

1 **BEFORE THE PUBLIC UTILITY COMMISSION**

2 **OF OREGON**

3 UG 201

4 In the Matter of)
5 AVISTA CORPORATION, dba AVISTA)
6 UTILITIES)
7)
8 Request for a General Rate Revision.)

STIPULATION RESOLVING ALL
ISSUES

9
10 This Stipulation is entered into for the purpose of resolving all issues in this Docket. As
11 such, this Stipulation resolves all revenue requirement issues, including cost of capital issues, as
12 well as rate spread and rate design.

13 **PARTIES**

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

17 **BACKGROUND**

18 1. On September 30, 2010, Avista filed revised tariff schedules to effect a general rate
19 increase for Oregon retail customers of approximately \$5,446,000, or 5.6 percent of its annual
20 revenues. The filing was suspended by the Commission on October 20, 2010.

21 2. Avista filed supplemental direct testimony on December 3, 2010, in order to update
22 the accounting and financial data which the Company asserted would justify a greater increase in
23 revenue requirement of \$6.429 million; the Company, however, did not alter its original request
24 for \$5.446 million of rate relief.

3. On December 22, 2010, Staff served on all of the Parties its report of issues and proposed adjustments to Avista's revenue requirement filing. Staff's report was provided for settlement purposes only.

4. Pursuant to Administrative Law Judge Patrick Power's Prehearing Conference Report of October 26, 2010, settlement conferences were held on January 18-19, 2011.

5. As a result of the settlement discussions, the Parties have agreed to settle all issues in this docket, including the revenue requirement and rate spread/design issues on the following terms, subject to the approval of the Commission.¹

AGREEMENT

6. **Revenue Requirement:** The Parties support reducing Avista's requested revenue requirement to reflect the adjustments discussed below. The adjustments amount to a reduction in Avista's revenue requirement request from \$5.446 million to \$2.975 million to be implemented in two phases: \$2.004 million of the agreed-upon increase will be implemented on March 15, 2011, and \$971,000 of the overall increase will be implemented on June 1, 2011.

The Parties have also agreed to deferred accounting treatment for two capital additions (Medford IMP Pipe Replacement and the Roseburg Reinforcement) which are expected to be in service on or about November 1, 2011, and subsequent recovery of such costs in rates, after the Company provides a certification of completion and supporting documentation as discussed below. Any additional rate increase will occur on June 1, 2012 for recovery of revenue requirement and deferred revenue requirement costs associated with these projects that are found to have been prudently incurred.

¹ The Parties further agree that Avista need not continue to respond to any data requests that were outstanding as of January 19, 2011.

1 This Stipulation represents the settlement of all revenue requirement issues in the
2 Company's filing. The Parties support reducing Avista's revenue requirement request through
3 the adjustments listed in Table 1 below (See Attachment A for further detail on the adjustments):
4

Table 1:

SUMMARY TABLE OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE (\$000s of Dollars)		
	Revenue Requirement	Rate Base
Amount as filed:	\$6,429	\$148,421
Adjustments:		
a Rate of Return Adjusts return on equity to 10.1%, long-term debt cost to 5.90%, with a common stock equity component of 50%.	(1,554)	-
b 2011 Major Plant Additions This adjustment removes 2 major plant additions (Roseburg Reinforcement/IMP Pipe Replacement) from rate base that will be deferred for later recovery when placed in service in November of 2011 (See Section 7 of settlement).	(161)	(702)
c Wages & Salaries This adjustment removes the earnings test adjustment for wages and salaries included in the Company's original request.	36	19
d Pro Forma Wages & Salaries Adjustment This makes adjustments to pro forma wages and salaries related to overtime; full time employee equivalents (FTE); associated payroll taxes; and applicable depreciation expense related to the reduction to rate base.	(131)	(65)
e Forecast Expense Adjustment This adjustment reduces forecasted expenses based on a lower inflation factor applied to 2010 and 2011 expenses.	(36)	-
f Working Capital This adjustment removes the Company's proposed working capital adjustment.	(877)	(7,486)
g A & G Adjustment This adjustment revises the Company's expected Administrative and General expenses.	(525)	-
h SIT/FIT Adjustment This adjustment is a flow through adjustment for the federal and state tax impact of rate base adjustments.	132	-
i Customer Deposits This adjustment reduces rate base for customer deposits and includes associated interest expense.	(91)	(888)
j Bonus Depreciation This adjustment increases Accumulated Deferred Federal Income Taxes (ADFIT) for the effect of bonus depreciation.	(245)	(2,100)
k Miscellaneous Expenses This adjustment removes severance and employee relocation expenses.	(2)	-
Total Adjustments:	(\$3,454)	(\$11,222)
Adjusted Revenue Requirement Change (Base Rates) and Rate Base:	\$2,975	\$137,199
Revenue Increase Implemented March 15, 2011	\$2,004	
Revenue Increase Implemented June 1, 2011	\$971	

1 a. Rate of Return – This adjustment reduces Avista’s requested cost of capital to an
2 overall cost of capital equal to 8.00% based on the following components: a capital structure
3 consisting of 50% common stock equity and 50% long-term debt, return on equity of 10.10%,
4 and a long-term debt cost of 5.90%. This combination of capital structure and capital costs is
5 shown in the schedule below:

