



**Avista Corp.**

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***Via Electronic Filing***

November 25, 2015

Public Utility Commission of Oregon  
Attn: Filing Center  
PO Box 2148  
Salem, OR 97308-2148

**RE: UG 288 – Joint Testimony in Support of the Partial Settlement Stipulation**

Enclosed for electronic filing with the Commission is the Joint Testimony in Support of the Partial Settlement Stipulation in Docket No. UG-288.

Please direct any questions regarding this filing to Patrick Ehrbar at (509) 495-8620.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Meyer", is written over a horizontal line. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David J. Meyer  
Vice President and Chief Counsel for Regulatory  
and Governmental Affairs

Enclosure

UG 288  
Joint Testimony/ 100  
Gardner, et.al.

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**UG 288**

**STAFF/AVISTA/NWIGU/CUB EXHIBIT 100**

**Joint Testimony in Support of Partial Settlement  
Stipulation**

**November 25, 2015**

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 Division of the Utility Program. 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 have approximately 20 years of  
7 professional accounting experience, including cost accounting, public accounting, and non-  
8 profit accounting. My current responsibilities include research, analysis, and  
9 recommendations on a range of cost, revenue and policy issues for electric and natural gas  
10 utilities. In this docket, I am the Summary Witness for Staff. My witness qualifications  
11 have been presented previously in Staff Exhibit 101.

12           My name is Jennifer S. Smith. I am employed by Avista Utilities (“Company”) as a  
13 Senior Regulatory Analyst in the State & Federal Regulation Department. I am a 2002  
14 graduate of Washington State University with a Bachelor of Arts Degree in Business  
15 Administration, majoring in Accounting and Accounting Information Systems. After  
16 spending eight years in the public accounting sector, I was hired into the State and Federal  
17 Regulation Department as a Regulatory Analyst in January of 2010. In my current role as a  
18 Senior Regulatory Analyst, I assist in the preparation of normalized revenue requirement  
19 and pro forma studies for all jurisdictions in which the Company provides utility services. I  
20 am also responsible for, among other things, annual filings and various applications related  
21 to affiliated interest issues and subsidiary operations.

22           My name is Patrick D. Ehrbar. I am employed by Avista Utilities (“Company”) as  
23 the Manager of Rates and Tariffs in the State & Federal Regulation Department. My

1 primary areas of responsibility include electric and natural gas rate design, customer usage  
2 and revenue analysis, decoupling, and tariff administration. I am a 1995 graduate of  
3 Gonzaga University with a Bachelors degree in Business Administration. In 1997 I  
4 graduated from Gonzaga University with a Masters degree in Business Administration. I  
5 started with Avista in April 1997, working on energy efficiency programs, and later as one  
6 of the Company's key Account Executives where I was responsible for, among other things,  
7 being the primary point of contact for numerous commercial and industrial customers. I  
8 joined the State and Federal Regulation Department as a Senior Regulatory Analyst in 2007.  
9 Responsibilities in this role included being the discovery coordinator for the Company's rate  
10 cases, line extension policy tariffs, as well as miscellaneous regulatory issues. In November  
11 2009, I was promoted to my current role.

12 My name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board  
13 ("CUB") located at 610 SW Broadway, Suite 400, Portland OR 97205. I am a graduate of  
14 Willamette University with a Bachelor of Science Degree in Economics. I have provided  
15 testimony and comments in a multiplicity of PUC dockets for the last twenty years. Prior to  
16 joining CUB, between 1982 and 1991, I worked for the Oregon State Public Interest  
17 Research Group, the Massachusetts Public Interest Group and the Fund for Public Interest  
18 Research on a variety of public policy issues. As one of CUB's economists, my  
19 responsibilities include the review of utility and telecom filings in Oregon on behalf of  
20 residential customers and in this particular docket the representation of residential  
21 customers' concerns arising from Avista's General Rate Case filing.

22 My name is Edward Finklea. I am an experienced energy law attorney and, since  
23 August 2012, serve as the Executive Director of the Northwest Industrial Gas Users

1 (“NWIGU”). From 1986 through 2008, I was lead counsel for NWIGU in all regulatory  
2 interventions concerning various interstate pipelines, and before state regulatory  
3 commissions concerning regulation of the regional natural gas local distribution companies  
4 (LDCs). NWIGU is a non-profit trade association of approximately 40 industrial and  
5 commercial natural gas end users who have facilities in the states of Oregon, Washington  
6 and Idaho. NWIGU provides information to its members on natural gas issues that impact  
7 their facilities and represents its members’ interests in proceedings before the Federal  
8 Energy Regulatory Commission and the Pacific Northwest state utility commissions,  
9 including the PUC of Oregon. As Executive Director, my responsibilities include the  
10 review of all filings made by LDCs in Oregon as well as the representation of the industrial  
11 customers in connection with this Docket.

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

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

15 A. The purpose of our joint testimony is to describe and support the Partial  
16 Settlement Stipulation, filed on November 6, 2015, between Commission Staff, CUB,  
17 NWIGU, and the Company in Docket No. UG-288 (the “Stipulation”), which resolved  
18 specific issues among the Parties for the general rate increase filed on May 1, 2015.

19 The Stipulation is the product of settlement discussions, open to all parties to the  
20 UG-288 Docket. The Stipulation between the Parties, resolved specific issues, including  
21 adjustments to the revenue requirement, agreement on the institution of a natural gas  
22 decoupling mechanism, issues related to the Company’s energy efficiency programs and the  
23 Energy Trust of Oregon, and rate design issues



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 after March 31, 2015, as well as increased operating costs for the 2016 rate year.  
4 Over 65% (or approximately \$5.6 million) of the Company’s request for additional rate relief  
5 relates to the increase in rate base, and associated cost of capital. These investments reflect  
6 replacement and maintenance of Avista’s aging system and technology to sustain reliability  
7 and safety. Major projects include the continued replacement of Aldyl-A natural gas pipe,  
8 compliance with municipal requirements (i.e., street/highway relocations), and the systematic  
9 replacement of aging infrastructure, among others.

10           The remaining 35% (or approximately \$3.0 million) of the Company’s requested  
11 revenue requirement relates to an increase in operating and maintenance (O&M) and  
12 administrative and general (A&G) expenditures, and the net change in retail revenues since  
13 its last rate case filed in 2014.

14           **Q.     Please provide how many data requests Avista responded to, and the**  
15 **general issues explored.**

16           A.     Avista responded to 387 data requests, including 121 that were provided with  
17 the Company’s filed case. The data requests covered a broad range of areas including, but  
18 not limited to, cost of capital, capital additions, employee wages and benefits, federal and  
19 state income taxes, working capital, operating and maintenance costs and various  
20 administrative and general related expenses, as well as issues related to load forecasting and  
21 Avista’s long run incremental cost study.

