

DOCKETS UE-170485 & UG-170486
JOINT ISSUES LIST - ELECTRIC
November 13, 2017

	Adj	ISSUE	DESCRIPTION	AVISTA - AS FILED		AVISTA - Rebuttal		COMMISSION STAFF		PUBLIC COUNSEL (A)		ICNU		THE ENERGY PROJECT			
				Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base
				\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands	
PRO FORMA STUDY/EOP STUDY																	
1	1.00	Results of Operations	Results of Operations - actual operating results and total net rate base experienced by the Company for the twelve-month period ending December 31, 2016 on an average-of-monthly-average (AMA) basis.	\$2,533	\$1,444,926			(\$10,514)	\$1,444,926	(\$9,130)	\$1,444,926	(13,329)	1,444,926				
2	1.01	Deferred FIT Rate Base	Adjusts DFIT rate base balance to reflect the deferred tax balances arising from accelerated tax depreciation (Accelerated Cost Recovery System, or ACRS, and Modified Accelerated Cost Recovery, or MACRS, repairs deduction and bonus depreciation), bond refinancing premiums, and contributions in aid of construction.	\$88	\$806			\$81	\$806	\$81	\$806	79	806				
3	1.02	Deferred Debits and Credits	Consolidation of previous Commission Basis or other restating rate base adjustments (Colstrip 3 AFUDC Elimination, Colstrip Common AFUDC, Kettle Falls Disallowance, Settlement Exchange Power, Restating CDA Settlement Deferral, Restating CDA/SSR, Spokane River Def, Spokane River PM&E, Montana Riverbed Lease, Customer Advances and Customer Deposits).	\$13	\$0			\$13	\$0	\$13		13	-				
4	1.03	Working Capital	Includes Working Capital using the Investor Supplied Working Capital (ISWC) methodology consistent with Docket No. UE-150204 and UE-150205. In addition, ISWC was revised to properly reflect the effect of Investment Tax Credit (ITC) in 2016.	(\$329)	(\$3,006)			(\$731)	(\$7,278)	(\$303)	(\$3,006)	(295)	(3,006)				
5	2.01	Eliminate B & O Taxes	Eliminates the revenues and expenses associated with local business and occupation (B & O) taxes.	\$154	\$0			\$154	\$0	\$154		154	-				
6	2.02	Restate Property Tax	Restates the accrued property tax during the test period to actual property tax paid during 2016.	(\$262)	\$0			(\$925)	\$0	(\$262)		(262)	-				
7	2.03	Uncollectable Expense	Restates the accrued expense to the actual level of net write-offs for the test period.	\$1,386	\$0			\$1,172	\$0	\$1,386		1,386	-				
8	2.04	Regulatory Expense	Restates recorded regulatory expense for the twelve-months-ended December 31, 2016 to reflect the UTC assessment rates applied to revenues for the test period and the actual levels of FERC fees paid during the test period.	\$7	\$0			\$7	\$0	\$7		7	-				
9	2.05	Injuries and Damages	Replaces accrued injuries and damages expense with a six-year rolling average of actual injuries and damages payments not covered by insurance.	\$158	\$0			\$158	\$0	\$158		158	-				
10	2.06	FIT/DFIT/ ITC/PTC Expense	Adjusts the FIT and DFIT calculated at 35% within Results of Operations. This adjustment also adjusts the appropriate level of production tax credits and investment tax credits on qualified generation.	\$111	\$0			\$111	\$0	\$111		111	-				

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				Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base
	#														
11	2.07	Office Space Charges to Subsidiaries	Removes the remaining portion of office space costs associated with subsidiary/non-utility activities not previously removed during the test period.	(\$33)	\$0			(\$33)	\$0	(\$33)		(33)	-		
12	2.08	Restate Excise Taxes	Removes the effect of a one-month lag between collection and payment of taxes.	(\$65)	\$0			(\$65)	\$0	(\$65)		(65)	-		
13	2.09	Net Gains / Losses	Ten-year amortization of net gains realized from the sale of real property disposed of between 2007 and December 31, 2016.	(\$99)	\$0			(\$99)	\$0	(\$99)		(99)	-		