Agreed-upon Cost of Capital	Percent of Total		
	<u>Capital</u>	<u>Cost</u>	<u>Component</u>
Long-term Debt	50.0%	5.90%	2.95%
Common Equity	50.0%	10.10%	5.05%
Total	100.0%		8.00%

11 b. 2011 Major Plant Additions – This adjustment removes the pro forma capital
12 additions for the Roseburg Reinforcement and IMP Replacement projects. These projects will be
13 completed by November 2011, at which time they will move into service. The revenue
14 requirement associated with the amortization of these projects, and Avista’s Oregon jurisdiction
15 approved rate of return applied to the actual balance of the additional plant, will be deferred for
16 future recovery, until recovered in base rates (as discussed in Section 7, below).

17 c. Wages and Salaries Adjustment – This adjustment removes the earnings test
18 adjustment for wages and salaries included in the Company’s original request.

19 d. Pro Forma Wages and Salaries Adjustment – This adjustment revises pro forma
20 wages and salaries relating to overtime; full time employee equivalents (FTE); associated payroll
21 taxes; and applicable depreciation expense related to the reduction to rate base.

22 e. Forecast Expense Adjustment – This adjustment reduces expenses based on a lower
23 inflation factor applied to 2010 and 2011 expenses.

1 f. Working Capital Adjustment – This adjustment removes the Company's proposed
2 working capital adjustment.

3 g. Administrative and General Expenses - This adjustment revises the Company's
4 expected administrative and general expenses.

5 h. FIT/SIT Adjustment – This adjustment is a flow through adjustment for the federal
6 and state tax impact of the cost of debt component of rate of return.

7 i. Customer Deposits – This adjustment reduces rate base for customer deposits and
8 includes associated interest expense.

9 j. Bonus Depreciation – This adjustment increases Accumulated Deferred Federal
10 Income Taxes (ADFIT) for the effect of bonus depreciation.

11 k. Miscellaneous Expenses – This adjustment removes severance and employee
12 relocation expenses.

13 7. Deferred Recovery of Costs Associated with Capital Projects, To Be Placed
14 In-Service in November of 2011.

15 A rate increase will occur on June 1, 2012, to recover the revenue requirement, and deferred
16 revenue requirement associated with the Roseburg Reinforcement Project and the Medford
17 Integrity Management Pipe Replacement Project, which are described below:

18 (a.) The Roseburg Reinforcement Project, Phase II of a two phase project, improves
19 the delivery pressure and capacity of natural gas supplies into central and east Roseburg by
20 extending a high pressure natural gas supply. This phase of the project will install a new high
21 pressure (HP) distribution source by replacing the existing capacity constrained pipe and
22 installation of a new regulator station. Specifically, Phase II will replace the existing capacity

1 constrained source between the Jackie Street Gate station in Winston, Oregon and the south
2 Roseburg city limits. Phase II is scheduled to be completed by the end of October 2011.

3 (b.) The Medford Integrity Management Pipe Replacement Project is being completed
4 in response to the integrity management regulation as detailed in 49 CFR 192, Subpart O –
5 Pipeline Integrity Management. The regulation requires pipeline operators to evaluate covered
6 segments and mitigate risk to the public by assessing the integrity of pipeline segments by direct
7 assessment or lowering the operating stress of the pipeline which will reduce the consequences
8 of an unforeseen event. This capital project addresses the replacement of six pipe sections that
9 were identified as High Consequence Areas and require mitigation within the integrity
10 management program. The project is scheduled to be completed by the end of October 2011.

11 (c.) Compliance Filing and Rate Implementation. The Parties have agreed that the
12 Company will submit a compliance filing on or before March 1, 2012, including a “certificate of
13 completion” for these projects, attesting to when the projects were placed “in service” and are
14 “used and useful” for providing service, as well as final and complete RFPs, bid sheets, and bid
15 comparison work papers for the Roseburg Reinforcement Project Phase II. Base rates will be
16 adjusted on June 1, 2012 for the revenue requirement associated with the actual, and to the extent
17 prudent, capital additions associated with the projects. The revenue requirement will be deferred
18 for the period November 1, 2011 through May 31, 2012, and a temporary rate adjustment will be
19 put in place to recover the deferred revenue requirement, including carrying costs during the
20 deferral period and the recovery period, also effective on June 1, 2012. The temporary rate
21 adjustment will be in place for the twelve-month period June 1, 2012 through May 31, 2013.
22 Attachment B shows an example of how the revenue requirement will be calculated for the

1 projects, as well as how the deferred revenue requirement and carrying cost during the deferral
2 period will be determined.

3 8. **Rate Spread:** The Parties agree that new rates would be spread so that
4 Residential Service Schedule 410 and General Service Schedule 420 would receive an equal
5 percentage of revenue increase. Further, the Parties agreed that Transportation Schedule 456
6 would receive a pro-rata allocation of the Company's natural gas rate spread percentage from its
7 original filing for purposes of spreading the revised revenue requirement. The remaining
8 revenue requirement would be spread to the other service schedules in a manner such that each
9 schedule receives at least a 0.5% increase when looking at the combined March 15, 2011 and
10 June 1, 2011 rate implementation schedules.

