

**BEFORE THE WASHINGTON  
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA UTILITIES

Respondent.

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DOCKETS UE-240006 & UG-240007 (Consolidated)

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

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**EXHIBIT MEG-3**

Electric Utility Revenue Requirement Accounting Schedules

**July 3, 2024**

Avista Corporation  
Electric Docket UE-240006  
**Calculation of Electric Revenue Requirement**  
Test Year Ended June 30, 2023  
(\$ Thousands)

**Exhibit MEG-3**  
**Schedule 3.1**

Line No.	Description	Amount Per Company	Amount Per PC
<b>1</b>	<b><u>Rate Year 1 - December 2024</u></b>		
2	Adjusted Rate Base	\$ 2,309,817	\$ 2,309,817
3	Rate of Return, per Settlement	<u>7.61%</u>	<u>6.86%</u>
4	Net Operating Income Requirement	\$ 175,777	\$ 158,453
5	Adjusted Net Operating Income	<u>117,786</u>	<u>156,654</u>
6	Net Operating Income Deficiency/(Sufficiency)	\$ 57,991	\$ 1,799
7	Revenue Conversion Factor	<u>0.75248</u>	<u>0.75248</u>
<b>8</b>	<b>Revenue Requirement</b>	<b><u>\$ 77,067</u></b>	<b><u>\$ 2,391</u></b>
<b>9</b>	<b><u>Rate Year 2 - Ending December 2025</u></b>		
10	Adjusted Rate Base	\$ 2,400,061	\$ 2,400,061
11	Rate of Return, per Settlement	<u>7.61%</u>	<u>6.86%</u>
12	Net Operating Income Requirement	\$ 182,645	\$ 164,644
13	Adjusted Net Operating Income	<u>65,863</u>	<u>106,424</u>
14	Net Operating Income Deficiency/(Sufficiency)	\$ 116,782	\$ 58,221
15	Revenue Conversion Factor	<u>0.75248</u>	<u>0.75248</u>
<b>16</b>	<b>Revenue Requirement</b>	<b><u>\$ 155,196</u></b>	<b><u>\$ 77,372</u></b>