1

**Terms of the Partial Settlement Stipulation**

2

**Q. What revenue requirement adjustments to Avista’s originally-filed case  
3 are included in the Stipulation (Exhibit No. Joint Testimony/101)?**

4

**A. Table No. 2, at page 4 of the Stipulation, is reproduced below, and provides a  
5 summary of the adjustments to Avista’s originally-filed case:**



**Table No. 1:**

SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE			
(\$000s of Dollars)			
		Revenue Requirement	Rate Base
<b>Amount as filed:</b>		<b>\$8,557</b>	<b>\$217,824</b>
<b>Adjustments:</b>			
<b>a</b>	<b>Rate of Return</b> Adjusts the Cost of Debt to 5.515%.	(23)	-
<b>b</b>	<b>Revenue Sensitive - State Effective Tax Rate</b> Revises the State Income Tax (SIT) rate to factor in an agreed-upon rate. This change impacts the Conversion Factor and adjustment "e" below.	(41)	-
<b>c</b>	<b>Uncollectibles</b> Reduces the Company's uncollectible expense to an agreed-upon level.	(7)	-
<b>d</b>	<b>Working Cash</b> Removes the additional working capital rate base adjustment to include only materials and supplies.	(116)	(1,090)
<b>e</b>	<b>State Taxes</b> Revises the level of SIT to an agreed-upon level. [Note: An additional \$650,000 reduction is being proposed by Nwigu and CUB and is not agreed to by the Company. This relates to the impact of 2015 bonus depreciation on ADFIT.]	(1,353)	-
<b>f</b>	<b>Depreciation</b> This reduces the level of depreciation expense for updated depreciation rates.	(278)	112
<b>g</b>	<b>D&amp;O Insurance</b> This reduces the Company's D&O insurance to exclude 50% of various D&O layers.	(52)	-
<b>h</b>	<b>Various A&amp;G Expenses</b> Revises the Company's expected administrative and general expenses related to meals and other expenses.	(31)	-
<b>i</b>	<b>Wages &amp; Salaries</b> Reduces wages and salaries expense to an agreed upon level for an updated CPI.	(65)	-
<b>j</b>	<b>Property Tax</b> Adjusts property tax expense to an agreed-upon level.	(69)	-
<b>k</b>	<b>Prepaid Pension Asset</b> Removes the rate base treatment of the Company's prepaid pension asset from this Docket, in accordance with Order 15-226 in Docket No. UM1633, reducing rate base by \$5,655,000.	(605)	(5,655)
<b>l</b>	<b>Other Revenues - Miscellaneous Revenue</b> This adjustment includes updates to the Company's other revenues to an agreed-upon level.	(34)	
<b>m</b>	<b>Load Forecasting</b> Adjusts for updated load forecast.	867	
<b>n</b>	<b>Cost Allocations</b> Reduces utility operations expense to an agreed-upon level.	(9)	
<b>o</b>	<b>Distribution O&amp;M</b> The parties accept the Company's level of expenses as excluding costs associated with the Company's 2012 Voluntary Severance Incentive Plan.	-	
<b>p</b>	<b>Other Gas Supply</b> The parties accept the Company's level of expense associated with Other Gas Supply labor.	-	
<b>q</b>	<b>Prepaid Pension Asset (Debt Interest)</b> The parties accept the Company's level of expense for the debt interest expense associated with the removal of the Prepaid Pension Asset.	-	
<b>Total Adjustments:</b>		<b>(\$1,816)</b>	<b>(\$6,633)</b>
<b>Adjusted Base Revenue Requirement &amp; Rate Base:</b>		<b>\$6,741</b>	<b>\$211,191</b>

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

3           A.    The Company's originally filed requested cost of debt was 5.53%. This  
4 adjustment revises the Company requested cost of debt of 5.53% to 5.515%. The revised  
5 cost of debt of is a rate proposed by Staff in Staff/200 Muldoon/2, 48-49 and Staff/207 that  
6 the Parties support as reasonable. The result of this adjustment decreases the Company's  
7 requested revenue requirement by \$23,000.

8           **Q.     Please explain the basis of the Stipulation relating to Issue (b), Revenue**  
9 **Sensitive – Uncollectible Rate and State Tax Rate Adjustment?**

10          A.    This adjustment revises the State Income Tax (SIT) rate included in the  
11 Company's direct filing to factor in future use of SIT credits expected during the rate year, as  
12 proposed by Staff in Staff/100, Gardner/10-14. These changes impact the Conversion Factor  
13 and adjustment Issue (e) below. The result of this adjustment decreases the Company's  
14 requested revenue requirement by \$41,000.

15          **Q.     Please explain the basis of the Stipulation relating to Issue (c),**  
16 **Uncollectibles Adjustment?**

17          A.    This adjustment reduces the Company's uncollectible expense to an agreed-  
18 upon level as proposed by Staff in Staff/100, Gardner/5- 7 for settlement purposes. The  
19 result of this adjustment decreases the Company's requested revenue requirement by \$7,000.

20          **Q.     Please describe Issue (d), the Working Capital Adjustment?**

21          A.    In the Company's direct filing, the Company included an increase to total  
22 rate base for the Company's calculated cash working capital using the Investor Supplied  
23 Working Capital (ISWC) method. The Parties agreed, for settlement purposes, to remove

1 the Company's proposed working capital adjustment, and to include in rate base only its  
2 inventory of materials and supplies, as proposed by Staff in Staff/100, Gardner/7. The result  
3 of this adjustment decreases the Company's requested revenue requirement by \$116,000 and  
4 rate base by \$1,090,000.

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

7 A. This adjustment removes the Company's pro formed SIT expense as  
8 proposed by Staff, to factor in the projected state income taxes that will be paid consistent  
9 with Staff's analysis in Staff/100, Gardner/13 and Staff/105, Gardner/1. The result of this  
10 adjustment reduces the Company's requested revenue requirement by \$1,353,000.

11 **Q. Please explain the basis of the Stipulation relating to Issue (f),**  
12 **Depreciation.**

13 A. This adjustment reduces both the level of depreciation expense, accumulated  
14 depreciation, and accumulated deferred federal income tax in rate base for updated  
15 depreciation rates, as proposed by Staff in Staff/400, Peng/3-4. The result of this adjustment  
16 decreased the Company's requested revenue requirement by \$278,000 and increased rate  
17 base by \$112,000. The adjustment revises costs to be consistent with the recently  
18 Commission-ordered depreciation rates.

19 **Q. How did the Parties arrive at the Stipulation relating to Issue (g),**  
20 **Directors & Officers (D&O) Insurance Adjustment?**

21 A. In the Company's direct filing, the Company included increases for D&O  
22 insurance premiums expected in 2016. The Parties agreed, for settlement purposes, to  
23 accept Staff's proposal in Staff/500, Wittekind/3-4 to remove 50% of certain D&O premium

1 layers. The result of this adjustment decreases the Company's requested revenue  
2 requirement by \$52,000.

3 **Q. What formed the basis for the agreement on Issue (h), Various**  
4 **Administrative and General Expenses Adjustment?**

5 A. This adjustment removes 50% of certain administrative and general expenses  
6 related to meals and other expenses included in the Company's filed case, as proposed by  
7 Staff in Staff/500, Wittekind/5. The result of this adjustment decreases the Company's  
8 requested revenue requirement by \$31,000.