11 The Parties support the spread of the March 15, 2011 overall revenue increase of \$2.004
12 million, or 2.01%, to the Company's service schedules as follows:

13	Residential Service Sch. 410	2.16%
14	General Service Sch. 420	2.16%
15	Large General Service Sch. 424	0.38%
16	Interruptible Service Sch. 440	0.38%
17	Seasonal Service Sch. 444	1.37%
18	Transportation Service Sch. 456	0.80%

19 The Parties support the spread of the June 1, 2011 overall revenue increase of \$0.971
20 million, or 0.98%, to the Company's service schedules as follows:

21	Residential Service Sch. 410	1.04%
22	General Service Sch. 420	1.04%
23	Large General Service Sch. 424	0.19%

1	Interruptible Service Sch. 440	0.19%
2	Seasonal Service Sch. 444	0.66%
3	Transportation Service Sch. 456	0.38%

4 Finally, as it relates to the rate spread for the implementation of rates on June 1, 2012, the
5 Parties agreed to a pro-rata allocation of the Company's natural gas rate spread percentage from
6 the March 15, 2011 rate increase for purposes of spreading the additional revenue requirement.
7 The calculation of the revenue increase by service schedule is shown on Page 1 of Attachment C.

8 9. **Rate Design:** For the rates that will go into effect on March 15, 2011, the Parties
9 support rate design changes as follows: the monthly customer charges under Residential Service
10 Schedule 410 and General Service Schedule 420 will be increased by \$0.50, from \$6.50 to \$7.00
11 for Schedule 410, and from \$8.50 to \$9.00 for Schedule 420. The monthly customer charge for
12 Large General Service Schedule 424 will be increased by \$2.00, from \$48.00 to \$50.00 per
13 month. The usage (therm) charge within each of the sales service schedules will be increased by
14 the appropriate amount to result in the total revenue increase for each schedule. For
15 Transportation Service Schedule 456, the monthly customer charge will be increased by \$25.00
16 per month, from \$250.00 to \$275.00. The remaining revenue increase within the Schedule is
17 reflected through a uniform percentage increase applied to the block (usage) rates within the
18 Schedule.

19 For the rates that will go into effect on June 1, 2011 and on June 1, 2012, the usage
20 (therm) charge within each of the sales service schedules will be increased by the appropriate
21 amount to result in the total revenue increase for each schedule. For Transportation Service
22 Schedule 456, the revenue increase will be a uniform percentage increase applied to the block
23 (usage) rates within the Schedule.

1 The present and proposed rates, as well as the increases to all rate components within the
2 schedules, are shown on Page 2 of Attachment C.

3
4 10. Other Issues

5 (a.) Accounting Procedures – The Company has an on-going project to review its
6 accounting policies and procedures for electric and natural gas service in all jurisdictions, to
7 provide training to its employees, and to conduct an audit of total Company accounting practices.
8 Upon completion of this project to review accounting policies and procedures in 2011, the
9 Company agrees to provide to the Parties a copy of any and all reports associated with this
10 project.
11

12 (b.) Information for Future Rate Case Filings - In the current filing, the Company used
13 the 2009 Results of Operations and made a series of adjustments to derive forecasted 2011 test
14 year data. In future rate case filings, the Company will prepare a forecasted Results of
15 Operations (ROO) report that will be used as the test year. The Company will begin with the
16 most recent Results of Operations (ROO) report as filed with the Commission, and after making
17 necessary adjustments to the ROO report, will prepare a forecasted Results of Operations report
18 for the test year. In addition, the Company will provide supporting detail and workpapers to
19 support the forecasted Results of Operations report.

20 (c.) Allocation Methodology – The Company will meet with the Parties prior to the
21 Company's next general rate case filing to discuss the Company's allocation processes and
22 methodologies.

23 (d.) Revenue Adjustment – The Parties have agreed to the Revenue Adjustment
24 proposed by the Company. The Company agrees that it will use the most recent forecast of
25 customer counts and natural gas usage that is used for financial reporting purposes in its future

1 general rate cases, Integrated Resource Plan (IRP), and Purchased Gas Adjustment (PGA)
2 proceedings.

3 (e.) Jackson Prairie (JP) Storage – The Parties agree that Oregon will receive 25% of
4 the total of the allocation of JP capacity and deliverability resulting from all JP expansion
5 volumes and costs since 1999, including the additional JP capacity and deliverability that will
6 revert to Avista Utilities on May 1, 2011, and the capacity and deliverability added since 1999
7 and approved in Docket UG 181. Further, the Parties agree to the revised accounting treatment
8 as proposed by the Company. (See Direct Testimony of Elizabeth Andrews, Exh. 700, p. 14) In
9 addition, the Company agrees to work with the Parties on the necessary reports and changes to
10 storage accounting processes and documentation to quantify all gas price stability and
11 optimization benefits Oregon customers will receive from the additional JP Storage through the
12 PGA process.

13 11. The Parties agree that this Stipulation is in the public interest and results in an
14 overall fair, just and reasonable outcome.

