

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



December 23, 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 – Testimony in Support of Settlement Stipulation

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

- The original plus 5 copies of the Testimony in Support of the Settlement 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.

Sincerely,

A handwritten signature in black 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 Testimony in Support of the Settlement Stipulation 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.

Judy Johnson
Oregon Public Utility Commission
PO Box 1088
3930 Fairview Industrial Drive SE
Salem, OR 97302
Judy.johnson@state.or.us

Bob Jenks
Catriona McCracken
Citizens' Utilities Board
610 SW Broadway, Suite 400
Portland, OR 97205-3404
dockets@oregoncub.org
bob@OregonCUB.org
catriona@OregonCUB.org

Edward A. Finklea
Executive Director
Northwest Industrial Gas Users
326 Fifth Street
Lake Oswego, OR 97034
efinklea@nwigu.org

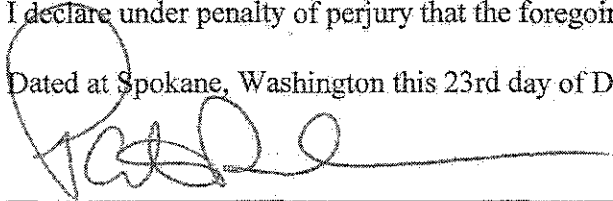
Marianne Gardner
Oregon Public Utility Commission
PO Box 1088
3930 Fairview Industrial Drive SE
Salem, OR 97302
Judy.johnson@state.or.us

Chad Stokes
Tommy A. Brooks
Cable Huston Benedict
Haagensen & Lloyd, LLP
1001 SW 5th, Suite 2000
Portland, OR 97204-1136
cstokes@cablehuston.com
tbrooks@cablehuston.com

Johanna Riemenschneider
Department of Justice
1162 Court St. NE
Salem, OR 97301-4096
johanna.riemenschneider@state.or.us

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

Dated at Spokane, Washington this 23rd day of December, 2013.



Patrick Ehrbar
Manager, Rates & Tariffs

**PUBLIC UTILITY COMMISSION
OF
OREGON**

UG 246

STAFF/AVISTA/NWIGU/CUB EXHIBIT 100

**Joint Testimony in Support of Stipulation
In the Matter of Avista's
Request for a General Rate Revision**

December 23, 2013

1 **Q. Please state your names and positions.**

2 A. My name is Marianne Gardner. I am employed by the Public Utility
3 Commission of Oregon (“PUC”) as a Senior Revenue Requirement Analyst in the Rates,
4 Finance and Audit Program of the Energy Division. I am a graduate of Oregon State
5 University with a Masters of Business Administration and a graduate of Montana State
6 University with a Bachelor of Science in Accounting. I joined the PUC in March 2013. I
7 have approximately 20 years of professional accounting experience, including thirteen years
8 as a cost accountant with responsibilities including cost accounting, budgeting, product
9 costing and the preparation of management reports, four years experience in public
10 accounting working in the areas of audit, tax and financial accounting for individual and
11 small business clientele, and three years experience in non-profit accounting for an agency
12 administrating funds under the Federal Job Training Partnership Act.

13 My name is Kelly O. Norwood. I am employed by Avista Utilities (“Company”) as
14 the Vice President of State & Federal Regulation. I am a graduate of Eastern Washington
15 University with a Bachelor of Arts Degree in Business Administration, majoring in
16 Accounting. I joined the Company in June of 1981. Over the past 32 years, I have spent
17 approximately 21 years in the Rates Department with involvement in cost of service, rate
18 design, revenue requirements and other aspects of ratemaking. I spent approximately 11
19 years in the Energy Resources Department (power supply and natural gas supply) in a
20 variety of roles, with involvement in resource planning, system operations, resource
21 analysis, negotiation of power contracts, and risk management. I was appointed Vice
22 President of State & Federal Regulation in March 2002.

1 My name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board
2 ("CUB") located at 610 SW Broadway, Suite 400, Portland OR 97205. I am a graduate of
3 Willamette University with a Bachelor of Science Degree in Economics. I have provided
4 testimony and comments in a variety of PUC dockets. Between 1982 and 1991, I worked
5 for the Oregon State Public Interest Research Group, the Massachusetts Public Interest
6 Group and the Fund for Public Interest Research on a variety of public policy issues. As
7 one of CUB's economists, my responsibilities include the review of utility and telecom
8 filings in Oregon and in this particular docket the representation of residential customers'
9 concerns arising from this Docket.

10 My name is Edward Finklea. I am an experienced energy law attorney serving as the
11 Executive Director of the Northwest Industrial Gas Users ("NWIGU") since August 2012.
12 From 1986 through 2008, I was lead counsel for NWIGU in all regulatory interventions
13 concerning various interstate pipelines, and before state regulatory commissions concerning
14 regulation of the regional natural gas local distribution companies (LDCs). NWIGU is a
15 non-profit trade association of 38 industrial-sized natural gas end users who have facilities
16 in the states of Oregon, Washington and Idaho. NWIGU provides information to its
17 members on natural gas issues that impact their facilities and represents its members'
18 interests in proceedings before the Federal Energy Regulatory Commission and the Pacific
19 Northwest state utility commissions, including the PUC of Oregon. As Executive Director,
20 my responsibilities include the review of all filings made by LDCs in Oregon as well as the
21 representation of the industrial customers in connection with this Docket. My witness
22 qualifications has been included as Exhibit 106.

1 Hereafter, Staff, the Company, CUB and NWIGU will collectively be referred to as
2 the “Parties.”

3 **Q. What is the purpose of your joint testimony?**

4 A. The purpose of our joint testimony is to describe and support the Stipulation,
5 filed on December 16, 2013, between Commission Staff, CUB, NWIGU, and the Company
6 in Docket UG 246 (the “Stipulation”), which resolved all issues among the Parties for the
7 general rate increase filed on August 15, 2013.

8 The Stipulation is the product of settlement discussions, open to all parties to the UG
9 246 Docket. The Stipulation between the Parties, resolved all issues, including revenue
10 requirement and cost of capital issues, as well as rate spread and rate design.

11 **Q. Have you prepared any Exhibits?**

12 A. Yes. The Parties’ Exhibit 101 is the Stipulation filed December 16, 2013.

13 **Background**

14 **Q. Please describe the background behind the Company’s original general**
15 **rate case filing.**

16 A. On August 15, 2013, Avista filed revised tariff schedules to effect a general
17 rate increase for Oregon retail customers of \$9,481,000, or 9.5 percent of its annual
18 revenues. The filing was suspended by the Commission on August 22, 2013.

19 On November 13, 2013, Staff served on all of the Parties its report of issues and
20 proposed adjustments to Avista’s revenue requirement filing. Staff’s report was provided
21 for settlement purposes only. Pursuant to Administrative Law Judge Patrick Power’s
22 Prehearing Conference Memorandum of September 23, 2013, settlement conferences were
23 held on November 21 and 26, 2013. A final telephonic settlement conference was held on

1 December 4, 2013. As a result of the settlement discussions, the Parties have agreed to
2 settle all issues in this docket, including the revenue requirement and rate spread/design
3 issues, subject to the approval of the Commission.

4 **Revenue Requirement for Rate Change on February 1, 2014**

5 **Q. What is the overall increase in revenue and timing of rate changes**
6 **agreed to by the Parties in the Stipulation?**

7 A. The Parties have agreed to an adjusted revenue requirement increase (change
8 in base rates) of \$4.295 million, which would be implemented on February 1, 2014. That
9 adjustment is further adjusted, as noted in Section 9c of the Stipulation, because the
10 Company has been recovering through tariff Schedule 498, which will terminate February 1,
11 2014, approximately \$463,000 in annual revenue requirement associated with its purchase
12 of the Klamath Falls Lateral, effective January 1, 2013. The net billing impact of the
13 termination of the Klamath Falls Lateral recovery through Tariff 498 will result in an
14 increase in overall revenues of only \$3.832 million effective February 1, 2014.

15 The Parties have also agreed to a second base rate increase of approximately \$1.350
16 million for two capital additions (the Project Compass Customer Information System, and
17 the Aldyl A Pipe Replacement Program). The \$1.35 million revenue increase will reflect
18 the incremental Aldyl A capital investment through June 30, 2013, and the investment in
19 Project Compass which will be completed in the third quarter of 2014. Avista will provide a
20 certification of completion and supporting cost documentation for these projects, as further
21 discussed below. The additional rate increase will occur on November 1, 2014, coincident
22 with any purchased gas cost adjustment (PGA).

23 **Q. Please explain the Company's need for additional rate relief.**

1 A. The Company explained in its original filing that its need for additional rate
2 relief is due primarily to increased capital investment in plant used to serve Oregon
3 customers. Over 92% of the Company's request for additional rate relief was related to
4 increases in total rate base, including changes in net plant investment (including return on
5 investment, depreciation and taxes, offset by the tax benefit of interest), resulting in an
6 increase of approximately \$36.9 million in net rate base for the Oregon jurisdiction. The
7 remaining 8% of the Company's requested revenue requirement was related to a three-year
8 net increase in Operating and Maintenance (O&M) and Administrative and General (A&G)
9 expenditures since the Company's last filed rate case. Major capital investment projects
10 included in Avista's rate request were the Company's Customer Information System (CIS)
11 and Aldyl A pipe replacement program.

12 **Q. What revenue requirement adjustments to Avista's originally-filed case**
13 **are included in the Stipulation (Exhibit 101)?**

14 A. Table 1, at page 3 of the Stipulation is reproduced below, and provides a
15 summary of the adjustments to Avista's originally-filed case:
16
17

TABLE 1: SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE			
(\$000s of Dollars)			
		Revenue Requirement	Rate Base
1	Amount as filed:	\$9,481	\$176,201
2	Adjustments:		
3	a Rate of Return	(\$1,088)	-
4	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%.		
5	b Revenue Sensitive - uncollectible rate and state tax rate	(\$605)	-
6	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 "f" below.		
7	c Uncollectibles	(\$96)	-
8	Revises uncollectible expense to a 3-year historical average.		
9	d Wage & Salary	(\$111)	(70)
10	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.		
11	e Memberships	\$15	-
12	Revises membership expense for correction of an error included in Company's filing as provided by Avista response to Staff Data Request 236.		
13	f Incentive Compensation	(\$169)	-
14	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.		
15	g VSIP Amortization & Deferred Pension Asset	(\$571)	(3,714)
16	Removes rate base treatment of Utility Prepaid Pension Asset from this Docket and removes the proposed Voluntary Severance Incentive Program (VSIP) cost amortization.		
17	h Plant Additions	(\$1,751)	(8,383)
18	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.)		
19	i Tax calculation - Interest expense, State tax rate & Federal tax rate	\$85	-
20	Revises for various SIT and debt interest corrections, relates to adjustment "b" above.		
21	j Working Capital	(\$481)	(4,679)
22	Removes the working capital rate base adjustment as proposed by Avista, and includes in rate base materials and supplies.		
23	k Expense Escalation	(\$119)	-
	Reduces forecasted expenses based on a lower inflation factor for 2013 and 2014 expenses.		
	l Various A&G Expenses	(\$333)	-
	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.		
	m Property Taxes	(\$66)	-
	Removes the proposed property tax escalation.		
	n Other Gas Supply Expense	(\$5)	-
	Includes correction to natural gas supply expense.		
	o Nonutility Expenses	(\$100)	-
	Includes reduction for nonutility related expenses.		
	p Other Revenues	(\$2)	-
	Includes correction to other revenues.		
	q Interest Synchronization	\$211	-
	Includes the flow through of the federal and state tax impact on rate base adjustments due to the change in the cost of debt.		
	Total Adjustments:	(\$5,186)	(16,846)
	Adjusted Revenue Requirement Base Rates & Rate Base - Effective Feb. 1, 2014:	\$4,295	\$159,355
	Second Step Increase (November 1, 2014):		
	Project Compass (Customer Information System)	\$1,100	\$6,520
	Aldyl A Pipe Replacement Program	\$250	\$2,040
	Subtotal	\$1,350	
	Combined Effect of Change in Base Rates on Feb. 1, 2014 and Nov. 1, 2014:	\$5,645	\$167,915

1 **Q. What is the basis of the Stipulation relating to Issue (a), Rate of Return**
2 **Adjustment?**

3 **A. The Company's original filed requested cost of capital was as follows:**

	Ratio	Cost	Weighted Cost
Long-Term Debt	50.0%	5.55%	2.78%
Common Equity	50.0%	10.10%	5.05%
TOTAL	100.0%		7.83%

4
5 This adjustment revises the Company requested cost of capital to a capital structure
6 comprised of 48% common stock equity and 52% long-term debt, with a return on equity
7 (ROE) of 9.65%, and cost of debt of 5.457%. The revised cost of debt of 5.457% reflects
8 the most recent financings of the Company, which lowers the overall cost of debt from the
9 5.55% included in the original filing. The 9.65% ROE is a negotiated rate that the Parties
10 support as reasonable, and reflects the give and take on other issues in the case. This
11 stipulated cost of capital results in a reduction from the current Commission-authorized
12 8.00% rate of return. This combination of capital structure and capital costs produces a rate
13 of return of 7.47%, as shown in the table below:

	Ratio	Cost	Weighted Cost
Long-Term Debt	52.0%	5.457%	2.84%
Common Equity	48.0%	9.65%	4.63%
TOTAL	100.0%		7.47%

14
15 **Q. Please explain the basis of the Stipulation relating to Issue (b), Revenue**
16 **Sensitive – uncollectible rate and state tax rate Adjustment?**

1 A. In the Company's direct filing, the Company computed Oregon State Income
2 Tax (SIT) on a stand-alone basis, as it has in prior cases. This adjustment revises SIT
3 expense to the apportionment tax method rather than Oregon SIT on a stand-alone basis. The
4 adjustment also revises the uncollectible rate to .4895 percent calculated on a three-year
5 historical average. These changes impact the Conversion Factor and adjustment "i" below.

