

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

Advice 19-02-G/UG-366

In the matter of the Application of )	
AVISTA CORPORATION, DBA )	TRIAL BRIEF OF
AVISTA UTILITIES for a General )	AVISTA CORPORATION
<u>Rate Revision</u> )	

Avista Corporation, doing business as Avista Utilities (“Avista” or “Company”), is filing tariff schedules, pursuant to ORS 757.205 and ORS 757.220, to effect a general revision for its natural gas customers in Oregon. This brief is submitted to meet the requirements of OAR 860-022-0019.

1.

Avista provides natural gas service in the State of Oregon and is a public utility subject to the Public Utility Commission of Oregon’s jurisdiction under ORS 757.005(1)(a)(A). Avista provides natural gas distribution service in southwestern and northeastern Oregon. The Company also provides electric and natural gas service within a 30,000 square mile area of eastern Washington and northern Idaho. As of December 31, 2018, Avista supplied retail electric service to 388,000 customers and retail natural gas service to 355,000 customers, including approximately 103,100 customers in Oregon who will be affected by the proposed rate revision. Avista’s principal place of business is located in Spokane, Washington.

2.

Avista requests that all notices, pleadings, and correspondence regarding this filing be sent to the following:

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3.

The test year being used by the Company is the twelve-months ended December 31, 2020. The Company's pro forma results of operations for the test year indicate that, at the current rate levels, Avista would earn a rate of return ("ROR") of 6.56 percent. This ROR is not sufficient to provide Avista with a fair and reasonable return or allow the Company to attract capital at reasonable rates.

Avista's revised tariff schedules effect an increase on a billing basis (including natural gas costs) for Oregon retail customers of \$6,677,000, or 7.8 percent<sup>1</sup>, which would produce an overall rate of return of 7.55 percent and a return on equity of 9.9 percent. Pursuant to ORS 757.220, the revised schedules contain an effective date of April 15, 2019.

4.

A combination of capital additions and increases in general business expenses now require the Company to request an increase in overall base retail rates of \$6,677,000. The

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<sup>1</sup> The overall increase in total billed revenue, which includes natural gas costs and all other rate adjustments, is 7.8%. On a margin revenue basis, which excludes the cost of natural gas and all other rate components, the overall increase is 10.3%.

Company used the cost of service results prepared by Company witness Mr. Miller as a guide in the proposed spread of the requested increase to the various service schedules. As described in Company witness Mr. Ehrbar's testimony, the Company is proposing to increase Schedule 410 rates by the same amount as the overall percentage increase in margin revenue. The Company is proposing to keep the rates for Schedules 424, 440, 444 and 456 unchanged. The remaining revenue requirement was applied to Schedule 420, which provides a reasonable level of movement toward unity.

5.

Avista's direct case consists of the testimony and exhibits of the following witnesses:

(a) Policy and Operations – Exhibit 100. **Dennis P. Vermillion**, President of Avista Corporation, will provide an overview of Avista Corporation. He will also summarize the Company's rate request in this filing, the primary factors driving the Company's need for general rate relief, and provide some background on why utility costs are continuing to increase. A large part of our need for a rate increase is driven by the costs associated with continuing to expand and replace the facilities we use every day to serve our customers. When we replace old equipment with new, it results in higher overall costs to serve customers.

His testimony will also briefly explain the Company's customer support programs in place to assist our customers, as well as our communications initiatives to help customers better understand the changes in costs that are causing our rates to increase.

(b) Financial Overview, Capital Structure, and Overall Rate of Return – Exhibit 200. **Mark T. Thies**, Senior Vice President and Chief Financial Officer, will address the Company's capital structure, the proposed cost of embedded debt and the overall rate of return. He will

explain the actions the Company has taken to acquire needed capital and improve Avista's financial condition in recent years.

(c) Return on Equity – Exhibit 300. **Adrien M. McKenzie**, as Vice President of Financial Concepts and Applications (FINCAP), Inc., has been retained to present testimony with respect to the reasonableness of the Company's proposed overall capital structure and will testify in support of the proposed 9.9% return on equity.