14	2.10	Weather Normalization	Adjustment normalizes weather sensitive kWh sales by eliminating the effect of temperature deviations above or below historical norms.	(\$1,332)	\$0			(\$1,334)	\$0	(\$1,332)		(1,332)	-		
15	2.11	Eliminate Adder Schedules	Removes the impact of the adder schedule revenues and related expenses, such as Schedule 59 Residential Exchange credit, Schedule 75 Decoupling Rebate/Surcharge, Schedule 91 Tariff Rider (DSM), Schedule 92 Low Income Rate Assistance Program Rate, Schedule 93 ERM rebate, Schedule 94 BPA rebate, Schedule 95 Optional Renewable and Schedule 98 REC Revenue Surcharge/Rebate since these items are recovered/rebated by separate tariffs and, therefore, are not part of base rates.	\$0	\$0			\$0	\$0	\$0		-	-		
16	2.12	Miscellaneous Restating Expenses	Removes a number of non-operating or non-utility expenses associated with dues and donations, etc., included in error in the test period actual results, and removes, reclassifies or restates other expenses incorrectly charged between service and or jurisdiction. In addition, the Company removed 50% of Director meeting expenses, 10% D&O insurance, Long-Term Incentive Plan (LTIP) restricted share expenses, and 50% of Director Fees expense. Lastly, this adjustment includes a true-up provision for rate refund (revised earnings sharing true-up).	\$1,565	\$0			\$1,564	\$0	\$1,565		1,565	-		
17	2.13	Eliminate WA Power Cost Deferral	Removes the effects of the financial accounting for the Energy Recovery Mechanism (ERM.) The ERM normalizes and defers certain net power supply and transmission revenues and expenses pursuant to the Commission-approved deferral and recovery mechanism. The adjustment removes the ERM rebate revenue as well as the deferral and amortization amounts and certain directly assigned power costs and net transmission costs associated with the ERM.	(\$7,081)	\$0			(\$7,081)	\$0	(\$7,081)		(7,081)	-		
18	2.14	Nez Perce Settlement Adjustment	This adjustment directly assigns the Nez Perce Settlement expenses to the Washington and Idaho jurisdictions based on differing regulatory treatment in Idaho Case No. WWP-E-98-11 and Washington Docket No. UE-991606.	(\$4)	\$0			(\$4)	\$0	(\$4)		(4)	-		

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19	2.15	Restate Incentive Expenses	This adjustment restates actual O&M incentive compensation expense recorded in 2016 to reflect a six-year average (2011-2016) of target payout. Target payout is based on salary levels in effect as of December 31, 2016.	(\$657)	\$0			(\$608)	\$0	(\$657)		(657)	-		
20	2.16	Normalize CS2/Colstrip Major Maintence	This adjustment normalizes major maintenance expense associated with Avista's Colstrip/Coyote Springs II (CS2) thermal projects. In Order 05, page 56, paragraph 153 of Docket No. UE-150204, the Commission ordered the Company, for regulatory purposes, to normalize and recover its major maintenance expense associated with these plants over a three-year period for Colstrip and four-year period for CS2 to match the major maintenance cycles for each plant.	(\$1,232)	\$0			(\$1,231)	\$0	(\$1,232)		(1,232)	-		
21	2.17	Restate Debt Interest	Restates debt interest using the Company's pro forma weighted average cost of debt.	(\$735)	\$0			(\$547)	\$0	(\$1,388)		526	-		
22	2.18	Authorized Power Supply	This adjustment restates the actual power supply costs for the test year ending December 31, 2016 to the level currently authorized in Case No. UE-150204. This includes Washington's share using the current authorized Production/Transmission Ratio (P/T Ratio) of 64.71%.	\$12,425	\$0			\$12,420	\$0	\$12,425		12,425	-		
	2.19	Restate Plant From AMA to EOP	Staff Proposed Restating adjustment to adjust 2016 AMA Rate base to EOP					\$7,001	\$69,691						
23	3.01	Pro Forma Transmission/Power Supply/ERM Revenue and Expense	Non- This adjustment includes pro forma transmission expenses and power supply (non-ERM related) revenues and expenses. Pro forma transmission and power supply revenues and expenses have been segregated into two separate adjustments: those representing 1) costs tracked through the Company's ERM (Pro Forma adjustment 4.00); and 2) those costs not tracked through the ERM (Pro Forma Adjustment 3.01).	\$106	\$0			\$106	\$0	\$106		106	-		
