

**Avista Corp.**

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December 17, 2013

Public Utility Commission of Oregon  
3930 Fairview Industrial Dr SE  
Salem, OR 97302-1166

Attention: Filing Center

**Via Electronic and Overnight Mail**

**RE: Docket No. UG-246 – Settlement Stipulation and Motion**

Avista Corporation, dba Avista Utilities, hereby encloses the following documents for filing with the Commission:

- The original plus 5 copies of the Settlement Stipulation & Attachments
- The original plus 2 copies of the Motion To Admit Stipulation

The original documents have been sent via overnight mail. Please direct any questions related to the transmission of this filing to me at 509.495.8620 or via email at [pat.ehrbar@avistacorp.com](mailto:pat.ehrbar@avistacorp.com).

Sincerely,

A handwritten signature in dark ink, appearing to read "Patrick Ehrbar", with a long horizontal line extending to the right.

Patrick Ehrbar  
Manager, Rates & Tariffs

Enclosure

cc: See attached service list

## CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that I have this day served the Settlement Stipulation, and Joint Motion, in the Oregon Natural Gas General Rate Case Filing of Avista Utilities, a division of Avista Corporation, Docket UG 246, upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail.

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I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 17th day of December, 2013.



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Patrick Ehrbar  
Manager, Rates & Tariffs

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 246

In the Matter of

AVISTA CORPORATION, dba AVISTA  
UTILITIES

Request for a General Rate Revision

MOTION TO ADMIT STIPULATION

Pursuant to OAR 860-001-0350(7)(b), Staff of the Public Utility Commission of Oregon, Citizens' Utility Board of Oregon, Northwest Industrial Gas Users, and Avista Corporation ("the Parties") offer the Stipulation filed on December 17, 2013. It is anticipated that testimony and exhibits supporting the Stipulation filed with this Motion will be filed early next week, but no later than December 27, 2013.

DATED: December 17, 2013

AVISTA CORPORATION

Dated: Dec 17, 2013

By: David Meyer  
Print name

Signed: [Signature]

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UG 246

In the Matter of	)	
AVISTA CORPORATION, dba AVISTA	)	STIPULATION RESOLVING ALL
UTILITIES	)	ISSUES
	)	
Request for a General Rate Revision.	)	

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

## PARTIES

The Parties to this Stipulation are Avista Corporation (“Avista” or the “Company”), the Staff of the Public Utility Commission of Oregon (“Staff”), the Citizens’ Utility Board of Oregon (“CUB”), and the Northwest Industrial Gas Users (“NWIGU”) (collectively, “Parties”). These Parties represent all who intervened and appeared in this proceeding.

## BACKGROUND

1. On August 15, 2013, Avista filed revised tariff schedules to effect a general rate increase for Oregon retail customers of \$9,481,000, or 9.5 percent of its annual revenues. The filing was suspended by the Commission on August 22, 2013, in Order No. 13-299.

2. On November 13, 2013, 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.

3. Pursuant to Administrative Law Judge Patrick Power's Prehearing Conference Memorandum of September 23, 2013, settlement conferences were held on November 21 and 26, 2013. A final telephonic settlement conference was held on December 4, 2013.

4. 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.

## AGREEMENT

5. **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 increase request from \$9.481 million to \$5.645 million to be implemented in two phases: \$4.295 million of the agreed-upon increase will be implemented on February 1, 2014, and \$1.350 million of the overall increase will be implemented on November 1, 2014<sup>1</sup>, coincident with any purchased gas cost adjustment (PGA).

This Stipulation represents the settlement of all revenue requirement issues in the Company’s filing. The Parties support the adjustments to Avista’s revenue requirement request shown in Table 1 below:

<sup>1</sup> As discussed in Section 6 below, the final revenue requirement related to the November 1, 2014 rate change is dependent upon the actual costs related to the Company's Project Compass customer information system through September 30, 2014 and the Aldyl A Pipe Replacement Program through June 30, 2014, and therefore the estimated \$1.35 million rate change effective November 1, 2014 may vary somewhat. This stipulation's finding of prudence only covers the costs presented in the Company's filed General Rate Case and reviewed by the Parties. This includes the estimated rate base addition of \$6.520 million for Project Compass and \$2.040 million for Aldyl A Pipe Replacement. If the Project Compass and Aldyl A Pipe Replacement actual costs are higher than the estimate provided by the Company in its filed rate case, then the Company's compliance filing for the November 1, 2014, rate change must demonstrate the prudence of any costs that exceed the filed rate case estimates before the costs can be recovered in rates. All Parties will be furnished monthly reports showing actual costs prior to the November 1, 2014 base rate change.

