

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 UG 366

4 In the Matter of)
5 AVISTA CORPORATION, dba AVISTA) PARTIAL SETTLEMENT STIPULATION
6 UTILITIES)
7)
8 Request for a General Rate Revision.)

9
10 This Partial Settlement Stipulation (“Stipulation”) is entered into for the purpose of
11 resolving several, but not all, issues in this Docket.

12 **PARTIES**

13 The Parties to this Stipulation are Avista Corporation (“Avista” or the “Company”), the
14 Staff of the Public Utility Commission of Oregon (“Staff”), the Oregon Citizens’ Utility Board
15 (“CUB”), and the Alliance of Western Energy Consumers (“AWEC”) (collectively, “Parties”).
16 These Parties represent all who intervened and appeared in this proceeding.

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18 **BACKGROUND**

19 1. On March 15, 2019, Avista filed revised tariff schedules to effect a general rate
20 increase for Oregon retail customers of \$6,677,000, or 7.8% of its annual revenues. The filing was
21 suspended by the Commission on March 15, 2019, per its Order No. 19-092.

22 2. Pursuant to Administrative Law Judge Traci Kirkpatrick’s Prehearing Conference
23 Memorandum of May 2, 2019, a settlement conference was held on June 11, 2019, and on June
24 18, 2019, an additional settlement conference was held telephonically.

25 3. As a result of the settlement discussions, the Parties have agreed to settle the following
26 issues in this Docket, including adjustments to the revenue requirement and an agreement on a

1 Third-Party Review of Interest Rate Hedging, on the following terms, and subject to the approval
 2 of the Commission.

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 4 **TERMS OF PARTIAL SETTLEMENT STIPULATION**

5 **4. Adjustments to Revenue Requirement:**

6 The Parties support reducing Avista’s requested revenue requirement to reflect the
 7 adjustments discussed below. The adjustments reached in this partial settlement amount to a total
 8 reduction in Avista’s revenue requirement increase request from \$6.677 million to a base revenue
 9 increase request of \$5.361 million, however, the new base revenue increase request is subject to
 10 further adjustment.

11 This Stipulation represents the settlement of some, but not all, revenue requirement issues
 12 in the Company’s filing. The Parties support the adjustments to Avista’s revenue requirement
 13 request shown in Table No. 1 below:

14 **Table No. 1 – Summary of Adjustments to Revenue Requirement and Rate Base**

SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE ((\$000s of Dollars))		
	Revenue Requirement	Rate Base
Amount as filed:	\$6,677	\$287,338
Adjustments:		
a Cost of Capital Adjusts return on equity to 9.40%, long-term debt cost to 5.07%, with a common stock equity component of 50%, and overall Rate of Return of 7.24%.	(1,247)	-
b Interest Synchronization Includes the flow through of the federal and state tax impact on rate base adjustments due to the change in the cost of debt.	63	-
c Medical Benefits Includes a reduction to medical expenses to an agreed-upon level.	(115)	-
d Membership & Dues Reduces the Company's membership and dues expense to an agreed-upon level.	(2)	-
e Other Revenues - Miscellaneous Revenue Reduces the Company's other revenues to an agreed-upon level.	(13)	-
f Advertising Reduces advertising and marketing expenses to an agreed-upon level.	(2)	-
Total Adjustments:	(\$1,316)	\$0
Adjusted Base Revenue Requirement & Rate Base:	\$5,361	\$287,338

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2 The following information provides an explanation for each of the adjustments in Table No. 1
3 above.

4 a. Rate of Return (-\$1,247,000): This adjustment reduces Avista’s requested cost of
5 capital to an overall cost of capital equal to 7.24% based on the following components: a capital
6 structure consisting of 50% common stock equity and 50% long-term debt, return on equity of
7 9.40%, and a long-term debt cost of 5.07%. This combination of capital structure and capital costs
8 is shown in the schedule below.¹

AGREED-UPON COST OF CAPITAL			
	Capital Structure	Debt Cost	Weighted Cost
Long Term Debt	50.00%	5.07%	2.54%
Common Equity	50.00%	9.40%	4.70%
Total	100.00%		7.24%

13 b. Interest Synchronization (+\$63,000): This adjustment includes the flow through of
14 the federal and state tax impact on proposed rate base adjustments due to the change in the cost of
15 debt.

16 c. Medical Benefits (-\$115,000): This adjustment reduces medical benefits expense to
17 an agreed-upon level.

18 d. Membership & Dues (-\$2,000): This adjustment reduces membership and dues
19 expense to an agreed-upon level.

20 e. Other Revenues – Miscellaneous Revenue (-\$13,000): This adjustment includes
21 updates to the Company's other revenues to an agreed-upon level.

¹ The agreed-upon capital structure (50/50) and cost of equity (9.4%) represent a continuation of currently-approved levels; the cost of debt, however, has been reduced from the current authorized level of 5.30% to 5.07%, based on lowered borrowing costs.

1 f. Advertising (-\$2,000): This adjustment reduces membership and dues expense to an
2 agreed-upon level.

3 5. The Parties have also agreed to an Independent Third-Party Review of Avista's
4 Interest Rate Hedging practices. The terms of this agreement have been provided in Attachment
5 A to this Stipulation.

