ORDER NO. 17 344

ENTERED SEP 13 2017

# BEFORE THE PUBLIC UTILITY COMMISSION

# OF OREGON

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| In the Matter of<br><br>AVISTA CORPORATION, dba<br>AVISTA UTILITIES,<br><br>Request for a General Rate Revision. | ORDER |

DISPOSITION: STIPULATION ADOPTED; APPLICATION FOR GENERAL RATE REVISION APPROVED AS REVISED

## I. SUMMARY

In this order, we adopt the parties' stipulation to resolve all issues related to the request by Avista Corporation (Avista) for a general rate revision. By this decision, we authorize an overall rate increase of 3.7 percent or $3.5 million in revenues. In its initial filing, Avista sought a 9.0 percent increase to produce $8.539 million in additional revenues. Effective October 1, 2017, bills will increase on average by 2.8 percent for residential customers and 6.8 percent for general service customers.

## II. BACKGROUND AND PROCEDURAL HISTORY

Avista is a public utility providing gas service within the meaning of ORS 757.005, and is subject to our jurisdiction with respect to the prices and terms of service for its Oregon retail customers.

On November 30, 2016, Avista filed revised tariff schedules to increase overall rates by 9.0 percent to produce additional revenues of $8.539 million.

On December 20, 2016, in Order No. 16-495, we suspended Avista's tariff filing for a period of nine months as authorized by ORS 757.215. During the course of the proceedings, Northwest Industrial Gas Users (NWIGU) was granted leave to appear as a party. The Oregon Citizens' Utility Board (CUB) intervened as a matter of right under ORS 774.180.

The parties and the Commission Staff conducted discovery, filed testimony, and engaged in settlement discussions. The issues were ultimately resolved by the parties through the execution of an all-party stipulation filed on May 16, 2017, and associated Attachments A-D on May 17, 2017. The stipulation is attached as Appendix A.

## III. DISCUSSION

The parties were able to settle all issues, including adjustments to the revenue requirement, rate spread and rate design issues, and additional reporting for certain capital projects. As a result of the agreements in the stipulation, the parties propose we authorize an overall rate increase of 3.7 percent, or $3.5 million in revenues, to be effective October 1, 2017.

We outline the nature of the stipulation, and summarize each initially disputed issue that was the subject of the negotiated settlement in that stipulation.

### A. Adjustments to Revenue Requirement

In its initial filing, Avista requested an increase in its revenue requirement of $8.539 million on a rate base of $243.424 million. The parties agreed to adjustments which reduced the revenue requirement increase by $5.039 million to $3.500 million on a rate base of $229.932 million. The reductions reflect the following adjustments:

#### *1. Rate of Return*

In its initial filing, Avista proposed a capital structure of 50 percent debt and 50 percent common equity with a 5.75 percent cost of debt and a 9.9 percent return on common equity. Under Avista's proposed debt-equity ratio, weighted cost of debt was 2.88 percent and the weighted cost of capital was 4.95 percent for a combined rate of return of 7.83 percent.

In its testimony, Staff proposed a capital structure of 51.1 percent debt and 48.9 percent common equity with a 5.095 percent cost of debt and a 9.1 percent return on common equity. Under Staff's proposed debt-equity ratio, weighted cost of debt was 2.60 percent and the weighted cost of capital was 4.43 percent for a combined rate of return of 7.03 percent.

For settlement purposes, the parties agree to an overall weighted cost of capital equal to 7.35 percent based on a capital structure consisting of 50 percent common stock equity and 50 percent long-term debt, return on equity of 9.4 percent, and a long-term debt cost of 5.30 percent. Under the terms of the settlement, the weighted cost of long-term debt is 2.650 percent and the weighted cost of capital is 4.7 percent and the overall rate of return is 7.350 percent. The settlement reduces Avista's proposed revenue requirement by $1,854,000.[1]

[1] Joint Testimony/100, Gardner-Smith-Ehrbar-McGovern-Jenks-Finklea/8-9.

### 2. *Revenue-Sensitive—Uncollectible Rate*

In its initial filing, Avista used an uncollectible rate calculated on a three-year average for the twelve months ending June 30, 2016. This yielded a rate of 1.09760 used in the conversion factor. In its opening testimony, Staff proposed a rate of 0.5496 percent, the rate set in docket UG 288, stating that there needed to be greater clarity of the available data. In its reply testimony, Avista proposed using the net write-off and direct revenue balances for the twelve months ended December 31, 2016, for a rate of 0.6242 percent.

For settlement purposes, the parties agreed to adjust the uncollectible rate to 0.6335 percent, based on a three year average using the calendar years 2014, 2015, and 2016 for the revenue sensitive rate and conversion factor, yielding a $41,000 reduction in the revenue requirement initially proposed by the company.[2]

### 3. *Uncollectibles*

In its initial filling, Avista utilized a three-year average based on twelve-month periods that ended June 30, 2016. For settlement purposes, the parties accepted the Staff proposal to utilize the agreed-upon 0.6335 percent uncollectable rate, reducing the proposed revenue requirement by $191,000.[3]

### 4. *Oregon Public Utility Commission and Franchise Fee Rate*

In its initial filing, Avista proposed a 0.00275 regulatory and franchise fee rate. For settlement purposes, the parties accepted the Staff's proposed rate of 0.0030 which reduced the revenue requirement by $34,000.[4]

### 5. *Working Capital*

Avista originally proposed a working capital rate base adjustment using the Investor Supplied Working Capital methodology. For settlement purposes, the parties accepted Staff's proposal to reject that adjustment, which resulted in a $343,000 reduction to the revenue requirement and a rate base reduction of $3,536,000.[5]

### 6. *Interest Synchronization*

As part of the settlement, the parties agreed to an adjustment that includes a flow-through of federal and state tax impacts on rate base adjustments due to the agreed-upon cost of debt. This adjustment increases the proposed revenue requirement by $311,000.[6]

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[2] *Id.* at 10.
[3] *Id.*
[4] *Id.* at 11.
[5] *Id.* at 11-12.
[6] *Id.* at 12.

### *7. Wages, Salaries, Medical Benefits and Directors' and Officers' (D&O)Insurance*

Staff proposed reductions related to Avista's increased wages and salaries expenses as they related to overtime, full-time employee equivalents, associated payroll taxes, officer and non-officer incentive pay and restricted stock units. NWIGU also proposed an adjustment to the company's expense for restricted stock units. Staff proposed adjustments to Avista's medical benefits expense and proposed that all layers of D&O insurance expense be shared between ratepayers and stockholders on a 50/50 basis. As part of the settlement, the parties agreed as a reasonable compromise that would contribute to the overall fair resolution of this case, to reduce expenses and the proposed revenue requirement by $593,000. The adjustment also results in a $27,000 reduction in the rate base.[7]

### *8. Property Taxes*

Staff proposed an adjustment to property tax expense by basing it on a three-year rolling average of the property tax levy rate applied to the agreed-upon level of rate base. By agreeing upon a lower level of property tax expense, the parties agreed to a $78,000 reduction to the revenue requirement.[8]

### *9. Amortization and Depreciation*

For settlement purposes the parties agreed to an amortization and depreciation adjustment associated with the information technology, cost allocation and utility plant in service adjustments discussed in items 16, 17 and 18, below. The adjustment reduces the revenue requirement by $36,000 and reduces the rate base by $39,000.[9]

### *10. Regulatory Expense*

Avista proposed to recover the level of regulatory expense that occurred in the twelve-months ended June 30, 2016. Staff proposed an adjustment to regulatory expense to reflect a three-year average level of expense. For settlement purposes, although not necessarily agreeing on methodology, the parties agreed to Staff's proposal, reducing the level of regulatory expense by $92,000, and thus reducing the proposed revenue requirement by $92,000.[10]

### *11. Pension*

Staff proposed an adjustment to reflect an expected return on assets (EROA) on pensions and post-retirement medical benefits of 6.6 percent, as recommended by Commission Staff and as approved by the Commission in docket UG 288, Order No. 16-109.