Avista Corporation  
Electric Docket UE-240006  
Summary of Electric 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	NOI	Rate Base	Rev Req		
Exh. MEG-3										
	Sch. 3.10	Cost of Capital %			7.61%			6.86%		
1.00		Results of Operations	\$ 125,207	\$ 2,109,185	\$ 46,915	\$ 125,207	\$ 2,109,185	\$ 25,892	PC Modified	\$(21,022)
1.01		Deferred FIT Rate Base	16	2,942	276	16	2,942	247	PC Neutral in Direct	(29)
1.02		Deferred Debits and Credits	-	-	-	-	-	-	PC Opposes	-
1.03		Working Capital	(17)	(3,239)	(304)	(17)	(3,239)	(272)	PC Modified	32
1.04		Remove Colstrip	(1,683)	(24,878)	(279)	(1,683)	(24,878)	(31)	PC Modified	248
2.01		Eliminate B & O Taxes	51	-	(67)	51	-	(67)	PC Neutral in Direct	-
2.02		Restate Property Tax	(1,073)	-	1,426	(1,073)	-	1,426	PC Neutral in Direct	-
2.03		Uncollectible Expense	(720)	-	957	(720)	-	957	PC Neutral in Direct	-
2.04		Regulatory Expense	(659)	-	876	(659)	-	876	PC Neutral in Direct	-
2.05		Injuries and Damages	249	-	(331)	249	-	(331)	PC Neutral in Direct	-
2.06		FIT/DFIT/ ITC Expense	209	-	(278)	209	-	(278)	PC Neutral in Direct	-
2.07		Office Space Charges to Non-Utility	26	-	(35)	26	-	(35)	PC Neutral in Direct	-
2.08		Restate Excise Taxes	46	-	(61)	46	-	(61)	PC Neutral in Direct	-
2.09		Net Gains & Losses	54	-	(71)	54	-	(71)	PC Neutral in Direct	-
2.10		Weather Normalization	(1,101)	-	1,464	(1,101)	-	1,464	PC Neutral in Direct	-
2.11		Eliminate Adder Schedules	2	-	(3)	2	-	(3)	PC Neutral in Direct	-
2.12		Misc. Restating Non-Util / Non-Rec Exp	1,025	-	(1,362)	1,025	-	(1,362)	PC Neutral in Direct	-
2.13		Restating Incentives Expense	(625)	-	830	(625)	-	830	PC Neutral in Direct	-
2.14		Restate Debt Interest	(226)	-	300	(226)	-	300	PC Neutral in Direct	-
2.15		Restate Capital 06.2023 EOP	291	53,930	5,067	291	53,930	4,530	PC Modified	(538)
2.16		Eliminate WA Power Cost Defer	(31,140)	-	41,383	(31,140)	-	41,383	PC Neutral in Direct	-
2.17		Nez Perce Settlement Adjustment	12	-	(16)	12	-	(16)	PC Neutral in Direct	-
2.18		Normalize CS2 Major Maint	(264)	-	351	(264)	-	351	PC Neutral in Direct	-
2.19		Authorized Power Supply	46,582	-	(61,904)	46,582	-	(61,904)	PC Neutral in Direct	-
		Restated Total	\$ 136,259	\$ 2,137,939	\$ 35,134	\$ 136,259	\$ 2,137,939	\$ 13,826		\$(21,309)
<b>Pro Forma Adjustments - 07.2023-12.2025</b>										
3.00P	Sch. 3.9	Pro Forma Power Supply	\$ (16,489)	\$ -	\$ 21,913	\$ 16,965	\$ -	\$ (22,546)	PC Modified	(44,458)
3.00T		Pro Forma Transmission Revenue/Expens	2,564	-	(3,407)	2,564	-	(3,407)	PC Neutral in Direct	-
3.01		Pro Forma Revenue Normalization	25,156	-	(33,431)	25,156	-	(33,431)	PC Neutral in Direct	-
3.02		Pro Forma Def. Debits, Credits & Regulat	(4,913)	-	6,529	(4,913)	-	6,529	PC Neutral in Direct	-
3.03		Pro Forma EDIT (RSGM)	(92)	-	122	(92)	-	122	PC Neutral in Direct	-
3.04		Pro Forma AMI Amortization	1,793	(7,529)	(3,144)	1,793	(7,529)	(3,069)	PC Modified	75
3.05		Pro Forma Labor Non-Exec	(5,210)	-	6,924	(5,210)	-	6,924	PC Neutral in Direct	-
3.06	Sch. 3.3	Pro Forma Labor Exec	(47)	-	63	-	-	-	PC Neutral in Direct	(63)
3.07		Pro Forma Employee Benefits	4,289	-	(5,699)	4,289	-	(5,699)	PC Neutral in Direct	-
3.08		Pro Forma Incentives	(919)	-	1,222	(919)	-	1,222	PC Neutral in Direct	-
