

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA UTILITIES

Respondent.

DOCKETS UE-240006 & UG-240007 (Consolidated)

**MARK E. GARRETT
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT MEG-4

Gas Utility Revenue Requirement Accounting Schedules

July 3, 2024

Avista Corporation
Gas Docket UG-240007
Calculation of Gas Revenue Requirement
Test Year Ended June 30, 2023
(\$ Thousands)

Exhibit MEG-4
Schedule 4.1

Line No.	Description	Amount Per Company	Amount Per PC
1	<u>Rate Year 1 - December 2024</u>		
2	Adjusted Rate Base	\$ 586,084	\$ 586,084
3	Rate of Return	<u>7.61%</u>	<u>6.86%</u>
4	Net Operating Income Requirement	\$ 44,601	\$ 40,205
5	Adjusted Net Operating Income	<u>31,586</u>	<u>32,588</u>
6	Net Operating Income Deficiency/(Sufficiency)	\$ 13,015	\$ 7,617
7	Revenue Conversion Factor	<u>0.75265</u>	<u>0.75265</u>
8	Revenue Requirement	<u>\$ 17,293</u>	<u>\$ 10,121</u>
9	<u>Rate Year 2 - December 2025</u>		
10	Adjusted Rate Base	\$ 602,325	\$ 602,325
11	Rate of Return	<u>7.61%</u>	<u>6.86%</u>
12	Net Operating Income Requirement	\$ 45,837	\$ 41,320
13	Adjusted Net Operating Income	<u>29,386</u>	<u>30,623</u>
14	Net Operating Income Deficiency/(Sufficiency)	\$ 16,451	\$ 10,697
15	Revenue Conversion Factor	<u>0.75265</u>	<u>0.75265</u>
16	Revenue Requirement	<u>\$ 21,857</u>	<u>\$ 14,212</u>

Avista Corporation
Gas Docket UG-240007
Summary of Gas Utility Adjustments
Test Year Ended June 30, 2023
(\$ Thousands)

