# BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

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| In the Matter of<br><br>AVISTA CORPORATION, dba AVISTA UTILITIES<br><br>Request for a General Rate Revision. | ) | SECOND SETTLEMENT STIPULATION RESOLVING ALL REMAINING ISSUES |

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

## PARTIES

The Parties to this Second Stipulation are Avista Corporation ("Avista" or the "Company"), the Staff of the Public Utility Commission of Oregon ("Staff"), the Oregon Citizens' Utility Board ("CUB"), Alliance of Western Energy Consumers ("AWEC"), and the joint intervenor Sierra Club/Climate Solutions ("Environmental Intervenors") (collectively, "Parties"). These Parties represent all who intervened and appeared in this proceeding.[1]

## BACKGROUND

1. On March 1, 2023, Avista filed revised tariff schedules to effect a general rate increase for Oregon retail customers of $10,991,000, or 7.4% of its annual revenues. The filing was suspended by the Public Utility Commission of Oregon ("Commission") on March 2, 2023, per its Order No. 23-065.

2. On April 18, 2023, and later on April 28, 2023, virtual settlement conferences were held to discuss Cost of Capital issues. All of the Parties participated in the settlement discussions.

[1] The Settling Parties, excluding CUB and Environmental Intervenors as discussed below, previously entered into a Partial Multiparty Settlement on Cost of Capital, which was filed on May 8, 2023.

3. As a result of those first virtual settlement discussions, the Settling Parties[2] agreed to settle all issues in this Docket concerning the Cost of Capital, including Capital Structure, Long-Term Debt Cost and Return on Equity, subject to the approval of the Commission, which Stipulation was filed on May 8, 2023.

4. Staff, CUB, AWEC, and Environmental Intervenors filed Opening Testimony on July 7, 2023, in response to the Company's original filing on March 1, 2023. On July 24, 2023, a third settlement conference was held and was attended by all Parties.

5. As a result of the settlement discussion held on July 24, 2023, the Parties have agreed to settle all remaining issues in this Docket. This includes adjustments to the revenue requirement, rate spread and rate design issues, line extension policy, Climate Protection Program (CPP) costs and tariff, natural gas meter testing, equity advisory group, capital attestation, customer tax credits, pension loss deferral, and non-pipe alternatives (NPA), based on the following terms, subject to the approval of the Commission.

## SUMMARY OF THE <u>FIRST</u> PARTIAL SETTLEMENT STIPULATON

6. **<u>Adjustments to Filed Revenue Requirement</u>:**

The adjustments reached in the first Partial Settlement amounted to a total reduction in Avista's revenue requirement increase request from $10.991 million to a base revenue increase request of $9.362 million. The adjustments to Avista's revenue requirement reflected in the first Partial Settlement Stipulation are shown in Table No. 1 below:

[2] The "Settling Parties" to the Partial Multiparty Settlement Stipulation, filed on May 8, 2023, are Avista, Staff, and AWEC. CUB and Environmental Intervenors did not join that settlement.

**Table No. 1 – Summary of Adjustments to Revenue Requirement and Rate Base (Partial Settlement)**

| | Revenue Requirement | Rate Base |
|---|---|---|
| | **$10,991** | **$351,283** |
| **Cost of Capital** | | |
| Adjusts return on equity to 9.50%, long-term debt cost to 4.969%, with a common stock equity component of 50%, and overall Cost of Capital of 7.235%. | **(1,629)** | **-** |
| **Total Adjustments:** | **($1,629)** | **$0** |
| | **$9,362** | **$351,283** |

This adjustment reduces Avista's requested Cost of Capital to an overall Cost of Capital equal to 7.235 percent based on the following components: a Capital Structure consisting of 50 percent Common Stock Equity and 50 percent Long-Term Debt, Return on Equity (ROE) of 9.50 percent, and a Long-Term Debt cost of 4.969 percent. This combination of capital structure and capital costs is shown in the Table No. 2 below.

**Table No. 2 – Agreed-Upon Cost of Capital**

| AGREED-UPON COST OF CAPITAL | | | |
|---|---|---|---|
| | **Capital Structure** | **Cost** | **Weighted Cost** |
| Cost of Long-Term (LT) Debt | 50.00% | 4.969% | 2.485% |
| Return on Common Equity (ROE) | 50.00% | 9.500% | 4.750% |
| Total | 100.00% | | 7.235% |

**TERMS OF THE SECOND SETTLEMENT STIPULATON**

7. **Adjustments to Revenue Requirement:**

The Parties support further reductions to Avista's requested revenue requirement to reflect the additional adjustments discussed below. The adjustments reached in this Second Stipulation through negotiation, which resolve all remaining issues, amount to a further reduction in Avista's revenue requirement increase request from $9.362 million (as shown above) to a base revenue increase request of $7.160 million. The Parties support the further adjustments to Avista's revenue requirement request, as shown in Table No. 3 below:

