4)
6	Franchise Fees	0.021230	(79)
7	Oregon Excise Tax	0.000000	-
8	Total Expense	<u>0.031737</u>	<u>(117)</u>
9	Net Operating Income Before FIT	0.968263	(3,588)
10	Federal Income Tax @ 21.00%	0.203335	(754)
11	REVENUE CONVERSION FACTOR	<u>0.764928</u>	<u>(2,834)</u>

**AVISTA UTILITIES
OREGON NATURAL GAS
CALCULATION OF REVENUE REQUIREMENT
TWELVE MONTH TEST YEAR ENDED SEPTEMBER 30, 2018**

Line No.	Description	(000's of Dollars)	With Tax Reform
1	Forecasted Rate Base	\$229,934	\$230,153
2	Proposed Rate of Return	<u>7.35%</u>	<u>7.35%</u>
3	Net Operating Income Requirement	\$16,900	\$16,916
4	Forecasted Net Operating Income	<u>\$14,702</u>	<u>\$19,750</u>
5	Net Operating Income Deficiency	\$2,198	(\$2,834)
6	Conversion Factor	0.62937	0.76493
7	Revenue Requirement	\$3,493	(\$3,705)
8	Total Distribution Revenues	\$59,079	\$62,572
9	Percentage Revenue Increase	<u>5.9%</u>	<u>-5.9%</u>
10	Total Present Billed Revenue	\$94,189	\$97,682
11	Percentage Billed Increase	<u>3.7%</u>	<u>-3.8%</u>

AVISTA ADJUSTED PROPOSED COST OF CAPITAL			
	Capital	Cost	Weighted
Long Term Debt	50.000%	5.30%	2.650%
Common Equity	<u>50.000%</u>	9.40%	<u>4.700%</u>
Total	100.00%		7.35%

Rate of Return 7.350%
ROE 9.40%

	AUTHORIZED		
	Capital	Cost	Weighted
LTD and Pref. Securities	50.000%	5.390%	2.700%
Common Equity	<u>50.000%</u>	9.400%	<u>4.700%</u>
Total	100.00%		<u>7.40%</u>

Excludes STD
Rate of Return 7.40%
ROE 9.40%

Tax Reform Components

	NOI	Rate Base	Revenue Requirement	Percentage of Present Revenue
Base Rate Adjustments				
FIT/DFIT Expense (Current)	\$2,411	\$0	(\$3,151)	-3.2%
Excess Tax ARAM Amortization 2018	\$439	\$217	(\$553)	-0.6%
Subtotal Base Rate Adjustments	<u>\$2,850</u>	<u>\$217</u>	<u>(\$3,704)</u>	<u>-3.8%</u>
Temporary Adjustments				
Excess Tax Non-Plant Amortization	\$167	\$263	(\$194)	-0.2%
Estimated Deferral 5 months (current)	\$1,004	\$0	(\$1,313)	-1.3%
Estimated Deferral 5 months (ARAM)	\$183	\$90	(\$231)	-0.2%
	<u>\$1,354</u>	<u>\$353</u>	<u>(\$1,738)</u>	<u>-1.8%</u>
Total	\$4,204	\$570	(\$5,442)	-5.6%
2017 Actual Results Based FIT/DFIT (Current)	\$1,892	\$0	(\$2,473)	-2.5%

Plant Accumulated Deferred Federal Income Taxes - December 31, 2017 AMA										
			Per G/L	WA E	ID E	WA G	ID G	OR G	Allocated Total	
Plant	282900	CD AA	(83,754,598)	(40,200,074)	(18,702,860)	(12,218,222)	(4,905,406)	(7,728,037)	(83,754,599)	
Plant	282900	CD AN	(706,442)	(375,138)	(174,531)	(106,741)	(50,033)		(706,443)	
Plant	282900	ED AN	(526,719,303)	(347,385,517)	(179,333,786)				(526,719,303)	
Plant	282900	GD AN	(102,826,905)			(70,284,631)	(32,542,274)		(102,826,905)	
Plant	282900	GD OR	(59,078,567)					(59,078,567)	(59,078,567)	
CDA Lake Settlement	283382	ED AN	(11,307,087)	(7,389,181)	(3,917,906)	-	-	-	(11,307,087)	
CDA Lake Settlement - Costs	283333	ED AN	398,217	260,235	137,982	-	-	-	398,217	
Colstrip PCB	283200	ED AN	(17,529)	(11,455)	(6,074)	-	-	-	(17,529)	
AFUDC - CWIP Intangibles	283750	CD AA	-	-	-	-	-	-	-	
FMB & MTN Redeemed	283850	CD AA	(3,838,621)	(1,784,425)	(915,200)	(534,343)	(250,463)	(354,190)	(3,838,621)	
			<u>(787,850,835)</u>	<u>(396,885,555)</u>	<u>(202,912,375)</u>	<u>(83,143,937)</u>	<u>(37,748,176)</u>	<u>(67,160,794)</u>	<u>(787,850,837)</u>	

