BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 461

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

REDACTED OPENING TESTIMONY

OF THE

OREGON CITIZENS' UTILITY BOARD

July 7, 2023

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I. INTRODUCTION

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

A. Our names are Bob Jenks and John Garrett. Mr. Jenks is the Executive Director of the Oregon Citizens' Utility Board (CUB) and Mr. Garrett is a Utility Analyst at CUB. Our business address is 610 SW Broadway, Ste. 400 Portland, Oregon 97205.

Q. Please describe your educational background and work experience.

A. Our witness qualification statements are in exhibits CUB/101 and 102.

Q. What is the purpose of your testimony?

A. Our testimony responds to various proposals and issues contained in Avista Utilities' (Avista or the Company) initial filing in this proceeding. Our testimony discusses the following**:**

II. Line Extension Allowance (LEA) Policy

III. Rate Spread

IV. Partial Multiparty Settlement Stipulation

II. LEA POLICY

A. *Introduction*

Q. Please summarize your testimony.

A. According to CUB's review of the Company's filed testimony, workpapers, and data request (DR) responses to CUB and other intervenors in this proceeding, it is apparent that Avista has failed to meet its burden to prove that retaining its current LEA policy is just and reasonable. As the Public Utility Commission of Oregon (Commission) recently held in NW Natural Gas Company's (NWN) recent general rate case (UG 435), costs related to compliance with the Oregon Climate Protection Plan (CPP) must be considered when establishing a gas utility's LEA.[1] The Company's current justification of its LEA policy failed to provide sufficient analysis connecting its LEA policy to the long-standing historic economic justification of LEAs generally. Further, the Company failed to consider the impact of its CPP compliance obligation in its LEA policy. CUB respectfully recommends that the Commission immediately reduce Avista's LEA to $2,500 in 2024, reduce that amount to $1,250 in 2025, and eliminate the Company's LEA in 2026.

Q. Please detail CUB's approach to examining Avista's LEA in this proceeding.

A. In examining Avista's LEA, CUB initially expected to review a policy that was at least economically justified prior to the activation of the CPP in 2022, and ideally responsive to the Commission's recent guidance in UG 435 regarding gas utility LEAs. In Order No. 22-388 in UG 435, the Commission established that CPP compliance costs are a necessary consideration for LEA policy looking forward.[2]

[1] *See* OPUC Order No. 22-388.
[2] *See* OPUC Order No. 22-388.

Upon finding that the Company had not changed its LEA policy since the activation of the CPP in 2022, CUB set about gathering information to integrate CPP compliance costs into Avista's current LEA policy.

However, shortly thereafter, CUB discovered the Company was unable to economically justify its LEA even without considering CPP compliance costs. The current policy does not contain the fundamental requirements of an economically justified LEA policy and results in very high LEAs that harm customers, resulting in an unjust and unreasonable outcome. In the 2022 Base Year, Avista's average LEA for a single residential connection was $5,644,[3] with a high of $17,829.[4] In 2020, Avista rate based an LEA of $42,032 for a *single* residential connection.[5] For context, Order No. 22-388 reduced NWN's LEA *cap* from $2875 to $2,300 in 2022.[6] As such, CUB was compelled to examine the Company's LEA policy sans the CPP first, before integrating the Company's CPP obligation into its LEA policy.

Our testimony covers two distinct topics. First, we unpack the Company's current LEA policy and its impact on ratepayers. Next, we fulfill our initial goal of integrating CPP compliance costs into an Avista LEA policy. As a result of our analysis, we recommend an immediate redesign of the Company's LEA policy, which is not economically justified or just and reasonable. Further, we recommend a gradual phase-out of Avista's LEA policy based on our original modeling, which

[3] *See* CUB Exhibit 108.
[4] *See* CUB Exhibit 109.
[5] *Id.*
[6] *See* OPUC Order No. 22-388.

shows the CPP compliance cost of a new customer washes out the marginal benefit of new customer, along with the historic justification of LEAs.

Q. In simple terms, what is the historic policy and economic justification of an LEA?

A. The longstanding policy justification underlying a utility LEA is to equitably balance the interests of current customers and new customers. Historically, when a new customer connects to the gas system, they bring certain economic benefits for existing customers. A new customer adds to a gas company's gross revenue and disperses the fixed costs of the gas system for all customers. This lowers current customers' monthly bills.

However, connecting a new customer to the gas system also creates a cost. To connect a new customer requires new infrastructure, or a "line extension," which has materials, labor, financing and other costs associated with it.

To compensate new customers for the benefit they will provide current customers, a justified LEA policy determines an appropriate amount for current customers to pay to cover the cost of connecting a new customer to the system, with the expectation that current customers benefit from new customer additions. For a line extension policy to be fair to current and new customers, the LEA should not exceed the benefit the new customer provides/ current customers receive. Put differently, LEA policy ensures the addition of a new customer leaves current customers unharmed.[7]

[7] *See* OPUC Order No. 22-388 at 48.

Gas companies can design their own LEA policies, but any policy change must be Commission- approved. Although the economic balancing is between current and new customers, gas companies are not a disinterested party. Gas companies benefit from LEA policies because they help the company expand their system, increase their customer base, and rate base capital expenditures—for which they are entitled a rate of return, or profit.

B. *Avista's Current LEA*

Q. What is Avista's current residential LEA policy?

A. Avista's current residential LEA policy is described in Avista's Oregon Tariff Rules 15 and 16.

Rule 15 regards residential "main extensions" and, according to the Company, these are "extremely rare."[8] Main extensions extend the Company's "backbone" distribution system to serve multiple customers in an unserved area, such as an unserved neighborhood or town.[9] Simply put, Rule 15 states the allowance for the main extension must not exceed three times the gross revenue of the new customers.[10] Since Rule 15 is rarely applied, in this testimony we focused exclusively on Rule 16.

[8] *See* CUB Exhibit 105.
[9] *Id.*
[10] *See* CUB Exhibit 103.

Rule 16 regards residential "service connections," or infrastructure that connects an individual customer to the main extension. Rule 16 states:

> Upon application, the Company will furnish and install at its own expense a service pipe of suitable capacity from its gas main to the property line of property abutting upon any public street, highway, alley, lane or road along which it already has or will install street mains, and will install, at its own expense, a further extension of 40 feet on the private property, or as much of such extension as may be necessary to reach a meter location that is satisfactory to the Company. The Company will install that portion of each service pipe in excess of the portion installed at the Company's expense inside of the property line, subject to an advance to be paid by the applicant as set forth below.[11]

It is important to note that while Rule 16 limits the length of pipe the Company will cover on the customer's property to 40 feet, it lends unchecked discretion to the Company to install pipe from the main extension to the edge of the customer's property.

Q. Is length alone an accurate or reasonable determinant of the likely cost of a line extension?

A. No. Other factors, such as the substrate through which the service line must go, the pipe installation technique, and the fill surrounding the service line significantly impact total cost. The very broad range seen in Avista LEAs from 2017 to 2022 ($141 to $42,032)[12] is indicative that Avista's length-based policy is inadequate.

Q. Does Avista's LEA Policy contain the necessary elements of an economically justified LEA?

A. No. As discussed, under the Commission's prevailing LEA policy, an LEA is reasonable and justified if it balances the interests of existing customers and new

[11] *See* CUB Exhibit 104.
[12] *See* CUB Exhibit 109.

customers. In order to be economically justified, an LEA policy must equalize the marginal costs and benefits of an average new customer, so that existing customers are unharmed by the addition of the new customer. To do this, the policy must *at least* determine the marginal benefit of a new customer and set a cap on the LEA based on the new customer's marginal benefit.

The Company's LEA policy fails to calculate or incorporate the marginal benefit of a new customer. As for establishing an LEA cap, while the *up to 40 feet on customer property* condition of Tariff Rule 16 sets some limit on the line extension, CUB showed that length alone is a poor determinant of actual line extension costs.[13] The Company's LEA cap fails to consider other highly impactful factors that may influence the cost of an individual LEA.

Further, the Company's LEA policy technically sets no limit on the total length of line extension the Company will cover. During a meeting between CUB and Avista to discuss LEAs, CUB asked the Company how it determined what amount it would spend on a service connection off the customer's property, in addition to the cost of the 40 feet of pipe on the customer's property. According to the Company, it would install up to 20 feet of pipe off the customer's property, amounting to 60 feet of service connection pipe in total. However, it remains unclear to CUB how the Company applies its *60 feet total* policy. This and other questions surrounding the

[13] See section 'Is length alone an accurate or reasonable determinant of the likely cost of a line extension?' of this testimony.

Company's application of its LEA policy are discussed further later in this testimony.[14]

Q. Has the Company economically justified its LEA policy?

A. No, the Company has not provided CUB with an economic justification for its LEA policy. At this time, the Company has failed to meet its burden to prove that its current LEA policy is justified and reasonable at all, let alone when CPP compliance costs are considered.

The Company grandfathered in its LEA policy in from the previous territory provider (CP National) in 1991 and has not changed it since. When CUB requested the Company's "economic justification for installing up to 40 feet of pipe [on customer property] to connect customers to the gas main at the Company's expense," the Company stated:

> Rule 16 was approved during the time CP National owned the Oregon jurisdiction and Avista has maintained these tariffs since that time. Therefore, the Company is unable to provide documentation supporting the economic justification or OPUC proceeding which established the up to 40 feet of service pipe condition.[15]

When CUB asked the Company how it "economically justif[ies] the amount it will spend on the portion of service connection between the customer's property line and the main?" the Company stated:

> Tariff Rule 16 allows the Company to provide service to those customers whose residence may be located across any public street, highway, alley, lane, or road from Avista's main. The additional cost of crossing these public road right of ways maintained and governed by others would, in

[14] *See* section: "Based on the information and documentation provided by the Company, explain how Avista's LEA policy permits such high LEAs."
[15] *See* CUB Exhibit 106.

> many cases, provide a financial barrier hindering a customer's ability to receive service from Avista.[16]

This explanation offers no accountable process for what the Company could spend on LEAs off the Customer's property and completely avoids balancing the interests of existing customers (who are responsible for paying for LEAs) and new customers.

Q. How does Avista's LEA compare to NWN's?

A. Figure 1 compares Avista and NWN's LEAs. Avista's LEAs are much higher than NWN's. The Commission reduced NWN's LEA *cap* from $2875 to $2300 in 2022,[17] whereas Avista's 2022 *average* LEA was $5,644.[18] In 2022, Avista's *average* LEA was twice NWN's upper limit.

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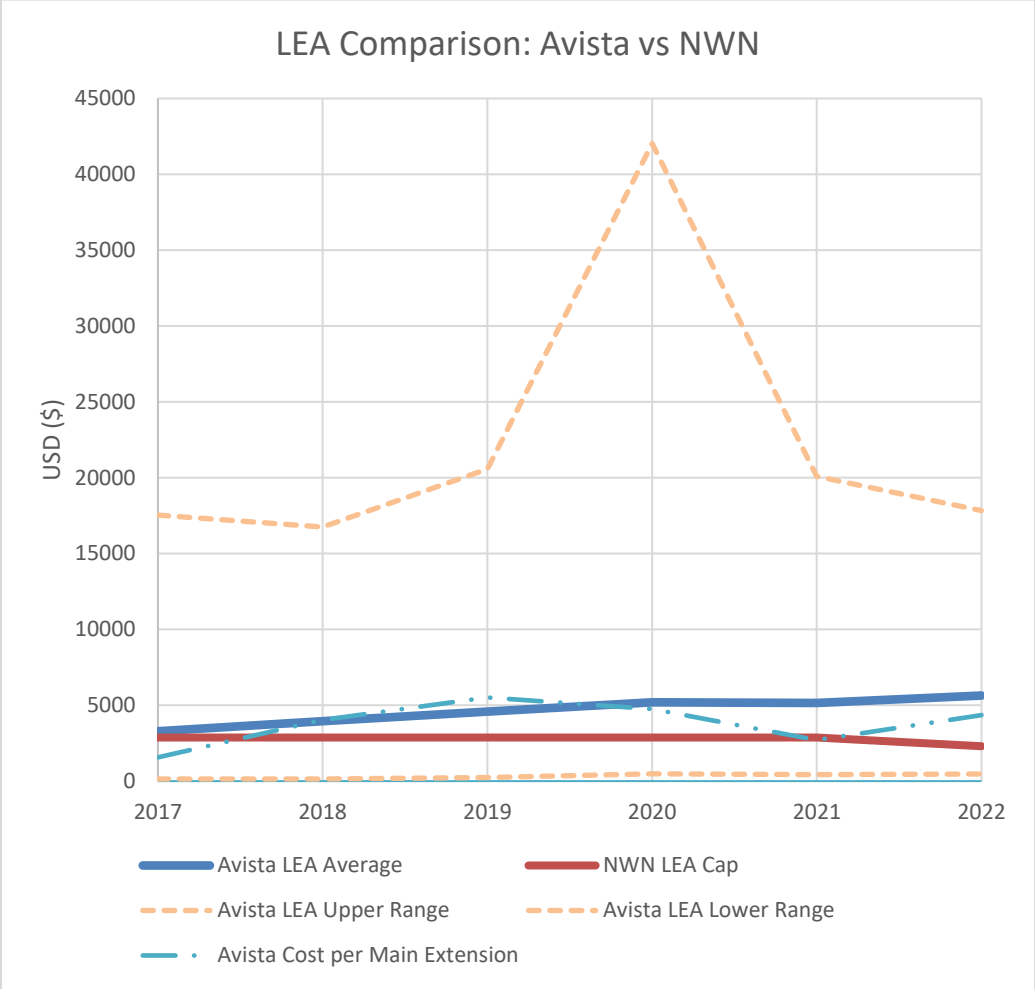
[16] *See* CUB Exhibit 107.
[17] *See* OPUC Order No. 22-388.
[18] *See* CUB Exhibit 108.

Figure 1



From 2017 to 2022, Avista's LEA policy resulted in individual LEAs exceeding $16,000 each year, including an individual LEA of $42,032.[19] $16,000 and $42,032 are 32x and 83x Avista's 2022 margin revenue per customer.[20] Notably, in the years 2017, 2020, 2021 and 2022, Avista's average LEA was higher than the Company's average main extension expense, even though main extensions serve multiple new customers and LEAs only serve a single new customer.

[19] *See* CUB Exhibit 109.
[20] For this calculation CUB assumed an Avista 2022 margin revenue per customer of $507.50, which is derived in CUB Exhibit 116.

