BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 433

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

OPENING TESTIMONY

OF THE

OREGON CITIZENS' UTILITY BOARD

March 3, 2022

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is William Gehrke. I am a Senior Economist employed by Oregon Citizens' Utility Board (CUB). My business address is 610 SW Broadway, Ste. 400 Portland, Oregon 97205.

Q. Please describe your educational background and work experience.

A. My witness qualification statement is found in exhibit CUB/101.

Q. What is the purpose of your testimony?

A. My testimony responds to issues raised in Avista Corporation, dba Avista Utilities' (Avista or the Company) Direct Testimony, filed with the Public Utility Commission of Oregon (Commission) on October 22, 2021.

Q. How is your testimony organized?

A. My testimony is organized as follows:

I. Introduction

II. Return of Deferred Tax Customer Credits

III. CUB's Long Run Incremental Cost Study

IV. Rate Spread

II. Return of Deferred Tax Customer Credits

Q. Please summarize CUB's testimony on this item.

A. Regardless of any base rate increase potentially approved in this proceeding, CUB recommends that the Commission amortize Schedules 486 over five years, and Schedule 487 over two years. Schedule 486 represents Avista's "Tax Customer Credit" tariff and Schedule 487 is its "Deferred Tax Credit" tariff.[1]

Q. Please summarize Avista's 2020 accounting petition and its impact on Avista's federal taxes.

A. In Oregon, Idaho, and Washington, Avista filed for an accounting application to change its accounting for federal income tax expenses for non-protected plant basis adjustments, including Industry Director Directive No. 5 (IDD #5) and meters.[2] Avista also filed for a deferral of any benefits to customers as a result of this proposed accounting change.[3] All three states approved Avista's accounting

[1] UG 433 – Avista/100/Vermillion/24, lines 1-2.
[2] UG 433 – Avista/600/Andrews/9, lines 7-12.
[3] *See, e.g.,* OPUC Docket No. UM 2124.

change. The Company's accounting change has resulted in $21.9 million being available to offset Oregon customers' rates in this rate case.[4]

Q. Please summarize how Avista's 2020 accounting petition impacts Avista's Oregon state taxes.

A. Based on feedback from the Alliance of Western Energy Consumers (AWEC) and Staff of the Public Utility Commission of Oregon (Staff), Avista realized that the federal income tax accounting change for IDD #5 and meters will eliminate Oregon state taxable income tax for several years, resulting in a state income tax benefit to Oregon customers.[5] When the Commission approved Avista's 2020 accounting petition, a deferral was approved to track this Oregon state tax benefit.[6]

Q. Does CUB have any reactions to Avista accounting change?

A. Yes. In 2020, Avista's annual revenues were $138 million. The accounting order results in at least $23.5 million in benefits for Oregon customers. This has the potential to provide significant benefits to Avista's Oregon customers.

Q. Given the size of the fund available, what is Avista's proposal to return these funds back to Oregon customers?

A. Avista proposes to return the deferred state income tax benefit through a separate Tariff Schedule 487 called "Deferred Tax Credit." Avista's proposal to amortize this deferral over two years results in an annual amortization of $755,000.[7] Additionally, Avista proposes to return the deferred federal income tax benefit through a separate Tariff Schedule 486 called "Tax Customer Credit." Schedule

[4] UG 433 – Avista/600/Andrews/9, lines 2-4.
[5] UG 433 – Avista/600/Andrews /15.
[6] OPUC Order No. 21-131.
[7] UG 433 – Avista/600/Andrews/16, lines 9-12.

486's tax benefits will return to customers over two years to offset any base rate increase in this case, with the remaining balance amortized over a ten-year period.[8] This means that Avista is proposing to wait no less than twelve years to fully return these benefits back to customers. The Company's proposes to limit the size of the amortization of Schedule 487 and 486 to the size of the base rate case in this proceeding. If the Commission were to approve a lower base rate amount for Avista and accepted Avista's recommendation on the Amortization of Schedule 486, Schedule 486 would be amortized over a significantly extended period of time.