Plant Accumulated Deferred Federal Income Taxes - December 31, 2017 AMA - Allocation Percentages										
			Per G/L	WA E	ID E	WA G	ID G	OR G	Allocated Total	
Plant	282900	CD AA		48%	22%	15%	6%	9%	100%	
Plant	282900	CD AN		53%	25%	15%	7%	0%	100%	
Plant	282900	ED AN		66%	34%	0%	0%	0%	100%	
Plant	282900	GD AN		0%	0%	68%	32%	0%	100%	
Plant	282900	GD OR		0%	0%	0%	0%	100%	100%	
CDA Lake Settlement	283382	ED AN		65%	35%	0%	0%	0%	100%	
CDA Lake Settlement - Costs	283333	ED AN		65%	35%	0%	0%	0%	100%	
Colstrip PCB	283200	ED AN		65%	35%	0%	0%	0%	100%	
AFUDC - CWIP Intangibles	283750	CD AA								
FMB & MTN Redeemed	283850	CD AA		46%	24%	14%	7%	9%	100%	

Plant Accumulated Deferred Federal Income Taxes - December 31, 2017 EOP									
			Per G/L	WA E	ID E	WA G	ID G	OR G	Allocated Total
Plant	282900	CD AA	(85,696,278)	(41,132,031)	(19,136,448)	(12,501,477)	(5,019,128)	(7,907,196)	(85,696,279)
Plant	282900	CD AN	(733,443)	(389,476)	(181,202)	(110,821)	(51,945)	-	(733,444)
Plant	282900	ED AN	(544,962,527)	(359,417,413)	(185,545,114)	-	-	-	(544,962,527)
Plant	282900	GD AN	(108,415,975)	-	-	(74,104,893)	(34,311,082)	-	(108,415,975)
Plant	282900	GD OR	(62,877,014)	-	-	-	-	(62,877,014)	(62,877,014)
CDA Lake Settlement	283382	ED AN	(11,152,372)	(7,288,075)	(3,864,297)	-	-	-	(11,152,372)
CDA Lake Settlement - Costs	283333	ED AN	403,943	263,977	139,966	-	-	-	403,943
Colstrip PCB	283200	ED AN	24,150	15,782	8,368	-	-	-	24,150
AFUDC - CWIP Intangibles	283750	CD AA	-	-	-	-	-	-	-
FMB & MTN Redeemed	283850	CD AA	(3,584,392)	(1,670,328)	(850,503)	(500,984)	(231,845)	(330,732)	(3,584,392)
			(816,993,908)	(409,617,564)	(209,429,230)	(87,218,174)	(39,614,000)		(816,993,910)
Plant Related			(802,685,237)	(400,938,920)	(204,862,764)	(86,717,190)	(39,382,155)	(70,784,210)	(802,685,239)
Incl'd w/Non-Plant			(14,308,671)	(8,678,644)	(4,566,466)	(500,984)	(231,845)	(330,732)	(14,308,671)