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[7] *Id.* at 12-15.
[8] *Id.* at 16.
[9] *Id.*
[10] *Id.* at 16-17.

Although the parties did not agree on the methodology for determining the EROA, in its reply testimony, Avista accepted Staff's proposal as part of the overall settlement of the case. This adjustment reduces the rate base $170,000, and reduces the proposed revenue requirement by $264,000.[11]

### *12. Underground Storage*

The parties agreed on an adjustment proposed by Staff to reflect a three-average expense level for underground storage for the test year. This adjustment reduces the proposed revenue requirement by $21,000.[12]

### *13. Other Gas Supply*

For settlement purposes, the parties agreed on an adjustment proposed by Staff to reflect a three-average as a reasonable representation for the other gas supply expense level for the test year. This adjustment reduces the proposed revenue requirement by $18,000.[13]

### *14. Load Forecasting*

Staff reviewed the company's initial load forecast and proposed certain recommendations to modify the forecast models' accuracy. Avista accepted Staff's adjustments to the load forecasting calculation which resulted in an agreed reduction of $394,000 to the company's proposed revenue requirement. The company also agreed to make the following refinements, which it will include in its next load forecast:

a. Add employment as an economic driver to the forecast of Schedule 424 commercial customers for the Medford, Roseburg and Klamath regions; and

b. When selecting forecasting models, Avista will use the Akaike Information Criteria method rather than the root-mean-square-error method. Avista states that it will continue to select models "by hand" rather than use an automatic selection routine.[14]

### *15. Sales and Transportation*

As a result of the changes made to the load forecasting adjustment in item 14 above, the parties agreed that Staff's proposed revisions to sales and transportation revenue increase the proposed revenue requirement by $39,000, as an effect of the changes to the load forecasting calculation.[15]

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[11] *Id.* at 17-18.
[12] *Id.* at 18.
[13] *Id.* at 19.
[14] *Id.* at 19-21.
[15] *Id.* at 21.

### *16. Information Technology Adjustment*

Avista initially proposed to add $11.6 million to rate base reflecting the capital additions to be completed prior to the rate effective period. Both Staff and CUB proposed reduction to information technology and associated general plant rate base additions and expenses. For settlement purposes, the parties agreed to a rate base reduction of $3,009,000 associated with information technology and general plant rate base additions (including technology expansion, meter data management, next generation radio system, and long-term campus restructuring, among others) and a reduction to expense associated with capital investment. This adjustment reduces the revenue requirement associated with information technology and general plant rate base additions by $445,000.[16]

### *17. Cost Allocation Adjustment*

In its testimony, Staff proposed reductions to common plant rate base, as well as reductions to expense, based on its review of the company's allocations of these items by jurisdiction and service. For settlement purposes, the parties agreed to a reduction to common plant rate base (including common warehouse space and main campus expansion, among other items) of $1,449,000 and a reduction to expense of $38,000. This adjustment reduces the revenue requirement associated with common plant rate base and common expense by $187,000. As part of the settlement of all issues, Avista agreed to provide business descriptions in the description field of account transactions sufficient to allow internal and external auditing of jurisdictional assignment and allocation.[17]

### *18. Utility Plant in Service Adjustment*

Avista initially proposed to add $43.8 million to rate base, reflecting the capital additions to be completed prior to the rate effective period. Staff and CUB proposed reductions to rate base for natural gas utility plant in service and plant additions, respectively. For settlement purposes, the parties agree to a reduction to rate base of $5,392,000 for natural gas utility plant (including the Bonanza and Old Midland Road service extensions, the Natural Gas Revenue Growth program, and the Natural Gas Pipe Replacement for Street and Highway Moves program, among others). This adjustment reduces the revenue requirement associated with natural gas utility plant in service rate base by $550,000. The parties also agreed to additional terms requiring attestations before specific capital projects are included in the test year rate base to assure that plant that will be in service is used and useful, consistent with ORS 757.355.[18]

### *19. Other Revenues—Miscellaneous Revenue*

For settlement purposes, the parties agreed to a Staff-proposed adjustment to other revenues to reflect increased revenues from reconnect fees. This adjustment reflects the

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[16] *Id.* at 21-23; *see also* parties' testimony cited therein.
[17] *Id.* at 23-24.
[18] *Id.* at 25-26.

increased level of collection fees and results in a decrease in the revenue requirement by $26,000.[19]

### *20. Atmospheric Testing*

After filing its general rate case, Avista discovered that the level of atmospheric testing expense included in its initial filing was too high due to a calculation error. In its direct testimony, Staff proposed to include the company's correction, leading to a reduction to expense of approximately $62,000. Staff also proposed an additional adjustment to the company's calculated inspection point growth rate. In its reply testimony, Avista accepted Staff's proposal, and the agreement of the parties resulted in a reduction of $66,000 in revenue requirement.[20]

### *21. Advertising and Promotional Expense*

Staff proposed to remove certain expenses which it identified as promotional expenses. For settlement purposes, the parties agreed to remove these expenses, thereby reducing the revenue requirement by $5,000.[21]

### *22. Memberships and Dues*

Staff proposed to remove all subscription expenses and 25 percent of the dues associated with Avista's membership in the Northwest Gas Association (NGA). For settlement purposes, the parties agreed that 25 percent of the dues associated with the NGA should be removed, resulting in a $6,000 reduction in the revenue requirement.[22]

### *23. Miscellaneous Administrative and General (A&G)Expenses*

Staff proposed to remove 50 percent of miscellaneous A&G expenses, including those for employee business meals, airfare, lodging, vehicle and transportation, office supplies, and other miscellaneous expenses. In its reply testimony, the company accepted Staff's proposal to remove 50 percent of expenses associated with employee business meals. For settlement purposes, the parties agreed to remove 50 percent of the employee business meals, as well as 25 percent of the remaining miscellaneous A&G expenses identified above, thereby resulting in a $132,000 decrease to revenue requirement.[23]

### *24. Materials and Supplies*

Staff proposed a reduction to non-fuel material and supplies to reflect a three-year average level of expense. For settlement purposes, the parties agreed to the proposed

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[19] *Id.* at 27.
[20] *Id.*
[21] *Id.* at 28.
[22] *Id.* at 28-29.
[23] *Id.* at 29.

three-year average level of expense. This adjustment reduces rate base by $128,000 and revenue requirement by $13,000.[24]

## B. Rate Spread

The parties agreed to a rate spread of the October 1, 2017 billed revenue increase of $3.5 million, or 3.7 percent, to Avista's service schedules as shown in Table No. 4, Attachment B to the stipulation.[25] The increases were confined to the Residential (410) and General Service (420) rate schedules because parties' technical analyses showed that only these two schedules were at or below their cost of service. Residential base revenue will increase 4.3 percent and billed revenue[26] will increase 2.8 percent. General Service base revenue will increase 11.8 percent and billed revenue will increase 6.8 percent. The changes will move all schedules closer to their cost of service.[27]

## C. Rate Design

The parties' rate design stipulation includes an increase in the monthly customer basic charge of $1 per month, from $9.00 to $10.00. Based on an average level of 47 therms per month, the average bill would increase $1.57 (2.8 percent) per month from $56.18 to $57.75.[28] The monthly customer charge for General Service customers will remain at $17 per month. The increases in General Service customers' bills reflect load allocation adjustments in the revenue requirement.[29]

## D. Decoupling

Attachment D to the stipulation reflects a new decoupling base. It provides the "Monthly Allowed Customers" and Monthly Decoupled Revenue per Customer" which incorporate the effects of the settlement revenue requirement and billing determinants. Avista will make any necessary changes to reflect in Schedule 475 how new customers are treated as compared to existing customers in the decoupling mechanism.