Q. What is the full cost to ratepayers of an Avista 2022 Base Year average LEA?

A. CUB Exhibit 111 shows CUB's modeling of the total cost, including the Company's profit on the LEA and other expenses associated with rate base financing, of an Avista 2022 Base Year average LEA, which was $5,644.[21] Over 30 years, an average Avista LEA will cost ratepayers $16,695.[22]

It is important to highlight that this calculation is for Avista's *average* LEA and that the Company does not have a monetary LEA cap. In 2022, Avista's highest LEA was $17,829,[23] and, using the same methodology, CUB calculated that this LEA will cost ratepayers $47,393 over 30 years. The highest LEA the Company furnished since 2017, a $42,032 LEA in 2020,[24] will cost ratepayers $108,367.

Q. What benefits, if any, does a gas company gain from an LEA policy that enables high LEAs?

A. An LEA policy that results in high LEAs benefits a gas company in several ways. Line extensions are considered capital expenses, which a gas company is entitled to the opportunity to earn a rate of return on. More and bigger LEAs provide a gas company with greater investment opportunity. This allows a gas company to earn more profit.

[21] *See* CUB Exhibit 108.
[22] *See* CUB Exhibit 111.
[23] *See* CUB Exhibit 109.
[24] *Id.*

A higher LEA cap increases a gas company's investment opportunity per line extension. The larger the portion of the line extension cost the gas company can cover through an LEA, the more the gas company can earn through the investment.

A higher LEA cap also increases the quantity of line extensions the gas company can build. The more a new customer is individually responsible for paying for a line extension, the less likely they are to connect to the gas system in the first place. By making it free or cheaper for more customers to connect to the gas system, the gas company increases the number of line extensions it can build and customers it can connect. Expanding its customer base also enables the gas company to expand their system in other ways to meet higher regional load requirements, such as looping or upgrading a feeder or cold box. These are investment opportunities that also accrue a rate of return for the gas company.

Since Avista has a fiduciary obligation to maximize profit for its shareholders, it has an incentive to seek more and higher LEAs. However, setting an LEA based solely on the interests of shareholders runs counter to established Commission precedent.

Q. How do high LEAs harm ratepayers?

A. Ratepayers bear the full consequences of LEAs that are too high. The cost of LEAs—including the dollar amount of the LEA and the gas company's financing costs—are added to the gas company's annual revenue requirement. The revenue requirement is divided among ratepayers and paid for through monthly billing. A

higher revenue requirement drives up ratepayer bills. Inherently, a high LEA drives up bills more than the marginal benefit of adding a new customer reduces monthly bills.

In addition, because LEAs are capital investments with long depreciation lives, LEAs have the potential to become stranded if a building's space heating and hot water is converted to electricity. Therefore, a larger LEA would create a larger stranded cost to be borne by existing customers who remain on the gas system.

Q. Based on the information and documentation provided by the Company, explain how Avista's LEA policy permits such high LEAs.

A. After realizing how much higher Avista's LEAs are relative to NWN's and discovering the upper range of Avista's LEAs, CUB expended considerable effort to understand how Avista implements its LEA policy and why the policy failed to prevent remarkably high LEAs. Despite numerous data requests and a meeting with the Company to discuss LEAs, we are still unsure of how the Company implements its LEA policy. Information and documentation provided by the Company on LEAs was sometimes incomplete and seemingly contradictory. In this section, we compiled information from the Company that remains puzzling to CUB to show where our understanding and confusion comes from. The takeaway of this section is that many outstanding questions remain regarding how the Company calculates its LEA. CUB looks forward to seeing the Company's response in the next round of testimony and hopes that it can provide additional analysis to assuage CUB's concerns. If the record remains unsatisfactory at the end of this proceeding, a third-

party audit outside of this general rate case proceeding may be necessary to understand the Company's LEA practices and potentially rectify the ongoing expense to ratepayers of unreasonably and unjustly high LEAs.

Through the course of CUB's analysis, we learned that Avista's Tariff Rule 16 governed single residential customer LEAs. Tariff Rule 16 limits Avista's LEA to coverage of expenses for 40 feet of service connection *on customer property* but leaves the Company discretion to cover line extension between the main extension and the customer's property line. From meeting with the Company, CUB learned that Avista's de facto practice was to cover up to *60 feet total* of service connection, or up to 20 feet beyond the 40 feet on the customer's property.

In an effort to better understand the Company's *60 feet total* policy after meeting with the Company, in CUB DR 15 we asked "How does the Company economically justify the amount it will spend on the portion of service connection between the customer's property line and the main?" but the Company's answer provided no insights about its *60 feet total* policy, where it came from, how the Company adhered to it, or how it was economically justified.[25]

In response to the PUC Staff's (Staff) Data Request 285, the Company indicated that from 2018 to 2022 between 90 and 94% of customers paid $0 for line extensions.[26] CUB found this puzzling given the Company's *40 feet on customer*

[25] *See* CUB Exhibit 107.
[26] *See* CUB Exhibit 112.

property and *60 feet total* policies. According to Avista's response to CUB DR 2, the average line extension length in 2022 was 62 feet,[27] so we would expect more than 10% of customers to have contributed to their line extensions. This led CUB to scrutinize what circumstances triggered the Company to split total line extension costs and understand how the Company divided costs between itself (through LEAs) and the new customer.

Despite examining documentation of 25 residential line extensions, CUB could not discern a consistent method employed by the Company for splitting line extension expenses between an LEA and the new customer. The following two residential line extension examples illustrate the lack of clarity and possible lack of adherence to their own LEA policy exhibited by the Company.

In Avista's response to CUB DR 19 the Company provided information and documentation for three residential line extensions.[28] **(Start Confidential)** [redacted][29] **(End Confidential)**

[27] *See* CUB Exhibit 106.
[28] *See* CUB Exhibit 113.
[29] *See* CUB Exhibit 104.

[redacted][30]

[redacted][31]

[redacted][32]

[redacted][33]

[redacted] **(End Confidential)**

[30] *See* CUB Exhibit 113.
[31] *Id.*
[32] *Id.*
[33] *Id.*

Finally, Avista's response to CUB DR 18 thoroughly puzzled CUB.[34] It is unclear what the implications of the Company's response are. Despite its potential significance, this information/ explanation was not provided in response to early CUB DRs which requested information on the division of expenses between the Company and the new customer (such as CUB DR 9) or in the meeting between CUB and Avista on LEAs. It does not readily dovetail with other information provided by the Company, such as the fact that from 2017 to 2022, only 10% or less of customers contributed any amount to their line extension.[35]

In any case, the Company's puzzling application of its conceptually simple Tariff Rule 16 doesn't appear to provide economic justification for the policy or the $16,000+ LEAs that occurred every year from 2017 to 2022.[36] It appears that for expensive line extensions, the new customer's portion of the expense does not grow proportionally with the actual line extension expense, resulting in low new customer charges and high LEAs. Although the Company's LEA policy appears conceptually simple, limit the length of line extension the Company will cover through an LEA, the Company's application of the policy somehow enables extraordinarily expensive LEAs.

Q. Could anything be done to rectify the ongoing burden to customers resulting from already-rate based high LEAs?

[34] *See* CUB Exhibit 114.
[35] *See* CUB Exhibit 112.
[36] *See* CUB Exhibit 109.

A. At this time, CUB does not have a recommendation for how to address the substantial ongoing expenses to ratepayers in rate base from the Company's high LEAs. LEAs are capital expenditures that are covered by ratepayers over decades. Over 30 years, a single $5,644 2022 average Avista LEA will cost ratepayers $16,695.[37] Avista's 2020 $42,032 LEA will cost ratepayers $108,367.[38] If unaddressed, these unreasonable expenses will burden ratepayers for decades.

CUB will continue seeking clarification of the Company's LEA practices throughout this proceeding; however, looking forward it may be necessary for an independent third party to conduct an audit of the Company's LEA practices outside of this general rate case proceeding to reach a fair result for Avista customers who are currently bearing the expense of the Company's high LEAs. CUB would like to review the Company's response to this testimony before formally recommending a third-party audit. While retroactive ratemaking is not possible, the just course of action may involve relieving ratepayers of a portion of the ongoing expense of unreasonably high LEAs. This could be achieved by removing a portion of LEA expenses from future rate base.

Q. How has Avista's LEA policy, which lacks economic justification, persisted without notice for so long?

A. It is not entirely clear. Because growth- related rate base, including LEAs, are updated in every general rate case, one would expect that the basis of those costs

[37] *See* CUB Exhibit 111 and section 'What is the full cost to ratepayers of an Avista 2022 Base Year average LEA?'
[38] *Id.*

would be examined at some point. Perhaps parties and Commission did not scrutinize Avista's LEA policy because of the longstanding paradigm wherein new customers brought with them ample system benefits. However, that is no longer the case.

It is also important to note that Avista's LEA policy has been misrepresented. CUB's Executive Director, Bob Jenks, served on the Senate Bill 32 Task Force which looked at issues related to expanding the gas system. Members of that task force were told that Avista's LEA's cap was set at three times the expected total revenues (commodity and margin) expected from the new customers. Going into this case, CUB believed that three times revenue was the basis of the LEA. This was not out-of-line with NWN's former (pre-2013) which was 5 times expected margin revenue.

C. *Integrating CPP Compliance Costs into the LEA*

Q. Do the CPP rules impact LEA policies?

A. Yes. Avista needs to shift its business-as-usual approach to LEAs given it must account for any of the costs that are brought to its system from new customers, due to the greenhouse gas emission abatement obligations placed on the company under the CPP. The Commission's decision in the NWN rate case is instructive here. The Commission found that, the costs associated with CPP compliance could be significant and may offer little to no economic benefit to the existing system from the addition of new customers.[39] The Commission found that CPP compliance is

[39] *See* OPUC Order No. 22-388 at 48.

one of the costs a utility must consider in its LEA calculations.[40] The Commission also found that NWN's previous LEA methodology, which assumes customers remain on the system for 30 years with a predictable throughput, was likely an optimistic assumption given the changes in the industry.[41] Likewise, the Commission found it reasonable that the company will encounter a trend of decreasing gas usage, potentially driven by economic signals toward fuel switching, and that it was appropriate to reduce the LEA.[42]

Q. How does the CPP regulate a gas company's annual emissions?

A. The CPP created an emissions "baseline" for each Oregon gas company using the company's 2017-2019 average emissions and sets emissions caps for the companies based on their baselines for the years 2022 - 2050. From 2022 onward, a gas company's emissions cap will fall by increments of ~3% of the company's baseline.[43] A gas company's approximate emissions cap for the first few years of the CPP is as follows:

2022: Emissions cap is 3% below the company's baseline

2023: Emissions cap is 6% below the company's baseline

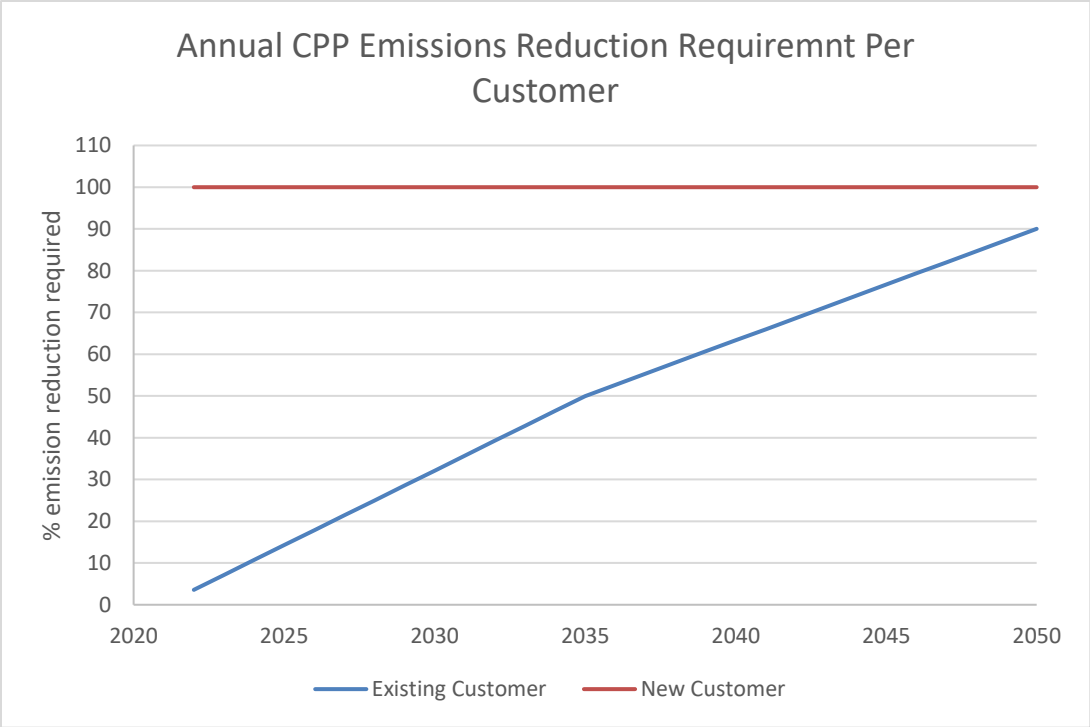
2024: Emissions cap is 9% below the company's baseline

It is important to note that adding new customers after 2019 does not increase the gas company's baseline. As such, to meet CPP emissions requirements, a company must reduce its baseline emissions (i.e. the emissions produced by pre-2020

[40] *Id.* at 49.
[41] *Id.*
[42] *Id.*
[43] From 2022 to 2035 the emissions reduction requirement is ~3.5%/year of baseline. From 2035 to 2050 the emissions reduction requirement in ~2.5%/year of baseline. See OR DEQ https://secure.sos.state.or.us/oard/viewSingleRule.action?ruleVrsnRsn=284831

customers, or "existing customers") by ~3% per year *and* offset the emissions of any new customers by 100%, from the year the new customer connects through to the end of the CPP. Figure 2 compares the emissions reductions requirements for existing customers (i.e. pre-2020 customers) and new customers.

Figure 2



Q. How do a new customer's marginal costs/benefits compare to an existing customer's under the CPP?

The design of the CPP results in substantial differences in the marginal costs/ benefits of a new customer relative to an existing customer. Table 3 compares the marginal costs/ benefits of new and existing customers.