Plant Accumulated Deferred Federal Income Taxes - December 31, 2017 EOP - Allocation Percentages									
			Per G/L	WA E	ID E	WA G	ID G	OR G	Allocated Total
Plant	282900	CD AA		5%	2%	2%	1%	1%	11%
Plant	282900	CD AN		0%	0%	0%	0%	0%	0%
Plant	282900	ED AN		45%	23%	0%	0%	0%	68%
Plant	282900	GD AN		0%	0%	9%	4%	0%	14%
Plant	282900	GD OR		0%	0%	0%	0%	8%	8%
CDA Lake Settlement	283382	ED AN							0%
CDA Lake Settlement - Costs	283333	ED AN							0%
Colstrip PCB	283200	ED AN							0%
AFUDC - CWIP Intangibles	283750	CD AA							0%
FMB & MTN Redeemed	283850	CD AA							0%
				50%	26%	11%	5%	9%	100%

Allocated Excess Plant Accumulated Deferred Federal Income Taxes - December 31, 2017 EOP									
			Per G/L	WA E	ID E	WA G	ID G	OR G	Allocated Total
Plant	282900	CD AA	320,850,109	160,263,688	81,887,939	34,662,678	15,741,873	28,293,932	320,850,110
Gross-Up for Taxes	190920		96,109,097	48,006,212	24,529,136	10,383,037	4,715,402	8,475,310	96,109,097
Regulatory Liability	254900		416,959,206	208,269,900	106,417,075	45,045,716	20,457,274	36,769,242	416,959,207

SVC2	JUR2	Utility	Allocation Factors								Allocated Amounts					
			ED	GDN	GDOR	WAE	IDE	WAG	IDG	ORG	WAE	IDE	WAG	IDG	ORG	Total
CD	AA	16,296,507	70.33%	20.45%	9.23%	68%	32%	71%	29%	100%	7,822,023	3,638,984	2,377,354	954,467	1,503,679	16,296,507
	AN	307,720	77.81%	22.19%		68%	32%	71%	29%	100%	163,409	76,022	48,726	19,563	-	307,720
CD Total		16,604,227									7,985,432	3,715,006	2,426,081	974,030	1,503,679	16,604,227
ED	AN	528,173	100%			68%	32%				360,473	167,700	-	-	-	528,173
	ID	887,676	100%				100%				-	887,676	-	-	-	887,676
	WA	(303,029)	100%			100%					(303,029)	-	-	-	-	(303,029)
ED Total		1,112,820									57,444	1,055,376	0	0	0	1,112,820
GD	AN	(164,500)		100%				71%	29%		-	-	(117,376)	(47,124)	-	(164,500)
	AS	(67,040)			100%					100%	-	-	-	-	(67,040)	(67,040)
	CA	0									-	-	-	-	-	-
	ID	(1,306,200)		100%					100%		-	-	-	(1,306,200)	-	(1,306,200)
	OR	(1,271,136)			100%					100%	-	-	-	-	(1,271,136)	(1,271,136)
	WA	(1,377,977)		100%				100%			-	-	(1,377,977)	-	-	(1,377,977)
GD Total		(4,186,853)									0	0	(1,495,353)	(1,353,324)	(1,338,176)	(4,186,853)
ZZ	ZZ	0														
ZZ Total		0									0	0	0	0	0	0
Grand Total		13,530,194									8,042,876	4,770,382	930,728	(379,295)	165,503	13,530,194

Gross-Up for Income Taxes

Revenue Requirement 10,452,081 6,199,327 1,209,523 (492,911) 215,078 17,583,098

Amortization:

Number of Months

5/1/2018-4/30/2019
5/1/2019-4/30/2020
5/1/2020-4/30/2021

Total

	WAE	IDE	WAG	IDG	ORG	Total
Total before Gross Up						
Amort Plan (Yrs)	8,042,876	4,770,382	930,728	(379,295)	165,503	13,530,194
Annual expense	8,042,876	4,770,382	930,728	(379,295)	165,503	13,530,194
2018-2019	8,042,876	4,770,382	930,728	(379,295)	165,503	13,530,194
Revenue Requirement (includes gross up)						
months	12	12	12	12	12	
2018-2019	10,452,081	6,199,327	1,209,523	(492,911)	215,078	17,583,098