9 **Q. How did the Parties arrive at the Stipulation relating to Issue (i), Wages**  
10 **and Salaries Adjustment?**

11 A. This adjustment reduces the wages and salaries expense to an agreed-upon  
12 level for an updated CPI, as proposed by Staff in Staff/800, Bahr/20. The result of this  
13 adjustment decreased the Company's requested revenue requirement by \$65,000.

14 **Q. Please explain the basis of the Stipulation relating to Issue (j), Property**  
15 **Taxes Adjustment.**

16 A. This adjustment reduces the Company's property tax expense to an agreed-  
17 upon level for settlement purposes, as proposed by Staff in Staff/800, Bahr/17. The result of  
18 this adjustment decreases the Company's requested revenue requirement by \$69,000.

19 **Q. Please explain the basis of the Stipulation relating to Issue (k), Pension**  
20 **Expense & Prepaid Pension Asset Adjustment?**

21 A. This adjustment removes the rate base treatment of the Company's prepaid  
22 pension asset from this Docket, in accordance with Order 15-226 in Docket No. UM 1633.

1 The result of this adjustment decreases the Company's requested revenue requirement by  
2 \$605,000 and rate base by \$5,655,000.

3 **Q. How did the Parties arrive at the Stipulation relating to Issue (l), Other**  
4 **Revenues – Miscellaneous Revenue Adjustment?**

5 A. This adjustment includes updates to the Company's other revenues as  
6 proposed by Staff in Staff/900, St. Brown/5-7<sup>1</sup>, to arrive at an agreed-upon level. The result  
7 of this adjustment decreases the Company's requested revenue requirement by \$34,000.

8 **Q. Please explain the basis of the Stipulation relating to Issue (m), Load**  
9 **Forecasting Adjustment.**

10 A. This adjustment updates the Company's load forecast, as proposed by Staff  
11 consistent with Staff analysis Staff/1000, Bhattacharya/9. The result of this adjustment  
12 increases the Company's requested revenue requirement by \$867,000.

13 **Q. Please explain the basis of the Stipulation relating to Issue (n), Cost**  
14 **Allocations Adjustment.**

15 A. This adjustment reduces the Company's utility operating expenses to an  
16 agreed-upon level as proposed by Staff testimony.<sup>2</sup> The result of this adjustment decreases  
17 the Company's requested revenue requirement by \$9,000.

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<sup>1</sup> While Staff testimony recommended \$36,000, the settlement value is \$34,000 as being reasonable.

<sup>2</sup> See Exhibit Staff/1100, Ordonez/1 (lines 22-23) and Ordonez/2 (lines 1-7)

1 **Resolution of Rate Design**

2 **Q. What is the agreement of the Parties relating to rate design<sup>3</sup>?**

3 A. The Parties agree that, for Residential Service Schedule 410, the monthly  
4 customer basic charge will be increased by \$1 per month, from \$8.00 to \$9.00 per month.  
5 The monthly customer charge for General Service Schedule 420 will be increased by \$3.00  
6 per month, from \$14.00 to \$17.00. The monthly customer charge for the Large General  
7 Service Schedule 424 and Transportation Service Schedule 456 will remain unchanged.

8  
9 **Natural Gas Decoupling Mechanism**

10 **Q. Please describe the agreed-upon Natural Gas Decoupling Mechanism.**

11 A. The Stipulation includes a natural gas decoupling mechanism. Decoupling is a  
12 mechanism designed to break the link between a utility's revenues and a consumer's energy  
13 usage. The Company's actual revenue, based on therm sales, will vary, up or down, from the  
14 level set by the Commission. This could be due to changes in conservation, weather or the  
15 economy.

16 The Parties have agreed upon a Revenue-Per-Customer decoupling mechanism for its  
17 natural gas operations. The mechanism will compare actual decoupled revenues, by rate  
18 group, to allowed decoupled revenues determined on a per-customer basis, with any  
19 differences deferred for later rebate or surcharge.

20 **Q. What is the agreed-upon term of the mechanism?**

21 A. The mechanism will become effective when new base rates are implemented.  
22 The Parties agree that, by September 2019, there will be an opportunity to review the

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<sup>3</sup> While the Parties have resolved all rate design issues, cost of service and rate spread issues have yet to be resolved.

1 Decoupling Mechanism, that would allow the Company, Staff and other parties to  
2 recommend changes, if any.

3 **Q. Is an additional filing required to be made in order for the decoupling**  
4 **mechanism to go into effect?**

5 A. Yes, the Parties further agree that the Company may file a deferral application  
6 to track decoupling-related revenue variances to begin the first day of the month, in which  
7 rates become effective. The Parties agree to support the Company's deferral application,  
8 understanding that the Commission's approval of the deferral application is an integral part  
9 of this Stipulation, and should be acted upon by the Commission on or before the time it  
10 issues its final order in this general rate case.

11 **Q. You mentioned that customers will be combined into Rate Groups.**  
12 **Please explain.**

13 A. The Parties have agreed to combine customers into two rate groups:

- 14 1. Residential – Schedule 410  
15 2. Commercial – Schedules 420, 424, 440, and 444

16 **Q. How will new natural gas customers be treated in the decoupling**  
17 **mechanism?**

18 A. The Parties have agreed that new customers, defined as new meters hooked up  
19 to Avista's distribution system, will not be included in the mechanism unless those new  
20 meters were included in the test year forecast of revenues.<sup>4</sup> In addition, Avista will track new

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<sup>4</sup> The number of customers decoupled each month cannot exceed the monthly forecasted number of customers, by rate group, included in the agreed-upon 2016 forecasted customers. To the extent the number of actual customers in a given month exceed the forecasted level of customers, the Company will use the new customer revenue hookup report to determine the average decoupled revenue per new customer. The average decoupled revenue per customer would then be multiplied by the number of actual customers that exceed the monthly

1 customer usage, even the usage for the new customers in the rate year, for informational  
2 purposes, for a three year period, to determine whether new customers use more or less than  
3 existing customers.

4 **Q. Would you please provide an overview of the reporting Avista will**  
5 **provide to the Commission and the Parties as it relates to the decoupling mechanism?**

6 A. Yes. As it relates to quarterly reporting, Avista will file, within 45 days of the  
7 end of each quarter, a report detailing the decoupling activity by month. The reporting will  
8 also include information related to the deferrals by rate group, use-per-customer for existing  
9 and new customers, and other summary financial information. Avista will provide such other  
10 information as may be reasonably requested, from time to time, in the future quarterly  
11 reports.

12 **Q. Please provide information related to when the Company would file for a**  
13 **rate adjustment under the proposed decoupling mechanism.**

14 A. On or before August 1, of each year, the Company will file a proposed rate  
15 adjustment (surcharge or rebate) based on the amount of deferred revenue recorded for the  
16 prior January through December time period.<sup>5</sup> The rate adjustment will be calculated  
17 separately for each Rate Group, with the applicable surcharge or rebate recovered from each  
18 group on a uniform-cents-per-therm basis. The proposed tariff Schedule 475 included with  
19 that filing will include a rate adjustment that recovers/rebates the appropriate deferred  
20 revenue amount over a twelve-month period, effective on November 1<sup>st</sup>, for natural gas (to  
21 match with the annual Purchased Gas Cost Adjustment rate adjustment time period). The

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forecasted level of customers. That amount would then be deducted from the monthly actual decoupled revenue prior to calculating the decoupling deferral entry.