24	3.02	Pro Forma Labor Non-Exec	Reflects changes to test period union and non-union wages and salaries to reflect increases through 2018. Union salary increases for 2018 are also included in accordance with union contract terms.	\$3,005	\$0			\$3,004	\$0	\$1,503		1,884	-		
25	3.03	Pro Forma Labor Exec	Reflects changes to reflect an annualized 2017 level of allocated executive officer salaries. Base pay is allocated approximately 90% to utility operations and 10% to non-utility operations based on actual timesheet allocations as of December 31, 2016 per order UE-150204/UG-150205.	(\$35)	\$0			(\$35)	\$0	(\$35)		(35)	-		
26	3.04	Pro Forma Employee Benefits	Adjusts for changes in both the Company's pension and medical insurance expense.	(\$378)	\$0			(\$378)	\$0	(\$378)		(378)	-		

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27	3.05	Pro Forma Incentive Expense	This adjustment pro forms increases in variable pay/incentive compensation expense, from the year ending 2016 to the rate year amounts in effect, by approximately 2.8% per year, consistent with base pay increases in adjustment 3.02 Pro-Forma Labor Non-Exec.	\$125	\$0			\$0	\$0	\$125		125	-		
28	3.06	Pro Forma Property Tax Expense	This adjustment restates the 2016 level of property tax expense included in adjustment (2.02) Restate 2016 Property tax, to the level of property tax expense the Company will experience during the rate year. The property on which the tax is calculated is the property value as of December 31, 2017.	\$2,579	\$0			\$1,346	\$0	\$1,290		2,579	-		
29	3.07	Pro Forma IS/IT Expense	This adjustment adjusts the actual level of information services and technology expense included in the 2016 test year to that expected during the rate period beginning May 1, 2018.	\$728	\$0			\$728	\$0	\$728		728	-		
30	3.08	Pro Forma Revenue Normalization	This adjustment adjusts January 2016 through December 2016 test period customers and usage for any known and measurable (pro forma) changes. In addition, the adjustment re-prices billed, unbilled, and weather adjusted usage at the base tariff rates approved for 2016, as if the January 11, 2016 base tariff rates were effective for the full 12-months of the test year.	\$5,305	\$0			\$5,310	\$0	\$5,305		5,305	-		
31	3.09	Pro Forma Def. Debits, Credits & Regulatory Amorts	This adjustment adjusts certain items included in restating adjustment (1.02), which is included on an AMA 2016 commission basis level, to the level in effect for the rate period beginning May 1, 2018.	(\$2,307)	(\$5,346)			(\$2,258)	(\$5,346)	(\$2,261)	(\$5,346)	(2,246)	(5,346)		
32	3.10	Pro Forma 2017 Threshold Capital Adds	This adjustment reflects increases related to certain 2017 identified electric capital additions that met the threshold of one-half of one percent of the Company's rate base, together with associated A/D and ADFIT. This adjustment also includes associated depreciation expense for these 2017 additions.	\$7,199	\$34,911			\$1,781	\$8,700	\$6,902	\$34,911	205	5,565		
33	3.11	Pro Forma O&M Offsets	For this adjustment, the Company reviewed large capital additions in 2017 to determine any offsets (e.g., reduced O&M costs, reduced load losses, etc.) resulting in rate period reductions effective May 1, 2018.	(\$1,036)	\$0			\$0	\$0	(\$1,036)		(1,036)	-		
34	3.12	Pro Forma Director Fees Exp	This adjustment reflects an increase in director fee expense to reflect a 97% utility / 3% non-utility split. Avista proposes to reflect director fee expense based on annual surveys of the Board of Directors of their time split between utility/non-utility operations, which reflect a 97% utility / 3% non-utility.	\$394	\$0			\$0	\$0	\$0		-	-		