<b>TABLE 1: SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE</b>			
<b>(\$000s of Dollars)</b>			
		<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Amount as filed:</b>		<b>\$9,481</b>	<b>\$176,201</b>
<b>Adjustments:</b>			
<b>a</b>	<b>Rate of Return</b> Adjusts return on equity to 9.65%, long-term debt cost to 5.457%, with a common stock equity component of 48%, and overall Cost of Capital of 7.47%.	<b>(\$1,088)</b>	<b>-</b>
<b>b</b>	<b>Revenue Sensitive - uncollectible rate and state tax rate</b> Revises State Income Tax (SIT) to the apportionment tax method rather than Oregon SIT on a stand-alone basis. These changes impact the Conversion Factor and adjustment "i" below.	<b>(\$605)</b>	<b>-</b>
<b>c</b>	<b>Uncollectibles</b> Revises uncollectible expense to a 3-year historical average.	<b>(\$96)</b>	<b>-</b>
<b>d</b>	<b>Wage &amp; Salary</b> Revises 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.	<b>(\$111)</b>	<b>(70)</b>
<b>e</b>	<b>Memberships</b> Revises membership expense for correction of an error included in Company's filing as provided by Avista response to Staff Data Request 236.	<b>\$15</b>	<b>-</b>
<b>f</b>	<b>Incentive Compensation</b> Includes reduction to incentive to correct for an error as provided in Avista's response to Staff Data Request 148 and adjusts incentives to agreed-upon level.	<b>(\$169)</b>	<b>-</b>
<b>g</b>	<b>VSIP Amortization &amp; Deferred Pension Asset</b> Removes rate base treatment of Utility Prepaid Pension Asset from this Docket and removes the proposed Voluntary Severance Incentive Program (VSIP) cost amortization.	<b>(\$571)</b>	<b>(3,714)</b>
<b>h</b>	<b>Plant Additions</b> Removes pro forma 2014 capital additions. The Parties agree to include Project Compass costs (actual spend through September 30, 2014), and Aldyl A Pipe Replacement Program costs (actual spend through June 30, 2014) in Second Step increase effective November 1, 2014. (See further explanation below.)	<b>(\$1,751)</b>	<b>(8,383)</b>
<b>i</b>	<b>Tax calculation - Interest expense, State tax rate &amp; Federal tax rate</b> Revises for various SIT and debt interest corrections, relates to adjustment "b" above.	<b>\$85</b>	<b>-</b>
<b>j</b>	<b>Working Capital</b> Removes the working capital rate base adjustment as proposed by Avista, and includes in rate base materials and supplies.	<b>(\$481)</b>	<b>(4,679)</b>
<b>k</b>	<b>Expense Escalation</b> Reduces forecasted expenses based on a lower inflation factor for 2013 and 2014 expenses.	<b>(\$119)</b>	<b>-</b>
<b>l</b>	<b>Various A&amp;G Expenses</b> Revises the Company's expected administrative and general expenses related to D&O insurance, meals and includes Avista's reduction to pension and medical costs as provided in response to Staff Data Request 263.	<b>(\$333)</b>	<b>-</b>
<b>m</b>	<b>Property Taxes</b> Removes the proposed property tax escalation.	<b>(\$66)</b>	<b>-</b>
<b>n</b>	<b>Other Gas Supply Expense</b> Includes correction to natural gas supply expense.	<b>(\$5)</b>	<b>-</b>
<b>o</b>	<b>Nonutility Expenses</b> Includes reduction for nonutility related expenses.	<b>(\$100)</b>	<b>-</b>
<b>p</b>	<b>Other Revenues</b> Includes correction to other revenues.	<b>(\$2)</b>	<b>-</b>
<b>q</b>	<b>Interest Synchronization</b> Includes the flow through of the federal and state tax impact on rate base adjustments due to the change in the cost of debt.	<b>\$211</b>	<b>-</b>
<b>Total Adjustments:</b>		<b>(\$5,186)</b>	<b>(16,846)</b>
<b>Adjusted Revenue Requirement Base Rates &amp; Rate Base - Effective Feb. 1, 2014:</b>		<b>\$4,295</b>	<b>\$159,355</b>
<b>Second Step Increase (November 1, 2014):</b>			
	<b>Project Compass (Customer Information System)</b>	<b>\$1,100</b>	<b>\$6,520</b>
	<b>Aldyl A Pipe Replacement Program</b>	<b>\$250</b>	<b>\$2,040</b>
	<b>Subtotal</b>	<b>\$1,350</b>	
<b>Combined Effect of Change in Base Rates on Feb. 1, 2014 and Nov. 1, 2014:</b>		<b>\$5,645</b>	<b>\$167,915</b>