<sup>5</sup> For 2016, with the expectation that new rates would go into effect in March 2016, only 10 months (March 1 through December 31, 2016) would be tracked.



1 deferred revenue amount approved for recovery or rebate will be transferred to a balancing  
2 account and the revenue surcharged or rebated during the period will reduce the deferred  
3 revenue in the balancing account. After determining the amount of deferred revenue that can  
4 be recovered through a surcharge, or refunded through a rebate, by Rate Group, the proposed  
5 rates under Schedule 475 will be determined by dividing the deferred revenue to be  
6 recovered by Rate Group by the estimated therm sales for each Rate Group during the  
7 twelve-month recovery period. Any deferred revenue remaining in the balancing account at  
8 the end of the amortization period will be added to the new revenue deferrals to determine  
9 the amount of the proposed surcharge/rebate for the following year.

10 **Q. How will interest be accounted for in the decoupling mechanism?**

11 A. Interest will accrue on deferrals at the Company's authorized rate of return,  
12 similar to other Company deferrals. Once a deferral balance is approved for amortization,  
13 interest will accrue at the Modified Blended Treasury Rate, similar to other Company  
14 amortizations.

15 **Q. Would you describe the accounting for the proposed natural gas**  
16 **decoupling mechanism?**

17 A. Yes. Avista will set up two deferral accounts to explicitly account for  
18 weather<sup>6</sup> and conservation (non-weather). It will record the deferrals in account 186 –  
19 Miscellaneous Deferred Debits. The amount approved for recovery or rebate will then be  
20 transferred into a Regulatory Asset or Regulatory Liability account for amortization. On the  
21 income statement, the Company will record both the deferred revenue and the amortization  
22 of the deferred revenue through Account 495 (Other Gas Revenue), in separate sub-accounts.

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<sup>6</sup> The Company will use the same weather normalization (IRP weather parameters) as was used in the Company's load forecast.

1 The Company will file quarterly reports with the Commission showing pertinent information  
2 regarding the status of the current deferral. This report will include a spreadsheet showing  
3 the monthly revenue deferral calculation for each month of the deferral period (January -  
4 December), as well as the current and historical monthly balance in each deferral account.

5 **Q. Is there an agreed-upon limitation as to the amount of a decoupling**  
6 **surcharge?**

7 A. Yes. The amount of the rate increase resulting from the decoupling adjustment  
8 will be subject to an annual incremental limit of 3%, i.e., the annual increase in the surcharge  
9 cannot exceed 3% of billed revenues for each rate group, each year, with unrecovered  
10 balances carried forward to future years for recovery. The incremental surcharge  
11 (percentage) increase is determined by subtracting the annual revenue amount recovered by  
12 the present surcharge rate from deferred revenue to be recovered through the proposed  
13 surcharge rate, and dividing that net amount by the total “normalized” revenue by Rate  
14 Group for the most recent January through December period. The normalized revenue is  
15 determined by multiplying the weather-corrected usage for the period by the present billing  
16 rates in effect.<sup>7</sup> If the incremental surcharge exceeds a 3% rate increase, only a 3% increase  
17 is implemented and any additional deferred revenue will remain in the deferred revenue  
18 account, and could be recovered the following year, subject to the 3% limitation. Again, the  
19 3% limitation is not applicable if the Company is in a rebate position.

20 **Q. Did the Parties agree to any other issues related to the natural gas**  
21 **decoupling mechanism?**

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<sup>7</sup> Inclusive of booked billed revenue, booked unbilled revenue and the weather adjustment.

1           A.     Yes, the Parties agreed that Avista will revisit opportunities for “real time”  
2 rebates/surcharges within the next twelve months after new rates go into effect.

3

4                           **Energy Trust of Oregon and Energy Efficiency Charge**

5           **Q.     What did the Parties agree to related to the Company moving its energy**  
6 **efficiency programs to the Energy Trust of Oregon (“ETO”)?**

7           A.     The Parties agreed that Avista will establish a separate natural gas energy  
8 efficiency tariff to collect costs, through current rates and not through a deferral mechanism  
9 (as is currently used for Avista’s energy efficiency programs) for administering and  
10 delivering energy efficiency programs. In 2016, Avista will still be offering conservation  
11 programs and the Energy Trust of Oregon (ETO) will also administer a conservation  
12 acquisition program.<sup>8</sup> The monies collected through the new tariff will go to Avista in 2016,  
13 except for the amount of \$156,000 that will be conveyed to the ETO in equal monthly  
14 installments of \$15,600, payable no later than the 15<sup>th</sup> of each month. (This assumes that  
15 rates will be effective March 1, 2016, hence the ten months of payments.) The \$156,000 is  
16 comprised of \$84,000 for the ETO Conservation Program and \$72,000 for Planning and  
17 Development to complete all work necessary to have a “warm start” for the 2017 ETO-  
18 administered conservation programs. In 2017, the monies collected through this tariff will be  
19 transferred to the ETO. Subject to Commission approval, the tariff will be revised to match  
20 the ETO’s administrative costs and expenses needed to offer conservation programs to  
21 Avista’s customers in 2017.<sup>9</sup>

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<sup>8</sup> Per discussions with Staff and the ETO, the ETO stated that it would be able to institute the first program in late 2016.

<sup>9</sup> The tariff will also include a certain level of funding to fund Avista program administration and marketing.

1           The Parties agree that, as a part of the final tariff compliance filing at the end of this  
2 case, to establish a new rate schedule, Schedule 469, which will be established at the same  
3 rates as provided in Schedule 478. The rates under Schedule 478 will be then set at \$0.00000  
4 per therm on the effective date of the compliance tariffs, and remain at that level until  
5 November 1, 2016, when a revised Schedule 478 will go into effect pursuant to subsection  
6 7.D of the Stipulation. The revenue collected under the new Schedule 469 (which are the  
7 same rates as the present rates for Schedule 478) will be used to fund present DSM  
8 expenditures starting March 1, 2016 (for Avista and ETO programs), and for 2017 and  
9 beyond (ETO programs). Any required adjustments to future DSM funding will be requested  
10 on an as-needed basis.

11           **Q.     How will the costs incurred by Avista related to the transition to the ETO**  
12 **be recovered?**

13           A.     Avista's related prudently-incurred expenditures concerning the transition of  
14 programs to the ETO, and incremental to those costs included in rates or any deferral  
15 balance, will be recoverable through the Company's annual Schedule 478 (DSM Cost  
16 Recovery) filing for 2017.