3.09		Pro Forma LIRAP Labor	(207)	-	275	(207)	-	275	PC Neutral in Direct	-
3.10		Pro Forma CCA Labor	(301)	-	400	(301)	-	400	PC Neutral in Direct	-
3.11		Pro Forma Property Tax	146	-	(194)	146	-	(194)	PC Neutral in Direct	-
3.12	Sch. 3.5	Pro Forma Insurance Expense	(4,155)	-	5,522	(3,977)	-	5,285	PC Neutral in Direct	(237)
3.13		Pro Forma IS/IT Expense	(80)	-	107	(80)	-	107	PC Neutral in Direct	-
3.14	Sch. 3.4	Pro Forma Misc O&M Exp	(7,012)	-	9,319	(2,780)	-	3,695	PC Modified	(5,624)
3.15		Pro Forma Capital Additions to 12.31.202	(2,861)	83,421	12,238	(2,861)	83,421	11,407	PC Modified	(831)
3.16		Pro Forma Depreciation Expense	593	-	(788)	593	-	(788)	PC Neutral in Direct	-
3.17		Pro Forma Capital Additions to 12.31.202	(3,292)	70,224	11,477	(3,292)	70,224	10,777	PC Modified	(700)
3.18		Pro Forma New Regulatory Amortization:	(3,616)	-	4,806	(3,616)	-	4,806	PC Neutral in Direct	-
3.19		Pro Forma Nucleus/ETRM Expense	(445)	-	591	(445)	-	591	PC Neutral in Direct	-
3.20	Sch. 3.6	Pro Forma Bd. of Directors' Comp. Exper	(374)	-	498	242	-	(321)	PC Neutral in Direct	(819)
3.21		PF Transportation Electrification Return (	(104)	-	139	(104)	-	139	PC Neutral in Direct	-
3.22		Pro Forma Remove Normalize CS2 Major	264	-	(351)	264	-	(351)	PC Neutral in Direct	-
3.23		Pro Forma PPA Interest	(1,706)	-	2,267	(1,706)	-	2,267	PC Neutral in Direct	-
3.24		Pro Forma Wildfire Expense	(3,204)	-	4,258	(3,204)	-	4,258	PC Neutral in Direct	-
4.01		Provisional Capital Additions to 12.31.20	(4,015)	25,761	7,941	(4,015)	25,761	7,684	PC Modified	(257)
4.02		2024-2025 Capital Adds O&M & Revenue	5,766	-	(7,663)	5,766	-	(7,663)	PC Neutral in Direct	-
	Sch. 3.7	Investor Relations Expense				151	-	(201)	PC Modified	(201)
	Sch. 3.8	Association Dues				190	-	(252)	PC Modified	(252)
		Pro Forma Study Ending 12.2025	117,786	2,309,817	77,067	156,654	2,309,817	2,391		(74,676)
<b>Pro Forma Adjustments - 12.2025-12.2026</b>										
5.00P		Pro Forma Power Supply - Remove Colst	\$ (44,781)	\$ -	\$ 59,512	\$ (44,781)	\$ -	\$ 59,512	PC Neutral in Direct	-
5.01		Pro Forma AMI Amortization	232	(2,992)	(611)	232	(2,992)	(581)	PC Modified	30
5.02		Pro Forma Labor Non-Exec	(2,087)	-	2,774	(2,087)	-	2,774	PC Neutral in Direct	-
5.03		Pro Forma Employee Benefits	(366)	-	487	(366)	-	487	PC Neutral in Direct	-
5.04		Pro Forma Property Tax	(590)	-	784	(590)	-	784	PC Neutral in Direct	-
5.05		Pro Forma Nucleus/ETRM Expense	164	-	(217)	164	-	(217)	PC Neutral in Direct	-
5.06	Sch. 3.4	Pro Forma Misc O&M Exp	(2,805)	-	3,727	(1,112)	-	1,478	PC Modified	(2,249)
5.07		Provisional Capital Adds to 12.31.2026 A	(2,479)	93,236	12,724	(2,479)	93,236	11,794	PC Modified	(929)
5.08		2026 Capital Adds O&M & Revenue Off:	3,037	-	(4,036)	3,037	-	(4,036)	PC Neutral in Direct	-
5.09		Pro Forma EDIT	(767)	-	1,019	(767)	-	1,019	PC Neutral in Direct	-
5.10		PF Transportation Electrification Return (	(28)	-	38	(28)	-	38	PC Neutral in Direct	-
5.11		Pro Forma CS2 Amortization	(1,312)	-	1,744	(1,312)	-	1,744	PC Neutral in Direct	-
5.12		Pro Forma PPA Interest	(139)	-	185	(139)	-	185	PC Neutral in Direct	-
		Pro Forma Study Ending 12.2026	\$ 65,863	\$ 2,400,061	\$ 155,196	\$ 106,424	\$ 2,400,061	\$ 77,372		\$(77,825)
		Incremental 12.2026			78,129			74,981		(3,149)