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	Cost or Benefit?	Existing Customer	New Customer	Comparison
Margin Revenue	Benefit	Revenue according to Schedule 410 Rate	Revenue according to Schedule 410 Rate	***Existing and new customers generate the same Margin Revenue.***
Annual CPP Emissions Reduction Requirement	Cost	~3% emissions reduction for each year since 2021.	100% emissions reduction for entire duration of CPP	A gas company's annual emission caps for the duration of the CPP are already set based on existing customers' emissions. Adding new customers does not increase the company's annual emissions caps. ***New customers do not bring more emissions cap space for the Company with them. Their annual emissions reduction requirement is much higher.***
CPP Compliance Mechanism: CCIs	Benefit	CPP provides opportunity to offset a portion of emissions with CCIs. [44]	CPP provides no additional CCIs for new customers.	A gas company's annual CCI allotment is already set based on existing customers' emissions. ***New customers do not bring additional CCI allotment for the company with them.***
LEA	Cost	Up to a gas company's LEA cap plus company financing expenses	Up to a gas company's LEA cap plus company financing expenses	***Absent policy reform, existing and new customers have the same LEA costs.***

Table 3. New Customers versus Existing Customers Under the CPP

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[44] The exact percentage of existing customers' emissions that can be covered through CCIs changes each year but is generally less than 10%. See OR DEQ https://secure.sos.state.or.us/oard/viewSingleRule.action?ruleVrsnRsn=284831

In terms of marginal benefits, Table 3 shows that while existing and new customers bring in the same Margin Revenue, new customers do not increase a gas company's access to CCIs, which are usually the cheapest compliance mechanism.

In terms of marginal costs, Table 3 shows that LEA costs are the same for existing and new customers, but CPP emissions reduction requirements for new customers are much higher. Figure 2 shows that new customers bring substantially higher emissions reductions requirements relative to existing customers, particularly in the early years of the CPP.

Q. What basic elements should be included in a formula to calculate an economically justified LEA now that the CPP is in effect?

A. LEA policy balances the interests of existing customers and new customers. To be economically justified, an LEA policy must balance out the marginal costs and benefits a of new customer, so that existing customers are not harmed by the addition of the new customer. Further, the Commission found that CPP compliance is one of the costs a utility must consider in its LEA calculations.[45]

The following equation builds off NWN's historic (pre-2013) LEA policy to produce an economically justified LEA cap calculation formula:

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[45] *See* OPUC Order No. 22-388 at 49.

LEA Cap = 5 * (Marginal Benefit of a New Customer)

Marginal Benefit of a New Customer = (Margin Revenue) - (CPP Compliance Cost)

In this formula, Margin Revenue is relatively simple to approximate using the average Margin Revenue of existing customers. The CPP Compliance Cost is more challenging because it depends on the Company's annual resource portfolio mix and the future costs of the resources in it, such as RNG or synthetic methane.

Q. What is the marginal benefit of a new Avista customer under the CPP?

A. To quantify the Marginal Benefit of a New Customer under the CPP, which is a necessary step in determining an economically justified LEA, we produced a simple model using assumptions that *very conservatively* estimate the CPP Compliance Cost.

Our CCI-only Marginal Benefit Model (CCI-only Model) assumes that all emissions reduction requirements of new customers are met using the generally cheapest compliance method: CCIs. A benefit of this simple method is it avoids reliance on complex resource portfolio mixes and future alternative fuel price and availability estimates, which have been a matter of contestation in recent proceedings.[46] The CCI-

[46] *See* UM 2178 Final Report.

only Model relies entirely on readily verifiable inputs, such as the cost of a CCI, which the Oregon DEQ outlines.[47]

Our model assumes no cap on CCI usage to offset emissions, when in reality the CPP stipulates declining annual caps on CCI usage that never exceed 10% of baseline emissions. It is important to note that the CPP provisions no additional CCIs for new customers and their much higher emissions reduction requirements. In fact, adding new customers dilutes the beneficial effect of CCIs for existing customers.

Avista is planning on maximizing its use of CCI's. In Avista's recent IRP presentation to the Commission and shows that from 2025 to 2044, the Company plans to purchase the maximum volume of CCIs that is allowed under the CPP.[48] This is because CCIs are considered relatively low-cost compliance instruments. Because the Company will need to go beyond CCIs to meet the CPP emission requirements, CCIs are not the incremental or marginal cost of compliance. If the Company is already purchasing the maximum volume of CCIs, then it cannot purchase additional CCIs to offset the emissions of a new customer. It must procure a more expensive emission reduction.

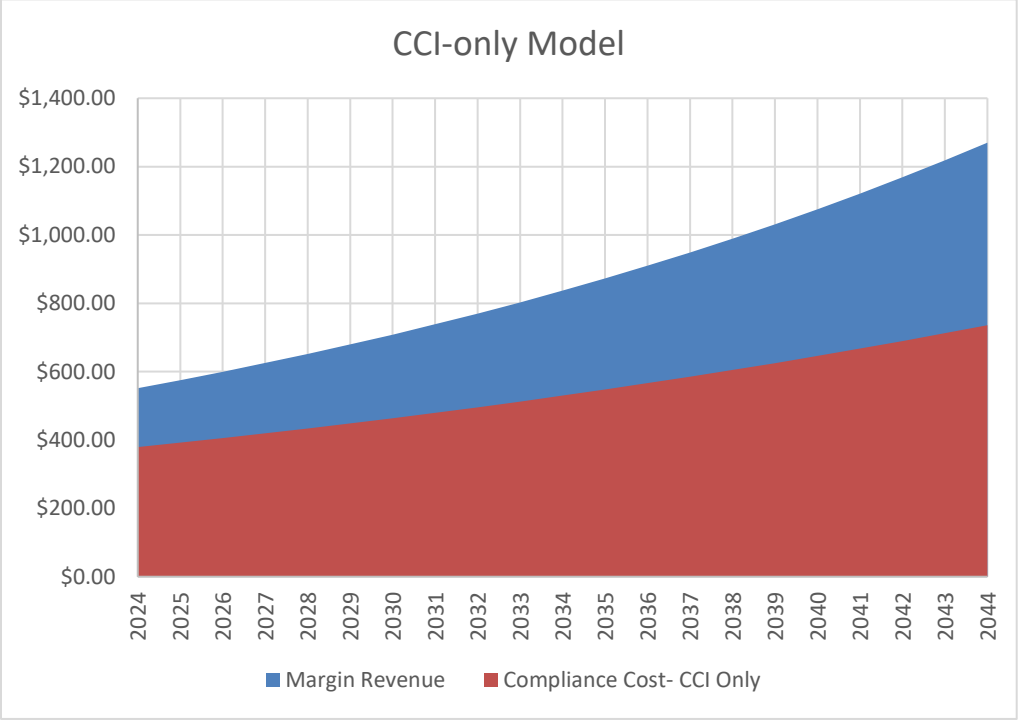
Using purely CCIs results in an unrealistically low CPP Compliance Cost because "CCIs are expected to be a least cost solution when compared to renewable resource

[47] *See* Oregon DEQ Order No. 340-271-9000 https://secure.sos.state.or.us/oard/viewSingleRule.action?ruleVrsnRsn=284831
[48] *See* Avista's 2023 IRP at 6-25.

options."[49] Overusing them prevents more expensive compliance resources, such as RNG, from factoring into the CPP Compliance Cost per customer.

Figure 3 shows the Margin Revenue and the CCI-only CPP Compliance Cost for a new customer. Each year, the Marginal Benefit of a New Customer is the difference between the Margin Revenue and the CCI-only CPP Compliance Cost. This is represented by the blue area.

Figure 3



The key takeaway of our CCI-only Model is that even despite unrealistically conservative cost assumptions, the CPP Compliance Cost is more than half (from 69 to 58%) the Margin Revenue of a new customer over the next twenty years. The

[49] *See* Avista's 2023 IRP at 6-25.

Marginal Benefit of a New Customer is substantially reduced by the CCI-only CPP Compliance Cost.

Building off our CCI-only Model, we designed a slightly more complex model that factors in one additional emissions reduction compliance resource into the CPP Compliance Cost: RNG. Over the next 10 years, the most utilized CPP compliance resource in the Company's 2023 Integrated Resource Plan (IRP) Oregon Preferred Resource Strategy (PRS) is RNG,[50] so we partially integrated this resource. In our CCI-RNG Model, we assumed 50:50 CCI and RNG use. We assumed a fixed rate for RNG (adjusted for inflation) of $15/ MMbtu for all 10 years of the model.

The CCI-RNG Model still estimates CPP Compliance Costs very conservatively. The model heavily overuses cheap CCIs and underuses more expensive RNG relative to the Company's 2023 IRP PRS.[51] $15/ MMbtu of RNG is considerably lower than estimates of current market rates,[52] much less market prices 10 years from now, which will be affected by rapidly growing competition for RNG and limited feedstocks to meet demand. A recent study by S&P Global, which Staff also relied on in their final comments on NWN's 2022 IRP,[53] found:

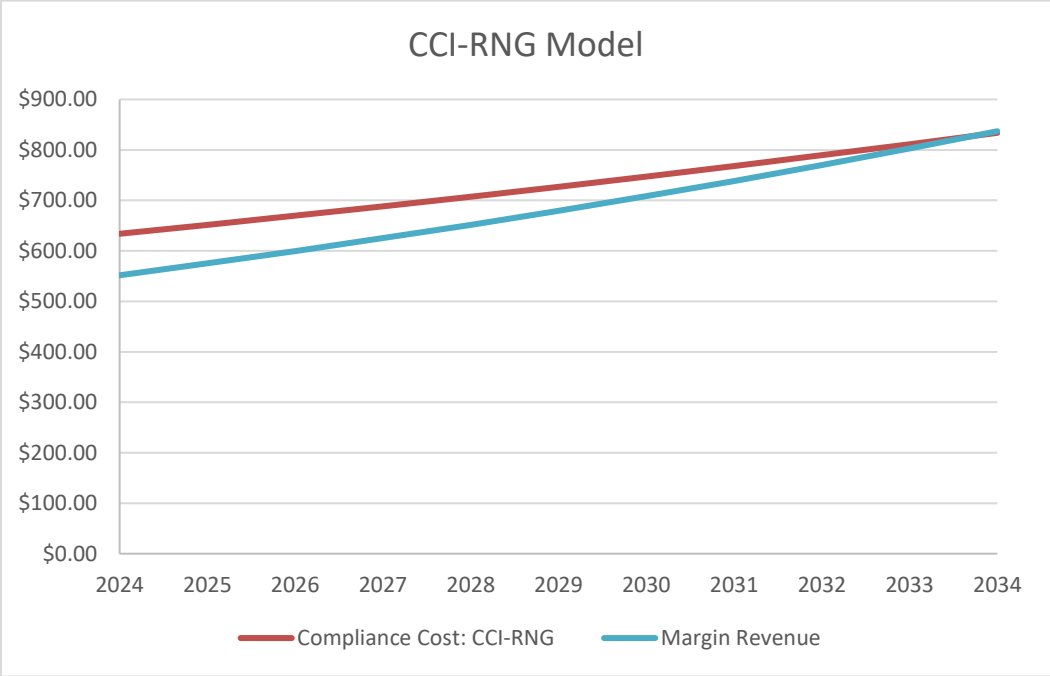
> Transportation RNG -- which is typically priced around the value of conventional gas, plus D3 RIN credits -- is currently marketable between $30-$35/MMBtu, while RNG sold to utilities, manufacturers and other end users in the voluntary market is marketable between $20-$25/MMBtu… Kinder Morgan's Holsapple told S&P Global.

[50] *See* Avista's 2023 IRP Figure 6.19: Oregon Preferred Resource Strategy at pp 6-24.
[51] *See* Avista's 2023 IRP Figure 6.19: Oregon Preferred Resource Strategy at pp 6-24.
[52] *See* https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/natural-gas/121622-rng-industry-expects-us-voluntary-customers-to-spur-demand-after-early-transport-boom
[53] *See* Staff's Final Comments on LC 79

The S&P Global report notes that producers are expecting prices for RNG around $20/MMBtu for long-term projects.

Figure 4 shows the Margin Revenue and the CCI-RNG CPP Compliance Cost for a new customer.

Figure 4



The key takeaway from our CCI-RNG model is that despite extremely conservative cost assumptions, the CPP Compliance Cost is generally greater than or equal to the Margin Revenue over the next 10 years. This indicates that the Marginal Benefit of a New Customer is $0 (or negative).

To put how conservative our CCI-only and CCI-RNG Model cost estimates are into perspective, for the 2024 Test Year our CCI-only and CCI-RNG Models estimated the CPP Compliance Cost per new customer at $379 and $634 respectively, whereas

the Company's own CPP Compliance Cost per new customer estimate was $2,305.[54] We did not use the Company's CPP Compliance Cost estimates because we were unable to corroborate assumptions made in Avista's modeling.

Had we used the Company's annual CPP Compliance Cost estimates, the CPP Compliance Cost would exceed the Margin Revenue by large amounts in nearly every year from 2024 to 2044. In terms of LEA policy, or balancing the interests of existing and new customers, this would suggest that new customers would not only need to completely cover their own connection to the gas system, but also compensate existing customers for the added CPP Compliance Cost they add to the gross revenue requirement.

Q. What are the key findings of your analysis of Avista's LEA policy?

A. Our analysis of Avista's LEA policy resulted in three key findings:

1. The Company's current policy is not economically justified. It does not consider the Marginal Benefit of a New Customer or set a cap for the LEA. The permissive policy failed to prevent remarkably high LEAs each year from 2017 to 2022. Therefore, the Company has not met its burden to prove its current policy is justified and it should be rejected.
2. Avista's 2022 Base Year *average* LEA ($5,644) is more than twice NWN's 2022 LEA *cap* ($2,300), meaning Avista's LEAs are very high. The Company rate based LEAs as high as $42,032 within the last few years.[55] This favors the Company's investment opportunity and profit at the expense of ratepayers. A third-party audit of Avista's LEA practices may be necessary to rectify the ongoing burden to ratepayers of Avista's high LEAs.
3. The CPP Compliance Cost for new customers undercuts the historic justification of LEA policy. The CPP Compliance Cost likely eliminates the Marginal Benefit of a New Customer. Therefore, the Company's LEA policy should be phased out.

[54] *See* CUB Exhibit 117.
[55] *See* CUB Exhibit 109.

Q. What are the implication of these key findings? How could inequities resulting from Avista's LEA policy be resolved?

A. Our findings suggest that the Company's LEA should be $0. However, CUB is cognizant of the negative ramifications a sudden shift in LEA policy would have. We recognize that Oregon has a housing crisis, housing development takes some time, and developers may have already begun projects with an expectation of coverage at the current LEA. Thus, we do not recommend immediate termination of the Avista LEA. Instead, we propose a gradual phase-out of the LEA.

