AVISTA

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May 15, 2019

Public Utility Commission of Oregon
Attn: Filing Center
550 Capitol St. N.E. Suite 215
Salem, OR 97301-2551

RE: Advice 19-02-G/UG-366 – Avista Corporation's Request for General Rate Revision

RE: Ms. Smith's Testimony and Exhibits 501 & 502 to UG-366

Please find enclosed 5 paper copies of the Testimony and Exhibits of Company witness Ms. Smith.

The purpose of this filing is to provide the corrected hard copies of Testimony and Exhibits of Ms. Smith. The Testimony had a missing page break causing pagination issues on pages 38-43. Exhibits 501 had incorrect date labels on pages 1, 10, 11, and 12 and Exhibit 502 had incorrect date labels on pages 1-5. The electronic copies of Ms. Smith testimony and exhibits were included in the email sent to all parties of UG-366.

Please direct any questions regarding this filing to Jennifer Smith at (509) 495-2098.

Sincerely,

Patrick D. Ehrbar

Patrick Ehrbar
Director of Regulatory Affairs

Enclosure

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UG-366

DIRECT TESTIMONY OF JENNIFER S. SMITH
REPRESENTING AVISTA CORPORATION

Revenue Requirement and Allocations

I. INTRODUCTION

Q. Please state your name, present position with Avista Corporation, and business address.

A. My name is Jennifer S. Smith. I am employed by Avista Corporation as a Manager of Regulatory Affairs in the Regulatory Affairs Department. My business address is 1411 East Mission, Spokane, Washington.

Q. Would you please describe your educational background and professional experience?

A. I am a 2002 graduate of Washington State University with a Bachelor of Arts Degree in Business Administration, majoring in Accounting and Accounting Information Systems. After spending eight years in the public accounting sector, I was hired into the State and Federal Regulation Department as a Regulatory Analyst in January of 2010. In my current role as a Manager of Regulatory Affairs, I assist in the preparation of normalized revenue requirement and pro forma studies for all jurisdictions in which the Company provides utility services. I am also responsible for, among other things, annual filings and various applications related to affiliated interest issues and subsidiary operations.

Q. What is the scope of your testimony in this proceeding?

A. My testimony and exhibits in this proceeding will generally cover accounting and financial data in support of the Company's need for the proposed increase in rates. I will explain the twelve-months ended December 31, 2020 Test Year operating results, including expense and rate base adjustments made to the twelve-months ended December 31, 2018 Base Year operating results and rate base. I will discuss the Company’s restated twelve-months ended December 31, 2018 net plant, planned 2019 plant additions, and twelve-months ended

December 31, 2020 AMA customer growth capital additions adjustments, as well as discuss the Company's approach to Oregon Capital Plant Investment. I will briefly introduce the revenue load adjustment, while Company witness Mr. Miller provides a more in-depth discussion. Finally, I will provide an overview of the Company's system and jurisdictional allocation methodologies that have been in place for many years.

A table of contents for my testimony is as follows:

Q. Are you sponsoring any exhibits to be introduced in this proceeding?

A. Yes. I am sponsoring Exhibit Nos. 501 and 502, which consist of worksheets that show summary level historical actual twelve-months ended December 31, 2018 Base Year operating results, Test Year results for the twelve-months ended December 31, 2020, including proposed natural gas operating results and rate base for the Company's Oregon jurisdiction. Exhibit No. 501 also shows the Company's calculation of the general revenue requirement, the derivation of the net operating income to gross revenue conversion factor, and the restating and forecasted adjustments proposed in this filing. Exhibit No. 502 consists of worksheets similar to Exhibit No. 501 on a more detailed level (by FERC account).

I am also sponsoring Exhibits Nos. 503, and 504. Exhibit No. 503 includes a description of each of the 2019 and 2020 capital additions and Exhibit No. 504 includes an index for all business cases for each of the capital projects included in this case.

II. REVENUE REQUIREMENT AND RATE REQUEST PROPOSAL

Q. Would you please summarize the Company's need for a revenue increase for its Oregon natural gas operations?

A. Yes. After taking into account all historical restating and forecasted adjustments, the natural gas rate of return ("ROR") for the Company's Oregon jurisdictional operations for the twelve-months ended December 31, 2020 Test Year is 5.89%, as shown on Exhibit No. 501, page 1. This return level is below the Company's requested rate of return of 7.55%. The incremental revenue requirement for base retail rates, necessary to give the Company an opportunity to earn its requested ROR is $6,677,000. The overall natural gas billed revenue increase associated with the Company's request is 7.8%.

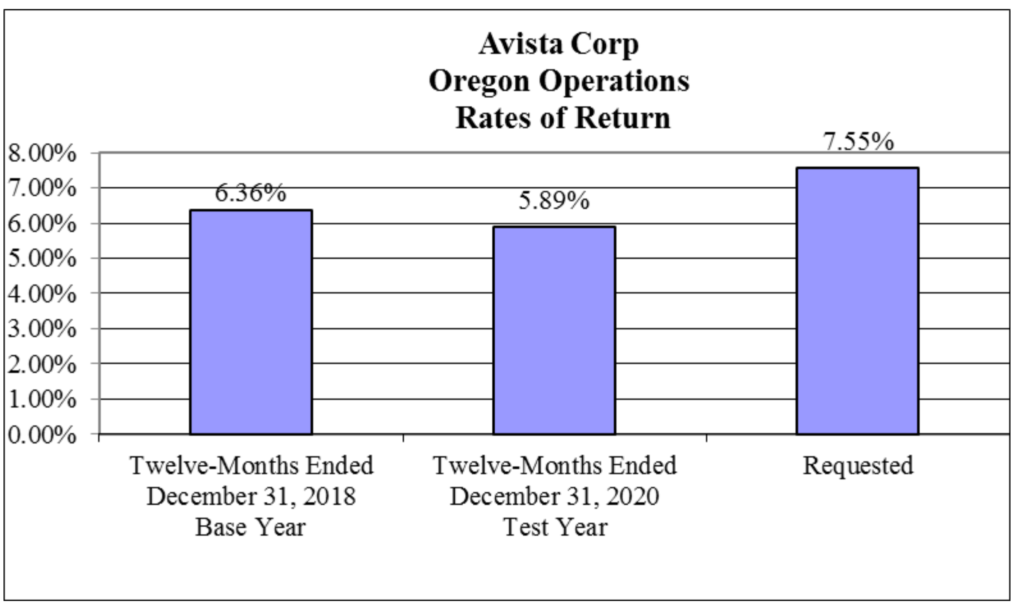
Q. What was the Company's rate of return that was last authorized by this Commission for its natural gas operations in Oregon?

A. The Company's currently authorized rate of return for its Oregon operations is 7.40%, effective October 1, 2017.

Q. By way of summary, would you please explain the different rates of return that you will be presenting in your testimony?

A. Yes. As shown in Illustration No.1 below, there are three different rates of return that will be discussed. The actual ROR earned by the Company during the twelve-months ended December 31, 2018, the twelve-months ended December 31, 2020 Test Year ROR determined in my Exhibit No. 501, page 1, and the requested ROR.

Illustration No. 1



Q. What is the Test Year the Company is utilizing for this general rate request?

A. The Test Year being used by the Company is the twelve-months ended

December 31, 2020, presented on a forecasted basis. Currently authorized rates are based upon the 2018 forecasted Test Year utilized in Docket No. UG-325.

Q. Please explain how the Company developed the revenue requirement for the twelve-months ended December 31, 2020 as the Test Year.

A. Revenue requirement preparation began with the historical accounting information for the twelve-months ended December 31, 2018. Each of the revenue requirement components in the historical year were analyzed to determine if a normalizing or correcting adjustment was warranted to reflect normal operating conditions. The restated historical information was then adjusted to recognize known, measurable and anticipated events to determine a twelve-months ended December 31, 2020 Test Year. Next, the twelve-months ended December 31, 2020 Test Year results were adjusted to include previous Commission–ordered restating adjustments, to arrive at restated twelve-months ended December 31, 2020 Test Year results.

Q. Why did the Company begin with historical information?

A. The Company began with historical information, because this historical information provides a solid foundation to start from, and is easily auditable.

Q. Please summarize the process used to adjust the historical information to reflect the twelve-months ended December 31, 2020 Test Year revenues and costs.

A. Revenues are adjusted for the effect of applying the current Commission-approved tariff rates to the twelve-months ended December 31, 2020 Test Year customer usage. Historical operations and maintenance ("O&M") expenses were separated into labor and non-labor components. Except for a few specific cost items, non-labor costs were adjusted using the most current consumer price index ("CPI"). Historical labor costs were also adjusted for increases through the twelve-months ended December 31, 2020 Test Year. Specific adjustments are described in further detail later in my testimony and shown in Exhibit Nos. 501 and 502.

III. FACTORS CAUSING THE NEED FOR REVENUE INCREASE

Q. Please briefly describe the factors causing the Company's need for a natural gas revenue increase.

A. Over 92% (or approximately $6.1 million) of the Company's need for additional rate relief relates to increases in total rate base, including changes in net plant investment (including return on investment, depreciation and taxes, offset by the tax benefit of interest), representing an increase of approximately $31.4 million in additional net rate base for the Oregon jurisdiction over the current authorized amount.[1] The remaining 8% (or approximately $0.6 million) of the Company's requested revenue requirement relates to an increase in O&M and administrative and general ("A&G") expenditures. These rate base and expense-related revenue requirement increases are net of the change in retail revenues since our last rate case filed in 2016.

Q. What are the major components of the changes to total rate base included in the Company's filing?

A. Oregon "gross" plant increased by approximately $75.7 million, or 18%, as compared to what is currently included in rates. These investments reflect, among other things, replacement and maintenance of Avista's utility system meant to sustain reliability, safety, and

[1] The authorized amounts for this analysis includes rate base authorized for rates that were effective October 1, 2018.

service to customers. Major projects included in this total include the continued Aldyl-A Pipe Replacement program, Gas Meter Replacement, Endpoint Compute and Productivity System, Customer Facing Technology Projects, compliance with municipal requirements (i.e., street/highway relocations), and the overall systematic replacement of aging infrastructure, among others. These are all described in detail in Exhibits Nos. 503 and 504. It also includes other required capital projects that have been, or will be, put in service through the twelve-months ended December 31, 2019, as well as capital investments in utility plant related to new customer hook ups for the twelve-month period January 1, 2020 through December 31, 2020 (consistent with our practice in prior rate cases). After adjusting for accumulated depreciation and amortization, and ADFIT, the rate base increase is $31.5 million above that currently reflected in base retail rates. After including return on investment, depreciation and taxes, offset by the tax benefit of interest, this amounts to approximately $6.1 million of the requested revenue requirement.

IV. OVERVIEW OF REVENUE REQUIREMENT CALCULATIONS

Q. Would you please explain what is shown in Exhibit No. 501?

A. Yes. Exhibit No. 501 shows twelve-months ended December 31, 2018 actual Base Year results, and twelve-months ended December 31, 2020 Test Year natural gas operating results and rate base for the Company's Oregon jurisdiction. Column (a) of page 1 of Exhibit No. 501 shows the twelve-months ended December 31, 2018 actual operating results and components of rate base; column (b) is the total of all adjustments to net operating income and rate base; and column (c) is the twelve-months ended December 31, 2020 Test Year results of operations, all under existing rates. Column (d) shows the revenue increase necessary to allow the Company an opportunity to earn its requested 7.55% rate of return. Column (e) reflects twelve-months ended December 31, 2020 Test Year natural gas operating results with the requested general increase of $6,677,000.

Q. Would you please explain page 2 of Exhibit No. 501?

A. Yes. Page 2 shows the calculation of the $6,677,000 revenue requirement using the requested 7.55% rate of return.

Q. Would you now please explain page 3 of Exhibit No. 501?

A. Yes. Page 3 shows the derivation of the net operating income to gross revenue conversion factor. The Conversion Factor takes into account uncollectible accounts receivable, Oregon Commission fees, Oregon Energy Resource Supplier Assessment Fees, Franchise Taxes, and the Oregon Excise Tax, which is the Oregon State Income Tax ("SIT"). Federal income taxes are reflected at 21%.

Q. Please explain the SIT rate that was used in the conversion factor as well as the level of Oregon state income tax expense included in this filing?

A. The SIT rate that was used in the conversion factor was 6.59%. The SIT expense is determined for Oregon natural gas utility operations using the apportionment method, which is consistent with the method used in Avista's last general rate case in Oregon (Docket No. UG-325). The level of SIT expected during the twelve-months ended December 31, 2020 Test Year is $100,021. The Company is expected to utilize all net operating loss (NOL) currently available for carry forward to offset expected taxable income in 2018 and 2019. Additionally, the Company is expected to also use available tax credits in Oregon, including Business to Energy Tax Credits ("BETC") in 2019 and 2020.

Q. Now turning to pages 4 through 12 of your Exhibit No. 501, would you

please explain what those pages show?

A. Yes. Page 4 begins with actual operating results and rate base for the twelve-months ended December 31, 2018 in column (1.00). Individual historical twelve-months ended December 31, 2018 restating adjustments start on page 4, column (1.01), and continue through page 5, column (1.06), resulting in the column labeled "Restated Historical 12 ME 12.31.18 AMA Base Year Total." Individual twelve-months ended December 31, 2020 Test Year adjustments start on page 6, column (2.00), and continue through page 10, column (2.10), resulting in the column labeled "12 ME 12.31.2020 AMA Test Year", on page 11. Finally, restating adjustments representing previous Commission–ordered and/or standard components of our annual earnings reporting to the Commission, applied to the twelve-months ended December 31, 2020 Test Year results, begin at page 11, column (3.00), and continue through page 12, column (3.03). The final column, which is a total of all preceding columns of adjustments, results in the column labeled "12 ME 12.31.20 Restated 2020 AMA Test Year." Exhibit No. 502 provides the same data as Exhibit No. 501, pages 1, and 4 through 12, at a more granular level, presenting the data by FERC account. Explanations of each of these adjustments are provided in the testimony below, and supporting workpapers for each of these adjustments accompany the Company's filed case.

V. <u>HISTORICAL RESTATING ADJUSTMENTS</u>

Q. Would you please explain each of the historical restating adjustments, the reason for each adjustment and its effect on the Test Year net operating income and/or rate base?

A. Yes. The first adjustment, column (1.01) on page 4, **Allocation Factor**

Adjustment, restates actual twelve-months ended December 31, 2018 Base Year Oregon Results of Operations allocated expense accounts using updated allocation factors. These factors were based on actual direct 2018 costs. The Company updates its allocation factors annually using the prior year's actual direct costs using the methodology approved by the Oregon, Washington, and Idaho Commissions. When the factors are updated annually, the factors are reviewed to identify any unusual trends or unexpected shifts in costs. The most current allocations are based on 2018 actual direct costs. Further discussion of the Company's allocation processes and methodologies is provided in Section X of my testimony. This adjustment increases Oregon net operating income by $677,000, and decreases revenue requirement by $947,000.

Column (1.02), **Miscellaneous Restating,** restates the twelve-months ended December 31, 2018 Base Year results for miscellaneous restating items such as removal of non-utility related items, and reclassification of items to their appropriate service and jurisdiction. This adjustment decreases Oregon net operating income by $1,000, and increases revenue requirement by $1,000.

Q. Did the Company thoroughly review its accounting records to ensure that no costs related to the failed Hydro One merger are included in the 2018 Base Year?

A. Yes. First, the Company employed a Direct Assignment Protocol during the merger process whereby any costs associated with the proposed transaction were changed to non-utility accounts. That said, we are human and inadvertent charges could have been charged above the line. Therefore, under my direction, Regulatory Affairs team members reviewed 2018 transactions to ensure no costs related to Hydro One were in this case. There were a few dozen transactions found, and were removed.

Q. Please continue with your description of historical restating adjustments.

A. The adjustment in column (1.03), **Eliminate Adder Schedules**, removes both the revenues and expenses associated with all adder schedule rates except current natural gas costs. The items eliminated include: Schedule 460 – Excess Franchise Tax, which is the pass through of franchise taxes in excess of 3% charged only to customers in the various municipalities; Schedule 462 – Prior Gas Cost refund and amortization; Schedule 469 – Public Purpose Funding surcharge and amortization; Schedule 476 – Intervenor Funding surcharge and amortization; Schedule 484 – Fee Free surcharge and amortization; Schedule 478 – DSM surcharge and amortization; Schedule 493 – LIRAP surcharge and amortization; and Schedule 475 – Decoupling Deferred Revenue surcharge or rebate and amortization. The elimination of surcharge or rebate revenue and their associated amortizations simply restates revenue to base rates with $0 impact to net income (amortization expense plus revenue related expenses are equal to surcharge or rebate revenue collected). This adjustment also identifies all of the historical Base Year (twelve-months ended December 31, 2018) purchased natural gas costs that are tracked through the PGA and consolidates them into the "Gas Purchases" line item. The purpose of the natural gas cost consolidation is to simplify their elimination in the Test Year revenue load adjustment. There is no base revenue requirement impact of this portion of the adjustment, however, this process facilitates analysis of cost of service and rate design for base rates.

Starting on page 5, the adjustment in column (1.04), normalizes weather sensitive natural gas therm sales by eliminating the effect of temperature deviations above or below historical norms. This adjustment restates revenue and natural gas costs to reflect the change in therm sales if weather had been normal, based upon energy rates and the authorized weighted average cost of gas in effect during the year. In compliance with the Settlement agreed to in Docket No. UG-246 (Order No. 14-015), the Company has utilized weather sensitivity factors and other parameters that are consistent with the Company's most recently acknowledged Integrated Resource Plan ("IRP"). Going forward, the Company plans on continuing to use the most recently acknowledged IRP weather parameters for the Commission Basis weather normalization adjustment to maintain consistency in all Oregon regulatory filings, as agreed to in the UG-246 settlement. As revenue associated with weather sensitive natural gas therm sales were captured in the decoupling mechanism deferred revenue, this adjustment effectively transfers from the decoupling deferred "Other Revenue" into the "General Business Revenue" categories. The impact of the weather normalization adjustment is a decrease to Oregon net operating income of $1,000 and increases revenue requirement by $1,000.

The adjustment in column (1.05), entitled **Restate Debt Interest**, restates debt interest using the Company's twelve-months ended December 31, 2020 Test Year weighted average cost of debt, as outlined in the testimony and exhibits of Company witness Mr. Thies. This adjustment restates debt interest on the Results of Operations level of rate base shown in column (1.00) only, resulting in a revised level of tax deductible interest expense on actual twelve-months ended December 31, 2018 Base Year rate base. The federal income tax effect of the restated level of interest for the historical Base Year decreases Oregon net operating income by $192,000, and increases revenue requirement by $268,000.

The federal income tax effect of interest on all other rate base adjustments included in the Company's filing is included in each individual rate base adjustment described later in this testimony.

The adjustment in column (1.06), **Materials & Supplies Investment**, adjusts Oregon's share of the Company's twelve-months ended December 31, 2018 AMA investment in materials and supplies inventory. In Docket No. UG-246, the Parties to the case agreed that this investment should be included in rate base, so Oregon's share of this investment is included in its monthly Results of Operations report. This adjustment restates the balance included in Results of Operations for updated allocation factors in this case. This adjustment decreases rate base by $153,000 and decreases revenue requirement by $15,000.

Q. Before describing the final column on page 5 of Exhibit No. 501, are there any other regulatory asset balances included in the Company's restated twelve-months ended December 31, 2018 Base Year?