Avista Adj. #	Ref.	Adjustment Description	Avista Adjustments - Washington Electric			Public Counsel Adjustments and/or PC Neutral in Direct			Public Counsel Position on Avista's Revised Position	Rev. Req. Impact of Differences
			NOI	Rate Base	Rev Req 7.61%	NOI	Rate Base	Rev Req 6.86%		
1.00	Sch. 4.9	Cost of Capital %	\$ 36,392	\$ 533,429	\$ 5,583	\$ 36,392	\$ 533,429	\$ 267	PC Modified	\$ (5,316)
1.01		Deferred FIT Rate Base	(1)	(224)	(21)	(1)	(224)	(19)	PC Neutral in Direct	2
1.02		Deferred Debits and Credits	-	-	-	-	-	-	PC Opposes	-
1.03		Working Capital	(3)	(648)	(61)	(3)	(648)	(54)	PC Modified	6
2.01		Eliminate B & O Taxes	33	-	(44)	33	-	(44)	PC Modified	-
2.02		Restate Property Tax	(228)	-	302	(228)	-	302	PC Neutral in Direct	-
2.03		Uncollectible Expense	(732)	-	973	(732)	-	973	PC Neutral in Direct	-
2.04		Regulatory Expense	(314)	-	418	(314)	-	418	PC Neutral in Direct	-
2.05		Injuries & Damages	14	-	(19)	14	-	(19)	PC Neutral in Direct	-
2.06		FIT / DFIT Expense	101	-	(134)	101	-	(134)	PC Neutral in Direct	-
2.07		Office Space Charges to Non-Utility	8	-	(10)	8	-	(10)	PC Neutral in Direct	-
2.08		Restate Excise Taxes	3	-	(4)	3	-	(4)	PC Neutral in Direct	-
2.09		Net Gains & Losses	9	-	(12)	9	-	(12)	PC Neutral in Direct	-
2.10		Weather Normalization / Gas Cost Adjust	(34)	-	45	(34)	-	45	PC Neutral in Direct	-
2.11		Eliminate Adder Schedules	8	-	(11)	8	-	(11)	PC Neutral in Direct	-
2.12		Misc. Restating Non-Util/Non- Recur. Exp	328	-	(436)	328	-	(436)	PC Neutral in Direct	-
2.13		Restating Incentives Expense	(198)	-	263	(198)	-	263	PC Neutral in Direct	-
2.14		Restate Debt Interest	(57)	-	76	(57)	-	76	PC Neutral in Direct	-
2.15		Restate Capital 06.2023 EOP	67	12,408	1,166	67	12,408	1,042	PC Neutral in Direct	(124)
		Restated Total	\$ 35,396	\$ 544,965	\$ 8,073	\$ 35,396	\$ 544,965	\$ 2,643		\$ (5,430)
Pro Forma Adjustments - 07.2023-12.2025										
3.01		Pro Forma Revenue Normalization	\$ 1,922	\$ -	\$ (2,554)	\$ 1,922	\$ -	\$ (2,554)	PC Neutral in Direct	-
3.02		Pro Forma Def. Debits, Credits & Regulatory Am	193	-	(256)	193	-	(256)	PC Neutral in Direct	-
3.03		Pro Forma EDIT (RSGM)	(136)	-	181	(136)	-	181	PC Neutral in Direct	-
3.04		Pro Forma AMI Amortization	623	(2,141)	(1,044)	623	(2,141)	(1,023)	PC Neutral in Direct	21
3.05		Pro Forma Labor Non-Exec	(1,442)	-	1,916	(1,442)	-	1,916	PC Neutral in Direct	-
3.06	Sch. 4.3	Pro Forma Labor Exec	(15)	-	20	-	-	-	PC Modified	(20)
3.07		Pro Forma Employee Benefits	1,334	-	(1,773)	1,334	-	(1,773)	PC Neutral in Direct	-
3.08		Pro Forma Incentives	(291)	-	387	(291)	-	387	PC Neutral in Direct	-
3.09		Pro Forma LIRAP Labor	(62)	-	82	(62)	-	82	PC Neutral in Direct	-
3.10		Pro Forma CCA Labor	(89)	-	119	(89)	-	119	PC Neutral in Direct	-
3.11		Pro Forma Property Tax	(747)	-	993	(747)	-	993	PC Neutral in Direct	-
3.12	Sch. 4.5	Pro Forma Insurance Expense	(472)	-	628	(416)	-	553	PC Modified	(75)
3.13		Pro Forma IS/IT Expense	(16)	-	22	(16)	-	22	PC Neutral in Direct	-
3.14	Sch. 4.4	Pro Forma Misc O&M Exp	(1,291)	-	1,715	(705)	-	937	PC Modified	(778)
3.15		Pro Forma Capital Additions to 12.31.2023 EOP	(898)	19,488	3,164	(898)	19,488	2,970	PC Neutral in Direct	(194)
3.16		Pro Forma Depreciation Expense	714	-	(949)	714	-	(949)	PC Neutral in Direct	-
3.17		Pro Forma Capital Additions to 12.31.2024 EOP	(1,435)	20,568	3,986	(1,435)	20,568	3,781	PC Modified	(205)
3.18		Pro Forma New Regulatory Amortizations	(237)	-	315	(237)	-	315	PC Neutral in Direct	-
3.19		Pro Forma Nucleus/ETRM Expense	(141)	-	187	(141)	-	187	PC Modified	-
3.20	Sch. 4.6	Pro Forma BOD Fees Expense	(119)	-	157	77	-	(102)	PC Modified	(259)
4.01		Provisional Capital Additions to 12.31.2025 AMA	(1,697)	3,204	2,579	(1,697)	3,204	2,547	PC Neutral in Direct	(32)
4.02		2024-2025 Capital Adds O&M & Revenue Offsets	492	-	(654)	492	-	(654)	PC Neutral in Direct	-
	Sch. 4.7	Share Investor Relations Expense	-	-	-	45	-	(60)	PC Modified	(60)
	Sch. 4.8	Association Dues	-	-	-	105	-	(140)	PC Modified	(140)
		Pro Forma Study Ending 12.2025	31,586	586,084	17,293	32,588	586,084	10,121		(7,172)
Pro Forma Adjustments - 12.2025-12.2026										
5.01		Pro Forma AMI Amortization	\$ 78	\$ (848)	(190)	\$ 78	\$ (848)	\$ (181)	PC Neutral in Direct	8
5.02		Pro Forma Labor Non-Exec	(581)	-	771	(581)	-	771	PC Modified	-
5.03		Pro Forma Employee Benefits	(116)	-	154	(116)	-	154	PC Modified	-
5.04		Pro Forma Property Tax	(24)	-	31	(24)	-	31	PC Neutral in Direct	-
5.05		Pro Forma Nucleus/ETRM Expense	51	-	(68)	51	-	(68)	PC Neutral in Direct	-
5.06	Sch. 4.4	Pro Forma Misc O&M Exp	(516)	-	686	(282)	-	375	PC Neutral in Direct	(311)
5.07		Provisional Capital Adds to 12.31.2026 AMA	(1,282)	17,089	3,432	(1,282)	17,089	3,261	PC Modified	(170)
5.08		2026 Capital Adds O&M & Revenue Offsets	190	-	(252)	190	-	(252)	PC Modified	-
		Pro Forma Study Ending 12.2026	\$ 29,386	\$ 602,325	\$ 21,857	\$ 30,623	\$ 602,325	\$ 14,212		\$ (7,645)
		Incremental 12.2026			4,565			4,092		(473)