**Table No. 3 – Summary of Adjustments to Revenue Requirement and Rate Base (Second Stipulation)**

| SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE ($000s of Dollars) | | | |
|---|---|---|---|
| | | **Revenue Requirement** | **Rate Base** |
| | **Results of Partial Settlement Stipulation:** | **$9,362** | **$351,283** |
| **Second Settlement Stipulation Adjustments:** | | | |
| **a** | **Meter Testing Expense**<br>This adjustment removes a level of meter testing expense in the Test Year. | **(300)** | |
| **b** | **09.30.2022 Plant-in-Service - EOP to AMA Rate Base**<br>This adjustment extends accumulated depreciation (A/D) and accumulated deferred federal income taxes (ADFIT) on plant-in-service at September 30, 2022 into the Test Year on an AMA basis. | **(680)** | **(7,756)** |
| **c** | **Depreciation Expense - Depreciation Study**<br>This adjustment captures the impact of the Settlement Stipulation in UM 2277 - Avista's Depreciation Study. | **(780)** | |
| **d** | **Depreciation Expense - Capital Additions Update**<br>Related to Item e. This adjustment updates depreciation expense and A/D on updated Q4 2022 & 2023 capital additions. | **208** | **(418)** |
| **e** | **Rate Base - Capital Additions Update**<br>Related to Item d. This adjustment updates gross plant and ADFIT on updated Q4 2022 & 2023 capital additions. | **363** | **4,145** |
| **f** | **Distribution Plant (New Growth Capital Additions)**<br>This adjustment removes a level of pro formed new growth capital additions included in the case. | **(599)** | **(6,829)** |
| **g** | **Load Forecast**<br>This adjustment is related to an updated load forecast for the Test Year. | **431** | |
| **h** | **Uncollectible Expense**<br>This adjustment is related to a reduction in uncollectible expense. | **(100)** | |
| **i** | **Miscellaneous Accounts**<br>This adjustment decreases Miscellaneous Accounts to reflect an updated compounded CPI based on a seasonally adjusted Q4 2022, and May 2023 All-Urban CPI publication for 2023 & 2024. | **(13)** | |
| **j** | **Customer Service Expenses - O&M Non-Labor**<br>This adjustment decreases Customer Service Expenses - O&M Non-Labor to reflect an updated compounded CPI based on a seasonally adjusted Q4 2022, and May 2023 All-Urban CPI publication for 2023 & 2024. | **(35)** | |
| **k** | **Distribution Expenses - O&M Non-Labor**<br>This adjustment decreases Distribution - O&M Non-Labor to reflect an updated compounded CPI based on a seasonally adjusted Q4 2022, and May 2023 All-Urban CPI publication for 2023 & 2024. | **(98)** | |
| **l** | **Wages & Salaries**<br>This adjustment is related to reductions associated with the Company's overall increases for payroll, overtime, and associated payroll taxes, as well as updating to reflect a more current publication of CPI (May 2023). | **(154)** | **(89)** |

| Second Settlement Stipulation Adjustments (Continued): | | Revenue Requirement | Rate Base |
|---|---|---|---|
| m | **Expense Misallocations**<br>This adjustment removes a certain level of expense from the base year. | **(271)** | |
| n | **Allocation Factor Expenses**<br>This adjustment retains allocation factors at Base Year factors for certain DSM related expenses. | **(27)** | |
| o | **FERC Account 923 - Base Year Expenses (legal fees)**<br>Related to Item p. This adjustment removes certain Base Year litigation costs from the case. | **(54)** | |
| p | **Escalation on FERC Account 923 - Base Year Expenses (legal fees)**<br>Related to Item o. This adjustment removes the escalation on certain Base Year litigation costs from the case. | **(3)** | |
| q | **AGA-NWGA Lobbying Costs**<br>This adjustment removes certain AGA-NWGA expenses from the case. | **(90)** | |
| | **Total Adjustments:** | **($2,202)** | **($10,947)** |
| | **Adjusted Base Revenue Requirement & Rate Base after Second Settlement Stipulation:** | **$7,160** | **$340,336** |

The following information provides an explanation for each of the adjustments in Table No. 3 above. The numbers in parenthesis below represent the agreed-upon increase or decrease in revenue requirement associated with the item.

a) Meter Testing Expense (-$300,000): Staff proposed an adjustment to remove a level of meter testing expense in the Test Year.[3] For settlement purposes, the Parties agree to remove an agreed-upon level of expense, thereby reducing the proposed revenue requirement by $300,000.

b) 09.30.2022 Plant-in-Service – EOP to AMA Rate Base (-$680,000): Staff proposed an adjustment to extend accumulated depreciation (A/D) and accumulated deferred federal income taxes (ADFIT) on plant-in-service at September 30, 2022 into the Test Year on an average of monthly averages (AMA) basis. For settlement purposes, the Company accepts Staff's adjustment, but reserves the right in future proceedings to

[3] In this case, "Test Year" is defined as the twelve months ending December 31, 2024.

address this issue. This adjustment reduces the proposed revenue requirement by $680,000, as well as reduces rate base by $7,756,000.

c) Depreciation Expense – Depreciation Study (-$780,000): Staff and AWEC proposed an adjustment that captures the impact of updating depreciation rates based on the Settlement Stipulation in UM 2277, Avista's "Request for Authority to Revise Natural Gas Book Depreciation Rates and Deferred Accounting". For settlement purposes, the Parties agree to incorporate the effects of the UM 2277 settlement in this case, thereby reducing the proposed revenue requirement by $780,000.

d) Depreciation Expense – Capital Additions Update ($208,000): Related to Item e. Staff proposed an adjustment to update depreciation expense and A/D on updated Q4 2022 and 2023 capital additions. For settlement purposes, the Parties agree to increase to an agreed-upon level of expense and rate base, thereby increasing the proposed revenue requirement by $208,000 and decreasing rate base by $418,000.