A. Yes. Other regulatory assets included in the Company's twelve-months ended December 31, 2018 Base Year, and shown on page 4 of Exhibit No. 501, Column (1.00) titled "Per Results of Operations Report," line 262 titled "Total Gas Inventory," is Oregon's share of the Company's Jackson Prairie Storage Facility natural gas inventory balance of $4.936 million. Company witness Ms. Morehouse describes in more detail Avista's ownership and use of this facility. Oregon's share of the Jackson Prairie inventory balance is recorded in FERC Account Nos. 117 and 164. This natural gas inventory is included in rate base, separate from the working capital adjustment which is consistent with the historical treatment of the Jackson Prairie Natural Gas Storage Facility inventory balance. Rate base treatment of natural gas inventory is consistently applied within Avista's Idaho and Washington natural gas jurisdictions, as well as by its peer utilities serving customers in the State of Oregon.

Q. Please continue with your description of the final column on page 5 of Exhibit No. 501.

A. The final column entitled "Restated Historical 12 ME 12.31.2018 AMA Base

Year Total", provides a subtotal of the preceding columns (1.00) through column (1.06) and represents actual operating results and rate base, plus the restating adjustments that have been previously discussed.

VI. TWELVE-MONTHS ENDED DECEMBER 31, 2020 TEST YEAR ADJUSTMENTS

Q. Please explain the significance of the columns that begin on page 6 and continue through page 10, in your Exhibit No. 501.

A. The eleven adjustments, subsequent to the "Restated Historical 12 ME 12.31.2018 AMA Base Year Total" column, represent adjustments that recognize the jurisdictional impacts of items that will impact the twelve-months ended December 31, 2020 Test Year operating results. They encompass revenue and expense items as well as additional capital projects and rate base items. These adjustments bring the twelve-months ended December 31, 2018 AMA Base Year operating results and rate base to the appropriate level for the twelve-months ended December 31, 2020 Test Year.

Q. Please explain the first adjustment on page 6.

A. Column (2.00), **Test Year Expense Adjustment**, reflects increases in non-labor O&M and A&G expenses through twelve-months ended December 31, 2018 for various FERC accounts. Workpapers accompanying my testimony and exhibits in this case provide the adjustments by FERC account, provide the Company's analysis of each adjusted amount, and reflects the use of a CPI of 2.10% and 2.30% year over year for 2019 and 2020, respectively. This adjustment decreases Oregon net operating income by $401,000 and increases revenue requirement by $561,000.

Column (2.01), **Test Year Revenue Load Adjustment**, takes into account normalized usage and customers during the twelve-months ended December 31, 2018. Revenues are calculated based on the January 1, 2018 approved retail base rates. Schedule 460 – Purchased Gas Cost Revenue and 2018 purchased gas cost expenses (consolidated in the Eliminate Adder Schedules adjustment) are both eliminated to reflect only base rates. This adjustment was made under the direction of Mr. Miller and is described further in his testimony. The effect of this adjustment is to increase Oregon net operating income by $3,274,000 and decreases revenue requirement by $4,582,000. Finally, this adjustment eliminates the both the Decoupling Deferred Revenue and the Tax Reform Deferred Revenue recorded in the twelve-months ended December 31, 2018 historical period which has a $0 impact on operating income and revenue requirement in the 2020 Test Year. Both the Decoupling-related and Tax Reform revenue deferrals are recovered/rebated through a separate tariff, and therefore, are not included in the determination of base retail rates.

Q. Please continue with your explanation of adjustments made to the Company's overall employee compensation, beginning with adjustment 2.02 on page 7 of Exhibit No. 501.

A. This portion of my testimony will address adjustments related to employee cash compensation and benefits, and includes the following specific adjustments:

Table No. 1: Compensation and Benefit Adjustments Index

Adjustment Name	Exhibit No. 501 Page Number	Adjustment No.
Non-Executive Labor	Pg. 7	2.03
Executive Labor	Pg. 7	2.04
Incentive Pay Adjustment	Pg. 10	2.10
Restate Salaries & Wages	Pg. 12	3.02

Q. Prior to explaining each of these adjustments, please provide an overview

of the Company's overall approach to employee compensation.

A. Avista is committed to providing total compensation to employees that will attract and retain qualified people required to meet the needs and expectations of all utility stakeholders, including but not limited to, customers, shareholders and regulators. To that end, the Company provides employees with cash compensation (base pay and variable pay in the form of pay-at-risk incentive compensation) and a comprehensive benefit package including medical and retirement. The overall package is designed to meet the following goals:

- Clearly identify the specific measures of Company performance that are likely to create long-term value for the Company's customers and shareholders;
- Keep employees focused on cost control, customer satisfaction, reliability and operational efficiencies by awarding variable pay for meeting pre-determined metrics;
- Promote a culture of safety;
- Pay competitively compared to others within our industry;
- Reward outstanding performance; and
- Align elements of the incentive plans among all Company employees, including executive officers.

Each component is carefully considered within the overall package in order to provide total compensation which will be cost-effective for the Company, remain attractive to employees, and is an effective recruitment tool. Compensation components within the overall package may be adjusted over time to achieve the goal of recruiting and retaining qualified employees. The Company generally targets overall compensation levels within the range that is 15% above or below the median of Avista's peer group.

Q. Please describe the adjustments to the cash compensation components included in Adjustments 2.02 Non-Executive Labor, 2.03 Executive Labor and 2.12

Incentive Pay.

A. The adjustments related to cash compensation are summarized in Table No. 2 below:

Table No. 2: Summary of Compensation and Benefit Adjustments

Adjustment No.		Net Operating Income Impact Increase / (Decrease)		Revenue Requirement Impact
2.03 Non-Executive Labor	$	586,000	$	605,000
2.04 Executive Labor		83,000		86,000
2.10 Incentive Pay Adjustment		(497,000)		(513,000)
3.02 Restate Salaries & Wages		(124,000)		(129,000)
Total	**$**	**48,000**	**$**	**49,000**

Column (2.02), **Non-Executive Labor Adjustment** reflects changes to the base pay component of cash compensation. Base pay is the salary component intended to compensate individuals for service rendered during the year. The level of base pay is determined based on position qualifications such as level of education, professional designations or certifications, experience, roles and responsibilities, and the market. Avista participates in numerous confidential salary surveys provided by third-party consulting firms which compare Avista's pay programs and structure to other organizations in the utility industry, as well as other industries, regionally and nationally. Salary surveys are part of the input in the determination of salary increases and salary range updates (minimum, mid-point and maximum), as well as benchmarking jobs to market data. Avista benchmarks many jobs within the Company and reviews market data to determine if the salary range midpoints still accommodate the new estimated values established by the benchmarking process. Based on the information provided in these surveys, salary recommendations are presented to the independent Compensation Committee of the Board of Directors for their consideration and approval. The Compensation

Committee can choose to grant higher or lower salary adjustments, based on the available market data. Adjustment No. 2.02 Non-Executive Labor, adjusts base year salaries and wages as shown in Table No. 3 below:

Table No. 3: Non-Executive Labor

2.03 Non-Executive Labor Adjustment	Non-Union	Union	Total
Annualize 3% increase effective March 2018	$ 23,629	$ 23,234	$ 46,863
Adjust for 3% increase approved for March 2019	100,831	144,114	244,945
Adjust for 3% increase approved for March 2020	103,856	148,437	252,293
Hydro One Reclass Adjustment	42,388	5	42,393
Total	**$ 270,704**	**$ 315,790**	**$ 586,494**

For non-union employees, the first adjustment for $46,863 annualizes the 3% actual increases approved and in effect beginning March 2018. The 3% increase was approved by the Board of Directors in November 2018 for a March 2019 effective date. The Board of Directors will approve the minimum level of increase for March 2020 at its May 2019 Board meeting. The current estimate is expected to be 3%.

Union employee increases are made in accordance with contract terms. The current contract with the IBEW Union 659 (southeast Oregon) expires on March 24, 2020. In accordance with those contract terms, the Company has included a 3.0% increase for 2019. We anticipate the increase for 2020 to be consistent with the non-union group at 3%. Negotiations are currently underway and updates will be provided once the new contract is available.

The Company has also included an adjustment to reclassify the amount of 2018 labor expense from non-utility to utility operations for work performed on the Hydro One Merger case. The time and associated labor costs charged to the Hydro One Merger (Merger) case are not recurring in nature. Those employees who worked on the Merger will resume their previous responsibilities related to utility operations. This portion of the adjustment represents approximately $42,000 in expense, or $43,000 revenue requirement.

Column (2.03), **Executive Labor Adjustment** annualizes the March 2018 salary increases in the same manner as non-executive employees. As with all components of executive officer compensation, the Compensation Committee of the Board of Directors (Board) determines the appropriate level of base salary. The Board considers several internal factors such as individual and Company performance goals, succession planning, job complexity, experience and breadth of knowledge in the determination of base pay. Similar to non-executive compensation, the Board also utilizes external peer group data to benchmark our executives against a group of companies with similar business profiles, similar revenue size and market capitalization. These companies can reasonably be assumed to be the companies with which we compete for talent.

The labor incurred by the Executive Officer group for time allocated to the Hydro One is also reclassified from non-utility operations to utility operations for approximately $60,000 in expense or $62,000 in revenue requirement. The net impact of this adjustment is a total system utility/non-utility allocation of 80% utility/20% non-utility, well below the allocation for the years prior to the Hydro One transaction.

Column (2.12), **Incentive Pay Adjustment**, removes the costs associated with the Short Term Incentive Plan (merit/pay-at-risk) in accordance with guidance provided in Docket No. UG 288, Order No 16-109. The Company has removed of 100% of base year Executive Short Term Incentive Plan incentive expenses and 50% of employee base year merit-based incentives. This adjustment results in a reduction in expense of approximately $501,000 in expense, or $517,000 revenue requirement. No costs associated with Capitalized Incentives are included in the Company's base year.[2]

Q. Has the Company included costs associated with the Executive Long Term Incentive Plan (LTIP)?

A. Yes, the Company has included $148,000 (Oregon's share) in expenses for the twelve-months ended December 31, 2018 related to the Restricted Share Units component of the Executive Long Term Incentive Plan.

Q. Please briefly describe all components within the Executive LTIP.

A. The LTIP is comprised of two components, which serve two different purposes.[3] First, Performance Shares account for 75% of the plan with metrics related to Cumulative Earnings-Per-Share (CEPS) and Total Shareholder Return (TSR). The purpose for this portion of the plan is to provide a direct link to the long-term interests of shareholders by assuring that performance shares will be paid only if the Company attains specified financial performance levels. This portion of the plan was modified in 2014 to include both Cumulative Earnings-Per-Share (CEPS) and Total Shareholder Return (TSR). In previous years, vesting of performance-based equity awards were 100% contingent on the Company's Total Shareholder Return (TSR) relative to our peer group over a three-year period. Under the new design, two-thirds of the awards are contingent on TSR relative to our peers, and one-third is measured by our CEPS over a three-year period. The Company has excluded the costs associated with the Performance Share portion of the LTIP from the revenue requirement in this case.

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[2] The Company has a process within its accounting system that removes any costs associated capitalized incentives and reclassifies those costs to non-utility operations. Therefore, no capitalized incentive expense is included in the Base Year Results of Operations. The amount of the reclassification for 2018 is $110,336.

[3] As with all other components of the executive compensation, the Compensation Committee determines all material aspects of the long-term incentive – who receives the award, the amount of the award, the timing of the award, as well as any other aspects of the award that may be deemed material.

Restricted Stock Unit (RSU) awards account for 25% of the LTIP and vesting is based on a continuation of service by the employee. The purpose for this portion of the plan is to provide an incentive for employees to remain with the Company. The long-term nature of large-scale utility projects spanning multiple years are completed more efficiently with experienced, consistent leadership. In addition, it is the Company's policy to promote from within when possible, preserving the values inherent in our culture that drive customer satisfaction, reliability of service, etc. Employees with a long tenure of employment with the Company are well versed in the Company's culture and tend to continue to cultivate the values embedded within Avista.

Q. Are Restricted Stock Units also provided to Non-Executive employees?

A. Yes. RSUs are also provided to certain Non-Executive employee leaders in the Company for the same reason, i.e., to provide incentive for these employees to continue their employment with the Company. The Restricted Stock Unit portion of the plan is <u>included</u> in retail ratemaking, because customers benefit from long-term leadership with a vested interest in the efficient operation of the Company and high customer satisfaction.[4]

Q. Please describe the employee benefit portion of the overall compensation, and the adjustment made in Column (2.04).

A. The Company offers a comprehensive benefit plan for employees. Employees have several choices to elect benefits, such as medical and life insurance, so they can determine the best fit for their circumstances. The plans are designed to be competitive with the overall market practices and are in place to attract and retain qualified employees. Periodically, to aid

[4] Total CEO Long Term Incentive Plan has been excluded because both the restricted stock and performance shares have financial performance-related triggers.

in benchmarking, Avista participates in a comprehensive benefit evaluation study (BENEVAL) performed by an independent actuarial company, Willis Towers Watson. Similar to cash compensation, the Company generally targets the level of benefits it offers to be within +/- 15% of the market median.

Column (2.04), **Test Year Benefits** adjusts the twelve-months ended December 31, 2018 base year Retirement Plans (401(k) and Pension), and Medical insurance for active employees and for those retired (post-retirement medical) to the expected amount for the twelve-months ended December 31, 2020 Test Year. Annually, the Company works with independent consultants in order to determine the appropriate level of expense for both the Retirement Plans (Willis Towers Watson) and the Medical Plans (Mercer). The impact of these changes are summarized in Table No. 4 below:

Table No. 4: [5] **Benefit Adjustment**

2.04 Benefit Adjustment	System	O&M	Oregon
Retirement	$ 6,522,389	$ 3,672,757	$ 316,224
Medical	3,232,006	1,819,943	156,697
Total	**$ 9,754,395**	**$ 5,492,700**	**$ 472,921**

Q. Please describe the Retirement portion of the Benefit Adjustment included in Adjustment 2.04 and Oregon's share of this expense.

A. The Company's Retirement portion of the calculation adjusts the 401(k) expense and pension plan from the twelve-months ending December 31, 2018 base year to reflect what will be in effect for the twelve-months ended December 31, 2020 Test Year, resulting in an increase in expense of $316,224 (Oregon only).

[5] Benefits associated with capital labor are embedded within the Company's Capital Adjustment.

Estimates for Pension Plan expense is determined annually by Willis Towers Watson based on the expected return on assets, discount rates and asset value. For 2020, the primary contributor to this increase in expense is related to a decrease in asset value due to the actual return on assets for 2018 partially offset by a slight increase in the discount rate and the expected long-term return on assets for 2019. Assumptions utilized in the calculation are presented to and approved by the Board of Directors annually. In addition, these calculations and assumptions are reviewed by the Company's outside accounting firm annually for reasonableness and comparability to other Companies. The Company has included in this case the most recent estimates provided by our actuary for 2019[6]. We anticipate updates for 2020 to be available sometime in the second or third quarter of 2019, and the Company will adjust pension expense at that time.

In addition, the Company has made changes to the overall retirement plan, discussed below, resulting in an increase in 401(k) expense due primarily to participation. However, decreases in pension expense will reduce overall retirement net expense over the long-term.

Q. Please describe the recent changes to the Company's retirement plan.

A. In October 2013, the Company revised the defined benefit pension plan such that, as of January 1, 2014, the plan is closed to all non-union employees hired or rehired on or after January 1, 2014.[7] All actively employed non-union employees that were hired prior to January 1, 2014, and were covered under the defined benefit pension plan at that time, will continue accruing benefits as originally specified in the plan. A defined contribution 401(k) plan replaced the defined benefit pension plan for all non-union employees hired or rehired on

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[6] The estimate for 2019 was used as the basis for the Test Year 2020.
[7] Changes were applicable to Local Union 659 (Southeast Oregon) effective April 1, 2014.

or after January 1, 2014. Under the defined contribution plan the Company will provide a non-elective contribution as a percentage of each employee's pay based on the age of the employee. This defined contribution is in addition to the existing 401(k) contribution where Avista matches a portion of the pay deferred by each participant. In addition to the above changes, the Company also revised our lump sum calculation for non-union retirees under the defined benefit pension plan to provide non-union participants who retire on or after January 1, 2014 with a lump sum amount equivalent to the present value of the annuity based upon applicable discount rates.

Q. Please now describe the Medical portion of the Benefit Adjustment included in Adjustment 2.04 and Oregon's share of this expense.

A. The Company's medical portion of the calculation adjusts Medical expense (for both active and post-retirement) for the twelve-months ending December 31, 2018 base year to reflect what will be in effect for the twelve-months ended December 31, 2020 Test Year, resulting in an increase in expense of $156,697 (Oregon only).

Q. Please provide an overview of how medical expenses are determined by the Company.

A. Avista sponsors a self-funded medical plan that provides various levels of coverage for medical, dental and vision as a portion of employee benefits. Annually, medical premiums[8] for the Company are estimated by an independent consultant, Mercer,[9] based on medical trend, which is a combination of utilization (the pattern of use or intensity of services

[8] In this context, "premium" is defined as total medical costs including both the Company and employee contribution.
[9] Mercer is currently the world's largest human resources consulting firm, with more than 20,500 employees, based in more than 40 countries.

used for a particular timeframe), and the estimated increase in the costs (such as medical services, office visits, medical equipment, etc.) to treat patients from one year to the next. The following factors are taken into consideration in the development of premiums:

- Population Profile – the number and composition of participating employees (such as single person, family, age, etc.).
- Estimated Medical and Prescription Costs – the increase in unit cost for a given medical service or treatments, the mix and intensity of differing types of service, and new treatments/therapy/technology.
- Laws and Regulation – changes and associated costs, such as those required as part of the Affordable Care Act.

Actual medical expense will vary from premium cost estimates based on variations in plan utilization and actual components in the medical trend. For the past several years, actual expense has been lower than our premium cost estimates, resulting in lower costs for the Company and our customers. Some reasons could include the effects of the Company's wellness programs, the severity of flu season in a given year, the level of acute or chronic illness, or for a variety of other reasons. We do not anticipate this trend to continue, due primarily to increased utilization rates, price increases and our population profile, resulting in an overall increase in 2019 expense.

As with the Pension Plan, estimates for the Post-Retirement Medical piece of the Medical adjustment are based on the expected return on assets, discount rates and asset value. In this case, the primary contributor to the increase in expense is related to a decrease in asset value. We anticipate updates for 2020 to be available sometime in the second or third quarter of 2019, and the Company will adjust pension expense, in this case, at that time.

Q. Please now turn to page 8 and continue with your explanation of the 2020 Test Year adjustments.

A. Column (2.05), **Test Year Property Tax Adjustment**, restates the twelve-months ended December 31, 2018 base year accrued levels of property taxes to the twelve-months ended December 31, 2020 Test Year level using the most current information. The adjustment is calculated by using the last known value assessments and levy rates provided to the Company by the State of Oregon, and then applying a small escalator (1.5%) to the levy rates to reflect their general increasing trend. The effect of this adjustment is to decrease Oregon net operating income by $515,000, and an increase to revenue requirement of $721,000.

Column (2.06), **12.31.2018 EOP Capital Adjustment**, adjusts the twelve-months ended December 31, 2018 (AMA) base year rate base (including the associated accumulated depreciation and ADFIT) to a December 31, 2018 end-of-period (EOP) basis. The impact on Oregon net operating income for this adjustment is an increase of $92,000, with an increase to rate base of $13,522,000, and an increase to revenue requirement of $1,300,000. This adjustment will be discussed further in section VIII. and IX. of this testimony.

Column (2.07), **12.31.2019 EOP Capital Adjustment**, reflects capital additions from December 31, 2018 through December 31, 2019, together with the associated accumulated depreciation and ADFIT at a 2019 EOP basis. This adjustment also includes the annual level of associated depreciation expense on all plant-in-service at December 31, 2018, using the depreciation rates approved in Oregon Commission Order 18-451, dated December 4, 2018 (Docket No. UM 1933). Those depreciation rates on Oregon direct plant will be effective April 1, 2019. In addition, this adjustment adjusts the plant in service at December 31, 2018 [included in adjustment (2.06)] together with the associated accumulated depreciation and ADFIT to a December 31, 2019 EOP basis. This adjustment will be discussed in detail later in my testimony. The impact on Oregon net operating income for this adjustment is a decrease of

$1,654,000, with an increase to rate base of $17,041,000, and an increase to revenue requirement of $4,116,000. This adjustment will be discussed further in section VIII and IX. of this testimony.