The following information provides an explanation for each of the adjustments in Table 1 above. Attachment A summarizes the Company's filed rate case and the stipulated adjustments. The numbers in parenthesis represent the agreed-upon increase or decrease in revenue requirement associated with the item.

a. Rate of Return – (-\$1,088,000) This adjustment reduces Avista's requested cost of capital to an overall cost of capital equal to 7.47% based on the following components: a capital structure consisting of 48% common stock equity and 52% long-term debt, return on equity of 9.65%, and a long-term debt cost of 5.457%. This combination of capital structure and capital costs is shown in the schedule below:

<b>Agreed-upon Cost of Capital</b>			
	<b><u>Percent of Total Capital</u></b>	<b><u>Cost</u></b>	<b><u>Component</u></b>
Long-term Debt	52.0%	5.457%	2.84%
Common Equity	48.0%	9.65%	4.63%
<b>Total</b>	<b>100.0%</b>		<b>7.47%</b>

b. Revenue Sensitive – uncollectible rate and state tax rate – (-\$605,000) This adjustment revises State Income Tax (SIT) to the apportionment tax method rather than Oregon SIT on a stand-alone basis. The adjustment also revises the uncollectible rate to .4895 percent calculated on a 3-year historical average. These changes impact the Conversion Factor and adjustment "i" below.

c. Uncollectibles – (-\$96,000) This adjustment revises uncollectible expense to a 3-year historical average.

1           d.    Wage and Salary – (-\$111,000) This adjustment revises wages and salaries relating  
2 to overtime, full-time employee equivalents (FTE), associated payroll taxes, and applicable  
3 depreciation expense related to the reduction to rate base.

4           e.    Memberships – (+\$15,000) This adjustment revises membership expense for  
5 correction of an error included in the Company's direct filing, as provided by Avista in response  
6 to Staff Data Request 236.

7           f.    Incentive Compensation – (-\$169,000) This adjustment includes a reduction to  
8 incentives to correct for an error as provided in Avista's response to Staff Data Request 148 and  
9 adjusts incentives to an agreed-upon level.

10          g.    VSIP Amortization & Deferred Pension Asset – (-\$571,000) This adjustment  
11 removes the rate base treatment of the Company's prepaid pension asset from this Docket and  
12 removes the proposed Voluntary Severance Incentive Program (VSIP) cost amortization.

13          h.    Plant Additions – (-\$1,751,000) This adjustment removes the Company's pro forma  
14 2014 capital additions. The Parties, however, agree to include specific Project Compass costs  
15 (upon review of actual costs through September 30, 2014), and specific Aldyl A Pipe  
16 Replacement Program costs (upon review of actual costs through June 30, 2014) in a Second  
17 Step increase effective November 1, 2014 provided that the actual costs do not exceed the filed  
18 general rate case amount. If the actual costs exceed the filed requested amount then the  
19 Company's compliance filing for the November 1, 2014, rate change must demonstrate the  
20 prudence of any costs that exceed the filed rate case estimates before the costs can be recovered  
21 in rates.