Q. Why does Avista propose to amortize Schedule 486 over twelve years?

A. Avista requests that the natural gas tax benefit amortization does not go beyond the base rate increase approve on an annual basis in this case; and requests to amortize this deferral over twelve years.[9] Avista cautions that amortizing more tax benefit funds to customers has the potential of impacting Company's investment-grade metrics.[10] Avista notes that its credit rating is at BBB, which is two notches above "non-investment grade" rating levels.[11] Avista asserts that a rating downgrade to BBB- or "non-investment grade" could occur if higher amortization balance was ordered by the Commission or if a greater than two-year amortization period was proposed in the filing.[12]

Q. What is CUB's response to Avista's proposal?

[8] UG 433 – Avista/600/Andrews/15.
[9] UG 433 – Avista/600/Andrews/17.
[10] UG 433 – Avista/200/Thies/31, lines 1-2.
[11] UG 433 – Avista/200/Thies/31, lines 4-5.
[12] UG 433 – Avista/200/Thies/31, lines 5-10.

A. CUB supports amortizing Schedule 487 over two years. However, CUB recommends a medium-term amortization period for Schedule 486 regardless of the base rate increase approved by the Commission. CUB recommends amortizing the Schedule 486 over a five-year period, rather than the twelve-year window proposed by Avista. CUB appreciates the work that Avista has done to provide these benefits to ratepayers. However, Avista has not justified its proposal to wait twelve more years to fully return these benefits back to customers.

Q. Why is CUB recommending a shorter amortization period for Schedule 486?

A. CUB understands the importance of maintaining investment grade credit ratings and acknowledges that cash flow metrics contribute the Avista's credit rating. Avista has not met its burden of proof to demonstrate that a medium-term amortization period for *Oregon* will actually lead to a credit downgrade for the Company. The Company states "[a] downgrade to [Avista's] ratings to one-notch above or to non-investment grade, could be possible if the Commission were to include a higher amortization balance than the approved rate increases."[13] Avista's Oregon natural gas business is less than 10% of Avista's utility revenues. Rating agencies use a variety of factors to assess the corporate credit ratings. While Avista raises the specter of a potential rating downgrades, Avista has not provided evidence on the record that that a shorter than twelve-year amortization period in Oregon for tax benefits would lead to a credit downgrade for Avista.

Q. How has Avista framed the amortization period issue before the Commission?

[13] UG 433 – Avista/200/Thies/31, lines 5-7.

A. In testimony, Avista compared the twelve-year amortization period to a one or two-year amortization period.[14] Avista argued that a one or two-year amortization period of all these tax benefits would weaken credit metrics tracked by ratings agencies.[15] It is for this reason that Avista requests a longer amortization period. Avista asserts that a twelve-year amortization period for Schedule 486 balances the rate impact to customers and the Company's financial health. The Company has provided no evidence on whether a medium-term amortization period would weaken its ratings.

Q. Why should the Commission approve a five-year amortization of Schedule 486?

A. CUB does not dispute that an extremely short-term return[16] of the Schedule 486 and 487 to customers would significantly harm Avista's credit metrics. Avista's insistence that the amortization of Schedule 486 and 487 be no greater than the base rate increase could lead to a long return period for these funds back to ratepayers if Avista's base rate request is reduced. Also, CUB is not aware of the Commission changing the amortization schedule of a deferral while it is being amortized after it has been approved.

Q. What was Avista's proposal to allocate the tax benefits between customers?

A. The Company proposed to allocate this cost on a uniform percent of revenue.

Q. Does CUB have a proposal on how to allocate these schedules?

[14] UG 433 – Avista/600/Andrews/17-18.
[15] UG 433 – Avista/600/Andrews/17, lines 7-10.
[16] CUB considers 1 to 2 years to be extremely short term.

A. Yes. CUB recommends that tax benefits related to meters be allocated to each customer class based on the number of customers. This matches how customers are paying for meter expenses. Meter expenses are driven by the numbers of meters needed to measure natural gas usage and bill customers. Since meter expenses are allocated in this manner, it is symmetrical to allocate the tax credit associated with meters in a similar method. CUB recommends that IDD #5 benefits are allocated on an equal percent of margin revenues basis.