Given Key Findings 1 and 2 of our analysis, the Company's current LEA policy is an unreasonable starting point for a gradual phase-out. Instead, we suggest using NWN's recent LEA policy, which capped the LEA at five times the Margin Revenue, as a starting point. This would establish Avista's LEA cap at ~$2,500 (5 x $500).

Next, in response to our third Key Finding, we recommend a gradual phase-out of the LEA over the next three years. This compromise provides time for affected parties to adjust and ultimately results in an equitable outcome for ratepayers. It is also consistent with the Company's LEA policy shift in Washington.

Q. What is the Company's policy shift in Washington?

A. In Washington Avista is phasing out its gas LEA. Beginning in 2025, the Company will no longer offer an LEA to new gas customers.[56] CUB recognizes that in much of Avista's Washington service territory, Avista provides both electric and gas service,

[56] See Avista Corporation – Docket Nos. UE-220053 / UG-220054 / UE-210854 – Compliance Filing, December 14, 2022.

so if eliminating the LEA causes new buildings to favor electricity over gas, Avista would be the electric supplier. However, because a natural gas utility's LEA policy should be based on the economics of the gas system, who provides electric service in Avista's Oregon territory is irrelevant. Washington looked at how Avista's LEA was impacted by Washington climate laws and regulations and has set the LEA to $0 in 2025. As such, Oregon needs to look at how Avista's LEA is impacted by Oregon's climate laws and regulations. Doing so leads to the conclusion that Oregon should also phase out Avista's LEA.

D. *Recommendation*

Q. What is CUB's proposal for phasing out Avista's LEA?

A. Proposed LEA phase-out timeline:

2024: $2500
2025: $1250
2026: $0

We believe this proposal is very reasonable to the Company, particularly considering the Company's failure to economically justify their current policy and the substantial contributions ratepayers made to rate base for very high LEAs in recent years. Although the Company's LEA cap would shrink to half their current average LEA immediately, Avista's new 2024 LEA cap would still be higher than NWN's. Further, the three-year phase out comes at the ongoing expense of ratepayers. High CPP Compliance Costs for new customers are already negatively impacting ratepayers, yet reform of Avista's LEA policy has yet to begin.

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III. RATE SPREAD

Q. What is the purpose of this section?

A. In this section, CUB details an equitable rate spread proposal that will fairly treat Avista's various customer classes when several factors are considered.

Q. What factors did CUB consider when assessing Avista's rate spread?

A. When assessing Avista's rate spread CUB considered the Company's long-run incremental cost (LRIC) study, the need for appropriate price signaling for all customer classes, and the current capacity-to-contribute of the residential customer class.

The Company's LRIC study forms the foundation of CUB's recommended rate spread. However, while the Company's LRIC study is a useful tool for comparing the relative costs and benefits the customer classes bring to the system, this information is not the only pertinent consideration for establishing just and reasonable rates. Other factors ought to be layered on to the findings of the LRIC study before settling on rates that are just and reasonable.

Recently, system costs have increased substantially for reasons that are not specific to the residential customer class. Primarily, inflation and natural gas prices have soared, impacting household budgets. Avista's 2022 purchased gas adjustment (PGA) and related rate changes that were all made effective on November 1, 2022 increased Schedule 410 Residential rates by 17.4%.

When assessing the residential customer class's capacity-to-contribute, CUB found that Avista's residential customers are not in a condition to absorb any more rate increase than is absolutely necessary. Current metrics of energy burden are difficult to obtain, but in February of this year, CUB met with a representative of the Mid-Willamette Valley Community Action Agency (MWVCAA), which connects Oregon ratepayers with utility rate assistance programs and funding. The message we received was telling. Recently, unprecedented numbers of residential customers in Oregon have been unable to afford essential utility services (including gas) and have sought rate assistance. MWVCAA expected to exhaust critical sources of their annual assistance budgets by April 2023.[57] The MWVCCA representative indicated that in their long career with MWVCCA, they had not encountered such a difficult situation.

Although MWVCCA does not operate in Avista's service territory specifically, CUB does not expect the situation is less severe in Avista's Oregon territory. According to Avista's 2022 *Oregon Energy Burden Assessment*, the median household income in the Company's Oregon territory was $52,000/yr, which was below the state average of $66,000/yr.[58]

Q. Based on your analysis, what rate spread does CUB recommend?

A. Given the need for all customer classes to receive appropriate price signaling and the precarious financial state of the residential customer class, CUB recommends

[57] CUB followed up with the MWVCCA in June 2023 and indeed the agency's annual LIHEAP budget was exhausted by April 12th. It is currently being supported by emergency funds.
[58] *See* Avista's 2022 Oregon Energy Burden Assessment https://edocs.puc.state.or.us/efdocs/HAH/adv1410hah93442.pdf

the rate spread detailed in CUB Exhibit 118. CUB's recommended rate spread mirrors the Company's proposed rate spread but assumes a lower revenue requirement based on a lower rate of return (7.235%) than the Company initially requested. Our recommended rate spread results in the following rate changes by customer class:

Customer Class	**Rate Change**
Schedule 410 – Residential	Average margin increase
Schedule 420 – General Service	118% of average margin increase
Schedule 424 – Large General Service	50% of average margin increase
Schedule 456 – Transportation Service	50% of average margin increase
Schedule 440	No rate change
Schedule 444	No rate change

Our recommendation results in an average monthly bill increase of 8.06% for residential customers. While the Company's LRIC study suggests a slightly higher margin ($87,478,000) than we recommend ($85,847,000), we maintain that our recommended rate spread is reasonable because it relays the appropriate price signal to all customer classes and partially shields residential ratepayers during a period of unprecedented hardship.

IV. PARTIAL MULTIPARTY SETTLEMENT STIPULATION

Q. What is the purpose of this section of your testimony?

A. This section addresses the Partial Multiparty Settlement Stipulation (Stipulation) and attendant Joint Testimony filed by Staff of the Public Utility Commission of Oregon, Alliance of Western Energy Consumers, and Avista Corporation (Parties) on May 8, 2023. This section of the testimony addresses CUB's decision not to

sign onto the Stipulation's terms and addresses arguments raised in the Stipulation and the Parties' Joint Testimony.

Q. Please summarize your testimony.

A. CUB does not formally oppose the Stipulation. However, CUB made the decision not to join the Stipulation based on a variety of factors, and we provide context here regarding our decision both at the time it was made and how our position has evolved. First, at the time the Stipulation was signed Avista had not met its burden of proof that increasing its return on equity (ROE) in its Oregon jurisdictional operations was justified. Second, the Parties have not sufficiently justified the increase in either the Stipulation or its supporting Joint Testimony. However, despite these positions, CUB is not requesting additional process to challenge the Stipulation, and merely offers this testimony to provide context behind CUB's decision not to sign onto the Stipulation's terms.

Q. How did Avista attempt to justify its request to increase its ROE to 10.25%?

A. In its opening testimony, Avista cited a number of factors justifying its proposed ROE increase from 9.4% to its requested 10.25%. Notably, that its current credit ratings are sub-par for the industry "and an insufficient ROE would further undermine Avista's credit standing."[59]

Q. References to an Oregon Jurisdictional 10.25% ROE being necessary to ensure Avista's credit standing appear throughout its testimony. Would you like to respond to that assertion?

[59] UG 461 – Avista/300/McKenzie/8.

A. Yes. Across its three-state service territory, Avista serves approximately 411,000 electric and 378,000 natural gas customers (as of December 31, 2022).[60] Of those approximately 789,000 combined customers, approximately 106,000 are Oregon natural gas customers.[61] That means that Avista's Oregon service territory makes up approximately 13.4% of the Company's entire system. It is highly unlikely that an increase—even a substantial increase—in the Company's Oregon jurisdictional ROE would have a material impact on Avista's credit standing across its multi-function, multi-state utility system.

This is especially true since Avista's Oregon service territory only serves natural gas customers. Unlike the region's electric utilities, natural gas utilities do not own production infrastructure, rather they simply purchase natural gas on a commodity market for distribution to end use customers on their system. Vertically-integrated electric utilities are responsible for generating, wheeling, and delivering electricity to end use customers and therefore own a significantly higher portion of their overall infrastructure. This means that electric utilities carry a significantly larger portion of capital infrastructure on their regulated books, issue more equity, and have a much larger rate base. The risk that comes along with owning significantly more energy infrastructure generally means that electric utilities are able to justify a much higher ROE. Therefore, even if Avista's ROE was greatly increased in this natural gas rate case proceeding, it would likely have a limited effect on the Company's overall risk profile and credit rating, especially since it serves both

[60] UG 461 – Avista/100/Vermillion/3, lines 1-3.
[61] *Id.*

natural gas and electric customers across the remaining 86.6% of its system in Washington and Idaho

Q. If Avista's electric operations are significantly riskier, wouldn't the Company have asked for an increased ROE in jurisdictions where it also sells electricity?

A. Yes, and it did. In Avista's current Idaho general rate case proceeding, it also requested an increase to a 10.25% ROE.[62] However, on June 14, 2023, the Company and several parties agreed to a 9.4% ROE, which is the same as its original ROE in Oregon before the Parties entered into the Stipulation this testimony addresses.[63] Therefore, in a jurisdiction where Avista could have likely made more compelling arguments to increase its ROE, it settled on the same ROE that it had in Oregon going into this case. In Idaho, as in Oregon, the Company relied on many of the same arguments to justify an increase in ROE, including the potential negative impacts on its credit standing.[64]

The perceived negative impacts on the Company's credit rating were not an insurmountable issue for Avista in Idaho, and they would not have been here in Oregon either. CUB stands by its position not to enter into the Stipulation, and the Company's recent Idaho settlement corroborates CUB's position.

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[62] Idaho Public Utilities Commission Case No. AVU-E-23-01, AVU-G-23-01, Mark T. Thies Direct Testimony, *available at* https://puc.idaho.gov/Fileroom/PublicFiles/ELEC/AVU/AVUE2301/Company/20230201Thies%20Direct.pdf

[63] Stipulation and Settlement, Idaho Public Utilities Commission Case No. AVU-E-23-01, AVU-G-23-01, *available at* https://puc.idaho.gov/Fileroom/PublicFiles/ELEC/AVU/AVUE2301/Company/20230614Stipulation%20and%20Settlement.pdf.

[64] *Supra*, note 4.

Q. Does the Joint Testimony provided in support of the Stipulation from Avista, AWEC, and Staff change CUB's position?

A. No. The Joint Testimony again places an outsized importance on the Company's current financial outlook in justifying the increase in Oregon ROE from 9.4% to 9.5%. At the early stage in the proceeding that ROE was settled, CUB did not believe that Avista had made an adequate case to justify its ROE increase, and our position has not changed.

Q. What do you recommend for the Commission?

A. Given the relatively modest ROE increase agreed to in the Stipulation, coupled with the current procedural standing of this docket, CUB does not formally oppose the Stipulation. However, other Oregon jurisdictional utilities either are currently in or are likely to come in for a rate case in the coming years. Should the Commission grant the Stipulation, CUB respectfully requests that it do so solely on based on the unique circumstances and facts of this proceeding and indicate that such a ruling has no precedential effect on future rate cases for other Oregon utilities.

Q. Does this conclude your testimony?

A. Yes.

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EMPLOYER: Oregon Citizens' Utility Board of Oregon

TITLE: Executive Director

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

EDUCATION: Bachelor of Science, Economics
Willamette University, Salem, OR

EXPERIENCE: Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UE 207, UE 208, UE 210, UE 233, UE 246, UE 283, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, UM 1209, UM 1355, UM 1635, UM 1633, and UM 1654. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates
Board of Directors, OSPIRG Citizen Lobby
Telecommunications Policy Committee, Consumer Federation of America
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EXPERIENCE: Provided comments on behalf of the Oregon Citizens' Utility Board for dockets LC 81, LC 83 and UM 2056. Worked as a Graduate Researcher for Oregon State University examining the socio-economic impacts of renewable energy development in Oregon. Worked as a Research Assistant for the Archbold Biological Station Agro-ecology Research Ranch examining the socio-economic impacts of conservation polices on Floridian agriculturalists.

MEMBERSHIP: National Association of State Utility Consumer Advocates

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 15

GAS MAIN EXTENSIONS

Extensions of gas distribution mains exclusive of meters, regulators and service lines, necessary to furnish permanent gas service to applicants, will be made by the Company in accordance with the following provisions:

A. General

The Company will construct, own, operate and maintain gas distribution main extensions only along public streets, roads and highways which the Company has the legal right to occupy, and on public lands and private property across which rights-of-way satisfactory to the Company may be obtained without cost to the Company.

B. Extensions to Individual Applicants

1. Free Extension

Gas main extensions will be made by the Company, provided the estimated total cost of the required extension from existing distribution mains to the premises to be served does not exceed three (3) times the estimated annual gross revenue as determined by the Company to be derived from bonafide applicants for such service; provided, however, that the request for service shall be of such permanence as to warrant the expenditure involved.

2. Extension Beyond Free Length

a. An extension where the estimated cost is more than three (3) times the estimated annual gross revenue shall be constructed by the Company upon fulfillment of the following conditions:

(1) The execution of a main extension agreement.

(2) The applicant or group of applicants shall advance in cash to the Company an amount equal to the difference between the cost of the extension and three (3) times the estimated annual gross revenue times the number of applicants.

(continued)

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 15 (continued)

GAS MAIN EXTENSIONS

b. Upon completion of an extension, where an advance is made based on the estimated cost thereof, said advance will be adjusted only where the actual cost is found to be less than the estimated cost.

c. The amount advanced hereunder will be subject to refund, without interest, as provided for in Section B.3.

3. Method of Refund

The amount advanced in accordance with Section B.2. will be subject to refund in the following manner:

a. A refund will be made for each additional customer connected to an extension for which all advance payments have not been refunded, equal to the amount by which three (3) times the estimated annual revenue exceeds the cost of a construction to serve such additional customer. Where there is a series of extensions, on any of which an advance is still refundable, and the Company makes succeeding free extensions with excess allowances (three (3) times the estimated annual revenue times the number of applicants less the cost of construction to serve), refunds will be made to repay in turn each of such advances which remain refundable beginning with the first series from the original point of supply. When two or more parties make a joint advance on the same extension, refundable amounts will be distributed to these parties in the same proportion as their individual advances bear to the total joint advance.

b. No refunds will be made by the Company on advances, or portions thereof, covering extensions which have been in service more than five (5) years.

c. Any assignment by a customer of his interest in any part of a cash advance made as above which at the time remains unrefunded, must be made in writing and endorsed by the Company showing the amount still unrefunded, and a copy of such assignment bearing the signature of both the assignor and assignee must be filed with the Company before it shall be effective and binding upon the Company.