Column (2.08), **12ME 12.31.2020 AMA Customer-Growth Capital Adjustment**, reflects capital additions <u>related to new customer hookups</u> from January 1, 2020 through December 31, 2020, together with the associated accumulated depreciation and ADFIT on a twelve months ended December 31, 2020 AMA basis. This adjustment also includes the AMA level of associated depreciation expense on these capital additions. New revenue from these customers is included in this case (as discussed by Company witnesses Dr. Forsyth and Mr. Miller), and therefore including the investment to hook up these new customers provides a proper matching for the Test Year. This treatment is consistent with past Avista rate cases in Oregon. The impact on Oregon net operating income for this adjustment is a decrease of $95,000, with an increase to rate base of $1,354,000, and an increase to revenue requirement of $276,000. This adjustment will be discussed further in section VIII and IX. of this testimony.

Column (2.09), entitled **Working Capital**, increases total rate base for the Company's working capital adjustment. Working capital involves the lag in time between the collection of revenues for services rendered and the necessary outlay of cash by the Company to pay the expenses of providing those services. Working capital represents investor-supplied funds that are properly included in the Company's rate base for ratemaking purposes. While there are various methods used to determine a Company's working capital, the Company has calculated its working capital in this proceeding using the Investor Supplied Working Capital (ISWC) method. The Company believes this is a reasonable approach to computing working capital, representing expended funds to provide reliable service to its customers. The net effect of this adjustment increases Oregon net operating income by $37,000, increases rate base by $5,452,000, and an increase to revenue requirement of $524,000.

Q. Please now turn to page 10 and continue with your explanation of the twelve-months ended December 31, 2020 Test Year adjustments.

A. Column (2.10), **Incentive Pay Adjustment**, adjusts the variable pay/pay-at-risk portion of compensation to the Test Year, reflecting a six year average percentage payout, in order to smooth differences from year to year. For executives, this results in an increase of approximately $187,000, and for non-executive employees a reduction of approximately $50,000, for a net adjustment of approximately $137,000. This adjustment decreases Oregon net operating income by $89,000, and increases revenue requirement by $142,000.

The final column entitled "**12 ME 12.31.20 AMA Test Year**" total, provides a subtotal of the preceding columns (1.00) through column (2.10) and represents twelve-months ended December 31, 2020 Test Year operating results and rate base prior to any required restating adjustments described below.

VII. RESTATING TWELVE-MONTHS ENDED DECEMBER 31, 2020 TEST YEAR ADJUSTMENTS

Q. Please explain the significance of the columns that begin on page 11 and continue on page 12, in your Exhibit No. 501.

A. The four adjustments subsequent to the "12 ME 12.31.2020 AMA Test Year" column represent restating adjustments to adjust the twelve-months ended December 31, 2018 AMA Test Year total results for Commission required adjustments.

Starting on page 11, the first adjustment in column (3.00), **Uncollectible Expense Adjustment**, revises the twelve-months ended December 31, 2018 base year level of accrued expense included within the Company's Results of Operations, to the historical three-year average of actual net write-offs. The effect on Oregon net operating income is an increase of $66,000, and decreases revenue requirement by $92,000.

Column (3.01), **Memberships and Dues Adjustment**, classifies expenses by category and specific percentages are applied to determine the recoverable amounts. This calculation is consistent with the method utilized in recent general rate cases. The effect of this adjustment on Oregon net operating income is an increase of $16,000, and decreases revenue requirement by $23,000.

Q. Please now turn to page 12 and continue with your explanation of the restating twelve-months ended December 31, 2020 Test Year adjustments.

A. Column (3.02), **Restated Salaries and Wages**, adjusts the twelve-months ended December 31, 2018 labor expense to be consistent with the method agreed to by the parties in the rate proceeding Docket No. UG-186. This method utilized Staff's approach that adjusts for one-half of the difference between the twelve-months ended December 31, 2018 level of payroll costs, the actual annual percent increases for union and non-union employees for 2018, and estimated increases for 2019/2020 consistent with the increases included in the Company Labor adjustments 2.03 Non-Executive Labor and 2.04 Executive Labor. The Company has applied this approach to its twelve-months ended December 31, 2020 Test Year salary expense. The result of this adjustment on net operating income is an increase of $91,000, a decrease in rate base of $10,000, and a decrease to revenue requirement of $129,000.

The **State Income Tax Adjustment** (SIT) adjustment in column (3.03) identifies the Oregon state excise (income) taxes included in the historical test period of 2018, estimated taxes for 2019 and 2020, then adjusts to the 2020 expected value. SIT expense is determined for

Oregon natural gas utility operations using the apportionment method, which is consistent with the method used in Avista's last general rate case in Oregon (Docket No. UG-325). The level of SIT expected during the twelve-months ended December 31, 2020 Test Year is $100,021 (prior to incremental adjustments that include SIT at the apportionment rate). The Company is expected to utilize all net operating loss (NOL) currently available for carry forward to offset expected taxable income in 2018 and 2019. Additionally, the Company is expected to also use available tax credits in Oregon, including Business to Energy Tax Credits ("BETC") in 2019 and 2020. Two adjustments to forecasted corporate taxable income have been included in this assessment to assure that 1) Oregon customers are not negatively impacted by non-utility income associated with the termination of the Hydro One merger, and 2) incremental State Income Tax associated with the revenue requirement in this case is not double-counted through the net-to-gross conversion factor.

Q. What SIT rate was used in the net operating income to gross revenue conversion factor?

A. The Company used 6.59% for the apportionment tax rate in this case. Oregon's taxable income is determined by applying the apportionment factor of 9.557% to system taxable income. The tax is then computed by applying the Oregon tax rate, which is 7.60% for 2018, to the calculated Oregon taxable income. This amount is the tax that is paid to the State of Oregon. Avista records 75% of total Oregon tax to the Oregon natural gas operations and 25% to the electric operations, for the share of tax that is for an electric generating plant located in Oregon. The "apportionment tax rate" for computing Oregon state income taxes for its natural gas operations is shown in Table No. 5.

Table No. 5: Apportionment Tax Rate

Calculation of Avista's Apportionment Tax Rate						
Oregon's Apportionment Rate	X	Oregon's Tax Rate	X	Natural Gas Portion of Oregon Operations	=	Oregon's Apportionment Tax Rate
9.56%	X	7.60%	X	75%	=	0.545%

By using the three components of the actual tax calculation for the Oregon natural gas operations, an Oregon apportionment tax rate is 0.545%, which is then applied to system taxable income. This rate can only be used if it is applied to Avista Utilities' total system revenues, system expenses and system taxable income. When Avista prepares a general rate case revenue requirement, the starting point is the actual Results of Operations for its Oregon natural gas operations. Use of this rate in a general rate case, which is calculated based on Avista's total utility system in Washington, Idaho and Oregon, would understate SIT. In this filing, the Company used an Oregon apportionment tax rate of 6.59%, which produces the appropriate level of expense when applying it to Oregon's taxable income.

The 6.59% tax rate was determined by "grossing up" the 0.545% apportionment rate for system taxable net income by Oregon's share of system revenues. Oregon's revenues from its natural gas operations represent approximately 8.26% of total revenues. Therefore, 0.545% divided by 8.26% equals 6.59%, which is the Oregon apportionment tax rate used in this filing.

Q. Referring back to page 1, line 49, of Exhibit No. 501, what are natural gas rates of return realized by the Company in Oregon during the twelve-months ended December 31, 2018 historical base year, and the twelve-months ended December 31, 2020 Test Year?

A. For Avista's Oregon operations, the actual twelve-months ended December 31, 2018 historical base year rate of return was 6.36%. The restated twelve-months ended December 31, 2020 Test Year rate of return is 5.89% under present rates, which is below the 7.55% rate of return requested by the Company in this case.

Q. How much additional net operating income is required for Avista's Oregon natural gas operations to allow the Company an opportunity to earn its proposed 7.55% rate of return?

A. The net operating income deficiency amounts to $4,771,000, as shown on line 5, page 2 of Exhibit No. 501. The resulting revenue requirement is shown on line 7 and amounts to $6,677,000, or a base revenue increase of 10.3% (increase of 7.8% on a billed basis).

VIII. <u>SUMMARY OF CAPITAL ADJUSTMENTS</u>

Q. Please summarize the adjustments made to the Company's request for rate relief include regarding new investment in utility plant to serve customers, beginning with adjustment 2.06 on page 8 of Exhibit No. 501.

A. Avista started with utility plant rate base balances from historical accounting information, which for this case consists of the AMA balances for the twelve-months ended December 31, 2018, and made the following adjustments:

(1) **Adjustment 2.06**: This adjustment adjusts plant-in-service, accumulated depreciation, and accumulated deferred federal income taxes (ADFIT) to restate the December 31, 2018 AMA rate base to December 31, 2018 EOP balances. The impacts of retirements through December 31, 2018 are included in the base year.

(2) **Adjustment 2.07**: This adjustment includes three components. The first component adjusts EOP December 31, 2018 rate base to EOP December 31, 2019 rate base by extending accumulated depreciation and ADFIT balances on utility plant in service from December 31, 2018 EOP balances to December 31, 2019 EOP balances. This component also adjusts depreciation expense to reflect the full amount of annual

expense associated with plant in service as of December 31, 2018 and reflects the impact of retirements from January 1, 2019 through December 31, 2019. The second component reflects additions to plant in service between January 1, 2019 and December 31, 2019 on an EOP basis, inclusive of the accumulated depreciation, depreciation expense, and ADFIT associated with these additions for the period. The third component adjusts for new depreciation rates using the depreciation rates approved in Oregon Commission Order 18-451, dated December 4, 2018 (Docket No. UM 1933).

(3) **Adjustment 2.08**: This adjustment reflects capital additions for new customer growth during the Test Year (January 1, 2020 through December 31, 2020) on an AMA basis. This adjustment includes the depreciation expense, accumulated depreciation, and ADFIT associated with these additions.

An overall summary of the change in rate base associated with each of these adjustments is included as Table No. 6 below and further discussion of the overall Oregon capital plant investment approach and specific investments included in these adjustments are discussed in Section IX, and detailed calculations for each adjustment have been provided in my workpapers.

Q. What is the change in natural gas rate base for the capital adjustments included in this testimony?

A. Natural gas net rate base, after ADFIT, increases $30,120,000 from the December 31, 2018 AMA results of operations balance of $245,640,000 to a December 31, 2018 EOP balance of $275,760,000. In addition, new customer growth capital additions during the twelve-months ended December 31, 2018 AMA Test Year add $1,354,000 to net rate base, resulting in a net rate base balance of $277,114,000 for the twelve-months ended December 31, 2020 Test Year. The total increase in net rate base from the base year to the Test Year is $31,474,000. Table No. 6 below summarizes the adjustments for capital additions included in this case.

Q. Please provide an overview of the Company's overall request for rate relief

include regarding new investment in utility plant to serve customers.

A. In this filing, the Company is proposing to include in retail rates the costs associated with utility plant through December 31, 2019 on an end-of period (EOP) basis. Avista has also included the costs associated with utility plant related to revenue growth (new customer connections) from January 1, 2020 through December 31, 2020, the Test Year, on an average-of-monthly-averages ("AMA") basis.

Q. Why did the Company include all capital additions through December 31, 2019 and include only capital additions for new customer growth in the Test Year ended December 31, 2020?

A. 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 December 31, 2019, reflects the utility plant in service as of the beginning of the forecasted Test Year (twelve-months ended January 1, 2020).

However, given that the forecasted Test Year revenues include incremental revenue resulting from customer growth during the Test Year, it is appropriate under the matching principle that the utility plant required to serve these new customers also be included in the Test Year.[10] Therefore, we have included capital additions for new customer growth, on an AMA basis from January 1, 2020 through December 31, 2020, in the Test Year.

[10] This is consistent with the Company's approach in Docket No. UG 325, where the Company included in its calculation of the revenue requirement for the test year the investment associated with the connection of new customers during the test year. These capital investments were included in the revenue request approved in UG 325.

Table No. 6: Summary of Capital Adjustments

	Plant Cost	Accumulated Depreciation	Accumulated DFIT	Net Rate Base
	(in thousands)			
AMA December 31, 2018	$ 445,053	$ (127,612)	$ (71,801)	$ 245,640
Adjustment 2.06 (12/31/2018 EOP Adj.)	18,558	(3,901)	(1,135)	13,522
End of Period December 31, 2018	463,611	(131,513)	(72,936)	259,162
Adjustment 2.07 (12/31/2019 EOP Adj.)	29,264	(11,282)	(1,384)	16,598
End of Period December 31, 2019	492,875	(142,795)	(74,320)	275,760
Adjustment 2.08 (12/31/2020 12ME AMA Adj.)	1,644	(176)	(114)	1,354
Average of Monthly Averages 12 Months Ended December 31, 2020	$ 494,519	$ (142,971)	$ (74,434)	$ 277,114

Q. What is the increase in <u>depreciation expense</u> for the twelve-months ended December 31, 2020 Test Year?

A. As a result of adjusting AMA December 31, 2018 depreciation per results of operations to a full year EOP balance for utility property in service at December 31, 2018, depreciation expense increases approximately $345,000, before federal income taxes. Additionally, depreciation expense increases approximately $2,132,000 and $141,000, before federal income taxes, for the capital additions January 1, 2019 to December 31, 2019; and January 1, 2020 to December 31, 2020, respectively, included in this case. Finally, the impact of asset retirements from January 1, 2019 through December 31, 2019 resulted in a decrease of $198,000 to depreciation expense.

These adjustments result in a net increase to depreciation expense of $2,420,000 from the AMA December 31, 2018 base year to the twelve-months ended December 31, 2020 Test Year. These increases to depreciation expense are included within adjustments 2.07 and 2.08.

IX. OREGON CAPITAL PLANT INVESTMENT APPROACH

Q. What is driving the investment in utility plant in Oregon?

A. As Company witness Mr. Vermillion explains in his testimony, the Company continues to maintain, upgrade, and expand its natural gas distribution facilities to meet reliability requirements and capacity needs. More specifically, the need for capital investment is driven by, among other factors, capacity constraints, the systematic replacement of assets that have reached the ends of their useful lives, compliance with federal regulation (e.g., PHMSA rules) or municipal requirements (e.g., street/highway relocations), connections of new customers, the systematic replacement of aged and obsolete technology, and the maintenance of supporting facilities and technology. In addition, the Company is continuing with its 20-year program to systematically remove and replace select portions of the Aldyl-A pipe in the Company's natural gas distribution system.

Q. What is Avista's overall approach to making investments in its natural gas system, general utility plant, and enterprise technology in service?

A. Avista identifies and invests in its natural gas system, general plant and enterprise technology assets based on identified needs required to keep our system operating in a safe, reliable, compliant, and cost effective manner. Our investment approach is generally driven by legal and regulatory requirements, studies of customer load growth and options for serving those loads in the future, such as our Integrated Resource Planning (IRP) process, cost effective replacement of assets at the end of their life, line extensions to connect new customers, cyber security systems to protect our customers data and critical utility operations, more efficient and cost effective work processes, training, and tools, and a host of other examples.

Q. Generally speaking, are there specific categories of natural gas, general utility, enterprise technology plant investment which Avista's uses to identify, vet and prioritize capital spend?

A. Yes. As discussed by Company witness, Mr. Thies, Avista's capital investments originate from the following capital plant investment drivers:

A. Customer Requested
B. Customer Service Quality & Reliability
C. Mandatory & Compliance
D. Asset Condition
E. Performance & Capacity
F. Failed Plant & Operations

Avista's objective by using these categories is to better explain the "why" of our investments by creating more clarity around the particular needs being addressed as well as simplifying the organization and understanding of our overall capital investment. It helps to provide greater transparency and visibility around why these investments are necessary in the timeframe proposed.

Q. Please summarize the capital investment, by investment driver, included in this case.

A. Beyond the capital investments that are in-service in our twelve-months ended December 31, 2018 base year, the capital investment included in this case spans the period from January 1, 2019 through December 31, 2019. In addition, investment related to new customer connections from January 1, 2020 through December 31, 2020 has been included in the Test Year rate base. Capital investment in this period is limited to investment associated with the connection of new customers. Table No. 7 identifies Avista's planned System and Oregon-specific capital investment transfers-to-plant by plant investment driver for January 1, 2019 through December 31, 2019, and January 1, 2020 through December 31, 2020, respectively.

<u>Table No. 7: Capital Investment Transfers-to-plant by Plant Investment Driver</u>

System and Oregon Allocated Capital Investment Transfers to Plant In Thousands ($000's)		
Plant Investment Driver	**System**	**Oregon Allocated**
Twelve Months Ended December 31, 2019		
Customer Requested	$ 70,312	$ 7,811
Customer Service Quality & Reliability	22,116	1,883
Mandatory & Compliance	90,303	12,199
Asset Condition	162,342	6,014
Performance & Capacity	106,019	2,990
Failed Plant & Operations	14,987	2,982
Total for January 1 to December 31, 2019	$ 466,079	$ 33,879
Twelve Months Ended December 31, 2020		
Customer Requested	$ 55,797	$ 1,644
Customer Service Quality & Reliability	-	-
Mandatory & Compliance	-	-
Asset Condition	-	-
Performance & Capacity	-	-
Failed Plant & Operations	-	-
Total for January 1 to December 31, 2020	$ 55,797	$ 1,644
	$ 521,877	**$ 35,523**

Table No. 8 below simply takes the Oregon-Allocated share of the "Capital Investment Transfers to Plant" and separates it into the major plant asset types – Natural Gas Distribution, General Plant, and Enterprise Technology.

Table No. 8: Transfers-to-plant by Plant Investment Driver and Asset Type

Oregon Plant Investment Capital Investment Transfers to Plant				
Plant Investment Driver	**Natural Gas Distribution**	**General Plant**	**Enterprise Technology**	**Total**
Twelve Months Ended December 31, 2019				
Customer Requested	$ 7,811	$ -	$ -	$ 7,811
Customer Service Quality & Reliability	-	-	1,883	1,883
Mandatory & Compliance	11,952	-	247	12,199
Asset Condition	872	2,950	2,191	6,014
Performance & Capacity	1,023	(32)	1,998	2,990
Failed Plant & Operations	2,932	-	50	2,982
Total Transfers to Plant	$ 24,591	$ 2,919	$ 6,370	$ 33,879
Twelve Months Ended December 31, 2020				
Customer Requested	$ 1,644	$ -	$ -	$ 1,644
Customer Service Quality & Reliability	-	-	-	-
Mandatory & Compliance	-	-	-	-
Asset Condition	-	-	-	-
Performance & Capacity	-	-	-	-
Failed Plant & Operations	-	-	-	-
Total Transfers to Plant	$ 1,644	$ -	$ -	$ 1,644

Q. Would you describe each of the capital plant investment drivers and provide the transfers to plant-in-service which are included in this case, as well as some specific examples of projects that fall under each of the specified plant investment driver categories?

A. Yes. A general description of the plant investment drivers along with a few examples of projects that fall under each of the specified plant investment drivers are provided below.[11]

[11] Also included are some of the Expenditure Requests (ER), four-digit numbers assigned to identify and track the costs of capital budget items. The ER is the highest level of capital budgeting summarization, and each business case contains one or more ERs. Each ER contains one or more budget items ("BI") and each BI contains one or more projects. Capital expenditures are accounted for at the project level.