Q. Is CUB's position final on this topic?

A. No. CUB position on the amortization period of Schedule 486 and 487 is not final. CUB would like to evaluate Staff's and AWEC's Opening testimony on this topic and reserves the right to alter its position based on the evidentiary record in this case.

Q. Does CUB have an issue that may be addressed in later rounds of testimony on the amortization of the deferral?

A. Yes. Avista's recommended amortization of Schedule 486 and 487 is dynamic, based it is based on the final rate increase in this case. CUB may advocate for a different interest rate during the amortization for Schedule 486 or 487 if Avista or other parties advocate for a Schedule 486's amortization over a longer period of time.

III. Long Run Incremental Cost (LRIC)

Q. How does Avista allocate costs among the different rate schedules?

A. Each rate case, Avista develops an Oregon-specific natural gas cost of service study known as the Long Run Incremental Cost (LRIC) study. Avista's study attempts to develop the incremental annual cost of providing natural gas service to customers by rate schedule. Avista uses the LRIC study as one of the guidelines to allocate the Company's revenue requirement to individual rate schedules.

Q. Has Avista proposed any changes to the LRIC study methodology since the last rate case?

A. No. Avista's methodology is unchanged since UG 389.[17]

Q. Have parties agreed on any issues in this case prior to filing opening testimony?

A. Yes. Avista, AWEC, CUB and Staff agreed to settle the cost of capital in this case. If adopted by the Commission, this adjustment sets Avista's return on equity to 9.4%, long-term cost of debt to 4.7%, with an overall Cost of Capital of 7.05%. This cost of capital settlement reduces Avista's revenue requirement request by $1.191 million.

Q. Given that stipulation, what is the first change that CUB proposes to the LRIC?

A. Avista's LRIC uses the Company's initially requested Cost of Capital with an overall rate of return on 7.35%. CUB's proposed LRIC study reflects Avista's rate of return of 7.05%.

Q. What are Avista Schedule 440 and 456?

A. On Avista's Oregon distribution system, rate schedules are grouped by customer type (Residential, Commercial, Industrial), size, and natural gas service (Transportation and Sales). Avista Schedule 440 is the rate schedule for large

[17] UG 433 – Avista/900/Anderson/3, lines 15-17.

commercial and industrial interruptible customers. Avista Schedule 456 is the rate schedule for large transportation, commercial, and industrial interruptible customers.

Q. What is Avista's proposal to allocate system main costs?

A. Avista assigns fifty percent of the capacity portion of core main costs to Schedule 440 and 456.[18] Avista makes this recommendation in response to Staff's testimony in UG 366.

Q. What was Staff's recommendation in UG 366 around system main costs?

A. Staff recommended that interruptible schedules should only pay for half of the capacity portion of core main costs.[19] In UG 366, Avista initially proposed to allocate one hundred percent of capacity core main costs to interruptible customers.[20] Staff argued that some interruptible customers make major capital investments to enable them to withstand natural gas interruption.[21] Staff argued that interruptible customers should be spared a portion of the capacity portion of core main costs.

Q. How often are interruptible customers asked to suspend service?

A. In the last decade, Oregon interruptible customer have experienced **one** curtailment event.[22] Forty-six interruptible customers were issued curtailment notices during the event, and three interruptible customers used natural gas during the curtailment

[18] UG 438 - Avista/900/Anderson/8, lines 1-2.
[19] UG 366 - Staff/900/Compton/9-10.
[20] *Id.*
[21] *Id.*
[22] CUB Exhibit 102.

period. It is clear that Schedule 440 and Schedule 456 customers are seldom actually interrupted.

Q. Are interruptible customers required to maintain and fund capital investments to maintain service during a curtailment period?