17           **Q.     Please describe when the Company will recover the costs related to its**  
18 **current DSM programs, as well as unamortized balances, given the agreed-upon**  
19 **changes to DSM funding and administration.**

20           A.     For Schedule 478, for rates effective November 1, 2016, that rate will recover  
21 prudently incurred conservation-related costs carried out by Avista for the time period July 1,  
22 2015, through the last day prior to the effective date of the tariffs in this general rate filing,

1 UG 288. The November 1, 2016 rate will also recover the unamortized DSM balance as of  
2 the last day prior to the effective date of the tariffs in this docket.<sup>10</sup>

3 The Parties agree that, as a part of the final tariff compliance filing at the end of this  
4 case, to establish a new rate schedule, Schedule 469, which will be established at the same  
5 rates as provided in Schedule 478. The rates under Schedule 478 will be then set at \$0.00000  
6 per therm on the effective date of the compliance tariffs, and remain at that level until  
7 November 1, 2016, when a revised Schedule 478 will go into effect pursuant to subsection  
8 8.D of the Stipulation. The revenue collected under the new Schedule 469 (which are the  
9 same rates as the present rates for Schedule 478) will be used to fund present DSM  
10 expenditures starting March 1, 2016 (for Avista and ETO programs), and for 2017 and  
11 beyond (ETO programs). Any required adjustments to future DSM funding will be requested  
12 on an as-needed basis.

13 **Q. Will Avista retain the Company's low income programs?**

14 A. Yes, the Company will retain collection for funding low income household  
15 programs, delivered by the following Community Action Agencies: Avista Oregon Low  
16 Income Energy Efficiency Program (AOLIEE) and the Low Income Rate Assistance  
17 Program (LIRAP). Effective 2017, a separate tariff to administer AOLIEE program will be  
18 established. The Company will continue the Schedule 493 tariff for collecting expenses  
19 related to LIRAP.

---

<sup>10</sup> The estimated balance of conservation-related costs as of March 1, 2016 is \$526,000, and the unamortized prior period deferral balance, presently being recovered in Schedule 478, is \$1.2 million.



1 Statements of the Parties<sup>11/12</sup>

2 Statement of Avista

3 **Q. Does Avista support the Partial Settlement Stipulation which resolves**  
4 **certain revenue requirement items, rate design, and issues related to DSM and**  
5 **decoupling?**

6 A. Yes. The Partial Settlement strikes a reasonable balance between the interests  
7 of Avista's customers and the Company on certain revenue requirement items, rate design  
8 issues, the institution of a decoupling mechanism, and the transition of the Company's DSM  
9 programs to the ETO. The Partial Settlement Stipulation was a compromise among differing  
10 interests and represents give-and-take. The Partial Settlement Stipulation also reaches  
11 consensus around all issues regarding rate design and the level of the residential basic charge.  
12 The Settlement also provides Avista with a natural gas decoupling mechanism which will  
13 help to ensure that the Company will be able to recover the fixed costs of providing service  
14 to customers, on a revenue-per-customer basis, but, in a colder than normal winter, if the  
15 Company collects revenues that are greater than the amount authorized, those revenues  
16 would be returned to customers. The Settlement Stipulation was entered into following the  
17 filing of testimony from Staff, CUB and NWIGU, extensive discovery, audit and review of  
18 the Company's filing, its books and its records.

19 For these reasons, the Partial Settlement is in the public interest and should be  
20 approved by the Commission.

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<sup>11</sup> The Statements provided by each Party represent their views only as it relates to the Settlement, and should not be construed as being the views of the Parties collectively.

<sup>12</sup> While Staff has not provided a separate testimony statement in support of the Stipulation, Staff did not see a need for providing such a statement as it is evident that many of the issue resolutions have adopted the staff testimony position and the joint testimony notes so with cites.

1 **Statement of CUB**

2 **Q. Please explain why CUB believes the settlement is in the public interest.**

3 A. CUB has fully participated in this case, including reviewing and analyzing the  
4 testimony and data requests related to the issues resolved by this Partial Settlement  
5 Stipulation. CUB believes that the Partial Settlement Stipulation serves the interests of  
6 Avista's customers, and represents an appropriate compromise among the parties. For these  
7 reasons, CUB believes that the Partial Settlement Stipulation is in the public interest, and  
8 should be adopted by the Commission. CUB reserves the right, however, to litigate all  
9 unresolved issues still pending in this case. CUB's support of the issues addressed by this  
10 Partial Settlement Stipulation should not be construed as a waiver of its ability to litigate  
11 these issues in a future natural gas proceeding.

12 **Statement of NWIGU**

13 **Q. Please explain why NWIGU believes the settlement is in the public**  
14 **interest.**

15 A. NWIGU believes the Partial Settlement Stipulation is in the public interest  
16 and recommends the Commission approve the settlement because the best interests of  
17 Avista's natural gas customers are served by the underlying fair compromise on certain  
18 revenue requirement issues. While the signing parties may each hold different positions on  
19 the individual components of Avista's natural gas revenue requirement addressed in the  
20 Partial Settlement Stipulation, NWIGU supports the partial settlement as it has brought down  
21 the overall gas revenue requirement increase by \$1,816 million to \$6,741 million. The



1 overall result is a fair compromise between Avista and its customers in current financial  
2 markets.

3 For the reasons set forth above, NWIGU believes the Partial Settlement Stipulation is  
4 in the public interest and should be approved by the Commission. By supporting this Partial  
5 Settlement Stipulation, NWIGU reserves the right to litigate all unresolved issues and further  
6 reserves the right to raise all issues compromised in this proceeding in any future natural gas  
7 rate case.

8

9

**Conclusion**

10 **Q. Do the Parties agree that the Stipulation provided as Exhibit No. Joint**  
11 **Testimony/101 is in the public interest and results in an overall fair, just and reasonable**  
12 **outcome?**

13 A. Yes, the Parties do.

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

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

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

17 A. Yes.

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**UG 288**

**STAFF/AVISTA/NWIGU/CUB EXHIBIT 101**

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

**November 25, 2015**

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

3 UG 288

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

9  
10 This Partial Settlement Stipulation (“Stipulation”) is entered into for the purpose of  
11 resolving several issues in this Docket.

12 **PARTIES**

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

17  
18 **BACKGROUND**

19 1. On May 1, 2015, Avista filed revised tariff schedules to effect a general rate  
20 increase for Oregon retail customers of \$8,557,000, or 8.0 percent of its annual revenues. The  
21 filing was suspended by the Commission on May 6, 2015, per its Order No. 15-143.

22 2. Pursuant to Administrative Law Judge Patrick Power’s Prehearing Conference  
23 Memorandum of June 5, 2015, a settlement conference was held on September 15, 2015. On  
24 October 16, 2015, Staff, CUB, and NWIGU filed Opening Testimony in response to the  
25 Company’s original filing. On October 20, 2015, an additional settlement conference was held.



