

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	DOCKETS UE-140188 and UG-140189 ( <i>Consolidated</i> )
	)	
Complainant,	)	ORDER 05
	)	
v.	)	FINAL ORDER REJECTING
	)	TARIFF FILING, ACCEPTING
AVISTA CORPORATION d/b/a	)	WITH CONDITIONS FULL
AVISTA UTILITIES,	)	SETTLEMENT STIPULATION,
	)	AUTHORIZING TARIFF FILING,
Respondent.	)	AND REQUIRING COMPLIANCE
	)	FILING
.....	)	

**Synopsis:** *The Commission rejects the tariff sheets Avista Corporation d/b/a Avista Utilities (Avista or Company) filed on February 4, 2014, by which the Company requested to increase electric base rates by \$18.2 million, or 3.8 percent, and natural gas base rates by \$12.2 million, or 8.1 percent. Instead, the Commission approves, with conditions a settlement filed by Avista, Commission Staff, Public Counsel, ICNU, NWIGU, and The Energy Project on August 18, 2014, and as amended on September 8, 2014.*

*We approve the agreed upon increase in electric revenues by approximately \$4 million or 0.8 percent, which includes the impact of a \$3 million credit from the existing Energy Recovery Mechanism (ERM) deferral balance. In addition, the Commission approves an electric low income rate assistance program (LIRAP) funding increase of \$0.4 million. To partially offset the rate impact of the expiration of the current period's ERM credit and Bonneville Power Administration transmission credits totaling approximately \$13.7 million, the Commission approves a settlement that would rebate approximately \$8.6 million of Renewable Energy Credit revenues to electric customers over 18 months. In addition, the Commission approves an increase in natural gas revenues by approximately \$8.9 million or 5.58 percent, including a natural gas LIRAP funding increase of \$0.42 million or 0.14 percent.*

*The Commission also approves the settling parties' request to implement electric and gas decoupling mechanisms for five years, as well as the use of a third-party evaluation, paid for by Avista shareholders and to be completed following the end of the third full year of the implementation of the mechanisms. We require the Company to consult with its Conservation Advisory Group in the development of the request for proposals (RFP) and the selection of the consultant to perform the evaluation. After incorporating input from its advisory group, Avista must file its draft RFP, including the scope of the evaluation query, with the Commission for its approval. At a minimum, we expect the evaluation to address decoupling's effect on revenues, its impact on conservation, the extent to which the allowed revenues are recovering their allocated cost of service by customer class, and the extent to which fixed costs are recovered in fixed charges for the customer classes excluded from the decoupling mechanisms.*

*The Commission orders that the LIRAP funding increase proposed in the Settlement be doubled, for a total electric LIRAP funding increase of \$400,000 and a total natural gas LIRAP funding increase of \$428,000 and encourages parties to file mutually agreed upon additions to the LIRAP program at the same time as any mutually agreed-upon modifications without waiting until the following year as contemplated by the Settlement. If the parties cannot agree upon modifications or additions to the program by June 1, 2015, they should file alternative or competing proposals with the Commission at that time*

*The Settlement proposed a separate forum in which the parties could discuss attrition and other rate making policy issues. We direct Staff to open an investigatory docket to discuss attrition and other rate making policy issues.*

*With the above additional requirements and conditions, we approve the Settlement Stipulation.*



SUMMARY

- 1 **PROCEEDINGS:** On February 4, 2014, Avista Corporation d/b/a Avista Utilities (Avista or the Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-28, Electric Service in Docket UE-140188, and its currently effective Tariff WN U-29, Gas Service in Docket UG-140189. In its filings, Avista requested authority to increase charges and rates for electric service by approximately \$18.2 million or 3.8 percent. The overall electric increase Avista proposed is 5.5 percent, including the above-mentioned 3.8 percent base rate increase, a Renewable Energy Credit Revenue Mechanism rebate of 1.1 percent, and the expiration of two rebates currently received by electric customers totaling 2.8 percent, effective January 1, 2015.
- 2 The Company also requested a natural gas rate increase of \$12.1 million, or 8.1 percent. On February 14, 2014, the Commission suspended operation of the tariffs and consolidated the dockets for hearing.
- 3 **PARTY REPRESENTATIVES:** David J. Meyer, Vice President and Chief Counsel for Regulatory and Governmental Affairs, Spokane, Washington, represents Avista. Brett P. Shearer, Assistant Attorney General, Olympia, Washington, represents the Commission's regulatory staff (Staff or Commission Staff).<sup>1</sup> Lisa W. Gafken, Assistant Attorney General, Seattle, Washington, represents the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel).
- 4 Melinda J. Davison and Joshua D. Weber, Davison Van Cleve, P.C., Portland, Oregon, represent the Industrial Customers of Northwest Utilities (ICNU). Ronald L. Roseman, Attorney, Seattle, Washington, represents The Energy Project. Chad M. Stokes and Tommy A. Brooks, Cable Huston, Portland, Oregon, represent the Northwest Industrial Gas Users (NWIGU).