A. Customer Requested -

This category includes customer requests for new service connections, line extensions, or system reinforcements to serve a single large customer. We have often referred to new service connects as "growth." A request for new gas service comes to Avista through our Customer Call Center. Customers either request service for a new construction or for an existing structure they desire to convert from some other fuel source to natural gas. These calls are directed to our Customer Project Coordinators who then contact customers to better understand their requests and complete service requests per the applicable tariffs.

Table No. 9 below identifies Avista's planned Oregon-specific capital investment transfers-to-plant under the Customer Requested plant investment driver by asset type for January 1, 2019 through December 31, 2019, and January 1, 2020 through December 31, 2020. A description for each of the capital investment projects included in Table No. 9, is provided in Exhibit No. 503, as well as a more detailed written business cases supporting each of the capital projects are included in Exhibit No. 504. The transfers-to-plant occurring in the twelve-months ended December 31, 2019 will be referred to as "2019," and those occurring during the twelve-months ended December 31, 2020 will be referred to as "Test Year."

The capital investment included in this case related to the Customer Requested driver spans the period from January 1, 2019 through December 31, 2019. In addition, investment related to new customer connections from January 1, 2020 through December 31, 2020 is included in the Test Year rate base. Capital investment in this period is limited to investment associated with the connection of new customers.

Table No. 9: Customer Requested

	Oregon Plant Investment **Transfers to Plant** **Plant Investment Driver: Customer Requested**				
ER #	**ER Name**	**Natural Gas Distribution**	**General Plant**	**Enterprise Technology**	**Total**
Twelve Months Ended December 31, 2019					
1001	Gas Revenue Blanket	$ 5,271	$ -	$ -	$ 5,271
1050	Gas Meters Minor Blanket	922	-	-	922
1051	Gas Regulators Minor Blanket	244	-	-	244
1053	Gas ERT Minor Blanket	1,374	-	-	1,374
	Total for January 1 to December 31, 2019	$ 7,811	$ -	$ -	$ 7,811
Twelve Months Ended December 31, 2020					
1001	Gas Revenue Blanket	$ 4,308	$ -	$ -	$ 4,308
1050	Gas Meters Minor Blanket	877	-	-	877
1051	Gas Regulators Minor Blanket	227	-	-	227
1053	Gas ERT Minor Blanket	1,162	-	-	1,162
	Total for January 1 to December 31, 2020	$ 6,575	$ -	$ -	$ 6,575
	Total Customer Requested Plant Investment	**$ 14,386**	**$ -**	**$ -**	**$ 14,386**

Q. Please provide examples of work completed under the Customer Requested Plant Investment Driver.

A. Projects completed under the Customer Requested plant investment driver fall under the Natural Gas Distribution asset type, including four separate ERs under the New Revenue – Growth Business Case. These included ER 1001 Gas New Revenue, ER 1050 Gas Meters Minor Blanket, ER 1051 Gas Regulators Minor Blanket, and ER 1053 Gas ERT Minor Blanket.

These ERs categorize funds for the connection of new gas customers who desire service from Avista. In order to serve new customers, an application for service is received, and the Customer Project Coordinator, or designer, estimates the cost of the facilities required to serve. That cost is then compared to our OPUC Rule 15 – Gas Main Extensions and Rule 16 – Gas Service Extensions, to determine a construction allowance the customer will receive. If the cost to serve is less than the allowance, Avista constructs the main or service extension at Avista's cost. If the cost to serve is greater than the allowance, a Contribution in Aid of Construction is required from the applicant. Avista has an obligation to serve upon request if the work complies with OPUC Rules 15 and/or 16. Because the total amount spent per year is highly dependent on demand, we use the forecast of new customers provided by our Economist and Company witness, Mr. Forsyth, multiplied by an average cost per service based on a weather normalized average use per customer to determine the level of plant included in this case. Actual costs will be determined by the number of customers connecting, and their projected load from equipment installed. Large Commercial and Industrial applications are individually estimated, and may have a much higher allowance than normal residential customers.

Per OPUC Rule 17, all customers shall receive service via a suitable meter. The three ERs for Meters, Regulators, and ERTs (Encoder Receiver Transmitters) are to provide measurement, pressure regulation, and remote reading capability.

B. <u>Customer Service Quality & Reliability</u> -

This category includes investments required to maintain or improve the quality of service we currently provide our customers, and/or to introduce new types of services and options based on an analysis of customer needs and expectations.

Table No. 10 below identifies Avista's planned Oregon-specific capital investment transfers-to-plant under the Customer Service Quality & Reliability plant investment driver for January 1, 2019 through December 31, 2019. A description for each of the capital investment projects included in Table No. 10, is provided in Exhibit No. 503, as well as a more detailed written business cases supporting each of the capital projects are included in Exhibit No. 504. **<u>Table No. 10: Customer Service Quality & Reliability</u>**

Oregon Plant Investment
Transfers to Plant
Twelve Months Ended December 31, 2019
Plant Investment Driver: Customer Service Quality & Reliability

ER #	ER Name	Natural Gas Distribution	General Plant	Enterprise Technology	Total
5010	Enterprise Business Continuity	$ -	$ -	$ 47	$ 47
5014	Security Systems	-	-	325	325
5032	Enterprise Security	-	-	351	351
5033	Facilities and Storage Location Security	-	-	111	111
5034	Generation, Substation & Gas Location Security	-	-	29	29
5035	Telecommunication & Network Distribution Security	-	-	10	10
5151	Customer Facing Technology	-	-	1,011	1,011
	Total Customer Service Quality & Reliability Plant Investment	**$ -**	**$ -**	**$ 1,883**	**$ 1,883**

Revenue Requirement, Capital Investment, and Allocations

Q. Please provide an example of work completed under the Customer Service Quality and Reliability plant investment driver.

A. The largest project that will transfer to plant during 2019 under the Customer Service Quality and Reliability driver is ER 5151, Customer Facing Technology (CFT), which is an enterprise technology project (and discussed later in my testimony).

Q. Please describe Avista's overall enterprise technology investment strategy.

A. Avista's enterprise technology investments fall within four strategic areas that allow us to focus on our Customer, our People, to provide Performance, and the ability to devise solutions. We continue with efforts in advancing our customers' experience by focusing on the effectiveness and ease, of every interaction. In today's environment, that means, enterprise technology investments must provide information at each of our customers' fingertips for them to make energy choices. At Avista, we understand that our people are essential to delivering value to our customers and the communities we serve. To do so, we are focusing on developing our employees to improve the customer experience with every opportunity, as well as reinforce safety practices, and to continue to meet compliance requirements. This includes equipping our field staff with mobile devices to perform field inspections and to provide customers with nearreal time information on their service or billing. Additionally, maintaining the reliable performance of our infrastructure includes continuous investment in the security and reliability of the technology that supports it. It is not cost effective or at times even humanly possible to manually perform tasks that technology enables or automates today.

Q. What is Avista's approach to making investments in information technology?

A. Avista identifies and invests in foundational technologies and an experienced workforce that support an evolving digital business model aligned with industry best practices and customer needs (e.g., safe and reliable, real-time customer engagement and cyber security). The Company's overall information technology investment strategy is generally driven by the need for cyber security systems to protect our customer data and critical utility operations, legal and regulatory requirements, cost effective replacement of assets, managing technology obsolescence, more efficient and cost effective work processes, training, and a host of other examples.

Q. Why are investments in technology aligned to plant investment drivers?

A. Investments in technology align with plant investment drivers as described in Mr. Thies' testimony and Exhibit No. 203 and support maintaining a safe, secure, and reliable infrastructure that provides energy choices to our customers. No different than the natural gas transmission and distribution system, technology highways connect data, communication, and information across our service territory to make decisions that serve our customers. Continuous investment in technology assures a safe, secure, and highly integrated system that manages the flow of automated transactions, including redundancy measures for any planned or unplanned system impacts. Therefore, the plant investment drivers have relevant alignment with technology investment.

Q. Why are Avista's enterprise technology investments spread across various business cases?

A. In addition to plant investment alignment, Avista's enterprise technology investments are distributed across several business cases to provide traceability to the purpose of each investment. This change was instituted in 2017 to provide more line of sight to each technology investment and how it enables or sustains business processes in various lines of business. This transition included the sun-setting of the Technology Refresh and Technology Expansion business cases that once captured many technology investments, but was limited in traceability.

For example, ER 5151 - Customer Facing Technology (CFT) and ER 5016 - Endpoint Compute and Productivity Systems (ECPS) are two new business cases that have enterprise technology investments with clear traceability to the investment driver and overall purpose.

Q. How do Oregon customers benefit from Avista's technology investments?

A. All Avista customers, including those in Oregon, benefit from enterprise technology investments in highly integrated systems that transact data or information that allow radio communication with field staff, answer billing questions between a customer service representative and a customer, and alert a system operator to dispatch a crew to an incident or request.

Q. During 2019, one of the largest transfers-to-plant under the Customer Service Quality & Reliability driver is ER 5151, the Customer Facing Technology ("CFT") business case. How does this project specifically support Oregon customers?

A. As stated in the CFT business case, at page 203 in Exhibit No. 504, "customers continue to expect more value for their energy and are interested in a variety of offerings that can simplify their interactions with Avista and give them more information about and control over their energy use." Avista cannot pick and choose which customers to serve and which not to. We must serve them all. However, that in itself presents a challenge as our customer demographics vary from young to old, from urban to rural residents, and most importantly, from customers who are digitally connected to those still wanting to walk in their payments. This period of transformation requires us to provide multiple channels to serve our customers throughout our service territory.

This project will allow all customers, including those in Oregon, access to information in a format that they want. For example, our Oregon customers can now use 'pay by text' functionality and self-service functions through www.myavista.com. Additional web enhancements will include notifications and alerts, text messaging around payments and billing functionality. In 2019, Avista's customers will be able to use the mobile app to manage and pay their bills and authenticate users for easy access to their accounts.

C. Mandatory & Compliance -

A portion of our capital investment is mandated and/or compliance driven. The capital investments in this category of capital spending include investments driven typically by compliance with laws, rules, and contract requirements that are external to the Company. Avista operates in a complex regulatory and business framework and must adhere to national and state laws, state and federal agency rules and regulations, and county and municipal ordinances. Compliance with these rules, as well as contracts and settlement agreements, represent obligations that are generally external to the Company and generally our control. Many of these rules are required by the U.S. Department of Transportation ("DOT"), Pipeline Hazardous

Materials Safety Administration (PHMSA), and can be found in Title 49 of the Code of Federal Regulations, Part 192.

Table No. 11 below identifies Avista's planned Oregon-specific capital investment transfers-to-plant under the Mandatory & Compliance plant investment driver for January 1, 2019 through December 31, 2019. A description for each of the capital investment projects included in Table No. 11, is provided in Exhibit No. 503, as well as a more detailed written business cases supporting each of the capital projects are included in Exhibit No. 504.

Table No. 11: Mandatory & Compliance

Oregon Plant Investment
Transfers to Plant
Twelve Months Ended December 31, 2019
Plant Investment Driver: Mandatory & Compliance

ER #	ER Name	Natural Gas Distribution	General Plant	Enterprise Technology	Total
3003	Gas Replace-St&Hwy	$ 2,115	$ -	$ -	$ 2,115
3004	Cathodic Protection-Minor Blanket	178	-	-	178
3006	Overbuilt Pipe Replacement Blanket	392	-	-	392
3007	Isolated Steel Replacement	725	-	-	725
3008	Aldyl -A Pipe Replacement	7,163	-	-	7,163
3055	Gas Meter Replacement Non Revenue	1,365	-	-	1,365
3057	Gas HP Pipeline Remediation Program	15	-	-	15
5152	Payment Card Industry (PCI)	-	-	65	65
5153	CIP v5 Transition - Cyber Asset Electronic Access	-	-	110	110
5154	CIP 14v1 - High Impact Assets	-	-	67	67
7200	Appren Craft Train	-	-	5	5
	Total Mandatory & Compliance Plant Investment	**$ 11,952**	**$ -**	**$ 247**	**$ 12,199**

Q. Please provide an example of work completed under the Mandatory & Compliance plant investment driver.

A. On example of a project under the Mandatory & Compliance driver under the Natural Gas Distribution asset type, is ER 3003, Avista's business case for Gas Replacement – Street and Highway. As a public utility, Avista's facilities occupy rights-of-way granted by franchising authorities, the various incorporated towns we serve, as well as State Highway rights-of-way. The terms of these agreements require that when a franchise authority needs Avista to relocate its facilities due to street or highway improvements or grade changes, Avista will bear the cost of such relocation. Lead times on such projects can be long or short, so Avista budgets sufficient dollars for an average work year. Avista does not have the right of refusal in moving its facilities, but must comply with the governing franchise authority.

Another example of a project that falls under this plant investment driver is ER 3008, Avista's business case for Aldyl-A Pipe Replacement. The Aldyl-A pipe replacement project is a 20-year program to systematically replace select portions of the DuPont Aldyl-A pipe found in the Company's natural gas distribution system in Oregon. The Company started this program in Oregon in 2012 and included Aldyl A capital additions starting in Docket No. UG-246, and continuing in Docket Nos. UG-284, UG-288, and UG-325. As described in those Dockets, the Company is taking a systematic approach over time to replace this natural gas pipe. (See pages 43 – 49 of Exhibit No. 504).

D. <u>Asset Condition</u> -

Assets of every type will degrade with age, usage and other factors, and must be replaced or substantially rebuilt at some point in order to ensure the reliable and acceptable continuation of service. These are Projects or programs in this category of need are defined as: investments to replace assets based on established asset management principles and systematic programs adopted by the Company, which are designed to optimize the overall lifecycle value of the investment for our customers. The replacement of assets based on condition is essentially the practice of removing them from service and replacing them at the end of their useful life. Across the utility industry, and likewise for Avista, the replacement of assets based on condition constitutes the largest portion of the infrastructure investments made each year.

Table No. 12 below identifies Avista's planned Oregon-specific capital investment transfers-to-plant under the Asset Condition plant investment driver for January 1, 2019 through December 31, 2019. A description for each of the capital investment projects included in Table No. 12, is provided in Exhibit No. 503, as well as a more detailed written business cases supporting each of the capital projects are included in Exhibit No. 504.

Table No. 12: Asset Condition

Oregon Plant Investment
Transfers to Plant
Twelve Months Ended December 31, 2019
Plant Investment Driver: Asset Condition

ER #	ER Name	Natural Gas Distribution	General Plant	Enterprise Technology	Total
3001	Replace Deteriorating Gas System	$ 302	$ -	$ -	$ 302
3002	Regulator Reliable - Blanket	370	-	-	370
3054	Gas ERT Replacement Program	200	-	-	200
5005	Information Technology Refresh Program	-	-	316	316
5016	Endpoint Compute and Productivity Systems	-	-	1,012	1,012
5017	Energy Delivery Modernization	-	-	192	192
5022	Enterprise Communication Systems	-	-	223	223
5025	Environmental Control & Monitoring Systems	-	-	25	25
5027	Fiber Network Lease Service Replacement	-	-	23	23
5121	Microwave Replacement with Fiber	-	-	23	23
5147	Project Atlas	-	-	84	84
5155	Data Center Compute and Storage Systems	-	-	293	293
7000	Transportation Equip	-	765	-	765
7001	Structures & Improv	-	152	-	152
7003	Office Furniture	-	21	-	21
7005	Stores Equip	-	51	-	51
7006	Tools Lab & Shop Equipment	-	133	-	133
7132	Dollar Rd Service Center Addition and Remodel	-	1,830	-	1,830
	Total Asset Condition Plant Investment	**$ 872**	**$ 2,950**	**$ 2,191**	**$ 6,014**

Q. Please provide an example of work completed under the Asset Condition plant investment driver.

A. For the Natural Gas Distribution asset type, there are three programs under the Asset Condition driver which will have transfers-to-plant for 2019 which will provide benefit to our Oregon customers including: 1) Gas Deteriorated Steel Pipe Replacement Program; 2) Gas Regulator Station Replacement Program; and 3) Gas ERT Replacement Program.

The Gas Deteriorated Steel Pipe Replacement program, is to replace existing steel piping within Avista's gas distribution systems in Oregon are aging and showing signs of deterioration. The replacement of deteriorated steel pipe has been prioritized and risk-ranked by Gas Engineering in collaboration with the Gas Operations Districts. Deteriorated steel pipe may have poor coating, threaded fittings or substandard welds. While deteriorated steel pipe does not necessarily show a high incidence of leakage, it should be replaced prior to leakage. Currently there is approximately 1,400' of an odd sized steel gas main in the Medford natural gas distribution system. Fittings are not available to safely work on this section of pipe, therefore it is on the list to replace with standard sized pipe.

Under the Gas Regulator Station Replacement Program, the Kingsley Field Gate Station in Klamath Falls is planned to be rebuilt transferred into plant during 2019. The station is approximately 30 years old, has valves that are prone to leakage, and replacement parts are not available for the valves. Rebuilding the station will update the valves and other fittings to current standards, ensure the capacity is adequate to meet future growth demands, and ensure this key component of the Klamath Falls distribution system will operate safely and efficiently.

The GAS ERT Replacement Program is an effort to replace the approximately 106,000 battery operated Encoder Receiver Transmitter ("ERT") in Oregon. Avista's Asset Management Department conducted a study and determined the most economical choice for replacement of failed batteries is to proactively change them on a 15 year cycle. One alternative was to replace the ERTs reactively as the batteries fail, however a planned replacement by a contract workforce was deemed much more advantageous to both Avista and our customers.

Q. Please provide an example of a general plant asset type project under the Asset Condition plant investment driver, which will transfer to plant in 2019 and describe how it benefits Oregon customers.

A. For General Plant, the Dollar Road Service Center Addition and Remodel will transfer-to-plant during 2019. The Dollar Road Service Center serves as the main natural gas operations facility for Avista. Approximately 70 Avista field crew and administrative support employees are based out of the site. The existing Dollar Road Service Center was constructed in 1956, at a size of approximately 22,000 square feet. Over the decades, previous capital projects included asphalting exterior yards for gas pipe lay down and material and equipment storage, as well as purchasing adjacent properties to increase our storage acreage. In the early 2010's, a vehicle storage and fleet maintenance building was constructed to support the gas operations functions.

The majority of the new facility has been in service since 2018 and serves as Avista's main Gas Operations center. Once completed, the facility will include the warehouse, meter shop, operations, pressure controlman and administrative functions. The gas meter shop receives approximately 85 percent of existing meters pulled from Oregon customers in order to perform mandated accuracy tests and recalibration. The warehouse provides gas construction materials, supplies and tools to the La Grande Service Center, and as needed to Medford. The tool crib repairs tools sent from Oregon several times a year, focusing on specialized equipment with complex or unique repairs. While the facility is in Washington, it provides critical support functions for our Oregon customers.

Q. Under the Asset Condition driver for enterprise technology asset type, the Endpoint Compute and Productivity System has significant transfers-to-plant during

2019. How does this project support Oregon customers?

A. Oregon customers benefit from technology investment in end-user hardware and software assets that ensure access to and interface with systems of record to support a safe and reliable infrastructure and meet compliance requirements. For example, Oregon customers benefit from Avista meeting safety requirements through our natural gas compliance programs that include Leak Survey and Atmospheric Corrosion and Continuing Surveillance. This year's field staff will be provided with a new collection software that are easy to use and support for efficient collection directly into our system of record to meet compliance requirements. The Leak Survey application assists leak survey inspectors in the field by providing electronic maps that includes the locations of the statistical sample of locations to be surveyed, as well as the ability to electronically report the results of their survey work. The ability to electronically record work as it is completed in the field is another example of deployed technology reducing risk by providing more accurate tracking of work.