e) Rate Base – Capital Additions Update ($363,000): Related to Item d, where Staff proposed an adjustment to update depreciation expense and A/D on updated Q4 2022 and 2023 capital additions. The Company proposed an adjustment that updates pro formed gross plant and ADFIT on updated Q4 2022 & 2023 capital additions to match the incremental expense and rate base agreed to in Item d. For settlement purposes, the Parties agree to include the gross plant and ADFIT associated with the depreciation expense and A/D included in Item d above, thereby increasing the proposed revenue requirement by $363,000. This adjustment also increases rate base by $4,145,000.

f) Distribution Plant (New Growth Capital Additions) (-$599,000): Staff proposed an adjustment to remove a level of pro formed new growth capital additions included in the case. This adjustment decreases rate base by $6,829,000, which removes 2024 growth capital, and a substantial portion of growth plant pro formed for 2023, to an agreed-upon level for settlement purposes. The effect of this adjustment reduces the revenue requirement by $599,000. The Company understands that it must demonstrate in future rate proceedings that it has accurately reflected its line extension allowances into its total revenue requirement.

g) Load Forecast ($431,000): The Company presented an updated load forecast for the Test Year. For settlement purposes, the Parties agree to use the billing determinants from the updated load forecast. This adjustment increases the proposed revenue requirement by $431,000.

h) Uncollectible Expense (-$100,000): In their testimony, Staff proposed updating the level of uncollectible expense included in the case. For settlement purposes, the Parties agreed to a reduction in an agreed-upon level of expense, thereby reducing the proposed revenue requirement by $100,000.

i) Miscellaneous Accounts (-$13,000): Staff proposed an adjustment to Miscellaneous Accounts to reflect an updated compounded CPI, based on seasonally adjusting Q4 2022, and a more current publication of the All-Urban CPI for calendar 2023 and half of 2024. For settlement purposes, the Parties agree to use Staff's methodology, but with an updated compounded CPI based off the May 2023 publication for 2023 and 2024, for a reduction to an agreed-upon level of expense, thereby reducing the proposed revenue requirement by $13,000.

j) Customer Service Expenses – O&M Non-Labor (-$35,000): Staff proposed an adjustment to Customer Service Expenses – O&M Non-Labor to reflect an updated compounded CPI (described in Item i. above). For settlement purposes, the Parties agree to use an updated compounded CPI based on the May 2023 publication for 2023 and 2024, for a reduction to an agreed-upon level of expense, thereby reducing the proposed revenue requirement by $35,000.

k) Distribution Expenses – O&M Non-Labor (-$98,000): Staff proposed an adjustment to Distribution Expenses – O&M Non-Labor to reflect an updated compounded CPI (described in Item i. above), among other things. For settlement purposes, the Parties agree to use an updated compounded CPI based on the May 2023 publication for 2023 and 2024, for a reduction to an agreed-upon level of expense, thereby reducing the proposed revenue requirement by $98,000.

l) Wages and Salaries (-$154,000): Staff proposed reductions associated with the Company's overall increases for payroll, overtime, and associated payroll taxes, as well as an update to reflect a more current publication of CPI. For settlement purposes, the Parties agreed to a reduction in wages and salaries, resulting in a reduction in the revenue requirement of $154,000 and pro formed rate base of $89,000.

m) Expense Misallocations (-$271,000): In testimony, Staff proposed to remove certain expenses in the Base Year[4] which Staff believed were not applicable to Oregon operations and thus incorrectly allocated. For settlement purposes, the Parties agree to an agreed-upon reduction to expense, resulting in a reduction in the revenue requirement of $271,000.

n) Allocation Factor Expenses (-$27,000): AWEC proposed an adjustment to leave certain demand side management (DSM) expenses at the Base Year allocation factors.

[4] In this case, "Base Year" is defined as the twelve months ending September 30, 2022.

For settlement purposes, the Parties agree to a reduction in an agreed-upon level of expense, resulting in a decrease in the revenue requirement of $27,000.

o) FERC Account 923 – Base Year Expenses (legal fees) (-$54,000): Environmental Intervenors proposed an adjustment to remove from the case Base Year litigation costs associated with Avista's lawsuit against the Climate Protection Program. For settlement purposes, the Parties agree to a reduction in expense, thereby decreasing the revenue requirement by $54,000.

p) Escalation on FERC Account 923 – Base Year Expenses (legal fees) (-$3,000): Related to Issue o. above, for settlement purposes, the Parties agree to remove the escalation included in the case on the expenses removed in Issue o. This adjustment decreases the proposed revenue requirement by $3,000.

q) AGA-NWGA Lobbying Costs (-$90,000): In their testimony, Environmental Intervenors proposed removing certain American Gas Association (AGA) and Northwest Gas Association (NWGA) expenses from the case. For settlement purposes, the Parties agree to a reduction in expense, thereby decreasing the proposed revenue requirement by $90,000.

8. **Proposed Effective Date:** The proposed rate effective date is January 1, 2024.

9. **Rate Spread:** The Parties agree that Schedules 424/440/444/456 will receive 10% of the overall base margin percentage change, Schedule 410 will receive the same as the overall base margin percentage change, and the remaining revenue requirement will be applied to Schedule 420 as shown in Table No. 4 below (and as provided on page 1 of Attachment A to this Second Stipulation):[5]

[5] For settlement purposes, Parties agree to use the billing determinants from the updated load forecast.

