**BEFORE THE**

**PUBLIC UTILITY COMMISSION OF OREGON**

**UG 433**

| | |
|---|---|
| In the Matter of | ) |
| | ) |
| AVISTA CORPORATION | ) |
| | ) |
| Request for a General Rate Revision. | ) |
| | ) |

**OPENING TESTIMONY OF**

**BRADLEY G. MULLINS**

**ON BEHALF OF**

**ALLIANCE OF WESTERN ENERGY CONSUMERS**

**March 3, 2022**

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## EXHIBIT LIST

# I. INTRODUCTION AND SUMMARY

**Q. PLEASE STATE YOUR NAME AND OCCUPATION.**

A. My name is Bradley G. Mullins. I am a Consultant for MW Analytics, an independent consulting firm representing utility customers before state public utility commissions in the Northwest and Intermountain West. My witness qualification statement can be found in Exhibit AWEC/101.

**Q. PLEASE IDENTIFY THE PARTY ON WHOSE BEHALF YOU ARE TESTIFYING.**

A. I am testifying on behalf of the Alliance of Western Energy Consumers ("AWEC"). AWEC is a non-profit trade association whose members are large energy users in the Western United States, including customers receiving gas sales and transportation services from Avista Corporation *dba* Avista Utilities ("Avista").

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. I discuss my initial review of Avista's proposed $3,774,000 revenue requirement increase, which if approved, would result in a 5.0% margin rate increase. In my testimony, I discuss my proposed adjustments to Avista's filed case. I also discuss and respond to Avista's proposed rate spread, as well as the sur-credits associated with the 2020 Tax Accounting Method Changes identified in Docket No. UM 2124.

**Q. WHAT WAS THE SCOPE OF YOUR REVIEW?**

A. I reviewed Avista's filed testimony, workpapers and revenue requirement, and rate design models. I submitted multiple rounds of data requests and reviewed Avista's responses to those requests. I also reviewed Avista's response to data requests submitted by Staff and CUB.

**Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

A. Based on my initial review, I recommend a base margin revenue requirement reduction of $3,253,532, or (-)4.3%, prior to the application of the tax accounting method change sur-credits. This revenue requirement recommendation is detailed in Exhibit AWEC/102 and is summarized in Table 1, below.

**Table 1**
Revenue Requirement Recommendation
($000) [update]

| | | |
|---|---|---|
| **Initial Filing** | **3,774** | **5.02%** |
| **Adjustments:** | | |
| Cost of Capital Settlement | (1,191) | |
| Tax Accounting Flow Through | (1,380) | |
| Rate Period Capital Additions | (397) | |
| Accumulated Depreciation | (805) | |
| Acct. 908 LIRAP & DSM Escalation | (219) | |
| Acct. 928 Escalation | (11) | |
| Ashland Outage | (48) | |
| Acct. 903 Fiserv/Postage Escalation | (36) | |
| 2021 Non-Labor O&M Esclation Rate | (1,790) | |
| 2020 Actual CAT | (31) | |
| 2020 CAT Deferral Amortization | (643) | |
| 2022 CAT | (26) | |
| Non-Oregon Expenses | (528) | |
| Interest Syncronization | 78 | |
| Total Adjustments | (7,027) | |
| **Adjusted Base Revenue Reduction** | **(3,253)** | **-4.33%** |
| Tax Accounting Method Change Amort. | (4,644) | |
| **Rate Impact After Sur-credit** | **(7,897)** | **-10.50%** |

As detailed above, I also recommend that the deferred Tax Accounting Method Change sur-credits be amortized over a five-year period through a supplemental rate schedule. After considering the Tax Accounting Method Change sur-credits, my recommendation results in an overall (-)10.50% margin rate reduction.

Finally, I recommend that base rates be designed in a manner considering Avista's Long-Run Incremental Cost ("LRIC") study and that the Tax Accounting Method Change sur-credit be allocated consistent with the underling plant, with a greater portion of the meter-related benefits attributed to residential and small commercial customers.

## II. REVENUE REQUIREMENT

### a. Cost of Capital Stipulation

**Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THE JANUARY 19, 2022 COST OF CAPITAL STIPULATION?**

A. In the January 19, 2022 cost of capital stipulation, parties agreed to use a 9.40% return on equity and a 4.70% cost of debt, resulting in an overall rate of return of 7.05%. Relative to the 7.35% rate of return Avista proposed in its initial filing, the agreed-upon rate of return results in a $1,191,300 reduction to revenue requirement, including impacts of the tax benefit of interest.

### b. Tax Accounting Method Change: Test Period Flow-Through

**Q. PLEASE PROVIDE AN OVERVIEW OF THE TAX ACCOUNTING CHANGE.**

A. In October 2020, Avista filed two Forms 3115 with its 2019 federal tax return. Through these forms, Avista changed its tax accounting method for deducting certain capitalized overhead expenditures—called Industry Director Directive No. 5 (IDD #5) expenditures—and the method for deducting meter expenditures. Prior to the change in accounting method, these expenditures were capitalized for tax purposes and depreciated using the Modified Accelerated Cost Recovery System ("MACRS"). After the change, Avista has transitioned to expensing and deducting the expenditures in the period when the expenditures are made. As a result of the change in accounting method, a large sum—approximately $395,241,899—of previously capitalized IDD#5 and meter expenditures also became immediately deductible, resulting in a large up-front deduction and tax benefit.

**Q. WHAT REGULATORY ACCOUNTING HAS BEEN APPROVED FOR THE CHANGE IN TAX ACCOUNTING METHOD?**

A. Contemporaneous with implementing the change in tax accounting method, Avista filed for an accounting order and deferral request. In Docket No. UM 2124, the Commission approved transitioning to flow-through accounting, rather than normalization accounting, for the tax expense associated with the IDD#5 and meters expenditures. Specifically, Avista requested that the Commission "authoriz[e] Avista to change its accounting for federal income tax expense from a normalization method to a flow-through method."[1] The IRS normalization requirements only apply to property being depreciated under IRC § 168(k). Accordingly, since the IDD#5 and meters expenditures are no longer being depreciated through MACRS under IRC § 168(k), the IRS normalization requirements no longer apply to these expenditures. This means that, for regulatory purposes, it is possible to use flow-through accounting, where the entire tax deduction for the expenditures is considered as an offset to current taxes, with no associated deferred taxes.

1 *In re Application for Authorization to Approve Federal Income Tax Expense for Certain Plant Basis Adjustments Changes and to Defer Associated Change in Tax Expense*, Docket No. UM 2124, Application at 1:16-17.

**Q. DID AVISTA ALSO SEEK TO DEFER THE FLOW IMPACTS, INCLUDING THE UP-FRONT DEDUCTION RECOGNIZED ON ITS 2019 TAX RETURN?**

A. Yes. In addition to transitioning to flow-through accounting, Avista also requested that the Commission defer the impacts of the change in tax accounting method, including the impacts of transitioning to flow-through accounting. This deferral also included the benefit of the large up-front deduction associated with expensing the balance of previously capitalized IDD#5 and meters expenditures. The impacts of the change in tax accounting method were not considered in Avista's prior rate case, Docket No. UE 389. Thus, deferral of the benefits associated with the change was necessary.

**Q. HAS AVISTA CONSIDERED THE FLOW-THROUGH BENEFITS FROM THE TAX ACCOUNTING CHANGE IN THIS DOCKET?**

A. No. While Avista has proposed to consider the deferral in this docket, Avista has not considered the test period flow-through impacts associated with the new tax accounting method in its calculation of tax expense. Avista confirmed this in response to AWEC Data Request 39,[2] stating "the tax credit benefit is not reflected in the Company's requested revenue requirement."

**Q. WHAT IS THE AMOUNT OF BENEFIT EXPECTED IN THE TEST PERIOD?**

A. In response to AWEC Data Request 38, Avista calculated that the annual flow-through benefits associated with the new tax accounting method would be $1,341,543 in 2022.[3]

2 Responses to data requests cited in this testimony may be found in Exhibit AWEC/103.
3 AWEC/103.

**Q. WHY HAS AVISTA NOT CONSIDERED THESE BENEFITS IN REVENUE REQUIREMENT?**

A. In response to AWEC Data Request 39, Avista stated that it excluded the test period benefits because they "are being deferred for return to customers."[4]

**Q. DO YOU AGREE?**

A. No. The purpose of the deferral was to capture the benefits of moving to flow-through accounting prior to Avista filing a general rate case. Now that Avista has filed a rate case, it would be unreasonable not to transition to flow-through accounting because the Commission approved the use of flow-through accounting in Docket No. UM 2124. Perpetually deferring the impact of using flow-through accounting would defeat the purpose of using flow-through accounting in the first place. Therefore, AWEC recommends that flow-through accounting for IDD#5 and meters be applied in this docket.

**Q. WHAT IS THE IMPACT OF USING FLOW-THROUGH ACCOUNTING FOR IDD#5 AND METERS EXPENDITURES IN THIS DOCKET?**

A. After considering revenue-sensitive costs, the revenue requirement impact of using flow-through accounting for IDD#5 and meters is a reduction of $1,380,309.

**c. <u>Tax Accounting Method Change: Deferral Amortization</u>**

**Q. WHAT IS THE EXPECTED DEFERRAL BALANCE AS OF THE RATE EFFECTIVE DATE IN THIS PROCEEDING?**

A. At Avista/600, Andrews/12, Avista provided a table that detailed the expected deferral balance for the tax accounting method change as of December 31, 2021. Based on that table, Avista calculated a balance of $21,851,125. That balance, however, did not consider true-ups that have occurred for the 2020 and 2021 deferrals. It also did not consider the incremental

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4 *Id.*

deferrals expected over the period January 1, 2022 through September 1, 2022. In response to AWEC Data Request 46, Avista identified the impact of the true-ups of the 2020 and 2021 deferrals.[5] Further, in response to AWEC Data Request 38, Avista calculated the expected deferrals over the period January 1, 2022 through September 1, 2022.[6] Based on those responses, the expected deferral balance of the tax accounting method change is $23,220,858 as of September 1, 2022, shown in Table 2, below.

**Table 2**
Tax Accounting Change Deferral Balance
As of September 1, 2022 (Whole Dollars)

| | Source | ADFIT | Grossed-up |
|---|---|---|---|
| 12/31/2019 Balance | AWEC DR 46 | (15,443,480) | (19,548,709) |
| 2020 Additions | \| | (1,334,608) | (1,689,377) |
| 12/31/2020 Balance | \| | (16,778,088) | (21,238,086) |
| 2021 Additions | \| | (859,844) | (1,088,410) |
| 12/31/2021 Balance | \ | (17,637,932) | (22,326,496) |
| 01/2022-08/2022 Additions | AWEC DR 38 | (706,546) | (894,362) |
| 9/1/2022 Balance | | (18,344,478) | (23,220,858) |

Thus, the impact of the deferral is significant, representing approximately 30.9% of Avista's annual revenue requirement.

**Q. HOW HAS AVISTA PROPOSED HANDLING THESE DEFERRAL BALANCES?**

A. Avista has proposed to amortize the deferral through a separate rate schedule, rather than through margin revenue requirement. Avista proposed amortizing the balance in an amount that directly offsets the rate increase in this proceeding. Specifically, Avista has proposed amortizing $3,019,000 over a two-year period, with the remaining balance after the end of the two-year period amortized over a ten-year period.[7]

5 *Id.*
6 *Id.*
7 Avista/600, Andrews/15:5-10.

**Q. DO YOU AGREE WITH AVISTA'S PROPOSAL?**

A. AWEC supports amortizing the balance through a separate schedule, as doing so will allow the Commission to design rates that better reflect the allocation of the underlying plant. Notwithstanding, AWEC does not support the phased amortization period that Avista has requested. By setting a higher level of amortization that declines after two years, ratepayers are guaranteed a rate increase at the end of the two-year period, which is not consistent with the regulatory principle of rate stability. Rather, AWEC recommends that the Commission establish a fixed amortization amount to provide ratepayers with a stable benefit over an extended period of time.

**Q. WHAT AMORTIZATION PERIOD DOES AWEC PROPOSE?**

A. AWEC recommends a five-year amortization period. If the desire was to continue to use normalization accounting, ratepayers would have been better off not transitioning to flow-through accounting in the first place. A five-year period will provide a stable benefit to ratepayers and will ensure that ratepayers receive the benefits of the tax accounting method change in a timely manner.

**Q. WHAT IS THE IMPACT OF THIS RECOMMENDATION?**

A. The impact of AWEC's recommendation is a $4,644,172 reduction to annual revenues. While this amount would be recovered through a supplemental schedule, it is detailed as an offset to the base revenue requirement in Table 1 of the introduction section to this testimony. My recommended class allocation associated with this amount will be discussed further in the rate spread section below.

**d. Rate Period Capital Additions**

**Q. WHAT RATE BASE VALUATION PERIOD HAS AVISTA PROPOSED?**

A Avista has proposed a rate base valuation period based on an average over the 12-months ending August 2023. Avista performs this calculation by starting with actual End of Period (EOP) plant balances as of December 31, 2020. Avista then adds forecasted pro forma capital additions over the period January 1, 2021 through August 31, 2022. With these capital additions, Avista calculates EOP plant balances as of August 31, 2022, corresponding to the proposed rate effective date. Avista then adds additional forecast capital additions over the rate period, September 1, 2022 through August 31, 2023, although Avista claims that these additions are limited to new revenue additions.

**Q. DOES AWEC SUPPORT INCLUDING NEW REVENUE CAPITAL ADDITIONS IN THE RATE PERIOD?**

A. No. AWEC recommends that the rate period capital additions be removed from revenue requirement. Under ORS 757.355 only plant found to be used and useful may be considered in Oregon rates. Since the rate period plant balances will not be in service as of the rate effective date, they will not be used and useful as of the rate effective date. Accordingly, the rate period plant balances are not appropriate to consider in revenue requirement in this case.

**Q. WHAT IS THE IMPACT OF THIS RECOMMENDATION?**

A. Avista’s capital forecast includes $3,413,000 of rate period plant additions, along with $81,000 of associated depreciation expenses. Removing these amounts results in a $397,000 reduction to revenue requirement.

**e. <u>End-of-Period Depreciation Expense</u>**

**Q. HOW DOES AVISTA CALCULATE DEPRECIATION EXPENSES IN CONJUNCTION WITH ITS PRO FORMA CAPITAL?**

A. When Avista forecasts the end of period plant balances as of the August 31, 2022 rate effective date, it also calculates a forward looking depreciation expense based on those plant balances. The depreciation expense is calculated for the EOP plant balances over the 12-months ending August 2023. In total Avista calculates incremental depreciation expenses of $2,711,697, resulting in a total depreciation expense of $17,541,000 over the 12-months ending August 31, 2023.

**Q. DOES AVISTA ALSO CONSIDER THE INCREMENTAL PLANT RESERVES THAT WILL ACCRUE OVER THE 12-MONTHS ENDING AUGUST 2023?**

A. No. While Avista considers the incremental depreciation expenses over the period August 31, 2023, it does not consider the impacts associated with incremental accumulated depreciation over that period. Notwithstanding, if a forward-looking depreciation expense is to be used with respect to the EOP balances, the associated impacts of that expense on depreciation reserves must also be considered. Regardless of when the gross plant balances in rate base are considered, establishing revenue requirement still requires the use of a test period. Using plant in service at a particular point in time through an EOP calculation does not eliminate the concept of a test period, nor the need to recognize the impact of depreciation assumed in the test period on the service value of the EOP plant over the course of the test period.