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35	3.13	PF Major Maint Normalize CS2/Colstrip	This adjustment reflects an increase to the normalized major maintenance expense included above in restating adjustment (2.16), which reflected normalized CS2/Colstrip major maintenance for the 2016 historical test period. This adjustment reflects the normalized level of major maintenance related to the Company's Colstrip Units 3 & 4 facilities, expected during the rate period effective beginning May 1, 2018.	\$364	\$0			\$364	\$0	\$364		364	-		
36	3.14	Pro Forma Underground Equip Inspections	This adjustment reflects underground equipment inspection expenses for Washington planned during the rate year.	\$558	\$0			\$558	\$0	\$558		558	-		
37	3.15	EOP 2017 Capital Net Rate Base	This adjustment adjusts the Traditional Pro Forma Study (Ex. EMA-2) net plant after ADFIT balances to a 2017 EOP basis.	\$ 21,525	\$ 119,874			\$0	\$0	\$0	\$0	-	-		
38			Rounding (immaterial)	\$4											
39		Non-Energy EOP Pro Forma Sub-total		\$44,747	\$1,592,165			\$10,035	\$1,511,499	\$7,485	\$1,472,291	\$197	\$1,442,945		
40	4.00	Pro Forma Power Supply & Transm Revs	This adjustment includes pro forma power supply related revenue and expenses to reflect the twelve-month period May 1, 2018 through April 30, 2019, using 2016 historical loads.	\$16,609	\$0			\$0	\$0	\$0	\$0	\$0	\$0		
41															
42		EOP Pro Forma Including Power Supply Revenue Requirement Effective 5/1/2018		\$ 61,356	\$ 1,592,165			\$ 10,035	\$ 1,511,499	\$ 7,485	\$ 1,472,291	\$ 197	\$ 1,442,945		
43		K Factor	3.21%					2.32%	n/a			0%	-		TEP does not support adoption of a three year rate plan
44		Rate Year 2	Effective 5/1/2019	\$ 13,983				\$ 9,520		\$ -		\$ 0.00	-		
45		Rate Year 3	Effective 5/1/2020	\$ 14,432				\$ 9,740		\$ -		\$ 0.00	-		
46		COST OF CAPITAL		AVISTA											
47		Cost of Capital - Return on Equity		9.90%				9.10%		9.00%		9.10%			
48		Cost of Capital - Cost of Debt		5.62%				5.41%		5.62%		5.20%			
49		Cost of Capital - Capital Structure		50% Equity / 50% Debt				48.5% Equity / 51.5% Debt		48.5% Equity / 51.5% Debt		51.6% Debt/48.4% Equity			
50		Rate of Return		7.76%				7.20%		7.26%		7.09%			
51															
52		COST OF SERVICE/RATE SPREAD/RATE DESIGN													

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53		COST OF SERVICE											Changes to Avista's embedded cost of service ("ECOS") study methodology, per Stephens, Exh. RRS-1CT, including: <ul style="list-style-type: none"> • Allocating production fixed costs in the more traditional peak demand approach and discontinuing "Peak Credit" classification <ul style="list-style-type: none"> o If Peak Credit classification approach retained, modify the demand allocator to more accurately address capacity cost causation; • Use of the "Summer and Winter Peak Method" for allocating production; and • Use of the 12 CP demand • Support Avista's proposed rate spread for 2018, in part, if Avista's full revenue requirement is approved. • If Avista does not receive its requested revenue requirement, then the reduction should flow to the rate schedules other than Schedule 1/2 		
53		Rate Spread		<p>2018: Schedule 1/2 106% of overall base revenue % increase Schedule 11/12 80% of overall base revenue % increase Equal % of revenue increase to all other schedules</p> <p>2019 & 2020: Pro-rata allocation of 2018 increase, administered through a separate tariff (Schedule 96) on uniform ¢ to the blocks</p>											
54		Rate Design - Schedule 1		<ul style="list-style-type: none"> • Increase Basic Charge to \$10.00/month in 2018, no change 2019 or 2020 • Uniform % increase to Blocks in 2018 • Uniform ¢ increase to Blocks in 2019 & 2020 											

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55		Rate Design - Schedule 11		<ul style="list-style-type: none"> • Increase Customer Charge from \$18.00 to \$20.00 in 2018, no change 2019 or 2020 • Increase Demand from \$6.00 to \$6.50/kW in 2018, no change 2018 or 2020 • Uniform % Blocks in 2018 • Uniform ¢ Blocks in 2019 & 2020 											