6 The result of this adjustment decreased the Company's requested revenue
7 requirement by \$605,000.

8 **Q. Please explain the basis of the Stipulation relating to Issue (c),**
9 **Uncollectible Adjustment?**

10 A. In the Company's direct filing, the Company used the 2012 actual net direct
11 write-offs of uncollectible accounts as an estimate for the test period level of uncollectible
12 accounts receivable. The Parties agreed to use the historical three-year average to estimate
13 the level of uncollectible customer accounts receivable.

14 The result of this adjustment decreased the Company's requested revenue
15 requirement by \$96,000.

16 **Q. How did the Parties arrive at the Stipulation relating to Issue (d), Wages**
17 **and Salary Adjustment?**

18 A. This adjustment changes pro forma wages and salaries to reflect adjustments
19 proposed by Staff. Wages & Salaries were adjusted using the Commission's three-year
20 Wage and Salary Model. In this case, Staff also adjusted the test year full time equivalent
21 (FTE) levels to account for all employees who participated in the Voluntary Severance
22 Incentive Plan (VSIP) program in 2012. Finally, the adjustment included the applicable

1 payroll taxes related to these revisions and the reduction to applicable depreciation expense
2 related to the reduction to rate base.

3 The result of this adjustment decreased the Company's requested revenue
4 requirement by \$111,000, and decreases rate base by \$70,000.

5 **Q. Please explain the basis of the Stipulation relating to Issue (e),**
6 **Memberships Adjustment?**

7 A. In the Company's direct filing, the Company incorrectly calculated the level
8 of membership expenses included in the case. This error was identified during discovery
9 and the corrections were agreed to by the Parties.

10 The result of this adjustment increased the Company's requested revenue
11 requirement by \$15,000.

12 **Q. Please explain the basis of the Stipulation relating to Issue (f), Incentive**
13 **Compensation Adjustment?**

14 A. During discovery, an error in the calculation of incentive compensation
15 expense was identified, and the corrections were agreed to by the Parties. In addition, the
16 Parties agreed to reduce incentive compensation to an agreed-upon level for settlement
17 purposes.

18 The result of this adjustment decreased the Company's requested revenue
19 requirement by \$169,000.

20 **Q. Please explain the basis of the Stipulation relating to Issue (g), VSIP**
21 **Amortization & Deferred Pension Asset Adjustment?**

22 A. In the Company's direct filing, the Company proposed rate base treatment of
23 its prepaid pension assets, net of the accumulated deferred federal income taxes (ADFIT).

1 The Parties agreed to remove the Utility prepaid pension asset (net of ADFIT) from this
2 Docket, as the current UM 1633 Pension Investigation Docket is still in progress.

3 In addition, the Company included, in its direct filing, the deferral and amortization
4 over a three-year period of the VSIP costs it incurred in 2012 to better match these costs
5 with the benefits that are being realized in future years. The Parties agreed, for settlement
6 purposes, to remove the proposed VSIP cost amortization.

7 The result of this adjustment decreased the Company's requested revenue
8 requirement by \$571,000, and decreases rate base by \$3,714,000.

9 **Q. What is the basis of the Stipulation relating to Issue (h), Plant**
10 **Additions?**

11 A. In the Company's direct filing, the Company included Oregon capital
12 projects that would become operational and transfer to plant-in-service through June 30,
13 2014, the associated accumulated depreciation and ADFIT on an end-of-period (EOP) basis,
14 and the annual level of associated depreciation expense and property taxes.

15 This adjustment removes the Company's pro forma 2014 capital additions. The
16 Parties, however, agree to include specific Project Compass costs (upon review of actual
17 costs through September 30, 2014), and specific Aldyl A Pipe Replacement Program costs
18 (upon review of actual costs through June 30, 2014) in a Second Step increase effective
19 November 1, 2014.

20 The final revenue requirement related to the November 1, 2014 rate change is
21 dependent upon the actual costs related to the Company's Project Compass customer
22 information system through September 30, 2014 and the Aldyl A Pipe Replacement
23 Program through June 30, 2014, and therefore the estimated \$1.35 million rate change

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

10 This adjustment reduced the Company's requested revenue requirement by
11 \$1,751,000, and rate base by \$8,383,000.

12 **Q. Please explain the basis of the Stipulation relating to Issue (i), Tax**
13 **Calculation Adjustment**

14 A. This adjustment includes various SIT and debt interest corrections, and also
15 relates to adjustment "b" above.

16 The result of this adjustment increased the Company's requested revenue
17 requirement by \$85,000.

18 **Q. Please describe Issue (j), the Working Capital Adjustment?**

19 A. In the Company's direct filing, the Company included an increase to total
20 rate base for the Company's calculated cash working capital using the Investor Supplied
21 Working Capital (ISWC) method. The Parties agreed, for settlement purposes, to remove
22 the Company's proposed working capital adjustment and to include in rate base its inventory
23 of materials and supplies.

1 The result of this adjustment decreased the Company's requested revenue
2 requirement by \$481,000 and rate base by \$4,679,000.

3 **Q. What formed the basis for the agreement on Issue (k), Expense**
4 **Escalation?**

5 A. In the Company's direct filing, the Company included increases to non-labor
6 O&M and A&G expenses based on forecasts through 2014. The Company used a CPI of
7 2.1% year over year for 2013 and 2014. The Parties agreed, for settlement purposes, to a
8 lower forecasted inflation factor to determine the 2013 and 2014 expense levels.

9 The result of this adjustment decreased the Company's requested revenue
10 requirement by \$119,000.

11 **Q. What formed the basis for the agreement on Issue (l), Various**
12 **Administrative and General Expenses?**

13 A. This adjustment reduces the Company's administrative and general expenses
14 based on the following:

15 a.) Reduces 2014 expected level of pension expense (FAS 87/FAS 106) by
16 \$223,000, based on updated information provided by the Company;

17 b.) Reduces amounts related to the excess layers of Director's and Officer's (D&O)
18 expenses by \$30,000;

19 c.) Reduces A&G expenses by \$80,000 for 50% of meal costs included in the case.

20 The result of this adjustment for all items noted above decreases the Company's
21 requested revenue requirement by \$333,000.

22 **Q. Please explain the basis of the Stipulation relating to Issue (m), Property**
23 **Taxes Adjustment?**

1 A. In the Company's direct filing, the Company restated the 2012 historical test
2 period accrued levels of property taxes to the 2014 rate period level using updated assessed
3 values of property and then applying an escalator to the levy rates to reflect their general
4 increasing trend. The Parties agreed, for settlement purposes, to remove the escalation to
5 the levy rate to determine the 2014 expense level.

6 The result of this adjustment decreased the Company's requested revenue
7 requirement by \$66,000.

8 **Q. Please explain the basis of the Stipulation relating to Issue (n), Other Gas**
9 **Supply Expense?**

10 A. In the Company's direct filing, there was an error in the calculation
11 summarizing the adjustment to other gas supply expenses. This correction decreased the
12 Company's requested revenue requirement by \$5,000.

13 **Q. Please explain the basis of the Stipulation relating to Issue (o), Nonutility**
14 **Expense Adjustment?**

15 A. The Parties agreed, for settlement purposes, to reduce the revenue
16 requirement by \$100,000 related to the determination of utility versus nonutility allocation
17 costs, i.e., \$100,000 of costs were moved from utility to nonutility for settlement purposes.

18 **Q. Please explain the basis of the Stipulation relating to Issue (p), Other**
19 **Revenues Adjustment?**

20 A. Staff proposed to increase other revenues for customer growth projections in
21 2014. The Parties agreed to this adjustment

22 The result of this adjustment decreased the Company's requested revenue
23 requirement by \$2,000.

1 **Q. What is the basis of the Stipulation relating to Issue (q), the Interest**
2 **Synchronization Adjustment?**

3 A. This adjustment is simply a flow-through adjustment for the federal and state
4 tax impact of the cost of debt component of rate of return, and increases the Company's
5 requested revenue requirement by \$211,000.

6 **Revenue Requirement for Rate Changes on November 1, 2014**

7 **Q. Please explain the basis for the November 1, 2014 base rate change**
8 **associated with Capital Projects to be placed in service in 2014.**

9 A. A rate increase would occur on November 1, 2014 to recover the revenue
10 requirement associated with the Company's new Customer Information System Project,
11 referred to as Project Compass, and the Aldyl A Pipe Replacement Program, which are
12 described below:

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

1 The Parties have agreed that the Company will submit monthly expenditure reports to
2 the Parties starting in February 2014. Further the Company will make a compliance filing on
3 or before October 8, 2014, that will (i) provide a “certificate of completion” for the Project,
4 attesting to the status of the rate base additions as “in-service” and “used-and-useful” for
5 providing service; and (ii) include tariffs that reflect an increase to Base Rates on November
6 1, 2014, coincident with the Company’s PGA adjustment, for these rate base additions
7 through September 30, 2014.

8 (b.) Aldyl A Pipe Replacement Program - The Company has a program in place to
9 systematically replace select portions of the DuPont Aldyl A medium density polyethylene
10 pipe in its natural gas distribution system in the States of Oregon, Idaho and Washington over
11 a 20-year period. The Parties agree that the decision to pursue this project is prudent and to
12 include in rate base the actual capital additions associated with this Project through June 30,
13 2014 subject to a review of the prudence of any costs that exceed the current estimates, as
14 part of its compliance filing to implement the November 1, 2014 rate change. Oregon’s
15 share of the net rate base associated with the Aldyl A Project is currently estimated at
16 \$2,040,000 and the related revenue requirement is \$250,000.

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

1 agreed that the estimated rate-based capital addition of \$2,040,000 has been prudently
2 incurred, and that any additional capital expenditures in excess of this amount will require
3 the Company to demonstrate the prudence of these additional capital expenditures as part of
4 its compliance filing to implement the November 1, 2014 change in rates.

5 The Commission, at its discretion, may authorize recovery in rates of the costs of
6 particular investments placed into service during the test year, when such costs are reviewed for
7 prudence prior to inclusion in rates.

8 In the Company's last general rate case (Docket No. UG 201) the Commission
9 adopted a stipulation that allowed deferred accounting treatment for two capital additions in
10 service during the test year, and recovery of costs in rates effective 14 months after the first
11 rate increase. Order 11-080, App. A at 2, Docket No. UG 201. In the Company's prior rate
12 case (Docket No. UG 181), the Commission adopted a stipulation to a second rate increase
13 effective on or after November 1, 2008, to include the capital costs of the East Medford
14 Reinforcement Project and the Jackson Prairie Storage Project. Order 08-185 at 3, Docket
15 No. UG 81. The Stipulation in this docket does not allow deferred accounting, but the
16 Parties have agreed to allow for the recovery in rates of investments that have been identified
17 as prudent and are placed into service during the test year -- through June 30, 2014 for the
18 Aldyl A project and through September 30, 2014 for the Project Compass.