**Exhibit MEG-3**  
**Schedule 3.3**

Avista Corporation  
Electric Docket UE-240006  
**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	\$ 60
2	PC Adjustment to Exclude Executive Pay Increases		<u>\$ (60)</u>
3	PC Recommended Pro Forma Adjustment to Executive Payroll		<u><u>\$ -</u></u>

Note 1 240006-07-AVA-Exh-KJS-2-Elec RR Model AMA 2024-2026-Long,  
Tab: E-3.06 PF Exec Labor, cell F51.

Avista Corporation  
 Electric Docket UE-240006  
**Miscellaneous O&M Escalation Adjustment**  
 Test Year Ended June 30, 2023

**Exhibit MEG-3**  
**Schedule 3.4**

Line No.	Description	Reference	Amount
1	Miscellaneous O&M Expense Adjustment 2024 and 2025	WP MEG-3.4	\$ 3,519,498
2	Income Taxes at 21%		<u>(739,094)</u>
3	Net Increase to Expenses		<u>\$ 2,780,403</u>
4	<b>Revenue Requirement Impact - YR 1 (\$ thousands)</b>	Exhibit MEG-3 Sch. 3.2	<u>\$ (5,624)</u>
5	Miscellaneous O&M Adjustment 2026	WP MEG-3.4	\$ 1,407,799
6	Income Taxes at 21%		<u>(295,638)</u>
7	Net Increase to Expenses		<u>\$ 1,112,161</u>
8	<b>Revenue Requirement Impact - YR 2 (\$ thousands)</b>	Exhibit MEG-3 Sch. 3.2	<u>\$ (2,249)</u>

Avista Corporation  
 Electric Docket UE-240006  
**Directors & Officers' Liability Insurance**  
 Test Year Ended June 30, 2023

**Exhibit MEG-3**  
**Schedule 3.5**

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 Electric Factor	Note 3	<u>0.469350762</u>
7	PC Reduction to Ratepayer Share of D&O Insurance		\$ (225,114)
8	Avista Projected Insurance Expense Adjustment	Note 4	<u>5,259,576</u>
9	PC Projected Insurance Expense Adjustment		<u>\$ 5,034,462</u>
10	Revenue Requirement Impact (\$ thousands)	<b>Exhibit MEG-3 Sch. 3.2</b>	<u>\$ (237)</u>

Note 1 240006-07-AVA-Exh-KJS-2-Elec RR Model AMA 2025-2026-Long, Tab: E-3.12 PF Ins, cell AW13.

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

Note 3 Id., Tab: E-3.12 PF Ins, cell A16 \* A17.

Note 4 Id., Tab: E-3.12 PF Ins, cell J17.

Avista Corporation  
 Electric Docket UE-240006  
**Board of Directors' Compensation**  
 Test Year Ended June 30, 2023

**Exhibit MEG-3**  
**Schedule 3.6**

Line No.	Description	Reference	Cash Compensation	Stock Compensation	Total Compensation
1	Board of Directors' Compensation	Note 1	\$ 1,219,763	\$ 1,304,700	\$ 2,524,463
2	PC's Recommended Sharing Percentage		50%	0%	
3	PC's Recommended 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's Total Company RY1 Adjustment		\$ 0	\$ (652,350)	\$ (652,350)
6	Washington Electric Utility Allocation	Note 2	46.935%	46.935%	46.935%
7	PC's Proposed Jurisdictional Adjustment, RY1		<u>\$ 0</u>	<u>\$ (306,181)</u>	<u>\$ (306,181)</u>
8	Company Proposed RY1 Adjustment	Note 3			<u>473,943</u>
9	Difference				<u>\$ (780,124)</u>
10	Revenue Requirement Impact (\$ thousands)	<b>Exhibit MEG-3 Sch. 3.2</b>			<u>\$ (819)</u>

Note 1 From E-3.20 PF BOD, cells O7 and O9.

