

Avista Corp.  
1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-0500  
Telephone 509-489-0500  
Toll Free 800-727-9170



March 3, 2008

Oregon Public Utility Commission  
Attn: Vikie Bailey-Goggins  
Administrative Regulatory Operations  
550 Capitol St. N.E. Suite 215  
Salem, OR 97308-2551

RE: UG171 – Stipulation and Joint Testimony

Avista Corporation d/b/a/ Avista Utilities, hereby submits for filing an original and five copies of the Stipulation and accompanying Joint Testimony.

Sincerely,

A handwritten signature in black ink, appearing to read "DM", with a horizontal line extending to the right.

David Meyer  
Vice President and Chief Counsel  
Avista Corporation  
509-495-4316  
David.Meyer@avistacorp.com

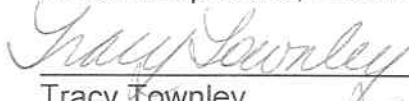
Enclosures  
cc: Service List

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served the Stipulation and accompanying Joint Testimony in Docket UG 171, by electronic mail, and by mailing a copy thereof where paper service has not been waived, to the following:

<b>W</b>	<b>CABLE HUSTON BENEDICT HAAGENSEN &amp; LLOYD LLP</b>	
	EDWARD A FINKLEA (C)	1001 SW 5TH - STE 2000 PORTLAND OR 97204 efinklea@cablehuston.com
	CHAD M STOKES (C)	1001 SW 5TH - STE 2000 PORTLAND OR 97204 cstokes@cablehuston.com
<b>W</b>	<b>CITIZENS' UTILITY BOARD OF OREGON</b>	
	LOWREY BROWN (C) (HC) UTILITY ANALYST	610 SW BROADWAY - STE 308 PORTLAND OR 97205 lowrey@oregoncub.org
	JASON EISDORFER (C) (HC) ENERGY PROGRAM DIRECTOR	610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org
	ROBERT JENKS (C)	610 SW BROADWAY STE 308 PORTLAND OR 97205 bob@oregoncub.org
	<b>DANIEL W MEEK ATTORNEY AT LAW</b>	
	DANIEL W MEEK (C) ATTORNEY AT LAW	10949 SW 4TH AVE PORTLAND OR 97219 dan@meeek.net
	<b>DEPARTMENT OF JUSTICE</b>	
	JASON W JONES (C) (HC) ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us
	<b>KAFOURY &amp; MCDUGAL</b>	
	LINDA K WILLIAMS (C) ATTORNEY AT LAW	10266 SW LANCASTER RD PORTLAND OR 97219-6305 linda@lindawilliams.net
<b>W</b>	<b>NORTHWEST INDUSTRIAL GAS USERS</b>	
	PAULA E PYRON EXECUTIVE DIRECTOR	4113 WOLF BERRY CT LAKE OSWEGO OR 97035-1827 ppyron@nwigu.org

Dated at Spokane, Washington this 3rd day of March 2008.

  
\_\_\_\_\_  
Tracy Townley  
Executive Assistant

1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 UG 171

4 In the Matter of

5 Avista Corporation, dba AVISTA  
6 UTILITIES

STIPULATION

7 Filing of tariffs establishing automatic  
8 Adjustment clauses under the terms of SB 408

9  
10 This Stipulation is entered into for the purpose of resolving all issues within this docket.  
11 Specifically, this Stipulation concludes that Avista will refund \$1.5 million, which includes  
12 interest through the refund period of June 1, 2008 through May 31, 2009, as a result of Avista  
13 Corporation's Tax Report in this docket.

14 **PARTIES**

15 The parties to this Stipulation are Avista Corporation (Avista), the Citizens' Utility Board  
16 (CUB), the Northwest Industrial Gas Users (NWIUGU), and the Public Utility Commission of  
17 Oregon Staff (Staff) (collectively, the "Parties").

18 **1. INTRODUCTION**

19 Pursuant to ORS 757.268 and OAR 860-022-0041, on October 15, 2007, Avista filed its  
20 tax report establishing an automatic adjustment clause under the terms of SB 408 (Tax Report).  
21 As filed, Avista's Tax Report would have resulted in refund to customers of \$1.1 million. On  
22 November 7, 2007, Administrative Law Judge Michael Grant entered a procedural schedule for  
23 the docket. Pursuant to the procedural schedule, on December 20, 2007, Staff filed its initial  
24 findings with respect to the Tax Report. On January 9, 2008, the Parties held a settlement  
25 conference. On January 18, 2008, Avista filed a claimed violation of ORS 756.040 pursuant to  
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1 OAR 860-022-0041(10). On January 25, 2008, Staff filed direct testimony. The Parties held  
2 additional settlement discussions on February 4, 2008.