6 6. The Parties agree that this Stipulation is in the public interest and results in an overall
7 fair, just and reasonable outcome, and will serve to reduce the number of contested adjustments in
8 this case.

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

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

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

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

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

12 12. By entering into this Stipulation, no Party shall be deemed to have approved,
13 admitted, or consented to the facts, principles, methods, or theories employed by any other Party
14 in arriving at the terms of this Stipulation. No Party shall be deemed to have agreed that any
15 provision of this Stipulation is appropriate for resolving the issues in any other proceeding.

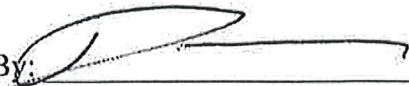
16 13. This Stipulation may be executed in counterparts and each signed counterpart shall
17 constitute an original document. The Parties further agree that any facsimile copy of a Party's
18 signature is valid and binding to the same extent as an original signature.

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

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

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AVISTA CORPORATION

By: 
David J. Meyer

Date: July 3, 2019

ALLIANCE OF WESTERN ENERGY CONSUMERS

By: _____
Chad M. Stokes

Date: _____

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By: 
Kaylie E. Klein

Date: 7/3/19

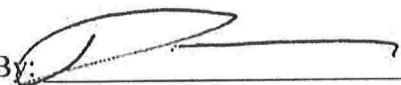
OREGON CITIZENS' UTILITY BOARD

By: _____
Michael P. Goetz

Date: _____

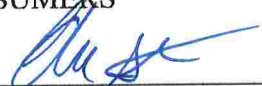
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AVISTA CORPORATION

By: 
David J. Meyer

Date: July 2, 2019

ALLIANCE OF WESTERN ENERGY CONSUMERS

By: 
Chad M. Stokes

Date: 7/3/19

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By: _____
Kaylie E. Klein

Date: _____


OREGON CITIZENS' UTILITY BOARD

By: _____
Michael P. Goetz

Date: _____

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AVISTA CORPORATION

By: 
David J. Meyer

Date: July 2, 2019

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: _____
Kaylie E. Klein

Date: _____

ALLIANCE OF WESTERN ENERGY
CONSUMERS

By: _____
Chad M. Stokes

Date: _____

OREGON CITIZENS' UTILITY BOARD

By: 
Michael P. Goetz

Date: 7/3/19

Avista Docket Number UG-366

Independent Third-Party Review of Interest Rate Hedging by Avista

The Parties to the Settlement Stipulation filed on July 3, 2019, in this docket, agree to the following with respect to Avista's Interest Rate Risk Management Plan ("Hedging Plan" or "Plan"), as now in effect (See Exh. AVA/202):

- An Independent Third-Party shall be selected to review and report on Avista's existing Hedging Plan, including the mechanics of the Plan (including the use of dynamic hedge windows, risk responsive hedging, etc.), whether the objectives of the Plan are being met (as set forth in Exh. AVA/202) and whether those objectives are still appropriate in the current interest rate environment, whether the Plan benefits customers, and whether any proposed changes and/or modifications are recommended.
- The selection of the Independent Third-Party shall reflect the consensus of all Parties to this Settlement; likewise, the Request for Proposals (RFP) from Interested Third Parties shall reflect the consensus of all Parties, as to the nature and scope of the engagement. While each Party may also suggest specific requirements to be included in the RFP, the final version shall reflect the consensus of all Parties.
- The agreed-upon RFP shall issue no later than March 1, 2020 and the final Report from the Independent Third-Party shall be filed with the Commission and provided to all Parties no later than December 31, 2020. The Commission is not expected to approve the final Report, only acknowledge its filing and receipt of comments filed by any interested party within thirty (30) days of its filing.
- Failure of the Parties to this Settlement to reach consensus on either the form of the RFP or the selection of an Independent Third-Party, shall result in referral of the dispute to the Administrative Law Judge (ALJ) presiding in this case, or a successor appointed for this purpose. Each Party shall have an opportunity to present written and oral comments to the ALJ. The ALJ may consult with the Commissioners in reaching a decision.
- Avista will nominally contract with and, in the first instance, pay for the services of the selected Independent Third-Party, doing so on behalf of all Parties; and such payments shall be recovered from Avista's customers through general rates and shall not exceed the cap reached by the Parties. The cap on Report costs will be identified in confidential testimony in support of this Settlement, but will not be provided in the RFP process. Allowable Report costs will be spread on an equal percent of margin basis across all customer classes, shown as miscellaneous charges in the Commission's final order in this general rate case, and be amortized over a five-year period.

- The recommendations based on the results and findings in the final Report shall only apply prospectively, and shall not apply to any prior Avista interest rate hedging activity. Avista, at its discretion, agrees to use the final Report to make modifications to, or to discontinue, its Hedging Plan after consultation with the Parties, effective no later than April 30, 2021. If there is a dispute regarding Avista's implementation or failure to implement any recommendations in the final Report, any Party may seek resolution from the Commission. The recommendations of the final Report shall not be binding on any Party, but such Party shall have the burden of proof in any subsequent proceeding at which interest rate hedging is at issue, to demonstrate why the final Report recommendations are unreasonable.