A. No. Avista does not require interruptible customers to maintain standby facilities. Avista Oregon Schedule 440 reads "Avista recommends that the Customer, at their expense, provide and maintain standby facilities to continue operations with a substitute fuel in the event of partial Curtailment or total interruption of the natural gas supply." Staff's argument in UG 366 may have been more persuasive to CUB if Avista's tariff required interruptible customers were required to maintain standby facilities.

Q. Under Avista Rule 14, what does the term "unauthorized usage" mean?

A. When Avista issues a curtailment notice to interruptible customers, interruptible customers are obligated to reduce natural gas usage. Unauthorized usage occurs when an interruptible customer uses natural gas during a curtailment period. A customer that uses natural gas during a curtailment event is subject to fees. During the last curtailment event, despite receiving a discount for capacity in margin rates, some interruptible customers had unauthorized gas usage. CUB's change to the LRIC study is reasonable because interruptible customers are seldom, if ever, interrupted.

Q. What are the results of CUB's LRIC study?

A. Table No. 1 below shows the relative margin-to-cost ratio at present rates for each schedule.

Table No. 1: Long Run Incremental Cost Study

Customer Class	Avista's Margin-to-Cost at Present Rates	CUB's Margin-to-Cost at Present Rates
Residential Service Schedule 410	1.00	1.00
General Service Schedule 420	0.95	0.96
Large General Service Schedule 424	1.10	1.12
Interruptible Service Schedule 440	1.87	1.68
Seasonal Service Schedule 444	1.68	1.70
Transportation Service Schedule 456	1.25	1.03
Total Oregon Natural Gas	**1.00**	**1.00**

Q. What is CUB's proposal around allocating the capacity portion of core main costs in the LRIC?

A. CUB does not find Staff's argument to be persuasive. CUB recommends that Schedule 440 and 456 be allocated 75% of capacity core mains costs. For Avista's system, CUB recognizes the role of interruptible customers on design day for the natural gas system. Therefore, CUB's capacity core main cost allocation provides a discount to capacity core mains costs to interruptible customers.

IV. Rate Spread

Q. Please summarize Avista's rate spread proposal.

A. Avista proposes to allocate the margin revenue increase on an equal percent of revenue basis. If the Commission were to order a revenue requirement lower than the Company's initial request, the Company proposes that Residential Service

Schedule 410 and Large General Services Schedule 424 receive an equal percentage of revenue increase. Avista, proposes that the lower revenue requirement be applied equally to Schedules 440, 444, and 456, until the point theses schedules receive no base rate increase, with the offsetting amount being applied to Schedule 420.

Q. What is CUB's position on rate spread?

A. Overall, CUB finds Avista's rate spread proposal to be reasonable. However, based on CUB's LRIC study, CUB proposes one change to Avista's rate spread proposal. CUB proposes that Residential Service Schedule 410, Large General Service Schedule 424, and Transportation Schedule 456 receive an equal percent of revenue increase. CUB included Transportation Schedule 456, based on relative margin to cost of that rate schedule in CUB's LRIC study. Rate Spread is decided on a number of factors, but the parity ratio of each customer class is that starting point for determining rate spread. Based on the reduction in revenue requirement and these schedules margin-to-cost, CUB recommends no increase for Schedule 440, and 444. If the Commission were to order a revenue requirement lower than the current case, CUB recommends that lower revenue requirement apply equally to Schedules 410, 424, and 424, with the offsetting amount being applied to Schedule 420.

Q. Can you provide a table comparing CUB's and Avista's rate spread proposal?

A. Table No. 2 below compares Avista's, and CUB's rate spread proposal.

Table No. 2: Avista and CUB Rate Spread Comparison at Avista's current revenue requirement.

Revenue Requirement at 2.583 million increases		
Customer Class	**Avista's Proposal**	**CUB's Margin-to-Cost at Present Rates**
Residential Service Schedule 410	3.44%	3.44%
General Service Schedule 420	4.264%	3.75%
Large General Service Schedule 424	3.44%	3.44%
Interruptible Service Schedule 440	0%	0
Seasonal Service Schedule 444	0%	0
Transportation Service Schedule 456	0%	3.44%
Total Distribution Revenue Increase	**3.44%**	**3.44%**

Q. What is the impact of the CUB proposal to amortize Schedule 486 and 487?

A. The amortization of Schedule 486 over five years and Schedule 487 over two years, will have each rate class experiences a rate decrease on the rate effective date.