3 As a complete settlement of issues in this proceeding, the Parties have agreed to the terms  
4 of this Stipulation and to submit the Stipulation to the Commission. The Parties request that the  
5 Commission issue an order approving the Stipulation and implementing its terms.

## 6 **II. SPECIFIC TERMS**

7 A. The Parties agree and acknowledge that a refund amount to customers of \$1.5 million,  
8 which includes interest through the refund period of June 1, 2008 through May 31, 2009, is  
9 consistent with ORS 757.268, ORS 756.040, and OAR 860-022-0041.

10 B. The Parties agree that the refund to customers in the amount of \$1.5 million resolves  
11 all issues related to Avista's Tax Report and its claimed violation of ORS 756.040.

## 12 **III. GENERAL TERMS**

13 A. The Parties agree that this Stipulation represents a compromise in the positions of the  
14 Parties. As such, conduct, statements and documents disclosed in the negotiation of the  
15 Stipulation shall not be admissible as evidence in this or any other proceeding.

16 B. This Stipulation will be offered into the record of this proceeding as evidence  
17 pursuant to OAR 860-14-0085. The Parties agree to support this Stipulation throughout this  
18 proceeding and any appeal, provide witnesses, if necessary, to sponsor this Stipulation at the  
19 hearing and recommend that the Commission issue an order adopting settlements contained  
20 herein.

21 C. The Parties have negotiated this Stipulation as an integrated document. If the  
22 Commission rejects all or any material portion of this Stipulation, or imposes additional material  
23 conditions in approving this Stipulation, any party disadvantaged by such action shall have the  
24 rights provided in OAR 860-14-0085 and shall be entitled to seek reconsideration or appeal of  
25 the Commission's Order.

26

1 D. By entering into this Stipulation, no party shall be deemed to have approved,  
2 admitted, or consented to the facts, principles, methods, or theories employed by any other party  
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7 E. The Stipulation may be executed in counterparts and each signed counterpart shall  
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9 This Stipulation is entered into by each party on the date entered below such party's  
10 signature.

11	AVISTA CORPORATION	NORTHWEST INDUSTRIAL GAS USERS
12	Dated: <u>3/3/08</u>	Dated: _____
13	By: <u>David J. Meyer</u>	By: _____
14	Print name	Print name
15	Signed: <u>[Signature]</u>	Signed: _____
16		

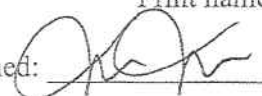
17	PUBLIC UTILITY COMMISSION STAFF	CITIZENS' UTILITY BOARD
18	Dated: _____	Dated: _____
19	By: _____	By: _____
20	Print name	
21	Signed: _____	Signed: _____
22		
23		
24		
25		
26		

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13	By: _____	By: _____
14	Print name	Print name
15	Signed: _____	Signed: _____
16		

17	PUBLIC UTILITY COMMISSION STAFF	CITIZENS' UTILITY BOARD
18	Dated: <u>2/27/08</u>	Dated: _____
19	By: <u>Jason Jones</u>	By: _____
20	Print name	
21	Signed: 	Signed: _____
22		
23		
24		
25		
26		

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11 AVISTA CORPORATION

NORTHWEST INDUSTRIAL GAS USERS

12 Dated: \_\_\_\_\_

Dated: February 27, 2008

13 By: \_\_\_\_\_  
14 Print name

By: Paula E. Pyron  
Print name

15 Signed: \_\_\_\_\_

Signed: Paula E. Pyron

17 PUBLIC UTILITY COMMISSION STAFF

CITIZENS' UTILITY BOARD

18 Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

19 By: \_\_\_\_\_  
20 Print name

By: \_\_\_\_\_

21 Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

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Dated: \_\_\_\_\_

13 By: \_\_\_\_\_  
14 Print name

By: \_\_\_\_\_  
Print name

15 Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

17 PUBLIC UTILITY COMMISSION STAFF

CITIZENS' UTILITY BOARD

18 Dated: \_\_\_\_\_

Dated: 2-29-08

19 By: \_\_\_\_\_  
20 Print name

By: *Paul J. ...*

21 Signed: \_\_\_\_\_

Signed: \_\_\_\_\_



**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**UG 171**

**STAFF/AVISTA/NWIGU/CUB EXHIBIT 200**

**Joint Testimony in Support of Stipulation  
In the Matter of Avista's  
SB 408 2006 Tax Report**

**February 25, 2008**

1     **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**  
2     **ADDRESS.**