56		Rate Design - Schedule 21		<ul style="list-style-type: none"> • Minimum Demand remains at \$500 • Increase Demand from \$6.00 to \$6.50/kW in 2018, no change 2019 or 2020 • Uniform % Blocks in 2018 • Uniform ¢ Blocks in 2019 & 2020 											
57		Rate Design - Schedule 25		<ul style="list-style-type: none"> • Minimum Demand from \$21000 to \$24000 in 2018, no change in 2019 or 2020 • Increase Demand from \$6.00 to \$6.50/kVA in 2018, no change 2019 or 2020 • Uniform % Blocks in 2018 • Uniform ¢ Blocks in 2019 & 2020 											
58		Rate Design - Schedule 31		<ul style="list-style-type: none"> • Increase Customer Charge from \$18.00 to \$20.00 in 2018, no change 2019 or 2020 • Uniform % Blocks in 2018 • Uniform ¢ Blocks in 2019 & 2020 											

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59		Rate Design - Schedule Lighting		<ul style="list-style-type: none"> • Uniform % Increase in 2018 • Uniform ¢ Increase in 2019 & 2020 • HPS Lights No Longer Available for Schedules 42 & 47 • Add custom area light calculation to Schedule 47 												
60																
61		OTHER ISSUES														
62		Miscellaneous Items								(A) For items that Public Counsel is neutral on in Direct or Cross-Answering testimony, Public Counsel may support the positions of other parties on brief.	Alternative Rate Plan Recommendations (see Mullins, BGM-1T at 20-21; BGM-5)			TEP takes issue with the level of increase overall		
63															TEP proposes an increase in Avista's low-income weatherization budget by \$350,000 per year for each year of an approved rate plan (if allowed).	
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JOINT ISSUES LIST - NATURAL GAS
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1	Adj.	ISSUE	DESCRIPTION	AVISTA - AS FILED		AVISTA - Rebuttal		PUBLIC COUNSEL (A)		COMMISSION STAFF		NWIGU		THE ENERGY PROJECT	
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	#			\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands	
PRO FORMA STUDY															
2															
3	1.00	Per Results Report	Results of Operations - actual operating results and total net rate base experienced by the Company for the twelve-month period ending December 31, 2016 on an average-of-monthly-average (AMA) basis.	(\$1,814)	\$287,787			(\$4,132)	\$287,787	(\$4,414)	\$287,787	(\$4,977)	\$287,787		
4	1.01	Deferred FIT Rate Base	Adjusts DFIT rate base balance to reflect the deferred tax balances arising from accelerated tax depreciation (Accelerated Cost Recovery System, or ACRS, and Modified Accelerated Cost Recovery, or MACRS, repairs deduction and bonus depreciation), bond refinancing premiums, and contributions in aid of construction.	(\$35)	(\$325)			(\$33)	(\$325)	(\$33)	(\$325)	(\$32)	(\$325)		
5	1.02	Deferred Debits and Credits	Consolidation of previous Commission Basis or other restating rate base adjustments (Customer Advances and Customer Deposits).	\$2	\$0			\$2		\$2	\$0	\$2	\$0		
6	1.03	Working Capital	Includes Working Capital using the Investor Supplied Working Capital (ISWC) methodology consistent with Docket No. UE-150204 and UE-150205. In addition, ISWC was revised to properly reflect the effect of Investment Tax Credit (ITC) in 2016.	(\$94)	(\$864)			(\$87)	(\$864)	(\$420)	(\$4,182)	(\$85)	(\$864)		
7	2.01	Eliminate B & O Taxes	Eliminates the revenues and expenses associated with local business and occupation (B & O) taxes.	\$34	\$0			\$34		\$34	\$0	\$34	\$0		
8	2.02	Restate Property Tax	Restates the accrued property tax during the test period to actual property tax paid during 2016.	\$393	\$0			\$393		\$272	\$0	\$394	\$0		
9	2.03	Uncollectible Expense	Restates the accrued expense to the actual level of net write-offs for the test period.	(\$618)	\$0			(\$618)		(\$405)	\$0	(\$619)	\$0		