19 **Q. On an overall basis, do the Parties believe that these adjustments produce**
20 **a revenue requirement that is fair, just and reasonable?**

21 A. Yes. When taken as a whole, we believe that the Stipulation is in the public
22 interest and would result in retail rates that are fair, just and reasonable.

23 **Resolution of Rate Design and Rate Spread Issues**

1 **Q. What is the agreement of the Parties relating to rate design and rate**
2 **spread?**

3 A. The Parties have agreed that new rates would be spread, using the combined
4 February 1, 2014 and November 1, 2014 revenue requirement, so that Residential Service
5 Schedule 410 would receive an overall increase no greater than 0.75% above the overall
6 billed increase and that General Service Schedule 420 would receive an overall increase no
7 greater than 1.00% above the overall billed increase. Further, the Parties have agreed that
8 Large General Service Schedule 424 and Transportation Schedule 456 would receive a 3%
9 and 5% decrease in margin, respectively. Interruptible Schedule 440 would receive an
10 overall rate increase of one-half of the overall billed increase. Finally, the Parties have
11 agreed that Seasonal Schedule 444 would receive an increase of one-quarter of the overall
12 billed increase. This rate spread would move the revenue from each customer class closer to
13 the cost of service for each class.

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

16 Residential Service Sch. 410	4.88%
17 General Service Sch. 420	5.03%
18 Large General Service Sch. 424	-1.33%
19 Interruptible Service Sch. 440	2.26%
20 Seasonal Service Sch. 444	1.11%
21 Transportation Service Sch. 456	-3.79%

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

1	Residential Service Sch. 410	1.70%
2	General Service Sch. 420	1.78%
3	Large General Service Sch. 424	-0.16%
4	Interruptible Service Sch. 440	0.71%
5	Seasonal Service Sch. 444	0.53%
6	Transportation Service Sch. 456	-1.19%

7 The calculation of the revenue increase by service schedule is shown on Page 1 of
8 Attachment B to the Stipulation (Exhibit 101).

9 **Q. What other terms associated with rate design and rate spread are**
10 **contained in the Stipulation?**

11 A. For the rates that would go into effect on February 1, 2014, the Parties
12 support rate design changes as follows: the monthly customer charge for Residential Service
13 Schedule 410 would increase by \$1.00 per month, from \$7.00 to \$8.00. The monthly
14 customer charge for General Service Schedule 420 would be increased by \$3.00 per month,
15 from \$9.00 to \$12.00. For Large General Service Schedule 424 the monthly customer
16 charge would remain unchanged at \$50.00 per month, and the volumetric (per therm) rate
17 would be decreased by the appropriate amount to equal the total revenue decrease for that
18 schedule. For Interruptible Service Schedule 440 and Seasonal Service Schedule 444, the
19 volumetric rate would be increased by the appropriate amount to equal the total revenue
20 increase for those schedules. Finally, for Transportation Service Schedule 456, the monthly
21 customer charge would remain at \$275.00 per month. The revenue decrease for the
22 Schedule is reflected through a uniform percentage decrease applied to the volumetric rates
23 within the Schedule.

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

6 The present and proposed base rates, as well as the increases to all rate components
7 within the schedules, are shown on Page 2 of Attachment B to the Stipulation (Exhibit 101).

8 **Other Issues**

9 **Q. What other terms does the Stipulation include?**

10 **A.** The Parties also agree to the following:

11 (a.) Allocation Methodology – Prior to the September 30, 2014, Avista will
12 conduct one or more workshops to review the methodology used by Avista to allocate
13 common costs and common plant to its regulated and unregulated operations, electric and gas
14 services, and state jurisdictions. The workshops will include Avista's review of its
15 accounting practices to record its directly-assigned and common costs and identify whether
16 additional cost areas could be more appropriately directly assigned. In addition, the
17 allocation methodology will be reviewed to determine whether the allocation of costs is
18 reasonable from a cost driver standpoint. Parties will not recommend the Oregon Public
19 Utility Commission (OPUC) implement any changes to allocation methodology prior to July
20 1, 2015. OPUC Staff intends to request a joint meeting with the Staffs of the Washington
21 Utilities and Transportation Commission and the Idaho Public Utilities Commission prior to
22 March 31, 2015. Intervenors in each state will be invited to attend those meetings. At those
23 meetings an attempt will be made to achieve consensus among all affected jurisdictions on

1 the appropriate common cost allocation methodology so as to prevent any stranded costs or
2 investment. However, all Parties recognize that Staff, Intervenors and the PUC of Oregon
3 are not bound by the decisions of other state commissions.

4 (b.) Depreciation Rates Effective Date – Pursuant to Docket No. UM 1626, Order
5 No 13-168, the Company implemented new book depreciation rates on common plant
6 effective January 1, 2013. As a part of UM 1626, the Parties agreed that the implementation
7 of the new depreciation rates on plant directly assigned to Oregon would not occur until the
8 conclusion of the Company's next Oregon general rate case. As part of this stipulation, the
9 Parties agree that the new depreciation rates on directly assigned plant would be effective
10 July 1, 2014.

11 (c.) Klamath Falls Lateral – Pursuant to a Commission-approved Stipulation in
12 Docket No. UG 228 (see Order No. 12-429), the Company has been recovering \$463,000 in
13 annual revenue requirement associated with its purchase of the Klamath Falls Lateral,
14 effective January 1, 2013. This has been administered through rate Schedule 498. The
15 benefits associated with Klamath Falls Lateral have been flowing through the PGA. The
16 Parties agree that the revenue requirement associated with this purchase is prudent, and these
17 revenues are now to be included in base rates through the February 1, 2014 revenue
18 requirement increase. Therefore, the Parties agree that the Company will file tariff Schedule
19 498, as a part of its Compliance Filing for the February 1, 2014 rate increase, adjusting the
20 current rate of \$0.00585 per therm to \$0.00000 per therm.

21 (d.) Schedule 493 – Residential Low Income Rate Assistance Program - In the
22 Company's last general rate case (Docket No. UG 201), the funding associated with the
23 residential low income rate assistance program (LIRAP) was removed from base rates

(Schedule 410) and is now administered as a stand-alone tariff (Schedule 493). However, the Company inadvertently failed to remove the Revenue Adjustment Factor for LIRAP from Schedule 410. The rate under Schedule 493 is currently set at \$0.00438 per therm, but should have been set at \$0.00451 per therm, instead, including the Revenue Adjustment Factor¹. The Parties agree that \$0.00013/per therm should be removed from Schedule 410 and moved to Schedule 493 as shown on Page 2 of Attachment B and agree that the Company will file a conforming tariff as a part of its Compliance Filing for the February 1, 2014 rate increase, effectuating this rate change.

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

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

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

(f.) Demand Side Management Verification – Avista agrees to meet and confer with Staff and interested parties prior to its next filing to amortize deferred accounts associated with Schedule 478. The meeting will review the Company’s true-up process associated with energy efficiency savings, as required in Schedule 466. Avista agrees to use the industry’s best practices in its true-up process, and will provide a comparison of the

¹ The total annual amount of this adjustment is approximately \$760.

1 Company's energy savings true-up process with Energy Trust of Oregon's true-up process.
2 The meeting will address Staff's concerns regarding the inclusion of "free riders" in the
3 calculation of energy efficiency savings, potential double counting of incremental energy
4 savings through the load forecast and the lost margin calculation, and the calculation of
5 energy efficiency savings.

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

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

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

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

18 **Statements of the Parties**

19 **Statement of Avista**

20 **Q. Does Avista support the Settlement Stipulation resolving all Revenue**
21 **Requirement and Rate Spread/Rate Design Issues?**

22 A. Yes. The Settlement strikes a reasonable balance between the interests of
23 Avista's customers and the Company on all revenue requirement and rate spread and rate

1 design issues. This Settlement Stipulation, if approved, would provide a measure of certainty
2 around the recovery of costs impacting the Company. The Settlement Stipulation was a
3 compromise among differing interests and represents give-and-take. The Settlement
4 Stipulation also reaches consensus around all issues regarding rate spread and rate design.
5 The Settlement Stipulation was entered into following extensive discovery, audit and review
6 of the Company's filing, its books and its records.

7 For these reasons, the settlement is in the public interest and should be approved by
8 the Commission.

9 **Statement of Staff**

10 **Q. Does Staff support the Stipulation Resolving all Revenue Requirement**
11 **and Rate Spread/Rate Design Issues submitted for filing in this docket?**

12 A. Yes. Staff has filed separate testimony detailing their position on the
13 settlement.

14 **Statement of CUB**

15 **Q. Does CUB support the Stipulation Resolving all Revenue Requirement**
16 **and Rate Spread/Rate Design Issues submitted for filing in this docket?**

17 A. Yes. CUB has filed separate testimony detailing their position on the
18 settlement. That testimony is included as Exhibit 104.

19 **Statement of NWIGU**

20 **Q. Please explain why NWIGU supports the Stipulation.**

21 A. NWIGU recognizes that each Party has negotiated the Stipulation based on
22 different considerations and needs. NWIGU specifically supports the Stipulation because it

1 reduces the Company's overall gas revenue requirement increase and is done in a manner
2 consistent with the results of Avista's and NWIGU's cost of service analysis. Moreover, the
3 Stipulation includes changes in rate spread and rate design for industrial customers that move
4 the Company's rates closer to the actual cost of serving each customer class.

5 **Conclusion**

6 **Q. Do the Parties agree that the Stipulation provided as Exhibit 101 is in the**
7 **public interest and results in an overall fair, just and reasonable outcome?**

8 A. Yes, the Parties do.

9 **Q. What do the Parties recommend regarding the Stipulation?**

10 A. We recommend that the Commission adopt the Stipulation in its entirety.

11 **Q. Does this conclude your joint testimony?**

12 A. Yes.

**PUBLIC UTILITY COMMISSION
OF
OREGON**

UG 246

STAFF/AVISTA/NWIGU/CUB EXHIBIT 101

**Stipulation of the Parties
In the Matter of Avista's
Request for a General Rate Revision**

December 23, 2013

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

3 UG 246

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

18 **BACKGROUND**

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

22 2. On November 13, 2013, Staff served on all of the Parties its report of issues and
23 proposed adjustments to Avista’s revenue requirement filing. Staff’s report was provided for
24 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, 2014¹, 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:

¹ 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.

TABLE 1: SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE (0000s of Dollars)		
	Revenue Requirement	Rate Base
Amount as filed:	\$9,481	\$176,201
Adjustments:		
a Rate of Return	(\$1,088)	-
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 Revenue Sensitive - uncollectible rate and state tax rate	(\$605)	-
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.		
c Uncollectibles	(\$96)	-
Revises uncollectible expense to a 3-year historical average.		
d Wage & Salary	(\$111)	(70)
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.		
e Memberships	\$15	-
Revises membership expense for correction of an error included in Company's filing as provided by Avista response to Staff Data Request 236.		
f Incentive Compensation	(\$169)	-
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.		
g VSIP Amortization & Deferred Pension Asset	(\$571)	(3,714)
Removes rate base treatment of Utility Prepaid Pension Asset from this Docket and removes the proposed Voluntary Severance Incentive Program (VSIP) cost amortization.		
h Plant Additions	(\$1,751)	(8,383)
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.)		
i Tax calculation - Interest expense, State tax rate & Federal tax rate	\$85	-
Revises for various SIT and debt interest corrections, relates to adjustment "b" above.		
j Working Capital	(\$481)	(4,679)
Removes the working capital rate base adjustment as proposed by Avista, and includes in rate base materials and supplies.		
k Expense Escalation	(\$119)	-
Reduces forecasted expenses based on a lower inflation factor for 2013 and 2014 expenses.		
l Various A&G Expenses	(\$333)	-
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.		
m Property Taxes	(\$66)	-
Removes the proposed property tax escalation.		
n Other Gas Supply Expense	(\$5)	-
Includes correction to natural gas supply expense.		
o Nonutility Expenses	(\$100)	-
Includes reduction for nonutility related expenses.		
p Other Revenues	(\$2)	-
Includes correction to other revenues.		
q Interest Synchronization	\$211	-
Includes the flow through of the federal and state tax impact on rate base adjustments due to the change in the cost of debt.		
Total Adjustments:	(\$5,186)	(16,846)
Adjusted Revenue Requirement Base Rates & Rate Base - Effective Feb. 1, 2014:	\$4,295	\$159,355
Second Step Increase (November 1, 2014):		
Project Compass (Customer Information System)	\$1,100	\$6,520
Aldyl A Pipe Replacement Program	\$250	\$2,040
Subtotal	\$1,350	
Combined Effect of Change in Base Rates on Feb. 1, 2014 and Nov. 1, 2014:	\$5,645	\$167,915

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:

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

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.²

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.