Q. Does this conclude your testimony?

A. Yes.

WITNESS QUALIFICATION STATEMENT

NAME: William Gehrke

EMPLOYER: Oregon Citizens' Utility Board

TITLE: Senior Economist

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

EDUCATION: MS, Applied Economics
Florida State University, Tallahassee, FL

BS, Economics
Florida State University, Tallahassee, FL

EXPERIENCE: Provided testimony for the Oregon Citizens' Utility Board in numerous dockets such as UE 335, UE 374, UG 344. UG 347, UG 366, UE 374, UG 388, UE 391, and UE 394. Worked as an Economist for the Florida Department of Revenue. Worked as Utility Analyst at the Florida Public Service Commission, providing advice on electric rate cases. Attended the Institute of Public Utilities Annual Regulatory Studies program in 2018.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	11/08/2021
CASE NO.:	UG 433	WITNESS:	Joel Anderson
REQUESTER:	CUB	RESPONDER:	Justin Dorr
TYPE:	Data Request	DEPT:	Energy Supply
REQUEST NO.:	CUB – 009	TELEPHONE:	(509) 495-8494
		EMAIL:	justin.dorr@avistacorp.com

REQUEST:

Refer to UG 433 / Avista / 900 / Anderson / Page 8 / Lines 5-7, please provide the following information about curtailment events in Oregon from the past ten years.

a. The date(s) of the curtailment event.
b. The number of interruptible customers that received a curtailment notice
c. The number of customers that had unauthorized usage during the curtailment event.

RESPONSE:

Avista had one curtailment event in Oregon over the past ten years:

a. Avista curtailed Oregon interruptible customers beginning on October 9th, 2018 through October 11th, 2018.
b. 46 interruptible customers received the notice of curtailment.
c. 3 interruptible customers had unauthorized usage during the curtailment event.

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			0.752192102						
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		$ 30,233,902	14,352,880	7,420,744	668,104	1,273,501	-	472,996	6,045,676
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		$ 43,031,763	19,069,651	9,943,943	1,062,860	2,591,259	18,817	1,052,458	9,292,776
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		$ 226,157,675	139,542,379	70,145,421	1,792,244	3,175,983	64,878	1,093,825	10,342,945
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		$ 25,313,000	21,415,849	3,586,297	98,324	93,464	6,792	4,700	107,574
23	System Core Main Costs		$ 46,247,000	24,175,216	17,573,331	435,372	833,279	13,657	310,782	2,905,363
24	Underground Storage Costs		$ 2,271,000	1,323,994	680,502	79,544	91,695	1,000	14,275	79,990
26	Proposed Cost		$ 77,728,000	50,126,414	22,355,645	638,232	1,093,381	22,690	340,105	3,151,533
25	**LRIC Based Target Margin**		**$ 77,728,000**	**50,126,414**	**22,355,645**	**638,232**	**1,093,381**	**22,690**	**340,105**	**3,151,533**
26	Current Distribution Margin Revenue to Proposed Cost		**0.97**	**0.97**	**0.93**	**1.08**	**1.62**	**1.64**	**0.52**	**1.00**
27	**Relative Margin to Cost at Present Rates**		**1.00**	**1.00**	**0.96**	**1.12**	**1.68**	**1.70**	**0.53**	**1.03**
28	Component LRIC Target Change by Schedule		$ 2,539,901	$ 1,523,891	$ 1,586,731	$ (51,343)	$ (678,493)	$ (14,618)	$ 164,400	$ 9,333
29	Target Increase as a Percent of Present Distribution Margin Revenue		3.38%	3.14%	7.64%	-7.45%	-38.29%	-39.18%	93.57%	0.30%
30	Avg Cost Per Month for Meter Reading, Billing, Meters & Services			$ 21.45	$ 27.46	$ 90.70				$ 291.77