Additionally, and as part of keeping up with vendor-driven technology obsolescence, Avista's technology team manages technology lifecycle plans to maintain system reliability. These technology lifecycle plans provide recommendation on technology replacement schedules. For example, Avista is undergoing a Microsoft Windows 7 replacement project, which upgrades PC operating systems to Windows 10 and packages all compatible software applications for re-deployment to new devices. To optimize deployment cost and schedule, the project team will deploy Microsoft Office Suite that is also due for replacement. Microsoft will no longer provide extended support to Windows 7 in 2020, and therefore devices still operating in Windows 7 will be at risk to no security patching or bug fixes. These operating system upgrades span across all safety, control, customer and back office systems, and hundreds of applications required to safely and securely deliver energy to our customers.

E. <u>Performance & Capacity</u> -

Avista's projects and programs responsive to this category of need include a range of investments that address the capability of assets to meet defined performance standards, typically developed by the Company, or to maintain or enhance the performance level of assets based on a demonstrated need or financial analysis.

The performance of distribution systems is guided by industry accepted practices, but prescribed by internal company policies, procedures, and standards. The Company must also maintain the performance of many assets and systems because the efficiency and cost effectiveness of our service has been geared around that particular level of performance. In other instances, Avista has identified the opportunity to improve the performance of an asset as being cost effective and in the interest of our customers.

Table No. 13 below identifies Avista's planned Oregon-specific capital investment transfers-to-plant under the Customer Requested plant investment driver for January 1, 2019 through December 31, 2019. A description for each of the capital investment projects included in Table No. 13, is provided in Exhibit No. 503, as well as a more detailed written business cases supporting each of the capital projects are included in Exhibit No. 504.

Table No. 13: Performance & Capacity

Oregon Plant Investment
Transfers to Plant
Twelve Months Ended December 31, 2019
Plant Investment Driver: Performance & Capacity

ER #	ER Name	Natural Gas Distribution	General Plant	Enterprise Technology	Total
3000	Gas Reinforce-Minor Blanket	$ 302	$ -	$ -	$ 302
3117	Gas Telemetry	71	-	-	71
5006	Information Technology Expansion Program	-	-	0	0
5018	Energy Delivery Op Efficiency & Shared Services	-	-	292	292
5019	Energy Resources Modernization & Op Efficiency	-	-	146	146
5020	Enterprise & Control Network Infrastructure	-	-	658	658
5026	ET Modernization & Op Efficiency - Technology	-	-	204	204
5028	Financial & Accounting Technology	-	-	159	159
5029	Human Resources Technology	-	-	36	36
5030	Land Mobile Radio & Real Time Comm Systems	-	-	231	231
5031	Legal & Compliance Technology	-	-	13	13
5036	Facilities Driven Technology Improvements	-	-	14	14
5156	Digital Grid Network Expansion	-	-	245	245
7131	COF Long Term Restructuring Plan Phase 2	-	(39)	-	(39)
7136	New Airport Hanger	-	7	-	7
7201	Jackson Prairie Storage	650	-	-	650
	Total Performance & Capacity Investment	**$ 1,023**	**$ (32)**	**$ 1,998**	**$ 2,990**

Q. Please provide an example of work completed under the Performance & Capacity investment driver.

A. Under the Natural Gas Distribution type, an example of a project that will provide benefit to our Oregon customers, is ER 3000 the Company's Pipeline Reinforcement Program continues to remediate system capacity deficiencies to ensure adequate pressure to serve customers at design temperatures. Avista evaluates its natural gas distribution system on the basis of its performance on design heating degree days. Avista considers the design heating degree day to be the coldest day on record for a given region. Evaluation of the natural gas system relative to the design heating degree day is standard industry practice. Avista experienced design day temperatures as recently as 2013 in Klamath Falls. Prior to 2013, the design heating degree day last occurred in Klamath Falls in 1990. These facts illustrate the unpredictable nature of design heating degree days and the prudence of the use of this measure as a planning standard.

The Myrtle Creek 6” PE Reinforcement is a multi-year project that will increase the capacity of the Myrtle Creek community (south of Roseburg). The project has been divided into four phases, the last of which will be completed in 2019. Before the project started, approximately 1,000 customers were at risk of not having sufficient capacity to meet design day conditions. At the completion of the last phase, the capacity will be sufficient to meet the needs of all firm customers in the Myrtle Creek area.

Q. What are the consequences of a loss of delivery pressure?

A. The loss of delivery pressure can lead to the loss of service for customers. As delivery pressures drop on the system, ultimately customers may lose their pilot lights. Depending on the severity of the cold weather that could cause the loss of service, customers may be out for a sustained period of time. As discussed in detail in the Company’s last general rate case (Docket No. UG-288), the Company does have a Cold Weather Action Plan which includes a decision tree intended to initiate high-level manual intervention activities in particular areas at a pre-defined temperature. That plan is what I would call a back-up plan. The Company’s priority, however, is to be able to serve customers through its distribution system on peak days automatically (e.g., without the need for manual intervention or customer-use modifications).[12]

[12] The Cold Weather Action Plan is used in certain areas where reinforcement projects or system upgrades have not yet been completed or are in progress. In order to continue to be able to serve customers on peak days in these areas, the Company has developed certain activities that it may undertake, as necessary. These particular activities include: (1) a review of low-pressure areas to ensure identification of areas of concern; (2) identification of customers to notify (either a request to shed load or a notification of possible curtailment of service); and (3) assignment of field personnel to monitor pressures at gas meter sets and regulator stations. The Cold Weather Action Plan specifies a particular temperature at which local Operations Managers need to assess the general health of the gas system by completing these three actions. After initiating the Cold Weather Action Plan and assessing

F. <u>Failed Plant & Operations</u> -

Although Avista responds to thousands of forced outage events every year, asset replacements due to equipment failure or outage events is only a component of the investment required to operate natural gas and electric operations. Operating conditions are driven by seasonal variations in weather, changes in customer demand patterns, economic trends, as well as large scale events such a windstorms, floods, fire, lightning, and snow storms. The replacement and capital repair of equipment failures constitute requirements to replace assets that have failed and which must be replaced in order to provide continuity and adequacy of service to our customers. These also include investments in natural gas and electric infrastructure that is performed by Avista's operations staff, and which is typically budgeted under capital accounts by major asset class (e.g. natural gas distribution).

The bulk of the work in this category is performed in our Gas Distribution Non-Revenue Program. The program includes replacement of facilities that are at the end of their useful life or have failed, as well as projects to improve public safety and/or improve system reliability. For example, when shallow natural gas facilities are discovered, an appropriate response to the situation is determined by Local District personnel. The project will be prioritized and risk-ranked against other similar type of projects. These types of projects allow Avista to remain in compliance, avoid financial penalties, and operate the natural gas facilities in a safe manner.

Table No. 14 below identifies Avista's planned Oregon-specific capital investment transfers-to-plant under the Asset Condition plant investment driver for January 1, 2019 through

the three activities mentioned above, Operations Management has the responsibility to take further actions to support the system as necessary. Depending on the assessment, these actions could include the continuation of monitoring, requesting a media blast to request a temporary thermostat turndown, taking extraordinary measures to manually improve the capacity of the system by bypassing regulator stations or manually shedding load, and/or preparing relight lists (to restore service to customers who lost gas service).

December 31, 2019. A description for each of the capital investment projects included in Table No. 14, is provided in Exhibit No. 503, as well as a more detailed written business cases supporting each of the capital projects are included in Exhibit No. 504.

<u>Table No. 14: Failed Plant & Operations</u>

Oregon Plant Investment
Transfers to Plant
Twelve Months Ended December 31, 2019
Plant Investment Driver: Failed Plant & Operations

ER #	ER Name	Natural Gas Distribution	General Plant	Enterprise Technology	Total
3005	Gas Distribution Non-Revenue Blanket	$ 2,932	$ -	$ -	$ 2,932
5037	Infrastructure Technology Failed Assets	-	50	-	50
	Total Failed Plant & Operations Investment	**$ 2,932**	**$ 50**	**$ -**	**$ 2,982**

Q. Please provide an example of work completed under the Asset Condition plant investment driver.

A. An example of a project that falls under this driver and will provide benefit to our Oregon customers, is ER 3005, Gas Distribution Non-Revenue Blanket, this program address unplanned work and is comprised of hundreds of small project that get completed each year. One example might be a natural gas main that has been found to be buried too shallow without the proper amount of protection over it. Sometimes these are found during city/county/state road projects, other times they are found while Avista or contractors are working on or around the natural gas pipes. When this condition is discovered, Avista will review the conditions and come up with a least cost plan to remedy the situation. Often times this will involve replacing the shallow pipe with new pipe installed at the proper depth, or possibly rerouting the pipe along a different path. Some scenarios may allow the pipe to be lowered in place, without being replaced, this type of work would be considered O&M and would not fall under this ER. Another example would be a leak repair on an old steel service, instead of spending time trying to pinpoint and repair the leak, a new service may be installed to upgrade the facility and remedy the old service of future leak potentials.

X. COST ASSIGNMENT AND ALLOCATION PROCEDURES

Q. Have there been any changes to the Company's system and jurisdictional allocation procedures since the Company's last general natural gas case, Docket No. UG-325?

A. No. For ratemaking purposes, the Company either directly assigns or allocates revenues, expenses and rate base between electric and natural gas services and between Oregon, Washington, and Idaho jurisdictions where electric and/or natural gas service is provided. The current methodology is based on a previously-approved methodology that has been in place for several years. The allocation factors used in this case are included in my workpapers.

Q. Do you believe the allocation methodology used today by the Company is appropriate for allocating common costs?

A. Yes, I do. When the Company designed the allocation methodology that is being used today, the specific objectives identified were as follows:

a) The method must be acceptable to all regulators to prevent any stranded costs or investment,
b) The number of cost allocation methods should be minimized,
c) The method needs to be simple,
d) The method needs to have a sound, rational basis,
e) Allocations under the method should be automated, and
f) The method needs to produce reasonable results.

These objectives are still relevant today. The Company believes the methodology continues to meet these overall objectives. The method used by Avista and approved by the three Commissions (Oregon, Washington, and Idaho) produces a reasonable allocation of common costs.

XI. ACCOUNTING CHANGES

Q. Have there been any changes to accounting methods used by Avista since the last general rate case filing in Oregon that may impact the Test Year results?

A. Yes. There have been two areas that have changed accounting methods which impact Oregon. First, including pension accounting was changed due to updated accounting standards required by FASB (Financial Accounting Standards Board). The second area, accounting for AFUDC (Allowance for Funds Used During Construction), was changed due to FERC (Federal Energy Regulatory Commission) requirements that were identified during a recent audit.

Q. For pension accounting, please describe the changes required by FASB and the impact to Test Year results in this filing.

A. This updated accounting standard has not resulted in a material change to Test Year results. ASU No. 2017-07 – Compensation-Retirement Benefits (Topic 715), was effective January 1, 2018. This standard amends the income statement presentation of the components of the net periodic benefit cost for Avista's defined benefit pension and other post retirement plans. Under previous accounting, the net periodic benefit cost, which is comprised of current service-costs and other cost components, were all shown as pension expense or were capitalized to plant-in-service. Under the new standard, for financial statements prepared using generally accepted accounting principles, only the service-cost component is eligible for capitalization in plant-in-service and presented in the income statement as costs related to employees. The other costs components are required to be shown as a regulatory asset and outside of income from operations in the income statement. FERC did not require this accounting change, and therefore, Avista maintains its records using the FERC approved method. Only Avista's consolidated financial statements are updated for the revised accounting with consolidating journal entries. Because Avista has used the FERC method in each of its state jurisdictions, this accounting was not adopted in the states, and therefore, the rate period results are consistent with prior cases.

Q. Please describe the change in accounting related to AFUDC that was required by FERC.

A. FERC notified Avista in December 2017 that they would be auditing the Company's compliance with Form 1 and 3-Q, and accounting requirements of the Uniform System of Accounts under CFR part 101. During the course of the audit (which is ongoing), FERC staff made recommendations regarding the recording of AFUDC and the tax treatment of the equity component of AFUDC. Neither of the recommended changes will result in changes to Avista's overall rate base. The new method of recording AFUDC and associated income taxes was recorded in 2018, which resulted in a decrease of deferred federal income taxes. This decrease is only a timing difference as deferred federal income taxes will be higher in future years. Avista deferred this tax benefit beginning in 2018 and will continue to defer it until such time that the new method of calculating DFIT on equity AFUDC is built into rates.

The Company filed an accounting application on December 26, 2018 (Docket no. UM-1993) requesting approval to record a regulatory asset in place of amounts recorded as plant-in-service. In addition, the Company requested authorization to defer the excess deferred taxes collected and indicated it would work with Staff to return those funds to customers in a separate regulatory filing.

In summary, the revised accounting for AFUDC detailed in Docket UM-1933 has been used for determining rate base and results for the Test Year. For rate base, there was no impact due to this revised accounting, and for results of operations, there was a decrease in deferred federal income tax expense.

Q. Does that conclude your direct testimony?

A. Yes, it does.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UG-366

JENNIFER S. SMITH
Exhibit No. 501

Revenue Requirement and Allocations

AVISTA UTILITIES
OREGON JURISDICTION
NATURAL GAS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No.	Description	PRESENT RATES: Per Results of Operations Report	PRESENT RATES: Total Adjustments	PRESENT RATES: Restated 12 ME 12.31.~~18~~ 20 AMA Test Year	WITH PROPOSED RATES: Proposed Revenues & Related Exp	WITH PROPOSED RATES: Proposed Total (AMA)
		a	*b*	*c*	*d*	*e*
1	OPERATING REVENUES					
2	Total General Business	$87,432	($25,830)	$61,602	$6,677	$68,279
3	Total Transportation	3,463	(266)	3,197	0	3,197
4	Other Revenues	54,348	(54,188)	160	0	160
5	Total Operating Revenues	145,243	(80,284)	64,959	6,677	71,636
6						
7	OPERATING EXPENSES					
8	Gas Purchased	81,791	(81,791)	0	0	0
9	Operation and Maintenance	14,586	330	14,916	0	14,916
12	Uncollectible Accounts	544	(150)	394	26	420
11	Administration & General	9,225	(504)	8,721	0	8,721
10	OPUC Commission Fees	561	(274)	287	29	316
13	Total Operation & Maintenance	106,707	(82,388)	24,319	55	24,374
14						
15	DEPRECIATION, AMORTIZATION, TAXES					
16						
17	Municipal Occupation & License Tax	1,598	(1,598)	0	0	0
17	Franchise Fees - Conversion Factor	2,022	(504)	1,518	156	1,674
18	R&P Property Tax	4,092	698	4,790	0	4,790
19	State Income Tax	0	44	44	0	44
20	Depreciation & Amortization	13,175	2,180	15,355	0	15,355
21	Total Operating Expenses	127,594	(81,569)	46,025	211	46,236
22						
23	OPERATING INCOME BEFORE FIT/SIT	17,649	1,285	18,934	6,466	25,400
24						
25	INCOME TAXES					
26	Current Federal Income Taxes	566	252	818	1,268	2,086
27	Debt Interest	0	(59)	(59)	0	(59)
28	Deferred Federal Income Taxes	1,067	0	1,067	0	1,067
29	State Income Taxes	75	110	185	426	611
30	Total Income Taxes	1,708	303	2,011	1,694	3,705
31						
32	NET OPERATING INCOME	$15,941	$982	$16,923	$4,772	$21,694
33						
34						
35	RATE BASE					
36	Utility Plant in Service	$445,054	$49,456	$494,510	$0	$494,510
37	Accumulated Depreciation and Amortization	(127,614)	(15,359)	(142,973)	0	(142,973)
38	Accumulated Deferred FIT	(71,801)	(2,633)	(74,434)	0	(74,434)
39	Net Utility Plant	245,639	31,464	277,103	0	277,103
40						
41	Inventory	2,042	0	2,042	0	2,042
42	Working Capital	3,397	5,299	8,696	0	8,696
43	Regulatory Asset - AFUDC	1	0	1	0	1
44	Rate Base-Regulatory Liability-Nonplant Exce	(504)	0	(504)	0	(504)
45	Prepaid Pension, Net of ADFIT (1)	0	0	0	0	0
46						
47	TOTAL RATE BASE	$250,575	$36,763	$287,338	$0	$287,338
48						
49	RATE OF RETURN	6.36%		5.89%		7.55%

AVISTA UTILITIES
OREGON NATURAL GAS
CALCULATION OF REVENUE REQUIREMENT
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No.	Description	(000's of Dollars)
1	Forecasted Rate Base	$287,338
2	Proposed Rate of Return	7.55%
3	Net Operating Income Requirement	$21,694
4	Forecasted Net Operating Income	$16,923
5	Net Operating Income Deficiency	$4,771
6	Conversion Factor	0.71454
7	Revenue Requirement	$6,677
8	Total Distribution Revenues	$64,799
9	Percentage Revenue Increase	10.3%
10	Total Present Billed Revenue	$86,014
11	Percentage Billed Increase	7.8%

AVISTA PROPOSED COST OF CAPITAL

	Capital	Cost	Weighted
Long Term Debt	50.000%	5.20%	2.600%
Common Equity	50.000%	9.90%	4.950%
Total	100.00%		7.55%

AVISTA UTILITIES
OREGON NATURAL GAS
CONVERSION FACTOR EXHIBIT
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2018

Line No.	Description		Factor	Amounts
1	Revenues		1.000000	6,677
2	Expenses:			
3	Uncollectibles		0.003867	26
4	Commission Fees		0.003000	20
5	Energy Resource Supplier Assessment		0.001420	9
6	Franchise Fees		0.023376	156
7	Oregon Excise Tax		0.063860	426
8	Total Expense		0.095523	637
9	Net Operating Income Before FIT		0.904477	6,040
10	Federal Income Tax @	21.00%	0.189940	1,268
11	REVENUE CONVERSION FACTOR		0.7145371	4,772

AVISTA UTILITIES
OREGON NATURAL GAS
RESTATED HISTORICAL AMA BASE YEAR
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2018