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<sup>1</sup> In formal proceedings, such as this, the Commission's regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners' policy and accounting advisors do not discuss the merits of the proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

- 5 **COMMISSION DETERMINATIONS:** The Commission approves and adopts the proposed Settlement Stipulation (Settlement) with the following conditions:

*Decoupling Mechanisms and Third-Party Evaluator*

- Avista must consult with its Conservation Advisory Group when developing the request for proposal (RFP) for the third-party evaluator tasked with reviewing the Company's five-year electric and natural gas decoupling mechanisms as well as the selection of the evaluator.
- After incorporating input from its advisory group, Avista must file its RFP with the Commission, including the scope of the evaluation query, for approval.
- At a minimum, the third-party evaluation must address decoupling's effect on revenues, its impact on conservation, the extent to which the allowed revenues are recovering their allocated cost of service by customer class, and the extent to which fixed costs are recovered in fixed charges for the customer classes excluded from the decoupling mechanisms.

*LIRAP*

- Avista must double funding for the low income rate assistance program (LIRAP) from the amount proposed in the Settlement.
- Using Staff's proposed pilot program as a basis, the parties should work together to file mutually agreed upon additions and modifications to the LIRAP. If the parties cannot agree upon modifications or additions to the program they should file alternative or competing proposals with the Commission no later than June 1, 2015.

*Attrition*

- Staff will open an investigatory docket to facilitate discussion of attrition and other rate making policy issues.



## MEMORANDUM

### **I. Background and Procedural History**

- 6 On February 4, 2014, Avista filed revisions to its currently effective Tariff WN U-28, Electric Service, and Tariff WN U-29, Gas Service. The Company requested authority to increase charges and rates for electric service by approximately \$18.2 million, or 3.8 percent. The Company also requested a natural gas rate increase of \$12.1 million, or 8.1 percent. On February 14, 2014, the Commission suspended operation of the tariffs and consolidated the dockets for hearing.
- 7 Avista based its initial request on a test year from July 1, 2012, through June 30, 2013. The filing included proposals for the following:
- An overall rate of return (ROR) of 7.71 percent.<sup>2</sup>
  - A return on common equity (ROE) of 10.1 percent.<sup>3</sup>
  - A capital structure consisting of 49.0 percent equity and 51.0 percent debt.<sup>4</sup>
- 8 On March 7, 2014, the Commission conducted a prehearing conference before Administrative Law Judge Marguerite E. Friedlander. On July 22, 2014, Staff, Public Counsel, The Energy Project, NWIGU, and ICNU filed response testimony and exhibits. Following notification from the parties that they had reached a full settlement, the Commission suspended the remaining procedural schedule on August 14, 2014. The Commission held public comment hearings in both Spokane and Spokane Valley, Washington, on August 26, 2014, and August 27, 2014, respectively. Collectively, 15 members of the public spoke at the public comment hearings. In total, the Commission and Public Counsel received 179 comments regarding the proposed rate increase from Washington customers, with 158 comments opposing

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<sup>2</sup> Morris, Exh. No. SLM-1T, at 3:18.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

the increase, one comment supporting the increase, and 20 comments neither supporting nor opposing.<sup>5</sup>

9 On August 18, 2014, Avista, Staff, Public Counsel, ICNU, NWIGU, and The Energy Project filed a Settlement, attached to this Order as Appendix A. The settling parties also filed joint testimony in support of the Settlement on August 29, 2014. On September 8, 2014, the settling parties filed certain amendments to the Settlement and Joint Testimony to reflect corrections to the level of LIRAP funding increases. On September 23, 2014, the Commission convened a settlement hearing in Olympia, Washington. Chairman David W. Danner, Commissioner Philip B. Jones, and Commissioner Jeffrey D. Goltz were assisted at the bench by Judge Friedlander. Altogether, the record includes more than 200 exhibits entered during the settlement hearing. The transcript of this proceeding exceeds 250 pages in length.

10 On November 12, 2014, Avista filed, in compliance with conditions in the Settlement, an updated power supply revenue requirement increase of \$5.6 million, an amount lower than the \$6.3 million originally requested.