AVISTA UTILITIES
OREGON JURISDICTION
LONG-RUN INCREMENTAL COST OF SERVICE STUDY
TWELVE MONTHS ENDED AUGUST 31, 2023

INCREMENTAL INVESTMENT COSTS

Line No.			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
	SERVICE INSTALLATIONS	48 yr life							
1	TYPICAL SERVICE PIPE SIZE		3/4"	3/4"	1 1/4" - 2"	1/2" - 1.25"	1 1/4" - 2"	3/4" - 2"	1/2" - 2"
2	AVERAGE SERVICE COST		$ 3,091.92	$ 3,808.34	$ 12,722.18	$ 33,191.95	$ 12,722.18	$ 15,828.86	$ 42,838.05
3	LEVELIZED PLANT COST FACTOR		0.1665	0.1665	0.1665	0.1665	0.1665	0.1665	0.1665
4	ANNUAL REVENUE REQUIREMENT		$ 514.80	$ 634.09	$ 2,118.24	$ 5,526.46	$ 2,118.24	$ 2,635.51	$ 7,132.53
	METERS & REGULATORS	36 yr life							
5	METERS & REGULATORS		$ 249.88	$ 590.14	$ 2,838.85	$ 3,126.14	$ 3,910.66	$ 18,353.88	$ 8,271.67
6	LEVELIZED PLANT COST FACTOR		0.1721	0.1721	0.1721	0.1721	0.1721	0.1721	0.1721
7	ANNUAL REVENUE REQUIREMENT		$ 43.00	$ 101.56	$ 488.57	$ 538.01	$ 673.02	$ 3,158.70	$ 1,423.55
	MAIN INVESTMENT	58 yr life							
8	AVERAGE MAIN EXTENSION PER CUSTOMER		83	515	412	500	412	1,029	1,089
9	TYPICAL PIPE SIZE REQUIRED		2 "	2 "	sample	dedicated plt	same as 424	dedicated plt	dedicated plt
10	AVERAGE COST PER FOOT		$ 48.41	$ 48.41	$ 67.67	$ 87.72	67.67	$ 54.75	$ 126.94
11	MAIN EXTENSION INVESTMENT		$ 4,018.03	$ 24,931.15	$ 27,880.53	$ 43,862.31	$ 27,880.53	$ 56,337.19	$ 138,234.83
12	ESTIMATED DESIGN DAY LOAD FACTOR	100%	23.64%	24.46%	42.50%	55.82%	0.00%	88.12%	28.97%
13	INCR CAPACITY MAIN INVESTMENT PER THERM	0.370107	$ 1.565732	$ 1.513279	$ 0.870841	$ 0.663019	$ -	$ 0.420007	$ 1.277353
14	TEST YEAR AVERAGE THERMS PER CUSTOMER	.	573	2,414	48,813	398,788	36,065	3,331,845	1,204,548
15	CAPACITY MAIN INVESTMENT		$ 897.16	$ 3,653.06	$ 42,508.37	$ 264,403.86	$ -	$ 1,399,397.89	$ 1,538,633.56
16	50% OF CAP MAIN INVESTMENT FOR INTERRUPTIBLE					$ 198,302.90			$ 1,153,975.17
17	INCR COMMODITY MAIN INVESTMENT PER THERM		0.514545	$ 0.514545	$ 0.514545	$ 0.514545	$ 0.514545	$ 0.514545	$ 0.514545
18	TEST YEAR AVERAGE THERMS PER CUSTOMER		573	2,414	48,813	398,788	36,065	3,331,845	1,204,548
19	COMMODITY MAIN INVESTMENT		$ 294.83	$ 1,242.11	$ 25,116.47	$ 205,194.27	$ 18,557.06	$ 1,714,383.31	$ 619,793.83
20	TOTAL MAIN INVESTMENT PER CUSTOMER		$ 5,210.03	$ 29,826.32	$ 95,505.37	$ 513,460.44	$ 46,437.59	$ 3,170,118.39	$ 2,296,662.23
21	LEVELIZED PLANT COST FACTOR	58 yr life	0.1690	0.1690	0.1690	0.1690	0.1690	0.1690	0.1690
22	ANNUAL REVENUE REQUIREMENT		$ 880.49	$ 5,040.65	$ 16,140.41	$ 86,774.81	$ 7,847.95	$ 535,750.01	$ 388,135.92
	UNDERGROUND STORAGE INVESTMENT								
23	BALANCING INVESTMENT PER TOTAL THROUGHPUT THERM		$ 0.006106	$ 0.006106	$ 0.006106	$ 0.006106	$ 0.006106	$ 0.006106	$ 0.006106
24	STORAGE INVESTMENT PER JANUARY SALES THERM		$ 0.386886	$ 0.386886	$ 0.386886	$ 0.386886	$ 0.386886		
25	TEST YEAR AVERAGE THERMS PER CUSTOMER		573	2,414	48,813	398,788	36,065	3,331,845	1,204,548
26	TEST YEAR AVERAGE JANUARY SALES THERMS PER CUSTOMER		94	379	5,531	11,484	659		
27	UNDERGROUND STORAGE INVESTMENT		$ 39.87	$ 161.37	$ 2,437.91	$ 6,877.95	$ 475.17	$ 20,343.83	$ 7,354.82
28	LEVELIZED PLANT COST FACTOR	48 yr life	0.1665	0.1665	0.1665	0.1665	0.1665	0.1665	0.1665
29	ANNUAL REVENUE REQUIREMENT		$ 6.64	$ 26.87	$ 405.91	$ 1,145.18	$ 79.12	$ 3,387.25	$ 1,224.58
30	**TOTAL INCREMENTAL INVESTMENT COST PER CUSTOMER**		**$ 1,444.94**	**$ 5,803.17**	**$ 19,153.13**	**$ 93,984.46**	**$ 10,718.34**	**$ 544,931.46**	**$ 397,916.58**