(d) Gas Supply and Storage – Exhibit 400. **Jody Morehouse**, Director of Gas Supply, will describe Avista's natural gas resource planning process, and provide an overview of the Company's 2018 Natural Gas Integrated Resource Plan.

(e) Revenue Requirement and Allocations – Exhibit 500. **Jennifer S. Smith**, Manager, Regulatory Affairs, will discuss the Company's overall revenue requirement proposal. She will also explain the twelve-months ended December 31, 2020 test year operating results, including expense and rate base adjustments made to actual operating results and rate base.

(f) Load Forecast – Exhibit 600. **Dr. Grant Forsyth**, Chief Economist, describes the Company's methodology used to generate the forecasts for customers, use-per-customer, and total load which are used in the Company's twelve-months ended December 31, 2020 Test Year Revenue Load Adjustment.

(g) Long-Run Incremental Cost of Service – Exhibit 700. **Joseph D. Miller**, Manager, Pricing and Tariffs, discusses the spread of the proposed revenue increase among the Company's general service schedules and related rate design. Mr. Miller also sponsors the long-run incremental cost study for Oregon natural gas service and the twelve-months ended December 31, 2020 Test Year Revenue Load Adjustment.

6.

The following exhibits are attached pursuant to OAR 860-022-0019:

- (a) Exhibit A. The information required by OAR 860-022-0019(1)(a)-(f).
- (b) Exhibit B. From Ms. Smith's Exhibit 501, page 1, which shows the results of operations for Avista's Oregon jurisdiction before and after the proposed rate change, as required by OAR 860-022-0019(1)(g).
- (c) Exhibit C. This exhibit shows the effect of the proposed rate change on each class of customers as required by OAR 860-022-0019(1)(h). Exhibit C also contains information required by OAR 860-022-0030(1). Specifically, the exhibit shows, for each tariff schedule, the total number of customers on the respective schedules, the total annual margin revenue derived under the existing schedule, and the amount of estimated margin revenue derived from applying the proposed rate revisions. For each tariff schedule, the exhibit also shows the average monthly customer use and resulting bills (on a margin revenue basis) under both existing rates and proposed rates.

7.

Avista Corporation respectfully requests that the Commission issue an order granting the rate relief requested in this filing and approving the proposed tariff schedules.

DATED: March 14, 2019.



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David J. Meyer  
Vice President and Chief Counsel for Regulatory  
and Governmental Affairs  
Avista Corporation

## **EXHIBIT A**

### **INFORMATION REQUIRED BY OAR 860-013-0075(1)(b)(A)-(F)**

- A. The dollar amount of total base revenues, excluding natural gas costs, which would be collected under the proposed rates is \$71,636,000.
- B. The dollar amount of revenue change requested is \$6,677,000.
- C. The percentage change in base revenues requested is 10.3 percent.
- D. The forecasted test year proposed is twelve-months ended December 31, 2020.
- E. The requested overall rate of return is 7.55 percent and the requested return on equity is 9.9 percent.
- F. The rate base proposed in this filing is \$287,338,000.