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

| Type of Service | Schedule Number | Distribution Revenue Increase | **Distribution Revenue Percentage Increase** | Incremental Schedule 486 Tax Customer Credit | **Total Billed Revenue Increase** | **Total Billed Revenue Percentage Increase** |
|---|---|---|---|---|---|---|
| Residential | 410 | $4,655 | **9.4%** | ($161) | **$4,494** | **5.1%** |
| General Service | 420 | $2,458 | **11.5%** | ($48) | **$2,410** | **5.8%** |
| Large General Service | 424/425 | $7 | **0.9%** | ($1) | **$5** | **0.1%** |
| Interruptible Service | 439/440 | $19 | **0.9%** | ($3) | **$17** | **0.1%** |
| Seasonal Service | 444 | $0 | **0.9%** | ($0) | **$0** | **0.2%** |
| Transportation Service | 456 | $21 | **0.9%** | ($3) | **$17** | **0.8%** |
| Total | | $7,160 | **9.4%** | ($216) | **$6,944** | **4.7%** |

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

10. **Rate Design:** The Parties agree to the Basic Charge levels as proposed by Avista in its original filing[6] with the exception of Schedule 410. Schedule 410 will receive a $0.75 per month increase in the Basic Charge (instead of $1.50). Attachment A, page 2 to this Second Stipulation provides the agreed-upon base rates.[7] Avista agrees to present a rate design for Schedule 456 customers that includes a contract demand charge in its next GRC.

11. **Long Run Incremental Cost Study (LRIC):** No Party agrees or adopts the LRIC methodologies proposed by any party in this proceeding. Avista agrees to perform an analysis of the reasonableness of using contract demands for transportation customers in its Cost of Service study and include the results of that analysis in its next GRC.

12. **Residential Bill Change:** For the revenue requirement included in this Stipulation, based on an average usage level of 47 therms per month, the average bill for a Schedule 410

[6] Schedule 420 would see a $2 per month increase in the customer charge, from $17 per month to $19 per month. Schedules 424/425 would see a $5 per month increase in the customer charge, from $55 per month to $60 per month. Finally, Schedule 456 would see a $25 per month increase in the customer charge, from $300 per month to $325 per month.

[7] The agreed-upon billing determinants reflect the updated load adjustments as discussed in Section 7 item g above.

residential customer, which includes both base and adder schedules[8], would increase $4.07 per month, or 5.3 percent, from $77.01 to $81.08.

13. **Decoupling:** Attachment B to the Second Stipulation reflects the new decoupling base effective January 1, 2024, 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 discussed above.

14. **Line Extension Policy:** The Parties agree that Avista's line extension allowance for connecting new customers would be $2,500 in 2024, $1,250 in 2025, $750 in 2026, and $0 in 2027. In its Compliance Filing, Avista will file revised tariffs (Rule 15 and Rule 16) effectuating this change.

15. **CPP Costs and Tariff:** Avista agrees not to file a CPP tariff rider until 2024 or until actual costs are incurred to purchase Avista's first Community Climate Investment credits, whichever is later. No party is precluded from opposing any part of the Company's filing.

16. **Natural Gas Meter Testing:**

i. Avista agrees to replace Oregon meters that utilize the meter constant adjustment. Such meters would be replaced as soon as practicable but no later than December 2028.

ii. Avista will modify its natural gas meter testing such that the practice of testing meter families will start after 5 years of service, and will no longer wait to "fail" meter families (i.e., remove tightening procedures). In its Compliance Filing, Avista will file a revised Rule 18 effectuating this change.

[8] "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.

iii. Avista will use its best efforts to pursue recovery of metering costs through applicable warranties should meters be deemed failed through its testing processes.

iv. By April 30, 2024, and annually thereafter, Avista will file its meter testing results for the prior calendar year with the Commission.

17. **<u>Equity Advisory Group:</u>** Avista agrees to formulate an Equity Advisory Group in 2024, to be in effect no later than January 2025. Within three months of a Commission order approving this Stipulation, Avista will conduct a workshop, inviting Stipulating Parties, Community Action Partnership of Oregon (CAPO) and other interested participants from environmental justice communities to discuss the membership, scope and planned activities of the Equity Advisory Group. The participants in this workshop will determine whether they intend to serve on the Equity Advisory Group and may conduct outreach to additional parties for inclusion in the Equity Advisory Group.

**i. AOLIEE:**

a. the current Schedule 485 AOLIEE authorized budget of approximately $821,000 would be increased to a total of $2.0 million (without a change in the present level of customer funding in this case);
b. Company to conduct home energy assessments for high-usage LIRAP customers and prioritize those customers for energy efficiency improvements as determined through the home energy assessment;
c. Company to also review and prioritize customers identified in the 2022 Energy Burden Assessment with a high potential for energy efficiency improvements for energy efficiency improvements and weatherization;
d. Avista agrees to consult with the Equity Advisory Group to ensure that the AOLIEE program prioritizes investments in weatherization and limits the installation of natural gas appliances to health and safety repairs.
e. Avista shall consult with the Equity Advisory Group and CAPO regarding how to maximize expenditure of the AOLIEE weatherization budget.

**ii. LIRAP/HB 2475:**

a. To the extent this is not already the practice, current and incoming LIRAP participants with arrearage balances should be automatically enrolled in the AMP portion of the program, provided they are eligible and do not object.
b. Company continues to actively participate in UM 2211, including proactively engaging stakeholders on relevant issues or proposals that could enhance targeted assistance and maximize the effective use of funds to reduce energy burden.