**Table No. 1 – Summary of Adjustments to Revenue Requirement and Rate Base**

<b>SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE</b>			
(\$000s of Dollars)			
		<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Amount as filed:</b>		<b>\$8,557</b>	<b>\$217,824</b>
<b>Adjustments:</b>			
<b>a</b>	<b>Rate of Return</b> Adjusts the Cost of Debt to 5.515%.	(23)	-
<b>b</b>	<b>Revenue Sensitive - State Effective Tax Rate</b> Revises the State Income Tax (SIT) rate to factor in an agreed-upon rate. This change impacts the Conversion Factor and adjustment "e" below.	(41)	-
<b>c</b>	<b>Uncollectibles</b> Reduces the Company's uncollectible expense to an agreed-upon level.	(7)	-
<b>d</b>	<b>Working Cash</b> Removes the additional working capital rate base adjustment to include only materials and supplies.	(116)	(1,090)
<b>e</b>	<b>State Taxes</b> Revises the level of SIT to an agreed-upon level. [Note: An additional \$650,000 reduction is being proposed by NWIGU and CUB and is not agreed to by the Company. This relates to the impact of 2015 bonus depreciation on ADFIT.]	(1,353)	-
<b>f</b>	<b>Depreciation</b> This reduces the level of depreciation expense for updated depreciation rates.	(278)	112
<b>g</b>	<b>D&amp;O Insurance</b> This reduces the Company's D&O insurance to exclude 50% of various D&O layers.	(52)	-
<b>h</b>	<b>Various A&amp;G Expenses</b> Revises the Company's expected administrative and general expenses related to meals and other expenses.	(31)	-
<b>i</b>	<b>Wages &amp; Salaries</b> Reduces wages and salaries expense to an agreed upon level for an updated CPI.	(65)	-
<b>j</b>	<b>Property Tax</b> Adjusts property tax expense to an agreed-upon level.	(69)	-
<b>k</b>	<b>Prepaid Pension Asset</b> Removes the rate base treatment of the Company's prepaid pension asset from this Docket, in accordance with Order 15-226 in Docket No. UM1633, reducing rate base by \$5,655,000.	(605)	(5,655)
<b>l</b>	<b>Other Revenues - Miscellaneous Revenue</b> This adjustment includes updates to the Company's other revenues to an agreed-upon level.	(34)	
<b>m</b>	<b>Load Forecasting</b> Adjusts for updated load forecast.	867	
<b>n</b>	<b>Cost Allocations</b> Reduces utility operations expense to an agreed-upon level.	(9)	
<b>o</b>	<b>Distribution O&amp;M</b> The parties accept the Company's level of expenses as excluding costs associated with the Company's 2012 Voluntary Severance Incentive Plan.	-	
<b>p</b>	<b>Other Gas Supply</b> The parties accept the Company's level of expense associated with Other Gas Supply labor.	-	
<b>q</b>	<b>Prepaid Pension Asset (Debt Interest)</b> The parties accept the Company's level of expense for the debt interest expense associated with the removal of the Prepaid Pension Asset.	-	
<b>Total Adjustments:</b>		<b>(\$1,816)</b>	<b>(\$6,633)</b>
<b>Adjusted Base Revenue Requirement &amp; Rate Base:</b>		<b>\$6,741</b>	<b>\$211,191</b>

1 The following information provides an explanation for each of the adjustments in Table No. 1  
2 above.

3 a. Cost of Debt (-\$23,000): Adjusts the Cost of Debt from 5.530 to 5.515 percent.<sup>1</sup>

4 b. Revenue Sensitive – State Effective Tax Rate (-\$41,000): Revises the State Income  
5 Tax (SIT) rate to factor in future use of SIT credits. This change affects the Conversion Factor  
6 and adjustment "e" below.

7 c. Uncollectibles (-\$7,000): Reduces the Company's uncollectible expense to an  
8 agreed-upon level.

9 d. Working Capital (-\$116,000): Removes the additional working capital rate base  
10 adjustment to include only materials and supplies. This adjustment reduces rate base  
11 \$1,090,000.

12 e. State Taxes (-\$1,353,000): This adjustment removes the Company's pro formed  
13 SIT expense to factor in the benefits of bonus depreciation and available tax credits on state  
14 income taxes that will be paid. An additional \$650,000 reduction is still being proposed by  
15 NWIGU and CUB and is not agreed to by the Company. This relates to the impact of 2015  
16 bonus depreciation on ADFIT.

17 f. Depreciation (-\$278,000): This adjustment reduces both the level of depreciation  
18 expense, accumulated depreciation, and accumulated deferred federal income tax in rate base for  
19 updated depreciation rates.

20 g. Directors and Officers (D&O) Insurance (-\$52,000): This reduces the Company's  
21 D&O insurance to exclude 50% of various D&O insurance layers.

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<sup>1</sup> Although the Cost of debt has been agreed to, the parties have not yet agreed to the capital structure. Once a capital structure has been established, this will impact the debt interest on all rate base adjustments.

1           h. Various Administrative & General (A&G) Expenses (-\$31,000): This adjustment  
2 revises the Company's administrative and general expenses related to meals and other expenses.

3           i. Wages and Salaries (-\$65,000): This adjustment reduces wages and salaries  
4 expense to an agreed upon level for an updated CPI.

5           j. Property Taxes (-\$69,000): This adjustment includes updates to the Company's  
6 property tax expense to an agreed-upon level.

7           k. Prepaid Pension Asset (-\$605,000): This adjustment removes the rate base  
8 treatment of the Company's prepaid pension asset from this Docket, in accordance with Order  
9 15-226 in Docket No. UM 1633, reducing rate base by \$5,655,000.

10          l. Other Revenues – Miscellaneous Revenue (-\$34,000): This adjustment includes  
11 updates to the Company's other revenues to an agreed-upon level.

12          m. Load Forecasting (+\$867,000): This adjustment reflects an agreed-upon updated  
13 load forecast.

14          n. Cost Allocations (-\$9,000): This adjustment reduces utility operations expense to  
15 an agreed-upon level.

16           **The following items “o. – q.” are adjustments proposed by Parties, where the**  
17 **Parties, for settlement purposes, have accepted the level of expenses as filed by the**  
18 **Company in this docket:**

19          o. Distribution O&M: Staff's proposed adjustment would have reduced O&M for  
20 expenses related to the Company's 2012 Voluntary Severance Incentive Plan. The Parties agree  
21 that no such adjustment is required.

1 p. Other Gas Supply: Staff’s proposed adjustment would have reduced the level of  
2 expenses associated with Other Gas Supply labor. For settlement purposes, the Parties agree that  
3 no such adjustment to Other Gas Supply is necessary.

4 q. Prepaid Pension Asset (Debt Interest): Staff’s proposed adjustment would have  
5 reduced interest expense for the debt interest expense associated with the removal of the Prepaid  
6 Pension Asset. The Parties agree that this adjustment is already captured in Adjustment “k” in  
7 Table No. 1 above.

8 5. **Rate Design:**<sup>2</sup>

9 The Parties support the following rate design: For Residential Service Schedule 410, the  
10 monthly customer basic charge will be increased by \$1 per month, from \$8.00 to \$9.00 per  
11 month. The monthly customer charge for General Service Schedule 420 will be increased by  
12 \$3.00 per month, from \$14.00 to \$17.00. The monthly customer charge for the Large General  
13 Service Schedule 424 and Transportation Service Schedule 456 will remain unchanged.