3     A.         My name is Carla Owings. I am a Senior Revenue Requirements  
4     Analyst employed by the Public Utility Commission of Oregon. My business  
5     address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551. I  
6     am a graduate of Trend College of Business with a Professional Accounting  
7     Degree. I have been employed by the Public Utility Commission of Oregon  
8     since April of 2001. My current responsibilities include leading research and  
9     providing technical support on a wide range of policy issues for electric,  
10    telecommunications, and gas utilities. From September 1994 to April 2001, I  
11    worked for the Oregon Department of Revenue as a Senior Industrial/Utility  
12    Appraiser. I was responsible for the valuation of large industrial properties as  
13    well as companies throughout the State of Oregon.

14             My name is Dustin Ball. I am a Senior Financial Analyst employed by  
15    the Public Utility Commission of Oregon. My business address is 550  
16    Capitol Street NE Suite 215, Salem, Oregon 97301-2551. I am a graduate  
17    of Western Oregon University with a Bachelor of Science in Business,  
18    focusing in Accounting. I have been employed with the Oregon Public Utility  
19    Commission since August 2007. Prior to that, I was employed by the  
20    Oregon Real Estate Agency as a Financial Investigator in the Regulations  
21    Division from January 2006 to August 2007, and by the Oregon Department  
22    of Revenue as an Income Tax Auditor, in the Personal Tax and Compliance

1 Section from January 2004 to January 2006. I am also a licensed Tax  
2 Consultant in the State of Oregon.

3 My name is Kelly O. Norwood. I am the Vice President for State and  
4 Federal Regulation employed by Avista Corporation. My business address  
5 is 1411 E. Mission Avenue, Spokane, WA 99025. I am a graduate of Eastern  
6 Washington University with a Bachelor of Arts Degree in Business  
7 Administration, majoring in Accounting. I joined the Company in June of  
8 1981. Over the past 26 years, I have spent approximately 15 years in the  
9 Rates Department with involvement in cost of service, rate design, revenue  
10 requirements and other aspects of ratemaking. I spent approximately 11  
11 years in the Energy Resources Department (power supply and natural gas  
12 supply) in a variety of roles, with involvement in resource planning, system  
13 operations, resource analysis, negotiation of power contracts, and risk  
14 management. I was appointed Vice-President of State & Federal Regulation  
15 in March 2002.

16 My name is Paula E. Pyron. I am an experienced energy law attorney  
17 serving the last seven years as the Executive Director of the Northwest  
18 Industrial Gas Users (“NWIGU”). In addition to my 25 years of energy law  
19 experience, I have a Bachelor of Science in Economics from the University of  
20 Texas at Dallas. My business address is 4113 Wolf Berry Court, Lake  
21 Oswego, OR 97035. NWIGU is a non-profit trade association of 33 industrial-  
22 sized natural gas end users who have facilities in the states of Oregon,  
23 Washington and Idaho. NWIGU provides information to its members on

1 natural gas issues that impact their facilities and represents its members'  
2 interests in proceedings before the Federal Energy Regulatory Commission  
3 and the Pacific Northwest state utility commissions, including the PUC of  
4 Oregon. As Executive Director, my responsibilities include the review of all  
5 filings made by LDCs in Oregon as well as the representation of the industrial  
6 customers' issues in connection with this Docket.