## E. Capital Projects and Officer Attestations

The rates proposed by the parties in the stipulation are based on a revenue requirement that includes three projects which are expected to be completed and placed in service before the new rates go into effect on October 1, 2017:

- Project # 3209 – Pierce Road La Grande High Pressure (HP) Reinforcement (associated revenue requirement of $364,000).

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[24] *Id.* at 30.
[25] *See also* Joint Testimony/100, Gardner-Smith-Ehrbar-McGovern-Jenks-Finklea/31.
[26] Billed revenue includes base rate revenue plus revenues associated with natural gas supply, energy efficiency, intervenor funding and other items.
[27] Joint Testimony/100, Gardner-Smith-Ehrbar-McGovern-Jenks-Finklea/31.
[28] Joint Testimony/100, Gardner-Smith-Ehrbar-McGovern-Jenks-Finklea/32.
[29] *Id.*

• Project #3057 – Klamath Falls Gas HP Pipeline Remediation (associated revenue requirement of $156,000).

• Project #2586 – Meter Data Management (associated revenue requirement of $387,000).

The parties agree that if one or more of these projects is not in service by October 1, 2017, the revenue requirement associated with the project will be removed from the test year rate base. If the subject project is in service by November 1, 2017, (the rate effective date for the Purchased Gas Cost Adjustment and other associated filings), a company officer will file an attestation to that effect. Project costs, up to the agreed upon revenue requirement, will be recovered through a separate tariff beginning November 1, 2017, as has been done in the past. Projects completed after that date will have their capital costs addressed in a subsequent general rate filing.[30] In response to a bench request, the parties filed a joint brief supported by testimony in the form of declarations by Avista and Staff witnesses. The Joint Brief and the associated Avista witness declaration set forth with particularity the specific capital investments included by the parties in the stipulation deemed to be used and useful in the provision of gas service. The Staff declaration makes affirmative representations with respect to a review of the prudence of the dollar amount associated with the cited investments.[31]

### F. Load Forecast Refinements

In its opening testimony, Staff made three recommendations to improve the forecast models' accuracy: (1) Limit intervention variables to those with sufficient theoretical justification; (2) Select Avista's ARIMA model structures to minimize the information loss; and (3) Include economic forecast drivers related to the number of large commercial customers.[32] The company will include the refinements, described in Issue 14 of the revenue requirement discussion above, in subsequent June load forecasts.

## IV. CONCLUSION

We have reviewed the terms of the stipulation and supporting joint testimony of the parties and find that the terms of the stipulation are reasonable and that the stipulation was freely entered into by the parties.

We adopt the stipulation settling the capital structure, cost of debt and cost of capital issues. Based on the evidence presented, we find the parties' joint proposals are within the range of reasonableness for a company in Avista's circumstances.

We also adopt the parties' proposed resolutions on adjustments to revenue requirement. We find them to be sufficiently supported by the testimony and will contribute to the

[30] *Id.* at 34 and fn. 31 therein.
[31] Joint Brief in Response to Bench Request at 4-8 (Sept. 1, 2017) and Declaration of Patrick D. Ehrbar at 1-2 (Sept. 1, 2017); Declaration of Mitchell Moore at 1 (Sept. 5, 2017).
[32] Staff/600, St. Brown/12-16.

provision of reliable service at just and reasonable rates. In this instance, we find that the supplementing joint brief and declarations to have adequately supported the proposed settlement adding projects to the revenue requirement in advance of their having been placed in service. However, we would remind parties wishing to include plant not-yet-in-service as part of the proposed revenue requirement in future rate cases, to be prepared to explain such proposals with particularity and to justify, via clear and convincing evidence, the circumstances providing the rationale for their inclusion in their general rate case application.

We adopt the parties' proposed rate spread and find that it is consistent with our statement in the previous Avista rate case that "we have a longstanding policy of not reducing rates for some customers where rates are increased for other customers."[33] We also adopt the stipulation with respect to the proposed rate design and find that it results in rates that are fair, just and reasonable.

Finally, we adopt the stipulation with respect to the proposed decoupling base set forth in Attachment D to the stipulation, the parties' agreement with respect to the treatment of capital projects, and the agreed refinements to Avista's load forecasting methodology.

In conclusion, we conclude that the parties proposed changes to the company's tariffs and conditions as set forth in the stipulation will result in fair, just and reasonable rates and further the public interest, convenience and necessity. The stipulation should be adopted in its entirety.

## V. ORDER

IT IS ORDERED that:

1. The stipulation attached as Appendix A is adopted.

2. Advice No. 16-15, filed November 30, 2016, is permanently suspended.

[33]*See In the Matters of AVISTA CORPORATION, dba AVISTA UTILITIES, Request for a General Rate Revision (UG 288) and Application for Authorization to Defer Expenses or Revenues Related to the Natural Gas Decoupling Mechanism (UM 1753)*, Order No. 16-109 at 21(Mar 15, 2016).

3. Avista Corporation, dba Avista Utilities shall file tariffs consistent with this order that shall become effective October 1, 2017.

Made, entered, and effective SEP 13 2017.

**Lisa D. Hardie**
Chair

**Stephen M. Bloom**
Commissioner

**Megan W. Decker**
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UG 325

| | | |
|---|---|---|
| In the Matter of<br>AVISTA CORPORATION, dba AVISTA UTILITIES<br><br>Request for a General Rate Revision. | )<br>)<br>)<br>)<br>) | SETTLEMENT STIPULATION |

This Settlement Stipulation ("Stipulation") is entered into for the purpose of resolving all issues in this Docket.

**PARTIES**

The Parties to this Stipulation are Avista Corporation ("Avista" or the "Company"), the Staff of the Public Utility Commission of Oregon ("Staff"), the Oregon Citizens' Utility Board ("CUB"), and the Northwest Industrial Gas Users ("NWIGU") (collectively, "Parties"). These Parties represent all who intervened and appeared in this proceeding.

**BACKGROUND**

1. On November 30, 2016, Avista filed revised tariff schedules to effect a general rate increase for Oregon retail customers of $8,539,000, or 9.0 percent of its annual revenues. The filing was suspended by the Commission on December 20, 2016, per its Order No. 16-495.

2. Pursuant to Administrative Law Judge Allan Arlow's Prehearing Conference Memorandum of December 29, 2016, Staff, CUB, and NWIGU filed Opening Testimony in response to the Company's original filing on March 1, 2017. On April 6, 2017, Avista filed its Reply Testimony. On April 24, 2017, a settlement conference was held, attended by all Parties.

3. As a result of the settlement discussions held on April 24, 2017, the Parties have agreed to settle all issues in this Docket, including adjustments to the revenue requirement, rate spread and rate design issues, and additional reporting for certain capital projects, on the following terms, subject to the approval of the Commission.