**Q. WHAT DO YOU RECOMMEND?**

A. I recommend incorporating incremental reserves into revenue requirement equal to one half of the annual depreciation expense. This results in an $8,770,000 reduction to rate base or an $805,000 reduction to revenue requirement.

**f. Updated Plant Balances**

**Q. HAS AVISTA FINALIZED ITS 2021 RESULTS OF OPERATIONS?**

A. Yes. Avista finalized its 2021 results of operations shortly before the due date of this testimony. AWEC has not had an opportunity to fully review the 2021 results of operations but recommends that the 2021 capital forecast included in the rate case be trued up to the 2021 actual plant balances and depreciation expenses included in Avista's results of operations. AWEC will supplement this recommendation, as necessary, in Rebuttal Testimony.

**g. O&M Expense: LIRAP and DSM Escalation**

**Q. DID YOU IDENTIFY ANY ERRORS IN AVISTA'S O&M EXPENSE CALCULATION?**

A. Yes. FERC Account 908, Sub-account 600, consists of rebates and expenditure related to Avista's Low Income Rate Assistance Program ("LIRAP") and Demand Side Management ("DSM") program. These expenditures are recovered through a supplemental rate schedule, and not included in base revenue requirement. Avista removes the LIRAP and DSM expenditures from operating results through Adjustment 1.03. Notwithstanding, in Adjustment 2.0 (Test Year Expense Adjustment) Avista included inflationary escalation associated with the LIRAP and DSM expenditures in revenue requirement. Since they are not included in revenue requirement, including escalation related to them was an error.

**Q. DID AVISTA AGREE THAT THE LIRAP AND DSM ESCALATION WAS AN ERROR?**

A. Yes. In response to AWEC Data Request 15, Avista agreed that escalating the LIRAP and DSM expenditures in FERC Account 908 was an error.[8]

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[8] AWEC/103.

**Q. WHAT IS THE IMPACT OF REMOVING THE LOW INCOME AND DSM ESCALATION FROM THE TEST YEAR EXPENSE ADJUSTMENT?**

A. Removing the low income and DSM escalation produces a $213,121 reduction to operating expenses, and a corresponding $219,279 reduction to revenue requirement.

**h. <u>O&M Expense: Account 928 Escalation</u>**

**Q. WHAT AMOUNTS ARE INCLUDED IN FERC ACCOUNT 928?**

A. FERC Account 928 includes regulatory commission expenses, such as the filing and registration fees with the FERC and state commissions.

**Q. DOES AVISTA APPLY INFLATIONARY ESCALATION TO FERC ACCOUNT 928?**

A. Yes. Applying escalation to FERC Account 928, however, is not appropriate because the filing and registration fees paid to the FERC and the state commissions do not necessarily change in relation to inflation.

**Q. WHAT IS THE IMPACT OF REMOVING ESCALATION FROM FERC ACCOUNT 928?**

A. Removing escalation from FERC Account 928 results in a $10,215 reduction to operating expense and a corresponding $10,510 reduction to revenue requirement.

**i. <u>O&M Expense: Ashland Outage</u>**

**Q. WHAT COSTS RELATED TO THE ASHLAND OUTAGE WERE INCLUDED IN REVENUE REQUIREMENT?**

A. Avista included $43,617 of expense related to an Ashland outage.

**Q. DID YOU ASK AVISTA TO DESCRIBE THE ASHLAND OUTAGE?**

A. Yes. In AWEC Data Request 23, Avista was requested to describe the outage. Avista, however, did not provide any description of the outage in the response. Avista did, however, indicate that including the above referenced costs in revenue requirement was an error.[9]

**Q. WHAT IS THE IMPACT OF REMOVING THE ASHLAND OUTAGE FROM REVENUE REQUIREMENT?**

A. After considering the escalation applied to the amounts, as well as revenue sensitive costs, the impact of removing the cost of the Ashland Outage is a $47,791 reduction to revenue requirement.

**j. <u>O&M Expense: Account 903 Escalation</u>**

**Q. WHAT COSTS ARE INCLUDED IN FERC ACCOUNT 903?**

A. FERC Account 903 is Customer Records & Collection Expenses. It includes a variety of customer related costs, such as postage and credit card processing fees.

**Q. HAS AVISTA APPLIED ESCALATION TO FERC ACCOUNT 903?**

A. Yes. Avista has applied generic escalation to FERC Account 903.

**Q. DO YOU AGREE WITH ESCALATING THOSE COSTS?**

A. No. Costs such as postage and payment processing fees do not necessarily change in relationship with inflation. Accordingly, I recommend removing all escalation from FERC Account 903. Postage rates, for example, are not forecast to increase in the test period.

**Q. WHAT IS THE IMPACT OF REMOVING THE ESCALATION FOR THIS ACCOUNT?**

A. Removing the escalation for FERC Account 903 results in a $34,663 reduction to operating expenses and a $35,664 reduction to revenue requirement.

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9 *Id.*

**k. O&M Expense: 2021 Escalation Rate**

**Q. WHAT RATE OF ESCALATION HAS AVISTA INCLUDED FOR 2021?**

A. Avista's test period expense adjustment assumes inflationary escalation of 4.2% applied to all non-labor Operations & Maintenance ("O&M") expenses in the test period. This value represents a Consumer Price Index ("CPI") value that was forecast for 2021 at the time of Avista's initial filing.

**Q. IS THE CPI APPROPRIATE TO APPLY TO AVISTA'S NON-LABOR O&M?**

A. No. CPI is representative of the change in prices for a basket of household goods, which is not representative of the change in operating expenses expected at the utility. Gasoline and food prices, for example, play a major role in establishing the CPI levels. Gasoline and food prices, however, represent only a small fraction of Avista's O&M costs. CPI is also influenced by utility rates. Thus, if CPI is also used to forecast an increase in utility rates, the result can be a vicious cycle. Most of Avista's O&M costs are service related, and those service costs do not necessarily follow inflationary trends assumed in the CPI calculation.

**Q. DID AVISTA'S ACTUAL NON-LABOR O&M COSTS INCREASE BY 4.2% IN 2021?**

A. No. To the contrary, Avista's non-labor O&M costs declined by (-)9.43% in 2021. In its Supplemental Response to AWEC Data Request 2, Avista provided the operating expenses included in its 2021 results of operations.[10] In Exhibit AWEC/104, I perform an analysis comparing the non-labor O&M expenses accrued in 2021 to the expenses accrued in 2020. The result of that analysis is summarized in Table 3, below.

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10 *Id.*

**Table 3**
**Avista Non-Labor O&M 2020 vs. 2021**

| | 2020 | 2021 | Delta | % |
|---|---|---|---|---|
| PRODUCTION EXPENSES | 149,044 | 146,188 | (2,856) | -1.9% |
| UNDERGROUND STORAGE EXPENSES | 288,713 | 288,401 | (312) | -0.1% |
| DISTRIBUTION EXPENSES | 5,331,821 | 4,371,882 | (959,939) | -18.0% |
| CUSTOMER ACCOUNTS EXPENSES | 2,046,316 | 1,859,537 | (186,778) | -9.1% |
| CUSTOMER SERVICE & INFO EXPENSES | 3,651,032 | 3,692,993 | 41,961 | 1.1% |
| SALES EXPENSES | 810 | 0 | (810) | -100.0% |
| ADMINISTRATIVE & GENERAL EXPENSES | 6,671,000 | 6,068,515 | (602,485) | -9.0% |
| | 18,138,735 | 16,427,516 | (1,711,219) | -9.4% |

As can be noted from Table 3 above, not only did non-labor O&M expenses decline in 2021, they declined by a significant margin of (-)$1,711,219. Distribution non-labor O&M, for example, declined by (-)18.0%. Note that these changes do not consider restating adjustments, although AWEC may further refine its analysis to consider those adjustments in Rebuttal Testimony.

**Q. WHAT DO YOU RECOMMEND?**

A. Based on the information described above, I recommend that non-labor O&M expense escalation be set to (-)9.4% for 2021. The impact of this recommendation is a $1,739.930 reduction to expense and a corresponding $1,790,208 reduction to revenue requirement.

### l. <u>2020 Corporate Activity Tax Deferral Balance</u>

**Q. WHAT HAS AVISTA PROPOSED WITH RESPECT TO THE 2020 CORPORATE ACTIVITY TAX?**

A. At the time of Avista's 2020 General Rate Case, Docket No. UG 389, the impacts of the Corporate Activity Tax ("CAT") were included in revenue requirement. Notwithstanding, the rates from Docket No. UG 389 went into effect in January 2021. The CAT tax accruals prior to the rate effective date in Docket No. UG 389 were being deferred through Docket No. UM

2042, and those deferral impacts were not included in Avista's 2020 rate case. In this Docket Avista is proposing to amortize $950,000 in base rates in connection with the CAT deferral approved in Docket No. UM 2042.

**Q. HOW DID AVISTA CALCULATE THE DEFERRAL AMOUNT?**

A. The deferral amount was calculated based on annual CAT liability of $800,000, plus interest.

**Q. DOES THAT AMOUNT CORRESPOND TO AVISTA'S ACTUAL CAT LIABILITY?**

A. No. In response to Staff Data Request 315, Avista provided its 2020 CAT return. That return provided for a 2020 CAT liability of $775,055, or $24,045 less than the amount included in the deferral balance.

**Q. HOW DO YOU RECOMMEND HANDLING THE DIFFERENCE?**

A. I recommend that the CAT deferral be reduced and recalculated based on Avista's actual 2020 CAT liability. This results in a $31,302 reduction to revenue requirement.

**m. <u>2020 Corporate Activity Tax Deferral Amortization Period</u>**

**Q. OVER WHAT PERIOD HAS AVISTA PROPOSED AMORTIZING THE 2020 CAT DEFERRAL?**

A. Avista has proposed a one-year amortization.

**Q. DO YOU AGREE WITH THAT AMORTIZATION PERIOD?**

A. No. AWEC recommends a longer amortization of three years. Because of the delay in implementing the CAT in base rates, ratepayers in the test period will be required to pay more than the annual CAT expense. Ratepayers must pay for both the test period expense, as well as the historical deferred expense, effectively doubling the cost to ratepayers. Adopting a longer amortization period, spreads the impact of the higher cost over multiple years resulting in a more reasonable level of expense in the test period.

**Q. WHAT IS THE IMPACT OF YOUR RECOMMENDATION?**

A. Increasing the CAT deferral amortization period to three years results in a $642,538 reduction to revenue requirement.

**n. <u>Test Period Corporate Activity Tax</u>**

**Q. WHAT AMOUNT OF CAT EXPENSE HAS AVISTA INCLUDED IN THE TEST PERIOD?**

A. In addition to the historical deferral balance, Avista has included $800,000 in CAT expense in revenue requirement.

**Q. HOW MUCH ACTUAL CAT LIABILITY DID AVISTA INCUR IN THE TEST PERIOD?**

A. Based on its actual CAT return filing, Avista incurred $775,055 of CAT liability in the 2020 test period.

**Q. WHAT DO YOU RECOMMEND?**

A. Given that Avista's actual CAT liability is now known, I recommend using the actual CAT liability for the test period CAT expense.

**Q. WHAT IS THE IMPACT OF THIS RECOMMENDATION.**

A. Using the actual test period CAT liability results in a $25,666 reduction to revenue requirement.

**o. <u>Non-Oregon Charges</u>**

**Q. WHAT NON-OREGON CHARGES HAVE YOU IDENTIFIED IN AVISTA'S RESULTS OF OPERATIONS?**

A. Based on my review of the transactional accounting data provided in response to Staff Data Request 57, Avista's Oregon gas results of operations include many charges which are attributable to Washington and Idaho operations. It is not reasonable to include such charges in Oregon revenue requirement.

**Q. WHAT ARE THE SPECIFIC CHARGES YOU HAVE IDENTIFIED?**

A. In AWEC Data Request 21, AWEC identified 54 different transaction descriptions that did not appear to have nexus to Oregon rates.[11] These transactions totaled $1,504,592 of Oregon allocated costs. They include transactions with descriptions such as "Spokane River Hydro" and "Hydro Compliance," which have no apparent relationship to Oregon gas operations. In AWEC's data request, Avista was asked to explain the specific charges.

**Q. HOW DID AVISTA RESPOND?**

A. Avista provided a general response about activities such as its call center operations and investor relations. Avista was able to adequately explain some, but not all of the charges AWEC had reviewed. Avista's reply, for example, did not address many of the specific transactions and departments that AWEC identified.

**Q. WHAT DO YOU RECOMMEND?**

A. In Exhibit AWEC/105, I performed an analysis of the costs identified in AWEC Data Request 21 taking into consideration Avista's response to that request. Based on that analysis, I recommend that $513,550 of expense that is not related to Oregon operations be removed from revenue requirement. Removing these non-Oregon expenses results in a $528,390 reduction to revenue requirement.

## III. RATE SPREAD AND RATE DESIGN

**Q. PLEASE SUMMARIZE AWEC'S PROPOSAL ON RATE SPREAD.**

A. AWEC recommends that the base rate revenue requirement, excluding the impact of the tax accounting change sur-credits, be spread in a manner consistent with Avista's cost of service

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11 *Id.*

study. Based on the base revenue reduction identified in AWEC's revenue requirement analysis, AWEC recommends that a ceiling of 0% be applied so that no rate schedule will recognize a base rate increase in connection with this rate case. Further, AWEC recommends that the tax accounting method change sur-credits be allocated in a manner consistent with the underlying plant, with a higher allocation to residential and small customer schedules for the portion of the credits derived from meters expenditures. AWEC's proposed rate spread is detailed in Exhibit AWEC/106 and is summarized in Table 4, below.

**Table 4**
AWEC Proposed Rate Spread

| | | **LRIC at AWEC Rev. Req.** | *Apply Ceiling at Zero* | **Net Base Rate Change** | *Apply Tax Acctg. Credit* | **Net Rate Impact** |
|---|---|---|---|---|---|---|
| SCH 410 | Residential | **-3.7%** | *0.4%* | **-3.2%** | *-6.4%* | **-9.6%** |
| SCH 420 | General | **1.1%** | *-1.1%* | **0.0%** | *-6.4%* | **-6.4%** |
| SCH 424 | Large General | **-13.1%** | *0.4%* | **-12.7%** | *-5.5%* | **-18.2%** |
| SCH 440 | Interruptible | **-48.6%** | *0.2%* | **-48.4%** | *-2.5%* | **-50.9%** |
| SCH 444 | Seasonal | **-43.1%** | *0.3%* | **-42.8%** | *-5.5%* | **-48.3%** |
| SCH 456 | Transportation | **-23.1%** | *0.3%* | **-22.8%** | *-4.1%* | **-26.9%** |
| Total | | **-4.3%** | *0.0%* | **-4.3%** | *-6.2%* | **-10.5%** |

**a. Base Margin Rate Spread**

**Q. WHAT RATE SPREAD HAS AVISTA PROPOSED IN THIS CASE?**

A. Avista's rate spread proposal was described by Avista witness Miller. As discussed on pages 6 through 10 of Avista/900, Avista is proposing to increase all rate schedules by the same margin percentage rate.

**Q. HOW DOES AVISTA'S PROPOSED RATE SPREAD COMPARE TO THE LONG-RUN INCREMENTAL COST STUDY?**

A. The LRIC study shows that Schedules 424, 440, 444 and 456 are above parity by significant amounts. To bring these rate schedules back to parity significant reductions would need to be applied. For example, Schedule 456 rates would need to be reduced by approximately 23.1% and Schedule 440 rates would need to be reduced by approximately 48.6% to reach parity.