15 12. The Parties agree that this Stipulation represents a compromise in the positions of
16 the Parties. Without the written consent of all parties, evidence of conduct or statements,
17 including but not limited to term sheets or other documents created solely for use in settlement
18 conferences in this docket, are confidential and are not admissible in the instant or any
19 subsequent proceeding unless independently discoverable or offered for other purposes allowed
20 under ORS 40.190. Nothing in this paragraph precludes a party from stating as a factual matter
21 what the parties agreed to in this Stipulation.

1 13. Further, this Stipulation sets forth the entire agreement between the Parties and
2 supersedes any and all prior communications, understandings, or agreements, oral or written,
3 between the Parties pertaining to the subject matter of this Stipulation.

4 14. This Stipulation will be offered into the record in this proceeding as evidence
5 pursuant to OAR 860-001-0350(7). The Parties agree to use best efforts to prepare and submit
6 the Stipulation and supporting materials to the Commission in time to permit the Commission to
7 put rates into effect by March 15, 2011. The Parties agree to support this Stipulation throughout
8 this proceeding and any appeal. The Parties further agree to provide witnesses to sponsor the
9 Stipulation at any hearing held, or, in a Party's discretion, to provide a representative at the
10 hearing authorized to respond to the Commission's questions on the Party's position as may be
11 appropriate.

12 15. If this Stipulation is challenged by any other party to this proceeding, the Parties to
13 this Stipulation reserve the right to cross-examine witnesses and put on such case as they deem
14 appropriate to respond fully to the issues presented, including the right to raise issues that are
15 incorporated in the settlement embodied in this Stipulation. Notwithstanding this reservation of
16 rights, the Parties agree that they will continue to support the Commission's adoption of the
17 terms of this Stipulation.

18 16. The Parties have negotiated this Stipulation as an integrated document. If the
19 Commission rejects all or any material portion of this Stipulation, or imposes additional material
20 conditions in approving this Stipulation, any Party disadvantaged by such action shall have the
21 rights provided in OAR 860-001-0350(9) and shall be entitled to seek reconsideration or appeal
22 of the Commission's Order.

1 17. 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. No Party shall be deemed to have agreed that any
4 provision of this Stipulation is appropriate for resolving the issues in any other proceeding.

5 18. This Stipulation may be executed in counterparts and each signed counterpart shall
6 constitute an original document. The Parties further agree that any facsimile copy of a Party's
7 signature is valid and binding to the same extent as an original signature.

8 19. This Stipulation may not be modified or amended except by written agreement
9 among all Parties who have executed it.

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

12
13 DATED this 31st day of January 2011.

14
15 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

16
17
18
19
20 By: David Meyer
21 by Bill Woodward
22 Date: 1-31-11

By: _____
Date: _____

23
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25
26 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

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30 By: _____
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32 Date: _____

By: _____
Date: _____

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14

15 AVISTA CORPORATION

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20 By: _____

21

22 Date: _____

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26 NORTHWEST INDUSTRIAL GAS USERS

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29

30 By: _____

31

32 Date: _____

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: Mike

Date: 1/31/11

CITIZENS' UTILITY BOARD

By: _____

Date: _____

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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

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20 By: _____

By: _____

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22 Date: _____

Date: _____

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26 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

27
28
29
30 By: Paula E. Pappas

By: _____

31
32 Date: 1/31/2011

Date: _____

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15 AVISTA CORPORATION

16 STAFF OF THE PUBLIC UTILITY
17 COMMISSION OF OREGON

18
19
20 By: _____

21 By: _____

22 Date: _____

23 Date: _____

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26 NORTHWEST INDUSTRIAL GAS USERS

27 CITIZENS' UTILITY BOARD

28
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30 By: _____

31 By:  _____

32 Date: _____

33 Date: 1-31-11

Avista Utilities UG 201
Oregon Allocated Results of Operations
Test Year Ending December 31, 2011
(000s of Dollars)

	2011 Results Per Company Filing (1)	Adjustments (2)	2011 Adjusted (3)	Required Change for Reasonable Return (4)	Results at Reasonable Return (5)
SUMMARY SHEET					
Operating Revenues	\$96,908	\$0	\$96,908	\$2,975	\$98,883
General Business	\$2,523	\$0	2,523	0	\$2,523
Transportation	\$152	\$0	152	0	\$152
Other Revenues	\$99,583	\$0	\$99,583	\$2,975	\$102,558
Total Operating Revenues					
Operating Expenses	\$58,157	\$0	\$58,157	\$0	\$58,157
Gas Purchased	\$12,445	(\$103)	12,342	16	\$12,358
General Operations & Maintenance	\$7,172	(\$405)	6,767	10	\$6,777
Administrative and General	\$77,774	(\$508)	\$77,266	\$26	\$77,292
Total Operation & Maintenance					
Depreciation & Amortization	\$5,459	(\$57)	5,402	0	\$5,402
Taxes Other than Income	\$4,421	(\$133)	4,288	62	\$4,350
Income Taxes	\$2,897	\$488	3,385	1,153	\$4,538
Miscellaneous Revenue and Expense	\$90,551	\$0	\$90,551	0	\$90,551
Total Operating Expenses					
Net Operating Revenues					
Average Rate Base					
Utility Plant in Service	\$263,791	(\$1,542)	\$262,149	\$0	\$262,149
Less: Accumulated Depreciation & Amortization	(\$96,875)	\$1	(\$96,874)	0	(\$96,874)
Accumulated Deferred Income Taxes	(\$29,205)	(\$2,095)	(\$31,300)	0	(\$31,300)
Accumulated Deferred Inv. Tax Credit	\$0	\$0	0	0	0
Net Utility Plant					
Plant Held for Future Use	\$137,711	(\$3,736)	\$133,975	\$0	\$133,975
Acquisition Adjustments	\$0	\$0	\$0	\$0	\$0
Working Capital	\$7,486	(\$7,486)	0	0	0
Fuel Stock	\$0	\$0	0	0	0
Materials & Supplies	\$3,224	\$0	3,224	0	3,224
Customer Advances for Construction	\$0	\$0	0	0	0
Weatherization Loans	\$0	\$0	0	0	0
Prepayments	\$0	\$0	0	0	0
Misc. Deferred Debits	\$0	\$0	0	0	0
Misc. Rate Base Additions/(Deductions)	\$0	\$0	0	0	0
Total Average Rate Base					
Rate of Return					
Implied Return on Equity					
	\$148,421	(\$11,222)	\$137,199	\$0	\$137,199
	6.09%		6.74%		8.000%
	5.89%		7.57%		10.10%