SVC2	JUR2	APL	Plant	W/C	Utility	Allocation Factors								Allocated Amounts					
						ED	GD N	GD OR	WA E	ID E	WA G	ID G	OR G	WA E	ID E	WA G	ID G	OR G	Total
CD	AA		1,491,244	4,233,620	5,724,864	70.33%	20.45%	9.23%	68%	32%	71%	29%	100%	2,747,829	1,278,353	835,150	335,298	528,233	5,724,864
	AN			307,720	307,720	77.81%	22.19%		68%	32%	71%	29%	100%	163,409	76,022	48,726	19,563	-	307,720
CD Total		0	1,491,244	4,541,340	6,032,584									2,911,238	1,354,375	883,876	354,861	528,233	6,032,584
ED	AN		4,289,712	(1,352,455)	2,937,256	100%			68%	32%				2,004,648	932,608	-	-	-	2,937,256
	ID		(107,755)	-	(107,755)	100%				100%				-	(107,755)	-	-	-	(107,755)
	WA		110,814	-	110,814	100%			100%					110,814	-	-	-	-	110,814
ED Total		3,059	4,289,712	(1,352,455)	2,940,315									2,115,462	824,853	0	0	0	2,940,315
GD	AN			(7,000)	(7,000)		100%				71%	29%		-	-	(4,995)	(2,005)	-	(7,000)
	AS			(67,040)	(67,040)			100%					100%	-	-	-	-	(67,040)	(67,040)
	OR		-	64,940	64,940			100%					100%	-	-	-	-	64,940	64,940
	WA		928,030	-	928,030		100%				100%			-	-	928,030	-	-	928,030
GD Total		928,030	0	(9,100)	918,930									0	0	923,035	(2,005)	(2,100)	918,930
ZZ	ZZ			-	0														0
ZZ Total		0	0	0	0									0	0	0	0	0	0
Grand Total		931,088	5,780,955	3,179,785	9,891,829									5,026,700	2,179,228	1,806,911	352,856	526,133	9,891,829

2018		DFIT Expense			DFIT Expense - Impact (2018)			ADFIT Impact				
		Before Tax Law Change	After Tax Law Change	Change	Before Tax Law Change	After Tax Law Change	Change	Before Tax Law Change	After Tax Law Change	Change		
Normal DFIT on Tax vs Book Expense	Electric	7,400,426	4,440,255	(2,960,171)	Electric			Electric				
	Gas North	2,690,495	1,614,297	(1,076,198)	Gas North			Gas North				
	Gas South	2,132,491	1,279,495	(852,996)	Gas South			Gas South				
	CD.AA	3,246,620	1,947,972	(1,298,648)	CD.AA			CD.AA				
	CD.AN	54,011	32,406	(21,605)	CD.AN			CD.AN				
		<u>15,524,043</u>	<u>9,314,425</u>	<u>(6,209,618)</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Pre-2018 Flow-thru	Electric	1,230,317	862,457	(367,860)	Electric	1,230,317	862,457	(367,860)	Electric	(1,230,317)	862,457	367,860
	Gas North	500,705	350,996	(149,709)	Gas North	500,705	350,996	(149,709)	Gas North	(500,705)	(350,996)	149,709
	Gas South	1,723	1,208	(515)	Gas South	1,723	1,208	(515)	Gas South	(1,723)	(1,208)	515
	CD.AA	2,711	1,900	(811)	CD.AA	2,711	1,900	(811)	CD.AA	(2,711)	(1,900)	811
	CD.AN	-	-	-	CD.AN	-	-	-	CD.AN	-	-	-
		<u>1,735,456</u>	<u>1,216,562</u>	<u>(518,894)</u>		<u>1,735,456</u>	<u>1,216,562</u>	<u>(518,894)</u>		<u>(1,735,456)</u>	<u>(1,216,562)</u>	<u>518,894</u>
2018 Excess ADFIT	Electric	-	(4,661,785)	(4,661,785)	Electric	-	(4,661,785)	(4,661,785)	Electric	-	4,661,785	4,661,785
	Gas North	-	(705,169)	(705,169)	Gas North	-	(705,169)	(705,169)	Gas North	-	705,169	705,169
	Gas South	-	(246,077)	(246,077)	Gas South	-	(246,077)	(246,077)	Gas South	-	246,077	246,077
	CD.AA	-	(2,050,265)	(2,050,265)	CD.AA	-	(2,050,265)	(2,050,265)	CD.AA	-	2,050,265	2,050,265
	CD.AN	-	(442)	(442)	CD.AN	-	(442)	(442)	CD.AN	-	442	442
		<u>-</u>	<u>(7,663,739)</u>	<u>(7,663,739)</u>		<u>-</u>	<u>(7,663,739)</u>	<u>(7,663,739)</u>		<u>-</u>	<u>7,663,739</u>	<u>7,663,739</u>
Total	Electric	8,630,743	640,927	(7,989,816)	Electric	1,230,317	(3,799,328)	(5,029,645)	Electric	(1,230,317)	3,799,328	5,029,645
	Gas North	3,191,200	1,260,124	(1,931,076)	Gas North	500,705	(354,173)	(854,878)	Gas North	(500,705)	354,173	854,878
	Gas South	2,134,214	1,034,626	(1,099,588)	Gas South	1,723	(244,869)	(246,592)	Gas South	(1,723)	244,869	246,592
	CD.AA	3,249,331	(100,393)	(3,349,724)	CD.AA	2,711	(2,048,365)	(2,051,076)	CD.AA	(2,711)	2,048,365	2,051,076
	CD.AN	54,011	31,964	(22,047)	CD.AN	-	(442)	(442)	CD.AN	-	442	442
		<u>17,259,499</u>	<u>2,867,248</u>	<u>(14,392,251)</u>		<u>1,735,456</u>	<u>(6,447,177)</u>	<u>(8,182,633)</u>		<u>(1,735,456)</u>	<u>6,447,177</u>	<u>8,182,633</u>