AVISTA UTILITIES
OREGON JURISDICTION
LONG-RUN INCREMENTAL COST OF SERVICE STUDY
TWELVE MONTHS ENDED AUGUST 31, 2023

INCREMENTAL OPERATING AND MAINTENANCE COSTS

Line No.		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
	GAS SUPPLY DEPARTMENT (SCHEDULING)							
1	ANNUAL HOURS (PER THERM)	0.0000078	0.0000078	0.0000078	0.0000078	0.0000078	0.0000100	0.0000100
2	AVERAGE RATE PER HOUR	$ 49.33	$ 49.33	$ 49.33	$ 49.33	$ 49.33	$ 49.33	$ 49.33
3	LABOR COST PER THERM	$ 0.00038	$ 0.00038	$ 0.00038	$ 0.00038	$ 0.00038	$ 0.00049	$ 0.00049
	GAS SUPPLY DEPARTMENT (NON-SCHEDULING)							
4	ANNUAL HOURS (PER THERM)	0.0000206	0.0000206	0.0000206	0.0000206	0.0000206	0.0000011	0.0000011
5	AVERAGE RATE PER HOUR	$ 68.47	$ 68.47	$ 68.47	$ 68.47	$ 68.47	$ 68.47	$ 68.47
6	LABOR COST PER THERM	$ 0.00141	$ 0.00141	$ 0.00141	$ 0.00141	$ 0.00141	$ 0.00008	$ 0.00008
7	**TOTAL GAS SUPPLY DEPARTMENT O&M PER CUSTOMER**	**$ 1.03**	**$ 4.34**	**$ 87.68**	**$ 716.30**	**$ 64.78**	**$ 1,897.93**	**$ 686.15**
	METER READING							
8	ANNUAL HOURS	0.02591	0.02591	0.02591	0.02591	0.02591	0.02591	0.02591
9	AVERAGE RATE PER HOUR	$ 33.84	$ 33.84	$ 33.84	$ 33.84	$ 33.84	$ 33.84	$ 33.84
10	LABOR COST PER CUSTOMER	$ 0.87707	$ 0.87707	$ 0.87707	$ 0.87707	$ 0.87707	$ 0.87707	$ 0.87707
	BILLING							
11	ANNUAL POSTAGE/CC FEE PER CUST	$ 2.77	$ 2.77	$ 2.77	$ 2.77	$ 2.77	$ 2.77	$ 2.77
12	5 YR AVERAGE PER CUST	$ 23.66	$ 23.66	$ 23.66	$ 23.66	$ 23.66	$ 23.66	$ 23.66
13	BILLING COST PER CUSTOMER	$ 26.43	$ 26.43	$ 26.43	$ 26.43	$ 26.43	$ 26.43	$ 26.43
14	**TOTAL CUSTOMER O&M**	**$ 27.31**	**$ 27.31**	**$ 27.31**	**$ 27.31**	**$ 27.31**	**$ 27.31**	**$ 27.31**