10	2.04	Regulatory Expense	Restates recorded regulatory expense for the twelve-months-ended December 31, 2016 to reflect the UTC assessment rates applied to revenues for the test period and the actual levels of FERC fees paid during the test period.	(\$3)	\$0			(\$3)		(\$3)	\$0	(\$3)	\$0		
11	2.05	Injuries and Damages	Replaces accrued injuries and damages expense with a six-year rolling average of actual injuries and damages payments not covered by insurance.	\$80	\$0			\$80		\$80	\$0	\$80	\$0		
12	2.06	FIT/DFIT Expense	Adjusts the FIT calculated at 35% within Results of Operations to reflect the appropriate Schedule M adjustment necessary to match a DFIT expense amount recorded related to WA natural gas decoupling.	\$0	\$0			\$0		\$0	\$0	\$0	\$0		
13	2.07	Office Space Charges to Subsidiaries	Removes the remaining portion of office space costs associated with subsidiary/non-utility activities not previously removed during the test period.	(\$9)	\$0			(\$9)		(\$9)	\$0	(\$9)	\$0		
14	2.08	Restate Excise Taxes	Removes the effect of a one-month lag between collection and payment of taxes.	\$2	\$0			\$2		\$2	\$0	\$2	\$0		
15	2.09	Net Gains/Losses	Ten-year amortization of net gains realized from the sale of real property disposed of between 2007 and December 31, 2016.	(\$14)	\$0			(\$14)		(\$14)	\$0	(\$14)	\$0		

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1	#			\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands	
16	2.10	Weather Normalization / Gas Cost Adjustment	Adjustment normalizes weather sensitive gas therm sales by eliminating the effect of temperature deviations above or below historical norms. This adjustment also restates therms sold to reflect the weather normalized therms and then reprices the adjusted therms sold based upon the authorized weighted average cost of gas.	\$4	\$0			\$4		\$19	\$0	\$4	\$0		
17	2.11	Eliminate Adder Schedules	Removes the impact of the adder schedule revenues and related expenses, such as Schedule 191 Tariff Rider (DSM), Schedule 192 Low Income Rate Assistance Program Rate, Schedule 155 Gas Cost surcharge or rebate, and Schedule 159 Decoupling surcharge or rebate, since these items are recovered/rebated by separate tariffs and, therefore, are not part of base rates.	\$500	\$0			\$500		\$499	\$0	\$501	\$0		
18	2.12	Miscellaneous Restating Adjustments	Removes a number of non-operating or non-utility expenses associated with dues and donations, etc., included in error in the test period actual results, and removes, reclassifies or restates other expenses incorrectly charged between service and or jurisdiction. In addition, the Company removed 50% of Director meeting expenses, 10% D&O insurance, Long-Term Incentive Plan (LTIP) restricted share expenses, and 50% of Director Fees expense.	(\$330)	\$0			(\$330)		(\$330)	\$0	(\$331)	\$0		
19	2.13	Project Compass Deferral	This adjustment includes the regulatory amortization expense included during the 2016 test period for regulatory purposes. A two-year amortization schedule (2016-2017) was established within Docket No. UG-150205. (This regulatory amortization expense is removed in Adjustment (3.09) "Pro Forma Regulatory Amortizations," as discussed below, to reflect this amortization is \$0 during the rate year effective May 1, 2018.)	\$1,130				\$1,130		\$1,132	\$0	\$1,132	\$0		
20	2.14	Restating Incentive Expense Adjustment	This adjustment restates actual O&M incentive compensation expense recorded in 2016 to reflect a six-year average (2011-2016) of target payout. Target payout is based on salary levels in effect as of December 31, 2016.	(\$190)	\$0			(\$190)		(\$175)	\$0	(\$190)	\$0		
21	2.15	Restate Debt Interest	Restates debt interest using the Company's pro forma weighted average cost of debt.	(\$147)	\$0			(\$276)		(\$108)	\$0	(\$20)	\$0		
	2.16	Restate Plant from AMA to EOP	Staff Proposed Restating adjustment to adjust 2016 AMA Rate base to EOP							\$1,422	\$14,160				