Note 2 From E-3.20 PF BOD, cell B11 \* B12.

Note 3 From E-3.20 PF BOD, cell G12.

**Exhibit MEG-3**  
**Schedule 3.7**

Avista Corporation  
Electric Docket UE-240006  
**Investor Relations Expense**  
Test Year Ended June 30, 2023  
(\$ Thousands)

<u>Line No.</u>	<u>Description</u>	<u>Reference</u>	<u>Amount</u>
1	Test Year Investor Relations Expense	Note 1	\$ 382,754
2	Ratepayer Share at 50%		<u>\$ 191,377</u>
3	PC Adjustment to Share Investor Relations Expense		<u>\$ (191,377)</u>
4	Revenue Requirement Impact (\$ thousands)	Exhibit MEG-3 Sch. 3.2	<u>\$ (201)</u>

Note 1 PC-DR-194 Attachment A.



Avista Corporation  
Electric Docket UE-240006  
**Industry Association Dues**  
Test Year Ended June 30, 2023

**Exhibit MEG-3**  
**Schedule 3.8**

<u>Line No.</u>	<u>Description</u>	<u>Reference</u>	<u>Amount</u>
1	Test Year Industry Association Dues	Note 1	\$ 240,204
2	Adjustment to Exclude Industry Association Dues		<u>\$ (240,204)</u>
3	Revenue Requirement Impact (\$ thousands)	<b>Exhibit MEG-3 Sch. 3.2</b>	<u>\$ (252)</u>

Note 1 PC-DR-169.

**Exhibit MEG-3  
 Schedule 3.9**

Avista Corporation  
 Electric Docket UE-240006  
**Pro Forma Power Supply Expense Adjustment**  
 Test Year Ended June 30, 2023  
 (\$ Thousands)

Line No.	Description	Reference	Amount
1	Avista Forecast to Actual Market Sales Adjustment	Note 1	\$ (65,756)
2	Public Counsel Adjustment to Exclude the Forecast to Market Sales Adjustment		\$ 65,756
3	Jurisdictional Factor	Note 2	<u>64.40%</u>
4	Public Counsel Jurisdictional Adjustment to Rate Year 1 Power Adjustment		\$ 42,347
5	Avista Rate Year 1 Pro Forma Power Supply Adjustment	Note 3	<u>\$ (20,872)</u>
6	Public Counsel Rate Year 1 Power Supply Adjustment to Taxable Income		\$ 21,475
7	Income Tax Impact		<u>\$ (4,510)</u>
8	Adjustment to Net Income		<u><u>\$ 16,965</u></u>

Note 1 Exh. CGK-3, ln. 62

Note 2 E-2.19,3.00P,5.00P Auth & PF PS, cell M11

Note 2 ADJ DETAIL-IMPOT, CELL ae48.

Avista Corporation  
 Electric Docket UE-240006  
**Electric Utility Cost of Capital**  
 Test Year Ended June 30, 2023

**Exhibit MEG-3**  
**Schedule 3.10**

Line No.	Component	Capital Structure	Cost	Weighted Cost	Pre-Tax Factor	Pre-Tax Cost
1	<b><u>Avista Requested Cost of Capital</u></b>					
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%		<b>7.61%</b>		8.95%
5	<b><u>Public Counsel Proposed Return on Equity</u></b>					
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%		<b>6.86%</b>		8.00%
9	Public Counsel Return on Equity Adjustment			<u><u>-0.75%</u></u>		<u><u>-0.95%</u></u>