Avista Utilities
Oregon - Natural Gas
Pro Forma 12 Months Ended August 31, 2023

Line No.		OREGON TOTAL	Residential Service SCH 410	General Service SCH 420	Large General Service SCH 424	Interruptible Service SCH 440	Seasonal Service SCH 444	Special Contract Service SCH 447	Transportation Service SCH 456
1	CURRENT REVENUE	$ 75,188,000	48,603,000	20,769,000	690,000	1,772,000	37,000	175,000	3,142,000
2	COST OF GAS	$ -	-	-	-	-	-	-	-
3	CURRENT DISTRIBUTION MARGIN	$ 75,188,000	$ 48,603,000	$ 20,769,000	$ 690,000	$ 1,772,000	$ 37,000	$ 175,000	$ 3,142,000
4	% of Current Margin excl Sch 447	100.00%	64.79%	27.69%	0.92%	2.36%	0.05%		4.19%
5	Total Revenue Requirement	2583000							
6	Revenue Requirement as a Percent of Margin Revenue	3.44%							
7	Percentage Applied to Overall Margin Increase		100.23%	100.23%	100.23%	100.23%	100.23%		100.23%
8	Increase as a Percent of Total Current Margin		3.44%	3.74%	3.44%	3.44%	3.44%		3.44%
9	**PROPOSED MARGIN REVENUE INCREASE**	**$ 2,583,000**	**$ 1,673,597**	**$ 777,703**	**$ 23,759**	**$ -**	**$ -**		**$ 107,940**
				$ 0					
10	**Percentage Distribution Revenue Increase**	**3.44%**	**3.44%**	**3.745%**	**3.44%**	**0.00%**	**0.00%**		**3.44%**
	Cost of Service								
11	Proposed Margin	$ 77,771,000	$ 50,276,597	$ 21,546,703	$ 713,759	$ 1,772,000	$ 37,000	$ 175,000	$ 3,249,940
12	LRIC Based Target Margin (Line 25 of Anderson Exhibit 904 Page 1 of 3)	**$ 77,728,000**	**50,126,414**	**22,355,645**	**638,232**	**1,093,381**	**22,690**	**340,105**	**3,151,533**
13	**Relative Margin to Cost at Present Rates (Line 27 of Anderson Exhibit 904 Page 1 of 3)**	**1.00**	**1.00**	**0.96**	**1.12**	**1.68**	**1.69**		**1.03**
14	**Relative Margin to Cost at Proposed Rates**	**1.00**	**1.00**	**0.96**	**1.12**	**1.62**	**1.63**		**1.03**
15	Movement Towards Unity		-27%	9%	-1%	8%	8%		-2%
16	Billed Revenue	$ 123,033,891	$ 75,710,521	$ 34,933,999	$ 2,816,659	$ 6,103,778	$ 138,879	$ 175,498	$ 3,154,556
17	Percentage Billed Revenue Increase	**2.1%**	**2.2%**	**2.2%**	**0.8%**	**0.0%**	**0.0%**	**0.0%**	**3.4%**