Line No. (1)	Description		Per Results of Operations Report	Allocation Factor Adjustment	Miscellaneous Restating Adjustment	Eliminate Adder Schedule Adjustment
	Adjustment Number		**1.00**	**1.01**	**1.02**	**1.03**
	Workpaper Reference		**G-ROO**	**G-AF**	**G-MR**	**G-EAS**
	REVENUES					
8	SALES TO ULTIMATE CUSTOMERS		87,432	0	0	2,507
12	TRANSPORTATION REVENUES		3,463	0	0	(34)
21	OTHER OPERATING REVENUES		54,348	2	0	(56,369)
23	**TOTAL GAS REVENUES**		**145,243**	**2**	**0**	**(53,896)**
24						
25	**EXPENSES**					
30	TOTAL GAS PURCHASES		81,791	0	0	(51,796)
39	TOTAL OTHER GAS SUPPLY EXPENSE		(555)	(23)	0	1,194
41	**TOTAL PRODUCTION EXPENSES**		**81,236**	**(23)**	**0**	**(50,602)**
42						
47	TOTAL UG STORAGE OPER EXP		235	0	0	0
50	TOTAL UG STORAGE DEPRCIATION EXP		151	0	0	0
53	TOTAL UG STORAGE NON-FIT TAXES		47	0	0	0
57	**TOTAL UNDERGROUND STORAGE EXPENSES**		**433**	**0**	**0**	**0**
58						
81	DISTRIBUTION O&M EXPENSES		9,265	(47)	(1)	0
84	TOTAL DISTRIBUTION DEPRCIATION EXP		7,695	0	0	0
90	TOTAL DISTRIBUTION NON-FIT TAXES		7,665	44	0	(1,485)
94	**TOTAL DISTRIBUTION EXPENSES**		**24,625**	**(3)**	**(1)**	**(1,485)**
95						
103	**CUSTOMER ACCOUNTS OPERATING EXP**		**3,702**	**(11)**	**0**	**19**
109	**CUSTOMER SVC & INFO OPERATING EXP**		**2,482**	**0**	**(7)**	**(1,850)**
115	**SALES OPERATING EXPENSES**		**1**	**0**	**0**	**0**
116						
131	ADMIN & GENERAL OPERATING EXP		9,786	(638)	9	22
134	TOTAL A&G DEPRCIATION EXP		2,311	(92)	0	0
139	TOTAL A&G AMRT/NON-FIT TAXES		2,609	(113)	0	0
140						
141	TOTAL A&G DEPR/AMRT/NON-FIT TAXES		4,920	(205)	0	0
142						
143	**TOTAL ADMIN & GENERAL EXPENSES**		**14,706**	**(843)**	**9**	**22**
144						
155	**TOTAL OTHER DEFERRALS AND AMORTIZATIONS**		**409**	**(35)**	**0**	**0**
156						
157	**TOTAL EXPENSES BEFORE FIT**		**127,594**	**(915)**	**1**	**(53,896)**
158						
159	**NET OPERATING INCOME (LOSS) BEFORE FIT/SIT**		**17,649**	**917**	**(1)**	**0**
160						
161	FEDERAL INCOME TAX--Normal Accrual	21.00%	566	180	(0)	0
162	DEBT INTEREST	2.892%	0	0	0	0
163	DEFERRED INCOME TAX		1,067	0	0	0
164	STATE INCOME TAXES	6.59%	75	60	(0)	0
165	**GAS NET OPERATING INCOME (LOSS)**		**15,941**	**677**	**(1)**	**0**
166						
167	**RATE BASE**					
168	**PLANT IN SERVICE**					
173	TOTAL INTANGIBLE PLANT		22,112	0	0	0
189	TOTAL UNDERGROUND STORAGE PLANT		6,479	0	0	0
195	TOTAL PRODUCTION PLANT		8	0	0	0
209	TOTAL DISTRIBUTION PLANT		379,327	0	0	0
223	TOTAL GAS GENERAL PLANT		37,128	0	0	0
225	**GROSS PLANT IN SERVICE**		**445,054**	**0**	**0**	**0**
226						
231	TOTAL ACCUMULATED DEPRECIATION		(121,616)	0	0	0
232						
237	TOTAL ACCUMULATED AMORTIZATION		(5,998)	0	0	0
239	**TOTAL ACCUMULATED DEPR/AMORT**		**(127,614)**	**0**	**0**	**0**
240						
241	NET GAS UTILITY PLANT before ADFIT		317,440	0	0	0
242						
249	**TOTAL ACCUMULATED DFIT**		**(71,801)**	**0**	**0**	**0**
250						
251	**NET GAS UTILITY PLANT**		**245,639**	**0**	**0**	**0**
252						
262	**TOTAL GAS INVENTORY**		**4,936**	**0**	**0**	**0**
263						
266	**TOTAL OTHER REGULATORY ASSETS**		**0**	**0**	**0**	**0**
267						
268	**NET RATE BASE**		**250,575**	**0**	**0**	**0**
269						
270	RATE OF RETURN		**6.36%**			
271						
272	**REVENUE REQUIREMENT**		**4,167**	**(947)**	**1**	**(0)**
273	(1) Lines have been hidden in order to provide summarized information.					

AVISTA UTILITIES
OREGON NATURAL GAS
RESTATED HISTORICAL AMA BASE YEAR
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2018

Line No. (1)	Description		Weather Normalization Sales/Purch	Restate Debt Adjustment	Materials & Supplies Investment	Restated Historical 12 ME 12.31.18 AMA Base Year Total
	Adjustment Number		**1.04**	**1.05**	**1.06**	
	Workpaper Reference		**G-WN**	**G-RD**	**G-MS**	
	REVENUES					
8	SALES TO ULTIMATE CUSTOMERS		1,734	0	0	**91,673**
12	TRANSPORTATION REVENUES		0	0	0	**3,429**
21	OTHER OPERATING REVENUES		(1,004)	0	0	**(3,023)**
23	**TOTAL GAS REVENUES**		**730**	**0**	**0**	**92,079**
24						
25	**EXPENSES**					
30	TOTAL GAS PURCHASES		707	0	0	**30,702**
39	TOTAL OTHER GAS SUPPLY EXPENSE		1	0	0	**617**
41	**TOTAL PRODUCTION EXPENSES**		**708**	**0**	**0**	**31,319**
42						
47	TOTAL UG STORAGE OPER EXP		0	0	0	**235**
50	TOTAL UG STORAGE DEPRCIATION EXP		0	0	0	**151**
53	TOTAL UG STORAGE NON-FIT TAXES		0	0	0	**47**
57	**TOTAL UNDERGROUND STORAGE EXPENSES**		**0**	**0**	**0**	**433**
58						
81	DISTRIBUTION O&M EXPENSES		0	0	0	**9,217**
84	TOTAL DISTRIBUTION DEPRCIATION EXP		0	0	0	**7,695**
90	TOTAL DISTRIBUTION NON-FIT TAXES		17	0	0	**6,241**
94	**TOTAL DISTRIBUTION EXPENSES**		**17**	**0**	**0**	**23,153**
95						
103	**CUSTOMER ACCOUNTS OPERATING EXP**		**3**	**0**	**0**	**3,713**
109	**CUSTOMER SVC & INFO OPERATING EXP**		**0**	**0**	**0**	**625**
115	**SALES OPERATING EXPENSES**		**0**	**0**	**0**	**1**
116						
131	ADMIN & GENERAL OPERATING EXP		3	0	0	**9,182**
134	TOTAL A&G DEPRCIATION EXP		0	0	0	**2,219**
139	TOTAL A&G AMRT/NON-FIT TAXES		0	0	0	**2,496**
140						
141	TOTAL A&G DEPR/AMRT/NON-FIT TAXES		0	0	0	**4,715**
142						
143	**TOTAL ADMIN & GENERAL EXPENSES**		**3**	**0**	**0**	**13,897**
144						
155	**TOTAL OTHER DEFERRALS AND AMORTIZATIONS**		**0**	**0**	**0**	**374**
156						
157	**TOTAL EXPENSES BEFORE FIT**		**731**	**0**	**0**	**73,515**
158						
159	**NET OPERATING INCOME (LOSS) BEFORE FIT/SIT**		**(1)**	**0**	**0**	**18,564**
160						
161	FEDERAL INCOME TAX--Normal Accrual	21.00%	(0)	0	0	**745**
162	DEBT INTEREST	2.892%	0	192	1	**193**
163	DEFERRED INCOME TAX		0	0	0	**1,067**
164	STATE INCOME TAXES	6.59%	(0)	0	0	**135**
165	**GAS NET OPERATING INCOME (LOSS)**		**(1)**	**(192)**	**(1)**	**16,423**
166						
167	**RATE BASE**					
168	**PLANT IN SERVICE**					
173	TOTAL INTANGIBLE PLANT		0	0	0	**22,112**
189	TOTAL UNDERGROUND STORAGE PLANT		0	0	0	**6,479**
195	TOTAL PRODUCTION PLANT		0	0	0	**8**
209	TOTAL DISTRIBUTION PLANT		0	0	0	**379,327**
223	TOTAL GAS GENERAL PLANT		0	0	0	**37,128**
225	**GROSS PLANT IN SERVICE**		**0**	**0**	**0**	**445,054**
226						
231	TOTAL ACCUMULATED DEPRECIATION		0	0	0	**(121,616)**
232						
237	TOTAL ACCUMULATED AMORTIZATION		0	0	0	**(5,998)**
239	**TOTAL ACCUMULATED DEPR/AMORT**		**0**	**0**	**0**	**(127,614)**
240						
241	NET GAS UTILITY PLANT before ADFIT		0	0	0	**317,440**
242						
249	**TOTAL ACCUMULATED DFIT**		**0**	**0**	**0**	**(71,801)**
250						
251	**NET GAS UTILITY PLANT**		**0**	**0**	**0**	**245,639**
252						
262	**TOTAL GAS INVENTORY**		**0**	**0**	**(153)**	**4,783**
263						
266	**TOTAL OTHER REGULATORY ASSETS**		**0**	**0**	**0**	**0**
267						
268	**NET RATE BASE**		**0**	**0**	**(153)**	**250,422**
269						
270	RATE OF RETURN					**6.56%**
271						
272	**REVENUE REQUIREMENT**		**1**	**268**	**(15)**	**3,476**
273	(1) Lines have been hidden in order to provide summarized information.					

AVISTA UTILITIES
OREGON NATURAL GAS
FORECASTED AMA RESULTS OF OPERATIONS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No. (1)	Description		Restated Historical 12 ME 12.31.18 AMA Base Year Total	Test Year Expense Adjustment	Test Year Revenue Load Adjustment
	Adjustment Number			2.00	2.01
	Workpaper Reference			G-FE	G-FR
	REVENUES				
8	SALES TO ULTIMATE CUSTOMERS		91,673	0	(30,071)
12	TRANSPORTATION REVENUES		3,429	0	(232)
21	OTHER OPERATING REVENUES		(3,023)	0	3,183
23	**TOTAL GAS REVENUES**		**92,079**	**0**	**(27,120)**
24					
25	**EXPENSES**				
30	TOTAL GAS PURCHASES		30,702	0	(30,702)
39	TOTAL OTHER GAS SUPPLY EXPENSE		617	6	4
41	**TOTAL PRODUCTION EXPENSES**		**31,319**	**6**	**(30,698)**
42					
43	UNDERGROUND STORAGE EXPENSES				
47	TOTAL UG STORAGE OPER EXP		235	11	0
50	TOTAL UG STORAGE DEPRCIATION EXP		151	0	0
53	TOTAL UG STORAGE NON-FIT TAXES		47	0	0
57	**TOTAL UNDERGROUND STORAGE EXPENSES**		**433**	**11**	**0**
58					
81	DISTRIBUTION O&M EXPENSES		9,217	196	0
84	TOTAL DISTRIBUTION DEPRCIATION EXP		7,695	0	0
90	TOTAL DISTRIBUTION NON-FIT TAXES		6,241	0	(634)
94	**TOTAL DISTRIBUTION EXPENSES**		**23,153**	**196**	**(634)**
95					
103	**CUSTOMER ACCOUNTS OPERATING EXP**		**3,713**	**58**	**(105)**
109	**CUSTOMER SVC & INFO OPERATING EXP**		**625**	**97**	**0**
115	**SALES OPERATING EXPENSES**		**1**	**0**	**0**
116					
131	ADMIN & GENERAL OPERATING EXP		9,182	175	(120)
134	TOTAL A&G DEPRCIATION EXP		2,219	0	0
139	TOTAL A&G AMRT/NON-FIT TAXES		2,496	0	0
143	**TOTAL ADMIN & GENERAL EXPENSES**		**13,897**	**175**	**(120)**
144					
155	**TOTAL OTHER DEFERRALS AND AMORTIZATIONS**		**374**	**0**	**0**
156					
157	**TOTAL EXPENSES BEFORE FIT**		**73,515**	**543**	**(31,557)**
158					
159	**NET OPERATING INCOME (LOSS) BEFORE FIT/SIT**		**18,564**	**(543)**	**4,437**
160					
161	FEDERAL INCOME TAX--Normal Accrual	21.00%	745	(107)	870
162	DEBT INTEREST	2.600%	193	0	0
163	DEFERRED INCOME TAX		1,067	0	0
164	STATE INCOME TAXES	6.59%	135	(36)	293
165	**GAS NET OPERATING INCOME (LOSS)**		**16,423**	**(401)**	**3,274**
166					
167	**RATE BASE**				
173	TOTAL INTANGIBLE PLANT		22,112	0	0
189	TOTAL UNDERGROUND STORAGE PLANT		6,479	0	0
195	TOTAL PRODUCTION PLANT		8	0	0
209	TOTAL DISTRIBUTION PLANT		379,327	0	0
223	TOTAL GAS GENERAL PLANT		37,128	0	0
225	**GROSS PLANT IN SERVICE**		**445,054**	**0**	**0**
226					
231	TOTAL ACCUMULATED DEPRECIATION		(121,616)	0	0
232					
237	TOTAL ACCUMULATED AMORTIZATION		(5,998)	0	0
239	**TOTAL ACCUMULATED DEPR/AMORT**		**(127,614)**	**0**	**0**
240					
241	NET GAS UTILITY PLANT before ADFIT		317,440	0	0
242					
249	**TOTAL ACCUMULATED DFIT**		**(71,801)**	**0**	**0**
250					
251	**NET GAS UTILITY PLANT**		**245,639**	**0**	**0**
252					
262	**TOTAL GAS INVENTORY**		**4,783**	**0**	**0**
263					
264	OTHER REGULATORY ASSETS				
265	Prepaid Pension, Net of ADFIT		0	0	0
266	**TOTAL OTHER REGULATORY ASSETS**		**0**	**0**	**0**
267					
268	**NET RATE BASE**		**250,422**	**0**	**0**
269					
270	RATE OF RETURN		6.56%		
271					
272	**REVENUE REQUIREMENT**		**3,476**	**561**	**(4,582)**
273	(1) Lines have been hidden in order to provide summarized information.				

AVISTA UTILITIES
OREGON NATURAL GAS
FORECASTED AMA RESULTS OF OPERATIONS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No. (1)	Description		Test Year Benefits Adjustment	Test Year Non-Exec Labor Adjustment	Test Year Executive Labor Adjustment
	Adjustment Number		2.02	2.03	2.04
	Workpaper Reference		G-BEN	G-NEXL	G-EXL
	REVENUES				
8	SALES TO ULTIMATE CUSTOMERS		0	0	0
12	TRANSPORTATION REVENUES		0	0	0
21	OTHER OPERATING REVENUES		0	0	0
23	**TOTAL GAS REVENUES**		**0**	**0**	**0**
24					
25	**EXPENSES**				
30	TOTAL GAS PURCHASES		0	0	0
39	TOTAL OTHER GAS SUPPLY EXPENSE		18	20	8
41	**TOTAL PRODUCTION EXPENSES**		**18**	**20**	**8**
42					
43	UNDERGROUND STORAGE EXPENSES				
47	TOTAL UG STORAGE OPER EXP		0	0	0
50	TOTAL UG STORAGE DEPRCIATION EXP		0	0	0
53	TOTAL UG STORAGE NON-FIT TAXES		0	0	0
57	**TOTAL UNDERGROUND STORAGE EXPENSES**		**0**	**0**	**0**
58					
81	DISTRIBUTION O&M EXPENSES		195	251	5
84	TOTAL DISTRIBUTION DEPRCIATION EXP		0	0	0
90	TOTAL DISTRIBUTION NON-FIT TAXES		0	0	0
94	**TOTAL DISTRIBUTION EXPENSES**		**195**	**251**	**5**
95					
103	**CUSTOMER ACCOUNTS OPERATING EXP**		**89**	**115**	**0**
109	**CUSTOMER SVC & INFO OPERATING EXP**		**10**	**13**	**0**
115	**SALES OPERATING EXPENSES**		**0**	**0**	**0**
116					
131	ADMIN & GENERAL OPERATING EXP		161	187	70
134	TOTAL A&G DEPRCIATION EXP		0	0	0
139	TOTAL A&G AMRT/NON-FIT TAXES		0	0	0
143	**TOTAL ADMIN & GENERAL EXPENSES**		**161**	**187**	**70**
144					
155	**TOTAL OTHER DEFERRALS AND AMORTIZATIONS**		**0**	**0**	**0**
156					
157	**TOTAL EXPENSES BEFORE FIT**		**473**	**586**	**83**
158					
159	**NET OPERATING INCOME (LOSS) BEFORE FIT/SIT**		**(473)**	**(586)**	**(83)**
160					
161	FEDERAL INCOME TAX--Normal Accrual	21.00%	(93)	(115)	(16)
162	DEBT INTEREST	2.600%	0	0	0
163	DEFERRED INCOME TAX		0	0	0
164	STATE INCOME TAXES	6.59%	(31)	(39)	(5)
165	**GAS NET OPERATING INCOME (LOSS)**		**(349)**	**(432)**	**(61)**
166					
167	**RATE BASE**				
173	TOTAL INTANGIBLE PLANT		0	0	0
189	TOTAL UNDERGROUND STORAGE PLANT		0	0	0
195	TOTAL PRODUCTION PLANT		0	0	0
209	TOTAL DISTRIBUTION PLANT		0	0	0
223	TOTAL GAS GENERAL PLANT		0	0	0
225	**GROSS PLANT IN SERVICE**		**0**	**0**	**0**
226					
231	TOTAL ACCUMULATED DEPRECIATION		0	0	0
232					
237	TOTAL ACCUMULATED AMORTIZATION		0	0	0
239	**TOTAL ACCUMULATED DEPR/AMORT**		**0**	**0**	**0**
240					
241	NET GAS UTILITY PLANT before ADFIT		0	0	0
242					
249	**TOTAL ACCUMULATED DFIT**		**0**	**0**	**0**
250					
251	**NET GAS UTILITY PLANT**		**0**	**0**	**0**
252					
262	**TOTAL GAS INVENTORY**		**0**	**0**	**0**
263					
264	OTHER REGULATORY ASSETS				
265	Prepaid Pension, Net of ADFIT		0	0	0
266	**TOTAL OTHER REGULATORY ASSETS**		**0**	**0**	**0**
267					
268	**NET RATE BASE**		**0**	**0**	**0**
269					
270	RATE OF RETURN				
271					
272	**REVENUE REQUIREMENT**		**488**	**605**	**86**
273	(1) Lines have been hidden in order to provide summarized information.				