22           The final revenue requirement related to the November 1, 2014 rate change is dependent  
23 upon the actual costs related to the Company's Project Compass customer information system



1 through September 30, 2014 and the Aldyl A Pipe Replacement Program through June 30, 2014,  
2 and therefore the estimated \$1.35 million rate change effective November 1, 2014 may vary  
3 somewhat. This stipulation's finding of prudence only covers the costs that were provided by the  
4 Company in its filed General Rate Case reviewed by the Parties. This includes the estimated rate  
5 base addition of \$6.520 million for Project Compass and \$2.040 million for Aldyl A Pipe  
6 Replacement. If the Project Compass and Aldyl A Pipe Replacement actual costs are higher than  
7 the estimate provided by the Company in its filed rate case, then the Company's compliance  
8 filing for the November 1, 2014, rate change must demonstrate the prudence of any costs that  
9 exceed the filed rate case estimates before the costs can be recovered in rates. All Parties will be  
10 furnished monthly reports showing actual costs prior to the November 1, 2014 base rate change.

11 i. Tax calculation - Interest expense, State tax rate & Federal tax rate – (+\$85,000)  
12 This adjustment includes various SIT and debt interest corrections, and also relates to adjustment  
13 "b" above.

14 j. Working Capital – (-\$481,000) This adjustment removes the Company's proposed  
15 working capital adjustment, and includes in rate base materials and supplies.

16 k. Expense Escalation – (-\$119,000) This adjustment reduces non-labor expenses  
17 based on a lower forecasted inflation factor for calendar years 2013 and 2014.

18 l. Various Administrative and General (A&G) Expenses – (-\$333,000) This  
19 adjustment revises the Company's expected A&G expenses related to the layers of Director &  
20 Officer (D&O) insurance, meals and includes Avista's updated information which reduces  
21 pension and medical costs as provided in response to Staff Data Request 263.

22 m. Property Taxes – (-\$66,000) This adjustment removes the Company's proposed  
23 property tax escalation.

1           n.   Other Gas Supply Expense – (-\$5,000) This adjustment includes a correction to  
2 natural gas supply expense.

3           o.   Nonutility Expenses – (-\$100,000) This adjustment includes a reduction for  
4 nonutility related expenses related to issues with cost allocations. (See Section 9 below.)

5           p.   Other Revenues – (-\$2,000) This adjustment includes a correction to other  
6 revenues.

7           q.   Interest Synchronization – (+\$211,000) This adjustment includes the flow through  
8 of the federal and state tax impact on rate base adjustments due to the change in the cost of debt.

9           6.   **Rate Changes Proposed To Be Effective November 1, 2014:**

10          A.   **Customer Information System Replacement.** This Project, referred to as Project  
11 Compass, will replace the Company's legacy Customer Information System. This Project is  
12 planned to go into service in the third quarter of 2014. The Parties have agreed to adjust Base  
13 Rates on November 1, 2014, coincident with the Company's PGA rate adjustment, to reflect the  
14 Oregon rate-based capital additions associated with this Project through September 30, 2014,  
15 presently estimated at \$6,520,000. The additional revenue requirement associated with this  
16 Project, based on current cost estimates, is \$1,100,000. The Parties have agreed that the  
17 estimated rate-based capital addition of \$6,520,000 has been prudently incurred, and that any  
18 additional capital expenditures in excess of this amount prior to September 30, 2014, will require  
19 the Company to demonstrate, in its compliance filing for the November 1, 2014 rate change that  
20 any costs that exceed these estimates were prudently incurred.

21          The Parties have agreed that the Company will submit monthly expenditure reports to the  
22 Parties starting in February 2014. Further, the Company will make a compliance filing on or  
23 before October 8, 2014, that will: (i) provide a "certificate of completion" for the Project,

1 attesting to the status of the rate base additions as “in-service” and “used-and-useful” for  
2 providing service; and, (ii) include tariffs that reflect an increase to Base Rates on November 1,  
3 2014, coincident with the Company’s PGA adjustment, for these rate base additions through  
4 September 30, 2014.