22

² 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 Factor³. 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:

³ 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 17th 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

12 Date: Dec 17, 2013

By: _____

Johanna M. Riemenschneider

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: _____

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

3
4 DATED this ____ 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 Riemenschneider
Johanna M. Riemenschneider
Date: 12-17-13

12 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: _____

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

3
4 DATED this _____ 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

12 Date: _____


By: _____

Johanna M. Riemenschneider

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: 12-17-2013

Date: _____

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

3
4 DATED this _____ 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

12 Date: _____

By: _____

Johanna M. Riemenschneider

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

22
23 Date: _____

By:  _____

G. Catriona McCracken

Date: 12-17-13

Avista Utilities
UG 246
Twelve Months Ended December 31, 2014
(000)

	Company Filed 2014 Results at Reasonable Return	Stipulated Adjustments	2014 Adjusted	Stipulated Price Increase	Results at Reasonable Return
	(1)	(2)	(3)	(4)	(5)
Operating Revenues					
General Business	\$105,916	\$0	\$96,435	\$4,295	\$100,730
Transportation	2,923	0	2,923	0	2,923
Other Revenues	144	2	146	0	146
Total Operating Revenues	\$108,983	\$2	\$99,504	\$4,295	\$103,799
Operating Expenses					
Gas Purchased	\$55,459	\$0	\$55,459	\$0	\$55,459
General Operations & Maintenance	11,878	(217)	11,610	21	11,631
Administrative and General	7,803	(869)	6,934	0	6,934
Total Operation & Maintenance	\$75,140	(\$1,087)	\$74,002	\$21	\$74,023
Depreciation & Amortization	9,049	(839)	8,210		8,210
Taxes Other than Income	5,131	(68)	4,835	103	4,939
Income Taxes	5,867	1,059	3,251	1,472	4,723
Miscellaneous Revenue and Expense	0	0	0	0	0
Total Operating Expenses	\$95,187	(\$934)	\$90,298	\$1,597	\$91,895
Net Operating Revenues	\$13,797	\$936	\$9,206	\$2,698	\$11,904
Average Rate Base					
Utility Plant in Service	\$312,154	(\$13,816)	\$298,338	\$0	\$298,338
Less: Accumulated Depreciation & Amortization	(106,542)	5,363	(101,179)	0	(101,179)
Accumulated Deferred Income Taxes	(44,560)	0	(44,560)	0	(44,560)
Accumulated Deferred Inv. Tax Credit	0	0	0	0	0
Net Utility Plant	\$161,052	(\$8,453)	\$152,599	\$0	\$152,599
Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0
Acquisition Adjustments	0	0	0	0	0
Working Capital	6,355	(6,355)	0	0	0
Fuel Stock	0	0	0	0	0
Materials & Supplies	3,084	1,677	4,761	0	4,761
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	5,710	(3,714)	1,996	0	1,996
Misc. Rate Base Additions/(Deductions)	0	0	0	0	0
Total Average Rate Base	\$176,201	(\$16,846)	\$159,355	\$0	\$159,355
Rate of Return	7.83%		5.78%		7.47%
Implied Return on Equity	10.10%		6.12%		9.65%

Avista Utilities
Docket No. UG 246
Oregon - Natural Gas
Settlement Rate Spread

Line No.	OREGON TOTAL	Residential Service 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 BASE MARGIN (from Avista/903 Ehrbar/page 2 of 4)	\$ 42,218,000	\$ 28,200,000	\$ 10,161,000	\$ 631,000	\$ 264,000	\$ 38,000	\$ 2,645,000
2	% of Current Margin excl Sch 447	100.00%	67.24%	24.23%	1.50%	0.63%	0.09%	6.31%
3	Present Billed Revenue (from Avista's Settlement Rate Spread [SRS], 11-27)	\$ 87,211,000	\$ 55,434,000	\$ 24,521,000	\$ 2,891,000	\$ 1,259,000	\$ 169,000	\$ 2,658,000
4	Schedule 498 Revenues (Klamath Falls Lateral) (Avista SRS 11-27)	\$ 463,000	\$ 286,000	\$ 152,000	\$ 24,000	\$ -	\$ 1,000	\$ -
5	Gas Costs and Adder Schedules (Line 3 minus Lines 1 and 4)	\$ 44,530,000	\$ 26,948,000	\$ 14,208,000	\$ 2,236,000	\$ 995,000	\$ 130,000	\$ 13,000
6	Base Margin Increase (Total is per Settlement Stipulation)	\$ 5,645,000	\$ 3,932,648	\$ 1,822,349	\$ (18,930)	\$ 37,404	\$ 3,779	\$ (132,250)
7	Schedule 498 Elimination (Klamath Falls Lateral) (Minus Line 4)	\$ (463,000)	\$ (286,000)	\$ (152,000)	\$ (24,000)	\$ -	\$ (1,000)	\$ -
8	Net Increase (Line 6 plus Line 7)	\$ 5,182,000	\$ 3,646,648	\$ 1,670,349	\$ (42,930)	\$ 37,404	\$ 2,779	\$ (132,250)
9	Total Net GRC Increase as % of Present Billed Revenue (Line 3)	5.94%	6.58%	6.81%	-1.48%	2.97%	1.64%	0.00%
10	Base Margin Revenue Increase Percentage (versus Line 1)	13.4%	13.9%	17.9%	-3.0%	14.2%	9.9%	0.0%
11	Margin Revenue Increase (Effective February 1, 2014)	\$ 4,295,000	\$ 2,992,156	\$ 1,386,535	\$ (14,403)	\$ 28,459	\$ 2,876	\$ (100,622)
12	Schedule 498 Elimination (Klamath Falls Lateral)	\$ (463,000)	\$ (286,000)	\$ (152,000)	\$ (24,000)	\$ -	\$ (1,000)	\$ -
13	Total Increase	\$ 3,832,000	\$ 2,706,156	\$ 1,234,535	\$ (38,403)	\$ 28,459	\$ 1,876	\$ (100,622)
14	Percentage Revenue Increase (versus line 3)	4.39%	4.88%	5.03%	-1.33%	2.26%	1.11%	0.00%
15	Margin Revenue Increase (Effective November 1, 2014)	\$ 1,350,000	\$ 940,491	\$ 435,814	\$ (4,527)	\$ 8,945	\$ 904	\$ (31,628)
16	Percentage Revenue Increase (versus Line 3)	1.55%	1.70%	1.78%	-0.16%	0.71%	0.53%	0.00%

Avista Utilities
Docket No. UG 246
Settlement Rates by Schedule
Oregon - Gas

<u>Present Base Rates</u>	<u>Schedule 493 Adjustment</u>	<u>Base Rate Change</u>	<u>Base Rates - February 1, 2014</u>
Residential Service Schedule 410			
\$7.00 Customer Charge		\$1.00/month	\$8.00 Customer Charge
All Therms - \$0.42993/Therm	-\$0.00013/Therm	\$0.04018/therm	All Therms - \$0.46998/Therm
General Service Schedule 420			
\$9.00 Customer Charge		\$3.00/month	\$12.00 Customer Charge
All Therms - \$0.34376/Therm		\$0.03771/therm	All Therms - \$0.38147/Therm
Large General Service Schedule 424			
\$50.00 Customer Charge		\$0.00/month	\$50.00 Customer Charge
All Therms - \$0.14259/Therm		-\$0.00351/therm	All Therms - \$0.13908/Therm
Interruptible Service Schedule 440			
All Therms - \$0.10462/Therm		\$0.01122/therm	All Therms - \$0.11584/Therm
Seasonal Service Schedule 444			
All Therms - \$0.15877/Therm		\$0.01205/therm	All Therms - \$0.17082/Therm
Transportation Service Schedule 456			
\$275.00 Customer Charge		\$0.00/month	\$275.00 Customer Charge
1st 10,000 Therms - \$0.15639/Therm		-\$0.00623/therm	1st 10,000 Therms - \$0.15016/Therm
Next 20,000 Therms - \$0.09412/Therm		-\$0.00375/therm	Next 20,000 Therms - \$0.09037/Therm
Next 20,000 Therms - \$0.07737/Therm		-\$0.00309/therm	Next 20,000 Therms - \$0.07428/Therm
Next 200,000 Therms - \$0.06056/Therm		-\$0.00242/therm	Next 200,000 Therms - \$0.05814/Therm
Over 250,000 Therms - \$0.03072/Therm		-\$0.00123/therm	Over 250,000 Therms - \$0.02949/Therm

CASE: Docket No. UG 246
WITNESSES: MARIANNE
GARDNER AND MATT MULDOON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

**Staff Testimony in Support
of the Stipulation Resolving All Issues**

December 23, 2013

1 **Q. Please state your names and business address.**

2 A. Our names are Marianne Gardner and Matt Muldoon. Our business address is
3 3930 Fairview Industrial Drive SE, Salem, Oregon 97302.

4 **Q. Ms. Gardner, please state your occupation and your witness**
5 **qualifications.**

6 A. I am a Senior Revenue Requirement Analyst employed in the Rates, Finance,
7 and Audit Section of the Energy Division of the Public Utility Commission of
8 Oregon (OPUC). My qualifications are set forth in Exhibit 103, and in Exhibit
9 100, the Joint Testimony of the Stipulating Parties.

10 **Q. Mr. Muldoon, please state your occupation and your witness**
11 **qualifications.**

12 A. I am employed as a Senior Financial Economist in the Rates, Finance, and
13 Audit Section of the Commission's Energy Division. I am a graduate of
14 Portland State University with a Masters of Business Administration with a
15 certificate in Finance and a graduate of the University of Chicago with a
16 Bachelor of Arts. I joined the PUC in April 2008. I have prepared, and
17 defended formal testimony in contested hearings before the OPUC, Interstate
18 Commerce Commission, U.S. Transportation Board, Washington Utilities and
19 Transportation Commission and Oregon Department of Transportation. I have
20 also prepared OPUC Staff ("Staff") testimony in Bonneville Power
21 Administration rate cases. My qualifications are further set forth in Exhibit 103.

22 **Q. Mr. Muldoon, which portions of this exhibit contain your testimony?**

1 A. I am responsible just for the portion describing Staff's analysis and review of
2 cost of capital and justification for the stipulated cost of capital.

3 **Q. Ms. Gardner, which portions of this exhibit contain your testimony?**

4 A. I am responsible for all other portions of this testimony. For Docket No. UG
5 246, I am the revenue requirement summary witness for Staff. As such, I
6 introduce and summarize Staff's review of Avista Utilities' ("Avista" or
7 "Company") filing in this docket (except for cost of capital) as well as provide
8 support for the settlement reached with Avista, as well as Citizens' Utility Board
9 of Oregon (CUB) and, Northwest Industrial Gas Users (NWIGU).

10 **Q. What is the purpose of your testimony?**

11
12 A. The purpose of our testimony is to provide additional information for specific
13 issues in support of the Stipulation resolving all Issues ("Stipulation") and the
14 joint testimony filed by the parties in this docket.