AVISTA UTILITIES
OREGON NATURAL GAS
FORECASTED AMA RESULTS OF OPERATIONS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No. (1)	Description		Test Year Property Tax Adjustment	12.31.18 AMA - EOP Capital Adjustment	12.31.19 EOP Capital Adjustment
	Adjustment Number		**2.05**	**2.06**	**2.07**
	Workpaper Reference		**G-FPT**	**G-AMA-EOP18**	**G-CAP19**
	REVENUES				
8	SALES TO ULTIMATE CUSTOMERS		0	0	0
12	TRANSPORTATION REVENUES		0	0	0
21	OTHER OPERATING REVENUES		0	0	0
23	**TOTAL GAS REVENUES**		**0**	**0**	**0**
24					
25	**EXPENSES**				
30	TOTAL GAS PURCHASES		0	0	0
39	TOTAL OTHER GAS SUPPLY EXPENSE		0	0	0
41	**TOTAL PRODUCTION EXPENSES**		**0**	**0**	**0**
42					
43	UNDERGROUND STORAGE EXPENSES				
47	TOTAL UG STORAGE OPER EXP		0	0	0
50	TOTAL UG STORAGE DEPRCIATION EXP		0	0	(28)
53	TOTAL UG STORAGE NON-FIT TAXES		0	0	0
57	**TOTAL UNDERGROUND STORAGE EXPENSES**		**0**	**0**	**(28)**
58					
81	DISTRIBUTION O&M EXPENSES		0	0	0
84	TOTAL DISTRIBUTION DEPRCIATION EXP		0	0	1,215
90	TOTAL DISTRIBUTION NON-FIT TAXES		698	0	0
94	**TOTAL DISTRIBUTION EXPENSES**		**698**	**0**	**1,215**
95					
103	**CUSTOMER ACCOUNTS OPERATING EXP**		**0**	**0**	**0**
109	**CUSTOMER SVC & INFO OPERATING EXP**		**0**	**0**	**0**
115	**SALES OPERATING EXPENSES**		**0**	**0**	**0**
116					
131	ADMIN & GENERAL OPERATING EXP		0	0	0
134	TOTAL A&G DEPRCIATION EXP		0	0	(262)
139	TOTAL A&G AMRT/NON-FIT TAXES		0	0	1,354
143	**TOTAL ADMIN & GENERAL EXPENSES**		**0**	**0**	**1,092**
144					
155	**TOTAL OTHER DEFERRALS AND AMORTIZATIONS**		**0**	**0**	**0**
156					
157	**TOTAL EXPENSES BEFORE FIT**		**698**	**0**	**2,279**
158					
159	**NET OPERATING INCOME (LOSS) BEFORE FIT/SIT**		**(698)**	**0**	**(2,279)**
160					
161	FEDERAL INCOME TAX--Normal Accrual	21.00%	(137)	0	(447)
162	DEBT INTEREST	2.600%	0	(92)	(113)
163	DEFERRED INCOME TAX		0	0	0
164	STATE INCOME TAXES	6.59%	(46)	0	(150)
165	**GAS NET OPERATING INCOME (LOSS)**		**(515)**	**92**	**(1,569)**
166					
167	**RATE BASE**				
173	TOTAL INTANGIBLE PLANT		0	902	6,353
189	TOTAL UNDERGROUND STORAGE PLANT		0	94	650
195	TOTAL PRODUCTION PLANT		0	0	0
209	TOTAL DISTRIBUTION PLANT		0	16,231	22,765
223	TOTAL GAS GENERAL PLANT		0	1,331	(504)
225	**GROSS PLANT IN SERVICE**		**0**	**18,558**	**29,264**
226					
231	TOTAL ACCUMULATED DEPRECIATION		0	(3,119)	(6,839)
232					
237	TOTAL ACCUMULATED AMORTIZATION		0	(782)	(4,443)
239	**TOTAL ACCUMULATED DEPR/AMORT**		**0**	**(3,901)**	**(11,282)**
240					
241	NET GAS UTILITY PLANT before ADFIT		0	14,657	17,982
242					
249	**TOTAL ACCUMULATED DFIT**		**0**	**(1,135)**	**(1,384)**
250					
251	**NET GAS UTILITY PLANT**		**0**	**13,522**	**16,598**
252					
262	**TOTAL GAS INVENTORY**		**0**	**0**	**0**
263					
264	OTHER REGULATORY ASSETS				
265	Prepaid Pension, Net of ADFIT		0	0	0
266	**TOTAL OTHER REGULATORY ASSETS**		**0**	**0**	**0**
267					
268	**NET RATE BASE**		**0**	**13,522**	**16,598**
269					
270	RATE OF RETURN				
271					
272	**REVENUE REQUIREMENT**		**721**	**1,300**	**3,949**
273	(1) Lines have been hidden in order to provide summarized information.				

AVISTA UTILITIES
OREGON NATURAL GAS
FORECASTED AMA RESULTS OF OPERATIONS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No. (1)	Description		12ME 12.31.2020 AMA Customer-Growth Capital Adjustment	Working Capital Adjustment
	Adjustment Number		2.08	2.09
	Workpaper Reference		G-CAP20	G-FWC
	REVENUES			
8	SALES TO ULTIMATE CUSTOMERS		0	0
12	TRANSPORTATION REVENUES		0	0
21	OTHER OPERATING REVENUES		0	0
23	**TOTAL GAS REVENUES**		**0**	**0**
24				
25	**EXPENSES**			
30	TOTAL GAS PURCHASES		0	0
39	TOTAL OTHER GAS SUPPLY EXPENSE		0	0
41	**TOTAL PRODUCTION EXPENSES**		**0**	**0**
42				
43	UNDERGROUND STORAGE EXPENSES			
47	TOTAL UG STORAGE OPER EXP		0	0
50	TOTAL UG STORAGE DEPRCIATION EXP		0	0
53	TOTAL UG STORAGE NON-FIT TAXES		0	0
57	**TOTAL UNDERGROUND STORAGE EXPENSES**		**0**	**0**
58				
81	DISTRIBUTION O&M EXPENSES		0	0
84	TOTAL DISTRIBUTION DEPRCIATION EXP		141	0
90	TOTAL DISTRIBUTION NON-FIT TAXES		0	0
94	**TOTAL DISTRIBUTION EXPENSES**		**141**	**0**
95				
103	**CUSTOMER ACCOUNTS OPERATING EXP**		**0**	**0**
109	**CUSTOMER SVC & INFO OPERATING EXP**		**0**	**0**
115	**SALES OPERATING EXPENSES**		**0**	**0**
116				
131	ADMIN & GENERAL OPERATING EXP		0	0
134	TOTAL A&G DEPRCIATION EXP		0	0
139	TOTAL A&G AMRT/NON-FIT TAXES		0	0
143	**TOTAL ADMIN & GENERAL EXPENSES**		**0**	**0**
144				
155	**TOTAL OTHER DEFERRALS AND AMORTIZATIONS**		**0**	**0**
156				
157	**TOTAL EXPENSES BEFORE FIT**		**141**	**0**
158				
159	**NET OPERATING INCOME (LOSS) BEFORE FIT/SIT**		**(141)**	**0**
160				
161	FEDERAL INCOME TAX--Normal Accrual	21.00%	(28)	0
162	DEBT INTEREST	2.600%	(9)	(37)
163	DEFERRED INCOME TAX		0	0
164	STATE INCOME TAXES	6.59%	(9)	0
165	**GAS NET OPERATING INCOME (LOSS)**		**(95)**	**37**
166				
167	**RATE BASE**			
173	TOTAL INTANGIBLE PLANT		0	0
189	TOTAL UNDERGROUND STORAGE PLANT		0	0
195	TOTAL PRODUCTION PLANT		0	0
209	TOTAL DISTRIBUTION PLANT		1,644	0
223	TOTAL GAS GENERAL PLANT		0	0
225	**GROSS PLANT IN SERVICE**		**1,644**	**0**
226				
231	TOTAL ACCUMULATED DEPRECIATION		(176)	0
232				
237	TOTAL ACCUMULATED AMORTIZATION		0	0
239	**TOTAL ACCUMULATED DEPR/AMORT**		**(176)**	**0**
240				
241	NET GAS UTILITY PLANT before ADFIT		1,468	0
242				
249	**TOTAL ACCUMULATED DFIT**		**(114)**	**0**
250				
251	**NET GAS UTILITY PLANT**		**1,354**	**0**
252				
262	**TOTAL GAS INVENTORY**		**0**	**5,452**
263				
264	OTHER REGULATORY ASSETS			
265	Prepaid Pension, Net of ADFIT		0	0
266	**TOTAL OTHER REGULATORY ASSETS**		**0**	**0**
267				
268	**NET RATE BASE**		**1,354**	**5,452**
269				
270	RATE OF RETURN			
271				
272	**REVENUE REQUIREMENT**		**276**	**524**
273	(1) Lines have been hidden in order to provide summarized information.			

Errata 5-15-2019

AVISTA UTILITIES
OREGON NATURAL GAS
FORECASTED AMA RESULTS OF OPERATIONS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No. (1)	Description		Incentive Pay Adjustment	12 ME 12.31.~~18~~ 20 AMA Test Year
	Adjustment Number		2.10	
	Workpaper Reference		G-IP	
	REVENUES			
8	SALES TO ULTIMATE CUSTOMERS		0	61,602
12	TRANSPORTATION REVENUES		0	3,197
21	OTHER OPERATING REVENUES		0	160
23	**TOTAL GAS REVENUES**		**0**	**64,959**
24				
25	**EXPENSES**			
30	TOTAL GAS PURCHASES		0	0
39	TOTAL OTHER GAS SUPPLY EXPENSE		0	673
41	**TOTAL PRODUCTION EXPENSES**		**0**	**673**
42				
43	UNDERGROUND STORAGE EXPENSES			
47	TOTAL UG STORAGE OPER EXP		0	246
50	TOTAL UG STORAGE DEPRCIATION EXP		0	123
53	TOTAL UG STORAGE NON-FIT TAXES		0	47
57	**TOTAL UNDERGROUND STORAGE EXPENSES**		**0**	**416**
58				
81	DISTRIBUTION O&M EXPENSES		0	9,864
84	TOTAL DISTRIBUTION DEPRCIATION EXP		0	9,051
90	TOTAL DISTRIBUTION NON-FIT TAXES		0	6,305
94	**TOTAL DISTRIBUTION EXPENSES**		**0**	**25,220**
95				
103	**CUSTOMER ACCOUNTS OPERATING EXP**		**0**	**3,870**
109	**CUSTOMER SVC & INFO OPERATING EXP**		**0**	**745**
115	**SALES OPERATING EXPENSES**		**0**	**1**
116				
131	ADMIN & GENERAL OPERATING EXP		(501)	9,154
134	TOTAL A&G DEPRCIATION EXP		0	1,957
139	TOTAL A&G AMRT/NON-FIT TAXES		0	3,850
143	**TOTAL ADMIN & GENERAL EXPENSES**		**(501)**	**14,961**
144				
155	**TOTAL OTHER DEFERRALS AND AMORTIZATIONS**		**0**	**374**
156				
157	**TOTAL EXPENSES BEFORE FIT**		**(501)**	**46,260**
158				
159	**NET OPERATING INCOME (LOSS) BEFORE FIT/SIT**		**501**	**18,699**
160				
161	FEDERAL INCOME TAX--Normal Accrual	21.00%	98	772
162	DEBT INTEREST	2.600%	0	(59)
163	DEFERRED INCOME TAX		0	1,067
164	STATE INCOME TAXES	6.59%	33	144
165	**GAS NET OPERATING INCOME (LOSS)**		**370**	**16,774**
166				
167	**RATE BASE**			
173	TOTAL INTANGIBLE PLANT		0	29,367
189	TOTAL UNDERGROUND STORAGE PLANT		0	7,223
195	TOTAL PRODUCTION PLANT		0	8
209	TOTAL DISTRIBUTION PLANT		0	419,967
223	TOTAL GAS GENERAL PLANT		0	37,955
225	**GROSS PLANT IN SERVICE**		**0**	**494,520**
226				
231	TOTAL ACCUMULATED DEPRECIATION		0	(131,750)
232				
237	TOTAL ACCUMULATED AMORTIZATION		0	(11,223)
239	**TOTAL ACCUMULATED DEPR/AMORT**		**0**	**(142,973)**
240				
241	NET GAS UTILITY PLANT before ADFIT		0	351,547
242				
249	**TOTAL ACCUMULATED DFIT**		**0**	**(74,434)**
250				
251	**NET GAS UTILITY PLANT**		**0**	**277,113**
252				
262	**TOTAL GAS INVENTORY**		**0**	**10,235**
263				
264	OTHER REGULATORY ASSETS			
265	Prepaid Pension, Net of ADFIT		0	0
266	**TOTAL OTHER REGULATORY ASSETS**		**0**	**0**
267				
268	**NET RATE BASE**		**0**	**287,348**
269				
270	RATE OF RETURN			5.84%
271				
272	**REVENUE REQUIREMENT**		**(517)**	**6,886**
273	(1) Lines have been hidden in order to provide summarized information.			

AVISTA UTILITIES
OREGON NATURAL GAS
RESTATED AMA TEST YEAR
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No. (1)	Description		12 ME 12.31.~~18~~ 20 AMA Test Year	Uncollectible Expense Adjustment	Memberships and Dues Adjustment
	Adjustment Number			3.00	3.01
	Workpaper Reference			G-UE	G-MD
	REVENUES				
8	SALES TO ULTIMATE CUSTOMERS		61,602	0	0
12	TRANSPORTATION REVENUES		3,197	0	0
21	OTHER OPERATING REVENUES		160	0	0
23	**TOTAL GAS REVENUES**		**64,959**	**0**	**0**
24					
25	**EXPENSES**				
30	TOTAL GAS PURCHASES		0	0	0
39	TOTAL OTHER GAS SUPPLY EXPENSE		673	0	0
41	**TOTAL PRODUCTION EXPENSES**		**673**	**0**	**0**
42					
47	TOTAL UG STORAGE OPER EXP		246	0	0
50	TOTAL UG STORAGE DEPRCIATION EXP		123	0	0
53	TOTAL UG STORAGE NON-FIT TAXES		47	0	0
57	**TOTAL UNDERGROUND STORAGE EXPENSES**		**416**	**0**	**0**
58					
81	DISTRIBUTION O&M EXPENSES		9,864	0	0
84	TOTAL DISTRIBUTION DEPRCIATION EXP		9,051	0	0
90	TOTAL DISTRIBUTION NON-FIT TAXES		6,305	0	0
94	**TOTAL DISTRIBUTION EXPENSES**		**25,220**	**0**	**0**
95					
103	**CUSTOMER ACCOUNTS OPERATING EXP**		**3,713**	**(89)**	**0**
109	**CUSTOMER SVC & INFO OPERATING EXP**		**745**	**0**	**0**
115	**SALES OPERATING EXPENSES**		**1**	**0**	**0**
116					
131	ADMIN & GENERAL OPERATING EXP		9,154	0	(22)
134	TOTAL A&G DEPRCIATION EXP		1,957	0	0
139	TOTAL A&G AMRT/NON-FIT TAXES		3,850	0	0
143	**TOTAL ADMIN & GENERAL EXPENSES**		**14,961**	**0**	**(22)**
144					
155	**TOTAL OTHER DEFERRALS AND AMORTIZATIONS**		**374**	**0**	**0**
156					
157	**TOTAL EXPENSES BEFORE FIT**		**46,260**	**(89)**	**(22)**
158					
159	**NET OPERATING INCOME (LOSS) BEFORE FIT/SIT**		**18,699**	**89**	**22**
160					
161	FEDERAL INCOME TAX--Normal Accrual	21.00%	772	17	4
162	DEBT INTEREST	2.600%	(59)	0	0
163	DEFERRED INCOME TAX		1,067	0	0
164	STATE INCOME TAXES	6.59%	144	6	1
165	**GAS NET OPERATING INCOME (LOSS)**		**16,774**	**66**	**16**
166					
167	**RATE BASE**				
168	**PLANT IN SERVICE**				
173	TOTAL INTANGIBLE PLANT		29,367	0	0
189	TOTAL UNDERGROUND STORAGE PLANT		7,223	0	0
195	TOTAL PRODUCTION PLANT		8	0	0
209	TOTAL DISTRIBUTION PLANT		419,967	0	0
223	TOTAL GAS GENERAL PLANT		37,955	0	0
225	**GROSS PLANT IN SERVICE**		**494,520**	**0**	**0**
226					
231	TOTAL ACCUMULATED DEPRECIATION		(131,750)	0	0
232					
237	TOTAL ACCUMULATED AMORTIZATION		(11,223)	0	0
239	**TOTAL ACCUMULATED DEPR/AMORT**		**(142,973)**	**0**	**0**
240					
241	NET GAS UTILITY PLANT before ADFIT		351,547	0	0
242					
249	**TOTAL ACCUMULATED DFIT**		**(74,434)**	**0**	**0**
250					
251	**NET GAS UTILITY PLANT**		**277,113**	**0**	**0**
252					
262	**TOTAL GAS INVENTORY**		**10,235**	**0**	**0**
263					
266	**TOTAL OTHER REGULATORY ASSETS**		**0**	**0**	**0**
267					
268	**NET RATE BASE**		**287,348**	**0**	**0**
269					
270	RATE OF RETURN		5.84%		
271					
272	**REVENUE REQUIREMENT**		**6,886**	**(92)**	**(23)**
273	(1) Lines have been hidden in order to provide summarized information.				

AVISTA UTILITIES
OREGON NATURAL GAS
RESTATED AMA TEST YEAR
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No. (1)	Description		Restated Salaries & Wages Adjustment	State Income Tax Adjustment	Restated 12 ME 12.31.~~18~~ 20AMA Test Year
	Adjustment Number		**3.02**	**3.03**	
	Workpaper Reference		**G-SW**	**G-SIT**	
	REVENUES				
8	SALES TO ULTIMATE CUSTOMERS		0	0	**61,602**
12	TRANSPORTATION REVENUES		0	0	**3,197**
21	OTHER OPERATING REVENUES		0	0	**160**
23	**TOTAL GAS REVENUES**		**0**	**0**	**64,959**
24					
25	**EXPENSES**				
30	TOTAL GAS PURCHASES		0	0	**0**
39	TOTAL OTHER GAS SUPPLY EXPENSE		0	0	**673**
41	**TOTAL PRODUCTION EXPENSES**		**0**	**0**	**673**
42					
47	TOTAL UG STORAGE OPER EXP		0	0	**246**
50	TOTAL UG STORAGE DEPRCIATION EXP		0	0	**123**
53	TOTAL UG STORAGE NON-FIT TAXES		0	0	**47**
57	**TOTAL UNDERGROUND STORAGE EXPENSES**		**0**	**0**	**416**
58					
81	DISTRIBUTION O&M EXPENSES		0	0	**9,864**
84	TOTAL DISTRIBUTION DEPRCIATION EXP		0	0	**9,051**
90	TOTAL DISTRIBUTION NON-FIT TAXES		0	0	**6,305**
94	**TOTAL DISTRIBUTION EXPENSES**		**0**	**0**	**25,220**
95					
103	**CUSTOMER ACCOUNTS OPERATING EXP**		**0**	**0**	**3,781**
109	**CUSTOMER SVC & INFO OPERATING EXP**		**0**	**0**	**745**
115	**SALES OPERATING EXPENSES**		**0**	**0**	**1**
116					
131	ADMIN & GENERAL OPERATING EXP		(124)	0	**9,008**
134	TOTAL A&G DEPRCIATION EXP		0	0	**1,957**
139	TOTAL A&G AMRT/NON-FIT TAXES		0	0	**3,850**
143	**TOTAL ADMIN & GENERAL EXPENSES**		**(124)**	**0**	**14,815**
144					
155	**TOTAL OTHER DEFERRALS AND AMORTIZATIONS**		**0**	**0**	**374**
156					
157	**TOTAL EXPENSES BEFORE FIT**		**(124)**	**0**	**46,025**
158					
159	**NET OPERATING INCOME (LOSS) BEFORE FIT/SIT**		**124**	**0**	**18,934**
160					
161	FEDERAL INCOME TAX--Normal Accrual	21.00%	24	0	**818**
162	DEBT INTEREST	2.600%	0	0	**(59)**
163	DEFERRED INCOME TAX		0	0	**1,067**
164	STATE INCOME TAXES	6.59%	8	25	**185**
165	**GAS NET OPERATING INCOME (LOSS)**		**91**	**(25)**	**16,923**
166					
167	**RATE BASE**				
168	**PLANT IN SERVICE**				
173	TOTAL INTANGIBLE PLANT		0	0	**29,367**
189	TOTAL UNDERGROUND STORAGE PLANT		0	0	**7,223**
195	TOTAL PRODUCTION PLANT		0	0	**8**
209	TOTAL DISTRIBUTION PLANT		0	0	**419,967**
223	TOTAL GAS GENERAL PLANT		(10)	0	**37,945**
225	**GROSS PLANT IN SERVICE**		**(10)**	**0**	**494,510**
226					
231	TOTAL ACCUMULATED DEPRECIATION		0	0	**(131,750)**
232					
237	TOTAL ACCUMULATED AMORTIZATION		0	0	**(11,223)**
239	**TOTAL ACCUMULATED DEPR/AMORT**		**0**	**0**	**(142,973)**
240					
241	NET GAS UTILITY PLANT before ADFIT		(10)	0	**351,537**
242					
249	**TOTAL ACCUMULATED DFIT**		**0**	**0**	**(74,434)**
250					
251	**NET GAS UTILITY PLANT**		**(10)**	**0**	**277,103**
252					
262	**TOTAL GAS INVENTORY**		**0**	**0**	**10,235**
263					
266	**TOTAL OTHER REGULATORY ASSETS**		**0**	**0**	**0**
267					
268	**NET RATE BASE**		**(10)**	**0**	**287,338**
269					
270	RATE OF RETURN				**5.89%**
271					
272	**REVENUE REQUIREMENT**		**(129)**	**35**	**6,677**
273	(1) Lines have been hidden in order to provide summarized information.				