**iii. Single-Family/Multi-Family:**

a. Implement a system flag and complete inventory of multi-family and single-family residential customers.
b. Using the inventory and a revised analysis of cost of service between these two groups to calculate the cost differential.
c. Starting April 1, 2024, multi-family customers identified in the inventory process would be moved to new rate Schedule 411. The terms and conditions of Schedule 411 would mirror Schedule 410 with the exception of the basic charge. The basic charge for multi-family customers served on Schedule 411 would be $1.50 lower for those customers, reflecting lower service costs for multi-family households. The resulting basic charge for Schedule 410 from this settlement is $11.25 per month, and therefore the basic charge for Schedule 411 will be $9.75 per month. This differential will be fine-tuned based on a revised multi-family study, which should be conducted by or on behalf of the company and presented in the Company's next general rate case filing.
d. The parties agreed that this modification would be revenue neutral to Avista. As such, beginning on April 1, 2024, the lost margin associated with the reduction in the basic charge revenue for those customers moving from Schedule 410 to Schedule 411 will be calculated and deferred, with the balance to accrue at the modified blended Treasury rate plus 100 basis points, and would be recovered from Schedule 410 customers in a future rate proceeding. After recovery in a future rate proceeding, the lost margin associated with the reduction in the basic charge will no longer be deferred.

18. **<u>Capital Attestation</u>:** Avista will file a capital attestation, which would take the form of that provided in Avista's last GRC (UG-433), as noted by Staff witnesses Ankum/Fischer 1200. Avista would file its attestation ten days before the rate effective date to reflect actual gross transfers-to-plant available at time of filing. To the extent that gross transfers-to-plant available, prior to the rate effective date, are less than that included in the revenue requirement, Avista would

reduce the overall revenue requirement to reflect a lower level of plant in service. Because the revenue requirement is predicated on a level of plant in service as of December 31, 2023, yet the attestation pre-dates that date, the Company may review the actual incremental gross transfers-to-plant through December 31, 2023, and defer the incremental revenue requirement associated with those plant additions up to the level of gross plant additions included in the settlement agreement. Any deferred revenue requirement would be recovered as a separate filing made during the annual PGA and summer rate adjustment filing season, with the balance to accrue at the modified blended Treasury rate plus 100 basis points.

19. **Customer Tax Credits:** Parties agree to update the existing 10-year tax customer credit amortization related to IDD #5 and Meters beginning January 1, 2024, to reflect the expected tax customer credit balance owed customers as of December 31, 2023 of $21.0 million. Attachment A, page 3 to the Second Stipulation provides the updated amortization rates.

i. With its Compliance filing in this case, Avista will update Schedule 486 to amortize Oregon's tax credit balance of $21.0 million over the remaining months of the 10-year amortization period (January 1, 2024 through August 31, 2032, or 104 months).

ii. The result of this change increases Schedule 486 Tariff amortization from $2.206 million to $2.423 million annually.

iii. Avista will continue to defer balances associated with the tax customer credit related to IDD #5 and Meters accrued after December 31, 2023.

iv. Avista will continue to spread this tax customer credit as approved in UG- 433, based on a weighted allocation of 35 percent number of customers and 65 percent distribution margin.

v. Any party may propose a different amortization period of the remaining balance, including additional net deferrals, available at the time of the Company's next general rate case.

20. **Pension Loss Deferral:** Parties support Avista's Pension Loss deferred accounting petition (UM 2267) as supported by Staff witness Zarate (Exh. 1100).

21. **Non-Pipe Alternatives (NPA):** Avista agrees to implement a NPA framework in Oregon, including the following elements.

i. Upon rate-effective date, NPA analysis will be performed for supply-side resources and for distribution system reinforcements and expansion projects that exceed a threshold of $1 million for individual projects or groups of geographically related projects. If a NPA is not selected for projects that meet this criteria, Avista will include the NPA analysis as part of the justification when it seeks recovery of the resource addition or distribution system reinforcement or expansion in a rate case.
   a. "Supply-side resources" includes but is not limited to all resources upstream of Avista's distribution system and city gates, and supply-side contracts.
   b. "Geographically-related projects" means a group of projects that are interdependent or interrelated.

ii. For resources or projects that meet the criteria of (21)(i), Avista will include electrification as an NPA.

iii. Non-Energy Impacts must be included as part of the NPA evaluation.

22. The Parties agree that this Second Stipulation is in the public interest and results in an overall fair, just and reasonable outcome.

23. The Parties agree that this Second 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 Second Stipulation or in the Parties' testimony supporting the stipulation.

24. Further, this Second 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.

25. This Second 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 Second Stipulation throughout this proceeding and any appeal. The Parties further agree to provide witnesses to sponsor the Second Stipulation at any hearing held, or, 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.

26. If this Second Stipulation is challenged by any other party to this proceeding, the Parties to this Second 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 Second Stipulation. Notwithstanding this reservation of rights, the Parties agree that they will continue to support the Commission's adoption of the terms of this Second Stipulation.

27. The Parties have negotiated this Second Stipulation as an integrated document. If the Commission rejects all or any material portion of this Second Stipulation, or imposes additional material conditions in approving this Second 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.

28. By entering into this Second 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 Second Stipulation. No Party shall be deemed to have agreed that

any provision of this Second Stipulation is appropriate for resolving the issues in any other proceeding.

29. This Second Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. The Parties further agree that any electronically-generated signature of a Party is valid and binding to the same extent as an original signature.