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				Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base
1	#			\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands	
22	3.01	Pro Forma Atmospheric Testing and Leak Survey	Adjusts the test period expense for atmospheric corrosion and leak survey expense to reflect the inspection costs and follow-up remedial actions expected during the rate year, based on an inspection cycle that will be completed one third of each jurisdiction per year.	\$364	\$0			\$364		\$365	\$0	\$365	\$0		
23	3.02	Pro Forma Labor Non-Exec	Reflects changes to test period union and non-union wages and salaries to reflect increases through 2018. Union salary increases for 2018 are also included in accordance with union contract terms.	\$915	\$0			\$458		\$917	\$0	\$599	\$0		
24	3.03	Pro Forma Labor Exec	Reflects changes to reflect an annualized 2017 level of allocated executive officer salaries. Base pay is allocated approximately 90% to utility operations and 10% to non-utility operations based on actual timesheet allocations as of December 31, 2016 per order UE-150204/UG-150205.	(\$10)	\$0			(\$10)		(\$10)	\$0	(\$10)	\$0		
25	3.04	Pro Forma Employee Benefits	Adjusts for changes in both the Company's pension and medical insurance expense.	(\$184)	\$0			(\$184)		(\$185)	\$0	(\$185)	\$0		
26	3.05	Pro Forma Incentive Expense	This adjustment pro forms increases in variable pay/incentive compensation expense, from the year ending 2016 to the rate year amounts in effect, by approximately 2.8% per year, consistent with base pay increases in adjustment 3.02 Pro-Forma Labor Non-Exec.	\$36	\$0			\$36		\$0	\$0	\$36	\$0		
27	3.06	Pro Forma Property Tax Expense	This adjustment restates the 2016 level of property tax expense included in adjustment (2.02) Restate 2016 Property tax, to the level of property tax expense the Company will experience during the rate year. The property on which the tax is calculated is the property value as of December 31, 2017.	\$499	\$0			\$249		\$450	\$0	\$500	\$0		
28	3.07	Pro Forma IS/IT Expense	This adjustment adjusts the actual level of information services and technology expense included in the 2016 test year to that expected during the rate period beginning May 1, 2018.	\$211	\$0			\$211		\$211	\$0	\$211	\$0		
29	3.08	Pro Forma Revenue Normalization	Includes the revenue repricing of the 2016 authorized rates approved in Docket No. UG-150205.	\$966	\$0			\$966		\$877	\$0	\$968	\$0		
30	3.09	Pro Forma Regulatory Amortization	This adjustment removes the regulatory amortization expense (included in restating adjustment (2.13)) related to the "Project Compass Deferral."	(\$1,130)	\$0			(\$1,130)		(\$1,132)	\$0	(\$1,132)	\$0		

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				Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base
1	#			\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands	
31	3.10	Pro Forma 2017 Threshold Capital Additions	Restates net plant included in the historical CBR test year from a September 30, 2015 AMA basis to a December 31, 2015 AMA basis, together with the associated A/D, ADFIT and depreciation expense at December 31, 2015, to reflect actual balances as of December 31, 2015.	\$3,606	\$17,841			\$3,454	17841	\$1,305	\$7,872	\$1,527	\$11,745		
	3.11	Pro Forma O&M Offsets	For this adjustment, the Company reviewed large capital additions in 2017 to determine any offsets (e.g., reduced O&M costs, reduced load losses, etc.) resulting in rate period reductions effective May 1, 2018.	(\$34)	\$0			(\$34)	\$0	\$0	\$0	(34)	-		
32	3.12	Pro Forma Director Fees Exp	This adjustment reflects an increase in director fee expense to reflect a 97% utility / 3% non-utility split. Avista proposes to reflect director fee expense based on annual surveys of the Board of Directors of their time split between utility/non-utility operations, which reflect a 97% utility / 3% non-utility.	\$113				\$0		\$0	\$0	\$0	\$0		
