



Oregon Citizens' Utility Board

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March 3, 2017

Public Utility Commission of Oregon
201 High St SE, Suite 100
Salem, Oregon 97301

Re: UG 325 - In the Matter of AVISTA CORPORATION, Request for a General Rate Revision

The Oregon Citizens' Utility Board files herewith a correction to its originally submitted UG 325 Opening Testimony, Exhibit 127 on March 1, 2017. Exhibit 127 was not incorrectly labeled, and CUB requests that this be amended. CUB has attached a correctly labeled exhibit for this filing.

Please contact me if you have any questions with this filing.

Sincerely,

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**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Oregon	DATE PREPARED:	02/13/2017
CASE NO:	UG 325	WITNESS:	David J. Machado
REQUESTER:	CUB	RESPONDER:	David Machado
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	CUB – 053	TELEPHONE:	(509) 495-4554
		EMAIL:	david.machado@avistacorp.com

REQUEST:

Re: Avista/600/Machado/Page 9-10: Regarding the capital investments to support customer growth that the Company expects to deploy through September 30, 2018:

- a. Are these investments based on forecast of customer growth?
- b. If these investments were included in ratebase, but the customer growth did not materialize, what would happen to the revenue from this increased ratebase?
- c. Will these investments be used and useful by the rate effective date?
- d. How does the Company ascertain certainty over the deployment of these forecasted assets?

RESPONSE:

- a. Refer to Avista's response to Staff_DR_367, which discusses Avista's considerations in forecasting the cost of capital investment associated with new customers.
- b. In this hypothetical scenario, where investments were included in ratebase, but the customer growth did not materialize, the revenue associated with this capital investment would be included in the annual earnings test calculation. However, the other side of a hypothetical scenario in which forecast customer growth did not materialize must also be considered. That is, the reduction in revenue requirement associated with the revenue attributable to new customers would also not materialize. This factor would also be included in the annual earnings test calculation.
- c-d. The twelve-months ended September 30, 2018 "test year" should reflect costs and revenues that will fairly represent the period when base rates from this docket will be in effect following a general rate case proceeding. Ratemaking practice in Oregon in the past has generally limited the new plant investment included in retail rates to investment that is transferred to plant in service on or before the new retail rates go into effect. Using an End of Period (EOP) balance as of September 30, 2017, reflects the utility plant in service as of the beginning of the forecasted test year (October 1, 2017 through September 30, 2018). Given that the forecasted test year revenues include growth in revenue resulting from customer growth during the test year, the Company believes it is appropriate, under the matching principle, that the utility plant required to serve these new customers also be included in the test year.