## TERMS OF SETTLEMENT STIPULATION

4. **<u>Adjustments to Revenue Requirement</u>:**

The Parties support reducing Avista's requested revenue requirement to reflect the adjustments discussed below. The adjustments amount to a total reduction in Avista's revenue requirement increase request from $8.539 million to a base revenue increase of $3.500 million. The Parties support the adjustments to Avista's revenue requirement request as shown in Table No. 1 below:

**Table No. 1:**

| SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE ($000s of Dollars) | | | |
|---|---|---|---|
| | | Revenue Requirement | Rate Base |
| **Amount as filed:** | | **$8,539** | **$243,424** |
| **Adjustments:** | | | |
| a | Rate of Return | (1,854) | - |
| b | Revenue Sensitive - Uncollectible rate | (41) | - |
| c | Uncollectibles | (191) | - |
| d | Revenue Sensitive - Commission & Franchise Fee rate | (34) | - |
| e | Working Cash | (343) | (3,356) |
| f | Interest Synchronization | 311 | - |
| g | Wages, Salaries, Medical Benefits, and D&O Insurance | (593) | (27) |
| h | Property Tax | (78) | - |
| i | Amortization & Depreciation | (36) | 39 |
| j | Regulatory Expense | (92) | |
| k | Pensions | (264) | (170) |
| l | Underground Storage | (21) | - |
| m | Other Gas Supply Expense | (18) | - |
| n | Load Forecasting | (394) | - |
| o | Sales & Transportation | 39 | - |
| p | Information Technology | (445) | (3,009) |
| q | Cost Allocation | (187) | (1,449) |
| r | Utility Plant in Service | (550) | (5,392) |
| s | Other Revenues | (26) | - |
| t | Atmospheric Testing | (66) | - |
| u | Advertising and Promotional Expense | (5) | - |
| v | Memberships and Dues | (6) | - |
| w | Various A&G Expenses | (132) | - |
| x | Materials & Supplies - Non-Fuel | (13) | (128) |
| | **Total Adjustments:** | **($5,039)** | **($13,492)** |
| **Adjusted Base Revenue Requirement & Rate Base - Effective October 1, 2017:** | | **$3,500** | **$229,932** |

The following information provides an explanation for each of the adjustments in Table No. 1. Attachment A summarizes the Company's filed rate case and the stipulated adjustments. The numbers in parenthesis below represent the agreed-upon increase or decrease in revenue requirement associated with the item.

a. Rate of Return (-$1,854,000): Table No. 2 below shows the Company's and Staff's proposed Cost of Capital. NWIGU proposed a rate of return on common equity of 9.4%.[1]

**Table No. 2:**

| AVISTA CORPORATION Proposed Cost of Capital | | | |
|---|---|---|---|
| | Proposed Structure | Cost | Weighted Cost |
| Debt | 50.0% | 5.750% | 2.88% |
| Common Equity | 50.0% | 9.9% | 4.95% |
| TOTAL | 100.0% | Rate of Return | **7.83%** |

| STAFF Proposed Cost of Capital (1) | | | |
|---|---|---|---|
| | Proposed Structure | Cost | Weighted Cost |
| Debt | 51.1% | 5.095% | 2.60% |
| Common Equity | 48.9% | 9.1% | 4.43% |
| TOTAL | 100.0% | Rate of Return | **7.03%** |

(1) Staff/200, Muldoon/2, lines 8-9.

For settlement purposes, the Parties agree to an overall weighted cost of capital equal to 7.35% based on the following components: a capital structure consisting of 50% common stock equity and 50% long-term debt, return on equity of 9.4%, and a long-term debt cost of 5.30%, thereby

[1] NWIGU/100/Gorman/4, lines 3-10.

reducing the proposed revenue requirement by $1,854,000. This combination of capital structure and capital costs is shown in Table No. 3 below:

**Table No. 3:**

| AVISTA CORPORATION<br>Agreed-Upon Cost of Capital | | | |
|---|---|---|---|
| | **Percent of Total Capital** | **Cost** | **Weighted Cost** |
| **Long-Term Debt** | 50.00% | 5.300% | 2.650% |
| **Common Equity** | 50.00% | 9.400% | 4.700% |
| **Total** | **100.00%** | **Rate of Return** | **7.350%** |

b. Revenue Sensitive – Uncollectible Rate (-$41,000): In the Company's direct filing, the uncollectible rate used in the conversion factor was calculated using a three-year average on a twelve-months ended June 30, 2016 basis, for a rate of 1.09760 percent. Staff proposed in its opening testimony to apply a rate of 0.5496 percent, the rate set in Docket UG 288, noting a need for clarification of the available data. In its reply testimony, the Company proposed using the net write-off and direct revenue balances for the twelve months ended December 31, 2016, for a rate of 0.6242 percent. For settlement purposes, the Parties agree to adjust the uncollectible rate to 0.6335 percent, based on a three year average using the calendar years 2014, 2015, and 2016 for the revenue sensitive rate and conversion factor.

c. Uncollectibles (-$191,000): In the Company's direct filing, uncollectible expense was adjusted to a three-year average on a twelve-months ended June 30, 2016 basis. For settlement purposes, the Parties accept Staff's proposal to adjust uncollectible expense utilizing the uncollectible rate of 0.6335 percent, thereby reducing the proposed revenue requirement by $191,000.

d. OPUC & Franchise Fee Rate ($-34,000): In the Company's direct filing, the Company used an OPUC & Franchise Fee rate of 0.00275. For settlement purposes, the Parties accept Staff's proposed OPUC & Franchise Fee rate of 0.0030, thereby reducing the proposed revenue requirement by $34,000.

e. Working Capital (-$343,000): In the Company's direct filing, the Company proposed a working capital rate base adjustment, excluding materials and supplies, using the Investor Supplied Working Capital methodology. For settlement purposes, the Parties accept Staff's proposal to remove the working capital rate base adjustment, thereby reducing the proposed revenue requirement by $343,000. This adjustment reduces rate base by $3,536,000.

f. Interest Synchronization (+$311,000): This adjustment includes the flow through of the federal and state tax impact on rate base adjustments due to the agreed-upon cost of debt, thereby increasing the proposed revenue requirement by $311,000.

g. Wages, Salaries, Medical Benefits, and D&O Insurance (-$593,000): Staff proposed an adjustment to the Company's Wages and Salaries expense for reductions associated with the Company's overall wages and salaries increases related to overtime, full-time employee equivalents (FTE), associated payroll taxes, Officer and Non-Officer Incentive Pay, and Restricted Stock Units. NWIGU also proposed an adjustment to the Company's Wages and Salaries expense for Restricted Stock Units.[2] In addition, Staff proposed adjustments to the Company's medical benefits expense, as well as proposing a 50 percent sharing of all layers of Directors' and Officers' (D&O) Insurance expense. For settlement purposes the Parties agree to reductions to an agreed-upon level of expense, thereby reducing the proposed revenue requirement by $593,000. The adjustment also reduces rate base by $27,000.