Avista Utilities UG 201
Oregon Allocated Results of Operations - Income Tax Calculation
Test Year Ending December 31, 2011
(000s of Dollars)

Income Tax Calculations		2011 Per Company Filing (1)	Adjustments (2)	2011 Adjusted (3)	Required Change for Reasonable Return (4)	Results at Reasonable Return (5)
1	Book Revenues:	\$99,583	-	99,583	2,975	102,558
2	Book Expenses Other than Depreciation	82,195	(641)	81,554	88	81,642
3	State Tax Depreciation	5,459	(57)	5,402	-	5,402
4	Interest	4,571	(524)	4,047	-	4,047
5	Less: Schedule M Differences	211	-	211	-	211
6	State Taxable Income	7,147	1,222	8,369	2,887	11,256
7	Add OR Depletion Adjustment	-	-	-	-	-
8	Total State Taxable Income	\$ 7,147	-	-	\$ 2,887	-
9	State Income Tax @ 7.6%	543	93	636	219	855
10	State Tax Credits	(177)	-	(177)	-	(177)
11	Net State Income Tax	\$ 366	\$ 93	\$ 459	\$ 219	\$ 678
12	Additional Tax Depreciation	-	-	-	-	-
13	Plus: Other Schedule M Differences	7,237	-	7,237	-	7,237
14	Federal Taxable Income	\$ (456)	\$ 1,129	\$ 673	\$ 2,668	\$ 3,341
15	Federal Tax @ 35%	(160)	395	235	934	1,169
16	Federal Tax Credits	-	-	-	-	-
17	Current Federal Tax	\$ (160)	\$ 395	\$ 235	\$ 934	\$ 1,169
18	ITC Adjustment	-	-	-	-	-
19	Deferral	-	-	-	-	-
20	Amortization	-	-	-	-	-
21	Total ITC Adjustment	-	-	-	-	-
22	Provision for Deferred Taxes	\$ 2,691	-	\$ 2,691	-	\$ 2,691
23	Total Income Tax	\$ 2,897	\$ 488	\$ 3,385	\$ 1,153	\$ 4,538

Avista Utilities UG 201
Oregon Allocated Results of Operations
Settlement Adjustments Detail
Test Year Ending December 31, 2011