(continued)

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 15 (continued)

GAS MAIN EXTENSIONS

d. Any portion of the cash advance which shall remain in the possession of the Company after the termination of the refunds as above provided for shall become the property of the Company.

C. Main Extensions to Serve Subdivisions

1. Advances

a. Gas distribution main extensions to and within subdivisions will be constructed, owned and maintained by the Company in advance of applications for service by ultimate users only when the entire estimated cost of such extensions is advanced to the Company; however, the payment of the portion of such advance as the Company estimates would be refunded within six months under other provisions of this extension rule shall be postponed for six months if the subdivider-builder furnishes to the Company evidence that he had received state and local authorizations to proceed promptly with construction and that he has adequate financing, and provided further that the subdivider-builder agrees in writing, in his contract for the extension, to pay immediately at the end of six months all amounts not previously advanced which are not then refundable. At the end of such six-month period, the Company shall collect all such amounts not previously advanced which are not then refundable.

b. The amount advanced will be subject to refund without interest, as provided in Section C.2., provided, however, no repayment will be made by the Company in excess of the amount advanced to the Company and further provided that no repayments will be made by the Company after a period of five (5) years from the date of completion of the extension on which the advance was made.

2. Method of Refund

a. Refunds as tabulated hereunder for such permanent installations as may be directly connected to such an extension will be made within sixty (60) days after the date of first

(continued)

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 15 (continued)

GAS MAIN EXTENSIONS

service or as soon thereafter as practicable on the following basis:

(1) Each main extension built to serve a subdivision shall serve a defined number of lots.

(2) When any individual lot shall have a permanent and complete building constructed thereon, occupied by one of the Company's bonafide customers, the Company will refund that portion of the sum advanced which bears the same relation to the sum advanced as one lot bears to the total number of lots in the subdivision.

(3) Should a connection for service be made to the main extension other than to serve one of the lots determined in accordance with Section C.2.a.(1) above, then the refund provisions of Section B.3.a. will apply.

(4) When multi-family dwelling units are included within a subdivision, the refund for these units will be provided as follows:

(a) The first occupied apartment in each multi-family unit will qualify for a refund as if it were one lot, on the basis described in Section C.2.a.(2) above. Each remaining apartment, within that unit, as occupied thereafter would quality for a refund of 25% of that amount.

(b) After full occupancy, the refund that would be due for the number of lots upon which the multi-family units are constructed will be made. Refunds in excess of the number of lots may be made provided the total amount advanced for the subdivision is not exceeded.

D. Extensions for Temporary or Speculative Business

Extensions for temporary service or speculative business will be made under the temporary service rule.

(continued)

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 15 (continued)

GAS MAIN EXTENSIONS

E. Exceptional Cases

If adherence to these rules should be deemed impractical or impossible by either party, the Company or the applicant, prior to commencing construction or installation, may petition the Commission for a special ruling or for the approval of special conditions that have been mutually agreed upon.

RULE NO. 16

SERVICE CONNECTIONS AND FACILITIES ON CUSTOMERS' PREMISES

Extensions of gas distribution service pipes necessary to furnish permanent gas service to applicants, and installation of facilities on customers' premises will be in accordance with the following:

A. Service Pipes for Residential and General Service

1. Upon application, the Company will furnish and install at its own expense a service pipe of suitable capacity from its gas main to the property line of property abutting upon any public street, highway, alley, lane or road along which it already has or will install street mains, and will install, at its own expense, a further extension of 40 feet on the private property, or as much of such extension as may be necessary to reach a meter location that is satisfactory to the Company. The Company will install that portion of each service pipe in excess of the portion installed at the Company's expense inside of the property line, subject to an advance to be paid by the applicant as set forth below.

2. In cases where the applicants' building is located a considerable distance from the main, or where service is taken off a high pressure transmission main, or where a hazard or obstruction such as plowed land between the gas main and the applicant's building prevents the Company from prudently installing a service pipe, the Company may, at its discretion, waive the above. In such cases, the meter may be located at or near the applicant's property line, as close as practical to the Company's main at a location agreed upon by the customer. Where these conditions exist, the Company will install, at its own expense, service pipe only to the meter location.

3. Service Pipes Exceeding the Free Length
When the length of service pipe on the applicant's premises, necessary to reach the approved meter location, exceeds the free allowance as stated above, the applicant will have the following options:

a) Pay the Company for the installed cost of the excess length of service pipe; or
b) Provide “in-kind” services (e.g., ditching, labor, etc.) that are equal to or greater than the value of the installed cost of the excess length of service pipe; or
c) Use a combination of items a) and b) above.

If the customer chooses Option b) or c),above, the Company’s total gas-service installation cost shall not exceed the original cost of installing the gas service from the gas main to the customer’s property line, plus a further extension of 40 feet onto the customer’s private property, as described in paragraph A.1. above.

(continued)

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 16 (continued)

SERVICE CONNECTIONS AND FACILITIES ON CUSTOMERS' PREMISES

B. Service Pipes for Firm Industrial and Interruptible Service

The cost of a service pipe in excess of 40 feet for firm industrial and interruptible service will be included in the determination of required investment for mains and service pipe and treated in accordance with the rule governing main extensions to these classes of service.

C. One Service Pipe for a Single Premises

1. The Company will not install more than one service pipe to supply a single premises, unless it is for the convenience of the Company or an applicant requests an additional service pipe and, in the opinion of the Company, an unreasonable burden would be placed on the applicant if the additional service pipe were denied. When an additional service pipe is installed under these conditions at the applicant's request, the applicant will pay the installed cost for the entire length of said additional service pipe.

2. When a service pipe extension is made to a meter location upon private property which is subsequently subdivided into separate premises, with ownership of portions thereof divested to other than the applicant or the customer, the Company will have the right, upon written notice, to discontinue service without obligation or liability. Gas service, as required by said applicant or customer, will be re-established in accordance with the applicable provisions of the Company's rules.

D. Branch Service Pipe

For additional separately metered permanent customers on the same or adjoining premises, the Company will install a branch service pipe at the option of the Company, and will grant allowances on private property under the conditions as set forth in Sections A. and B.

E. Relocation of Service Pipes

1. When in the judgement of the Company the relocation of a service pipe, including metering facilities, is necessary and is due either to the maintenance of adequate service or operating

(continued)

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 16 (continued)

SERVICE CONNECTIONS AND FACILITIES ON CUSTOMERS' PREMISES

convenience of the Company, the Company will perform such work at its own expense.

2. If relocation of service pipe is due solely to meet the convenience of the applicant or the customer, or is made necessary by acts of the customer which create hazards or which make the meter inaccessible, such relocation, including metering facilities, will be performed by the Company at the expense of the applicant or the customer.

F. Standby Use

No allowance will be made for equipment used for standby or emergency purposes only.

G. Other Types of Service Pipes

Where an applicant or customer requests another type of service pipe such as stub service pipes, or service from transmission mains, the Company will consider each such request and will grant an allowance equivalent to 40 feet of standard service pipe.

H. General

1. The applicant or customer shall not attempt to connect his piping to the Company's main, service pipe or meter, nor shall he connect, disconnect, turn on, or move or adjust any of the Company's facilities.

Only duly authorized employees or other persons specifically authorized by the Company are permitted to perform work of this nature or to break a Company seal. The Company shall not be responsible or liable in damages or otherwise for injury to person or property caused by the unauthorized use of its facilities on the customers' premises by him or others.

2. For each gas service pipe installed or reconstructed the Company will include a suitable shutoff valve, located so as to be accessible at all times, outside of the structure served and between said structure and the gas main from which the service pipe is supplied.

(continued)

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 16 (continued)

SERVICE CONNECTIONS AND FACILITIES ON CUSTOMERS' PREMISES

3. The Company at its expense will provide, install, own and maintain a suitable meter.

I. Location of Meter, Protection and Service Facilities

1. Meters normally will be located above ground adjacent to the building and as near as practicable to the distribution main from which the service pipe is extended. Meters will be placed at locations satisfactory to the Company. Such meters will be situated so as to be accessible at all times, for inspection, reading, testing, etc. The Company will install adequate protection around meters in Company approved locations when, in the Company's judgment, such measures are necessary for safety. The customer shall protect meters and other property supplied by the Company from damage or theft. The applicant or customer shall be responsible for installing his piping to the point of delivery. If the Customer requests a different meter location that requires the installation of adequate protection, the Company will install the protection at the Customer's expense. If, in the Company's judgment, meters or other property are not accessible or safe because of customer improvements at the Premise, or because of hazardous or potentially hazardous conditions or other actions of the customer, the Company may move or relocate the meter or other property at the customer's expense.

2. Where separate meters are installed to measure gas supplied to customers such as tenants in commercial buildings or multi-family dwellings, the meters normally will be located at some central point at the ground level; except that where a central location is impractical meters may be placed at any other points satisfactory to the Company. It shall be the responsibility of the property owner to identify his piping so as to indicate the particular location to be served by each meter.

J. Customer Facilities

1. The customer shall, at his own risk and expense, furnish, install and keep in good and safe condition all regulators, gas piping, appliances, fixtures, and apparatus, of any kind or character, which may be required for receiving gas from the Company and for applying and utilizing such gas beyond the point of delivery, including all necessary protective appliances and suitable housing therefor. The customer shall not connect to his gas facilities any piping, equipment, or apparatus in such a manner as could cause a reversal of gas flow in the Company's facilities.

(continued)

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 16 (continued)

SERVICE CONNECTIONS AND FACILITIES ON CUSTOMERS' PREMISES

2. The customer shall be responsible for any loss or damage to the Company and its property, and shall indemnify the Company against any loss, liability, claim, injury, or damage to any person or property, occasioned or caused by the negligence, omission, or wrongful act of the customer or any of his agents, employees, licensees, or other persons in installing, maintaining, using, operating, repairing, or removing such gas piping, gas appliances, and other equipment or facilities of any kind which are situated beyond the point of delivery.

K. Ownership

1. All meters, regulators, service pipes, and other facilities installed at the Company's expense, or with contributions or customer advances, located either wholly or partially upon the customer's premises will at all times be and remain the property of the Company.

2. When a meter and/or service facilities are installed by mutual consent on private property other than the applicant's the applicant will first secure, without cost to the Company, an easement for such installation satisfactory to the Company.

L. Maintenance

1. The Company will exercise reasonable care to operate and maintain in a safe, efficient and proper condition all of its facilities used in connection with the regulation, measurement, and delivery of gas to any customer.

All such facilities may be repaired, replaced, removed or abandoned by the Company at any time as operating conditions necessitate. Normally such facilities will not be subject to removal or abandonment except when:

a. Service to the customer is terminated.

b. The customer fails to comply with the Company's rules or other provisions of its tariff schedules.

c. Hazardous or unsafe conditions exist.

(continued)

Revised First Revision Sheet 16E
cancelling
P.U.C. OR. No. 5 Original Sheet 16E

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 16 (continued)

SERVICE CONNECTIONS AND FACILITIES ON CUSTOMERS' PREMISES

2. The customer shall exercise reasonable care to prevent the meters, regulators, service pipes and other facilities of the Company, located on the customer's premises, from being damaged, or destroyed, and shall not tamper with them or permit debris, refuse or other obstacles to accumulate in and around the meter location so that access to the meter becomes difficult or unsafe. The customer shall not ground electrical appliances or otherwise make electrical connections to the Company's gas facilities. In case any defect in the Company's facilities is discovered, the customer shall promptly notify the Company thereof.

3. No rent or charge whatsoever will be paid by the Company for placing or maintaining said meters, regulators, service pipes, or other facilities upon the customer's premises.

M. Right of Access

The Company will at all times have the right of ingress to and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the furnishing or termination of gas service and the exercise of any and all rights secured to it by law or by these tariff schedules.

N. Exceptional Cases

In unusual circumstances, when the application of this rule appears impractical or unjust to either party, the Company, the applicant, or the customer will refer the matter to the Commission for special ruling or for the approval of special conditions which may be mutually agreed upon, prior to commencing construction.

(D)

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	4/13/2022
CASE NO.:	UG 461	WITNESS:	Joseph Miller
REQUESTER:	CUB	RESPONDER:	Joe Miller
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	CUB – 001	TELEPHONE:	(509) 495-4546
		EMAIL:	joe.miller@avistacorp.com

REQUEST:

Refer to Avista's Tariff Rule No. 15, which states in Section B "Extensions to Individual Applicants", "Gas main extensions will be made by the Company, provided the estimated total cost of the required extension from existing distribution mains to the premises to be served does not exceed three (3) times the estimated annual gross revenue as determined by the Company…"
a) Please clarify what an "Individual Applicant" is.

b) Would a developer building multiple dwellings ever be considered an individual applicant?

c) For residential customers, please provide a narrative explanation of how Avista calculates "three (3) times the estimated annual gross revenue"? Please detail how Avista estimates annual gross revenue for a new customer connection. Is Avista's estimation dependent on the types of natural gas appliance that is going to be installed at the location?

d) Please provide documentation from the OPUC docket that approved Avista's Rule 15 incumbent methodology, including Company Testimony, workpapers and filings.

e) Please provide four sample calculations, workbooks, or workorders that detail "three (3) times the estimated annual gross revenue" from December 2022- March 2023 in Oregon. The sample should detail:

a. All asset classes used in furnishing the extension.

b. The cost of said materials, capitalized labor, and the total residential line extension costs.

c. For each type of asset class listed, please provide the book like and salvage value as approved by the Commission in the Company's most recently approved deprecation study.