14 6. **Natural Gas Decoupling Mechanism:**

15 The Parties agree that Avista will implement a Revenue-Per-Customer natural gas  
16 decoupling mechanism (“Decoupling Mechanism”). Below are the key components of the  
17 mechanism:

18 a. Decoupling Mechanism Term. The mechanism will become effective when new  
19 base rates are implemented. The Parties agree that, by September 2019, there will be an  
20 opportunity to review the Decoupling Mechanism, which would allow the Company, Staff and  
21 other parties to recommend changes, if any. The Parties further agree that the Company may file  
22 a deferral application to track decoupling-related revenue variances to begin the first day of the  
23 month, in which rates become effective. The Parties agree to support the Company’s deferral

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<sup>2</sup> While the Parties have resolved all rate design issues, cost of service and rate spread issues have yet to be resolved.



1 application, understanding that the Commission's approval of the deferral application is an  
2 integral part of this Stipulation.

3 b. Rate Groups. Customers will be combined into two rate groups:

4 1. Residential – Schedule 410

5 2. Commercial – Schedules 420, 424, 440, and 444

6 c. Existing Customers and New Customers. The Parties have agreed that new  
7 customers, defined as new meters hooked up to Avista's distribution system, will not be included  
8 in the mechanism unless those new meters were included in the test year forecast of revenues.<sup>3</sup>  
9 In addition, Avista will track new customer usage, even the usage for the new customers in the  
10 rate year, for informational purposes, for a three year period, to determine whether new  
11 customers use more or less than existing customers.

12 d. Quarterly Reporting. Avista will file, within 45 days of the end of each quarter, a  
13 report detailing the decoupling activity by month. The reporting will also include information  
14 related to the deferrals by rate group, use-per-customer for existing and new customers, and other  
15 summary financial information. Avista will provide such other information as may be  
16 reasonably requested, from time to time, in the future quarterly reports.

17 e. Annual Filings. On or before August 1, of each year, the Company will file a  
18 proposed rate adjustment (surcharge or rebate) based on the amount of deferred revenue recorded  
19 for the prior January through December time period.<sup>4</sup> The rate adjustment will be calculated

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<sup>3</sup> The number of customers decoupled each month cannot exceed the monthly forecasted number of customers, by rate group, included in the agreed-upon 2016 forecasted customers. To the extent the number of actual customers in a given month exceed the forecasted level of customers, the Company will use the new customer revenue hookup report to determine the average decoupled revenue per new customer. The average decoupled revenue per customer would then be multiplied by the number of actual customers that exceed the monthly forecasted level of customers. That amount would then be deducted from the monthly actual decoupled revenue prior to calculating the decoupling deferral entry.

<sup>4</sup> For 2016, with the expectation that new rates would go into effect in March 2016, only 10 months (March 1 through December 31, 2016) would be tracked.

1 separately for each Rate Group, with the applicable surcharge or rebate recovered from each  
2 group on a uniform-cents-per-therm basis. The proposed tariff Schedule 475 included with that  
3 filing will include a rate adjustment that recovers/rebates the appropriate deferred revenue  
4 amount over a twelve-month period, effective on November 1<sup>st</sup>, for natural gas (to match with  
5 the annual Purchased Gas Cost Adjustment rate adjustment time period). The deferred revenue  
6 amount approved for recovery or rebate will be transferred to a balancing account and the  
7 revenue surcharged or rebated during the period will reduce the deferred revenue in the  
8 balancing account. After determining the amount of deferred revenue that can be recovered  
9 through a surcharge, or refunded through a rebate, by Rate Group, the proposed rates under  
10 Schedule 475 will be determined by dividing the deferred revenue to be recovered by Rate  
11 Group by the estimated therm sales for each Rate Group during the twelve-month recovery  
12 period. Any deferred revenue remaining in the balancing account at the end of the amortization  
13 period will be added to the new revenue deferrals to determine the amount of the proposed  
14 surcharge/rebate for the following year.

15 f. Interest. Interest will accrue on deferrals at the Company's authorized rate of  
16 return, similar to other Company deferrals. Once a deferral balance is approved for amortization,  
17 interest will accrue at the Modified Blended Treasury Rate, similar to other Company  
18 amortizations.

19 g. Accounting. Avista will set up two deferral accounts to explicitly account for  
20 weather<sup>5</sup> and conservation (non-weather). It will record the deferrals in account 186 –  
21 Miscellaneous Deferred Debits. The amount approved for recovery or rebate will then be  
22 transferred into a Regulatory Asset or Regulatory Liability account for amortization. On the

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<sup>5</sup> The Company will use the same weather normalization (IRP weather parameters) as was used in the Company's load forecast.

1 income statement, the Company will record both the deferred revenue and the amortization of  
2 the deferred revenue through Account 495 (Other Gas Revenue), in separate sub-accounts. The  
3 Company will file quarterly reports with the Commission showing pertinent information  
4 regarding the status of the current deferral. This report will include a spreadsheet showing the  
5 monthly revenue deferral calculation for each month of the deferral period (January - December),  
6 as well as the current and historical monthly balance in each deferral account.

7 h. 3% Rate Increase Cap. The amount of the rate increase resulting from the  
8 decoupling adjustment will be subject to an annual incremental limit of 3%, i.e., the annual  
9 increase in the surcharge cannot exceed 3% of billed revenues for each rate group, each year,  
10 with unrecovered balances carried forward to future years for recovery. The incremental  
11 surcharge (percentage) increase is determined by subtracting the annual revenue amount  
12 recovered by the present surcharge rate from deferred revenue to be recovered through the  
13 proposed surcharge rate, and dividing that net amount by the total “normalized” revenue by Rate  
14 Group for the most recent January through December period. The normalized revenue is  
15 determined by multiplying the weather-corrected usage for the period by the present billing rates  
16 in effect.<sup>6</sup> If the incremental surcharge exceeds a 3% rate increase, only a 3% increase is  
17 implemented and any additional deferred revenue will remain in the deferred revenue account,  
18 and could be recovered the following year, subject to the 3% limitation. Again, the 3%  
19 limitation is not applicable if the Company is in a rebate position.

20 i. Real Time Rebates/Surcharges. Avista will revisit opportunities for “real time”  
21 rebates/surcharges within the next twelve months after new rates go into effect.

22 **7. Energy Trust of Oregon and Energy Efficiency Charge:**

23 The Parties agree and support the following provisions for Commission approval:

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<sup>6</sup> Inclusive of booked billed revenue, booked unbilled revenue and the weather adjustment.