## II. Settlement Stipulation

### A. Introduction

11 The Commission's statutory duty, in the context of a general rate case, is to balance the needs of the public to have safe and reliable gas and electric service at reasonable rates with the financial ability of the utility to provide such service prospectively. In fulfilling its statutory duty, the Commission must establish rates that are "fair, just, reasonable and sufficient."<sup>6</sup> The rates must be fair to both customers and the utility; just, in that the rates are based solely on the record in this case following the principles of due process of law; reasonable, in light of the range of potential outcomes presented in the record; and sufficient, to meet the financial needs of the utility to cover its expenses and attract capital on reasonable terms.<sup>7</sup>

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<sup>5</sup> Exh. No. 5.

<sup>6</sup> RCW 80.28.010(1); RCW 80.28.020.

<sup>7</sup> *Federal Power Commission v. Hope Natural Gas*, 320 U.S. 591 (1944); *Bluefield Water Works & Improvement Company v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923). See *People's Organization for Washington Energy Resources v. Washington Utilities & Transportation Comm'n*, 104 Wn.2d 798, 807-13, 711 P.2d 319 (1985) (describing rate setting process in Washington).



12 Pursuant to WAC 480-07-750(1), the Commission will approve settlements when doing so is lawful, the settlement terms are supported by an appropriate record, and when the result is consistent with the public interest in light of all the information available to the Commission. Ultimately, in settlements, as in litigated rate cases, the Commission must determine that the resulting rates are fair, just, reasonable, and sufficient, as required by state law.

13 Thus, the Commission considers the individual components of the settlement under a three-part inquiry. We ask:

- Whether any aspect of the proposal is contrary to law.
- Whether any aspect of the proposal offends public policy.
- Whether the evidence supports the proposed elements of the settlement as a reasonable resolution of the issues at hand.

14 The Commission must reach one of three possible results:

- Approve the proposed settlement without condition.
- Approve the proposed settlement subject to one or more conditions.
- Reject the proposed settlement.

## **B. Terms and Conditions**

### **1. Summary**

15 On August 18, 2014, the Company filed a Settlement on behalf of all parties. The agreement itself is a “black box” Settlement. This means that the settling parties agree on some important components in the rate case, such as revenue requirement, decoupling mechanisms with a third-party evaluator, and rate spread and rate design, but the Settlement does not articulate the “give and take” process that produced these results. Put another way, the settling parties agree to firm end-result numbers without indicating which parties’ adjustments or issues have been included in the final numbers.

16 Some of the contested issues that the Settlement proposes to resolve are:

- Rate increases for 2015 (both electric and natural gas);
- Five-year electric and natural gas decoupling mechanisms and third-party evaluations;
- Determination of power supply costs;
- Rate spread and rate design (both electric and natural gas); and
- Increased LIRAP funding.

The settling parties propose a January 1, 2015, effective date for the rate increases.<sup>8</sup> They indicate that this provision is an integral part of the Settlement.<sup>9</sup>

## 2. Discussion

### a. Rate Increases

17 Effective January 1, 2015, the Settlement provides for an increase in Avista's annual electric revenues of \$7.0 million, or 1.4 percent.<sup>10</sup> The overall net billed impact of this Settlement is an increase of \$11.9 million, or 2.48 percent, consisting of an increase in base rates and the following revenue increases and credits due to:

- The January 1, 2015, expiration of the current Energy Recovery Mechanism (ERM)<sup>11</sup> and Bonneville Power Authority transmission<sup>12</sup> credits, increasing electric rates by \$13.7 million or 2.8 percent.
- Mitigation of the increase in electric rates by using \$3 million from the ERM deferral account, resulting in increased electric rates of only 0.8 percent.<sup>13</sup>

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<sup>8</sup> Exh. No. 5, ¶ 22.

<sup>9</sup> *Id.*

<sup>10</sup> Settlement, ¶ 4.

<sup>11</sup> Credit of approximately \$9.2 million originated in Docket UE-120436 as an ERM refund.

<sup>12</sup> Credit of approximately \$4.4 million stems from a settlement with the Bonneville Power Administration implemented in Docket UE-130536.

<sup>13</sup> *Id.*



- Rebates to customers over 18 months using \$8.6 million from the Renewable Energy Credit (REC) deferral account, lowering electric rates by \$5.9 million annualized or 1.2 percent.<sup>14</sup>
- An increase in LIRAP funding by \$0.2 million or 0.04 percent.

- 18 The Settlement reflects a net electric rate increase impact, including offsets from credits and refunds, of approximately \$11.9 million (2.48 percent).<sup>15</sup> The settling parties also agree that natural gas base revenues would increase by approximately \$8.5 million (5.58 percent overall) over existing 2014 levels.<sup>16</sup>
- 19 On November 12, 2014, Avista filed its updated power supply costs in compliance with the Settlement.<sup>17</sup> The Company's update reflects a total base power supply increase of approximately \$5.6 million that will be fully offset by an available credit from the ERM deferral balance.<sup>18</sup> Under the terms of the Settlement, if the update which includes updated natural gas and electricity market prices, new short term contracts for gas and electric, updated power and transmission service contracts, \$0.5 million power supply expense reduction, and \$0.7 million 2015 REC expenses, results in an increase in net power supply costs, the increase will be offset with available ERM deferral balance.<sup>19</sup>
- 20 Table A below, which was originally presented in the Joint Testimony in support of the Settlement,<sup>20</sup> has been modified to take into account the Company's updated power supply impacts as well as the Commission decision to double the Settlement's proposed LIRAP increases, which are discussed below.