[2] NWIGU/100/Gorman/6-7.

h. Property Taxes (-$78,000): Staff proposed an adjustment to property tax expense to reflect the use of a three-year average of the property tax levy rate, which was applied to the agreed-upon level of rate base. For settlement purposes, the Parties agree upon a lower level of property tax expense, thereby reducing the proposed revenue requirement by $78,000.

i. Amortization & Depreciation (-$36,000): For settlement purposes, the Parties agree to an adjustment to amortization and depreciation expense associated with the Information Technology, Cost Allocation and Utility Plant in Service adjustments discussed in items q. – s. below. This adjustment reduces rate base by $39,000 and revenue requirement by $36,000.

j. Regulatory Expense (-$92,000): Avista proposed to recover the level of regulatory expense that occurred in the twelve-months ended June 30, 2016. Staff proposed an adjustment to regulatory expense to reflect a three-year average level of expense. For settlement purposes, the Parties agree to Staff's proposal to reduce the level of Regulatory Expense by $92,000, thereby reducing the proposed revenue requirement by $92,000.

k. Pension (-$264,000): Staff proposed an adjustment to reflect an Expected Return on Assets (EROA) on pensions and post-retirement medical benefits of 6.6 percent, as recommended by Commission Staff and as approved by the Commission in Docket UG-288, OPUC Order No. 16-109. In its reply testimony, the Company accepted Staff's proposal. This adjustment reduces rate base $170,000, and reduces the proposed revenue requirement by $264,000.

l. Underground Storage (-$21,000): Staff proposed an adjustment to underground storage expense to reflect a three-year average level of expense. In its reply testimony, the Company accepted Staff's proposal to adjust the Underground Storage to reflect a three-year average level of expense, thereby reducing the proposed revenue requirement by $21,000.

m. Other Gas Supply (-$18,000): Staff proposed an adjustment to other gas supply expense to reflect a three-year average level of expense. In its reply testimony, the Company accepted Staff's proposal to adjust the Other Gas Supply to reflect a three-year average level of expense, thereby reducing the proposed revenue requirement by $18,000.

n. Load Forecasting (-$394,000): After reviewing the Company's filed load forecast, Staff proposed certain recommendations which would increase the level of customer usage in the rate effective period. In its reply testimony, the Company accepted Staff's adjustments to the Company's load forecasting calculation, thereby reducing the proposed revenue requirement by $394,000.

o. Sales & Transportation (+$39,000): As a result of the changes made to the load forecasting adjustment in item n above, Staff proposed an adjustment to the Company's Sales & Transportation revenue. In its reply testimony, the Company accepted Staff's proposal to Sales & Transportation revenue as a result of the changes in the load forecasting calculation, thereby increasing the proposed revenue requirement by $39,000.

p. Information Technology Adjustment (-$445,000): Staff's testimony proposed reductions to information technology and associated general plant rate base additions and expenses. CUB's testimony also proposed reductions to information technology and associated general plant rate base additions.[3] For settlement purposes, the Parties agree to a rate base reduction of $3,009,000 associated with information technology and general plant rate base additions (e.g., Technology Expansion, Meter Data Management, Next Generation Radio System, and Long-Term Campus Restructuring, among others) and a reduction to expense associated with

[3] CUB/100/McGovern/56.

capital investment. This adjustment reduces the revenue requirement associated with information technology and general plant rate base additions by $445,000.

q. Cost Allocation Adjustment (-$187,000): Staff's testimony proposed reductions to common plant rate base as well as reductions to expense, based on its review of the Company's allocations of these items by jurisdiction and service. For settlement purposes, the Parties agree to a reduction to common plant rate base (e.g., common warehouse space and main campus expansion, among other items) of $1,449,000 and a reduction to expense of $38,000. This adjustment reduces the revenue requirement associated with common plant rate base and common expense by $187,000. Avista agrees to provide business descriptions in the description field of account transactions sufficient to allow internal and external auditing of jurisdictional assignment and allocation.

r. Utility Plant in Service Adjustment (-$550,000): Staff's testimony proposed reductions to rate base for natural gas utility plant in service. CUB's testimony also proposed reductions to rate base for natural gas utility plant additions. For settlement purposes, the Parties agree to a reduction to rate base of $5,392,000 for natural gas utility plant (e.g., the Bonanza and Old Midland Road service extensions, the Natural Gas Revenue Growth program, and the Natural Gas Pipe Replacement for Street and Highway Moves program, among others). This adjustment reduces the revenue requirement associated with natural gas utility plant in service rate base by $550,000.

s. Other Revenues – Miscellaneous Revenue (-$26,000): Staff proposed an adjustment to other revenues to reflect increased revenues from reconnect fees. For settlement purposes, the Parties agree to adjust Other Revenues to reflect an increased level of collection fees, thereby resulting in a decrease to revenue requirement by $26,000.

t. Atmospheric Testing (-$66,000): After the Company filed its general rate case, Avista discovered that the level of Atmospheric Testing expense included in its initial filing was too high due to a calculation error. In Staff's direct testimony, it proposed to include the Company's correction for a reduction to expense of approximately $62,000 as well as an additional adjustment to the Company's calculated inspection point growth rate. In its reply testimony, the Company accepted Staff's proposal, resulting in a reduction of $66,000 in revenue requirement.

u. Advertising and Promotional Expense (-$5,000): Staff proposed to remove certain expenses Staff identified as promotional expenses. For settlement purposes, the Parties agree to remove these expenses, thereby reducing revenue requirement by $5,000.

v. Membership and Dues (-$6,000): Staff proposed to remove all subscription expenses and 25 percent of dues associated with membership in a trade organization (Northwest Gas Association). On settlement, the Parties agree that 25 percent of the dues associated with the trade organization should be removed.

w. Various Administrative & General (A&G) Expenses (-$132,000): Staff proposed to remove 50 percent of miscellaneous A&G expenses, including those for employee business meals, airfare, lodging, vehicle and transportation, office supplies, and other miscellaneous expenses. In its reply testimony, the Company accepted Staff's proposal to remove 50 percent of expenses associated with employee business meals. For settlement purposes, the Parties agree to remove 50 percent of the employee business meals, as well as 25 percent of the remaining miscellaneous A&G expenses identified above, thereby resulting in a decrease to revenue requirement by $132,000.

x. Materials & Supplies (-$13,000): Staff proposed a reduction to non-fuel material and supplies to reflect a three-year average level of expense. For settlement purposes, the Parties agree to Staff's use of a three-year average level of expense. This adjustment reduces rate base $128,000 and revenue requirement by $13,000.

5. **Proposed Effective Date:** The proposed rate effective date is October 1, 2017. Upon approval of this Stipulation, Avista will file revised rate schedules reflecting rates as agreed upon in this Stipulation as a compliance filing, effective October 1, 2017.

6. **Rate Spread:**

The Parties support the spread of the October 1, 2017 overall billed revenue increase of $3.5 million, or 3.7 percent, to the Company's service schedules as follows (and as shown in Attachment B to the Settlement Stipulation):

**Table No. 4: Agreed-Upon Rate Spread**

| Schedule Description | Rate Schedule | Revenue Increase ($000s) | % Increase in Base Revenue | % Increase in Billed Revenue* |
|---|---|---|---|---|
| Residential | 410 | $1,693 | 4.3% | 2.8% |
| General Service | 420 | $1,807 | 11.8% | 6.8% |
| Large General Service | 424 | $0 | 0.0% | 0.0% |
| Interruptible Service | 440 | $0 | 0.0% | 0.0% |
| Seasonal Service | 444 | $0 | 0.0% | 0.0% |
| Transportation Service | 456 | $0 | 0.0% | 0.0% |
| **Total** | | $3,500 | 5.9% | 3.7% |

* Billed Revenue includes base rate revenue plus revenues associated with natural gas supply, energy efficiency, intervenor funding, and other items.

7. **Rate Design:**

The Parties support the following rate design: For Residential Service Schedule 410, the monthly customer basic charge will be increased by $1 per month, from $9.00 to $10.00 per month.

The monthly customer charge for General Service Schedule 420 will remain at $17.00 per month.[4] Attachment C to the Settlement Stipulation provides the agreed-upon base rates.