**Exhibit MEG-4
Schedule 4.3**

Avista Corporation
Gas Docket UG-240007
Pro Forma Executive Payroll Adjustment
Test Year Ended June 30, 2023
(\$ thousands)

<u>Line No.</u>	<u>Description</u>	<u>Reference</u>	<u>Amount</u>
1	Avista Proposed Increase to Executive Payroll	Note 1	\$ 19
2	PC Adjustment to Exclude Executive Pay Increases		<u>\$ (19)</u>
3	PC Recommended Pro Forma Adjustment to Executive Payroll		<u>\$ -</u>
4	Revenue Requirement Impact	Exhibit MEG-4 Sch. 4.2	<u>\$ (20)</u>

Note 1 From G-3.06 PF Exec Labor, cell F55.

Avista Corporation
 Gas Docket UG-240007
Miscellaneous O&M Escalation Adjustment
 Test Year Ended June 30, 2023

Exhibit MEG-4
Schedule 4.4

Line No.	Description		Amount
1	Miscellaneous O&M Expense Adjustment 2025, Adj. PF 3.14	Note 1	\$ 892,886
2	Income Taxes at 21%		<u>(187,506)</u>
3	Net Increase to Expenses		<u>\$ 705,380</u>
4	Revenue Requirement Impact YR-1 (\$ thousands)	Exhibit MEG-4 Sch. 4.2	<u>\$ (778)</u>
5	Miscellaneous O&M Adjustment 2026, Adj. PF 5.06	Note 1	\$ 357,154
6	Income Taxes at 21%		<u>(75,002)</u>
7	Net Increase to Expenses		<u>\$ 282,152</u>
8	Revenue Requirement Impact YR-2 (\$ thousands)	Exhibit MEG-4 Sch. 4.2	<u>\$ (170)</u>

Note 1 See WP MEG-4.4 Misc. O&M Escalation

Avista Corporation
Gas Docket UG-240007
Directors & Officers' Liability Insurance
Test Year Ended June 30, 2023

Exhibit MEG-4
Schedule 4.5

Line No.	Description	Reference	Amount
1	Projected 2025 D&O Insurance	Note 1	\$ 1,199,069
2	Ratepayer Share at 50%		<u>\$ 599,535</u>
3	PC Sharing D&O Insurance		\$ (599,535)
4	Avista Sharing of D&O Insurance	Note 2	<u>(119,907)</u>
5	Difference		\$ (479,628)
6	Washington Gas Factor	Note 3	<u>0.148571617</u>
7	PC Reduction to Ratepayer Share of D&O Insurance		\$ (71,259)
8	Avista Projected Insurance Expense Adjustment	Note 4	<u>597,717</u>
9	PC Projected Insurance Expense Adjustment, Adj. PF 3.12		<u>\$ 526,458</u>
10	Revenue Requirement Impact (\$ thousands)	Exhibit MEG-4 Sch. 4.2	<u>\$ (75)</u>

Note 1 240006-07-AVA-Exh-KJs-3-Nat Gas RR Model AMA 2025-2026-Long, Tab: G-3.12 PF Ins, cell AW13.