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UG-366

JENNIFER S. SMITH
Exhibit No. 502

Revenue Requirement and Allocations

AVISTA UTILITIES
OREGON JURISDICTION
NATURAL GAS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No.		Acct. No.	Description	PRESENT RATES: Per Results of Operations Report	PRESENT RATES: Total Adjustments	PRESENT RATES: Restated 12 ME 12.31.~~18~~ 20 AMA Test Year	WITH PROPOSED RATES: Proposed Revenues & Related Exp	WITH PROPOSED RATES: Proposed Total (AMA)
	REVENUES			*a*	*b*	*c*	*d*	*e*
1			SALES OF GAS					
2		480000	Residential	58,213	(15,149)	43,064	6,677	49,741
3		481200	Commercial	30,018	(10,209)	19,809	0	19,809
4		481300	Industrial-Firm	307	(629)	(322)	0	(322)
5		481400	Interruptible	478	134	612	0	612
6		484000	Interdepartmental Sales	17	0	17	0	17
7		499000	Unbilled Revenue	(1,601)	23	(1,578)	0	(1,578)
8			SALES TO ULTIMATE CUSTOMERS	87,432	(25,830)	61,602	6,677	68,279
9								
10			TRANSPORTATION REVENUES					
11		489300	Transportation - Commercial/Industrial	3,463	(266)	3,197	0	3,197
12			TRANSPORTATION REVENUES	3,463	(266)	3,197	0	3,197
13								
14			OTHER OPERATING REVENUES:					
15		483XXX	Sales For Resale	57,112	(57,112)	0	0	0
16		488000	Miscellaneous Service Revenues	102	0	102	0	102
17		493000	Other Gas Revenue - Gas Property Rent	0	0	0	0	0
18		495XXX	Other Gas Revenues	438	(380)	58	0	58
19		496100	Provision for Rate Refund	0	0	0	0	0
20		496110	Provision for Rate Refund-Tax Reform	(3,304)	3,304	0	0	0
21			OTHER OPERATING REVENUES	54,348	(54,188)	160	0	160
22								
23	**TOTAL GAS REVENUES**			**145,243**	**(80,284)**	**64,959**	**6,677**	**71,636**
24								
25	EXPENSES							
26			PRODUCTION EXPENSES:					
27								
28			GAS PURCHASES					
29	OR-804	804XXX	Gas Purchases	81,791	(81,791)	0	0	0
30			TOTAL GAS PURCHASES	81,791	(81,791)	0	0	0
31								
32			OTHE GAS SUPPLY EXPENSE					
33	OR-805	805XXX	Other Gas Purchases	(815)	815	0	0	0
34		807000	Purchased Gas Expenses	0	0	0	0	0
35	OR-808	808XXX	Natural Gas Storage Transactions	67	(67)	0	0	0
36		811000	Gas Used for Products Extraction	(446)	446	0	0	0
37		813000	Other Gas Expenses	593	27	620	0	620
38		813010	Gas Technology Institute (GTI) Expenses	46	7	53	0	53
39			TOTAL OTHER GAS SUPPLY EXPENSE	(555)	1,228	673	0	673
40								
41			TOTAL PRODUCTION EXPENSES	81,236	(80,563)	673	0	673
42								
43			UNDERGROUND STORAGE EXPENSES					
44		814000	Supervision & Engineering	0	0	0	0	0
45		824000	Other Expenses	85	4	89	0	89
46		837000	Other Equipment	150	7	157	0	157
47			TOTAL UG STORAGE OPER EXP	235	11	246	0	246
48								
49	OR-DEPX		Depreciation Expense-Underground Storage	151	(28)	123	0	123
50			TOTAL UG STORAGE DEPRCIATION EXP	151	(28)	123	0	123
51								
52	OR-OTX		Taxes Other Than FIT-Underground Storage	47	0	47	0	47
53			TOTAL UG STORAGE NON-FIT TAXES	47	0	47	0	47
54								
55			TOTAL UG STORAGE DEPR/AMRT/NON-FIT TAXES	198	(28)	170	0	170
56								
57			TOTAL UNDERGROUND STORAGE EXPENSES	433	(17)	416	0	416

AVISTA UTILITIES
OREGON JURISDICTION
NATURAL GAS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

				PRESENT RATES			WITH PROPOSED RATES	
Line No.		Acct. No.	Description	Per Results of Operations Report	Total Adjustments	Restated 12 ME 12.31.~~18~~ 20 AMA Test Year	Proposed Revenues & Related Exp	Proposed Total (AMA)
58								
59			DISTRIBUTION EXPENSES:					
60			OPERATION					
61		870000	Supervision & Engineering	869	430	1,299	0	1,299
62		871000	Distribution Load Dispatching	0	0	0	0	0
63		874000	Mains & Services Expenses	2,087	25	2,112	0	2,112
64		875000	Measuring & Reg Sta Exp-General	93	2	95	0	95
65		876000	Measuring & Reg Sta Exp-Industrial	8	0	8	0	8
66		877000	Measuring & Reg Sta Exp-City Gate	14	1	15	0	15
67		878000	Meter & House Regulator Expenses	210	9	219	0	219
68		879000	Customer Installation Expenses	1,106	10	1,116	0	1,116
69		880000	Other Expenses	1,275	20	1,295	0	1,295
70		881000	Rents	21	0	21	0	21
71								
72			MAINTENANCE					
73		885000	Supervision & Engineering	100	2	102	0	102
74		887000	Mains	1,616	54	1,670	0	1,670
75		889000	Measuring & Reg Sta Exp-General	367	6	373	0	373
76		890000	Measuring & Reg Sta Exp-Industrial	22	1	23	0	23
77		891000	Measuring & Reg Sta Exp-City Gate	12	0	12	0	12
78		892000	Services	504	15	519	0	519
79		893000	Meters & House Regulators	510	10	520	0	520
80		894000	Other Equipment	451	14	465	0	465
81			DISTRIBUTION O&M EXPENSES	9,265	599	9,864	0	9,864
82								
83	OR-DEPX		Depreciation Expense-Distribution	7,695	1,356	9,051	0	9,051
84			TOTAL DISTRIBUTION DEPRCIATION EXP	7,695	1,356	9,051	0	9,051
85								
86	OR-OTX	408120	Municipal Occupation & License Tax	1,598	(1,598)	0	0	0
87	OR-OTX	408120	Franchise Fees - Conversion Factor	2,022	(504)	1,518	156	1,674
88	OR-OTX	408170	R&P Property Tax	4,045	698	4,743	0	4,743
89	OR-OTX	409100	State Income Tax	0	44	44	0	44
90			TOTAL DISTRIBUTION NON-FIT TAXES	7,665	(1,360)	6,305	156	6,461
91								
92			TOTAL DISTR DEPR/AMRT/NON-FIT TAXES	15,360	(4)	15,356	156	15,512
93								
94			TOTAL DISTRIBUTION EXPENSES	24,625	595	25,220	156	25,376
95								
96			CUSTOMER ACCOUNTS EXPENSES					
97		901000	Supervision	49	204	253	0	253
98		902000	Meter Reading Expenses	224	2	226	0	226
99	OR-903	903XXX	Customer Records & Collection Expenses	2,805	22	2,827	0	2,827
100		904000	Uncollectible Accounts	203	(60)	143	0	143
101			Uncollectible Accounts - Conversion Factor	341	(90)	251	26	277
102		905000	Misc Customer Accounts	80	1	81	0	81
103			CUSTOMER ACCOUNTS OPERATING EXP	3,702	79	3,781	26	3,807
104								
105			CUSTOMER SERVICE & INFO EXPENSES:					
106	OR-908	908XXX	Customer Assistance Expenses	2,038	(1,743)	295	0	295
107		909000	Advertising	345	9	354	0	354
108		910000	Misc Customer Service & Info Exp	99	(3)	96	0	96
109			CUSTOMER SVC & INFO OPERATING EXP	2,482	(1,737)	745	0	745
110								
111			SALES EXPENSES:					
112		912000	Demonstrating & Selling Expenses	0	0	0	0	0
113		913000	Advertising	1	0	1	0	1
114		916000	Miscellaneous Sales Expenses	0	0	0	0	0
115			SALES OPERATING EXPENSES	1	0	1	0	1

Errata 5-15-2019

AVISTA UTILITIES
OREGON JURISDICTION
NATURAL GAS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No.		Acct. No.	Description		**PRESENT RATES** Per Results of Operations Report	Total Adjustments	Restated 12 ME 12.31.~~18~~ 20 AMA Test Year	**WITH PROPOSED RATES** Proposed Revenues & Related Exp	Proposed Total (AMA)
116									
117			ADMINISTRATIVE & GENERAL EXPENSES						
118		920000	Salaries		4,304	(367)	3,937	0	3,937
119		921000	Office Supplies & Expenses		630	(3)	627	0	627
120		922000	A&G Expenses Transferred		0	0	0	0	0
121		923000	Outside Services Employed		1,149	(3)	1,146	0	1,146
122		924000	Property Insurance Premium		140	0	140	0	140
123		925XXX	Injuries and Damages		437	2	439	0	439
124		926XXX	Employee Pensions and Benefits		228	(271)	(43)	0	(43)
125		928000	Regulatory Commission Expenses		327	(6)	321	0	321
126		928000	Regulatory Commission Fee Expenses		45	210	255	0	255
127			Commission Fees - Conversion Factor		561	(274)	287	29	316
128		930000	Miscellaneous General Expenses		504	(12)	492	0	492
129		931000	Rents		27	0	27	0	27
130		935000	Maintenance of General Plant		1,434	(54)	1,380	0	1,380
131			ADMIN & GENERAL OPERATING EXP		9,786	(778)	9,008	29	9,037
132									
133	OR-DEPX		Depreciation Expense-General		2,311	(354)	1,957	0	1,957
134			TOTAL A&G DEPRCIATION EXP		2,311	(354)	1,957	0	1,957
135									
136	OR-AMTX		Amortization Expense-General Plant-303000		67	(113)	(46)	0	(46)
137	OR-AMTX		Amortization Expense-Misc IT Intangible Plant-3031XX		2,542	1,354	3,896	0	3,896
138	OR-AMTX		Amortization Expense-General Plant-390200, 396200		0	0	0	0	0
139			TOTAL A&G AMRT/NON-FIT TAXES		2,609	1,241	3,850	0	3,850
140									
141			TOTAL A&G DEPR/AMRT/NON-FIT TAXES		4,920	887	5,807	0	5,807
142									
143			TOTAL ADMIN & GENERAL EXPENSES		14,706	109	14,815	29	14,844
144									
145			OTHER DEFERRALS AND AMORTIZATIONS						
146		407330	Senate Bill 408		0	0	0	0	0
147		407408	Senate Bill Unbilled Add-Ons Amortization		0	0	0	0	0
148		407431	Senate Bill 408 Amortization		0	0	0	0	0
149		407311	Reg Debit - AFUDC Amortization		2	1	3	0	3
150		407319	AFUDC Equity DFIT Deferral		158	(36)	122	0	122
151	99	407321	Reg Amort Roseburg/Medford Deferral		0	0	0	0	0
152	99	407336	Reg Debit-Deferral-MDM Depreciation		249	0	249	0	249
153	99	407414	Reg Credit-Deferral-FISERVE		0	0	0	0	0
154	99	407421	Reg Credit Roseburg/Medford Deferral		0	0	0	0	0
155			TOTAL OTHER DEFERRALS AND AMORTIZATIONS		409	(35)	374	0	374
156									
157	**TOTAL EXPENSES BEFORE FIT**				**127,594**	**(81,569)**	**46,025**	**211**	**46,236**
158									
159			NET OPERATING INCOME (LOSS) BEFORE FIT		17,649	1,285	18,934	6,466	25,400
160									
161			FEDERAL INCOME TAX--Normal Accrual	21.00%	566	252	818	1,268	2,086
162			DEBT INTEREST	2.600%	0	(59)	(59)	0	(59)
163			DEFERRED INCOME TAX		1,067	0	1,067	0	1,067
164			STATE INCOME TAXES	6.59%	75	110	185	426	611
165			GAS NET OPERATING INCOME (LOSS)		15,941	982	16,923	4,772	21,694

AVISTA UTILITIES
OREGON JURISDICTION
NATURAL GAS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

			PRESENT RATES			WITH PROPOSED RATES	
Line No.	Acct. No.	Description	Per Results of Operations Report	Total Adjustments	Restated 12 ME 12.31.~~18~~ 20 AMA Test Year	Proposed Revenues & Related Exp	Proposed Total (AMA)
167	RATE BASE						
168	PLANT IN SERVICE						
169		INTANGIBLE PLANT					
170	303000	Misc Intangible Plant (303000)	1,303	0	1,303	0	1,303
171	3031XX	Misc Intangible IT Plant (3031XX)	20,809	0	20,809	0	20,809
172		Misc Intangible Plant Proforma	0	7,255	7,255	0	7,255
173		TOTAL INTANGIBLE PLANT	22,112	7,255	29,367	0	29,367
174							
175		UNDERGROUND STORAGE PLANT					
176	350100	Land in Fee	87	0	87	0	87
177	351100	S & I - Wells	0	0	0	0	0
178	351200	S & I - Compress Station	0	0	0	0	0
179	351300	S & I - Meas/Regulating Station	0	0	0	0	0
180	351400	S & I - Office	144	0	144	0	144
181	352000	Wells	2,935	0	2,935	0	2,935
182	352100	Wells - Leases	0	0	0	0	0
183	353000	Lines	62	0	62	0	62
184	354000	Compressor Stn Equipment	2,991	0	2,991	0	2,991
185	355000	Meas & Regulating Equipment	127	0	127	0	127
186	356000	Purification Equipment	0	0	0	0	0
187	357000	Other Equipment	133	0	133	0	133
188		Underground Storage Plant Proforma	0	744	744	0	744
189		TOTAL UNDERGROUND STORAGE PLANT	6,479	744	7,223	0	7,223
190							
191		PRODUCTION PLANT:					
192	304000	Land & Land Rights	8	0	8	0	8
193	311XXX	LPG Equipment	0	0	0	0	0
194		Production Plant Proforma	0	0	0	0	0
195		TOTAL PRODUCTION PLANT	8	0	8	0	8
196							
197		DISTRIBUTION PLANT					
198	374200	Land & Land Rights	218	0	218	0	218
199	374400	Land Easements	411	0	411	0	411
200	375000	Structures & Improvements	431	0	431	0	431
201	376000	Mains	221,604	0	221,604	0	221,604
202	378000	Measuring & Reg Station Equip-General	5,747	0	5,747	0	5,747
203	379000	Measuring & Reg Station Equip-City Gate	2,222	0	2,222	0	2,222
204	380000	Services	101,491	0	101,491	0	101,491
205	381000	Meters	45,416	0	45,416	0	45,416
206	385000	Industrial Measuring & Reg Sta Equip	1,786	0	1,786	0	1,786
207	387000	Other Equipment	1	0	1	0	1
208		Distribution Plant Proforma	0	40,640	40,640	0	40,640
209		TOTAL DISTRIBUTION PLANT	379,327	40,640	419,967	0	419,967
210							
211		GAS GENERAL PLANT: (From C-GPL)					
212	389XXX	Land & Land Rights	1,774	0	1,774	0	1,774
213	390XXX	Structures & Improvements	13,540	0	13,540	0	13,540
214	391XXX	Office Furniture & Equipment	7,017	0	7,017	0	7,017
215	392XXX	Transportation Equipment	4,339	0	4,339	0	4,339
216	393000	Stores Equipment	26	0	26	0	26
217	394000	Tools, Shop & Garage Equipment	3,514	0	3,514	0	3,514
218	395000	Laboratory Equipment	206	0	206	0	206
219	396XXX	Power Operated Equipment	93	0	93	0	93
220	397XXX	Communications Equipment	6,574	0	6,574	0	6,574
221	398000	Miscellaneous Equipment	45	0	45	0	45
222		General Plant Proforma	0	817	817	0	817
223		TOTAL GAS GENERAL PLANT	37,128	817	37,945	0	37,945
225	GROSS PLANT IN SERVICE		445,054	49,456	494,510	0	494,510

AVISTA UTILITIES
OREGON JURISDICTION
NATURAL GAS
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020

Line No.	Acct. No.	Description	PRESENT RATES: Per Results of Operations Report	PRESENT RATES: Total Adjustments	PRESENT RATES: Restated 12 ME 12.31.~~18~~ 20 AMA Test Year	WITH PROPOSED RATES: Proposed Revenues & Related Exp	WITH PROPOSED RATES: Proposed Total (AMA)
226							
227		ACCUMULATED DEPRECIATION					
228	OR-ADEP	Underground Storage	(1,087)	(203)	(1,290)	0	(1,290)
229	OR-ADEP	Distribution Plant	(109,297)	(10,558)	(119,855)	0	(119,855)
230	OR-ADEP	General Plant	(11,232)	627	(10,605)	0	(10,605)
231		TOTAL ACCUMULATED DEPRECIATION	(121,616)	(10,134)	(131,750)	0	(131,750)
232							
233		ACCUMULATED AMORTIZATION					
234	OR-AAMT	General Plant - 303000	(355)	0	(355)	0	(355)
235	OR-AAMT	Misc IT Intangible IT Plant - 3031XX	(5,643)	(5,225)	(10,868)	0	(10,868)
236	OR-AAMT	General Plant - 390200, 396200	0	0	0	0	0
237		TOTAL ACCUMULATED AMORTIZATION	(5,998)	(5,225)	(11,223)	0	(11,223)
238							
239		TOTAL ACCUMULATED DEPR/AMORT	(127,614)	(15,359)	(142,973)	0	(142,973)
240							
241		NET GAS UTILITY PLANT before DFIT	317,440	34,097	351,537	0	351,537
242							
243		ACCUMULATED DFIT					
244	282900	ADFIT - Gas Plant in Service	(63,461)	(1,497)	(64,958)	0	(64,958)
245	282900	ADFIT - Common Plant (2829 from C-DTX)	(8,121)	(1,136)	(9,257)	0	(9,257)
246	282919	ADFIT - Plant AFUDC Equity (282919 from C-DTX)	(4)	0	(4)	0	(4)
247	282919	ADFIT - Common Plant (28375 from C-DTX)	(22)	0	(22)	0	(22)
248	283850	ADFIT - Bond Redemptions	(193)	0	(193)	0	(193)
249		TOTAL ACCUMULATED DFIT	(71,801)	(2,633)	(74,434)	0	(74,434)
250							
251		NET GAS UTILITY PLANT	245,639	31,464	277,103	0	277,103
252							
253							
254		GAS INVENTORY					
255	117100	Gas Stored - Recoverable Base Gas	1,261	0	1,261	0	1,261
256	164100	Gas Inventory - Jackson Prairie	701	0	701	0	701
257	164105	Gas Inventory - Jackson Prairie Expansion	80	0	80	0	80
258	164110	Gas Inventory - Mist	0	0	0	0	0
259	182311	Regulatory Asset - AFUDC	1	0	1	0	1
260	182318	Accumulated Amortization 0 AFUDC	0	0	0	0	0
261	254911	Rate Base-Regulatory Liability-Nonplant Excess	(504)	0	(504)	0	(504)
262		Working Capital	3,397	5,299	8,696	0	8,696
263		TOTAL GAS INVENTORY	4,936	5,299	10,235	0	10,235
264							
265		OTHER REGULATORY ASSETS					
266		Prepaid Pension, Net of ADFIT	0	0	0	0	0
267		TOTAL OTHER REGULATORY ASSETS	0	0	0	0	0
268							
269		NET RATE BASE	250,575	36,763	287,338	0	287,338
270							
271		RATE OF RETURN	6.36%		5.89%		7.55%
272							