8. **Residential Bill Change:**

Based on an average usage level of 47 therms per month, the average bill for a Schedule 410 residential customer, which includes both base and adder schedules[5], would increase $1.57 per month, or 2.8 percent, from $56.18 to $57.75.[6]

9. **Decoupling:**

Attachment D to the Settlement Stipulation reflects the new decoupling base effective October 1, 2017 that is supported by the Parties. The new decoupling base provides the "Monthly Allowed Customers" and "Monthly Decoupled Revenue per Customer" which incorporate the effects of the settlement revenue requirement and billing determinants. Avista will make any necessary changes to reflect in Schedule 475 how new customers are treated as compared to existing customers in the decoupling mechanism.

10. **Capital Projects & Officer Attestations:**

The Parties agree that Avista will file, prior to October 1, 2017, an officer attestation that the following projects, individually, are complete and have been placed into service:

- Project # 3209 – Pierce Road La Grande HP Reinforcement (associated revenue requirement of $364,000).
- Project #3057 – Klamath Falls Gas High Pressure (HP) Pipeline Remediation (associated revenue requirement of $156,000).

[4] The agreed-upon billing determinants reflect Staff's load adjustments as discussed in Section 4 item o above.
[5] "Adder" schedules recover costs associated with natural gas supply (Schedules 461 and 462), energy efficiency (Schedules 469 and 478), intervenor funding (Schedule 476), and other items.
[6] In terms of the increase in base revenue (excluding all adder schedules) the increase is 4.3%.

- Project #2586 – Meter Data Management (associated revenue requirement of $387,000).

The Parties agree that if one or more of the three projects listed above is not complete and in-service by the October 1, 2017 effective date for new base rates, the revenue requirement associated with the project shall be removed from test year rate base and therefore from the October 1, 2017 base rate change.

The Parties further agree that if one or more of the projects is not complete by October 1, 2017, but is otherwise completed and placed in service prior to November 1, 2017 (the rate effective date for the Company's annual Purchased Gas Cost Adjustment and other associated filings), the Company will file an officer attestation that the project is complete and in service. Project costs, up to the agreed-upon project revenue requirement provided above, associated with any delayed project that is attested to as being in service by November 1, 2017 will be recovered through a separate tariff beginning November 1, 2017 (Schedule 495).[7] The associated revenue requirement will be spread to the schedules in the same manner as the revenue requirement in this case as shown in Table No. 4 above.

If one or more of the projects is not complete and placed in service prior to November 1, 2017, Avista will need to support any recovery of capital costs associated with that project in a subsequent general rate filing.

11. **Load Forecast Refinements:**

The Parties have agreed on the Load Forecasting adjustment issue in this general rate case as discussed in Section 4 above. Further, in Staff's opening testimony, Staff made three recommendations to improve the forecast models' accuracy: (1) Limit intervention variables to

[7] This method of attestation and cost recovery has been utilized in prior general rate cases, such as in Docket Nos. UE 294 and UG 181.

those with sufficient theoretical justification, (2) Select ARIMA model structures to minimize the information loss, and (3) Include economic forecast drivers related to the number of large commercial customers. The Company agrees to the following refinements, which it will include in its next load forecast, currently planned to be completed in June of 2017:

a. The Company will add employment as an economic driver to the forecast of Schedule 424 commercial customers for the Medford, Roseburg, and Klamath regions.

b. When selecting forecasting models, the Company will use the Akaike Information Criteria (AIC) rather than the root-mean-square error (RMSE) method. However, the Company will continue to select models "by hand" rather than using an automatic selection routine. The Company's reply testimony states that this reflects the need to carefully consider each model in light of the empirical difficulties (outliers, missing data, etc.) that often arise when modeling with billed data.

## General Terms and Conditions

12. The Parties agree that this Stipulation is in the public interest and results in an overall fair, just and reasonable outcome, consistent with ORS 756.040. The Parties recommend that the Commission issue an order adopting the Stipulation.

13. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. Without the written consent of all Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this Docket, are not admissible in the instant or any subsequent proceeding unless independently discoverable or offered for other purposes allowed under ORS 40.190. Nothing in this paragraph precludes a party from stating as a factual matter what the Parties agreed to in this Stipulation or in the Parties' testimony supporting the stipulation.

14. Further, this Stipulation sets forth the entire agreement between the Parties and supersedes any and all prior communications, understandings, or agreements, oral or written, between the Parties pertaining to the subject matter of this Stipulation.

15. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and any appeal. The Parties further agree to provide witnesses to sponsor the Stipulation at any hearing held, and, in a Party's discretion, to provide a representative at the hearing authorized to respond to the Commission's questions on the Party's position as may be appropriate.

16. If this Stipulation is challenged by any other party to this proceeding, the Parties to this Stipulation reserve the right to cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the Settlement embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

17. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation, or imposes additional material conditions in approving this Stipulation, any Party disadvantaged by such action shall have the rights provided in OAR 860-001-0350(9) and shall be entitled to seek reconsideration or appeal of the Commission's Order.

18. By entering into this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Party

in arriving at the terms of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving the issues in any other proceeding.

19. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. The Parties further agree that any electronic copy of a Party's signature is valid and binding to the same extent as an original signature.

20. This Stipulation may not be modified or amended except by written agreement among all Parties who have executed it.

This Stipulation is entered into by each Party on the date entered below such Party's signature.

AVISTA CORPORATION

By: ____________________
David J. Meyer

Date: May 16, 2017

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By: ____________________
Johanna Riemenschneider

Date: ____________________

NORTHWEST INDUSTRIAL GAS USERS

By: ____________________
Chad M. Stokes

Date: ____________________

CITIZENS' UTILITY BOARD OF OREGON

By: ____________________
Michael Goetz

Date: ____________________

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| | |
|---|---|
| AVISTA CORPORATION | STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON |
| By: ______________<br>David J. Meyer | By: [signature]<br>Johanna Riemenschneider |
| Date: ______________ | Date: 5/15/17 |
| NORTHWEST INDUSTRIAL GAS USERS | CITIZENS' UTILITY BOARD OF OREGON |
| By: ______________<br>Chad M. Stokes | By: ______________<br>Michael Goetz |
| Date: ______________ | Date: ______________ |

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| | |
|---|---|
| AVISTA CORPORATION | STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON |
| By: ______________________ | By: ______________________ |
| David J. Meyer | Johanna Riemenschneider |
| Date: ______________________ | Date: ______________________ |
| NORTHWEST INDUSTRIAL GAS USERS | CITIZENS' UTILITY BOARD OF OREGON |
| By: [signature] | By: ______________________ |
| Chad M. Stokes | Michael Goetz |
| Date: 5/15/17 | Date: ______________________ |

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| | |
|---|---|
| AVISTA CORPORATION | STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON |
| By: ______________________<br>David J. Meyer | By: ______________________<br>Johanna Riemenschneider |
| Date: ______________________ | Date: ______________________ |
| NORTHWEST INDUSTRIAL GAS USERS | CITIZENS' UTILITY BOARD OF OREGON |
| By: ______________________<br>Chad M. Stokes | By: Michael P. Goetz<br>Michael Goetz |
| Date: ______________________ | Date: May 18, 2017 |

