BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

Docket No. UG-519

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

Avista Corporation, doing business as Avista Utilities ("Avista" or "Company"), is filing tariff schedules, pursuant to ORS 757.205 and ORS 757.220, for a general rate 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, 2023, Avista supplied retail electric service to approximately 418,000 customers and retail natural gas service to 382,000 customers, including approximately 106,000 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:

David J. Meyer, Esq.
Vice President and Chief Counsel for
Regulatory and Governmental Affairs
Avista Corporation
P.O. Box 3727
1411 E. Mission Avenue, MSC-27
Spokane, Washington 99220-3727
Telephone: (509) 495-4316
E-mail: david.meyer@avistacorp.com

Patrick Ehrbar
Director of Regulatory Affairs
Avista Corporation
P.O. Box 3727
1411 E. Mission Avenue, MSC-27
Spokane, Washington 99220-3727
Telephone: (509) 495-8620
E-mail: pat.ehrbar@avistacorp.com

Avista Dockets (Electronic Only) - Dockets@avistacorp.com

3.

The Base Year being used by the Company is the twelve-months ended December 31, 2023. For the twelve-months ended December 31, 2023, Avista's earned rate of return ("ROR") was 6.32% on a normalized basis. After accounting for all historical restating and forecasted adjustments, the ROR for the Company's Oregon jurisdictional operations for the twelve-months ended August 31, 2026 Test Year is 6.21%. Both are well below the previously approved authorized ROR of 7.235% for the Company and are 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 $7,822,000, or 6.6 percent[1], which would produce an overall rate of return of 7.67 percent and a return on equity of 10.4 percent. Pursuant to ORS 757.220, the revised schedules contain an effective date of December 1, 2024.

[1] The overall increase in total billed revenue, which includes natural gas costs and all other rate adjustments, is 6.6 percent. On a margin revenue basis, which excludes the cost of natural gas and all other rate components, the overall increase is 9.2 percent.

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 $7,822,000. The Company used the cost of service results prepared by Company witness Mr. Anderson as a guide in the proposed spread of the requested increase to the various service schedules. As described in Company witness Mr. Miller's testimony, based on the results of the long run incremental cost of service (LRIC), and past Commission guidance, the Company is proposing to increase Schedules 410 and 424 rates by the same amount as the overall percentage increase in margin revenue. The Company is proposing to apply half of the overall percentage increase in margin revenue for Schedule 440 and seventy five percent of the increase in margin revenue for Schedules 411, 444 and 456. 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. **Ms. Heather L. Rosentrater**, President and Chief Operating Officer of Avista Corporation, provides an overview of the Company. She starts by discussing the overall economic conditions facing Avista, and how those have impacted our operations, our cost management, and this general rate case. She summarizes the Company's proposal in this filing, and addresses our continuing capital investment, which continues to be the primary driver behind the Company's most recent general rate cases. She discusses the Company's continued focus on communicating with customers, our overall customer satisfaction, and our customer support programs. Finally, she introduces the other Company witnesses who support this general rate case filing.

(b) Financial Overview, Capital Investment, Capital Structure, and Overall Rate of Return – Exhibit 200. **Mr. Kevin J. Christie**, Senior Vice President, Chief Financial Officer, Treasurer and Regulatory Affairs Officer, provides a financial overview of Avista Corporation as well as explains the proposed capital structure, overall rate of return, and the Company's capital expenditures program. He provides information that shows:

1. Avista's plans call for a continuation of utility capital investments in generation, transmission, electric and natural gas distribution systems, and technology to preserve and enhance service reliability for our customers, including the continued replacement of aging infrastructure. Capital expenditures, on a system basis, of $500 million (for 2024), $525 million (for 2025), $575 million (for 2026), and $600 million (for 2027) are planned. Avista needs adequate cash flow from operations to fund these requirements, together with access to capital from external sources under reasonable terms, on a sustainable basis.

2. We are proposing an overall rate of return of 7.67 percent, which includes a 50 percent common equity ratio, a 10.40 percent return on equity, and a cost of debt of 4.93 percent. We believe our proposed overall rate of return of 7.67 percent and the proposed capital structure provide a reasonable balance between affordability and reliability.

3. Avista's corporate credit rating from Standard & Poor's (S&P) is currently BBB with a negative outlook and Baa2 with a stable outlook from Moody's Investors Service. Avista must operate at a level that will support a solid investment grade corporate credit rating in order to access capital markets at reasonable rates. A supportive regulatory environment is an increasingly important consideration by the rating agencies when reviewing Avista. Maintaining solid credit metrics and credit ratings will also help support a stock price necessary to issue equity under reasonable terms to fund capital requirements.