Note 2 Id., Tab: G-3.12 PF Ins, cell AW25.

Note 3 Id., Tab: G-3.12 PF Ins, cell A20 * A21.

Note 4 Id., Tab: G-3.12 PF Ins, cell J21.

**Exhibit MEG-4
 Schedule 4.6**

Avista Corporation
 Gas Docket UG-240007
Board of Directors' Compensation
 Test Year Ended June 30, 2023

Line No.	Description	Reference	Cash Compensation	Stock Compensation	Total Compensation
1	Utility BOD Compensation	Note 1	\$ 1,219,763	\$ 1,304,700	\$ 2,524,463
2	PC Ratepayer Sharing Percentage		50%	0%	
3	PC Ratepayer Share		\$ 609,881	\$ -	\$ 609,881
4	Avista Proposed Ratepayer Share 2023		<u>609,881</u>	<u>652,350</u>	<u>1,262,231</u>
5	PC Adjustment		\$ 0	\$ (652,350)	\$ (652,350)
6	Washington Gas Utility Allocation	Note 2	14.857%	14.857%	14.857%
7	PC Proposed Jurisdictional Adjustment, Adj. PF 3.20		<u>\$ 0</u>	<u>\$ (96,921)</u>	<u>\$ (96,921)</u>
8	Company Proposed Adjustment	Note 3			<u>150,025</u>
9	Difference				<u>\$ (246,946)</u>
10	Revenue Requirement Impact (\$ thousands)	Exhibit MEG-4 Sch. 4.2			<u>\$ (259)</u>

Note 1 From G-3.20 PF BOD, cells O7 and O9.
 Note 2 From G-3.20 PF BOD, cell B16 * B17.
 Note 3 From G-3.20 PF BOD, cell G17.

Avista Corporation
Gas Docket UG-240007
Investor Relations Expense
Test Year Ended June 30, 2023

Exhibit MEG-4
Schedule 4.7

<u>Line No.</u>	<u>Description</u>	<u>Reference</u>	<u>Amount</u>
1	Test Year Investor Relations Expense	Note 1	\$ 114,176
2	Ratepayer Share at 50%		<u>\$ 57,088</u>
3	PC Sharing D&O Insurance		<u>\$ (57,088)</u>
4	Revenue Requirement Impact (\$ thousands)		<u>\$ (60)</u>

Note 1 PC-DR-194 Attachment A.

Avista Corporation
Gas Docket UG-240007
Industry Association Dues
Test Year Ended June 30, 2023

Exhibit MEG-4
Schedule 4.8

<u>Line No.</u>	<u>Description</u>	<u>Reference</u>	<u>Amount</u>
1	Test Year Association Dues	Note 1	\$ 133,440
2	Adjustment to Exclude Industry Association Dues		\$ (133,440)
3	Impact on Income Tax Expense		<u>28,022</u>
4	Net Adjustment to Expenses to Exclude Association Dues		<u>\$ (105,418)</u>
5	Revenue Requirement Impact (\$ thousands)	Exhibit MEG-4 Sch. 4.2	<u>\$ (140)</u>

Note 1 PC-DR-182.

Avista Corporation
 Gas Docket UG-240007
 Gas Utility Cost of Capital
 Test Year Ended June 30, 2023

Exhibit MEG-4
Schedule 4.9

Line No.	Component	Capital Structure	Cost	Weighted Cost	Pre-Tax Factor	Pre-Tax Cost
1	<u>Avista Requested Cost of Capital</u>					
2	Long-Term Debt	51.50%	4.99%	2.57%	1	2.57%
3	Common Equity	<u>48.50%</u>	10.40%	<u>5.04%</u>	1.26582	<u>6.38%</u>
4	Totals	100.00%		7.61%		8.95%
5	<u>Public Counsel Proposed Return on Equity</u>					
6	Long-Term Debt	51.50%	4.99%	2.57%	1	2.57%
7	Common Equity	<u>48.50%</u>	8.85%	<u>4.29%</u>	1.26582	<u>5.43%</u>
8	Totals	100.00%		6.86%		8.00%
9	Public Counsel Return on Equity Adjustment			<u>-0.75%</u>		<u>-0.95%</u>