**Avista Utilities**
**UG 325**
**Twelve Months Ended 9.30.2018**
**($000)**

| | | Company Filed 9.30.2018 Results at Proposed Return | Stipulated Adjustments | 9.30.2018 Adjusted | Stipulated Revenue Increase | Results at Stipulated Return |
|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | (5) |
| 1 | **Operating Revenues** | | | | | |
| 2 | General Business | $ 63,760 | $ 355 | $ 55,576 | $ 3,500 | $ 59,076 |
| 3 | Transportation | $ 3,503 | $ - | $ 3,503 | $ - | $ 3,503 |
| 4 | Other Revenues | $ 98 | $ 26 | $ 124 | $ - | $ 124 |
| 5 | **Total Operating Revenues** | $ 67,361 | $ 381 | $ 59,203 | $ 3,500 | $ 62,703 |
| 6 | **Operating Expenses** | | | | | $ - |
| 7 | Gas Purchased | $ - | $ - | $ - | $ - | $ - |
| 8 | OPUC Fees | $ 263 | $ (62) | $ 178 | $ 11 | $ 188 |
| 9 | Franchise Fees | $ 1,480 | $ 38 | $ 1,326 | $ 78 | $ 1,405 |
| 10 | Uncollectibles | $ 652 | $ (183) | $ 375 | $ 22 | $ 397 |
| 11 | General Operations & Maintenance | $ 13,789 | $ (323) | $ 13,466 | $ - | $ 13,466 |
| 12 | Admin & General Expenses | $ 9,204 | $ (988) | $ 8,215 | $ - | $ 8,215 |
| 13 | **Total Operation & Maintenance** | $ 25,387 | $ (1,517) | $ 23,561 | $ 111 | $ 23,672 |
| 14 | Depreciation | $ 10,931 | $ - | $ 10,931 | $ - | $ 10,931 |
| 15 | Amortization | $ 1,830 | $ (39) | $ 1,791 | $ - | $ 1,791 |
| 16 | Taxes Other than Income | $ 3,220 | $ (75) | $ 3,145 | $ - | $ 3,145 |
| 17 | Income Taxes | $ 6,933 | $ 1,026 | $ 5,078 | $ 1,186 | $ 6,264 |
| 18 | **Total Operating Expenses** | $ 48,301 | $ (606) | $ 44,506 | $ 1,297 | $ 45,803 |
| 19 | **Net Operating Revenues** | $ 19,060 | $ 987 | $ 14,697 | $ 2,203 | $ 16,900 |
| 20 | **Average Rate Base** | | | | | |
| 21 | Utility Plant in Service | $ 428,785 | $ (10,047) | $ 418,738 | $ - | $ 418,738 |
| 22 | Less: | | | | | |
| 23 | Accumulated Depreciation & Amortization | $ (123,966) | $ 39 | $ (123,927) | $ - | $ (123,927) |
| 24 | Accumulated Deferred Income Taxes | $ (69,805) | $ - | $ (69,805) | $ - | $ (69,805) |
| 25 | Accumulated Deferred Inv. Tax Credit | $ - | $ - | $ - | $ - | $ - |
| 26 | **Net Utility Plant** | $ 235,014 | $ (10,008) | $ 225,006 | $ - | $ 225,006 |
| 27 | Plant Held for Future Use | $ - | $ - | $ - | $ - | $ - |
| 28 | Acquisition Adjustments | $ - | $ - | $ - | $ - | $ - |
| 29 | Working Capital | $ 3,360 | $ (3,356) | $ 4 | $ - | $ 4 |
| 30 | Fuel Stock | $ 2,450 | $ - | $ 2,450 | $ - | $ 2,450 |
| 31 | Materials & Supplies | $ 2,600 | $ (128) | $ 2,472 | $ - | $ 2,472 |
| 32 | Customer Advances for Construction | $ - | $ - | $ - | $ - | $ - |
| 33 | Weatherization Loans | $ - | $ - | $ - | $ - | $ - |
| 34 | Prepayments | $ - | $ - | $ - | $ - | $ - |
| 35 | Misc. Deferred Debits & Credits | $ - | $ - | $ - | $ - | $ - |
| 36 | Misc. Rate Base Additions/(Deductions) | $ - | $ - | $ - | $ - | $ - |
| 37 | **Total Average Rate Base** | $ 243,424 | $ (13,492) | $ 229,932 | $ - | $ 229,932 |
| 38 | **Rate of Return** | 7.8300% | | 6.3920% | | 7.35000% |
| 39 | **Implied Return on Equity** | 9.9000% | | 7.484% | | 9.40000% |

1 OF 1

Attachment B

**Avista Utilities**
**Proposed Revenue Increase by Schedule**
**Oregon - Natural Gas**
**Pro Forma 12 Months Ended September 30, 2018**
**(000s of Dollars)**

| Line No. | Type of Service | Schedule Number | Distribution Revenue Under Present Rates | Settlement GRC Increase | Distribution Revenue Under Proposed Rates | Therms (000s) | Distribution Revenue Percentage Increase | Billed Revenue Under Present Rates | Settlement GRC Increase | Billed Revenue Under Proposed Rates | Billed Revenue Percentage Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) |
| 1 | Residential | 410 | $39,110 | $1,693 | $40,803 | 50,644 | 4.3% | $60,543 | $1,693 | $62,236 | 2.8% |
| 2 | General Service | 420 | $15,314 | $1,807 | $17,121 | 26,929 | 11.8% | $26,412 | $1,807 | $28,219 | 6.8% |
| 3 | Large General Service | 424 | $643 | $0 | $643 | 4,260 | 0.0% | $2,359 | $0 | $2,359 | 0.0% |
| 4 | Interruptible Service | 440 | $502 | $0 | $502 | 4,308 | 0.0% | $1,208 | $0 | $1,208 | 0.0% |
| 5 | Seasonal Service | 444 | $45 | $0 | $45 | 265 | 0.0% | $152 | $0 | $152 | 0.0% |
| 6 | Transportation Service | 456 | $3,252 | $0 | $3,252 | 40,757 | 0.0% | $3,302 | $0 | $3,302 | 0.0% |
| 7 | Special Contract | 447 | $213 | $0 | $213 | 5,773 | 0.0% | $213 | $0 | $213 | 0.0% |
| 8 | Total | | $59,079 | $3,500 | $62,579 | 132,935 | 5.9% | $94,189 | $3,500 | $97,689 | 3.7% |

Page 1 of 1

Attachment C

Avista Utilities
Comparison of Present & Proposed Gas Rates
Oregon - Natural Gas

| Present Base Rates | Change | Proposed Base Rates |
|---|---|---|
| **Residential Service Schedule 410** | | |
| $9.00 Customer Charge | $1.00/month | $10.00 Customer Charge |
| All Therms - $0.58062/Therm | $0.01214/therm | All Therms - $0.59276/Therm |
| **General Service Schedule 420** | | |
| $17.00 Customer Charge | $0.00/month | $17.00 Customer Charge |
| All Therms - $0.48015/Therm | $0.06709/therm | All Therms - $0.54724/Therm |
| **Large General Service Schedule 424** | | |
| $50.00 Customer Charge | $0.00/month | $50.00 Customer Charge |
| All Therms - $0.13887/Therm | $0.00000/therm | All Therms - $0.13887/Therm |
| **Interruptible Service Schedule 440** | | |
| All Therms - $0.11652/Therm | $0.00000/therm | All Therms - $0.11652/Therm |
| **Seasonal Service Schedule 444** | | |
| All Therms - $0.17155/Therm | $0.00000/therm | All Therms - $0.17155/Therm |
| **Transportation Service Schedule 456** | | |
| $275.00 Customer Charge | $0.00/month | $275.00 Customer Charge |
| 1st 10,000 Therms - $0.14978/Therm | $0.00000/therm | 1st 10,000 Therms - $0.14978/Therm |
| Next 20,000 Therms - $0.09014/Therm | $0.00000/therm | Next 20,000 Therms - $0.09014/Therm |
| Next 20,000 Therms - $0.07409/Therm | $0.00000/therm | Next 20,000 Therms - $0.07409/Therm |
| Next 200,000 Therms - $0.05799/Therm | $0.00000/therm | Next 200,000 Therms - $0.05799/Therm |
| Over 250,000 Therms - $0.02942/Therm | $0.00000/therm | Over 250,000 Therms - $0.02942/Therm |
| | | Schedule 456 Monthly Minimum Charge<br>18,750 @ $0.09014 = $1,690.13 |