7 My name is Bob Jenks. I am the Executive Director of the Citizens'  
8 Utility Board ("CUB"). My business address is 610 SW Broadway, Suite 308,  
9 Portland, OR 97205. I am a graduate of Willamette University with a  
10 Bachelor of Science Degree in Economics. I have provided testimony and  
11 comments in a variety of PUC dockets. Between 1982 and 1991, I worked for  
12 the Oregon State Public Interest Research Group, the Massachusetts Public  
13 Interest Group and the Fund for Public Interest Research on a variety of  
14 public policy issues. As Executive Director, my responsibilities include the  
15 review of all filings in Oregon and to represent the customers' concerns that  
16 have arisen from this Docket.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. Staff, Avista, NWIGU and CUB provide this testimony in support of the Joint  
19 Stipulation filed in Docket No. UG 171, regarding Avista's tax filing as it  
20 relates to Senate Bill 408 ("SB 408"), codified in ORS 757.267, 757.268 and  
21 OAR 860-022-0041. Pursuant to ORS 757.268 and OAR 860-022-0041, on  
22 October 15, 2007, Avista filed its tax report establishing an automatic  
23 adjustment clause under the terms of SB 408. On November 7, 2007,

1 Administrative Law Judge Michael Grant entered a procedural schedule for  
2 the docket. Pursuant to the procedural schedule, on December 20, 2007,  
3 Staff filed its initial findings with respect to the Tax Report. On January 9,  
4 2008, the parties held a settlement conference. On January 18, 2007, Avista  
5 filed a claimed violation of ORS 756.040 pursuant to OAR 860-022-0041(10).  
6 On January 25, 2008, Staff filed direct testimony. The Parties held additional  
7 settlement discussions on February 4, 2008.

8 The Parties have agreed to the terms of the Stipulation and submit the  
9 Stipulation, along with this Joint Testimony in support of the Stipulation, to the  
10 Commission. The Parties request that the Commission issue an order  
11 approving the Stipulation and implementing its terms. A copy of the  
12 Stipulation is included in Exhibit 201.

13 **Q. AS DESCRIBED IN STAFF'S INITIAL TESTIMONY, WAS THERE AN**  
14 **UNRESOLVED ISSUE REGARDING THE APPLICATION OF OREGON**  
15 **BUSINESS ENERGY TAX CREDITS (BETC'S)?**

16 A. Yes. Staff testified that Avista should calculate its tax liability by applying the  
17 Oregon BETC's to arrive at the state stand-alone tax liability. Because Avista  
18 did not do so, an add back of such credits in the Staff Template would be  
19 inappropriate. Staff believes that such an add-back violates OAR 860-022-  
20 0041(4)(d)(D).

21 **Q. DOES AVISTA AGREE WITH STAFF'S POSITION ON BETC'S?**

1 A. No. Avista argues, among other reasons, that its tax report complies with the  
2 rules because Avista followed the Staff Template by adding tax credits back  
3 under all three tax calculation methods.

4 **Q. WHAT WOULD BE THE IMPACT IF AVISTA MADE THE BETC**  
5 **CALCULATION CONSISTENT WITH STAFF'S TESTIMONY?**

6 A. Avista's Tax Report results in a \$1.1 million refund to customers (excluding  
7 interest). Calculating the BETC's under Staff's proposal would increase  
8 Avista's refund to customers by approximately \$500,000, or a refund of  
9 approximately \$1.6 million.

10 **Q. HAS AVISTA RAISED ANY OTHER ISSUES WITHIN THIS DOCKET?**

11 A. Yes. Avista has filed a claim, pursuant to OAR 860-022-0041(10), that any  
12 refund under SB 408 would violate ORS 756.040. Specifically, Avista claims  
13 that its actual 2006 return on equity, if it were to make a refund based upon its  
14 Tax Report, would be 4.75 percent. In addition, Avista claims that if it were to  
15 make the Staff adjustment related to BETCs, its actual 2006 return on equity  
16 would be 3.59 percent.

17 **Q. DOES STAFF AGREE WITH THE CALCULATION FOR THE EFFECTIVE**  
18 **RETURN ON EQUITY FOR 2006?**

19 A. No. Staff would perform the calculation of the effective return on equity  
20 differently. Staff believes that certain adjustments are necessary to Avista's  
21 return on equity calculation (i.e., removal of an SB 408 accrual, and the  
22 correction of an uncollectible expense misallocation). Making these

1 adjustments would increase Avista's effective return on equity to  
2 approximately 7.5%.

3 **Q. DO STAFF AND AVISTA AGREE THAT THE STIPULATION IS**  
4 **REASONABLE?**

5 A. Yes. While Staff and Avista do not agree on treatment of the BETC's in the  
6 stand-alone calculation or whether the SB 408 refund will result in a violation  
7 of ORS 756.040, they do agree that a refund to customers in the amount of  
8 \$1.5 million (including interest through the refund period of June 1, 2008  
9 through May 31, 2009) is a reasonable resolution of all contested issues in  
10 this docket. Staff and the company further agree that proper treatment of  
11 BETCs in the stand-alone calculation should be addressed and clarified in a  
12 subsequent rulemaking.