RESPONSE:

a) An Individual Applicant is a prospective new customer making application for an extension of permanent service.
b) No
c) Avista's CPCs (Construction Project Coordinators) use an estimation tool based on the expected installed equipment to guide the calculation of the total main extension allowance for residential customers. Please refer to the CUB_DR_001 Attachment A for the gas allowance calculation sheet used by the Company's CPC's to determine the main extension allowance for prospective new customers.
d) The Company purchased the Oregon jurisdiction from CP National in 1991. Rules 15 was approved during the time CP National owned the Oregon jurisdiction and Avista has maintained these tariffs since that time. Therefore, the Company is unable to provide documentation, testimony and/or workpapers supporting the approval of the rule as requested.

e) Main extensions for residential customers are extremely rare. Typically line extensions for residential customers consist of a service line which fall under Rule 16. As such, the Company has not experienced any residential main extensions in the time period requested.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	4/13/2022
CASE NO.:	UG 461	WITNESS:	Joe Miller
REQUESTER:	CUB	RESPONDER:	Joe Miller
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	CUB – 002	TELEPHONE:	(509) 495-4546
		EMAIL:	joe.miller@avistacorp.com

REQUEST:

Refer to Avista's Tariff Rule No. 16 ,which states "Upon application, the Company will furnish and install at its own expense a service pipe of suitable capacity from its gas main to the property line of property abutting upon any public street, highway, alley, lane or road along which it already has or will install street mains, and will install, at its own expense, a further extension of 40 feet on the private property…".

a) Please provide a narrative explanation of the economic justification for installing up to 40 feet of pipe to connect customers to the gas main at the Company's expense.

b) Please provide the OPUC proceeding which established the 40 feet of service pipe limit.

c) Please provide the average length of pipe that Avista installs to connect new residential customers to their system in 2021 and 2022.

RESPONSE:

The Company purchased the Oregon jurisdiction from CP National in 1991. Rules 16 was approved during the time CP National owned the Oregon jurisdiction and Avista has maintained these tariffs since that time. Therefore, the Company is unable to provide documentation supporting the economic justification or OPUC proceeding which established the up to 40 feet of service pipe condition.

The average length of total service pipe that Avista installed to connect new residential customers to the system in 2021 and 2022 is approximately 52 and 62 feet respectively. This footage is inclusive of the service pipe from the gas main to the property line and any additional footage onto the private property as prescribed within Rule 16.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	06/27/2023
CASE NO:	UG 461	WITNESS:	Joe Miller
REQUESTER:	CUB	RESPONDER:	Paul Good
TYPE:	Data Request	DEPT:	Natural Gas Delivery
REQUEST NO.:	CUB – 015	TELEPHONE:	(208) 769-1368
		EMAIL:	Paul.Good@avistacorp.com

REQUEST:

Refer to Avista's Tariff Rule 16, which states that the Company will cover up to 40 ft of service connection on a customer's property, and at the Company's discretion, an additional length between the customer's property and the main. How does the Company economically justify the amount it will spend on the portion of service connection between the customer's property line and the main?

RESPONSE:

Tariff Rule 16, A. 1. states the Company will furnish and install at its own expense a service pipe of suitable capacity from its gas main to the property line of property abutting upon any public street, highway, alley, lane or road along which it already has or will install street mains, and will install, at its own expense, a further extension of 40 feet on the private property, or as much of such extension as may be necessary to reach a meter location that is satisfactory to the Company.

Tariff Rule 16 allows the Company to provide service to those customers whose residence may be located across any public street, highway, alley, lane, or road from Avista's main. The additional cost of crossing these public road right of ways maintained and governed by others would, in many cases, provide a financial barrier hindering a customer's ability to receive service from Avista.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	06/27/2023
CASE NO:	UG 461	WITNESS:	Joe Miller
REQUESTER:	CUB	RESPONDER:	Jeremiah Webster
TYPE:	Data Request	DEPT:	FP&A
REQUEST NO.:	CUB – 012	TELEPHONE:	(509) 495-2764
		EMAIL:	Jeremiah.webster@avistacorp.com

REQUEST:

Refer to Avista's response to CUB DR_05. Please add columns to the table with the following information:
a. The portion of "Residential and Development Costs" that was spent on service connections, governed by Avista Tariff Rule 16. Please label the column "Residential and Development Costs – Service Connection".
b. The portion of "Residential and Development Costs" that was spent on main extensions, governed by Avista Tariff Rule 15. Please label the column "Residential and Development Costs – Main Extensions".
c. The number of main extensions that occurred each year.
d. The portion of "Residential and Development Costs" that Avista incurred, i.e., the portion that was rate based by Avista. Please label the column "Rate Based".

RESPONSE:

Please see the below table with the original columns and requested additional information. Please note that the original cost column was already net of customer payments so it matches the new "Rate Based" column.

Year	Total Residential Connects	Residential & Development Cost	Average	Residential & Development Cost - Service Connection	Residential and Development Costs - Main Extensions	Number of Main Extensions	Rate Based
2017	1,433	4,942,989	3,449	4,711,172	231,817	148	4,942,989
2018	1,350	5,982,883	4,432	5,337,880	645,003	160	5,982,883
2019	1,251	6,559,017	5,243	5,743,100	815,917	148	6,559,017
2020	1,242	7,283,386	5,864	6,450,206	833,180	175	7,283,386
2021	1,113	6,282,097	5,644	5,741,910	540,187	199	6,282,097
2022	1,081	6,928,564	6,409	6,101,626	826,938	190	6,928,564

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	06/27/2023
CASE NO:	UG 461	WITNESS:	Joe Miller
REQUESTER:	CUB	RESPONDER:	Paul Good
TYPE:	Data Request	DEPT:	Natural Gas Delivery
REQUEST NO.:	CUB – 014	TELEPHONE:	(208) 769-1368
		EMAIL:	Paul.Good@avistacorp.com

REQUEST:

What was the range and average of total expenses that Avista incurred (i.e that Avista rate based) for individual residential service connections in each of the years 2017 – 2022? This expense should not include any money spent by the new customer for the service line. It should also not include any main extension expense, just the single customer service connection expense.

RESPONSE:

The range and average of total expenses that Avista incurred for individual service connections in each of the years 2017 – 2022:

2017: Range $141.75 - $17,527.03
Average $2,303

2018: Range $141.75 - $16,752.49
Average $2,927

2019: Range $242.22 - $20,579.70
Average $3,637

2020: Range $481.60 - $42,031.71
Average $4,490

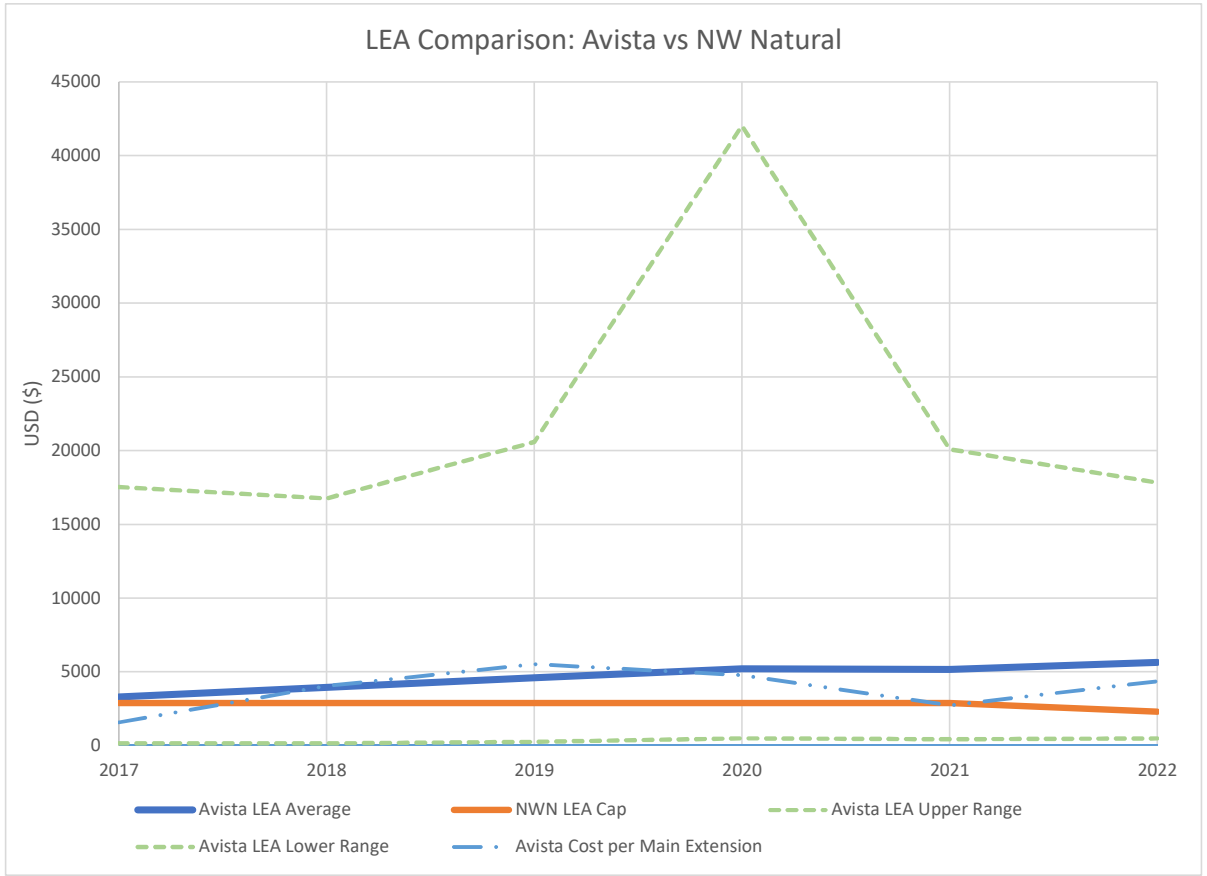
2021: Range $425.58 - $20,094.15
Average $4,460

2022: Range $479.46 - $17,828.56
Average $4,804

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	Year	Total Residential Connects	Residential & Development Cost	Average	Residential & Development Cost - Service Connection	Residential and Development Costs - Main Extensions	Number of Main Extensions	Rate Based	Rule 16 LEA ($)/ customer	Rule 15 LEA ($)/main extension
2	2017	1,433	4,942,989.00	3,449.00	4,711,172.00	231,817.00	148	4,942,989.00	$3,287.63	$1,566.33
3	2018	1,350	5,982,883.00	4,432.00	5,337,880.00	645,003.00	160	5,982,883.00	$3,953.99	$4,031.27
4	2019	1,251	6,559,017.00	5,243.00	5,743,100.00	815,917.00	148	6,559,017.00	$4,590.81	$5,512.95
5	2020	1,242	7,283,386.00	5,864.00	6,450,206.00	833,180.00	175	7,283,386.00	$5,193.40	$4,761.03
6	2021	1,113	6,282,097.00	5,644.00	5,741,910.00	540,187.00	199	6,282,097.00	$5,158.95	$2,714.51
7	2022	1,081	6,928,564.00	6,409.00	6,101,626.00	826,938.00	190	6,928,564.00	$5,644.43	$4,352.31

Source: CUB DR 12

	(A)	(B)	(C)	(D)	(E)	(F)
1	**Year**	**Avista LEA Average**	**NWN LEA Cap**	**Avista LEA Upper Range**	**Avista LEA Lower Range**	**Avista Cost per Main Extension**
2	2017	3287.628751	2875	17527	142	1566
3	2018	3953.985185	2875	16752	142	4031
4	2019	4590.807354	2875	20580	242	5513
5	2020	5193.402576	2875	42032	482	4761
6	2021	5158.948787	2875	20094	426	2715
7	2022	5644.427382	2300	17829	479	4352
		Source: CUB DR 12	Source: UG 461, Order No. 22-388	Source: CUB DR 14	Source: CUB DR 14	Source: CUB DR 12



Avista Corporation
Determination of Cost of Service

Input Capital Costs and Rates

Cost of Capital	% of Captial	Cost	Weighted Cost	
Debt	50%	4.97%	2.485%	
Common Equity	50%	9.50%	4.750%	
	100%		7.235%	
State Tax Rate			7.60%	
Federal Tax Rate			21%	
Revenue Sensitive Rate			3.08%	Source: UG 462 - Schultz 2.05 "1) 2023 -Forecast Property Tax Adjustment (OR2023)" - G-FPT-3,
Deprecation Rate	FERC Account 380		1.99%	Source: UM 2277 Stipulating Parties Exhibit 103 Peng, Andrews, and Mullins, Page 23 of 25
Property Tax Rate			1.28%	Source: UG 462 - Schultz 2.05 "1) 2023 -Forecast Property Tax Adjustment (OR2023)" - G-FPT-3, H22
Incremental O&M			80	
Investment			5644	

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
1	Deprecation	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112
2	O&M	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80
3	Property Taxes	71	68	66	64	62	60	58	56	54	52	50	48	46	44	42	40	38	36	35	33	31	31	30	28	27	26	25	24	23	22
	Taxes on Equity Return																														
4	State	28	27	26	25	24	23	22	22	21	20	19	19	18	17	17	16	15	14	14	13	12	12	11	11	10	10	10	9	9	8
5	Federal	70	68	66	64	61	59	57	55	54	52	50	48	46	44	42	40	38	36	35	33	31	30	29	28	27	26	25	24	23	21
6	Total Taxes	98	95	92	89	86	83	80	77	74	72	69	67	64	61	59	56	53	51	48	45	43	41	40	39	37	36	34	33	31	30
	Return on Rate Base																														
7	Debt	138	134	130	125	121	117	113	109	105	102	98	94	90	87	83	79	76	72	68	64	61	59	57	54	52	50	48	46	44	42
8	Equity	265	257	248	239	231	223	216	208	201	194	187	180	173	166	159	151	144	137	130	123	117	112	108	104	100	96	92	89	85	81
9	Total Return	403	391	378	365	352	340	329	318	307	296	285	274	263	252	242	231	220	209	198	187	178	171	165	159	153	147	141	135	129	123
10	Subtotal Cost of Service	765	747	728	709	692	675	658	643	627	612	596	581	566	550	535	519	504	489	473	458	445	435	426	418	410	401	393	384	376	367
11	Revenue Sensitive Items	24	24	23	23	22	21	21	20	20	19	19	18	18	17	17	17	16	16	15	15	14	14	14	13	13	13	12	12	12	12
12	Total Cost of Service	$ 789	$ 771	$ 751	$ 732	$ 714	$ 696	$ 679	$ 663	$ 647	$ 631	$ 615	$ 599	$ 584	$ 568	$ 552	$ 536	$ 520	$ 504	$ 488	$ 472	$ 459	$ 449	$ 440	$ 431	$ 423	$ 414	$ 405	$ 397	$ 388	$ 379
		$ 16,695																													
13	Rate Base -Net of Deprecation and Def Tax	5574	5409	5221	5041	4868	4703	4543	4389	4239	4089	3939	3789	3639	3489	3339	3189	3039	2889	2739	2589	2456	2357	2275	2193	2111	2029	1947	1865	1783	1701
14	Income Taxes																														
15	Gross up - Equity	363	352	340	328	317	306	296	286	276	266	256	247	237	227	217	208	198	188	178	168	160	153	148	143	137	132	127	121	116	111
16	Less: State Tax	28	27	26	25	24	23	22	22	21	20	19	19	18	17	17	16	15	14	14	13	12	12	11	11	10	10	10	9	9	8
17	Federal Taxable Income	335	325	314	303	293	283	273	264	255	246	237	228	219	210	201	192	183	174	165	156	148	142	137	132	127	122	117	112	107	102
18	Less: Federal Tax	70	68	66	64	61	59	57	55	54	52	50	48	46	44	42	40	38	36	35	33	31	30	29	28	27	26	25	24	23	21
19	Return	265	257	248	239	231	223	216	208	201	194	187	180	173	166	159	151	144	137	130	123	117	112	108	104	100	96	92	89	85	81
	Deffered Taxes																														
20	Book Deprecation	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112	112
21	Tax Deprecation	212	407	377	349	322	298	276	255	252	252	252	252	252	252	252	252	252	252	252	252	126	0	0	0	0	0	0	0	0	0
22	Book-Tax Difference	99	295	265	236	210	186	164	143	140	139	140	139	140	139	140	139	140	139	140	139	14	(112)	(112)	(112)	(112)	(112)	(112)	(112)	(112)	(112)
23	Tax Effect	27	80	71	64	57	50	44	39	38	38	38	38	38	38	38	38	38	38	38	38	4	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
24	MACRS Deprecation - 20	3.75%	7.22%	6.68%	6.18%	5.71%	5.29%	4.89%	4.52%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	2.23%									
25	Property Tax Base	5548	5329	5150	4977	4812	4652	4499	4351	4201	4051	3901	3751	3601	3451	3301	3151	3001	2851	2701	2552	2453	2388	2306	2224	2142	2060	1978	1896	1814	1732
26	Tax Calculation Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		27.00400%																													
		0.7300																													