**Q. DOES AWEC SUPPORT AVISTA'S PROPOSED RATE SPREAD?**

A. No. Avista's proposed rate spread does not address the substantial rate subsidies that are embedded in Avista's current rate structure. AWEC recommends that the Commission design rates considering the principles of cost causation and adhere to the results of the LRIC, particularly in the context of the rate reduction that AWEC is recommending for revenue requirement. AWEC recognizes, however, that in recent cases, the Commission has discouraged against reducing some customer rates while other customer rates are increasing.

**Q. HOW DO YOU RECOMMEND APPLYING THAT PRINCIPLE IN THE CONTEXT OF THIS PROCEEDING?**

A. The revenue requirement, in this case, suggests that Avista's base rates need to be reduced, particularly after considering the impact of the tax accounting method change sur-credits. To apply the principle of not reducing some customer rates, while other customer rates are increasing, it is therefore necessary to place a ceiling on the rate spread at zero. In AWEC/104, I have applied this approach using Avista's LRIC study as a starting point. When applying the ceiling, the revenues from the ceiling are redistributed to other customers based on the percentage of target margin revenues. In my analysis, the ceiling reduction is applied only to the general service Schedule 420. All other customer classes received a material rate reduction.

**b. Tax Accounting Change Sur-Credit Allocation**

**Q. HOW HAS AVISTA PROPOSED TO ALLOCATE THE BENEFITS OF THE TAX ACCOUNTING CHANGE?**

A. Avista proposes to spread the benefit of the tax accounting change on an equal percentage of margin basis to all customers.

**Q. IS THAT APPROACH CONSISTENT WITH COST CAUSATION?**

A. Not necessarily. A portion of the benefits associated with the accounting method change are associated with meters. Small customers are allocated more costs in connection with meters in the LRIC. Therefore, it is more consistent with the principle of cost causation for those customers to be allocated more of the benefits associated with the meters portion of the tax accounting method change. Accordingly, AWEC recommends that the portion of the tax accounting method change sur-credit attributable to meters be allocated in a manner consistent with the long-run incremental meter cost identified in the LRIC study.

**Q. WHAT IS THE COST DRIVER FOR IDD#5 EXPENDITURES?**

A. AWEC requested that Avista provide the IDD#5 expenditures by FERC account to evaluate the class allocation of that portion of the tax accounting method change sur-credit. In response to AWEC Data Request 42, however, Avista confirmed that it does not track the IDD#5 expenditures by FERC account. Avista stated that "the basis adjustment for mixed service costs (IDD#5) is calculated based on headcount and expenditure types by department and not by FERC account."[12] Accordingly, AWEC recommends that the portion of the tax accounting method change sur-credit attributable to IDD#5 expenditures be allocated consistent with the allocation of overall rate base, excluding meters.

---

12 *Id.*

**Q. WHAT PORTION OF THE TAX ACCOUNTING CHANGE SUR-CREDIT IS ATTRIBUTABLE TO METERS VERSUS IDD#5 EXPENDITURES?**

A. Based on the data provided in Docket No. UM 2124, approximately 32.2% of the benefits are attributable to meters and 67.8% are attributable to IDD#5 expenditures. This calculation is detailed in Table 5, below.

**Table 5**
Meters versus IDD#5 in Tax Accounting Change Sur-credit

| | Meters | IDD #5 | Total |
|---|---|---|---|
| Meters - 2019 Only | (1,136,667) | | (1,136,667) |
| Meters - 481(a) Prior Years | (3,913,036) | | (3,913,036) |
| Meters - Amortization | 320,576 | | 320,576 |
| Meters - Excess Deferreds | (1,193,213) | | (1,193,213) |
| IDD #5 - 2019 Only | | (842,204) | (842,204) |
| IDD #5 - 481(a) Prior Years | | (10,882,786) | (10,882,786) |
| IDD #5 - Amortization | | 1,461,118 | 1,461,118 |
| IDD #5 - Excess Deferreds | | (3,362,497) | (3,362,497) |
| Balance 12/31/2019 | (5,922,339) | (13,626,369) | (19,548,709) |
| 2020 Estimated Future Annual Additions | | | |
| IDD #5 | | (842,204) | (842,204) |
| Meters | (1,071,094) | | (1,071,094) |
| Amortization | 192,374 | 151,264 | 343,638 |
| | (878,720) | (690,940) | (1,569,661) |
| Estimated Balance 12/31/2020 | (6,801,060) | (14,317,310) | (21,118,369) |
| Percentage | 32.20% | 67.80% | 100.00% |

This calculation, however, only includes incremental additions in 2020 and excludes the impacts of additions in 2021 and 2022. It also excludes the impact of the true-ups that Avista performed subsequent to its initial filing. These updates are not expected to have a significant impact on the overall percentage allocation, although the data above shows that the meters balance is growing at a slightly faster rate than the IDD#5 expenditures. Accordingly, AWEC recommends that for allocation purposes, the balance be split 35/65 between meters and IDD#5 expenditures.

**Q. WHAT IS THE RESULTING ALLOCATION BASED ON THOSE PERCENTAGES?**

A. AWEC's proposed class allocation for the tax accounting method sur-credits may be seen in Table 6 below.

**Table 6**
AWEC Proposed Allocation of Tax Accounting Change Sur-Credit
($000)

| | Meter Allocation | | IDD#5 Allocation | | | | | Wtd. | Credit | Rate |
|---|---|---|---|---|---|---|---|---|---|---|
| | Meters | % | Services | Main Ext. | Core Main | Total | % | 35/65 | Amount | Impact |
| SCH 410 Residential | 4,071 | 75% | 48,733 | 64,281 | 19,070 | 132,083 | 62% | 67% | (3,097) | -6% |
| SCH 420 General | 1,221 | 23% | 7,622 | 50,645 | 9,944 | 68,210 | 32% | 29% | (1,334) | -6% |
| SCH 424 Large Gen. | 45 | 1% | 197 | 438 | 1,063 | 1,698 | 1% | 1% | (38) | -5% |
| SCH 440 Interruptible | 20 | 0% | 210 | 282 | 2,167 | 2,658 | 1% | 1% | (44) | -2% |
| SCH 444 Seasonal | 4 | 0% | 13 | 28 | 19 | 60 | 0% | 0% | (2) | -6% |
| SCH 456 Transp. | 44 | 1% | 221 | 724 | 7,278 | 8,223 | 4% | 3% | (130) | -4% |
| Total | 5,406 | 100% | 56,996 | 116,398 | 39,540 | 212,933 | 100% | 100% | (4,644) | -6% |

As noted from the table, AWEC recommends that the meter portion of the tax accounting change sur-credit be allocated consistent with marginal meter costs in the LRIC. Similarly, AWEC recommends that the IDD#5 portion be allocated in proportion to non-meter investment costs in the LRIC, including services, main extensions, and core main costs.

**Q. DOES THIS CONCLUDE YOUR OPENING TESTIMONY?**

A. Yes.

**BEFORE THE**

**PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET UG 433**

**EXHIBIT 101**

**QUALIFICATIONS
STATEMENT OF
BRADLEY G. MULLINS**

**TO THE OPENING**

**TESTIMONY OF**

**BRADLEY G. MULLINS**

**ON BEHALF OF**

**THE ALLIANCE WESTERN ENERGY CONSUMERS**

**March 3, 2022**

**MW ANALYTICS**
Energy & Utility Consulting

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## ABOUT

MW Analytics is the professional consulting practice of Brad Mullins, a consultant and expert witness that represents utility customers in regulatory proceedings before state utility commissions throughout the Western United States. Brad has sponsored expert witness testimony in over 80 regulatory proceeding encompassing a variety of subject matters, including revenue requirement, regulatory accounting, rate development, and new resource additions. Brad has also assisted his clients through informal regulatory, legislative and energy policy matters. In addition to providing regulatory services, MW Analytics also provides advisory, energy marketing and other energy consulting services.

## PRACTICE AREAS

MW Analytics has experience representing customer interests in litigated and informal regulatory proceedings, including the following subject areas:

- Revenue Requirement
- Power Cost Modeling
- Tax Provisions and Tax Reform
- Capital Additions and Forecasting
- Regulatory Accounting
- Depreciation Studies
- Pole Attachments
- Integrated Resource Planning
- Avoided Cost Calculations
- Utility Plant Retirements

## EDUCATION AND WORK EXPERIENCE

Brad has a Master of Accounting degree from the University of Utah. After obtaining his master's degree, Brad worked at Deloitte Tax in San Jose, California, where he was responsible for preparing corporate tax returns for multinational corporate clients and partnership returns for hedge fund clients. Brad was later promoted to a Tax Senior position in a national tax practice specializing research and development tax credit studies. Following Deloitte, Brad worked at PacifiCorp Energy, as an analyst involved in power cost modeling and forecasting. At PacifiCorp Brad was responsible for preparing power cost forecasts and supporting testimony for regulatory filings, preparing annual power cost deferral filings, and developing qualifying facility avoided cost calculations.

## REGULATORY APPEARANCES

Brad has sponsored expert witness testimony in the following regulatory proceedings:

| Docket | Party | Topics |
|---|---|---|
| In re PacifiCorp Power Cost Only Rate Case, Wa.UTC Docket No. UE-210402. | Alliance of Western Energy Consumers | Power Cost Modeling |
| In re PacifiCorp Limited Issue Rate Filing, Wa.UTC Docket No. UE-210532. | Alliance of Western Energy Consumers | Revenue Requirement / Settlement |
| In re the Application of Rocky Mountain Power for Authority to Increase Its Rates and Charges in Idaho and Approval of Proposed Electric Service Schedules and Regulations, Id.PUC Case No. PAC-E-21-07. | PacifiCorp Idaho Industrial Customers | Revenue Requirement / Settlement |
| In re Portland General Electric, Request for a General Rate Revision, Or.PUC Docket No. UE 394. | Alliance of Western Energy Consumers | Power Cost Modeling |

| Docket | Party | Topics |
|---|---|---|
| In re Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for approval of their Economic Recovery Transportation Electrification Plan for the period 2022-2024, PUC Nv. Docket No. 21-09004 | Nevada Resort Association | Transportation Electrification |
| In re PacifiCorp, dba Pacific Power, 2020 Power Cost Adjustment Mechanism, Or.PUC Docket No. UE 392. | Alliance of Western Energy Consumers | Power Cost Deferral |
| In re the Application of Rocky Mountain Power for Authority to Decrease Current Rates by $14.9 Million to Refund Deferred Net Power Costs Under Tariff Schedule 95 Energy Cost Adjustment Mechanism and to Decrease Current Rates by $166 Thousand Under Tariff Schedule 93, REC and SO2 Revenue Adjustment Mechanism, Wy.PSC Docket No. 20000-599-EM-21. | Wyoming Industrial Energy Consumers | Power Cost Deferral |
| In re Portland General Electric 2021 Annual Update Tariff Schedule 125, Or. PUC Docket No. UE 391. | Alliance of Western Energy Consumers | Power Cost Modeling |
| In re Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for approval of a regulatory asset account to recover costs relating to the development and implementation of their Joint Natural Disaster Protection Plan, PUC NV. Docket No. 21-03004. | Wynn Las Vegas, LLC; Smart Energy Alliance | Single-Issue Rate Filing |
| In re PacifiCorp d.b.a. Pacific Power, 2022 Transition Adjustment Mechanism, Or.PUC Docket No. UE 390. | Alliance of Western Energy Consumers | Power Cost Modeling |
| In re Avista 2020 General Rate Case, Wa.U.T.C. Docket No. UE-200900 (Cons.). | Alliance of Western Energy Consumers | Revenue Requirement |
| In re NV Energy's Fourth Amendment to Its 2018 Joint Integrated Resource Plan, PUC Nv. Docket No 20-07023. | Wynn Las Vegas, LLC; Smart Energy Alliance | Transmission Planning |
| In Re Cascade Natural Gas Corporation, 2020 General Rate Case, Wa.U.T.C. Docket No. UG-200568 | Alliance of Western Energy Consumers | Revenue Requirement |
| In re Cascade Natural Gas Corporation, Petition to File Depreciation Study, Or.PUC Docket No. UM 2073 | Alliance of Western Energy Consumers | Depreciation Rates |
| In re the Application of Rocky Mountain Power for Authority to Increase Current Rates By $7.4 Million to Recover Deferred Net Power Costs Under Tariff Schedule 95 Energy Cost Adjustment Mechanism and to Decrease Current Rates by $604 Thousand Under Tariff Schedule 93, Rec and So2 Revenue Adjustment Mechanism, Wy.PSC Docket No. 20000-582-EM-20 | Wyoming Industrial Energy Consumers | Power Cost Deferral |
| In re the Complaint of Willamette Falls Paper Company and West Linn Paper Company against Portland General Electric Company, Or.PUC Docket No. UM 2107 | Willamette Falls Paper Company | Consumer Direct Access, Tariff Dispute |
| In re The Application of Rocky Mountain Power for Authority to Increase its Retail Electric Service Rates by Approximately $7.1 Million Per Year or 1.1 Percent, to Revise the Energy Cost Adjustment Mechanism, and to Discontinue Operations at Cholla Unit 4, Wy.PSC Docket No. 2000-578-ER-20 | Wyoming Industrial Energy Consumers | Power Cost Modeling |
| Avista Corporation 2021 General Rate Case, Or.PUC Docket No. UG 389 | Alliance of Western Energy Consumers | Revenue Requirement, Rate Design |
| In re NW Natural Request for a General Rate Revision, Or.PUC Docket No. UG 388. | Alliance of Western Energy Consumers | Revenue Requirement, Rate Design |
| In re PacifiCorp, Request to Initiate an Investigation of Multi-Jurisdictional Issues and Approve an Inter-Jurisdictional Cost Allocation Protocol, Or.PUC, UM 1050. | Alliance of Western Energy Consumers | Jurisdictional Allocation |
| In re Puget Sound Energy 2019 General Rate Case, Wa.UTC Docket No. UE 190529. | Alliance of Western Energy Consumers | Revenue Requirement, Coal Retirement Costs |