- 1 A. Avista will establish a separate natural gas energy efficiency tariff to collect costs,  
2 through current rates and not through a deferral mechanism (as is currently used  
3 for Avista’s energy efficiency programs) for administering and delivering energy  
4 efficiency programs. In 2016, Avista will still be offering conservation programs  
5 and the Energy Trust of Oregon (ETO) will also administer a conservation  
6 acquisition program.<sup>7</sup> The monies collected through the new tariff will go to  
7 Avista in 2016, except for the amount of \$156,000, that will be conveyed to the  
8 ETO in equal monthly installments of \$15,600, payable no later than the 15<sup>th</sup> of  
9 each month. The \$156,000 is comprised of \$84,000 for the ETO Conservation  
10 Program and \$72,000 for Planning and Development to complete all work  
11 necessary to have a “warm start” for the 2017 ETO-administered conservation  
12 programs. In 2017, the monies collected through this tariff will be transferred to  
13 the ETO. Subject to Commission approval, the tariff will be revised to match the  
14 ETO’s administrative costs and expenses needed to offer conservation programs  
15 to Avista’s customers in 2017.<sup>8</sup>
- 16 B. The Company will retain collection for funding low income household programs,  
17 delivered by the following Community Action Agencies: Avista Oregon Low  
18 Income Energy Efficiency Program (AOLIEE) and the Low Income Rate  
19 Assistance Program (LIRAP). Effective 2017, a separate tariff to administer  
20 AOLIEE program will be established. The Company will continue the Schedule  
21 493 tariff for collecting expenses related to LIRAP.

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<sup>7</sup> Per discussions with Staff and the ETO, the ETO stated that it would be able to institute the first program in late 2016.

<sup>8</sup> The tariff will also include a certain level of funding to fund Avista program administration and marketing.

1 C. Avista's related prudently-incurred expenditures concerning the transition of  
2 programs to the ETO, and incremental to those costs included in rates or any  
3 deferral balance, will be recoverable through the Company's annual Schedule 478  
4 (DSM Cost Recovery) filing for 2017.

5 D. For Schedule 478, for rates effective November 1, 2016, that rate will recover  
6 prudently incurred conservation-related costs carried out by Avista for the time  
7 period July 1, 2015, through the last day prior to the effective date of the tariffs in  
8 this general rate filing, UG 288. The November 1, 2016 rate will also recover the  
9 unamortized DSM balance as of the last day prior to the effective date of the  
10 tariffs in this docket.<sup>9</sup>

11 E. The Parties agree that, as a part of the final tariff compliance filing at the end of  
12 this case, to establish a new rate schedule, Schedule 469, which will be  
13 established at the same rates as provided in Schedule 478. The rates under  
14 Schedule 478 will be then set at \$0.00000 per therm on the effective date of the  
15 compliance tariffs, and remain at that level until November 1, 2016, when a  
16 revised Schedule 478 will go into effect pursuant to subsection 8.D above. The  
17 revenue collected under the new Schedule 469 (which are the same rates as the  
18 present rates for Schedule 478) will be used to fund present DSM expenditures  
19 starting March 1, 2016 (for Avista and ETO programs), and for 2017 and beyond  
20 (ETO programs). Any required adjustments to future DSM funding will be  
21 requested on an as-needed basis.

22  

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<sup>9</sup> The estimated balance of conservation-related costs as of March 1, 2016 is \$526,000, and the unamortized prior period deferral balance, presently being recovered in Schedule 478, is \$1.2 million.

1           8. **Load Forecast Refinements:**

2           The Parties have agreed on the Load Forecasting adjustment issue in this general rate  
3 case. Avista has further agreed to the following refinements, which it will include in its next  
4 load forecast, currently planned to be completed in June 2016:

5           a.    The Company will provide written documentation and justification explaining why  
6                certain rate schedule forecasts do not rely on traditional regression models.

7           b.    The Company will include a forecast driver related to the timber industry for use-  
8                per-customer forecasts for schedules dominated by timber product firms.

9           c.    The Company will maximize the amount of historical data used in the forecasting  
10               models. If the full historical data is not used, the Company will provide written  
11               details including statistical details when available explaining why the full historical  
12               data set was not used.

13           d.    The customer forecasts for La Grande, Roseburg, and Klamath will include  
14               population as a direct forecast driver. The Company's current method for  
15               integrating population into the Medford customer forecast will also be used for  
16               these three regions.

17           e.    In addition to the regression output files provided in UG 288, the Company will  
18               also retain, for future forecasts, the modeling and project files so the Parties can  
19               more easily replicate the Company's forecasts by schedule.

20           9.    The Parties agree that this Stipulation is in the public interest and results in an  
21 overall fair, just and reasonable outcome.

22           10. The Parties agree that this Stipulation represents a compromise in the positions of  
23 the Parties. Without the written consent of all Parties, evidence of conduct or statements,

1 including but not limited to term sheets or other documents created solely for use in settlement  
2 conferences in this Docket, are not admissible in the instant or any subsequent proceeding unless  
3 independently discoverable or offered for other purposes allowed under ORS 40.190. Nothing in  
4 this paragraph precludes a party from stating as a factual matter what the Parties agreed to in this  
5 Stipulation or in the Parties' testimony supporting the stipulation.

6 11. Further, this Stipulation sets forth the entire agreement between the Parties and  
7 supersedes any and all prior communications, understandings, or agreements, oral or written,  
8 between the Parties pertaining to the subject matter of this Stipulation.

9 12. **Contested Adjustments:**

10 The Parties note that the remaining contested revenue requirement issues are as follows:

- 11 a. ROE and Capital Structure: The appropriate Return on Equity and Capital  
12 Structure.
- 13 b. Information Technology related to Project Compass: Staff's proposed disallowance  
14 related to Project Compass.
- 15 c. Plant Investment: The appropriate level of capital additions.
- 16 d. Wage & Salaries – Bonus & Incentives: The appropriate level of bonus and  
17 incentives.
- 18 e. Medical Benefits: The appropriate level of medical expenses.
- 19 f. Pension Expense: The appropriate level of pension expense.
- 20 g. Post Retirement Medical Expenses: The appropriate level of post retirement  
21 medical expenses.
- 22 h. Bonus Depreciation: NWIGU-CUB's proposed adjustment would increase ADFIT,  
23 for an additional reduction to rate base for ADFIT.

1           13. This Stipulation will be offered into the record in this proceeding as evidence  
2 pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this  
3 proceeding and any appeal. The Parties further agree to provide witnesses to sponsor the  
4 Stipulation at any hearing held, or, in a Party's discretion, to provide a representative at the  
5 hearing authorized to respond to the Commission's questions on the Party's position as may be  
6 appropriate.

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

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

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



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

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

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

8           DATED this 6<sup>th</sup> day of November 2015.

9  
10 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

11  
12  
13  
14 By: [Signature]  
15 David J. Meyer

By: \_\_\_\_\_  
Michael Weirich

16  
17 Date: Nov 6<sup>th</sup>, 2015

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

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19  
20 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF  
OREGON

21  
22  
23 By: \_\_\_\_\_  
24 Chad M. Stokes

By: \_\_\_\_\_  
Sommer Templet Moser

25  
26 Date: \_\_\_\_\_

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

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15       David J. Meyer

By:   
\_\_\_\_\_  
Michael Weirich

16  
17 Date: \_\_\_\_\_

Date: 11/6/15

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24 Chad M. Stokes

By: *Bob Jenks*  
~~Sommer Templet Moser~~ *Bob Jenks*

25  
26 Date: \_\_\_\_\_

Date: 11-6-15