Page 1 of 1

ORDER NO. 17 344

DOCKET NO. UG-325

ATTACHMENT D

**Avista Utilities**
**Natural Gas Decoupling Mechanism (Oregon)**
**Development of Decoupled Revenue by Rate Schedule - Natural Gas**
**Docket No. UG-325 Rates Effective October 1, 2017**

| | TOTAL | RESIDENTIAL SCHEDULE 410 | SM COMMERCIAL & INDUSTRIAL SCH. 420 | LG COMMERCIAL & INDUSTRIAL SCH. 424 | INTERRUPTIBLE SCH 440 | INTERRUPTIBLE SCH 444 | TRANSPORTATION SCH 456/447 |
|---|---|---|---|---|---|---|---|
| 1 Total Normalized 09.2018 Margin Revenue | $ 59,079,000 | $ 39,110,000 | $ 15,314,000 | $ 643,000 | $ 502,000 | $ 45,000 | $ 3,465,000 |
| 2 Settlement Margin Revenue Increase | $ 3,500,000 | $ 1,693,000 | $ 1,807,000 | $ - | $ - | $ - | $ - |
| 3 Total Delivery Revenue (09.2018 Test Year) (Ln 1 + Ln 2) | $ 62,579,000 | $ 40,803,000 | $ 17,121,000 | $ 643,000 | $ 502,000 | $ 45,000 | $ 3,465,000 |
| 4 Customer Bills (09.2018 Test Year) | 1,220,646 | 1,078,451 | 140,240 | 1,018 | 434 | 47 | 456 |
| 5 Proposed Basic Charges | | $10.00 | $17.00 | $50.00 | $0.00 | $0.00 | $275.00 |
| 6 Basic Charge Revenue (Ln 4 * Ln 5) | $ 13,344,903 | $ 10,784,510 | $ 2,384,080 | $ 50,913 | $ - | $ - | $ 125,400 |
| 7 Decoupled Revenue (Ln 6 - Ln 3) | $ 49,234,097 | $ 30,018,490 | $ 14,736,920 | $ 592,087 | $ 502,000 | $ 45,000 | $ 3,339,600 |
| 8 Normalized Therms (09.2018 Test Year) | 133,601,929 | 50,643,606 | 26,929,384 | 4,260,059 | 4,307,537 | 264,821 | 47,196,523 |
| | | Residential | Non-Residential Group | | | | Exempt from Decoupling Mechanism |
| 9 Average Number of Customers (Line 8 / 12 mos.) | | 89,871 | 11,812 | | | | |
| 10 Annual Therms | | 50,643,606 | 35,761,801 | | | | |
| 11 Basic Charge Revenues | | $ 10,784,510 | $ 2,434,993 | | | | |
| 12 Customer Bills | | 1,078,451 | 141,739 | | | | |
| 13 Average Basic Charge | | $10.00 | $17.18 | | | | |

**Avista Utilities**
**Natural Gas Decoupling Mechanism (Oregon)**
**Development of Decoupled Revenue Per Customer - Natural Gas**
**Docket No. UG-325 Rates Effective October 1, 2017**

| Line No. | | Source | | Residential | | Non-Residential Schedules* |
|---|---|---|---|---|---|---|
| | (a) | (b) | | (c) | | (d) |
| 1 | Decoupled Revenue | Page 1 | $ | 30,018,490 | $ | 15,876,007 |
| 2 | Test Year Number of Customers 2017/2018 | Revenue Data | | 89,871 | | 11,812 |
| 3 | Decoupled Revenue Per Customer | (1) / (2) | $ | 334.02 | $ | 1,344.10 |

*Schedules 420, 424, 440, and 444

**Avista Utilities**
**Natural Gas Decoupling Mechanism (Oregon)**
**Development of Monthly Decoupled Revenue Per Customer - Natural Gas**
**Docket No. UG-325 Rates Effective October 1, 2017**

| Line No. | | Source | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) | (m) | (n) | (o) |
| 1 | | | | | | | | | | | | | | | |
| 2 | Natural Gas Delivery Volume | | | | | | | | | | | | | | |
| 3 | *Residential* | | | | | | | | | | | | | | |
| 4 | - Weather-Normalized Therm Delivery Volume | Monthly Rate Year | 8,643,384 | 6,420,703 | 5,837,624 | 4,076,155 | 2,643,593 | 1,697,007 | 1,405,907 | 1,319,175 | 1,325,382 | 2,834,629 | 5,881,954 | 8,558,093 | 50,643,606 |
| 5 | - % of Annual Total | % of Total | 17.07% | 12.68% | 11.53% | 8.05% | 5.22% | 3.35% | 2.78% | 2.60% | 2.62% | 5.60% | 11.61% | 16.90% | 100.00% |
| 6 | | | | | | | | | | | | | | | |
| 7 | *Non-Residential Sales** | | | | | | | | | | | | | | |
| 8 | - Weather-Normalized Therm Delivery Volume | Monthly Rate Year | 5,279,786 | 4,014,782 | 3,736,008 | 2,588,941 | 1,832,694 | 1,364,378 | 1,426,942 | 1,499,323 | 1,809,975 | 2,740,397 | 4,124,341 | 5,344,234 | 35,761,801 |
| 9 | - % of Annual Total | % of Total | 14.76% | 11.23% | 10.45% | 7.24% | 5.12% | 3.82% | 3.99% | 4.19% | 5.06% | 7.66% | 11.53% | 14.94% | 100.00% |
| 10 | | | | | | | | | | | | | | | |
| 11 | Monthly Decoupled Revenue Per Customer ("RPC") | | | | | | | | | | | | | | |
| 12 | *Residential* | | | | | | | | | | | | | | |
| 13 | - Decoupled Revenue per Customer | Page 2 - Decoupled RPC | | | | | | | | | | | | | $ 334.02 |
| 14 | - Monthly Decoupled Revenue per Customer | (5) x (13) | $ 57.01 | $ 42.35 | $ 38.50 | $ 26.88 | $ 17.41 | $ 11.19 | $ 9.27 | $ 8.70 | $ 8.74 | $ 18.70 | $ 38.79 | $ 56.44 | $ 334.02 |
| 15 | - Monthly Allowed Customers | | 90,463 | 90,463 | 90,455 | 90,379 | 90,308 | 89,906 | 89,583 | 89,345 | 89,344 | 88,757 | 89,449 | 90,099 | |
| 16 | *Non-Residential Sales** | | | | | | | | | | | | | | |
| 17 | - Decoupled Revenue per Customer | Page 2 - Decoupled RPC | | | | | | | | | | | | | $ 1,344.10 |
| 18 | - Monthly Decoupled Revenue per Customer | (9) x (17) | $ 198.44 | $ 150.89 | $ 140.42 | $ 97.30 | $ 68.88 | $ 51.28 | $ 53.63 | $ 56.35 | $ 68.03 | $ 103.00 | $ 155.01 | $ 200.86 | $ 1,344.10 |
| 19 | - Monthly Allowed Customers | | 11,860 | 11,900 | 11,904 | 11,870 | 11,854 | 11,828 | 11,790 | 11,769 | 11,761 | 11,665 | 11,736 | 11,804 | |

20 *Schedules 420, 424, 440, and 444.