5       **B. Aldyl A Pipe Replacement Program.** The Company has a program in place to  
6 systematically replace select portions of the DuPont Aldyl A medium density polyethylene pipe  
7 in its natural gas distribution system in the States of Oregon, Idaho and Washington over a 20-  
8 year period. The Parties agree that the decision to pursue this project is prudent and to include in  
9 rate base the actual capital additions associated with this Project through June 30, 2014 subject to  
10 a review of the prudence of any actual costs that exceed the current estimate of \$2,040,000 in the  
11 filed General Rate Case. This prudence review will be made following the Company’s  
12 compliance filing to implement the November 1, 2014 rate change. As noted above, Oregon’s  
13 share of the net rate base associated with the Aldyl A Project is currently estimated at \$2,040,000  
14 and the related revenue requirement is \$250,000.

15       The Parties have agreed that the Company will submit monthly expenditure reports to the  
16 Parties starting in February 2014. Furthermore, the Company will submit a compliance filing on  
17 or before October 8, 2014, that will: (i) provide a “certificate of completion” for this phase of the  
18 Aldyl A Pipe Replacement Project, attesting to the status of the rate base additions as “in-  
19 service” and “used-and-useful” for providing service; and, (ii) include tariffs that reflect an  
20 increase to Base Rates on November 1, 2014, coincident with the Company’s PGA adjustment,  
21 for these rate base additions through June 30, 2014.

22       7.       **Rate Spread:** The Parties agree that new rates would be spread, using the  
23 combined February 1, 2014 and November 1, 2014 revenue requirement, so that Residential

1 Service Schedule 410 would receive an overall increase no greater than 0.75% above the overall  
2 billed increase and that General Service Schedule 420 would receive an overall increase no  
3 greater than 1.00% above the overall billed increase. Further, the Parties have agreed that Large  
4 General Service Schedule 424 and Transportation Schedule 456 would receive a 3% and 5%  
5 decrease in margin, respectively. Interruptible Schedule 440 would receive an overall rate  
6 increase of one-half of the overall billed increase. Finally, the Parties agreed that Seasonal  
7 Schedule 444 would receive an increase of one-quarter of the overall billed increase.

8 The Parties support the spread of the February 1, 2014 overall billed revenue increase of  
9 \$4.295 million, or 4.4%, to the Company's service schedules as follows:

10	Residential Service Sch. 410	4.88%
11	General Service Sch. 420	5.03%
12	Large General Service Sch. 424	-1.33%
13	Interruptible Service Sch. 440	2.26%
14	Seasonal Service Sch. 444	1.11%
15	Transportation Service Sch. 456	-3.79%

16 The Parties support the spread of the November 1, 2014 overall expected billed revenue  
17 increase of \$1.35 million, or 1.55%, to the Company's service schedules as follows:

18	Residential Service Sch. 410	1.70%
19	General Service Sch. 420	1.78%
20	Large General Service Sch. 424	-0.16%
21	Interruptible Service Sch. 440	0.71%
22	Seasonal Service Sch. 444	0.53%
23	Transportation Service Sch. 456	-1.19%

1 The calculation of the revenue increase by service schedule is shown on Page 1 of  
2 Attachment B.<sup>2</sup>

3 8. **Rate Design:** For the rates that will go into effect on February 1, 2014, the Parties  
4 support rate design changes as follows: the monthly customer charge for Residential Service  
5 Schedule 410 will increase by \$1.00 per month, from \$7.00 to \$8.00. The monthly customer  
6 charge for General Service Schedule 420 will be increased by \$3.00 per month, from \$9.00 to  
7 \$12.00. For Large General Service Schedule 424 the monthly customer charge will remain  
8 unchanged at \$50.00 per month, and the volumetric (per therm) rate will be decreased by the  
9 appropriate amount to equal the total revenue decrease for that schedule. For Interruptible  
10 Service Schedule 440 and Seasonal Service Schedule 444, the volumetric rate will be increased  
11 by the appropriate amount to equal the total revenue increase for those schedules. Finally, for  
12 Transportation Service Schedule 456, the monthly customer charge will remain at \$275.00 per  
13 month. The revenue decrease for the Schedule is reflected through a uniform percentage  
14 decrease applied to the volumetric rates within the Schedule.

15 For the rates that will go into effect on November 1, 2014, the Parties agree that the  
16 revenue changes for each schedule will be applied only to the volumetric (per therm) rates, and  
17 that there will be no further adjustments to the basic or fixed customer charges. For  
18 Transportation Service Schedule 456, the revenue decrease will be a uniform percentage  
19 decrease applied to the volumetric rates within the Schedule.