15 **Q. How is your testimony organized?**

16 A. Staff's testimony is divided into two parts:

17 Part I explains the settlement.

18 Part II introduces the adjustments proposed by Staff.

19 **PART I – EXPLANATION OF SETTLEMENT**

20 **Q. Please provide a list of issues that Staff reviewed and identify the staff**
21 **person who reviewed the issue and list the revenue requirement effect**
22 **of the issue.**

- 1 A. The table below provides item numbers for each revenue requirement topic
- 2 reviewed by Staff, identifies the Staff person responsible for that review, and
- 3 any resulting revenue requirement adjustment from the Company filing.
- 4

1 **Table 1. Stipulated changes to Revenue Requirement (\$ in thousands).**

Company filed General Rate Case Required Change to Revenue Requirement			\$9,481
Item	Staff	Topic	Agreed Adjustment
S-0	Matt Muldoon	Rate of Return	(\$1,088)
S-0.1	Marianne Gardner	Revenue Sensitive – uncollectible rate and state tax rate	(\$605)
S-1	Marianne Gardner	Uncollectables	(\$96)
S-2	Deborah Garcia	Wage & Salary	(\$111)
S-3	Paul Rossow	Memberships	\$15
S-4	Brian Bahr	Incentive Compensation	(\$169)
S-5	Brian Bahr	VSIP Amortization Deferred Pension Asset	(\$571)
S-6	Judy Johnson & Jorge Ordonez	Plant Additions	(\$1,751)
S-7	Marianne Gardner	Tax Calculation – Interest Expense, State tax rate and Federal tax rate	\$85
S-8	Marianne Gardner	Working Capital	(\$481)
S-9	Deborah Garcia	Expense Escalation	(\$119)
S-10	Brian Bahr	Various A&G Expenses	(\$333)
S-11	Brian Bahr	Property Taxes	(\$66)
S-12	Erik Colville	Other Gas Supply Expense	(\$5)
S-13	Lance Kaufman	Corporate/Subsidiary allocation. Sponsored by CUB.	(\$100)
S-14	Lance Kaufman	Other Revenues	(\$2)
S-15	Marianne Gardner	Interest Synchronization	<u>\$211</u>
Total Adjustments			(\$5,186)
Revenue Requirement Change (before removal of Klamath Falls Tariff)			<u>\$4,295</u>

2 **Q. Does the above summary represent all of the agreements incorporated**
3 **into the Stipulation?**

1 A. No. While we were able to reach agreement on revenue requirements that
2 result in what Staff and other parties believe are just and reasonable rates, the
3 Company has also agreed to work with Staff and other interested parties after
4 the conclusion of this case to further analyze certain issues for purposes of
5 better understanding them and perhaps craft new methods for handling and
6 resolving certain issues in future cases.

7 In addition to agreeing to revenue requirements, agreement was also reached
8 on rate spread and rate design; Staff's perspective on this is also presented in
9 this testimony.

10
11 **PART II – DISCUSSION OF STIPULATED ISSUES AND STAFF REVIEW**

12 **Q. Mr. Muldoon, please discuss your observations regarding cost of capital.**

13 A. I support the 7.470 percent Rate of Return (ROR) in this stipulation as well as
14 the individual components, which are a 52 percent debt/48 percent equity
15 capital structure, 9.65 percent return on equity (ROE) and 5.457 percent cost of
16 debt.

17 In reviewing the cost of capital, I submitted 109 multipart data requests
18 related to cost of capital. Regarding ROE, I assembled information on
19 comparable local gas distribution and water utilities as well as the Company's
20 proposed gas and electric peer utilities. I used three-stage Discounted Cash
21 Flow (DCF) modeling to develop estimates of the forward-looking cost of equity
22 for each comparable company under multiple scenarios of future growth rates
23 and addressed various sensitivities.

1 With respect to the Cost of long-term (LT) Debt, I researched and rebuilt the
2 Company's LT Debt analysis spreadsheets relative to the 2014 test year. I
3 also analyzed the Company's capital structure utilizing Dr. Kaufman's research.

4 **Q. How does the stipulated ROR compare to that authorized by prior Order**
5 **No. 11-080 in Docket No. UG 201 and to the Company's filed rate case?**

6 A. The stipulated ROR of 7.470 percent is 53 basis points (bps) (or 0.53%) lower
7 than that authorized in Order No. 11-080 and 35.5 bps lower than the Company
8 requested in this rate case, as shown in the following tables:

9 **Table 2. Comparison tables of RORs.**

Currently Authorized (UG 201 Order No. 11-080)			AVA
Component	Percent of Total	Cost	Weighted Average
Long Term Debt	50.00%	5.900%	2.950%
Preferred Stock	0.00%	0.000%	0.000%
Common Stock	50.00%	10.100%	5.050%
100.00%			8.000%

AVA Proposed (UG 246)		Avista/100 Morris/3 Case Summary		
Component	Percent of Total	Cost	Weighted Average	ROR vs. Current
Long Term Debt	50.00%	5.550%	2.775%	-0.175%
Preferred Stock	0.00%		0.000%	
Common Stock	50.00%	10.100%	5.050%	
100.00%			7.825%	

Stated as: 7.83%

All Party Stipulation – UG 246		First Settlement		
Component	Percent of Total	Cost	Weighted Average	ROR vs. Current
Long Term Debt	52.00%	5.457%	2.838%	-0.530%
Preferred Stock	0.00%		0.000%	
Common Stock	48.00%	9.650%	4.632%	
100.00%			7.470%	

10

1 **Q. Why do you find the proposed Cost of Capital values adopted in the**
2 **Stipulation to be reasonable?**

3 A. From Staff's perspective, A) the ROE proposed is the upper end of Hamada-
4 adjusted three-stage DCF modeling results; B) the Cost of LT Debt mirrors
5 Staff's customary and usual adjustments without stress to Avista's debt maturity
6 profile; and C) the capital structure is consistent with Company actual
7 performance and presentations to investors and to Avista's Board of Directors.

8 **Q. Do all parties agree in all particulars with Staff?**

9 A. While the Parties agree that the Company's overall ROR should be set at 7.470
10 percent, they do not necessarily agree on the values of the cost of capital
11 components. Without accepting any values for the individual cost of capital
12 components, the Parties agree that for the calculation of taxes collected in rates
13 for Oregon and for other Oregon regulatory purposes, the Cost of LT Debt will
14 be 5.457 percent and the ROE will be 9.650 percent.

15 **Q. Avista announced on November 6, 2013, that the Company intends to buy**
16 **Alaska Energy and Resources Company (AERC), and to finance this**
17 **transaction with the issuance of new common stock. Is it necessary for**
18 **Staff to change its Cost of Capital analysis and recommendations to**
19 **reflect this announcement?**

20 A. No.

21 **Q. Other than updated inputs, did Staff modeling protocols and analysis**
22 **duplicate that applied in the Docket No. UG 221, wherein Northwest**

1 **Natural's (NWN's) Cost of Capital was litigated, resulting in an ROE of 9.5**
2 **percent?**

3 A. Yes.

4 **Q. Are there material differences between Avista and NWN that could cause**
5 **Avista to have a higher weighted average cost of capital?**

6 A. Yes. Avista has more debt in its capital structure at 52 percent than does the
7 capital structure adopted by the Commission for NWN in Order No. 12-408 – 50
8 percent. Based on the Hamada equation, this difference equates to
9 approximately 15 basis points ROE. Therefore a slightly higher ROE for Avista
10 is reasonable.

11 **Q. Does this complete your portion of this testimony?**

12 A. Yes.

13 **Q. Ms. Gardner, could you please provide the general background**
14 **supporting the remaining adjustments, S-0.1 through S-15.**

15 A. Yes. Excluding adjustments S-5, S-7, S-8, and S-12, the remaining
16 adjustments are based on Staff's view of existing Commission policy. While
17 the voluntary severance incentive program (VSIP) amortization component of
18 adjustment S-5 was adjusted according to Commission policy, the Parties have
19 agreed that the Company will remove its request for recovery of its Deferred
20 Pension Asset and associated Accumulated Deferred Taxes (S-5), from the
21 Company's filing in the case. The Company instead may address this issue in
22 a separate docket.

1 Adjustments S-7 and S-12 are correcting adjustments for calculation errors in
2 the Company's filing. Regarding adjustment S-8, the Commission in past rate
3 cases has not granted Working Capital to Avista. UG 201 was the first rate
4 case that Avista requested Working Capital be included in rate base. In
5 UG 201, Staff recommended the requested amount be removed in its entirety
6 from rate base and for settlement purposes, Stipulating parties agreed to this
7 treatment. However, for settlement purposes in UG 246, Staff offered to
8 include FERC Account 154 (Plant Materials and Supplies) on an Oregon-
9 allocated basis in rate base. A further discussion of these adjustments is
10 provided in the following testimony.

11 **Q. What areas of Avista's filing did you personally review?**

12 A. I verified Avista's proposed revenue requirement utilizing Staff's revenue
13 requirement model. This model was also used to calculate Staff's modified
14 revenue requirement incorporating Staff's proposed adjustments to Avista's
15 test year.

16 Additionally, I reviewed the portions of the filing related to uncollectible
17 expense, customer service and informational expense, promotional activities
18 and concessions expense, amortization expense, atmospheric expense,
19 prepaid expense, State income tax (SIT) and Federal income tax (FIT), working
20 capital allowance, and assisted in the review of cost allocations. In order to
21 gain additional insight, I issued approximately 31 data requests and reviewed
22 the Company's responses to my data requests, as well as multiple data
23 requests in these areas submitted by other Staff and Parties.

1 **Q. What is the change to the Company's filed Revenue Requirement**
2 **related to uncollectible expense?**

3 A. The Stipulation reduces the uncollectible expense rate (S-0.1) which in turn
4 results in a decrease in uncollectible expense (S.1). This is a decrease in
5 revenue requirement of \$3,500 and \$96,000 respectively. The adjustment is
6 consistent with a long-standing Commission policy of using a 3-year average of
7 net write-offs to calculate the uncollectible rate. The Company's filed
8 uncollectible rate was based on 2012 actual net write-offs. The Parties have
9 agreed to the revenue requirement adjustment for settlement purposes.

10 **Q. Is there a change to the Company's general rate filing SIT/FIT related to**
11 **the 2014 test year?**

12 A. Yes. For issue, S-0.1 relating to the effective SIT rate, the Company
13 elected to use the standalone SIT tax rate in its revenue requirement model.
14 Staff analyzed the apportionment method based on 2011 Oregon Senate Bill
15 967, Section 1(3), which empowers the Oregon Public Utility Commission
16 with the authority to adjust the utility's estimated income tax expense during
17 a ratemaking procedure under ORS 757.210. Under that approach, the
18 apportionment method for the effective SIT change results in a \$601,000
19 decrease in revenue requirement. The Parties have agreed to this
20 adjustment for settlement purposes.

21 Additionally, two small corrections were made to the Company's filed tax
22 calculation concerning interest expense and the FIT rate (S-7). These
23 corrections result in a revenue requirement increase of \$85,000.

1 **Q. What adjustment to Avista's proposed working capital addition is**
2 **reflected in the Stipulation?**

3 A. The Stipulation excludes Avista's proposed addition of \$6.355 million to rate
4 base for working capital on an Oregon-allocated basis. In the Company's
5 filing, Avista employed the Investor Supplied Working Capital Method
6 (ISWC), a balance sheet approach, to calculate working capital on a
7 company-wide basis rather than a regulated gas operations basis. Staff
8 considers the natural gas and electric industries to be sufficiently different
9 which, in my opinion, compromises the accuracy of the working capital
10 allocation to Oregon. For purposes of settlement, FERC Account 154 (Plant
11 Material and Supplies) Oregon-allocated balance of \$1.677 million has been
12 included in rate base. This will allow Avista to earn a rate of return on Net
13 Plant, Gas Inventories, and on Plant Material and Supplies. The net
14 outcome of this adjustment (S-8) is a decrease to revenue requirement of
15 \$481,000 which the Parties agreed to for settlement.

16 **Q. Did the Parties make an adjustment to synchronize interest expense?**

17 A. Yes. According to standard practice, interest expense has been adjusted
18 based on the stipulated Capital Structure and Cost of Equity. This
19 adjustment (S-15) adds \$211,000 to revenue requirement. The Parties have
20 agreed to this revenue requirement adjustment.

21 **Q. Please provide a discussion of the issues or areas that additional Staff**
22 **persons reviewed.**

1 A. I have summarized the issues by assigned Staff along with a discussion of their
2 reviews and recommendations prepared for me, which I am incorporating in
3 this testimony.