(c) Return on Equity – Exhibit 300. **Mr. John S. Thompson**, with 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 10.4% return on equity. He determines that 10.4 percent is a reasonable estimate of investors' required ROE for Avista. The bases for his conclusions are summarized below:

- Based on the results of these analyses, and giving less weight to extremes at the high and low ends of the range, he concludes that the cost of equity for the large, publicly traded natural gas utilities in the proxy group fall in the 10.1 percent to 11.1 percent range.

- Accounting for issuance costs specific to Avista's historical sales of common stock supports a flotation cost adjustment of 7 basis points.

- After making a flotation cost adjustment, his recommended ROE range is 10.2 percent to 11.2 percent, with a midpoint of 10.7 percent.

- As reflected in the testimony of Company witness Mr. Christie, Avista is requesting a fair ROE of 10.4 percent, which falls below the 10.7 percent midpoint of his recommended range. An ROE at the midpoint of his recommended range is fully justified for Avista given that the Company is risker than his proxy group, according to objective indicators. Based on the results outlined above, he concludes that the 10.4 percent ROE requested by the Company represents a conservative estimate of investors' current requirements.

(d) Gas Supply and Storage – Exhibit 400. **Mr. Kevin Holland**, Director of Energy Supply, describes Avista's natural gas resource planning process, and provides an overview of the Company's 2023 Natural Gas Integrated Resource Plan ("IRP").

(e) Revenue Requirement and Allocations – Exhibit 500. **Mr. Marcus J. Garbarino**, Manager of Regulatory Affairs, discusses the Company's overall revenue requirement proposal. He will explain the pro formed twelve-months ended August 31, 2026 Test Year operating results, including expense and rate base adjustments made to the actual twelve-months ended December 31, 2023 Base Year operating results and rate base. In addition, he will briefly introduce the pro forma capital investment adjustments and revenue load adjustment, while Company witnesses Ms. Benjamin and Mr. Miller provides a more in-depth discussions of these adjustments. Finally, he will provide an overview of the Company's system and jurisdictional allocation methodologies that have been in place for many years.

(f) Plant Additions – Exhibit 600. **Ms. Tia C. Benjamin**, Manager of Regulatory Affairs, describes the Company's restated twelve-months ending December 31, 2023 net plant and planned[2] plant additions from January 1, 2024 through August 31, 2025.[3] She also discusses the Company's approach to Oregon capital plant investment and provides information on allocated communication and hardware equipment.

(g) Load Forecast – Exhibit 700. **Dr. Grant D. Forsyth**, Chief Economist, describes the methodology used to generate the forecasts for customers, use-per-customer, and total load. The results of his forecast are used in the Company's twelve-month ending August 31, 2026 Test Year Load Forecast sponsored by Mr. Miller.

(h) Long-Run Incremental Cost of Service – Exhibit 800. **Mr. Joel C. Anderson**, Regulatory Analyst, presents the natural gas cost of service study prepared for this filing. The results of the long-run incremental cost study indicate that at current rates, on a relative margin-to-cost basis, single-family residential customers and small commercial customers are paying less than their relative cost of service. All other schedules including multi-family residential, interruptible, large general, seasonal, and transportation customer groups exceed their relative cost of service to varying degrees. The results of this study were provided to Mr. Miller for consideration in the development of the proposed rates.

(i) Rate Spread, Rate Design, and Certain Adjustments – Exhibit 900. **Mr. Joseph D. Miller**, Senior Manager of Rates and Tariffs, discusses the Company's Test Year Revenue Load Adjustment, and then covers the spread of the proposed annual margin/revenue increase

[2] Planned plant additions provided in workpaper, 2.07-2.08 Capital Additions Model, include actuals for January and February 2024 and forecast March 2024 through August 2025. The Company will update with actuals through end of year 2024 during the pendency of this case.
[3] In this case, "Base Year" refers to the twelve-months ended December 31, 2023 and "Test Year" refers to the twelve-months ended August 31, 2026.

among the Company's natural gas service schedules, as well as the application of the increase to the rates within each of the schedules.

(j) Avista's Equity in Business Planning – Exhibit 1000. **Mr. Jason R. Thackston**, Senior Vice President, Chief Strategy and Clean Energy Officer, discusses how Avista began the process of formally integrating equity into its operations through the development of an Equitable Business Planning Framework, and how senior leadership has incorporated equity into the Company's strategic focus areas in order to create not only a better customer experience but to better reflect the focus on equity through formal integration into its business practices.

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 Mr. Garbarino'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: October 31, 2024.

/s/ David J. Meyer
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 $92,595,000.

B. The dollar amount of revenue change requested is $7,822,000.

C. The percentage change in base revenues requested is 9.2 percent, and the overall change in billed revenues is 6.6 percent.