13 **Q. DO YOU HAVE ANYTHING FURTHER ON THESE ISSUES OR ANY**  
14 **OTHER ISSUES?**

15 A. No.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A. Yes.

BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON

EXHIBIT 201 –STIPULATION

---

**In Support of  
Filing of Tariffs Establishing  
Automatic Adjustment  
Clauses Under the Terms of SB 408**



1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 UG 171

4 In the Matter of

5 Avista Corporation, dba AVISTA  
6 UTILITIES

7 Filing of tariffs establishing automatic  
8 Adjustment clauses under the terms of SB 408

STIPULATION

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10 This Stipulation is entered into for the purpose of resolving all issues within this docket.  
11 Specifically, this Stipulation concludes that Avista will refund \$1.5 million, which includes  
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16 (CUB), the Northwest Industrial Gas Users (NWIGU), and the Public Utility Commission of  
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18 **1. INTRODUCTION**

19 Pursuant to ORS 757.268 and OAR 860-022-0041, on October 15, 2007, Avista filed its  
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7 A. The Parties agree and acknowledge that a refund amount to customers of \$1.5 million,  
8 which includes interest through the refund period of June 1, 2008 through May 31, 2009, is  
9 consistent with ORS 757.268, ORS 756.040, and OAR 860-022-0041.

10 B. The Parties agree that the refund to customers in the amount of \$1.5 million resolves  
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11 AVISTA CORPORATION

NORTHWEST INDUSTRIAL GAS USERS

12 Dated: 3/3/08

Dated: \_\_\_\_\_

13 By: David J. Meyer  
14 Print name

By: \_\_\_\_\_  
Print name

15 Signed: [Signature]

Signed: \_\_\_\_\_

17 PUBLIC UTILITY COMMISSION STAFF

CITIZENS' UTILITY BOARD

18 Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

19 By: \_\_\_\_\_  
20 Print name

By: \_\_\_\_\_

21 Signed: \_\_\_\_\_

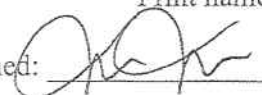
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13	By: _____	By: _____
14	Print name	Print name
15	Signed: _____	Signed: _____

17	PUBLIC UTILITY COMMISSION STAFF	CITIZENS' UTILITY BOARD
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19	By: <u>Jason Jones</u>	By: _____
20	Print name	
21	Signed: 	Signed: _____

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NORTHWEST INDUSTRIAL GAS USERS

12 Dated: \_\_\_\_\_

Dated: February 27, 2008

13 By: \_\_\_\_\_  
14 Print name

By: Paula E. Pyron  
Print name

15 Signed: \_\_\_\_\_

Signed: Paula E. Pyron

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CITIZENS' UTILITY BOARD

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Dated: \_\_\_\_\_

19 By: \_\_\_\_\_  
20 Print name

By: \_\_\_\_\_

21 Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

1 D. By entering into this Stipulation, no party shall be deemed to have approved,  
 2 admitted, or consented to the facts, principles, methods, or theories employed by any other party  
 3 in arriving at the terms of this Stipulation including those set forth in the written testimony  
 4 submitted in support of this Stipulation, other than those specifically identified in the body of this  
 5 Stipulation. No party shall be deemed to have agreed that any provision of this Stipulation is  
 6 appropriate for resolving issues in any other proceeding.

7 E. The Stipulation may be executed in counterparts and each signed counterpart shall  
 8 constitute an original document.

9 This Stipulation is entered into by each party on the date entered below such party's  
 10 signature.

11 AVISTA CORPORATION

NORTHWEST INDUSTRIAL GAS USERS

12 Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

13 By: \_\_\_\_\_  
14 Print name

By: \_\_\_\_\_  
Print name

15 Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

17 PUBLIC UTILITY COMMISSION STAFF

CITIZENS' UTILITY BOARD

18 Dated: \_\_\_\_\_

Dated: 2-29-08

19 By: \_\_\_\_\_  
20 Print name

By: Paul J. [Signature]

21 Signed: \_\_\_\_\_

Signed: \_\_\_\_\_