	Rate of Return Adj.	2011 Major Plant Additions	Wages & Salaries	PF Wages & Salaries Adj.	Forecast Expense Adj.	Working Capital Adj.	Admin & General Adj.	FTT & SIT Adj.	Customer Deposits Adj.	Bonus Deprec. Adj.	Misc. Expenses Adj.	Total Adjustments (Base Rates)
Staff Adjustments	a	b	c	d	e	f	g	h	i	j	k	
1 Operating Revenues												
2 General Business	-	-	-	-	-	-	-	-	-	-	-	-
3 Transportation	-	-	-	-	-	-	-	-	-	-	-	-
4 Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-
5 Total Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Operating Expenses												
7 Gas Purchased	-	-	-	-	-	-	-	-	-	-	-	-
8 General Operations & Maintenance	-	-	\$33	(\$11)	(\$36)	-	-	-	\$13	-	(\$2)	(\$103)
9 Administrative and General	-	-	\$0	(\$7)	-	-	(\$398)	-	-	-	-	(\$406)
10 Total Operation & Maintenance	\$ -	\$ -	\$ 33	(\$18)	(\$36)	\$ -	\$ (398)	\$ -	\$ 13	\$ -	\$ (2)	\$ (508)
11 Depreciation	-	(\$56)	-	(\$1)	-	-	-	-	-	-	-	(\$57)
12 Amortization	-	-	-	-	-	-	-	-	-	-	-	-
13 Taxes Other than Income	-	(\$21)	-	-	-	-	(\$112)	-	-	-	-	(\$133)
14 Income Taxes	-	39	(14)	48	15	86	204	77	5	25	1	488
15 Miscellaneous Revenue and Expense	-	-	-	-	-	-	-	-	-	-	-	-
16 Total Operating Expenses	\$ -	\$ (38)	\$ 19	\$ (71)	\$ (21)	\$ 88	\$ (306)	\$ 77	\$ 18	\$ 25	\$ (1)	\$ (210)
17 Net Operating Revenues	\$ -	\$ 38	\$ (19)	\$ 71	\$ 21	\$ (88)	\$ 306	\$ (77)	\$ (18)	\$ (25)	\$ 1	\$ 210
18 Average Rate Base												
19 Utility Plant in Service	-	(\$708)	\$19	(\$95)	-	-	-	-	(\$888)	-	-	(1,642)
20 Accumulated Depreciation & Amortization	-	\$1	-	-	-	-	-	-	-	-	-	1
21 Accumulated Deferred Income Taxes	-	\$5	-	-	-	-	-	-	-	(\$2,100)	-	(2,095)
22 Accumulated Deferred Inc. Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-
23 Net Utility Plant	\$ -	\$ (702)	\$ 19	\$ (95)	\$ -	\$ -	\$ -	\$ -	\$ (888)	\$ (2,100)	\$ -	\$ (3,736)
24 Plant Held for Future Use	-	-	-	-	-	-	-	-	-	-	-	-
25 Acquisition Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
26 Working Capital	-	-	-	-	-	(\$7,486)	-	-	-	-	-	(7,486)
27 Fuel Stock	-	-	-	-	-	-	-	-	-	-	-	-
28 Materials & Supplies	-	-	-	-	-	-	-	-	-	-	-	-
29 Customer Advances for Construction	-	-	-	-	-	-	-	-	-	-	-	-
30 Weatherization Loans	-	-	-	-	-	-	-	-	-	-	-	-
31 Prepayments	-	-	-	-	-	-	-	-	-	-	-	-
32 Misc. Deferred Debits	-	-	-	-	-	-	-	-	-	-	-	-
33 Misc. Rate Base Additions/(Deductions)	-	-	-	-	-	-	-	-	-	-	-	-
34 Total Average Rate Base	\$ -	\$ (702)	\$ 19	\$ (95)	\$ -	\$ (7,486)	\$ -	\$ -	\$ (888)	\$ (2,100)	\$ -	\$ (11,222)
35 Revenue Requirement Effect	\$ (1,554)	\$ (161)	\$ 36	\$ (131)	\$ (36)	\$ (877)	\$ (525)	\$ 132	\$ (91)	\$ (245)	\$ (2)	\$ (3,454)

Avista Utilities UG 201
Oregon Allocated Results of Operations
Income Tax Calculations Related To Settlement Adjustments
Test Year Ending December 31, 2011
(000s of Dollars)

Income Tax Calculations:		Rate of Return Adj. a	2011 Major Plant Additions b	Wages & Salaries c	PF Wages & Salaries Adj. d	Forecast Expense Adj. e	Working Capital Adj. f	Admin & General Adj. g	FT & SIT Adj. h	Customer Deposits Adj. i	Bonus Deprec. Adj. j	Misc. Expenses Adj. k	Total Adjustments (Base Rates)
1	Book Revenues	-	-	-	-	-	-	-	-	-	-	-	-
2	Book Expenses Other than Depreciation	-	(21)	33	(118)	(36)	-	(510)	-	13	-	(2)	\$ (641)
3	State Tax Depreciation	-	(56)	-	(1)	-	-	-	-	-	-	-	\$ (57)
4	Interest	-	(21)	1	(2)	-	(221)	-	(193)	(26)	(62)	-	\$ (524)
5	Schedule M Differences:	-	-	-	-	-	-	-	-	-	-	-	-
6	State Taxable Income	-	98	(34)	121	36	221	510	193	13	62	2	\$ 1,222
7	Add OR Depletion Adjustment-Net	-	-	-	-	-	-	-	-	-	-	-	-
8	Total State Taxable Income	\$ -	\$ 98	\$ (34)	\$ 121	\$ 36	\$ 221	\$ 510	\$ 193	\$ 13	\$ 62	\$ 2	\$ 1,222
9	State Income Tax	-	7	(3)	9	3	17	39	15	1	5	-	\$ 93
10	State Tax Credits	-	-	-	-	-	-	-	-	-	-	-	\$ -
11	Net State Income Tax	\$ -	\$ 7	\$ (3)	\$ 9	\$ 3	\$ 17	\$ 39	\$ 15	\$ 1	\$ 5	\$ -	\$ 93
12	Additional Tax Depreciation	-	-	-	-	-	-	-	-	-	-	-	\$ -
13	Other Schedule M Differences	-	-	-	-	-	-	-	-	-	-	-	\$ -
14	Federal Taxable Income	\$ -	\$ 91	\$ (31)	\$ 112	\$ 33	\$ 204	\$ 471	\$ 178	\$ 12	\$ 57	\$ 2	\$ 1,129
15	Federal Tax @ 35%	-	32	(11)	39	12	71	165	62	4	20	1	\$ 395
16	Federal Tax Credits	-	-	-	-	-	-	-	-	-	-	-	\$ -
17	Current Federal Tax	\$ -	\$ 32	\$ (11)	\$ 39	\$ 12	\$ 71	\$ 165	\$ 62	\$ 4	\$ 20	\$ 1	\$ 395
18	ITC Adjustment	-	-	-	-	-	-	-	-	-	-	-	\$ -
19	Deferral	-	-	-	-	-	-	-	-	-	-	-	\$ -
20	Restoration	-	-	-	-	-	-	-	-	-	-	-	\$ -
21	Total ITC Adjustment	-	-	-	-	-	-	-	-	-	-	-	\$ -
22	Provision for Deferred Taxes	-	-	-	-	-	-	-	-	-	-	-	\$ -
23	Total Income Tax	\$ -	\$ 39	\$ (14)	\$ 48	\$ 15	\$ 68	\$ 204	\$ 77	\$ 5	\$ 25	\$ 1	\$ 488