| Docket | Party | Topics |
|---|---|---|
| Avista Corporation 2020 General Rate Case, Wa.UTC Docket No. UE-190334 (Cons.) | Alliance of Western Energy Consumers | Revenue Requirement, Rate Design |
| In re Cascade Natural Gas Corporation Application for Approval of a Safety Cost Recovery Mechanism, Or. PUC Docket No. UM 2026. | Alliance of Western Energy Consumers | Ratemaking Policy |
| In re Avista Corporation, Request for a General Rate Revision, Or.PUC Docket No. UG 366. | Alliance of Western Energy Consumers | Revenue Requirement, Rate Design |
| In re Portland General Electric, 2020 Annual Update Tariff (Schedule 125), Or.PUC Docket No UE 359. | Alliance of Western Energy Consumers | Power Cost Modeling |
| In re PacifiCorp 2020 Transition Adjustment Mechanism, Or.PUC Docket No. UE 356. | Alliance of Western Energy Consumers | Power Cost Modeling |
| In re PacifiCorp 2020 Renewable Adjustment Clause, Or.PUC Docket No. UE 352. | Alliance of Western Energy Consumers | Single-Issue Rate Filing |
| 2020 Joint Power and Transmission Rate Proceeding, Bonneville Power Administration, Case No. BP-20. | Alliance of Western Energy Consumers | Revenue Requirement, Policy |
| In the Matter of the Application of MSG Las Vegas, LLC for a Proposed Transaction with a Provider of New Electric Resources, PUC Nv. Docket No. 18-10034 | Madison Square Garden | Customer Direct Access |
| Puget Sound Energy 2018 Expedited Rate Filing, Wa.UTC Dockets UE-180899/UG-180900 (Cons.). | Alliance of Western Energy Consumers | Revenue Requirement, Settlement |
| Georgia Pacific Gypsum LLC's Application to Purchase Energy, Capacity, and/or Ancillary Services from a Provider of New Electric Resources, PUC Nv. Docket No. 18-09015. | Georgia Pacific | Customer Direct Access |
| Joint Application of Nevada Power Company d/b/a NV Energy for approval of their 2018-2038 Triennial Integrated Resource Plan and 2019-2021 Energy Supply Plan, PUCN Docket No. 18-06003. | Smart Energy Alliance | Resource Planning |
| In re Cascade Natural Gas Corporation Request for a General Rate Revision, Or.PUC, Docket No. UE 347. | Alliance of Western Energy Consumers | Revenue Requirement, Rate Design |
| In re Portland General Electric Company Request for a General Rate Revision, Or.PUC Docket No UE 335. | Alliance of Western Energy Consumers | Revenue Requirement, Rate Design |
| In re Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision, Or.PUC Docket No. UG 344. | Alliance of Western Energy Consumers | Revenue Requirement, Rate Design |
| In re Cascade Natural Gas Corporation Request for a General Rate Revision, Wa.UTC, Docket No. UE-170929. | Northwest Industrial Gas Users | Revenue Requirement, Rate Design |
| In the Matter of Hydro One Limited, Application for Authorization to Exercise Substantial Influence over the Policies and Actions of Avista Corporation, Or.PUC, Docket No. UM 1897. | Alliance of Western Energy Consumers | Merger |
| Application of Rocky Mountain Power for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision, Ut.PSC Docket No. 17-035-40 | Utah Industrial Energy Consumers, & Utah Associated Energy Users | New Resource Addition |
| In re PacifiCorp, dba Rocky Mountain Power, for a CPCN and Binding Ratemaking Treatment for New Wind and Transmission Facilities, Id.PUC Case No. PAC-E-17-07 | PacifiCorp Idaho Industrial Customers | New Resource Addition |
| In re PacifiCorp, dba Pacific Power, 2016 Power Cost Adjustment Mechanism, Or.PUC, Docket No. UE 327. | Alliance of Western Energy Consumers | Power Cost Deferral |
| In re PacifiCorp 2016 Power Cost Adjustment Mechanism, Wa.UTC Docket No. UE-170717 | Boise Whitepaper, LLC | Power Cost Deferral |

| Docket | Party | Topics |
|---|---|---|
| In re Avista Corporation 2018 General Rate Case, Wa.UTC Dockets UE-170485 and UG-170486 (Consolidated). | Industrial Customers of Northwest Utilities, & Northwest Industrial Gas Users | Revenue Requirement, Rate Design |
| Application of Nevada Power Company d/b/a NV Energy for authority to adjust its annual revenue requirement for general rates charged to all classes of electric customers and for relief properly related thereto, PUCN. Docket No. 17-06003. | Smart Energy Alliance | Revenue Requirement |
| In re the Application of Rocky Mountain Power for Authority to Decrease Current Rates by $15.7 Million to Refund Deferred Net Power Costs Under Tariff Schedule 95 Energy Cost Adjustment Mechanism and to Decrease Current Rates By $528 Thousand Under Tariff Schedule 93, REC and SO2 Revenue Adjustment Mechanism, Wy. PSC, Docket No. 20000-514-EA-17 (Record No. 14696). | Wyoming Industrial Energy Consumers | Power Cost Deferral |
| In re the 2018 General Rate Case of Puget Sound Energy, Wa.UTC, Docket No. UE-170033 (Cons.). | Industrial Customers of Northwest Utilities, & Northwest Industrial Gas Users | Revenue Requirement, Rate Design |
| In re PacifiCorp, dba Pacific Power, 2018 Transition Adjustment Mechanism, Or.PUC, Docket No. UE 323. | Industrial Customers of Northwest Utilities | Power Cost Modeling |
| In re Portland General Electric Company, Request for a General Rate Revision, Or.PUC, Docket No. UE 319. | Industrial Customers of Northwest Utilities | Revenue Requirement, Rate Design |
| In re Portland General Electric Company, Application for Transportation Electrification Programs, Or.PUC, UM 1811. | Industrial Customers of Northwest Utilities | Electric Vehicle Charging |
| In re Pacific Power & Light Company, Application for Transportation Electrification Programs, Or.PUC, Docket No. UM 1810. | Industrial Customers of Northwest Utilities | Single-issue Ratemaking |
| In re the Public Utility Commission of Oregon, Investigation to Examine PacifiCorp, dba Pacific Power's Non-Standard Avoided Cost Pricing, Or.PUC, Docket No. UM 1802. | Industrial Customers of Northwest Utilities | Qualifying Facilities |
| In re Pacific Power & Light Co., Revisions to Tariff WN U-75, Advice No. 16-05, to modify the Company's existing tariffs governing permanent disconnection and removal procedures, Wa.UTC, Docket No. UE-161204. | Boise Whitepaper, LLC | Customer Direct Access |
| In re Puget Sound Energy's Revisions to Tariff WN U-60, Adding Schedule 451, Implementing a New Retail Wheeling Service, Wa.UTC, Docket No. UE-161123. | Industrial Customers of Northwest Utilities | Customer Direct Access |
| 2018 Joint Power and Transmission Rate Proceeding, Bonneville Power Administration, Case No. BP-18. | Industrial Customers of Northwest Utilities | Revenue Requirement, Policy |
| In re Portland General Electric Company Application for Approval of Sale of Harborton Restoration Project Property, Or.PUC, Docket No. UP 334 (Cons.). | Industrial Customers of Northwest Utilities | Environmental Deferral |
| In re An Investigation of Policies Related to Renewable Distributed Electric Generation, Ar.PSC, Matter No. 16-028-U. | Arkansas Electric Energy Consumers | Net Metering |
| In re Net Metering and the Implementation of Act 827 of 2015, Ar.PSC, Matter No. 16-027-R. | Arkansas Electric Energy Consumers | Net Metering |
| In re the Application of Rocky Mountain Power for Approval of the 2016 Energy Balancing Account, Ut.PSC, Docket No. 16-035-01 | Utah Associated Energy Users | Power Cost Deferral |
| In re Avista Corporation Request for a General Rate Revision, Wa.UTC, Docket No. UE-160228 (Cons.). | Industrial Customers of Northwest Utilities, & Northwest Industrial Gas Users | Revenue Requirement, Rate Design |

| Docket | Party | Topics |
|---|---|---|
| In re the Application of Rocky Mountain Power to Decrease Current Rates by $2.7 Million to Recover Deferred Net Power Costs Pursuant to Tariff Schedule 95 and to Increase Rates by $50 Thousand Pursuant to Tariff Schedule 93, Wy.PSC, Docket No. 20000-292-EA-16. | Wyoming Industrial Energy Consumers | Power Cost Deferral |
| In re PacifiCorp, dba Pacific Power, 2017 Transition Adjustment Mechanism, Or.PUC, Docket No. UE 307. | Industrial Customers of Northwest Utilities | Power Cost Modeling |
| In re Portland General Electric Company, 2017 Annual Power Cost Update Tariff (Schedule 125), Or.PUC, Docket No. UE 308. | Industrial Customers of Northwest Utilities | Power Cost Modeling |
| In re Pacific Power & Light Company, General rate increase for electric services, Wa.UTC, Docket No. UE-152253. | Boise Whitepaper, LLC | Revenue Requirement, Rate Design |
| In The Matter of the Application of Rocky Mountain Power for Authority of a General Rate Increase in Its Retail Electric Utility Service Rates in Wyoming of $32.4 Million Per Year or 4.5 Percent, Wy.PSC, Docket No. 20000-469-ER-15. | Wyoming Industrial Energy Consumers | Power Cost Modeling |
| In re Avista Corporation, General Rate Increase for Electric Services, Wa.UTC, Docket No. UE-150204. | Industrial Customers of Northwest Utilities | Revenue Requirement, Rate Design |
| In re the Application of Rocky Mountain Power to Decrease Rates by $17.6 Million to Recover Deferred Net Power Costs Pursuant to Tariff Schedule 95 to Decrease Rates by $4.7 Million Pursuant to Tariff Schedule 93, Wy.PSC, Docket No. 20000-472-EA-15. | Wyoming Industrial Energy Consumers | Power Cost Deferral |
| Formal complaint of The Walla Walla Country Club against Pacific Power & Light Company for refusal to provide disconnection under Commission-approved terms and fees, as mandated under Company tariff rules, Wa.UTC, Docket No. UE-143932. | Columbia Rural Electric Association | Customer Direct Access / Customer Choice |
| In re PacifiCorp, dba Pacific Power, 2016 Transition Adjustment Mechanism, Or.PUC, Docket No. UE 296. | Industrial Customers of Northwest Utilities | Power Cost Modeling |
| In re Portland General Electric Company, Request for a General Rate Revision, Or.PUC, Docket No. UE 294. | Industrial Customers of Northwest Utilities | Revenue Requirement, Rate Design |
| In re Portland General Electric Company and PacifiCorp dba Pacific Power, Request for Generic Power Cost Adjustment Mechanism Investigation, Or.PUC, Docket No. UM 1662. | Industrial Customers of Northwest Utilities | Power Cost Deferral |
| In re PacifiCorp, dba Pacific Power, Application for Approval of Deer Creek Mine Transaction, Or.PUC, Docket No. UM 1712. | Industrial Customers of Northwest Utilities | Single-issue Ratemaking |
| In re Public Utility Commission of Oregon, Investigation to Explore Issues Related to a Renewable Generator's Contribution to Capacity, Or.PUC, Docket No. UM 1719. | Industrial Customers of Northwest Utilities | Resource Planning |
| In re Portland General Electric Company, Application for Deferral Accounting of Excess Pension Costs and Carrying Costs on Cash Contributions, Or.PUC, Docket No. UM 1623. | Industrial Customers of Northwest Utilities | Single-issue Ratemaking |
| 2016 Joint Power and Transmission Rate Proceeding, Bonneville Power Administration, Case No. BP-16. | Industrial Customers of Northwest Utilities | Revenue Requirement, Policy |
| In re Puget Sound Energy, Petition to Update Methodologies Used to Allocate Electric Cost of Service and for Electric Rate Design Purposes, Wa.UTC, Docket No. UE-141368. | Industrial Customers of Northwest Utilities | Cost of Service |
| In re Pacific Power & Light Company, Request for a General Rate Revision Resulting in an Overall Price Change of 8.5 Percent, or $27.2 Million, Wa.UTC, Docket No. UE-140762. | Boise Whitepaper, LLC | Revenue Requirement, Rate Design |
| In re Puget Sound Energy, Revises the Power Cost Rate in WN U-60, Tariff G, Schedule 95, to reflect a decrease of $9,554,847 in the Company's overall normalized power supply costs, Wa.UTC, Docket No. UE-141141. | Industrial Customers of Northwest Utilities | Power Cost Modeling |

| Docket | Party | Topics |
|---|---|---|
| In re the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Utility Service Rates in Wyoming Approximately $36.1 Million Per Year or 5.3 Percent, Wy.PSC, Docket No. 20000-446-ER-14. | Wyoming Industrial Energy Consumers | Power Cost Modeling |
| In re Avista Corporation, General Rate Increase for Electric Services, RE, Tariff WN U-28, Which Proposes an Overall Net Electric Billed Increase of 5.5 Percent Effective January 1, 2015, Wa.UTC, Docket No. UE-140188. | Industrial Customers of Northwest Utilities | Revenue Requirement, Rate Design, Power Costs |
| In re PacifiCorp, dba Pacific Power, Application for Deferred Accounting and Prudence Determination Associated with the Energy Imbalance Market, Or.PUC, Docket No. UM 1689. | Industrial Customers of Northwest Utilities | Single-issue Ratemaking |
| In re PacifiCorp, dba Pacific Power, 2015 Transition Adjustment Mechanism, Or.PUC, Docket No. UE 287. | Industrial Customers of Northwest Utilities | Power Cost Modeling |
| In re Portland General Electric Company, Request for a General Rate Revision, Or.PUC, Docket No. UE 283. | Industrial Customers of Northwest Utilities | Revenue Requirement, Rate Design |
| In re Portland General Electric Company's Net Variable Power Costs (NVPC) and Annual Power Cost Update (APCU), Or.PUC, Docket No. UE 286. | Industrial Customers of Northwest Utilities | Power Cost Modeling |
| In re Portland General Electric Company 2014 Schedule 145 Boardman Power Plant Operating Adjustment, Or.PUC, Docket No. UE 281. | Industrial Customers of Northwest Utilities | Coal Retirement |
| In re PacifiCorp, dba Pacific Power, Transition Adjustment, Five-Year Cost of Service Opt-Out (adopting testimony of Donald W. Schoenbeck), Or.PUC, Docket No. UE 267. | Industrial Customers of Northwest Utilities | Customer Direct Access |

**BEFORE THE**

**PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET UG 433**

**EXHIBIT 102**

**REVENUE
REQUIREMENT
SUMMARY**

**TO THE OPENING**

**TESTIMONY OF**

**BRADLEY G. MULLINS**

**ON BEHALF OF**

**THE ALLIANCE WESTERN ENERGY CONSUMERS**

**March 3, 2022**

Exhibit AWEC/102
Natural Gas Revenue Requirement Summary
*In Thousands*

| Adj. No | Description | Rate Base | Pre-tax NOI | Post Tax NOI | Rev. Req. |
|---|---|---|---|---|---|
| | Avista Initial Filing | $315,957 | $25,728 | $20,325 | 3,774 |
| | Cost of Capital Settlement | $315,957 | $25,728 | 20,292 | (1,191) |
| A1 | Tax Accounting Flow Through | - | 1,342 | 1,060 | (1,380) |
| A2 | Rate Period Capital Additions | (3,413) | 81 | 64 | (397) |
| A3 | Accumulated Depreciation | (8,770) | - | - | (805) |
| A4 | Acct. 908 LIRAP & DSM Escalation | - | 213 | 168 | (219) |
| A5 | Acct. 928 Escalation | - | 10 | 8 | (11) |
| A6 | Ashland Outage | - | 46 | 37 | (48) |
| A7 | Acct. 903 Fiserv/Postage Escalation | - | 35 | 27 | (36) |
| A8 | 2021 Non-Labor O&M Esclation Rate | - | 1,740 | 1,375 | (1,790) |
| A9 | 2020 Actual CAT | - | 30 | 24 | (31) |
| A10 | 2020 CAT Deferral Amortization | - | 624 | 493 | (643) |
| A11 | 2022 CAT | - | 25 | 20 | (26) |
| A12 | Non-Oregon Expenses | - | 514 | 406 | (528) |
| | Interest Syncronization | - | - | (60) | 78 |
| | **Total** | **$303,774** | **$30,388** | **23,913** | **(3,253)** |

**BEFORE THE**

**PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET UG 433**

**EXHIBIT 103**

**AVISTA RESPONSES
TO DATA REQUESTS**

**TO THE OPENING**

**TESTIMONY OF**

**BRADLEY G. MULLINS**

**ON BEHALF OF**

**THE ALLIANCE WESTERN ENERGY CONSUMERS**

**March 3, 2022**

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 01/25/2022 |
| CASE NO: | UG 433 | WITNESS: | Kaylene Schultz |
| REQUESTER: | AWEC | RESPONDER: | Tia Benjamin |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 002 | TELEPHONE: | (509) 495-2225 |
| | | EMAIL: | tia.benjamin@avistacorp.com |

**REQUEST:**

Reference Shultz workpaper “2020 1) TP Expense Adjustment.xls”: Please provide the expense data listed in tabs “G-FE-2 Labor,” “G-FE-3 Incentives,” and “G-FE-4 Benefits” and “G-FE-5 ROO” using data from calendar year 2021, when available.