4 **Assigned Staff: Judy Johnson and Jorge Ordonez**

5 **Issue: Capital Additions to Rate Base (S-6)**

6 Staff reviewed the Company-proposed capital additions to be added into its
7 rate base. In the discovery stage of the general rate case, Staff issued 16 data
8 requests to which the Company responded in multiple initial and supplemental
9 responses. Generally, Staff reviewed the in-service dates of all capital
10 additions to make sure that any capital addition put into rate base complies
11 with the used and useful approach. In particular, Staff reviewed the prudence
12 of major investments including the Customer Information System (CIS) project
13 (Expenditure Requisition (ER) 5138), and the Aldyl A Pipe Replacement
14 Project (ER 3008). Staff reviewed the CIS and the Aldyl A projects during
15 2014. The capital costs investigated were \$-6,519,870 for CIS project up to
16 July 1, 2014 and \$ \$2,040,000 for Aldyl A project up to
17 July 1, 2014. These capital costs are forecasted at this time. The Company
18 will submit information at the close of each month about each project so Staff
19 can keep track of actual costs for each project. From Staff's perspective, the
20 Company's decision to pursue these projects was prudent and should be
21 allowed into rate base per the stipulation terms.

22 **Assigned Staff: Paul Rossow**

23 **Issue: Memberships/Dues (S-3)**

1 While preparing responses to Staff's two Memberships and Dues data
2 requests, Avista discovered their workpapers used an inaccurate test period
3 amount of \$137,119 for dues. Based on the OPUC's standard 25 percent
4 disallowance for national and regional trade organizations, Avista initially
5 removed \$40,413. Due to a reclassification of an American Gas Association
6 invoice from 2012 to 2013, the test period amount should have been \$80,571
7 for dues. Using the same disallowance percentage, the Parties arrived at a
8 corrected amount increasing membership expenses by \$14,157.

9 **Issue: Material and Supplies (S-8)**

10 Staff wrote seven data requests pertaining to Avista's Plant Materials and
11 Supplies account. Based on Staff's review, the forecasted 2014 amount
12 accepted in the Stipulation appears reasonable.

13 **Assigned Staff: Erik Colville**

14 **Issue: Purchased Gas Expense**

15 The Avista 2013-14 PGA forecasts gas purchases of \$32,191,442 for
16 commodity and \$16,149,132 for demand, totaling \$48,340,574 while the rate
17 case forecasts 2014 gas purchases of \$55,459,000. Given that the actual cost
18 of gas is reconciled with customers each year in the PGA, Staff did not attempt
19 to reconcile the \$7 million difference between this general rate case and the
20 2013-14 PGA. As a result, the forecasted 2014 results of operations total gas
21 purchase of \$55,459,000 accepted in the Stipulation appear reasonable. Staff
22 issued one data request regarding this issue.

23 **Issue: Other Gas Supply Expense (S-12)**

1
2 Staff issued one data request for this issue. In the process of analyzing the
3 data, Staff discovered an error in math addition. The sum of the adjustments is
4 \$574,000 not \$579,000. Aside from correcting the addition error, the
5 forecasted 2014 results of operations total for other gas supply expense of
6 \$579,000 appears reasonable. The Parties have stipulated to a reduced
7 expense from \$579,000 to \$574,000.

8 **Issue: Underground Storage Expense**

9 Staff issued one data request for this area. Based on Staff's analysis, with the
10 exception of 2010, expenses have risen each year at a relatively constant rate.
11 Expenses in 2012 were \$107,000 and the projected expenses for 2013 are
12 \$125,000. As a result, the forecasted 2014 results of operations total
13 underground storage operating expense of \$112,000 appears reasonable.

14 **Issue: Gas Storage in Rate Base**

15 Staff issued two data requests for this issue. Based on Staff's analysis, the
16 forecasted 2014 results of operations total gas inventory of \$3,084,000
17 appears reasonable.

18 **Assigned Staff: Brian Bahr**

19 **Issue: Taxes Other Than Income (S-11)**

20 For this issue, Staff primarily analyzed the Company's proposed property tax
21 expense of \$2.2 million, using the responses from the Company to eight data
22 requests. To forecast the property tax expense, the Company escalated the
23 2012 property tax rate by about two percent to reflect short-term trends.

1 However, using a longer-term perspective, property tax rates indicate a
2 downward trend. The Stipulation adopts the 2012 property tax rate, which Staff
3 supports as a reasonable resolution. The adjustment to revenue requirement
4 is a decrease of \$66,000.

5 **Issue: Administrative and General Expenses (S-10)**

6 In reviewing A&G costs, Staff analyzed four general issues:

- 7 1) Insurance;
8 2) Research and Development;
9 3) Medical Benefits; and
10 4) Miscellaneous.

11 Regarding these issues, Staff issued 33 data requests to the Company. Staff
12 analyzed the Company's insurance, and found the escalations from 2012 to the
13 test year to be reasonable and supported by documentation. Staff followed
14 Commission precedent in recommending equal sharing of excess layers of
15 director and officer insurance. The Company's only research and development
16 expense is related to its dues to the Gas Technology Institute, which is
17 supported by the Commission; therefore, there was no recommended
18 adjustment.

19 The Company's filed case included the sharing of medical benefits between
20 the employer and the employee of 90/10. While recent trends appear to
21 support employees bearing a greater share of costs, the Parties adopt the
22 current Avista 90/10 sharing percentage, which Staff supports as a reasonable
23 compromise.

1 In reviewing the Company's non-labor expenses, Staff identified all or a
2 portion of miscellaneous expenses relating to meals for removal, to which the
3 Parties have stipulated. Staff also reviewed property sales and affiliated
4 interests. Staff issued three data requests and reviewed annual affiliated
5 interest reports, and concludes that no adjustments were warranted in these
6 areas.

7 **Issue: Incentive Compensation (S-4)**

8 Avista, aware of Commission practice which is to disallow some portion of
9 incentive compensation, proposed in its filing to not request recovery of
10 executive bonuses and include 50 percent of other incentive compensation
11 (bonuses based on company performance or on individual merit). Staff made
12 two data requests relating to incentive compensation, each with multiple parts.
13 Staff supports the inclusion of performance-based bonuses except for the
14 bonus related to O&M savings which also leads to greater utility profits and is
15 thereby identified as a benefit to shareholders. The Stipulation includes a 25
16 percent reduction in bonuses. The total adjustment agreed to by the Parties is
17 a reduction to revenue requirement of \$169,000.

18 **Issue: Pensions (S-5)**

19 The Company's proposal included three parts:

- 20 1) the inclusion in rate base of its prepaid pension asset in the amount of \$5.7
21 million as well as \$2 million offset for associated accumulated deferred
22 taxes;
23 2) the inclusion in revenue requirement of FAS 87 pension expense of \$1.8
24 million; and,
25 3) the inclusion of a three year amortization of the costs of a VSIP approved
26 in 2012 and effected in 2013 at a cost of \$183,000 annually.

1
2 Staff thoroughly reviewed each of the three parts of the Company's proposal
3 and issued 12 related data requests. Because there is currently a general
4 investigation into pensions ratemaking, Docket No. UM 1633, Staff followed its
5 policy in recommending continued treatment of historical practice on a utility
6 specific basis. (Each utility may have different historical practices as to what is
7 and is not included on pension-related costs.) For Avista, historical practice
8 would call for removing the prepaid pension asset and associated accumulated
9 deferred taxes from rate base.

10 Staff's review supports the FAS 87 amount calculated by the Company, and
11 notes that it is a decrease from prior years.

12 Regarding the VSIP costs, because these employee retirement incentive
13 costs occurred prior to the test year and no deferral application was filed by the
14 Company, the historical practice is to not recognize amortization of these costs
15 in rates.

16 The Stipulation incorporates these outcomes and results in a revenue
17 requirement reduction of \$571,000.

18 **Assigned Staff: Lance Kaufman**

19 **Issue: Load Forecast**

20 Staff submitted nine initial and five follow up data requests regarding data,
21 model specification and methodology. Additionally, Staff verified the forecasts
22 using the company assumptions. While Staff found Avista's forecast to be
23 reasonable, there are several issues that Staff is interested in continuing to

1 analyze. Staff intends to work collaboratively with the Company regarding the
2 methodology and model specification after the conclusion of this case.

3 **Issue: Cost allocation (S-13)**

4 Staff submitted 18 initial data requests and follow up data requests regarding
5 the cost allocation issue. The Stipulation includes an Oregon allocated
6 adjustment of \$100,000 to account for concerns regarding Company corporate
7 allocations to subsidiaries. The Company allocates corporate costs on a basis
8 of surveying board members rather than a numerical basis such as assets,
9 revenues or employees. Staff also had concerns regarding the allocation
10 method in general. These issues generally take quite a bit of time and analysis
11 to work through in a well-founded manner and the cost allocation model has
12 not been thoroughly reviewed by Staff for at least several years. For example,
13 revisions to PacifiCorp allocation methods generally take several years of
14 discussion with the Company and other states. For settlement purposes, the
15 parties agreed to adopt the \$100,000 adjustment and begin collaborative
16 discussions with the Company on allocations. Staff's expectation is that
17 revisions, if any, to Avista's allocation methods will be identified prior to Avista's
18 next general rate case conclusion. Given Oregon's relatively small portion of
19 overall Avista's operations, Staff has made no commitment to reach consensus
20 with other states prior to proposing changes to cost allocation methods.

21 **Issue: DSM Lost Revenue Recovery**

22 Staff submitted one initial and four follow-up data requests. As a result of
23 Staff's review, the Company agrees to modify Schedules 466 and 478 to better

1 describe the lost revenue calculation. Staff also looked at the rate design/rate
2 spread of the lost revenue recovery. The Company collects the recovery of
3 DSM margins through an equal cents per therm charge. Staff intends to
4 continue to analyze this issue to see if that treatment is reasonable from a rate
5 spread perspective and may propose an alternative in Avista's next PGA filing.
6 Staff noted that Schedule 466 requires the Company to true up estimated
7 energy efficiency savings with actual savings. The Company agrees to review
8 their true-up process to ensure that it uses the industry's best practices.

9 **Issue: Other Revenues (S-14)**

10 Staff submitted six data requests on this issue, responses to two of which were
11 provided by Avista prior to settlement; responses to the remaining requests
12 were not yet due. In Staff's review, Staff determined that the Company
13 forecast may understate other revenues because Avista did not take customer
14 growth into account. The Stipulation includes an additional \$2,000 in revenue
15 requirement to account for growth in customers.

16 **Issue: Weather Normalization**

17 Staff reviewed the Company filing and determined that Avista uses two
18 distinctly different weather normalization processes. The first process,
19 Commission Basis Weather Normalization (CBWN) is used to generate Annual
20 Reports required by Docket No. UM 903 and Docket No. AR 357. Weather
21 normalization for rate making purposes is performed simultaneously with the
22 sales forecast and results in different weather response parameters than the
23 CBWN. While there is no revenue requirement adjustment associated with this

1 issue, Staff recommends Avista use a single set of weather response
2 parameters to use in all filings.

3 **Assigned Staff: Deborah Garcia**

4 **Issue: Misc. Labor Adjustment (S-2)**

5 Staff utilized Avista's responses to Standard Data Requests (SDR) Nos. 95-
6 106 that were intentionally developed to provide the information needed to
7 calculate an appropriate level of Wages, Salaries, and Overtime for a utility's
8 test year. As a result of calls with Staff and the Company, Avista filed three
9 supplements to its response to SDR #95. Staff also sent a data request to
10 determine the source of the CPI escalation percentages Avista used in its
11 calculation of Staff's model and for Avista's escalation of non labor O&M and
12 A&G (S-9). Avista's percentages differed from those created at the Oregon
13 Department of Administrative Services, Office of Economic Analysis, which is
14 the source for the All-Urban (US) CPI that Staff has historically used.
15 The information provided by the utility (except for CPI percentage) was used in
16 the Staff's 3-year Wage and Salary Model (Staff Model) to calculate whether an
17 adjustment to Miscellaneous Labor was warranted. The Staff Model has been
18 upheld or used by the Commission for approximately 28 years. The Staff
19 Model was explicitly adopted in Order No. 95-322 at 10, where the Commission
20 stated: "... this Commission has relied on staff's model for over ten years to
21 monitor energy utilities' wages and salaries for both general rate cases and
22 earnings tests associated with deferred accounting. The current model
23 produces a reasonable and reliable result."

1 Staff also proposed a reduction to Avista's test year workforce level
2 (Full-Time Equivalent or FTE) by 24 FTE to fully account for the number of
3 employees that took advantage of Avista's voluntary severance program
4 (VSIP). Staff's proposed adjustment did not take into account any FTE
5 increase for calendar years 2012, 2013, & 2014. For purposes of settlement,
6 the Parties stipulated to the additional expense associated with eight FTE to
7 wages and salaries, and overtime for a net reduction of 16 FTE.