2018		DFIT Expense			DFIT Expense - Impact (2018)			ADFIT Impact							
		Before Tax Law	After Tax Law	Change	Before Tax Law	After Tax Law	Change	Before Tax Law	After Tax Law	Change					
WA Electric	Electric	68.25%	5,890,396	437,426	(5,452,970)	Electric	68.25%	839,679	(2,593,003)	(3,432,682)	Electric	68.25%	(839,679)	2,593,003	3,432,682
	Gas North	0.00%	-	-	-	Gas North	0.00%	-	-	-	Gas North	0.00%	-	-	-
	Gas South	0.00%	-	-	-	Gas South	0.00%	-	-	-	Gas South	0.00%	-	-	-
	CD.AA	47.87%	1,555,339	(48,055)	(1,603,393)	CD.AA	47.87%	1,298	(980,479)	(981,777)	CD.AA	47.87%	(1,298)	980,479	981,777
	CD.AN	53.04%	28,647	16,954	(11,694)	CD.AN	53.04%	-	(234)	(234)	CD.AN	53.04%	-	234	234
			<u>7,474,382</u>	<u>406,325</u>	<u>(7,068,057)</u>			<u>840,977</u>	<u>(3,573,717)</u>	<u>(4,414,694)</u>			<u>(840,977)</u>	<u>3,573,717</u>	<u>4,414,694</u>
ID Electric	Electric	31.75%	2,740,347	203,501	(2,536,846)	Electric	31.75%	390,638	(1,206,325)	(1,596,963)	Electric	31.75%	(390,638)	1,206,325	1,596,963
	Gas North	0.00%	-	-	-	Gas North	0.00%	-	-	-	Gas North	0.00%	-	-	-
	Gas South	0.00%	-	-	-	Gas South	0.00%	-	-	-	Gas South	0.00%	-	-	-
	CD.AA	22.27%	723,579	(22,356)	(745,935)	CD.AA	22.27%	604	(456,141)	(456,745)	CD.AA	22.27%	(604)	456,141	456,745
	CD.AN	24.68%	13,327	7,887	(5,440)	CD.AN	24.68%	-	(109)	(109)	CD.AN	24.68%	-	109	109
			<u>3,477,254</u>	<u>189,032</u>	<u>(3,288,222)</u>			<u>391,242</u>	<u>(1,662,575)</u>	<u>(2,053,817)</u>			<u>(391,242)</u>	<u>1,662,575</u>	<u>2,053,817</u>
WA Gas	Electric	0.00%	-	-	-	Electric	0.00%	-	-	-	Electric	0.00%	-	-	-
	Gas North	71.35%	2,277,017	899,136	(1,377,881)	Gas North	71.35%	357,268	(252,713)	(609,981)	Gas North	71.35%	(357,268)	252,713	609,981
	Gas South	0.00%	-	-	-	Gas South	0.00%	-	-	-	Gas South	0.00%	-	-	-
	CD.AA	14.66%	476,428	(14,720)	(491,148)	CD.AA	14.66%	397	(300,338)	(300,735)	CD.AA	14.66%	(397)	300,338	300,735
	CD.AN	15.90%	8,588	5,083	(3,506)	CD.AN	15.90%	-	(70)	(70)	CD.AN	15.90%	-	70	70