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	06/15/2023
CASE NO:	UG 461	WITNESS:	Joe Miller/Grant Forsyth
REQUESTER:	PUC Staff	RESPONDER:	Jeremiah Webster
TYPE:	Data Request	DEPT:	FP&A
REQUEST NO.:	Staff – 285	TELEPHONE:	(509) 495-2764
		EMAIL:	jeremiah.webster@avistacorp.com

REQUEST:

Please add the following information to the table that was included in the Company's response to Staff DR 182:

a) The Company's forecasted residential line extension costs for each year and the test year.

b) The forecasted amount of line extension costs paid by customers for each year and the test year.

RESPONSE:

a. & b.
Please see the below table, originally included in Staff DR 182, with forecasted residential line extension costs for each year from Staff DR 182 and the test year.

Year	Total Residential Connects	Residential & Development Cost	# of Customer Payments	Customer Payment Amounts	% of Customers paying $0	Cost Forecast
2018	1,350	5,982,883	87	140,671	94%	3,962,500
2019	1,251	6,559,017	88	218,027	93%	4,018,407
2020	1,242	7,283,386	95	172,965	92%	4,965,646
2021	1,113	6,282,097	116	174,231	90%	4,993,806
2022	1,081	6,928,564	108	196,581	90%	6,881,812
2024						6,211,749

CUB Exhibit 113 is Confidential and has been served upon the Commission and each party designated to receive confidential information pursuant to Order 23-064.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	06/27/2023
CASE NO:	UG 461	WITNESS:	Joe Miller
REQUESTER:	CUB	RESPONDER:	Paul Good
TYPE:	Data Request	DEPT:	Natural Gas Delivery
REQUEST NO.:	CUB – 018	TELEPHONE:	(208) 769-1368
		EMAIL:	Paul.Good@avistacorp.com

REQUEST:

Refer to Avista's response to CUB DR_09. For each of the five examples provided, if applicable, please provide a narrative explanation of the discrepancy between the length of the service pipe installed and the total "units" installed by the contractor.

RESPONSE:

Avista's contract with its third-party vendor is based on a 60-foot minimum which is the typical service length for Avista. In order to provide a fair cost to our customers, Avista has determined a unit-based contract promotes efficiency and consistency across the many varied situations found in service installations. Certain costs are associated with all service installations and a 60-foot minimum installation "unit" adequately covers these expenses and is the basis for the per foot pricing built into the contract with the Company's third party vendor. In order to align with the 60-foot contract minimum, the Company utilizes 60 feet as the basis for its line extension allowance. For the examples provided in CUB_DR_09 in which a discrepancy between the length of the service pipe installed and the total "units" installed by the contractor, these are examples of the service pipe length installed falling short of the 60' minimum.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	06/27/2023
CASE NO:	UG 461	WITNESS:	Joe Miller
REQUESTER:	CUB	RESPONDER:	Paul Good
TYPE:	Data Request	DEPT:	Natural Gas Delivery
REQUEST NO.:	CUB – 017	TELEPHONE:	(208) 769-1368
		EMAIL:	Paul.Good@avistacorp.com

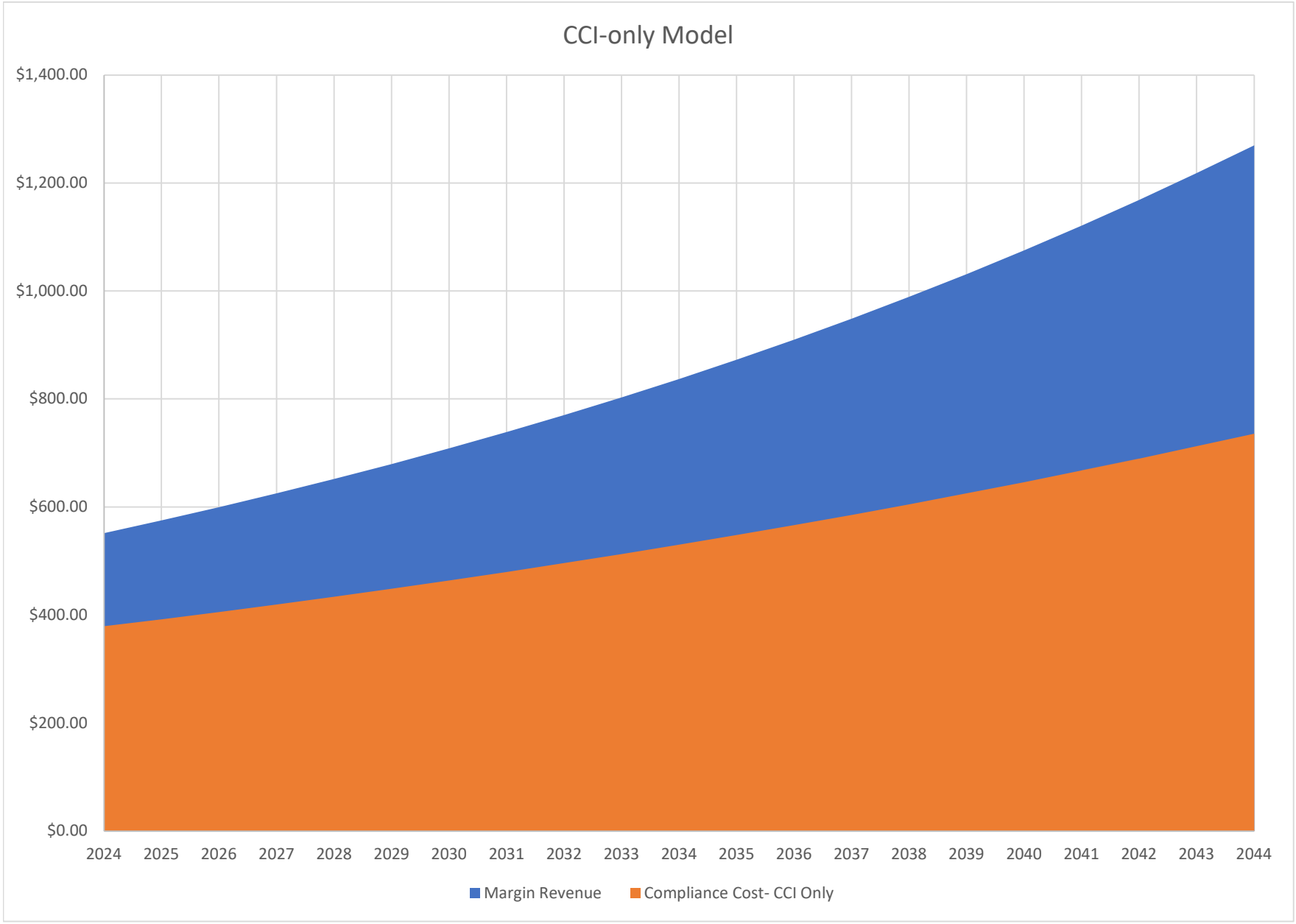
REQUEST:

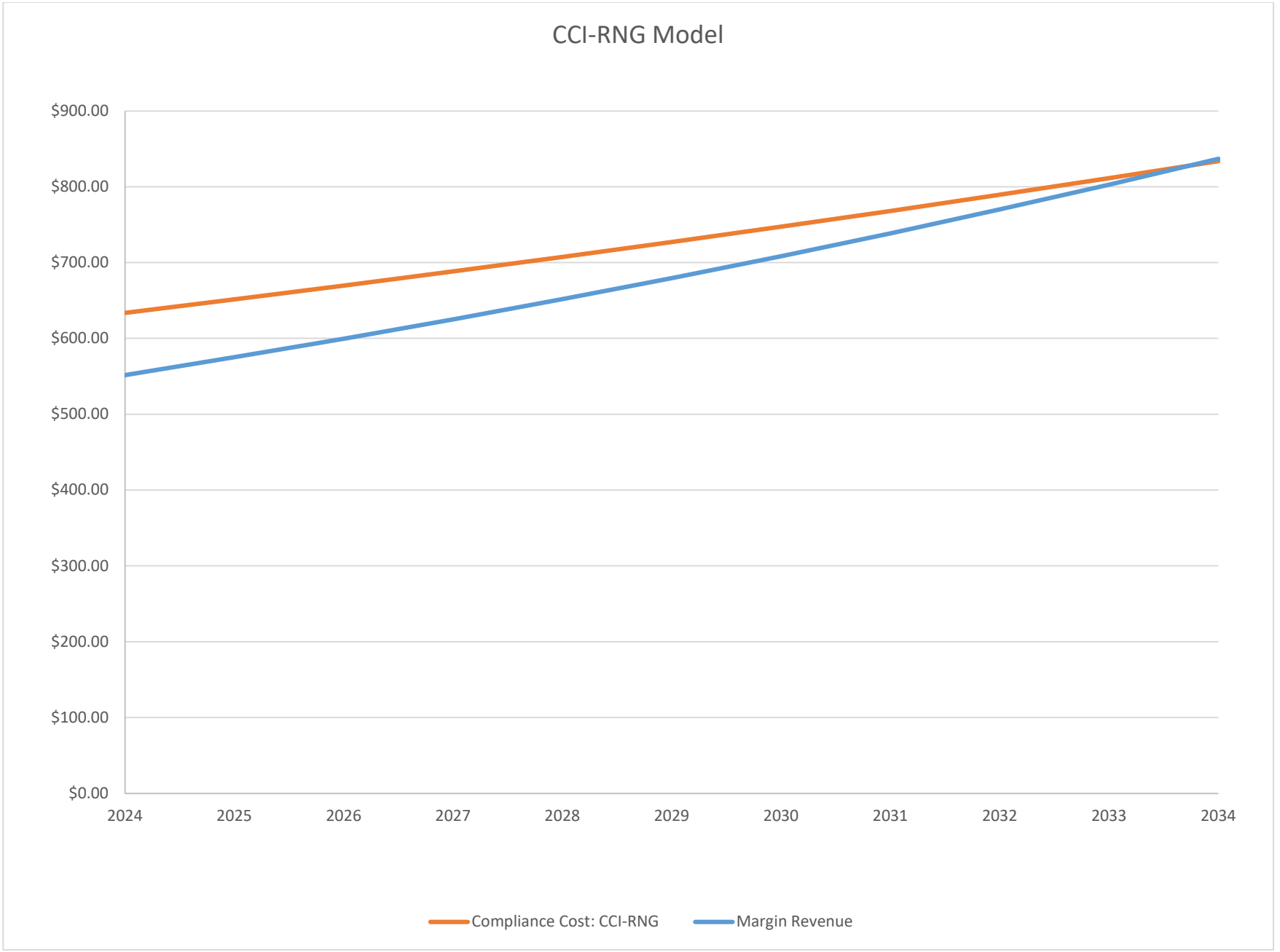
Refer to Avista's response to CUB DR_09, which provided documentation for five example residential service connections. For each of the five examples, please clearly indicate in a table (template table provided below):
a. The total expense of the service connection.
b. The expense that Avista incurred (i.e. the expense that Avista rate based).
c. The expense the new customer paid for the service connection. If they did not contribute, please show "0".
d. How many feet of service pipe was on customer's property.
e. How many feet of service pipe was not on the customer's property.

RESPONSE:

The below table presents the estimated cost of each work order including associated contractor invoices, general overheads, pipe, and fittings such as valves, tees, and couplings.