33	3.13	Pro Forma LEAP Deferral Gas Line Ext. Deferral	This adjustment reflects the proposed annual LEAP deferral amortization expense and rate base associated with the five-year recovery period of the existing LEAP gas line extension deferral balance. Per Docket UG-152394, Order 01, the Commission approved the changes to the Company's natural gas line extension tariff Schedule 151, for a temporary three-year period. The Company is proposing in this case to amortize this balance over five years beginning May 1, 2018 through April 30, 2023.	\$773	\$1,474			\$760	\$1,474	\$761	\$1,474	\$757	1474		
34	3.14	EOP 2017 Capital Net Rate Base	This adjustment adjusts the Traditional Pro Forma Study (Ex. EMA-6) net plant after ADFIT balances to a 2017 EOP basis.	\$3,256	\$13,626			\$0	\$0	\$0	\$0	\$0	0		
35			Rounding (immaterial)	(\$3)											
36		EOP Pro Forma Revenue Requirement Effective 5/1/2018		\$8,269	\$319,539			\$1,593	\$305,913	\$1,110	\$306,786	(\$530)	\$299,817		
37		K Factor	4.65%					n/a		3.20%		0%			TEP does not support adoption of a three year rate plan
38		Rate Year 2	Effective 5/1/2019	\$ 4,220				0		\$ 2,698		\$ 0.00			
39		Rate Year 3	Effective 5/1/2020	\$ 4,417				0		\$ 2,784		\$ 0.00			
40															
41															
42															
43		COST OF CAPITAL													
44		Cost of Capital - Return on Equity			9.90%				9.00%		9.10%				
45		Cost of Capital - Cost of Debt			5.62%				5.62%		5.41%				
46		Cost of Capital - Capital Structure			50% Equity / 50% Debt				48.5% Equity / 51.5% Debt		48.5% Equity / 51.5% Debt				
47		Rate of Return			7.76%				7.26%		7.20%				Support ICNU

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	#			Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.
1				\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousand
48														
49														
50		COST OF SERVICE/RATE SPREAD/RATE DESIGN												
51		Rate Spread			Uniform % of Margin increase to all schedules for 2018. Pro-rata allocation of 2018 increase for 2019 & 2020 administered through a separate tariff (Schedule 196) on uniform cents to the blocks									
52		Rate Design - Schedule 101			<ul style="list-style-type: none"> • Basic Charge to \$10.00/month in 2018, no change 2019 or 2020 • Uniform percentage to Blocks 1 and 2 in 2018 • Uniform cents to Blocks 1 and 2 in 2019 & 2020 									
53		Rate Design - Schedule 111			<ul style="list-style-type: none"> • Increase Minimum Charge and Block 1 based on Schedule 101 Basic & Volumetric Changes in 2018 • Uniform percentage to Blocks 2 and 3 in 2018 • Uniform cents to all blocks in 2019 & 2020 									
54		Rate Design - Schedule 121			<ul style="list-style-type: none"> • Increase Minimum Charge and Block 1 based on Schedule 101 Basic & Volumetric Changes in 2018 • Uniform percentage to all other blocks in 2018 • Uniform cents to all blocks in 2019 & 2020 									
55		Rate Design - Schedule 131			<ul style="list-style-type: none"> • Uniform percentage to the first three blocks in 2018 • Uniform cents to all blocks in 2019 & 2020 									

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				Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.	Rate Base	Rev. Req.
1	#			\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands		\$'s in Thousands
56		Rate Design - Schedule 146		<ul style="list-style-type: none"> • Increase Minimum Demand from \$525 to \$550 in 2018, no change 2019 or 2020 • Remaining to blocks on uniform percentage basis in 2018 • Remaining to blocks on uniform cents basis in 2019 & 2020 										
57		OTHER ISSUES												
58								(A) For items that Public Counsel is neutral on in Direct or Cross-Answering testimony, Public Counsel may support the positions of other parties on brief.						TEP takes issue with the level of increase overall
59														
60														
61														