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

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<sup>2</sup> If the revenue requirement is slightly higher or lower than \$1.35 million, then the rate spread will change proportionately. The indicated percentages are with respect to revenue billings in effect prior to the February 1 increase. The February 1 and November 1 percentages add together to achieve the agreed-upon changes.

1           9.       **Other Issues:**

2           (a.)     Allocation Methodology – Prior to September 30, 2014, Avista will conduct one  
3 or more workshops to review the methodology used by Avista to allocate common costs and  
4 common plant to its regulated and unregulated operations, electric and gas services, and state  
5 jurisdictions. The workshops will include Avista’s review of its accounting practices to record  
6 its directly-assigned and common costs and identify whether additional cost areas could be more  
7 appropriately directly assigned. In addition, the allocation methodology will be reviewed to  
8 determine whether the allocation of costs is reasonable from a cost driver standpoint. Parties will  
9 not recommend the Oregon Public Utility Commission (OPUC) implement any changes to  
10 allocation methodology prior to July 1, 2015. OPUC Staff intends to request a joint meeting with  
11 the Staffs of the Washington Utilities and Transportation Commission and the Idaho Public  
12 Utilities Commission prior to March 31, 2015. Intervenors in each state will be invited to attend  
13 those meetings. At those meetings an attempt will be made to achieve consensus among all  
14 affected jurisdictions on the appropriate common cost allocation methodology so as to prevent  
15 any stranded costs or investment. However, all Parties recognize that Staff, Intervenors and the  
16 OPUC are not bound by the decisions of other state commissions.

17          (b.)     Depreciation Rates Effective Date – Pursuant to Docket No. UM 1626, Order No  
18 13-168, the Company implemented new book depreciation rates on common plant effective  
19 January 1, 2013. As a part of UM 1626, the Parties agreed that the implementation of the new  
20 depreciation rates on plant directly assigned to Oregon would not occur until the conclusion of  
21 the Company’s next Oregon general rate case. As part of this stipulation, the Parties agree that  
22 the depreciation rates on directly assigned plant will be effective July 1, 2014.

1 (c.) Klamath Falls Lateral – Pursuant to a Commission-approved Stipulation in  
2 Docket No. UG 228 (see Order No. 12-429), the Company has been recovering \$463,000 in  
3 annual revenue requirement associated with its purchase of the Klamath Falls Lateral, effective  
4 January 1, 2013. This has been administered through rate Schedule 498. The benefits associated  
5 with Klamath Falls Lateral have been flowing through the PGA. The Parties agree that the  
6 revenue requirement associated with this purchase is prudent, and these revenues are now to be  
7 included in base rates through the February 1, 2014 revenue requirement increase. Therefore,  
8 the Parties agree that the Company will file tariff Schedule 498, as a part of its Compliance  
9 Filing for the February 1, 2014 rate increase, adjusting the current rate of \$0.00585 per therm to  
10 \$0.00000 per therm.

11 (d.) Schedule 493 – Residential Low Income Rate Assistance Program. In the  
12 Company's last general rate case (Docket No. UG 201), the funding associated with the  
13 residential low income rate assistance program (LIRAP) was removed from base rates (Schedule  
14 410) and is now administered as a stand-alone tariff (Schedule 493). However, the Company  
15 inadvertently failed to remove the Revenue Adjustment Factor for LIRAP from Schedule 410.  
16 The rate under Schedule 493 is currently set at \$0.00438 per therm, but should have been set at  
17 \$0.00451 per therm, instead, including the Revenue Adjustment Factor<sup>3</sup>. The Parties agree that  
18 \$0.00013 per therm should be removed from Schedule 410 and moved to Schedule 493 as shown  
19 on Page 2 of Attachment B and agree that the Company will file a conforming tariff as a part of  
20 its Compliance Filing for the February 1, 2014 rate increase, effectuating this rate change.

21 (e.) Long-Run Incremental Cost – The Parties agree that in future rate cases filed by  
22 the Company, it will make the following adjustments to its Long Run Incremental Cost study:

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<sup>3</sup> The total annual amount of this adjustment is approximately \$760.