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

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

AVISTA CORPORATION

Patrick Ehrbar for

By: David Meyer
David J. Meyer

Date: 8/3/23

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By: ____________________
Johanna Riemenschneider

Date: ____________________

ALLIANCE OF WESTERN ENERGY CONSUMERS

By: ____________________
Chad M. Stokes

Date: ____________________

OREGON CITIZENS' UTILITY BOARD

By: ____________________
Michael P. Goetz

Date: ____________________

SIERRA CLUB

By: ____________________
Gloria Smith

Date: ____________________

CLIMATE SOLUTIONS

By: ____________________
Jaimini Parekh

Date: ____________________

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|---|---|
| AVISTA CORPORATION | STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON |
| By:______________________ David J. Meyer | By: Johanna Riemenschneider Johanna Riemenschneider |
| Date: ______________________ | Date: August 3, 2023 |
| ALLIANCE OF WESTERN ENERGY CONSUMERS | OREGON CITIZENS' UTILITY BOARD |
| By:______________________ Chad M. Stokes | By: ______________________ Michael P. Goetz |
| Date: ______________________ | Date: ______________________ |
| SIERRA CLUB | CLIMATE SOLUTIONS |
| By:______________________ Gloria Smith | By: ______________________ Jaimini Parekh |
| Date: ______________________ | Date: ______________________ |

any provision of this Second Stipulation is appropriate for resolving the issues in any other proceeding.

29. This Second Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. The Parties further agree that any electronically-generated signature of a Party is valid and binding to the same extent as an original signature.

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

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

| | |
|---|---|
| AVISTA CORPORATION | STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON |
| By:______________________ | By: ______________________ |
| David J. Meyer | Johanna Riemenschneider |
| Date: ______________________ | Date: ______________________ |
| ALLIANCE OF WESTERN ENERGY CONSUMERS | OREGON CITIZENS' UTILITY BOARD |
| By: [signature] | By: ______________________ |
| Chad M. Stokes | Michael P. Goetz |
| Date: 8/3/2023 | Date: ______________________ |
| SIERRA CLUB | CLIMATE SOLUTIONS |
| By:______________________ | By: ______________________ |
| Gloria Smith | Jaimini Parekh |
| Date: ______________________ | Date: ______________________ |

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| By:______________________ | By:______________________ |
| David J. Meyer | Johanna Riemenschneider |
| Date: ____________________ | Date: ____________________ |
| ALLIANCE OF WESTERN ENERGY CONSUMERS | OREGON CITIZENS' UTILITY BOARD |
| By:______________________ | By:______________________ |
| Chad M. Stokes | Michael P. Goetz |
| Date: ____________________ | Date: 8/3/2023 |
| SIERRA CLUB | CLIMATE SOLUTIONS |
| By:______________________ | By:______________________ |
| Gloria Smith | Jaimini Parekh |
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AVISTA CORPORATION

By:______________________________
David J. Meyer

Date: ____________________________

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By: ______________________________
Johanna Riemenschneider

Date: ____________________________

ALLIANCE OF WESTERN ENERGY CONSUMERS

By:______________________________
Chad M. Stokes

Date: ____________________________

OREGON CITIZENS' UTILITY BOARD

By: ______________________________
Michael P. Goetz

Date: ____________________________

SIERRA CLUB

By:
Gloria Smith

Date: 8/3/23

CLIMATE SOLUTIONS

By:
Jaimini Parekh

Date: 8/3/23

**Avista Utilities**
**Proposed Revenue Increase by Schedule**
**Oregon - Gas**
**Pro Forma 12 Months Ended December 31, 2024**
**(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 | Schedule 486 Tax Credit Incremental | Billed Revenue Under Proposed Rates | **Billed Revenue Percentage Increase** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | | (j) | (k) |
| 1 | Residential | 410 | $49,456 | $4,655 | $54,111 | 53,785 | **9.4%** | $88,155 | $4,655 | ($161) | $92,810 | **5.1%** |
| 2 | General Service | 420 | $21,405 | $2,458 | $23,863 | 29,149 | **11.5%** | $41,657 | $2,458 | ($48) | $44,114 | **5.8%** |
| 3 | Large General Service | 424 | $714 | $7 | $721 | 4,577 | **0.9%** | $3,918 | $7 | ($1) | $3,925 | **0.1%** |
| 4 | Interruptible Service | 440 | $2,067 | $19 | $2,088 | 17,686 | **0.9%** | $11,066 | $19 | ($3) | $11,086 | **0.1%** |
| 5 | Seasonal Service | 444 | $35 | $0 | $35 | 201 | **0.9%** | $175 | $0 | ($0) | $176 | **0.2%** |
| 6 | Transportation Service | 456 | $2,223 | $21 | $2,244 | 25,352 | **0.9%** | $2,169 | $21 | ($3) | $2,190 | **0.8%** |
| 7 | Special Contract | 447 | $175 | $0 | $175 | 5,036 | **0.0%** | $175 | $0 | $0 | $175 | **0.0%** |
| 8 | Total | | $76,075 | $7,160 | $83,235 | 135,786 | **9.4%** | $147,315 | $7,160 | ($216) | $154,475 | **4.7%** |