Avista Utilities UG 201
Oregon Allocated Results of Operations
Revenue Sensitive Costs and Cost of Capital
Test Year Ending December 31, 2011

REVENUE SENSITIVE COSTS	
Revenues	1.00000
Operating Revenue Deductions	
O&M - Uncollectible Accounts	0.00542
Taxes Other - Franchise	0.02086
A&G - Commission fees	0.00250
A&G - Resource supplier	0.00078
State Taxable Income	0.970445
State Income Tax	0.073754
Federal Taxable Income	0.896691
Federal Income Tax @ 35%	0.313842
ITC	
Current FIT	0.313842
Other	
Total Excise Taxes	0.387596
Total Revenue Sensitive Costs	0.417151
Utility Operating Income	0.552849
Net-to-Gross Factor	1.71571

COST OF CAPITAL - SETTLED			
Component	% of total	Cost	Weighted Average
Long Term Debt	50.00%	5.90%	2.950%
Common Stock Equity	50.00%	10.10%	5.050%
	100.00%		8.000%

COST OF CAPITAL - AS FILED			
Component	% of total	Cost	Weighted Average
Long Term Debt	49.24%	6.26%	3.08%
Common Stock Equity	50.76%	10.90%	5.53%
	100.00%		8.61%

Avista Utilities
2011 Roseburg Reinforcement and IMP Pipe Replacement Projects
Revenue Requirement Deferral Example
(Amounts to be Updated to Reflect Actual Additions)

Line No.		Revenue Requirement
1	Depreciation Expense	\$ 56,432
2	Property Tax @ 1.5% of Gross Plant	64,500
3	Total Expenses	<u>120,932</u>
4	Net Operating Income Before FIT	(120,932)
5	FIT Benefit of Depreciation and Property Tax	42,326
6	FIT Benefit of Interest Expense	42,795
7	Net Operating Income Requirement	<u>\$ (35,811)</u>
8	Net Plant	\$ 4,300,000
9	Accumulated Depreciation (average of 11/01/11 and 10/31/12)	28,216
10	Accumulated DFIT (average of 11/01/11 and 10/31/12)	<u>(126,987)</u>
11	Net Rate Base	4,144,797
12	Settlement Rate of Return	8.000%
13	Return on Rate Base	<u>\$ 331,584</u>
14	Net Operating Income Requirement including Return	\$ 367,395
15	Net-to-Gross Factor	1.71571
16	Revenue Requirement for 11/01/11 - 10/31/12	<u>\$ 630,343</u>

	Month	Therms 11/01/11 - 10/31/12	Monthly Percent	Revenue Requirement By Month	Deferred Revenue Requirement	Carrying Cost @ 8.000%	Deferral Balance
17	Nov-11	11,842,872	10.871%	\$68,525	\$68,525	\$228	\$68,753
18	Dec-11	15,677,751	14.391%	90,713	90,713	761	\$160,227
19	Jan-12	15,451,885	14.184%	89,408	89,408	1,366	\$251,001
20	Feb-12	12,423,849	11.404%	71,884	71,884	1,913	\$324,798
21	Mar-12	11,286,408	10.360%	65,304	65,304	2,383	\$392,485
22	Apr-12	8,814,618	8.091%	51,001	51,001	2,787	\$446,273
23	May-12	6,503,392	5.970%	37,631	37,631	3,101	\$487,005
24	Jun-12	4,983,382	4.574%	28,632			
25	Jul-12	4,497,807	4.129%	26,027			
26	Aug-12	4,491,707	4.123%	25,989			
27	Sep-12	5,017,917	4.606%	29,034			
28	Oct-12	7,950,908	7.297%	45,995			
29	Total	108,942,496	100.000%	\$630,343	\$474,466	\$12,539	\$487,005