D. The forecasted test year proposed is twelve-months ended August 31, 2026.

E. The requested overall rate of return is 7.67 percent and the requested return on equity is 10.4 percent.

F. The rate base proposed in this filing is $389,378,000.

EXHIBIT B

AVISTA UTILITIES
OREGON JURISDICTION
NATURAL GAS
TWELVE MONTH TEST YEAR ENDED AUGUST 31, 2026

		PRESENT RATES			WITH PROPOSED RATES TY1	
Line No.	Description	Per Results of Operations Report	Total Adjustments	Restated 12 ME 8.31.2026 AMA Test Year	Proposed Revenues & Related Exp	Proposed Total (AMA)
		a	*b*	*c*	*d*	*e*
1	OPERATING REVENUES					
2	Total General Business	$146,220	($64,066)	$82,154	7,822	$89,976
3	Total Transportation	2,507	43	2,550	-	2,550
4	Other Revenues	22,610	(22,541)	69	-	69
5	Total Operating Revenues	171,337	(86,564)	84,773	7,822	92,595
6						
7	OPERATING EXPENSES					
8	Gas Purchased	74,416	(74,416)	0	-	0
9	Operation and Maintenance	29,689	(16,092)	13,597	-	13,597
10	Uncollectible Accounts	647	(209)	438	37	475
11	Administration & General	13,850	1,289	15,139	-	15,139
12	OPUC & ERSA Commission Fees	910	(446)	464	43	507
13	Total Operation & Maintenance	119,512	(89,874)	29,638	80	29,718
14						
15	DEPRECIATION, AMORTIZATION, TAXES					
16						
17	Municipal Occupation & License Tax	2,668	(2,668)	0	-	0
18	Franchise Fees - Conversion Factor	3,066	(1,207)	1,859	172	2,031
19	R&P Property Tax	5,215	(247)	4,968	-	4,968
20	State Income Tax	0	0	0	-	0
21	OR Corp. Activity Tax (CAT)	795	0	795	-	795
22	Depreciation & Amortization	18,941	1,781	20,722	-	20,722
23	Total Operating Expenses	150,197	(92,215)	57,982	252	58,234
24						
25	OPERATING INCOME BEFORE FIT/SIT	21,140	5,651	26,791	7,570	34,361
26						
27	INCOME TAXES					
28	Current Federal Income Taxes	4,175	1,148	5,323	1,506	6,829
29	Debt Interest	0	54	54	-	54
30	Deferred Federal Income Taxes	(5,150)	1,812	(3,338)	-	(3,338)
31	State Income Taxes	80	473	553	398	951
32	Total Income Taxes	(895)	3,487	2,592	1,904	4,496
33						
34	NET OPERATING INCOME	$22,035	$2,164	$24,199	5,666	$29,865
35						
36						
37	RATE BASE					
38	Utility Plant in Service	$596,233	$67,204	$663,437	-	$663,437
39	Accumulated Depreciation and Amortization	(178,245)	(27,860)	(206,105)	-	(206,105)
40	Accumulated Deferred FIT	(67,685)	2,508	(65,177)	-	(65,177)
41	Net Utility Plant	350,303	41,852	392,155	-	392,155
42						
43	Inventory	2,884	0	2,884	-	2,884
44	Working Capital	11,405	(1,019)	10,386	-	10,386
45	Regulatory Asset - AFUDC	1,324	0	1,324	-	1,324
46	Rate Base-Regulatory Liability-Nonplant Exc	0	0	0	-	0
47	Regulatory Liability-Customer Tax Credit	(17,371)	0	(17,371)	-	(17,371)
48						
49	TOTAL RATE BASE	$348,545	$40,833	$389,378	$0	$389,378
50						
51	RATE OF RETURN	6.32%		6.21%		7.67%

Avista Utilities
Docket No. UG-461
Rate Spread Summary
Oregon - Natural Gas
Pro Forma 12 Months Ended August 31, 2026

	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	Single-Family Residential	410	90,809	51,599,853	47	$51,786	$47.52	9.2%	$4,783	$4.39	$56,569	$51.91
2	Multi-Family Residential	411	4,687	2,620,145	47	$2,555	$45.44	6.9%	$177	$3.15	$2,732	$48.59
3	General Service	420	11,996	30,135,310	209	24,570	$170.68	10.2%	$2,497	$17.34	27,066	$188.02
4	Large General Service	424	99	5,438,862	4,595	842	$711	9.2%	$78	$66	920	$777
5	Interruptible Service	440	46	20,101,002	36,038	2,369	$4,248	4.6%	$109	$0	2,478	$4,248
6	Seasonal Service	444	2	175,379	8,399	31	$1,462	6.9%	$2	$101	33	$1,563
7	Transportation Service	456	30	29,837,658	82,882	2,550	$7,084	6.9%	$176	$490	2,727	$7,574
8	Total		107,669	139,908,208		$84,703		9.2%	$7,822		$92,525	

EXHIBIT C