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

| Present Base Rates | Base Tariff Change | Proposed Base Rates |
|---|---|---|
| **Residential Service Schedule 410** | | |
| $10.50 Customer Charge | $0.75/month | $11.25 Customer Charge |
| All Therms - $0.69549/Therm | $0.07054/therm | All Therms - $0.76603/Therm |
| **General Service Schedule 420** | | |
| $17.00 Customer Charge | $2.00/month | $19.00 Customer Charge |
| All Therms - $0.65014/Therm | $0.07441/therm | All Therms - $0.72455/Therm |
| **Large General Service Schedule 424/425** | | |
| $55.00 Customer Charge | $5.00/month | $60.00 Customer Charge |
| All Therms - $0.14158/Therm | $0.00016/therm | All Therms - $0.14174/Therm |
| **Interruptible Service Schedule 439/440** | | |
| $75.00 Customer Charge | $0.00/month | $75.00 Customer Charge |
| All Therms - $0.11468/Therm | $0.00110/therm | All Therms - $0.11578/Therm |
| **Seasonal Service Schedule 444** | | |
| All Therms - $0.17241/Therm | $0.00162/therm | All Therms - $0.17403/Therm |
| Seasonal Minimum Charge: | | Seasonal Minimum Charge: |
| $ 5,840.04 | | $ 5,894.92 |
| **Transportation Service Schedule 456** | | |
| $300.00 Customer Charge | $25.00/month | $325.00 Customer Charge |
| 1st 10,000 Therms - $0.15890/Therm | $0.00090/therm | 1st 10,000 Therms - $0.15980/Therm |
| Next 20,000 Therms - $0.09563/Therm | $0.00054/therm | Next 20,000 Therms - $0.09617/Therm |
| Next 20,000 Therms - $0.07860/Therm | $0.00044/therm | Next 20,000 Therms - $0.07904/Therm |
| Next 200,000 Therms - $0.06152/Therm | $0.00035/therm | Next 200,000 Therms - $0.06187/Therm |
| Over 250,000 Therms - $0.03121/Therm | $0.00018/therm | Over 250,000 Therms - $0.03139/Therm |
| Schedule 456 Monthly Minimum Charge | | Schedule 456 Monthly Minimum Charge |
| $ 2,725.76 | | $ 2,764.44 |

**Avista Utilities**
**Tax Customer Credit**
**Schedule 486**

| Line No. | Type of Service | Schedule Number | Distribution Revenue Under Present Rates | Annual Customers | Meters Customer Allocation | IDD#5 Percentage of Base Revenue | Sch. 486 Tax Customer Credit Allocation | Billing Determinants | Proposed Per Therm Rate |
|---|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| | | | | | **35%** | **65%** | | | |
| 1 | Residential | 410 | $49,456 | 95,628 | 88.7% | 65.2% | $ 1,778 | 53,785,103 | **$ 0.03306** |
| 2 | General Service | 420 | $21,405 | 12,029 | 11.2% | 28.2% | $ 539 | 29,149,318 | **$ 0.01848** |
| 3 | Large General Service | 424/425 | $714 | 100 | 0.1% | 0.9% | $ 16 | 4,577,265 | **$ 0.00341** |
| 4 | Interruptible Service | 439/440 | $2,067 | 43 | 0.0% | 2.7% | $ 43 | 17,685,530 | **$ 0.00244** |
| 5 | Seasonal Service | 444 | $35 | 3 | 0.0% | 0.0% | $ 1 | 201,105 | **$ 0.00368** |
| 6 | Transportation Service | 456 | $2,223 | 30 | 0.0% | 2.9% | $ 46 | 25,351,795 | |
| 7 | 1st 10,000 Therms | | | | | | | | **$ 0.00346** |
| 8 | Next 20,000 Therms | | | | | | | | **$ 0.00208** |
| 9 | Next 20,000 Therms | | | | | | | | **$ 0.00171** |
| 10 | Next 200,000 Therms | | | | | | | | **$ 0.00134** |
| 11 | Over 250,000 Therms | | | | | | | | **$ 0.00068** |
| 12 | Total | | $75,900 | 107,833 | | | $ 2,423 | | |

# Avista Utilities
## Natural Gas Decoupling Mechanism (Oregon)
## Development of Decoupled Revenue by Rate Schedule - Natural Gas
## Docket No. UG-461 Rates Effective January 1, 2024

| | TOTAL | RESIDENTIAL SCHEDULE 410 | SM COMMERCIAL & INDUSTRIAL SCH. 420 | LG COMMERCIAL & INDUSTRIAL SCH. 424/425 | INTERRUPTIBLE SCH 439/440 | SEASONAL SCH 444 | TRANSPORTATION SCH 456/447 |
|---|---|---|---|---|---|---|---|
| 1 Total Normalized 12ME 08.2023 Margin Revenue | $ 76,075,000 | $ 49,456,000 | $ 21,405,000 | $ 714,000 | $ 2,067,000 | $ 35,000 | $ 2,398,000 |
| 2 Settlement Margin Revenue Increase | $ 7,160,000 | $ 4,655,000 | $ 2,458,000 | $ 7,000 | $ 19,000 | $ - | $ 21,000 |
| 3 Total Delivery Revenue (12ME 08.2023 Test Year) (Ln 1 + Ln 2) | $ 83,235,000 | $ 54,111,000 | $ 23,863,000 | $ 721,000 | $ 2,086,000 | $ 35,000 | $ 2,419,000 |
| 4 Customer Bills (12ME 08.2023 Test Year) | 1,294,015 | 1,147,534 | 144,348 | 1,196 | 522 | 31 | 384 |
| 5 Proposed Basic Charges | | $11.75 | $19.00 | $60.00 | $75.00 | $0.00 | $325.00 |
| 6 Basic Charge Revenue (Ln 4 * Ln 5) | $ 16,454,009 | $ 13,483,525 | $ 2,742,611 | $ 71,742 | $ 39,133 | $ - | $ 117,000 |
| 7 Decoupled Revenue (Ln 6 - Ln 3) | $ 66,780,991 | $ 40,627,476 | $ 21,120,389 | $ 649,258 | $ 2,046,867 | $ 35,000 | $ 2,302,000 |
| 8 Normalized Therms (12ME 08.2023 Test Year) | 135,785,858 | 53,785,103 | 29,149,318 | 4,577,265 | 17,685,530 | 201,105 | 30,387,537 |
| | | Residential | Non-Residential Group | | | | Exempt from Decoupling Mechanism |
| 9 Average Number of Customers (Line 8 / 12 mos.) | | 95,628 | 12,175 | | | | |
| 10 Annual Therms | | 53,785,103 | 51,613,218 | | | | |
| 11 Basic Charge Revenues | | $ 13,483,525 | $ 2,853,485 | | | | |
| 12 Customer Bills | | 1,147,534 | 146,097 | | | | |
| 13 Average Basic Charge | | $11.75 | $19.53 | | | | |