8 Overall, stipulated adjustments to Miscellaneous Labor result in an \$111,000
9 reduction in revenue requirement.

10 **Issue: Non-labor O&M and A&G Escalation (\$-9)**

11 Staff based its estimate of 2014 (test year) non-labor expense by escalating
12 the Avista 2012 actual adjusted expenses using the All-Urban (US) CPI as
13 reported by the Oregon Department of Administrative Service, Office of
14 Economic Analysis. To avoid double counting, Staff removed the effects of this
15 adjustment on other Staff adjustments to test year expense. The Parties
16 agreed to Staff's CPI values to escalate 2012 actual adjusted expenses and
17 the result is a revenue requirement reduction of \$119,000.

18 **Issue: Advertising & Marketing Expense**

19 Staff identified areas where Staff finds that Avista is categorizing expense in a
20 manner that is inconsistent with the applicable administrative rules (OARs). In
21 this case, making multiple corrections results in nearly the same results found
22 in Avista's filing such that no adjustment is required. Because this may not
23 always be the case, Staff recommends that the Company and other Parties

1 work together to clear up the inconsistencies prior to the Company's next rate
2 case. The Stipulation includes this commitment.

3 **Assigned Staff: George R. Compton**

4 **Issue: Gas Scheduling (I – 1.1)**

5 Staff finds that on a long-run cost causation basis gas scheduling costs are
6 driven by the total volume of gas acquired, not the number of customers served
7 in each schedule. The Company and other parties stipulated to base future
8 gas scheduling cost allocations upon the various schedules' projected
9 volumes.

10 **Issue: Special Contracts Schedule 447 (I – 1.2)**

11 Staff supports, for cost allocation purposes, that main extension costs for
12 Schedule 447 should be estimated on the same basis as is used for the other
13 schedules, i.e., engineering cost studies. The Company and other parties
14 stipulated to use such engineering studies for its long-run incremental cost
15 allocations instead of the bypass cost estimates used in its rate case
16 application. Staff supports this Stipulation as the outcome in the current case
17 to reduce the "apparent" (i.e., based upon conventional LRIC protocol) loss
18 from these sales.

19 **Issue: Rate Spread for Large Industrial Schedules 424 and 456 (I – 1.3)**

20 Avista proposed small increases for Industrial Schedules 424 and 456 despite
21 its own cost studies' warranting decreases. Staff's cost studies also indicated
22 that those schedules should receive decreases, and so recommends. The
23 Company and other parties agreed to make such rate reductions.

1 **Issue: Rate Spread for Residential (Schedule 410), General Service**
2 **(Schedule 420), and Other Misc. Schedules (I – 1.4)**

3 While Avista's (and Staff's) cost studies indicated that Schedule 420 should
4 receive a larger overall percentage increase than Schedule 410, the
5 Company's application proposed a smaller increase for Schedule 420.
6 Consistent with its cost studies, Avista proposed a smaller-than-average
7 increase for the other schedules. Staff supports moving all of the above
8 schedules' rates closer to their respective cost-of-service positions. The
9 Parties agreed to such, with Schedule 420 receiving a slightly larger increase
10 than Schedule 410.

11 **Issue: Rate Design (I – 1.5)**

12 To be consistent with the residential customer charge increases of other
13 OPUC-regulated utilities, Staff recommends that the residential (Schedule 410)
14 customer charge increase be limited to \$1 per month (i.e., from \$7 to \$8) rather
15 than the requested increase of \$2 per month. The Parties stipulate to the \$3
16 customer charge increase for Schedule 420 and that the Schedule 456
17 customer charge and Schedule 424 will be held constant.

18 **Q. Ms. Gardner and Mr. Muldoon, does this conclude your testimony?**

19 **A. Yes.**

**PUBLIC UTILITY COMMISSION
OF
OREGON**

UG 246

EXHIBIT 103

**Staff Witness Qualifications
In the Matter of Avista's
Request for a General Rate Revision**

December 23, 2013

WITNESS QUALIFICATION STATEMENT

NAME: Marianne Gardner

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Revenue Requirement Analyst

ADDRESS: 3930 Fairview Industrial Dr SE, Oregon 97308-1088

EDUCATION: Master of Business Administration
Oregon State University, Corvallis, Oregon

Bachelor of Science in Accounting
Montana State University, Bozeman, Montana

CPA, Oregon

EXPERIENCE: I have been employed by the Public Utility Commission of Oregon since March 2013 in the Energy - Rates, Finance and Audit Division of the Utility Program.

I have approximately 20 years of professional accounting experience, including:

- Thirteen years as a cost accountant with responsibilities including cost accounting, budgeting, product costing and the preparation of management reports.
- Four years experience in public accounting working in the areas of audit, tax and financial accounting for individual and small business clientele.
- Three years experience in non-profit accounting for an agency administering funds under the Federal Job Training Partnership Act.

WITNESS QUALIFICATION STATEMENT

NAME: Matthew (Matt) Muldoon

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Economist
Energy Division
Rates Finance & Audit Program

ADDRESS: 3930 Fairview Industrial Dr SE
Salem, OR 97302-1166

EDUCATION: In 1981, I received a Bachelors of Arts Degree from the University of Chicago. Then in 2007, I received a Masters of Business Administration from Portland State University with a certificate in Finance.

EXPERIENCE: From April of 2008 to the present, I have been employed by the OPUC. My current responsibilities include financial and rate analysis in the Energy Division of the OPUC's Utility Program with an emphasis on cost of capital. I have also participated in regional and sub-regional planning including activities with Western Electricity Coordinating Council, Variable Generation Subcommittee, Columbia Grid, Northern Tier Transmission Group (NTTG) and other regional and sub-regional forums focused on transmission and wind integration.

From 2002 to 2008 I was Executive Director of the Acceleration Transportation Rate Bureau, Inc. where I developed new rate structures for surface transportation and created metrics to insure program success within regulated processes.

I was the Vice President of Operations for Willamette Traffic Bureau, Inc. from 1993 to 2002. There I managed tariff rate compilation and analysis. I also developed new information systems and did sensitivity analysis for rate modeling.

OTHER: I have prepared, and defended formal testimony in contested hearings before the OPUC, ICC, STB, WUTC and ODOT. I have also prepared OPUC Staff testimony in BPA rate cases.

**PUBLIC UTILITY COMMISSION
OF
OREGON**

UG 246

**EXHIBIT 104
(CUB Exhibit 100)**

**CUB Testimony -
In the Matter of Avista's
Request for a General Rate Revision**

December 23, 2013

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UG 246**

In the Matter of)
)
)
AVISTA CORPORATION, dba AVISTA)
UTILITIES)
)
Request for a General Rate Revision.)
_____)

**TESTIMONY IN SUPPORT OF STIPULATION
OF THE
CITIZENS' UTILITY BOARD OF OREGON**

December 17, 2013

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 246

In the Matter of)	
)	
AVISTA CORPORATION, dba AVISTA)	TESTIMONY IN SUPPORT OF
UTILITIES)	STIPULATION OF
)	THE CITIZENS' UTILITY BOARD
Request for a General Rate Revision.)	OF OREGON
_____)	

1 My name is Bob Jenks, and my qualifications are listed in CUB Exhibit 105.

2 **Q. Please state your name and business address.**

3 A. My name is Bob Jenks. My business address is Citizens' Utility Board of Oregon,
4 610 SW Broadway, Suite 400, Portland OR 97205.

5 **Q. Mr. Jenks please state your occupation.**

6 A. I am the Executive Director of the Citizens' Utility Board of Oregon.

7 **Q. What is the purpose of your testimony?**

8
9 A. The purpose of my testimony is to provide additional information for specific
10 issues in support of the Stipulation resolving all Issues ("Stipulation") and the joint
11 testimony filed by the parties in this docket.

12
13
14
15
16
17

EXPLANATION OF SETTLEMENT

Q. Which issues were of most interest to CUB?

A. CUB was interested in all of the issues and issued over 73 data requests in this docket. CUB also reviewed the data responses received by other parties in response to their data requests. However, the specific issues to which CUB devoted most of its time were:

1. Pensions
2. Capital Additions
3. Allocations

Q. Why was CUB so interested in pensions?

A. CUB devoted its attention to pensions because the Company was asking for a return on its prepaid pension asset. Prepaid pension assets are also the subject of UM 1633. Because the Company was not waiting until the outcome of the UM 1633 docket to request a change in the ratemaking treatment of its pension, CUB believed it was, therefore, important to address the issue in both proceedings. However, just as CUB was willing to remove the pension discussion from the recent PGE and PacifiCorp ratecases and allow the Commission to address the ratemaking treatment of pensions in UM 1633, CUB is willing to remove the pension discussion from this docket. CUB appreciates AVISTA's willingness to remove the pension issues from the General Rate Case and its agreement that pensions should be dealt with in the UM 1633 docket and any dockets spawning from the UM 1633 docket.

Q. What caught CUB's interest with regard to plant additions?

A. What attracted CUB's attention in the plant additions section of the rate case was the fact that several of the requested additions were extremely large projects with ends dates

1 and costs beyond the beginning of the test year. It is CUB's position that the law only
2 permits utilities to ratebase assets that are "presently used" to serve customers.
3 Therefore, it is essential to review capital additions so as to ensure that only additions that
4 are expected to be "presently used" when rates go into effect are included in ratebase.
5 This is an important ratepayer protection.

6 In addition, CUB believes that a prudence review can only apply to the costs that
7 are contained in the filed rate case. Costs in excess of those forecasted for the test year
8 have not been screened for prudence. The prudence review looks only at the utility's
9 forecast.

10 CUB believes that the Stipulation reached by the parties, in regard to plant
11 additions, takes care of this problem. It limits new additions to rate base to those
12 investments that are expected to be "presently used" when rates go into effect. It allows a
13 second rate adjustment for ratebase additions that will not be "presently used" when the
14 revenue requirement from this case is implemented. But for those additional costs, it
15 limits the prudence to the level of costs that were in the filed case. Costs incurred up to
16 the level of estimated costs for the test year contained in the filed rate case have been
17 reviewed by the parties and have been determined to be prudent. Costs in excess of the
18 estimates in the filed rate case for the test year will be subject to additional prudence
19 review before they will be allowed into rates.

20 **Q. Why was, and is, CUB concerned about AVISTA's allocations policy?**

21 A. CUB raised concerns about AVISTA's allocation factors because CUB is concerned
22 that Avista is not allocating enough of the common costs to its unregulated activities such
23 as ECOVA. CUB reviewed the allocation of common costs and believes that the

1 regulated utility is bearing more than its share of the common costs. In each cost
2 category that CUB reviewed the adjustment was small, and CUB believes that the
3 Stipulation adjustment related to allocations is a reasonable proxy for those costs,
4 particularly when combined with the promise of the conduct of future workshops to
5 review the methodology used by AVISTA to allocate common costs and common plant
6 to its jurisdictions. The workshops will include a review of AVISTA's accounting
7 practices to record its directly-assigned and common costs. In addition, the allocation
8 methodology will be reviewed to determine whether the allocation of costs is reasonable.

9 CUB recognizes that OPUC staff has agreed to meetings with other Commissions
10 prior to the implementation of any allocation changes. While CUB does not oppose those
11 meetings, so long as Intervenor in each state are permitted to participate, CUB
12 emphasizes that the OPUC is not bound by decisions made by other states' commissions.
13 The OPUC may, order something for which there is no consensus. This is simply a risk
14 inherent in multi-state utilities.

15 With the allocation adjustment, plus the promised review, CUB is willing to
16 accept the current allocation methodology in settlement of this docket.

17 **Q. With the adjustments and workshops discussed above, does CUB believe that**
18 **the resolution of this docket, proposed in the attached Stipulation, will result in**
19 **rates that are fair, just and reasonable?**

20 A. Yes. CUB believes that the agreement reached, and Stipulation drafted, containing
21 the above discussed adjustments, and promises of workshops, will result, in its totality, in
22 rates that are fair, just and reasonable.