1           i. Gas Scheduling will be allocated on a volumetric basis rather than on a  
2           customer-count basis.

3           ii. For “Special Contracts” Schedule 447, Avista will use an engineering  
4           estimate/cost-study, as is used for the other customer rate schedules, for purposes  
5           of estimating main extension costs for Schedule 447, rather than using an amount  
6           based upon an estimated bypass cost.

7           (f.) Demand Side Management Verification – Avista agrees to meet and confer with  
8           Staff and interested parties prior to its next filing to amortize deferred accounts associated with  
9           Schedule 478. The meeting will review the Company’s true-up process associated with energy  
10          efficiency savings, as required in Schedule 466. Avista agrees to use the industry’s best  
11          practices in its true-up process, and will provide a comparison of the Company’s energy savings  
12          true-up process with Energy Trust of Oregon’s true-up process. The meeting will address Staff’s  
13          concerns regarding the inclusion of “free riders” in the calculation of energy efficiency savings,  
14          potential double counting of incremental energy savings through the load forecast and the lost  
15          margin calculation, and the calculation of energy efficiency savings.

16          (g.) Demand Side Management Tariffs – The Parties agree that the Company will  
17          modify tariff Schedules 466 and 478 so that the tariffs cross-reference each other, and to include  
18          those tariffs as a part of its Compliance Filing for the February 1, 2014 rate increase.

19          (h.) Forecasting Methodology – The Company agrees to meet with Staff and  
20          interested parties, no later than July 1, 2014, to collaboratively discuss forecasting model  
21          specification and methodology.



1 (i.) Weather Normalization – The Company agrees to use consistent weather response  
2 parameters in its various Oregon regulatory filings unless the Company can document and  
3 discuss why such use is not appropriate.

4 (j.) Advertising and Marketing – The Company agrees to meet with Staff and  
5 interested parties no later than July 1, 2014 to collaboratively resolve the allocation of costs  
6 pursuant to OAR 860-026-0022.

7 10. The Parties agree that this Stipulation is in the public interest and results in an  
8 overall fair, just and reasonable outcome.

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

16 12. Further, this Stipulation sets forth the entire agreement between the Parties and  
17 supersedes any and all prior communications, understandings, or agreements, oral or written,  
18 between the Parties pertaining to the subject matter of this Stipulation.

19 13. This Stipulation will be offered into the record in this proceeding as evidence  
20 pursuant to OAR 860-001-0350(7). The Parties agree to use best efforts to prepare and submit  
21 the Stipulation and supporting materials to the Commission in time to permit the Commission to  
22 take action that will allow rates to go into effect by February 1, 2014. The Parties agree to  
23 support this Stipulation throughout this proceeding and any appeal. The Parties further agree to

1 provide witnesses to sponsor the Stipulation at any hearing held, or, in a Party's discretion, to  
2 provide a representative at the hearing authorized to respond to the Commission's questions on  
3 the Party's position as may be appropriate.

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

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

15 16. By entering into this Stipulation, no Party shall be deemed to have approved,  
16 admitted, or consented to the facts, principles, methods, or theories employed by any other Party  
17 in arriving at the terms of this Stipulation. No Party shall be deemed to have agreed that any  
18 provision of this Stipulation is appropriate for resolving the issues in any other proceeding.

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

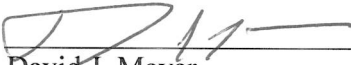
22 18. This Stipulation may not be modified or amended except by written agreement  
23 among all Parties who have executed it.

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

3  
4 DATED this 17<sup>th</sup> day of December 2013.

5  
6 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

7  
8  
9  
10 By:   
11 David J. Meyer

By: \_\_\_\_\_  
Johanna M. Riemenschneider

12 Date: Dec 17, 2013

Date: \_\_\_\_\_

13  
14  
15  
16 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF  
OREGON

17  
18  
19  
20 By: \_\_\_\_\_  
21 Chad M. Stokes and Tommy A. Brooks

By: \_\_\_\_\_  
G. Catriona McCracken

22  
23 Date: \_\_\_\_\_

Date: \_\_\_\_\_