**RESPONSE:**

Please see AWEC_DR_002 Attachment A for twelve months ended 2021 expense data for “G-FE-2 Labor,” “G-FE-3 Incentives,” and “G-FE-4 Benefits”. The twelve months ended 2021 data is not yet available for “G-FE-5 ROO” and will be provided once available.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/16/2022 |
| CASE NO: | UG 433 | WITNESS: | Kaylene Schultz |
| REQUESTER: | AWEC | RESPONDER: | Tia Benjamin |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC-002 Supplemental | TELEPHONE: | (509) 495-2225 |
| | | EMAIL: | tia.benjamin@avistacorp.com |

**REQUEST:**

Reference Shultz workpaper “2020 1) TP Expense Adjustment.xls”: Please provide the expense data listed in tabs “G-FE-2 Labor,” “G-FE-3 Incentives,” and “G-FE-4 Benefits” and “G-FE-5 ROO” using data from calendar year 2021, when available.

**SUPPLEMENTAL RESPONSE (02/15/2022):**

Please see AWEC_DR_002 Supplemental Attachment A for the twelve months ended December 31, 2021 data for “G-FE-5 ROO”.

**ORIGINAL RESPONSE (1/25/2022):**

Please see AWEC_DR_002 Attachment A for twelve months ended 2021 expense data for “G-FE-2 Labor,” “G-FE-3 Incentives,” and “G-FE-4 Benefits”. The twelve months ended 2021 data is not yet available for “G-FE-5 ROO” and will be provided once available.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 01/27/2022 |
| CASE NO: | UG 433 | WITNESS: | Kaylene Schultz |
| REQUESTER: | AWEC | RESPONDER: | Kaylene Schultz |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 015 | TELEPHONE: | (509) 495-2482 |
| | | EMAIL: | kaylene.schultz@avistacorp.com |

**REQUEST:**

Reference Shultz workpaper “2020 1) TP Expense Adjustment,” Tab “G-FE-1 Expense Forecasted”, Excel Row “34”: Does Avista Agree that the cost booked to FERC Account 908 primarily consist of DSM and LIRAP expenditures, which are eliminated from revenue requirement in Adjustment 1.03? If yes, please explain whether it is appropriate to include $213,121 of test period escalation with respect to these expenditures in revenue requirement.

**RESPONSE:**

After receiving this data request and further review, the Company determined it inadvertently included DSM and LIRAP related expenses (FERC accounts 908250, 908600, and 908690), totaling approximately $3.3 million on an Oregon basis, in Adj. 2.00 – Test Period Expense that are eliminated from revenue requirement in Adj. 1.03 – Eliminate Adder Schedule. Thus, there should be no escalation adjustment for these expenses in Adj. 2.00 – Test Period Expense, as shown in Staff_DR_136 D Supplemental 3. The effect of removing these expenses from escalation totals approximately $215,000 on an Oregon basis, as compared to the original filing, or $266,000 on an Oregon basis, as already updated in Staff_DR_136 Attachment C Supplemental.

Please refer to Staff_DR_136 Supplemental 3 for more information.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 01/31/2022 |
| CASE NO.: | UG 433 | WITNESS: | Kaylene Schultz |
| REQUESTER: | AWEC | RESPONDER: | Joel Anderson |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 021 | TELEPHONE: | (509) 495-2811 |
| | | EMAIL: | joel.anderson@avistacorp.com |

**REQUEST:**

Reference Staff Data Request 57, Tab “Download”: For each of the following Organization Descriptions, please describe how the amount allocated to Gas South benefit Oregon customers:

a. C07 - Spokane River Hydro, $13,968;
b. B50 - Spokane Electric, $42,989;
c. C57 - Spokane Electric Network, $11,123;
d. A50 - Director of Ops WA & ID, $584;
e. A53 - External Affairs, $3,464;
f. T07 - Spokane Area Thermal, $2,442;
g. I07 - Lower Spokane River Hydro, $6,114;
h. L50 - Spokane Gas, $86,575;
i. A57 - Ed Utility Accounting, $42,942;
j. B01 - Dir of Business Transformation, $2,714;
k. B53 – Pullman, $11,384;
l. C51 - Elec Distributn Design, $711;
m. C53 - Coeur d Alene Gas, $31,569;
n. C63 - WA-ID South Area Gas, $36,707;
o. D08 - Energy Del Gen Mg, $10,226;
p. D53 – Clarkston, $8,028;
q. E19 - Dist Systems Ops, $49,868;
r. E29 - Dist Syst Prod & Serv, $24,974;
s. E53 - Con. Ctr-Lewiston Billing; $202,879;
t. E55 - Power Supply, $5,381;
u. E56 - Transmission Services, $160;
v. F08 - Electric Shop, $51,501;
w. F53 - AM Lewis/Clark, $2,105;
x. G50 – Colville, $10,297;
y. G53 - Area Manager – CDA, $1,465;
z. H04 - Hydro Compliance, $909;
aa. H50 – Othello, $1,636;
bb. H53 – Kellogg, $7,083;
cc. I50 - Con. Ctr. Spokane Tech., $188,425;
dd. J06 - Joint Project Jackson Prairie, $288,713;
ee. J07 - Generation Civil/Mech. Engineering, $551;
ff. J53 - Sandpoint/Bonners Ferry, $13,720;
gg. K07 - Kettle Falls Thermal, $7,992;
hh. K53 - Con. Ctr-CDA, $173,804
ii. L07 - Clarkfork River Hydro, $6,991;
jj. L08 - Transmission Design, $70;

kk. L11 - Trans Veg Mgmt, $4;
ll. L53 – CDA, $24,208;
mm. M08 - Substation Design, $2,049;
nn. M50 - Deer Park, $8,603;
oo. M54 - Business Development, $2,098;
pp. P03 - Substation Delivery Projects, $1,294;
qq. P08 - Distribution Services, $5,940;
rr. P50 – Davenport, $5,156;
ss. P51 - Distribution Operations, $19,591;
tt. P53 - AM Moscow/Pullman, $215;
uu. R07 - Generation Controls Engineering, $736;
vv. R53 – Grangeville, $7,051;
ww. S06 - Avista Edge, $99;
xx. S53 - St. Maries, $3,263
yy. T52 - WA-ID Energy Efficiency, $2,231;
zz. X08 - Relay Shop, $9,159;
aaa. Y54 - Strategic Corp Develop, $57,572;
bbb. Z08 - Electric Meter Shop, $5,259;

**RESPONSE:**
Please see the Company's response in AWEC_DR_021C for the requested information. AWEC_DR_021C is **CONFIDENTIAL SUBJECT TO GENERAL PROTECTIVE ORDER**.

For ease of responding to this data request, as seen in AWEC_DR_021 Attachment A, the above data has been summarized by organization in the tab labeled 'Summary by Org'. The data has also been summarized by project in the tab labeled 'Summary by Project'. Because employees in many of the organizations listed above support operations in all jurisdictions, the Company uses projects to allocate expenses appropriately by service and jurisdiction. For this reason, descriptions will be provided for the projects that make up the majority of the expenses referenced above. In AWEC_DR_021 tab 'Summary by Project', the data is organized to show all projects listed from largest dollar amount to smallest. This tab also includes a description of each project included.

Also, included in this response below are detailed descriptions of the 14 projects that represent approximately $1.44 million of the above amounts requested.

**Call Center Operations:**

For Organization Codes E53, K53, and I50 in particular, the Company operates its primary contact centers in Spokane, Washington, Coeur d'Alene and Lewiston, Idaho, and have one representative in Klamath Falls, Oregon. Avista's three primary contact centers currently employ approximately 147 FTE's. This count includes customer service representatives (CSRs), managers, customer service support, commercial team, analysts, Commission specialist, process, quality assurance and trainers. These FTE's handle all three states at any given time, and Avista's CSRs, in particular, are universal agents who handle any type of call, from any of our service territories. Put another way, Avista contact center representatives in Coeur d'Alene, Idaho will service calls from Medford, Oregon. Further, billing issues that may arise in Oregon may be addressed in Spokane, Washington. Avista's contact center is, in essence, a networked operation that serves Avista's entire service territory. Therefore, the costs of this utility operation should continue to be allocated to the States we serve. Further, this methodology is the same practice for the allocation of Contact Center costs in all Avista's prior general rate cases.

**Corporate EOP Pandemic:**

Costs related to Corporate level EOP pandemic response. This project was established to record labor and expenses impacted by the COVID pandemic, capturing paid administrative leave of employees unable to work as well as expenses, such as janitorial expenses for cleaning facilities and supplies. This project was established to record the total Company impact, and therefore was set up as a Common Direct All or "CDAA" charge. Total charges to this project in 2020 totaled $14.5 million in O&M expenses for labor, labor burdens and other expenses. Oregon's share of this total project cost was $1.3 million, or approximately 9% (OR's allocated share of CDAA allocator). This amount is reasonable, as all costs of this project were allocated to all, i.e. OR operations charged this project, allocating 91% to Washington and Idaho, WA and ID expenses were allocated 9% to Oregon, consistent with other common costs allocated across the corporation. The company also completed two other checks for reasonableness. (1) The first was an allocation of the Corporate EOP Pandemic expenses as if "no pandemic" had occurred, using each ORG's O&M %'s (direct/allocated) for all expenses in 2020. The results of this analysis showed the approximate level of expenses that would have been directly assigned or allocated to Oregon totaled approximately $1.1 million. (2) The other analysis, directly assigned Oregon COVID EOP costs 100% to Oregon, and allocated all other Avista non-electric ORG's using the common CDAA allocator of 9.3% to Oregon (i.e. Company common expenses). This analysis reflects that approximately $1.2 million would have been directly or allocated to Oregon operations. The level of expenses included for the test period is reasonable based on this analysis. See AWEC_DR_021C Confidential Attachment A for analysis.

**Oregon JP Maintenance:**

For Organization Codes J06, those costs are appropriate for continued inclusion in Oregon's revenue requirement. As discussed in the testimony of Company witness Mr. Kinney, Jackson Prairie is an underground aquifer natural gas storage facility located in Chehalis, Washington. Through a joint ownership agreement, Avista, Puget Sound Energy, and Williams Northwest Pipeline each hold one-third equal, undivided interest of JP. At the present time, Avista owns a total of 8,528,013 dekatherms (Dth) of working gas capacity. This capacity comes with a withdrawal capability (deliverability) of 398,667 Dth per day. Jurisdictionally, this amount is broken out as follows:

Table No. 1 – Natural Gas Capacity at Jackson Prairie (System)

| Jurisdiction | Working Capacity (Dth/Day) | Withdrawal Capacity (Dth/Day) |
|---|---|---|
| Washington/Idaho | 7,704,676 | 346,667 |
| Oregon | 823,337 | 52,000 |
| Total Owned | 8,528,013 | 398,667 |

In addition, the Company has leased additional capacity from Williams Northwest Pipeline for the benefit of Oregon customers with 95,565 Dth/day of working gas capacity and 2,625 Dth/day of withdrawal capacity (deliverability). Oregon's total combined capacity is as follows:

Table No. 2 – Natural Gas Capacity at Jackson Prairie for Oregon Customers

| Oregon Total | Working Capacity (Dth/Day) | Withdrawal Capacity (Dth/Day) |
|---|---|---|
| Owned | 823,337 | 52,000 |
| Leased | 95,565 | 2,625 |
| Total Oregon | 918,902 | 54,625 |

**Oregon JP Operations:**

This project is used to record Oregon's share of operating expense at Jackson Prairie Underground Gas Storage Project. The $77,760 charged to this project is directly assigned to Oregon natural gas.

**ET Operations Common All:**

This project is for budgeting and tracking Enterprise Technology Operations activities for the Company as a whole and benefits all Avista customers. The $69,096 charged to this project is the portion appropriately allocated to Oregon natural gas.

**Investor Relations/Shareholder:**

The costs associated with investor relations and shareholder reporting, charged in ORG Y54, are associated with required reporting Avista must undertake as being a publicly-traded Company. Avista, being a publicly traded company, is funded 50% by equity holders, the funds which are used to provide the necessary capital to provide our Oregon customers with safe and reliable natural gas service. These costs are appropriate to include for recovery in customer rates, as they have traditionally been recovered.

**Accounting Activities:**

These charges are "centralized" costs that occur in Avista's headquarters in Spokane, Washington and which are then allocated to our states and services, given that the accounting work conducted in Org A57 are for all states and all services. As in past general rate cases, costs associated with centralized accounting functions are appropriate to allocate to Oregon and include in customer rates.

**Service Center Down Time:**

This project is used to track gas service center down time for various reasons including Go Book Down, Truck Stocking, Truck Down. The Service Center supports all jurisdictions and is properly allocated to Oregon natural gas.

**Pipeline Sulfur Issues:**

One of the interstate pipelines that Avista holds capacity on for Washington, Idaho, and Oregon natural gas customers, GTN, has experienced a sulfur issue related to dithiazine. Dithiazine can solidify within the natural gas system, disturbing the flow of natural gas especially through regulating valves. This project, Pipeline Sulfur Issues, is related to mitigation of the dithiazine fouling on Avista's distribution system from the GTN pipeline to ensure safe, reliable service to all natural gas customers. The GTN pipeline spans from the Canadian Border to Malin, Oregon, which serves the entire Avista natural gas footprint.

**Gas Preventative Maint:**

Org C63 is WA-ID South Area Gas, which is based in our Clarkston, WA and Lewiston, ID area. These employees are geographically close (150 miles) to La Grande, OR, and will provide support for Oregon operations when called upon. Likewise, personnel from Spokane (L50) will also provide support for Oregon operations, as discussed elsewhere.

**Gas Mutual Aid 09.2020:**

As the name implies, Avista natural gas operations in Washington and Idaho will assist Oregon operations when necessary, and vice versa, when such work is necessary to continue to provide safe and reliable service to our Oregon customers. Washington and Idaho natural gas employees, in essence, are a backup resource for Oregon operations. As such, any work they do in Oregon should be assigned to Oregon operations and are recoverable.

**Admin Activities-Common to All:**

Similar to the "Accounting Activities" project, these charges are "centralized" costs that are related to administrative activities and are allocated to our states and services, given that the administrative work support all states and all services. As in past general rate cases, costs associated with centralized administrative functions are appropriate to allocate to Oregon and include in customer rates.

**Vendor/Program Support/Subscr:**

Similar to the "Investor Relations/Shareholder" project, the costs associated with investor relations and shareholder reporting, charged in ORG Y54, are associated with required reporting Avista must undertake as being a publicly-traded Company. Avista, being a publicly traded company, is funded 50% by equity holders, the funds which are used to provide the necessary capital to provide our Oregon customers with safe and reliable natural gas service. These costs are appropriate to include for recovery in customer rates, as they have traditionally been recovered.