Customer	Total Expense	Avista Expense	Customer Expense	Pipe on Customers' Property	Pipe off Customers' Property
A.	$2,354.53	$988.33	$1,366.20	56 ft	0 ft
B.	$3,630.04	$2,263.84	$1,366.20	48 ft	0 ft
C.	$2,049.50	$683.30	$1,366.20	45 ft	5 ft
D.	$3,263.14	$3,263.14	$0.00	36 ft	0 ft
E.	$2,023.00	$656.80	$1,366.20	51 ft	0 ft


CCI-only Model
$1,400.00
$1,200.00
$1,000.00
$800.00
$600.00
$400.00
$200.00
$0.00
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
2040
2041
2042
2043
2044
Margin Revenue
Compliance Cost- CCI Only


CCI-RNG Model
$900.00
$800.00
$700.00
$600.00
$500.00
$400.00
$300.00
$200.00
$100.00
$0.00
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
Compliance Cost: CCI-RNG
Margin Revenue

	Schedule 410- Residential (cents/therm)		Basic charge			
UG 222		0.42993	7	6/1/2012		
UG 284		0.54073	8	4/16/2015		
UG 325		0.58399	10	9/15/2017		
UG 325		0.59275	10	11/1/2017	Rider	0.00876
UG 366		0.63943	10	1/15/2020		
UG 389		0.67642	10.5	1/16/2021		
UG 435		0.69549	10.5	8/22/2022		

Month/ yr	Average Usage	Basic Charge	Billing Rate		Annual Margin	CAGR
J-12	47	7	0.42993	27.20671		
J-12	47	7	0.42993	27.20671		
A-12	47	7	0.42993	27.20671		
S-12	47	7	0.42993	27.20671		
O-12	47	7	0.42993	27.20671		
N-12	47	7	0.42993	27.20671		
D-12	47	7	0.42993	27.20671		
J-13	47	7	0.42993	27.20671		
F-13	47	7	0.42993	27.20671		
M-13	47	7	0.42993	27.20671		
A-13	47	7	0.42993	27.20671		
M-13	47	7	0.42993	27.20671	326.48052	4.26%
J-13	47	7	0.42993	27.20671		
J-13	47	7	0.42993	27.20671		
A-13	47	7	0.42993	27.20671		
S-13	47	7	0.42993	27.20671		
O-13	47	7	0.42993	27.20671		
N-13	47	7	0.42993	27.20671		
D-13	47	7	0.42993	27.20671		
J-14	47	7	0.42993	27.20671		
F-14	47	7	0.42993	27.20671		
M-14	47	7	0.42993	27.20671		
A-14	47	7	0.42993	27.20671		
M-14	47	7	0.42993	27.20671	326.48052	
J-14	47	7	0.42993	27.20671		
J-14	47	7	0.42993	27.20671		
A-14	47	8	0.54073	33.41431		
S-14	47	8	0.54073	33.41431		
O-14	47	8	0.54073	33.41431		
N-14	47	8	0.54073	33.41431		
D-14	47	8	0.54073	33.41431		
J-15	47	8	0.54073	33.41431		
F-15	47	8	0.54073	33.41431		
M-15	47	8	0.54073	33.41431		

Month/ yr	Average Usage	Basic Charge	Billing Rate		Annual Margin	CAGR
A-15	47	8	0.54073	33.41431		
M-15	47	8	0.54073	33.41431	388.55652	
J-15	47	8	0.54073	33.41431		
J-15	47	8	0.54073	33.41431		
A-15	47	8	0.54073	33.41431		
S-15	47	8	0.54073	33.41431		
O-15	47	8	0.54073	33.41431		
N-15	47	8	0.54073	33.41431		
D-15	47	8	0.54073	33.41431		
J-16	47	8	0.54073	33.41431		
F-16	47	8	0.54073	33.41431		
M-16	47	8	0.54073	33.41431		
A-16	47	8	0.54073	33.41431		
M-16	47	8	0.54073	33.41431	400.97172	
J-16	47	8	0.54073	33.41431		
J-16	47	8	0.54073	33.41431		
A-16	47	8	0.54073	33.41431		
S-16	47	8	0.54073	33.41431		
O-16	47	8	0.54073	33.41431		
N-16	47	8	0.54073	33.41431		
D-16	47	8	0.54073	33.41431		
J-17	47	8	0.54073	33.41431		
F-17	47	8	0.54073	33.41431		
M-17	47	8	0.54073	33.41431		
A-17	47	8	0.54073	33.41431		
M-17	47	8	0.54073	33.41431	400.97172	
J-17	47	8	0.54073	33.41431		
J-17	47	8	0.54073	33.41431		
A-17	47	8	0.54073	33.41431		
S-17	47	10	0.58399	37.44753		
O-17	47	10	0.58399	37.44753		
N-17	47	10	0.59275	37.85925		
D-17	47	10	0.59275	37.85925		
J-18	47	10	0.59275	37.85925		
F-18	47	10	0.59275	37.85925		
M-18	47	10	0.59275	37.85925		
A-18	47	10	0.59275	37.85925		
M-18	47	10	0.59275	37.85925	440.15274	
J-18	47	10	0.59275	37.85925		
J-18	47	10	0.59275	37.85925		
A-18	47	10	0.59275	37.85925		
S-18	47	10	0.59275	37.85925		
O-18	47	10	0.59275	37.85925		
N-18	47	10	0.59275	37.85925		
D-18	47	10	0.59275	37.85925		
J-19	47	10	0.59275	37.85925		

Month/ yr	Average Usage	Basic Charge	Billing Rate		Annual Margin	CAGR
F-19	47	10	0.59275	37.85925		
M-19	47	10	0.59275	37.85925		
A-19	47	10	0.59275	37.85925		
M-19	47	10	0.59275	37.85925	454.311	
J-19	47	10	0.59275	37.85925		
J-19	47	10	0.59275	37.85925		
A-19	47	10	0.59275	37.85925		
S-19	47	10	0.59275	37.85925		
O-19	47	10	0.59275	37.85925		
N-19	47	10	0.59275	37.85925		
D-19	47	10	0.59275	37.85925		
J-20	47	10	0.63943	40.05321		
F-20	47	10	0.63943	40.05321		
M-20	47	10	0.63943	40.05321		
A-20	47	10	0.63943	40.05321		
M-20	47	10	0.63943	40.05321	465.2808	
J-20	47	10	0.63943	40.05321		
J-20	47	10	0.63943	40.05321		
A-20	47	10	0.63943	40.05321		
S-20	47	10	0.63943	40.05321		
O-20	47	10	0.63943	40.05321		
N-20	47	10	0.63943	40.05321		
D-20	47	10	0.63943	40.05321		
J-21	47	10.5	0.67642	42.29174		
F-21	47	10.5	0.67642	42.29174		
M-21	47	10.5	0.67642	42.29174		
A-21	47	10.5	0.67642	42.29174		
M-21	47	10.5	0.67642	42.29174	491.83117	
J-21	47	10.5	0.67642	42.29174		
J-21	47	10.5	0.67642	42.29174		
A-21	47	10.5	0.67642	42.29174		
S-21	47	10.5	0.67642	42.29174		
O-21	47	10.5	0.67642	42.29174		
N-21	47	10.5	0.67642	42.29174		
D-21	47	10.5	0.67642	42.29174		
J-22	47	10.5	0.67642	42.29174		
F-22	47	10.5	0.67642	42.29174		
M-22	47	10.5	0.67642	42.29174		
A-22	47	10.5	0.67642	42.29174		
M-22	47	10.5	0.67642	42.29174	507.50088	
J-22	47	10.5	0.67642	42.29174		
J-22	47	10.5	0.67642	42.29174		
A-22	47	10.5	0.69549	43.18803		
S-22	47	10.5	0.69549	43.18803		
O-22	47	10.5	0.69549	43.18803		
N-22	47	10.5	0.69549	43.18803		

Month/ yr	Average Usage	Basic Charge	Billing Rate		Annual Margin	CAGR
D-22	47	10.5	0.69549	43.18803		
J-23	47	10.5	0.69549	43.18803		
F-23	47	10.5	0.69549	43.18803		
M-23	47	10.5	0.69549	43.18803		
A-23	47	10.5	0.69549	43.18803		
M-23	47	10.5	0.69549	43.18803	516.46378	
J-23	47	10.5	0.69549	43.18803		

			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
PRS (Monte Carlo)	Oregon Residential	Total Cost	$ 42,505,823	$ 41,153,000	$ 39,997,758	$ 40,069,572	$ 41,315,328	$ 44,318,745	$ 46,991,362	$ 48,637,016	$ 52,013,916	$ 70,970,829	$ 66,831,891	$ 81,379,968	$ 88,827,127	$ 94,581,386	$ 99,460,626	$ 101,930,798	$ 104,772,250	$ 105,714,002	$ 107,525,945	$ 107,120,878	$ 106,484,434	$ 103,809,039	$ 99,865,325
PRS (Monte Carlo)	Oregon Residential	Customers	94,779	95,803	96,875	97,932	98,940	99,931	100,913	101,884	102,841	103,789	104,726	105,651	106,564	107,470	108,367	109,259	110,145	111,022	111,891	112,749	113,601	114,444	115,270
PRS (Monte Carlo)	Oregon Residential	Cost per Customer	$ 448	$ 430	$ 413	$ 409	$ 418	$ 443	$ 466	$ 477	$ 506	$ 684	$ 638	$ 770	$ 834	$ 880	$ 918	$ 933	$ 951	$ 952	$ 961	$ 950	$ 937	$ 907	$ 866
No OR Residential Customer Growth	Oregon Residential	Total Cost	$ 42,987,267	$ 36,670,511	$ 33,443,834	$ 35,479,263	$ 36,306,029	$ 37,351,617	$ 39,507,625	$ 41,989,307	$ 46,619,422	$ 50,932,667	$ 55,100,539	$ 58,885,969	$ 59,000,197	$ 67,449,069	$ 69,485,707	$ 69,676,114	$ 76,802,046	$ 80,515,222	$ 82,989,416	$ 84,908,144	$ 86,992,803	$ 87,780,927	$ 86,951,759
No OR Residential Customer Growth	Oregon Residential	Customers	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858	93,858
No OR Residential Customer Growth	Oregon Residential	Cost per Customer	$ 458	$ 391	$ 356	$ 378	$ 387	$ 398	$ 421	$ 447	$ 497	$ 543	$ 587	$ 627	$ 629	$ 719	$ 740	$ 742	$ 818	$ 858	$ 884	$ 905	$ 927	$ 935	$ 926
			$ 10	$ (39)	$ (57)	$ (31)	$ (31)	$ (46)	$ (45)	$ (30)	$ (9)	$ (141)	$ (51)	$ (143)	$ (205)	$ (161)	$ (177)	$ (191)	$ (133)	$ (94)	$ (77)	$ (45)	$ (11)	$ 28	$ 60

Scenario	State	Category ($1,000)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
No OR Residential Customer Growth	OR	RNG	11,416	13,546	15,723	18,163	20,877	23,575	26,331	33,826	45,875	57,448	68,547	80,030	81,772	102,572	108,504	110,193	112,025	113,209	114,100	115,219	116,455	117,712	118,068
No OR Residential Customer Growth	OR	Pipeline	18,292	18,660	19,030	19,413	19,797	20,188	20,587	20,991	21,404	21,826	22,261	22,703	23,151	23,615	24,085	24,561	25,048	25,545	26,053	26,569	27,096	27,631	28,183
No OR Residential Customer Growth	OR	CCI	452	1,370	2,442	8,524	10,514	11,620	13,683	13,430	13,137	12,780	12,270	11,750	11,252	10,985	10,690	10,365	10,010	9,621	9,199	8,740	8,244	3,544	-
No OR Residential Customer Growth	OR	Storage	625	644	652	664	678	692	704	718	732	749	762	778	794	813	828	845	863	884	901	920	941	964	983
No OR Residential Customer Growth	OR	Natural Gas	72,834	53,922	42,930	39,129	36,269	34,736	35,232	33,952	33,258	32,393	32,014	30,355	28,948	28,573	27,741	26,690	25,715	25,132	24,134	22,832	21,770	18,055	14,991
No OR Residential Customer Growth	OR	Synthetic Methane	505	581	336	254	176	125	51	-	-	-	-	-	-	-	-	-	16,975	25,528	32,120	37,278	42,010	50,575	54,836
No OR Residential Customer Growth	OR	Demand Response	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
No OR Residential Customer Growth	OR - Residential	Demand	5,771	5,811	5,803	5,820	5,825	5,847	5,812	5,804	5,818	5,831	5,814	5,802	5,836	5,898	5,905	5,908	5,916	5,944	5,938	5,948	5,994	6,023	5,995
No OR Residential Customer Growth	OR - Total	Demand	13,978	14,059	14,075	14,131	14,168	14,235	14,210	14,227	14,278	14,332	14,336	14,348	14,434	14,564	14,603	14,640	14,684	14,759	14,777	14,819	14,918	14,990	14,964
No OR Residential Customer Growth	OR Residential / OR Total	Demand	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%

PRS less No Growth	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Total Cost	$ (481,444)	$ 4,482,489	$ 6,553,924	$ 4,590,309	$ 5,009,298	$ 6,967,128	$ 7,483,737	$ 6,647,708	$ 5,394,494	$ 20,038,161	$ 11,731,352	$ 22,494,000	$ 29,826,930	$ 27,132,316	$ 29,974,919	$ 32,254,684	$ 27,970,204	$ 25,198,780	$ 24,536,529	$ 22,212,735	$ 19,491,631	$ 16,028,111	$ 12,913,566
Customer	920	1,945	3,016	4,074	5,082	6,073	7,054	8,025	8,983	9,930	10,867	11,793	12,706	13,611	14,509	15,400	16,287	17,164	18,032	18,891	19,743	20,586	21,412
Compliance cost per New Residential Customer	$ (523)	$ 2,305	$ 2,173	$ 1,127	$ 986	$ 1,147	$ 1,061	$ 828	$ 601	$ 2,018	$ 1,079	$ 1,907	$ 2,347	$ 1,993	$ 2,066	$ 2,094	$ 1,717	$ 1,468	$ 1,361	$ 1,176	$ 987	$ 779	$ 603

Oregon Citizens' Utility Board
Avista Utilities - Oregon - Natural Gas
UG 462

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	$ 76,506,159	49,336,088	21,492,915	764,119	2,100,942	34,420	177,504	2,600,171
2	COST OF GAS	$ -	-	-	-	-	-	-	-
3	CURRENT DISTRIBUTION MARGIN	$ 76,506,159	$ 49,336,088	$ 21,492,915	$ 764,119	$ 2,100,942	$ 34,420	$ 177,504	$ 2,600,171
4	% of Current Margin excl Sch 447	100.00%	64.64%	28.16%	1.00%	2.75%	0.05%		3.41%
5	Total Revenue Requirement	$ 9,340,841							
6	Revenue Requirement as a Percent of Margin Revenue	12.21%							
7	Percentage Applied to Overall Margin Increase		100.00%	118.59%	50.00%	0.00%	0.00%		50.00%
8	Increase as a Percent of Total Current Margin		12.21%	14.48%	6.10%	0.00%	0.00%		6.10%
9	**PROPOSED MARGIN REVENUE INCREASE**	**$ 9,340,841**	**$ 6,023,575**	**$ 3,111,889**	**$ 46,647**	**$ -**	**$ -**		**$ 158,731**
10	**Percentage Distribution Revenue Increase**	**12.21%**	**12.21%**	**14.48%**	**6.10%**	**0.00%**	**0.00%**		**6.10%**
	Cost of Service								
11	Proposed Margin	$ 85,847,000	$ 55,359,663	$ 24,604,804	$ 810,766	$ 2,100,942	$ 34,420	$ 177,504	$ 2,758,902
12	LRIC Based Target Margin (Line 25 of Anderson Exhibit 704 Page 1 of 3)	**$ 87,498,000**	**56,961,317**	**25,420,106**	**763,818**	**1,319,718**	**25,543**	**400,893**	**2,606,605**