			<u>2,762,033</u>	<u>889,499</u>	<u>(1,872,534)</u>			<u>357,666</u>	<u>(553,121)</u>	<u>(910,787)</u>			<u>(357,666)</u>	<u>553,121</u>	<u>910,787</u>
ID Gas	Electric	0.00%	-	-	-	Electric	0.00%	-	-	-	Electric	0.00%	-	-	-
	Gas North	28.65%	914,183	360,988	(553,195)	Gas North	28.65%	143,437	(101,460)	(244,897)	Gas North	28.65%	(143,437)	101,460	244,897
	Gas South	0.00%	-	-	-	Gas South	0.00%	-	-	-	Gas South	0.00%	-	-	-
	CD.AA	5.89%	191,277	(5,910)	(197,187)	CD.AA	5.89%	160	(120,581)	(120,740)	CD.AA	5.89%	(160)	120,581	120,740
	CD.AN	6.38%	3,448	2,041	(1,407)	CD.AN	6.38%	-	(28)	(28)	CD.AN	6.38%	-	28	28
			<u>1,108,909</u>	<u>357,118</u>	<u>(751,790)</u>			<u>143,597</u>	<u>(222,069)</u>	<u>(365,665)</u>			<u>(143,597)</u>	<u>222,069</u>	<u>365,665</u>
Oregon Gas	Electric	0.00%	-	-	-	Electric	0.00%	-	-	-	Electric	0.00%	-	-	-
	Gas North	0.00%	-	-	-	Gas North	0.00%	-	-	-	Gas North	0.00%	-	-	-
	Gas South	100.00%	2,134,214	1,034,626	(1,099,588)	Gas South	100.00%	1,723	(244,869)	(246,592)	Gas South	100.00%	(1,723)	244,869	246,592
	CD.AA	9.32%	302,708	(9,353)	(312,060)	CD.AA	9.32%	253	(190,826)	(191,078)	CD.AA	9.32%	(253)	190,826	191,078
	CD.AN	0.00%	-	-	-	CD.AN	0.00%	-	-	-	CD.AN	0.00%	-	-	-
			<u>2,436,922</u>	<u>1,025,273</u>	<u>(1,411,648)</u>			<u>1,976</u>	<u>(435,695)</u>	<u>(437,670)</u>			<u>(1,976)</u>	<u>435,695</u>	<u>437,670</u>
Total	Electric		8,630,743	640,927	(7,989,816)	Electric		1,230,317	(3,799,328)	(5,029,645)	Electric		(1,230,317)	3,799,328	5,029,645
	Gas North		3,191,200	1,260,124	(1,931,076)	Gas North		500,705	(354,173)	(854,878)	Gas North		(500,705)	354,173	854,878
	Gas South		2,134,214	1,034,626	(1,099,588)	Gas South		1,723	(244,869)	(246,592)	Gas South		(1,723)	244,869	246,592
	CD.AA		3,249,331	(100,393)	(3,349,724)	CD.AA		2,711	(2,048,365)	(2,051,076)	CD.AA		(2,711)	2,048,365	2,051,076
	CD.AN		54,011	31,964	(22,047)	CD.AN		-	(442)	(442)	CD.AN		-	442	442
			<u>17,259,499</u>	<u>2,867,248</u>	<u>(14,392,251)</u>			<u>1,735,456</u>	<u>(6,447,177)</u>	<u>(8,182,633)</u>			<u>(1,735,456)</u>	<u>6,447,177</u>	<u>8,182,633</u>