**Gas Failed Maintenance:**

Spokane, Washington and Coeur d'Alene, Idaho natural gas operations will provide support for Oregon operations, and vice versa, in any given year. It is completely appropriate that any costs for employees that assist in maintaining mains and services in Oregon during a given year be assigned to, and recovered from, Oregon operations.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/03/2022 |
| CASE NO.: | UG 433 | WITNESS: | Kaylene Schultz |
| REQUESTER: | AWEC | RESPONDER: | J. Anderson/J. Baldwin-Bonney |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 022 | TELEPHONE: | (509) 495-2811/ (509) 495-4130 |
| | | EMAIL: | joel.anderson@avistacorp.com<br>justin.baldwinbonney@avistacorp.com |

**REQUEST:**

Reference Staff Data Request 57, Tab “Download”: Please provide a detailed description of each of the following Projects, including an explanation of how the amount allocated to Gas South benefit Oregon customers:

a. Distributed systems project, $99,621;
b. ET Operations Common All, $835,619;
c. ET EOP COVID 19, $28,834;
d. ET Delivery Expense Projects,$8,589;
e. EIM - IT Network O&M CD.AA, $107;
f. Downtown Project Center (AAA), $15,265; and,
g. Corporate EOP Pandemic, $960,367

**RESPONSE:**

Included in AWEC_DR_022 Attachment A are all transactions included in the above referenced projects. These transactions are summarized by project on the tab titled ‘Summary’ and include descriptions for each. Also included below, are descriptions of each project.

**Distributed systems project:**

This project is used to track costs associated with non-capital distributed systems expense work common to all jurisdictions. The total above is primarily composed of amortization of prepaid expenses for software and other Enterprise Technology costs that are used for all jurisdictions and services. This includes amortization for network/IT security, software maintenance, and network access expenses. The benefits these services provide are used by the entire Company and this project is properly allocated to all services and jurisdictions, including Oregon natural gas.

**ET Operations Common All:**

The ET Operations project is for tracking Enterprise Technology (ET) Operations and Maintenance (O&M) activities such as software, hardware, telecom, network, cyber security, physical security and laptops. This work is on previously deployed equipment, for either repairs and/or non-capital modifications and thus are O&M cost (not capital). As work performed is for employees and products throughout all our service territories, it benefits all of Avista’s customers, including those in Oregon.

**ET EOP COVID 19:**

The Enterprise Technology (ET) Emergency Operating Procedure (EOP) COVID 19 project was set up to capture costs related to moving the Avista workforce from an onsite location to working remotely due to the COVID 19 Pandemic. This project will not be used once operations have resumed post the required COVID 19 protocols. If additional costs for the return to work effort are incurred, the Company will assess the need for a separate project to capture those O&M costs.

**ET Delivery Expense Projects:**

The ET Delivery Expense project is for tracking costs incurred by Enterprise Technology (ET) for the non-capital expenses incurred on the deployment of software, hardware, telecom, network, cyber security, physical security and laptops. This work is for equipment that is used throughout the Company, regardless of service territory or jurisdiction, and its benefits are to all Avista customers, including Oregon.

**EIM - IT Network O&M CD.AA:**

This project is used to track expenses related to O&M for integration of IT network infrastructure associated with the Company entering the Energy Imbalance Market. Consistent with the Company's practice that IT network/communication infrastructure are a shared service and allocated common to all jurisdictions (CDAA), the IT Network O&M portion of this project was charged to CDAA. Similar to 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. Much like the internet, data, communication, or information on these technology 'highways' take the path of least resistance, which for Avista's highly integrated system could mean traversing all jurisdictions. 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.

**Downtown Project Center (AAA):**

This project is used to track costs related to O&M expenses for the Downtown Project Center. The Downtown Project Center itself is a consolidated workspace, allowing for office space for specific large projects that can take multiple years to implement. The costs above were common O&M costs for any building hosting office space. Previously, Project Compass was centered at this location, a project to replace the Company's Customer Information System (CIS) with multiple differing software solutions to meet the growing needs of customers. Currently, among other ET projects, the Company's Customer Experience Platform Program (CXP) utilizes this space as a focused office space. CXP is a project to develop a customer focused platform that will empower all departments to work as one in support of customers. Although it is physically located in Spokane Washington, the work performed at this facility serves all jurisdictions and is properly allocated to Oregon natural gas.

**Corporate EOP Pandemic;**

Costs related to Corporate level EOP pandemic response. This project was established to record labor and expenses impacted by the COVID pandemic, capturing paid administrative leave of employees unable to work as well as expenses, such as janitorial expenses for cleaning facilities and supplies. This project was established to record the total Company impact, and therefore was set up as a Common Direct All or "CDAA" charge. Total charges to this project in 2020 totaled $14.5 million in O&M expenses for labor, labor burdens and other expenses. Oregon's share of this total project cost was $1.3 million, or approximately 9% (OR's allocated share of CDAA allocator). This amount is reasonable, as all costs of this project were allocated to all, i.e. OR operations charged this project, allocating 91% to Washington and Idaho, WA and ID expenses were allocated 9% to Oregon, consistent with other common costs allocated across the corporation. The company also completed two other checks for reasonableness. (1) The <u>first</u> was an allocation of the Corporate EOP Pandemic expenses as if "no pandemic" had occurred, using each ORG's O&M %'s (direct/allocated) for all expenses in 2020. The results of this analysis showed the approximate level of expenses that would have been directly assigned or allocated to Oregon totaled approximately $1.1 million. (2) The other analysis, directly assigned Oregon COVID EOP costs 100% to Oregon, and allocated all other Avista non-electric ORG's using the common CDAA allocator of 9.3% to Oregon (i.e. Company common expenses). This analysis reflects that approximately $1.2 million would have been directly or allocated to Oregon operations. The level of expenses included for the test period is reasonable based on this analysis. See the Company's response to AWEC_DR_021C Confidential Attachment A for analysis.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/03/2022 |
| CASE NO.: | UG 433 | WITNESS: | Kaylene Schultz |
| REQUESTER: | AWEC | RESPONDER: | Joel Anderson |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 023 | TELEPHONE: | (509) 495-2811 |
| | | EMAIL: | joel.anderson@avistacorp.com |

**REQUEST:**

Reference Staff Data Request 57, Tab “Download”: Please provide a description of the $43,617 of costs associated with the Ashland Outage - 3/19/19, and explain whether Avista believes this will be an ongoing expense.

**RESPONSE:**

After reviewing the information provided in Staff_DR_057 specifically related to the Ashland Outage of 3/19/19 that were charged in 2020, those should have been removed from the Company’s case, and we will reflect that reduction in our requested revenue requirement on rebuttal.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 01/31/2022 |
| CASE NO.: | UG 433 | WITNESS: | Kaylene Schultz |
| REQUESTER: | AWEC | RESPONDER: | Joel Anderson |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 024 | TELEPHONE: | (509) 495-2811 |
| | | EMAIL: | joel.anderson@avistacorp.com |

**REQUEST:**

Reference Staff Data Request 57, Tab "Download": Please explain why Account 926 Injuries and Damages and 930 Miscellaneous Expenses include $9,853 of Charitable/Civic Ops-Gas.

**RESPONSE:**

Included in the table below is a summary of the $9,853 charged to project number 09900301 'Charitable/Civic Ops-Gas'.

| Row Labels | FERC Account Description | Sum of Gas South Amount | |
|---|---|---|---|
| **Charitable/Civic Ops-Gas** | | **$** | **9,853** |
| 925500 | **INJURIES & DAMAGES NONCAP ALLO** | **$** | **6** |
| 926500 | **EMPLOYEE PENSIONS & BENEFITS N** | **$** | **1,854** |
| 926505 | **USE FOR PAYROLL BENEFITS NON-S** | **$** | **183** |
| 930200 | **MISC GENERAL EXPENSE** | **$** | **7,809** |
| **Grand Total** | | **$** | **9,853** |

Of the total, $6 was charged to FERC account 925 Injuries & Damages, $2,038 was charged to FERC account 926 Employee benefits and payroll and $7,809 was charged to FERC account 930 Misc. general expense.

Project number 09900301 'Charitable/Civic Ops-Gas is used to track time and costs for several types of community events that employees participate in. These events include community relations events, public awareness and safety demonstrations, and informational and instructional events. All these community events help educate customers and raise awareness of safety issues for Avista customers. A portion of these costs are allocated and recovered from Oregon customers.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/07/2022 |
| CASE NO: | UG 433 | WITNESS: | Kaylene Schultz |
| REQUESTER: | AWEC | RESPONDER: | Paul Kimball |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 027 | TELEPHONE: | (509) 495-4584 |
| | | EMAIL: | paul.kimball@avistacorp.com |

**REQUEST:**

Please provide Avista’s Oregon CAT tax return for calendar year 2020.

**RESPONSE:**

Please see the Company’s response to Staff_DR_315 for the requested tax return.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/08/2022 |
| CASE NO: | UG 433 | WITNESS: | Kaylene Schultz |
| REQUESTER: | AWEC | RESPONDER: | Megan Kennedy |
| TYPE: | Data Request | DEPT: | Tax |
| REQUEST NO.: | AWEC – 028 | TELEPHONE: | (509) 495-8144 |
| | | EMAIL: | megan.kennedy@avistacorp.com |

**REQUEST:**

Please state Avista's CAT tax provision for 2021 and provide workpapers supporting the provision value.

**RESPONSE:**

Avista's CAT tax provision for 2021 was $800,000. This was based on the 2020 CAT tax liability of $775,055. Also, please see the Company's response to AWEC_DR_027.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/04/2022 |
| CASE NO: | UG 433 | WITNESS: | Kaylene Schultz |
| REQUESTER: | AWEC | RESPONDER: | K. Schultz/G. Forsyth |
| TYPE: | Data Request | DEPT: | Regulatory Affairs/FP&A |
| REQUEST NO.: | AWEC – 029 | TELEPHONE: | (509) 495-2482 / (509) 495-2765 |
| | | EMAIL: | kaylene.schultz@avistacorp.com<br>grant.forsyth@avistacorp.com |

**REQUEST:**

Reference Shultz workpaper "2020 1) TP Expense Adjustment" Tab "G-FE-1 Expense Forecasted", Cells "AS2" and "AU2": Please identify the source of the escalation factors in the referenced cells and explain why Avista believes those escalation factors are appropriate to apply to its non-labor O&M.

**RESPONSE:**

The escalation factors in the referenced cells, Cells "AS2" and "AU2" as contained in Company witness Ms. Schultz's workpaper "2020 1) TP Expense Adjustment", tab "G-FE-1 Expense Forecasted", are from the Board of Governors of the Federal Reserve System's Federal Open Market Committee (FOMC) quarterly economic projections. As noted in cell AU2 of the workpapers identified above, the link to the source is as follows: https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm

The Company used in its original filing the personal consumption expenditures index (PCEI) median forecasted inflation for 2021 and 2022, 4.2% and 2.2% respectively, from the September 2021 economic projection materials. As indicated in Staff_DR_136 Supplemental, the Company updated the escalation factors to the most recent publication of PCE estimates as of December 2021 (5.3% for 2021 and 2.6% for 2022). Below is snapshot of the PCE inflation from the December 2021 economic projection materials, which includes reference to the prior estimates from the September 2021 materials.

Percent

| Variable | Median[1] | | | | |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | Longer run |
| Change in real GDP | 5.5 | 4.0 | 2.2 | 2.0 | 1.8 |
| September projection | 5.9 | 3.8 | 2.5 | 2.0 | 1.8 |
| Unemployment rate | 4.3 | 3.5 | 3.5 | 3.5 | 4.0 |
| September projection | 4.8 | 3.8 | 3.5 | 3.5 | 4.0 |
| PCE inflation | 5.3 | 2.6 | 2.3 | 2.1 | 2.0 |
| September projection | 4.2 | 2.2 | 2.2 | 2.1 | 2.0 |

Historically, as part of its general rate case process, the Company escalates non-labor O&M expenses. The Company believes the use of a rate of consumer inflation, as measured by the PCEI, is an accurate measure to escalate costs. It has been found that the Bureau of Labor Statistics' consumer price index (CPI) tends to overstate inflation compared to the PCEI. This reflects differences in methodology between the CPI and PCEI. A good description of these differences can be found at: https://www.clevelandfed.org/newsroom-and-events/publications/economic-trends/2014-economic-trends/et-20140417-pce-and-cpi-inflation-whats-the-difference.aspx. Because the PCEI is less prone to measurement biases, it is the preferred measure of the Federal Reserve when making decisions about monetary policy.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/09/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Megan Kennedy |
| TYPE: | Data Request | DEPT: | Tax |
| REQUEST NO.: | AWEC – 032 | TELEPHONE: | (509) 495-8144 |
| | | EMAIL: | megan.kennedy@avistacorp.com |

**REQUEST:**

Reference "Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years", tab "Monthly ADJ": Please provide the workpapers used to calculate the May 2021 balance of $21,446,298.

**RESPONSE:**

Please see AWEC_DR_032 Attachment A for the PowerTax Report supporting the Oregon gas tax customer credit balance. The "Beginning APB11 DFIT Balance" on the report of $16.8M agrees to the beginning ADFIT balance below. The "Current DFIT" balance on the report of $480k agrees to the estimated 2021 deferral below. The estimated 2021 activity was accrued monthly so the April 30, 2021 balance referenced in the request (May 1, 2021) contains 4 months of the 2021 activity.

| | ADFIT | Grossed Up |
|---|---|---|
| Est. Balance 01/01/2021 | 16,782,668.63 | 21,243,884.34 |
| Est. 2021 Deferral | 479,719.73 | 607,240.16 |
| Monthly Deferral | 39,976.64 | 50,603.35 |
| | 4 | 4 |
| 4 Months | 159,906.58 | 202,413.39 |
| Est. Balance 04/30/2021 | 16,942,575.21 | 21,446,297.73 |

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/09/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Megan Kennedy |
| TYPE: | Data Request | DEPT: | Tax |
| REQUEST NO.: | AWEC – 033 | TELEPHONE: | (509) 495-8144 |
| | | EMAIL: | megan.kennedy@avistacorp.com |

**REQUEST:**

Reference “Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years”, tab “Balance of Credit”: Please provide workpapers used to calculate the December 2021 balance of $21,851,125.

**RESPONSE:**

Please see the Company’s response to AWEC_DR_032 Attachment A for the PowerTax Report supporting the Oregon gas tax customer credit balance. The “Beginning APB11 DFIT Balance” on the report of $16.8M agrees to the beginning ADFIT balance below. The “Current DFIT” balance on the report of $480k agrees to the estimated 2021 deferral below.

| | ADFIT | Grossed Up |
|---|---|---|
| Est. Balance 01/01/2021 | 16,782,668.63 | 21,243,884.34 |
| Est. 2021 Deferral | 479,719.73 | 607,240.16 |
| Est. Balance 12/31/2021 | 17,262,388.36 | 21,851,124.51 |

The 2021 beginning balance and estimated deferral has been updated as of January 2022. Please see attachments AWEC_DR_033 Attachment A-D for support.

Note: AWEC_DR_033 Attachment B shows the “Ending APB11 DFIT Balance” as zero. During 2021, PowerTax was updated to appropriately transfer the meter and IDD#5 balances to flow through and therefore the ADFIT balances were removed from the system. This is consistent with the general ledger accounting of transferring the balances from FERC Account 282900.GD.OR to 254393.GD.OR.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/09/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Megan Kennedy |
| TYPE: | Data Request | DEPT: | Tax |
| REQUEST NO.: | AWEC – 034 | TELEPHONE: | (509) 495-8144 |
| | | EMAIL: | megan.kennedy@avistacorp.com |

**REQUEST:**

Reference "Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years", tab "Balance of Credit": Please provide the workpapers used to allocate the total company benefit associated with the change in tax accounting to Oregon customers. Please specifically identify and provide workpapers for each of the underlying allocation factors used.