**Avista Utilities**
**Natural Gas Decoupling Mechanism (Oregon)**
**Development of Decoupled Revenue Per Customer - Natural Gas**
**Docket No. UG-461 Rates Effective January 1, 2024**

| Line No. | | Source | | Residential | | Non-Residential Schedules* |
|---|---|---|---|---|---|---|
| | (a) | (b) | | (c) | | (d) |
| 1 | Decoupled Revenue | Page 1 | $ | 40,627,476 | $ | 23,851,515 |
| 2 | Test Year Number of Customers (12ME 08.2023) | Revenue Data | | 95,628 | | 12,175 |
| 3 | Decoupled Revenue Per Customer | (1) / (2) | $ | 424.85 | $ | 1,959.10 |

*Schedules 420, 424, 425, 439, 440, and 444

**Avista Utilities**
**Natural Gas Decoupling Mechanism (Oregon)**
**Development of Monthly Decoupled Revenue Per Customer - Natural Gas**
**Docket No. UG-461 Rates Effective January 1, 2024**

| 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 | 8,909,899 | 7,260,811 | 6,116,282 | 4,259,880 | 2,623,015 | 1,611,291 | 1,179,828 | 1,315,690 | 1,382,331 | 3,273,955 | 6,590,289 | 9,261,831 | 53,785,103 |
| 5 | - % of Annual Total | % of Total | 16.57% | 13.50% | 11.37% | 7.92% | 4.88% | 3.00% | 2.19% | 2.45% | 2.57% | 6.09% | 12.25% | 17.22% | 100.00% |
| 6 | | | | | | | | | | | | | | | |
| 7 | *Non-Residential Sales** | | | | | | | | | | | | | | |
| 8 | - Weather-Normalized Therm Delivery Volume | Monthly Rate Year | 6,699,231 | 5,761,594 | 5,071,842 | 3,899,540 | 2,771,833 | 2,289,051 | 2,187,801 | 2,550,692 | 2,620,700 | 4,356,421 | 6,238,532 | 7,165,981 | 51,613,218 |
| 9 | - % of Annual Total | % of Total | 12.98% | 11.16% | 9.83% | 7.56% | 5.37% | 4.44% | 4.24% | 4.94% | 5.08% | 8.44% | 12.09% | 13.88% | 100.00% |
| 10 | | | | | | | | | | | | | | | |
| 11 | **Monthly Decoupled Revenue Per Customer ("RPC")** | | | | | | | | | | | | | | |
| 12 | *Residential* | | | | | | | | | | | | | | |
| 13 | - Decoupled Revenue per Customer | Page 2 - Decoupled RPC | | | | | | | | | | | | | $ 424.85 |
| 14 | - Monthly Decoupled Revenue per Customer | (5) x (13) | $ 70.38 | $ 57.35 | $ 48.31 | $ 33.65 | $ 20.72 | $ 12.73 | $ 9.32 | $ 10.39 | $ 10.92 | $ 25.86 | $ 52.06 | $ 73.16 | $ 424.85 |
| 15 | - Monthly Allowed Customers | | 95,561 | 95,556 | 95,420 | 95,384 | 95,352 | 95,623 | 95,982 | 96,424 | 95,538 | 95,529 | 95,566 | 95,599 | |
| 16 | *Non-Residential Sales** | | | | | | | | | | | | | | |
| 17 | - Decoupled Revenue per Customer | Page 2 - Decoupled RPC | | | | | | | | | | | | | $ 1,959.10 |
| 18 | - Monthly Decoupled Revenue per Customer | (9) x (17) | $ 254.28 | $ 218.69 | $ 192.51 | $ 148.02 | $ 105.21 | $ 86.89 | $ 83.04 | $ 96.82 | $ 99.47 | $ 165.36 | $ 236.80 | $ 272.00 | $ 1,959.10 |
| 19 | - Monthly Allowed Customers | | 12,191 | 12,199 | 12,198 | 12,188 | 12,185 | 12,186 | 12,141 | 12,136 | 12,121 | 12,131 | 12,166 | 12,243 | |
| 20 | *Schedules 420, 424, 425, 439, 440, and 444. | | | | | | | | | | | | | | |