23 **Q. Does this complete your testimony in this matter?**

1 A. Yes, it does.

2

**PUBLIC UTILITY COMMISSION
OF
OREGON**

UG 246

**EXHIBIT 105
(CUB EXHIBIT 101)**

CUB Witness Qualification Statement

December 23, 2013

WITNESS QUALIFICATION STATEMENT

NAME: Bob Jenks

EMPLOYER: Citizens' Utility Board of Oregon

TITLE: Executive Director

ADDRESS: 610 SW Broadway, Suite 400
Portland, OR 97205

EDUCATION: Bachelor of Science, Economics
Willamette University, Salem, OR

EXPERIENCE: Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UE 207, UE 208, UE 210, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, UM 1209, UM 1355, UM 1635, UE 233, and UE 246. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates
Board of Directors, OSPIRG Citizen Lobby
Telecommunications Policy Committee, Consumer Federation of America
Electricity Policy Committee, Consumer Federation of America
Board of Directors (Public Interest Representative), NEEA

**PUBLIC UTILITY COMMISSION
OF
OREGON**

UG 246

EXHIBIT 106

NWIGU Witness Qualification Statement

December 23, 2013

326 Fifth Street
Lake Oswego, Oregon
97034

Phone 503-303-4061 o
503-413-0156 cell
E-mail
efinklea@nwigu.org

Edward A. Finklea

Primary Professional Experience

Lead counsel for the Northwest Industrial Gas Users ("NWIGU") from 1986 until 2008 in all regulatory interventions concerning Williams Gas Pipeline West and TransCanada Gas Transmission Northwest, and before state regulatory commissions concerning regulation of the five regional natural gas local distribution companies ("LDCs").

Represented NWIGU before the Federal Energy Regulatory Commission in interstate pipeline rate and certificate proceedings, before the Oregon Public Utility Commission in natural gas rate and other regulatory proceedings, before the Washington Utilities and Transportation Commission in natural gas rate, safety and other regulatory proceedings and in proceedings before the Idaho Public Utility Commission..

Employment History

Executive Director for the Northwest Industrial Gas Users, August 2012 to present

Adjunct Professor at Northwestern School of Law, Lewis and Clark College "Law and Economics" Current

Senior Counsel, NiSource Corporate Services Inc.
Regulatory counsel to interstate pipeline, representing company before Federal Energy Regulatory Commission and advising company on federal regulatory compliance and business transactions. November, 2009 to November, 2011

Executive Director, Energy Action Northwest. Organization advocated for siting and permitting of interstate pipelines, liquefied natural gas terminals, and high voltage transmission projects in Oregon and Washington. Represented organization before state legislature and in media relations. July, 2008 to October, 2009

Partner, Cable Huston Benedict Haagensen & Lloyd. Private law practice specializing in energy law. 2004 until July 2008.

Managing Partner, Energy Advocates LLP. Founded firm with offices in Portland, Oregon and Washington D.C. 1997-2003

Partner, Ball Janik LLP. 1994-1997

Partner, Heller Ehrman White & McAuliffe. 1990-1994

Partner, Tonkin Torp Galen Marmaduke & Booth. 1986-1990

Associate, Garvey Schubert. 1986-1988

Assistant General Counsel to Northwest Natural Gas handling state regulatory matters and providing counsel to the company on energy projects, including a landfill gas project. 1984-1986

Counsel to the Bonneville Power Administration litigating electric rate issues in administrative hearings and defending BPA before the Ninth Circuit Court of Appeals. 1982-84

Trial Attorney for the Federal Energy Regulatory Commission in hydroelectric licensing and co-generation regulation. 1981-82

Law Clerk for the Council on Wage and Price Stability, Executive Office of the President of the United States. 1980-81

**Summary of
Professional
Engagements**

Represented Columbia Gulf Transmission in general rate proceeding before the Federal Energy Regulatory Commission.

Represented applicants in proceeding before Federal Energy Regulatory Commission seeking authorization to provide incentive fuel mechanism and natural gas hub services.

Represented industrial gas consumers in contract negotiations for the purchase of natural gas commodity and interstate pipeline services.

Counsel to a medical center interconnecting a cogeneration plant with an investor-owned utility and advising client on long-term gas purchasing arrangement for electric generation.

Represented numerous clients to secure direct connections to interstate pipelines, addressing all regulatory issues involving certification of connecting facilities and operations of private pipelines.

Represented liquefied natural gas developer in governmental relations associated with securing federal and local permits for development of an energy project.

Represented customers in negotiating special contracts for purchasing natural gas distribution services from local utilities.

Represented public port authority in a pipeline siting issue.

Represented Eugene Water and Electric Board in select issues concerning Bonneville Power Administration.

Represented irrigation farmers in electric rate dispute involving FERC-licensed hydroelectric project before the Oregon Public Utility Commission.

Represented clients in trial court and appellate litigation on energy-related issues.

Represented industrial customer in anti-trust litigation and FERC refund proceedings stemming from 2000-2001 Western Energy Crisis.

Represented industrial electric customers in the restructuring of electric utilities in Oregon.

Represented an oil company shipper on an intrastate oil pipeline in rate proceeding before the Washington Utilities and Transportation Commission.

Individual clients while in private practice in addition to NWIGU included Alcoa, Armstrong World Industries, Blue Heron Paper, Boeing, ESCO, James River Paper (now Georgia Pacific) JR Simplot, Legacy Health Systems, MicroChip Technology, NorthernStar Natural Gas, Texaco Gas Marketing, Valley Medical Center, WaferTech, Wah Chang, West Linn Paper, and Weyerhaeuser.

Education

BA in Political Science from the University of Minnesota
1974

J.D. Northwestern School of Law, Lewis and Clark College
1980

Professional Memberships

Admitted to practice law in the States of Oregon and Texas and before several Federal district and appellate courts.

Adjunct Professor at Northwestern School of Law, Lewis and Clark College "Northwest Energy Law". 1984 to 2005

Past Chairman of "Energy, Telecom and Utilities" section of the Oregon State Bar.

Member of the Federal Energy Bar Association.

Lecturer: Buying and Selling Electric Power in the West, Law Seminars International Conference. Presentations on natural gas industry. 2004 to 2009.

**PUBLIC UTILITY COMMISSION
OF
OREGON**

UG 246

STAFF/AVISTA/NWIGU/CUB AFFIDAVITS

**In the Matter of Avista's
Request for a General Rate Revision**

December 23, 2013

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UG 246

In the Matter of)

AVISTA CORPORATION, dba AVISTA)
UTILITIES)

Request for a General Rate Revision)
_____)

AFFIDAVIT OF MARIANNE GARDNER

STATE OF OREGON)

County of Marion)

) ss

I, Marianne Gardner, hereby depose and say:

1. I am a Senior Revenue Requirement Analyst employed by the Public Utility Commission of Oregon ("PUC").

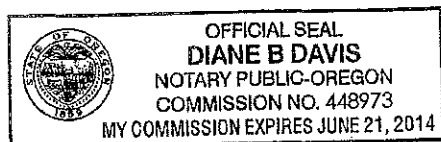
2. On behalf of PUC Staff, I sponsored the pre-filed testimony submitted in this docket entitled Joint Testimony/Gardner, et.al. (Exhibit Stipulating Parties/100) and Staff Testimony/Gardner and Muldoon (Exhibits Staff/102 and Staff/103).

3. My pre-filed testimony and exhibits are true and accurate based on my information and belief. If I were to answer these questions today, my responses would be the same.

SIGNED this 23 day of December 2013.

Marianne Gardner
Marianne Gardner

SUBSCRIBED AND SWORN OR AFFIRMED before me this 23rd day of December 2013.



Diane B Davis
Notary Public for Oregon
My Commission Expires: June 21, 2014

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UG 246

In the Matter of)

AVISTA CORPORATION, dba AVISTA
UTILITIES)

Request for a General Rate Revision)

AFFIDAVIT OF MATT MULDOON

STATE OF OREGON)

) ss

County of Marion)


I, Matt Muldoon, hereby depose and say:

1. I am a Senior Financial Economist employed in the Rates, Finance, and Audit Section of the Public Utility Commission of Oregon ("PUC").


2. On behalf of PUC Staff, I sponsored the pre-filed testimony submitted in this docket entitled Staff Testimony/Gardner and Muldoon (Exhibits Staff/102 and Staff/103).

3. My statements in the pre-filed testimony are true and accurate based on my information and belief and my responses would be the same if I were to answer those same questions today.

SIGNED this 23rd day of December 2013.


Matt Muldoon

SUBSCRIBED AND SWORN OR AFFIRMED before me this 23rd day of December 2013.


Notary Public for Oregon

My Commission Expires June 21, 2014



BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UG-246

In the Matter of)

AVISTA CORPORATION, dba AVISTA
UTILITIES)

Request for a General Rate Revision)

AFFIDAVIT OF KELLY O. NORWOOD

STATE OF WASHINGTON)

County of Spokane)

) as

I, Kelly O. Norwood, being first duly sworn on oath, depose and say:

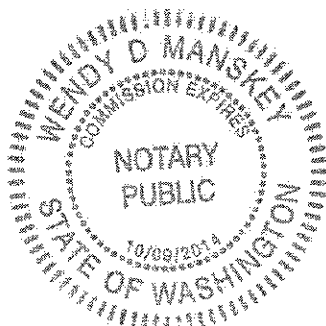
1. I am the Vice President for State and Federal Regulation of the Avista Utilities ("Avista").
2. On behalf of Avista, I sponsored the pre-filed testimony submitted in this docket entitled Joint Testimony/Gardner, et.al. (Exhibit 100).
3. My statements in the pre-filed testimony are true and accurate based on my information and belief and my responses would be the same if I were to answer those same questions today.

SIGNED this 22nd day of December, 2013.

Kelly O. Norwood
Kelly O. Norwood

SUBSCRIBED AND SWORN to before me this 22nd day of December, 2013.

Wendy D. Manskey
Notary Public for Spokane
My Commission Expires: 10-09-14



BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UG 246

In the Matter of

AVISTA CORPORATION, dba AVISTA
UTILITIES

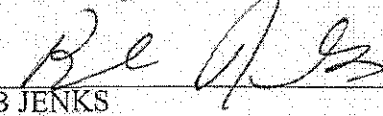
Request for a General Rate Revision.

AFFIDAVIT OF BOB JENKS

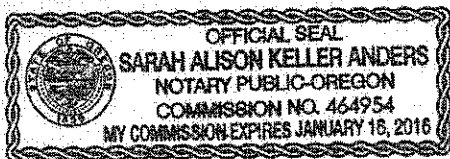
I, BOB JENKS, being first duly sworn on oath, depose and say:

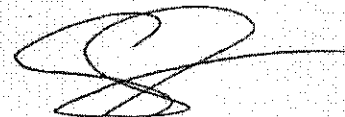
1. My full name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board of Oregon ("CUB").
2. I filed testimony JOINT TESTIMONY IN SUPPORT OF STIPULATION (Staff, Avista, NWIGU, and CUB are the Joint Parties) (Joint Parties/100). I also filed Testimony in Support of Stipulation on behalf of the Citizens' Utility Board of Oregon (CUB 100 – 101 Jenks which are Exhibits 104 and 105 to the Joint Testimony).
3. To the best of my knowledge, my testimony is true and accurate. If I were asked the same questions today, my answers would be the same.

SIGNED this 20 day of December, 2013.


BOB JENKS

SUBSCRIBED AND SWORN to before me this 20th day of December, 2013.




Notary Public for Oregon
My Commission Expires: 1-16-16

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UG-246

In the Matter of)

AVISTA CORPORATION, dba AVISTA
UTILITIES)

Request for a General Rate Revision)

AFFIDAVIT OF EDWARD A. FINKLEA

STATE OF OREGON)

) as

County of Multnomah)

I, Edward A. Finklea, being first duly sworn on oath, depose and say:

1. I am the Executive Director of the Northwest Industrial Gas Users ("NWIGU").
2. On behalf of NWIGU, I sponsored the pre-filed testimony submitted in this docket entitled Joint Testimony/Gardner, et.al. (Exhibit 100).
3. My statements in the pre-filed testimony are true and accurate based on my information and belief and my responses would be the same if I were to answer those same questions today.

SIGNED this 23rd day of December 2013.

Edward A. Finklea
Edward A. Finklea

SUBSCRIBED AND SWORN to before me this 23rd day of December, 2013.

Sharon Kimmel
Notary Public for OREGON
My Commission Expires: 6-25-17