**RESPONSE:**

Allocation factors were not used in determining the benefit assigned to Oregon customers. The PowerTax system used to track the meters and IDD#5 mixed service costs has an Oregon Distribution grouping that is assigned to Oregon customers.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/09/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Megan Kennedy |
| TYPE: | Data Request | DEPT: | Tax |
| REQUEST NO.: | AWEC – 035 | TELEPHONE: | (509) 495-8144 |
| | | EMAIL: | megan.kennedy@avistacorp.com |

**REQUEST:**

Reference "Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years", tab "Monthly ADJ": Please provide and explanation for, and supporting workpapers used to calculate, the monthly additions of $50,603.

**RESPONSE:**

Please see the Company's response to AWEC_DR_032 Attachment A for the PowerTax Report supporting the Oregon gas tax customer credit balance. The "Current DFIT" balance on the report of $480k agrees to the estimated 2021 deferral below.

| | ADFIT | Grossed Up |
|---|---|---|
| Est. 2021 Deferral | 479,719.73 | 607,240.16 |
| Monthly Deferral | 39,976.64 | 50,603.35 |

Please see the Company's response to AWEC_DR_033 for changes made to the 2021 estimated deferral.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/09/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Megan Kennedy |
| TYPE: | Data Request | DEPT: | Tax |
| REQUEST NO.: | AWEC – 036 | TELEPHONE: | (509) 495-8144 |
| | | EMAIL: | megan.kennedy@avistacorp.com |

**REQUEST:**

Reference "Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years", tab "Balance of Credit": Has Avista trued-up the 2020 additions identified in the referenced workpaper tab. If yes, please state the trued-up amounts.

**RESPONSE:**

Yes, the tax customer credit balance was trued up with the filing of the 2020 tax return in October 2021. See table below for the true up amount.

| | ADFIT | Grossed Up |
|---|---|---|
| 2020 Est. Additions | 1,339,188.69 | 1,695,175.56 |
| 2020 Actual Additions | 1,334,608.13 | 1,689,377.38 |
| True Up | (4,580.56) | (5,798.18) |

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/09/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Megan Kennedy |
| TYPE: | Data Request | DEPT: | Tax |
| REQUEST NO.: | AWEC – 037 | TELEPHONE: | (509) 495-8144 |
| | | EMAIL: | megan.kennedy@avistacorp.com |

**REQUEST:**

Reference “Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years”, tab “Monthly ADJ”: Please explain why the monthly addition/true up amount stop on December 31, 2021.

**RESPONSE:**

The monthly deferral will continue past December 31, 2021, but was not forecasted for purposes of this schedule. See the Company’s response to AWEC_DR_038 for the estimated 2022 deferral as requested.

# AVISTA CORP.
# RESPONSE TO REQUEST FOR INFORMATION

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/09/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Megan Kennedy |
| TYPE: | Data Request | DEPT: | Tax |
| REQUEST NO.: | AWEC – 038 | TELEPHONE: | (509) 495-8144 |
| | | EMAIL: | megan.kennedy@avistacorp.com |

**REQUEST:**

Reference "Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years:" Please provide the calculation of additions to the deferral balance over the period January 1 2022 through August 2022.

**RESPONSE:**

Please see AWEC_DR_038 Attachment A for the PowerTax Report supporting the Oregon gas tax customer credit estimated 2022 activity. The "Current Difference" balance on the report of $5.0M agrees to the 2022 gross timing difference below. The addition to the deferral balance is estimated to be $894,362.

| | Gross Timing Difference | ADFIT at 21% | Grossed Up |
|---|---|---|---|
| 2022 Est. Activity | 5,046,755.35 | 1,059,818.62 | 1,341,542.56 |
| Monthly Deferral | 420,562.95 | 88,318.22 | 111,795.21 |
| | 8 | 8 | 8 |
| Jan-Aug 2022 | 3,364,503.57 | 706,545.75 | 894,361.71 |

# AVISTA CORP.
# RESPONSE TO REQUEST FOR INFORMATION

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/01/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Liz Andrews |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 039 | TELEPHONE: | (509) 495-8601 |
| | | EMAIL: | liz.andrews@avistacorp.com |

**REQUEST:**

Reference “Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years”, tab “Balance of Credit”: Are the ongoing savings associated with the change in accounting reflected in revenue requirement in this docket, or is Avista continuing to defer those amounts?

**RESPONSE:**

Please see Company witness Ms. Andrews’ testimony starting at page 9.

As discussed in the testimony of Ms. Andrews, this Commission approved the Company’s Tax Accounting Application on May 4, 2021, per Order No. 21-131, in Docket No. UM 2124, providing the authority to defer any benefits to customers as a result of the change in accounting.

Per Order No. 21-131, Avista was to defer any benefit existing at time of approval, as well as defer the tax credit benefit on an on-going basis, due to the accounting change. All tax credit benefits, at the time of approval (May 2021) and on-going, are being deferred for return to customers. Therefore, the tax credit benefit is not reflected in the Company’s requested revenue requirement, but has been proposed by the Company to return the benefit as described in Ms. Andrews testimony, and summarized below. (In addition to the deferred federal tax benefit discussed here, the Company is also deferring the balance associated with state deferred income taxes deferred over the period January 16, 2021 through August 31, 2022 of approximately $2.2 million, until the impact on state deferred taxes is included in base rates at the conclusion of this case.)

Concurrent with the effective date of this general rate case, the Company has proposed to begin returning to customers annual Oregon natural gas tax benefits through separate Tariff 486 titled “Tax Customer Credit,” of $3,019,000 – offsetting, in part, the Company’s requested natural gas base rate relief – for the following two-year period. After the two-year period, any remaining amounts plus future deferrals would be amortized over 10 years. In addition, the Company proposes to return the deferred state income tax benefit through separate Tariff Schedule 487 “Deferred Tax Credit”, over a two-year period, offsetting in part, the Company’s proposed general rate request. Tariff Schedule 487 reflects the return of the deferred state income tax benefit (deferred over the period January 16, 2021 through August 31, 2022 of approximately $2.2 million). See also Avista’s response to AWEC_DR_040 and 041.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/01/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Liz Andrews |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 040 | TELEPHONE: | (509) 495-8601 |
| | | EMAIL: | liz.andrews@avistacorp.com |

**REQUEST:**

Reference "Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years", tab "Balance of Credit": Please explain how the accumulated deferred income taxes associated with the change in tax accounting are reflected in revenue requirement in this case?

**RESPONSE:**

Please see Company witness Ms. Andrews' testimony starting at page 9.

Accumulated deferred income taxes associated with the customer tax credit liability continue to reduce overall Oregon rate base in the Company's case, reducing the overall revenue requirement requested in this case, and will continue to do so until the tax credit lability has been returned to customers over time. See also Avista's response to AWEC_DR_039 and 041.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/01/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Liz Andrews |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 041 | TELEPHONE: | (509) 495-8601 |
| | | EMAIL: | liz.andrews@avistacorp.com |

**REQUEST:**

Reference Avista/600 Andrews/14:8-10: Please identify where, specifically, the revenue requirement workpapers of Avista Witness Shultz that the impacts of the deferral are included in revenue requirement as an offset to rate base.

**RESPONSE:**

Please see Company witness Ms. Andrews' testimony starting at page 9.

The Company's test period is calendar 2020. The restatement of the Tax credit liability ($21.2 million as of December 31, 2020) from ADFIT FERC account 282900 reclassed to FERC account 254393 (Regulatory Liability) occurred in May 2021. Therefore, total net rate base as filed by the Company in its direct case continues to have the ADFIT balance as a reduction to net rate base and a reduction in its filed revenue requirement. See also Avista's response to AWEC_DR_039 and 040.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/09/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Megan Kennedy |
| TYPE: | Data Request | DEPT: | Tax |
| REQUEST NO.: | AWEC – 042 | TELEPHONE: | (509) 495-8144 |
| | | EMAIL: | megan.kennedy@avistacorp.com |

**REQUEST:**

Reference “Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years”, tab “Balance of Credit”: Please provide a breakout of mixed service costs (IDD #5) for calendar year 2020 by FERC account.

**RESPONSE:**

This information is not available as the basis adjustment for mixed service costs (IDD#5) is calculated based on headcount and expenditure types by department and not by FERC account.

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

| | | | |
|---|---|---|---|
| JURISDICTION: | Oregon | DATE PREPARED: | 02/22/2022 |
| CASE NO: | UG 433 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | AWEC | RESPONDER: | Liz Andrews |
| TYPE: | Data Request | DEPT: | Regulatory Affairs |
| REQUEST NO.: | AWEC – 046 | TELEPHONE: | (509) 495-8601 |
| | | EMAIL: | liz.andrews@avistacorp.com |

**REQUEST:**

Reference "Andrews Workpaper - OR G-Customer Tax Credit Monthly Journal Entry-2 Years", tab "Balance of Credit": Please provide an updated version of the table in the referenced workpaper with the most up-to date information available, including any true-ups or updates to 2020 Additions and 2021 Additions.

**RESPONSE:**

The following table includes updated information, including any true-ups or updates to 2020 and 2021 additions, as reflected in prior responses to AWEC discovery questions, and as noted in the footnotes of the table below. See also AWEC_DR_046 – Attachment A for a native version.

**Oregon Customer Tax Credit**

| | ADFIT | Customer Tax Credit |
|---|---|---|
| 12/31/2019 Balance (1) | $ (15,443,480) | $ (19,548,709) |
| 2020 Additions (2) | (1,334,608) | (1,689,377) |
| 12/31/2020 Balance | (16,778,088) | (21,238,086) |
| 2021 Additions (3) | (859,844) | (1,088,410) |
| 12/31/2021 Balance | $ (17,637,932) | $ (22,326,496) |

(1) The balance at December 31, 2019 is amount from 2019 Federal income tax return.
(2) The 2020 additions trued-up in October 2021 at completion of the filed 2020 Federal income tax return. See AWEC_DR_036.
(3) The 2021 additions are the estimated additions recorded in 2021 that will be trued-up in October 2022 when the 2021 Federal income tax return is filed. See AWEC_DR_033.

The updated information increases the expected Oregon Customer Tax Credit as of December 31, 2021 from $21.851 million, originally filed by the Company, to a revised amount of $22.326 million, as shown in the table above.

**BEFORE THE**

**PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET UG 433**

**EXHIBIT 104**

**2021 NON-LABOR
O&M ANALYSIS**

**TO THE OPENING**

**TESTIMONY OF**

**BRADLEY G. MULLINS**

**ON BEHALF OF**

**THE ALLIANCE WESTERN ENERGY CONSUMERS**

**March 3, 2022**

Non-Labor O&M Expense Analysis: 2020 v. 2021

| | | Calendar Year 2020 | | | | | Calendar Year 2021 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Less: | | | Non-Labor | Total | Less: | | | Non-Labor | | |
| Account | Description | Expense | Labor | Incentives | Benefits | O&M | Expense | Labor | Incentives | Benefits | O&M | Delta | % |
| 813000 | Other Gas Expenses | 460,311 | 350,030 | 16,252 | (2,646) | 96,675 | 574,993 | 464,324 | 18,292 | - | 92,377 | (4,298) | -4.4% |
| 813010 | Gas Technology Institute (GTI) Expenses | 52,369 | - | - | - | 52,369 | 53,811 | - | - | - | 53,811 | 1,442 | 2.8% |
| 824000 | Other Expenses | 77,760 | - | - | - | 77,760 | 85,830 | - | - | - | 85,830 | 8,070 | 10.4% |
| 837000 | Other Equipment | 210,953 | - | - | - | 210,953 | 202,571 | - | - | - | 202,571 | (8,382) | -4.0% |
| 870000 | Supervision & Engineering | 796,537 | 608,227 | 24,565 | (6,072) | 169,817 | 764,808 | 681,644 | 21,515 | - | 61,649 | (108,169) | -63.7% |
| 874000 | Mains & Services Expenses | 2,022,856 | 724,359 | 9,191 | (5,480) | 1,294,786 | 2,294,277 | 894,030 | 10,353 | - | 1,389,895 | 95,108 | 7.3% |
| 875000 | Measuring & Reg Sta Exp-General | 86,878 | 32,056 | 220 | (202) | 54,803 | 86,666 | 37,202 | 216 | - | 49,248 | (5,556) | -10.1% |
| 876000 | Measuring & Reg Sta Exp-Industrial | 173 | 43 | 0 | - | 129 | 759 | 568 | 3 | - | 189 | 59 | 45.8% |
| 877000 | Measuring & Reg Sta Exp-City Gate | 3,602 | 1,510 | 11 | - | 2,081 | 3,006 | 2,067 | 7 | - | 932 | (1,149) | -55.2% |
| 878000 | Meter & House Regulator Expenses | 299,164 | 22,144 | 64 | - | 276,956 | 272,999 | 34,227 | (8) | - | 238,780 | (38,176) | -13.8% |
| 879000 | Customer Installation Expenses | 958,334 | 446,031 | 3,999 | (4,581) | 512,884 | 1,043,301 | 820,361 | 4,073 | - | 218,867 | (294,018) | -57.3% |
| 880000 | Other Expenses | 875,804 | 414,275 | 5,799 | (6,403) | 462,133 | 690,133 | 429,315 | 4,965 | - | 255,852 | (206,280) | -44.6% |
| 881000 | Rents | 15,135 | 203 | 2 | - | 14,930 | 2,469 | - | - | - | 2,469 | (12,461) | -83.5% |
| 885000 | Supervision & Engineering | 42,755 | 32,151 | 1,623 | (310) | 9,291 | 37,698 | 35,400 | 1,354 | - | 945 | (8,346) | -89.8% |
| 887000 | Mains | 1,255,654 | 127,204 | 1,304 | (1,694) | 1,128,840 | 1,148,752 | 122,753 | 1,112 | - | 1,024,887 | (103,954) | -9.2% |
| 889000 | Measuring & Reg Sta Exp-General | 325,930 | 145,963 | 992 | (1,421) | 180,395 | 254,051 | 161,256 | 853 | - | 91,942 | (88,453) | -49.0% |
| 890000 | Measuring & Reg Sta Exp-Industrial | 23,830 | 7,363 | 51 | (8) | 16,424 | 16,516 | 5,414 | 18 | - | 11,084 | (5,340) | -32.5% |
| 891000 | Measuring & Reg Sta Exp-City Gate | 38,456 | 9,853 | 64 | (259) | 28,798 | 25,691 | 10,852 | 50 | - | 14,789 | (14,009) | -48.6% |
| 892000 | Services | 443,936 | 88,214 | 611 | (292) | 355,403 | 374,017 | 111,019 | 644 | - | 262,354 | (93,048) | -26.2% |
| 893000 | Meters & House Regulators | 941,376 | 233,687 | 2,638 | (1,840) | 706,891 | 947,488 | 265,490 | 2,123 | - | 679,875 | (27,016) | -3.8% |
| 894000 | Other Equipment | 204,613 | 87,740 | 594 | (978) | 117,257 | 169,319 | 100,584 | 610 | - | 68,126 | (49,131) | -41.9% |
| 901000 | Supervision | 38,204 | 31,817 | 1,637 | (257) | 5,006 | 44,989 | 43,175 | 1,815 | - | (0) | (5,007) | -100.0% |
| 902000 | Meter Reading Expenses | 141,600 | 91,664 | 1,495 | (545) | 48,986 | 118,932 | 97,274 | 1,520 | - | 20,138 | (28,848) | -58.9% |
| 903XXX | Customer Records & Collection Expenses | 2,028,727 | 1,114,376 | 48,993 | (11,802) | 877,160 | 2,077,632 | 1,267,038 | 44,259 | - | 766,336 | (110,825) | -12.6% |
| 904000 | Uncollectible Accounts | 1,102,858 | - | - | - | 1,102,858 | 1,070,768 | - | - | - | 1,070,768 | (32,090) | -2.9% |
| 905000 | Misc Customer Accounts | 38,675 | 25,257 | 1,272 | (158) | 12,305 | 24,480 | 21,018 | 1,166 | - | 2,296 | (10,009) | -81.3% |
| 908XXX | Customer Assistance Expenses | 3,434,627 | 101,054 | 5,082 | (1,084) | 3,329,575 | 3,510,927 | 117,834 | 4,917 | - | 3,388,177 | 58,602 | 1.8% |
| 909000 | Advertising | 275,104 | 25,956 | 1,279 | (337) | 248,205 | 240,786 | 5,075 | 195 | - | 235,516 | (12,689) | -5.1% |
| 910000 | Misc Customer Service & Info Exp | 85,144 | 11,483 | 564 | (155) | 73,252 | 84,257 | 14,360 | 597 | - | 69,300 | (3,952) | -5.4% |
| 912000 | Demonstrating & Selling Expenses | 260 | - | - | - | 260 | - | - | - | - | - | (260) | -100.0% |
| 913000 | Advertising | 550 | - | - | - | 550 | - | - | - | - | - | (550) | -100.0% |
| 920000 | Salaries | 3,618,065 | 2,762,044 | 106,113 | (21,954) | 771,861 | 4,228,543 | 3,345,889 | 122,186 | - | 760,468 | (11,393) | -1.5% |
| 921000 | Office Supplies & Expenses | 565,772 | 48,906 | 2,217 | (724) | 515,373 | 562,431 | 53,468 | 3,492 | - | 505,471 | (9,903) | -1.9% |
| 923000 | Outside Services Employed | 1,439,821 | 1,346 | 65 | (22) | 1,438,433 | 1,409,392 | 7,919 | 278 | - | 1,401,196 | (37,237) | -2.6% |
| 924000 | Property Insurance Premium | 176,220 | - | - | - | 176,220 | 218,506 | - | - | - | 218,506 | 42,286 | 24.0% |
| 925XXX | Injuries and Damages | 505,793 | - | - | - | 505,793 | 541,570 | - | - | - | 541,570 | 35,777 | 7.1% |
| 926XXX | Employee Pensions and Benefits | 3,920,908 | 16,014 | 707 | 3,315,952 | 588,235 | 3,507,349 | 14,814 | 1,160 | 3,573,283 | (81,908) | (670,143) | -113.9% |
| 928000 | Regulatory Commission Expenses | 1,057,683 | 276,937 | 13,614 | (1,589) | 768,722 | 1,158,227 | 344,003 | 15,352 | - | 798,873 | 30,151 | 3.9% |
| 930000 | Miscellaneous General Expenses | 761,419 | 193,577 | 7,811 | (193) | 560,224 | 597,510 | 99,067 | 16,915 | - | 481,529 | (78,695) | -14.0% |
| 931000 | Rents | 48,005 | - | - | - | 48,005 | 51,232 | - | - | - | 51,232 | 3,227 | 6.7% |
| 935000 | Maintenance of General Plant | 1,430,607 | 130,049 | 4,004 | (1,581) | 1,298,135 | 1,521,580 | 127,033 | 2,968 | - | 1,391,579 | 93,444 | 7.2% |
| | Total | 29,806,468 | 8,161,535 | 262,832 | 3,243,366 | 18,138,735 | 30,018,266 | 9,734,470 | 282,997 | 3,573,283 | 16,427,516 | (1,711,219) | -9.4% |
| | *Check* | - | - | - | - | | - | - | - | - | | | |