Avista Utilities
Docket No. UG 201
Oregon - Natural Gas
Settlement Rate Spread

Line No.	Rate Change	OREGON TOTAL	Residential Rate Change SCH 410	General Service SCH 420	Large General Service SCH 424	Interruptible Service SCH 440	Seasonal Service SCH 444	Special Contract Service SCH 447	Transportation Service SCH 456
1	CURRENT REVENUE	\$ 99,430,000	\$ 62,736,000	26,233,000	3,186,000	2,623,000	129,000	257,000	2,266,000
2	COST OF GAS	\$ 61,718,000	\$ 37,319,000	19,437,000	2,672,000	2,175,000	110,000	-	5,000
3	CURRENT MARGIN	\$ 37,712,000	\$ 25,417,000	\$ 6,796,000	\$ 514,000	\$ 448,000	\$ 19,000	\$ 257,000	\$ 2,261,000
4	% of Current Margin exd Sch 447	100.00%	67.86%	23.48%	1.37%	1.20%	0.05%		6.04%
5	Total Revenue Requirement	\$ 2,975,000							
6	Revenue Requirement as a Percent of Margin Revenue	7.89%							
7	Percentage Applied to Overall Margin Increase		100.19%	130.23%	45.00%	42.00%	175.00%		15.00%
8	Increase as a Percent of Total Current Margin		7.90%	10.27%	3.55%	3.31%	13.81%		1.18%
9	TOTAL MARGIN REVENUE INCREASE	\$ 2,975,000	\$ 2,008,895	\$ 903,637	\$ 18,247	\$ 14,843	\$ 2,623	\$	\$ 26,755
10	Percentage Revenue Increase	2.99%	3.20%	3.20%	0.57%	0.57%	2.03%		1.18%
11	Margin Revenue Increase (Effective March 15, 2011)	\$ 2,004,000	\$ 1,353,219	\$ 608,702	\$ 12,291	\$ 9,999	\$ 1,767	\$	\$ 18,022
12	Percentage Revenue Increase	2.61%	2.16%	2.16%	0.38%	0.38%	1.37%		0.80%
13	Margin Revenue Increase (Effective June 1, 2011)	\$ 971,000	\$ 655,676	\$ 294,935	\$ 5,955	\$ 4,845	\$ 856	\$	\$ 8,732
14	Percentage Revenue Increase	0.98%	1.04%	1.04%	0.19%	0.19%	0.66%		0.38%

Avista Utilities
Docket No. UG 201
Oregon - Natural Gas
Settlement Rates by Schedule

<u>Present Base Rates</u>	<u>Rate Change (March 15, 2011)</u>	<u>Base Rates - March 15, 2011</u>	<u>Rate Change (June 1, 2011)</u>	<u>Base Rates - June 1, 2011</u>	<u>Total Rate Change</u>
<u>Residential Service Schedule 410</u>					
\$6.50 Customer Charge	\$0.50/month	\$7.00 Customer Charge		\$7.00 Customer Charge	\$0.50/month
All Therms - \$1.16804/Therm	\$0.01757/therm	All Therms - \$1.18561/Therm	\$0.01364/therm	All Therms - \$1.19925/Therm	\$0.03121/therm
<u>General Service Schedule 420</u>					
\$8.50 Customer Charge	\$0.50/month	\$9.00 Customer Charge		\$9.00 Customer Charge	\$0.50/month
All Therms - \$1.07584/Therm	\$0.02152/therm	All Therms - \$1.09736/Therm	\$0.01170/therm	All Therms - \$1.10906/Therm	\$0.03322/therm
<u>Large General Service Schedule 424</u>					
\$48.00 Customer Charge	\$2.00/month	\$50.00 Customer Charge		\$50.00 Customer Charge	\$2.00/month
All Therms - \$0.90868/Therm	\$0.00308/therm	All Therms - \$0.91176/Therm	\$0.00172/therm	All Therms - \$0.91348/Therm	\$0.00480/therm
<u>Interruptible Service Schedule 440</u>					
All Therms - \$0.59070/Therm	\$0.00225/therm	All Therms - \$0.59295/Therm	\$0.00106/therm	All Therms - \$0.59403/Therm	\$0.00333/therm
<u>Seasonal Service Schedule 444</u>					
All Therms - \$0.90877/Therm	\$0.01244/therm	All Therms - \$0.92121/Therm	\$0.00603/therm	All Therms - \$0.92724/Therm	0.01847/therm
<u>Transportation Service Schedule 456</u>					
\$250.00 Customer Charge	\$25.00/month	\$275.00 Customer Charge		\$275.00 Customer Charge	\$25.00/month
1st 10,000 Therms - \$0.15487/Therm	\$0.00053/therm	1st 10,000 Therms - \$0.15540/Therm	\$0.00064/therm	1st 10,000 Therms - \$0.15604/Therm	\$0.00117/therm
Next 20,000 Therms - \$0.08321/Therm	\$0.00031/therm	Next 20,000 Therms - \$0.08352/Therm	\$0.00039/therm	Next 20,000 Therms - \$0.08391/Therm	\$0.00070/therm
Next 20,000 Therms - \$0.07962/Therm	\$0.00026/therm	Next 20,000 Therms - \$0.07988/Therm	\$0.00032/therm	Next 20,000 Therms - \$0.07720/Therm	\$0.00058/therm
Next 200,000 Therms - \$0.05997/Therm	\$0.00020/therm	Next 200,000 Therms - \$0.06017/Therm	\$0.00025/therm	Next 200,000 Therms - \$0.06042/Therm	\$0.00045/therm
Over 250,000 Therms - \$0.03042/Therm	\$0.00010/therm	Over 250,000 Therms - \$0.03052/Therm	\$0.00013/therm	Over 250,000 Therms - \$0.03065/Therm	\$0.00023/therm