**AVISTA UTILITIES  
OREGON JURISDICTION  
NATURAL GAS  
TWELVE MONTH BASE YEAR ENDED DECEMBER 31, 2020**

Line No.	Description	PRESENT RATES			WITH PROPOSED RATES	
		Per Results of Operations Report <i>a</i>	Total Adjustments <i>b</i>	Restated 12 ME 12.31.18 AMA Test Year <i>c</i>	Proposed Revenues & Related Exp <i>d</i>	Proposed Total (AMA) <i>e</i>
1	OPERATING REVENUES					
2	Total General Business	\$87,432	(\$25,830)	\$61,602	\$6,677	\$68,279
3	Total Transportation	3,463	(266)	3,197	0	3,197
4	Other Revenues	54,348	(54,188)	160	0	160
5	Total Operating Revenues	145,243	(80,284)	64,959	6,677	71,636
6						
7	OPERATING EXPENSES					
8	Gas Purchased	81,791	(81,791)	0	0	0
9	Operation and Maintenance	14,586	330	14,916	0	14,916
12	Uncollectible Accounts	544	(150)	394	26	420
11	Administration & General	9,225	(504)	8,721	0	8,721
10	OPUC Commission Fees	561	(274)	287	29	316
13	Total Operation & Maintenance	106,707	(82,388)	24,319	55	24,374
14						
15	DEPRECIATION, AMORTIZATION, TAXES					
16						
17	Municipal Occupation & License Tax	1,598	(1,598)	0	0	0
17	Franchise Fees - Conversion Factor	2,022	(504)	1,518	156	1,674
18	R&P Property Tax	4,092	698	4,790	0	4,790
19	State Income Tax	0	44	44	0	44
20	Depreciation & Amortization	13,175	2,180	15,355	0	15,355
21	Total Operating Expenses	127,594	(81,569)	46,025	211	46,236
22						
23	OPERATING INCOME BEFORE FIT/SIT	17,649	1,285	18,934	6,466	25,400
24						
25	INCOME TAXES					
26	Current Federal Income Taxes	566	252	818	1,268	2,086
27	Debt Interest	0	(59)	(59)	0	(59)
28	Deferred Federal Income Taxes	1,067	0	1,067	0	1,067
29	State Income Taxes	75	110	185	426	611
30	Total Income Taxes	1,708	303	2,011	1,694	3,705
31						
32	NET OPERATING INCOME	\$15,941	\$982	\$16,923	\$4,772	\$21,694
33						
34						
35	RATE BASE					
36	Utility Plant in Service	\$445,054	\$49,456	\$494,510	\$0	\$494,510
37	Accumulated Depreciation and Amortization	(127,614)	(15,359)	(142,973)	0	(142,973)
38	Accumulated Deferred FIT	(71,801)	(2,633)	(74,434)	0	(74,434)
39	Net Utility Plant	245,639	31,464	277,103	0	277,103
40						
41	Inventory	2,042	0	2,042	0	2,042
42	Working Capital	3,397	5,299	8,696	0	8,696
43	Regulatory Asset - AFUDC	1	0	1	0	1
44	Rate Base-Regulatory Liability-Nonplant Excc	(504)	0	(504)	0	(504)
45	Prepaid Pension, Net of ADFIT (1)	0	0	0	0	0
46						
47	TOTAL RATE BASE	\$250,575	\$36,763	\$287,338	\$0	\$287,338
48						
49	RATE OF RETURN	6.36%		5.89%		7.55%



**Avista Utilities**  
**Docket No. UG-\_\_\_**  
**Rate Spread Summary**  
**Oregon - Natural Gas**  
**Pro Forma 12 Months Ended December 31, 2020**

	Type of Service	Schedule Number	Avg. No. of Customers	Annual Therms	Avg. Use per Customer per Month	Distribution Revenue at Pres. Rates (\$000's)	Distribution Avg. Bill Under Pres. Rates	Distribution Revenue Percentage Increase	Distribution Revenue Increase (\$000's)	Avg. Increase per Customer per Month	Distribution Revenue at Prop. Rates (\$000's)	Avg. Bill Under Prop. Rates
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Residential	410	92,559	52,100,519	47	\$41,990	\$37.86	10.3%	\$4,339	\$3.91	\$46,329	\$41.77
2	General Service	420	11,960	28,371,439	198	17,966	\$125.36	10.3%	\$1,856	\$12.95	19,822	\$138.31
3	Large General Service	424	90	4,450,562	4,104	672	\$620	10.3%	\$69	\$64	741	\$684
4	Interruptible Service	440	40	7,986,728	16,435	931	\$1,915	10.3%	\$96	\$198	1,027	\$2,113
5	Seasonal Service	444	3	250,607	5,992	43	\$1,028	10.3%	\$4	\$106	47	\$1,134
6	Transportation Service	456	34	38,087,985	93,353	3,018	\$7,398	10.3%	\$312	\$764	3,330	\$8,162
7	Special Contract	447	2	6,855,318	285,638	178	\$7,429	0.0%	\$0	\$0	178	\$7,429
8	Total		104,690	138,103,156		\$64,798		10.3%	\$6,677		\$71,476	

EXHIBIT C