**BEFORE THE**

**PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET UG 433**

**EXHIBIT 105**

**DETAIL OF NON-
OREGON CHARGES**

**TO THE OPENING**

**TESTIMONY OF**

**BRADLEY G. MULLINS**

**ON BEHALF OF**

**THE ALLIANCE WESTERN ENERGY CONSUMERS**

**March 3, 2022**

Analysis of Non-Oregon Charges Identified in AWEC Data Request 21

| Transaction Desc. | Amount | Non-Oregon | Adjustment |
|---|---|---|---|
| J06 - Joint Project Jackson Prairie | 288,713 | 0 | - |
| E53 - Con. Ctr-Lewiston Billing; | 202,879 | 0 | - |
| I50 - Con. Ctr. Spokane Tech. | 188,425 | 0 | - |
| K53 - Con. Ctr-CDA | 173,804 | 0 | - |
| L50 - Spokane Gas | 86,575 | 1 | 86,575 |
| Y54 - Strategic Corp Develop | 57,572 | 0 | - |
| F08 - Electric Shop | 51,501 | 1 | 51,501 |
| E19 - Dist Systems Ops | 49,868 | 1 | 49,868 |
| B50 - Spokane Electric | 42,989 | 1 | 42,989 |
| A57 - Ed Utility Accounting | 42,942 | 0 | - |
| C63 - WA-ID South Area Gas | 36,707 | 0 | - |
| C53 - Coeur d Alene Gas | 31,569 | 1 | 31,569 |
| E29 - Dist Syst Prod & Serv | 24,974 | 1 | 24,974 |
| L53 – CDA | 24,208 | 1 | 24,208 |
| P51 - Distribution Operations | 19,591 | 1 | 19,591 |
| C07 - Spokane River Hydro | 13,968 | 1 | 13,968 |
| J53 - Sandpoint/Bonners Ferry | 13,720 | 1 | 13,720 |
| B53 – Pullman | 11,384 | 1 | 11,384 |
| C57 - Spokane Electric Network | 11,123 | 1 | 11,123 |
| G50 – Colville | 10,297 | 1 | 10,297 |
| D08 - Energy Del Gen Mg | 10,226 | 1 | 10,226 |
| X08 - Relay Shop | 9,159 | 1 | 9,159 |
| M50 - Deer Park | 8,603 | 1 | 8,603 |
| D53 – Clarkston | 8,028 | 1 | 8,028 |
| K07 - Kettle Falls Thermal | 7,992 | 1 | 7,992 |
| H53 – Kellogg | 7,083 | 1 | 7,083 |
| R53 – Grangeville | 7,051 | 1 | 7,051 |
| L07 - Clarkfork River Hydro | 6,991 | 1 | 6,991 |
| I07 - Lower Spokane River Hydro | 6,114 | 1 | 6,114 |
| P08 - Distribution Services | 5,940 | 1 | 5,940 |
| E55 - Power Supply | 5,381 | 1 | 5,381 |
| Z08 - Electric Meter Shop | 5,259 | 1 | 5,259 |
| P50 – Davenport | 5,156 | 1 | 5,156 |
| A53 - External Affairs | 3,464 | 1 | 3,464 |
| S53 - St. Maries | 3,263 | 1 | 3,263 |
| B01 - Dir of Business Transformation | 2,714 | 1 | 2,714 |
| T07 - Spokane Area Thermal | 2,442 | 1 | 2,442 |
| T52 - WA-ID Energy Efficiency | 2,231 | 1 | 2,231 |
| F53 - AM Lewis/Clark | 2,105 | 1 | 2,105 |
| M54 - Business Development | 2,098 | 1 | 2,098 |
| M08 - Substation Design | 2,049 | 1 | 2,049 |
| H50 – Othello | 1,636 | 1 | 1,636 |
| G53 - Area Manager – CDA | 1,465 | 1 | 1,465 |
| P03 - Substation Delivery Projects | 1,294 | 1 | 1,294 |
| H04 - Hydro Compliance | 909 | 1 | 909 |
| R07 - Generation Controls Engineering | 736 | 1 | 736 |
| C51 - Elec Distributn Design | 711 | 1 | 711 |
| A50 - Director of Ops WA & ID | 584 | 1 | 584 |
| J07 - Generation Civil/Mech. Engineering | 551 | 1 | 551 |
| P53 - AM Moscow/Pullman | 215 | 1 | 215 |
| E56 - Transmission Services | 160 | 1 | 160 |
| S06 - Avista Edge | 99 | 1 | 99 |
| L08 - Transmission Design | 70 | 1 | 70 |
| L11 - Trans Veg Mgmt | 4 | 1 | 4 |
| Total | 1,504,592 | | 513,550 |

**BEFORE THE**

**PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET UG 433**

**EXHIBIT 106**

**AWEC PROPOSED
RATE SPREAD**

**TO THE OPENING**

**TESTIMONY OF**

**BRADLEY G. MULLINS**

**ON BEHALF OF**

**THE ALLIANCE WESTERN ENERGY CONSUMERS**

**March 3, 2022**

AVISTA UTILITIES
OREGON JURISDICTION
LONG-RUN INCREMENTAL COST OF SERVICE STUDY
TWELVE MONTHS ENDED AUGUST 3, 2023

**RESULT SUMMARY *(Component Allocation)***

| Line No. | | | OREGON TOTAL | Residential Service SCH 410 | General Service SCH 420 | Large General Service SCH 424 | Interruptible Service SCH 440 | Seasonal Service SCH 444 | Special Contract Service SCH 447 | Transportation Service SCH 456 |
|---|---|---|---|---|---|---|---|---|---|---|
| | STATISTICS | | | | | | | | | |
| 1 | TEST YEAR ANNUAL THERM DELIVERIES | | 147,155,320 | 54,219,249 | 29,021,461 | 4,539,621 | 15,153,934 | 216,390 | 6,663,690 | 37,340,974 |
| 2 | TEST YEAR CUSTOMERS | | 106,853 | 94,663 | 12,020 | 93 | 38 | 6 | 2 | 31 |
| 3 | AVERAGE ANNUAL THERM DELIVERIES PER CUSTOMER | | | 573 | 2,414 | 48,813 | 398,788 | 36,065 | 3,331,845 | 1,204,548 |
| 4 | Gas Commodity Costs | | $ - | - | - | - | - | - | - | - |
| 5 | Gas Supply Department (Scheduling) | 1.02890 | $ 63,073 | 21,389 | 11,449 | 1,791 | 5,978 | 85 | 3,389 | 18,992 |
| 6 | Gas Supply Department (Non-Scheduling) | | $ 153,350 | 78,813 | 42,186 | 6,599 | 22,028 | 315 | 516 | 2,894 |
| 7 | Meter Reading | | $ 96,426 | 85,426 | 10,847 | 84 | 34 | 5 | 2 | 28 |
| 8 | Billing | | $ 2,905,742 | 2,574,249 | 326,870 | 2,529 | 1,033 | 163 | 54 | 843 |
| | Customer Installation Investment Cost | | | | | | | | | |
| 9 | Meters | | $ 5,412,076 | 4,070,921 | 1,220,788 | 45,437 | 20,444 | 4,038 | 6,317 | 44,130 |
| 10 | Services | | $ 57,000,792 | 48,732,955 | 7,621,745 | 196,997 | 210,005 | 12,709 | 5,271 | 221,109 |
| 11 | Main Extensions | | $ 116,416,679 | 64,280,633 | 50,644,639 | 438,198 | 281,684 | 28,271 | 19,042 | 724,212 |
| 12 | Total Customer Installation Investment Cost | | $ 178,829,547 | 117,084,509 | 59,487,173 | 680,632 | 512,134 | 45,018 | 30,630 | 989,451 |
| | System Core Main Cost | | | | | | | | | |
| 13 | Capacity | | $ 27,794,176 | 14,352,880 | 7,420,744 | 668,104 | 849,001 | - | 472,996 | 4,030,451 |
| 14 | Commodity | | $ 12,797,861 | 4,716,770 | 2,523,199 | 394,756 | 1,317,758 | 18,817 | 579,462 | 3,247,100 |
| 15 | Total Core Main Cost | | $ 40,592,037 | 19,069,651 | 9,943,943 | 1,062,860 | 2,166,758 | 18,817 | 1,052,458 | 7,277,551 |
| 16 | Underground Storage Cost | | $ 1,077,774 | 628,343 | 322,953 | 37,750 | 43,517 | 475 | 6,774 | 37,962 |
| 17 | Long Run Incremental Distribution Cost | | $ 223,717,949 | 139,542,379 | 70,145,421 | 1,792,244 | 2,751,482 | 64,878 | 1,093,825 | 8,327,720 |
| 18 | Distribution Margin Revenue at Present Rates | | $ 75,188,099 | 48,602,523 | 20,768,914 | 689,575 | 1,771,874 | 37,308 | 175,705 | 3,142,200 |
| 18 | **Distribution Margin Revenue at Present Rates** | | **$ 75,188,099** | **48,602,523** | **20,768,914** | **689,575** | **1,771,874** | **37,308** | **175,705** | **3,142,200** |
| | Proposed Cost by Functional Classification Assigned to Schedule by LRIC components | | | | | | | | | |
| 19 | Cost of Gas Commodity | | $ - | - | - | - | - | - | - | - |
| 20 | Gas Supply Department Costs | | $ 570,000 | 263,906 | 141,258 | 22,096 | 73,760 | 1,053 | 10,286 | 57,640 |
| 21 | Meter Reading, Billing, Etc. Costs | | $ 3,327,000 | 2,947,449 | 374,258 | 2,896 | 1,183 | 187 | 62 | 965 |
| 22 | Meters & Services Costs | | $ 25,725,000 | 21,764,418 | 3,644,668 | 99,925 | 94,986 | 6,903 | 4,776 | 109,325 |
| 23 | System Core Main Costs | | $ 46,999,000 | 24,950,080 | 18,136,590 | 449,327 | 732,917 | 14,095 | 320,743 | 2,395,248 |
| 24 | Underground Storage Costs | | $ 2,341,000 | 1,364,804 | 701,477 | 81,995 | 94,521 | 1,031 | 14,715 | 82,456 |
| 25 | Proposed Cost | | $ 78,962,000 | 51,290,657 | 22,998,252 | 656,239 | 997,367 | 23,269 | 350,583 | 2,645,634 |
| 26 | AWEC Adjustments | | $ (7,026,626) | (4,564,224) | (2,046,556) | (58,397) | (88,753) | (2,071) | (31,197) | (235,428) |
| 27 | **LRIC Based Target Margin** | | **$ 71,935,374** | **$ 46,726,432** | **$ 20,951,696** | **$ 597,842** | **$ 908,614** | **$ 21,199** | **$ 319,385** | **$ 2,410,206** |
| 28 | Current Distribution Margin Revenue to Proposed Cost | | **0.95** | **0.95** | **0.90** | **1.05** | **1.78** | **1.60** | **0.50** | **1.19** |
| | **AWEC Proposed Rate Spread** | | | | | | | | | |
| 29 | Component LRIC Target Change by Schedule | | $ (3,252,725) | $ (1,876,091) | $ 182,782 | $ (91,733) | $ (863,260) | $ (16,109) | $ 143,680 | $ (731,994) |
| 30 | Reallocate Special Contract Impact | | (0) | 93,745 | 42,034 | 1,199 | 1,823 | 43 | $ (143,680) | 4,835 |
| 31 | LRIC Target after Special Contract | | **(3,252,725)** | **(1,782,345)** | **224,817** | **(90,534)** | **(861,437)** | **(16,067)** | **-** | **(727,158)** |
| 32 | % Increase (Reduction) | | -4.33% | -3.67% | 1.08% | -13.13% | -48.62% | -43.07% | 0.00% | -23.14% |
| 33 | Apply Rate Ceiling At Zero | | (0) | 207,343 | (224,817) | 2,653 | 4,032 | 94 | - | 10,695 |
| 34 | Rate Reduction after Ceiling | | (3,252,725) | (1,575,003) | - | (87,881) | (857,405) | (15,973) | | (716,463) |
| 35 | % Increase (Reduction) | | -4.33% | -3.24% | 0.00% | -12.74% | -48.39% | -42.81% | 0.00% | -22.80% |