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<sup>14</sup> *Id.*, ¶ 5(b).

<sup>15</sup> Joint Testimony, at 34:14.

<sup>16</sup> Settlement, ¶4.

<sup>17</sup> *Id.*, ¶6.

<sup>18</sup> November 2014 Update, Appendix 2.

<sup>19</sup> The ERM deferral balance as of June 30, 2014 is \$16.7 million, and is currently estimated to be \$13.9 million by December 31, 2014. Settlement, ¶6.

<sup>20</sup> Joint Testimony, at 34 at 34:1-14.

Revised Table A

Table A				
Rate Impacts Summary				
(000s of Dollars)				
Rate Changes Effective January 1, 2015	Electric		Natural Gas	
<b>Rate Increase:</b>				
Base General Increase	\$7,000	1.40%	\$8,500	5.30%
Base Power Supply Increase	5,295	1.10%		
Expiration of ERM Credits and BPA Transmission Refund	13,652	2.80%		
Sched 92 LIRAP Increase- Per Settlement	200	0.04%	214	0.14%
Additional Sched 92 LIRAP Change Per Commission	200	0.04%	214	0.14%
<b>Sub-Total 2015 Increase</b>	<b>\$26,347</b>	<b>5.38%</b>	<b>\$8,928</b>	<b>5.58%</b>
<b>Rate Offset:</b>				
New ERM Credits - Offset to 2015 Increase	(3,000)	-0.60%		
New ERM Credits - Offset to Power Supply Increase	(5,295)	-1.10%		
REC Credits Used to Offset 2015 Increase	(5,936)	-1.20%		
<b>Sub-Total Offset to 2015 Rates</b>	<b>(\$14,231)</b>	<b>-2.90%</b>		
<b>Total 2015 Net Rate Increase including Offset</b>	<b>\$12,116</b>	<b>2.48%</b>	<b>\$8,928</b>	<b>5.58%</b>

21 *Decision.* The Settlement's proposed rate increases result from compromises among the parties and reflect a negotiated, comprehensive package and were not necessarily determined by any agreed to specific ratemaking methodology. After extensive discussions and scrutiny, the parties were able to resolve their revenue requirement differences. In their Joint Testimony, the settling parties contend they have achieved a reasonable balancing of interests that is supported by sound analysis and sufficient evidence.<sup>21</sup> After consideration of all the relevant factors, we determine that the

<sup>21</sup> Joint Testimony at 1:16-24.



agreed revenue changes result in rates that are fair, just, reasonable, and sufficient, and that approval is in the public interest.

**b. Decoupling<sup>22</sup>**

22 The Settlement adopts revenue-per-customer full decoupling mechanisms for all fixed costs of Avista's electric and natural gas systems for the next five years.<sup>23</sup> The electric decoupling mechanism applies to revenues attributed to distribution systems costs as well as the fixed-cost portion of production costs.<sup>24</sup> The decoupling mechanisms commence on January 1, 2015, and terminate on December 31, 2019 and do not apply to certain customer classes including electric Schedules 25, and 41-48, or natural gas Schedules 112, 122, 132, and 146.<sup>25</sup> At hearing, Avista clarified that the decoupling deferral balances will accrue interest at the Federal Energy Regulatory Commission's (FERC) rate which is presently 3.25 percent.<sup>26</sup> The parties also offered clarifications regarding the decoupling mechanisms' earnings tests, conservation commitments, and third-party reviews, which are each described below.

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<sup>22</sup> Decoupling allows for the utility's recovery of the fixed costs it incurs independent of the amounts of electricity and natural gas it sells. Decoupling removes the so-called throughput incentive and is intended to promote more aggressive pursuit of cost-effective conservation.

<sup>23</sup> Settlement, ¶ 13. The decoupling mechanisms agreed to by the parties are based on Avista's original proposal, as modified by the Settlement. Ehrbar, Exh. No. PDE-1T, at 49-78. For a complete description and discussion of the Commission's decoupling policy see *In re WUTC Investigation into Energy Conservation Incentives*, Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, including Decoupling, To Encourage Utilities To Meet or Exceed Their Conservation Targets (Nov. 4, 2010) (Decoupling Policy Statement).

<sup>24</sup> Exh. No. 4, at 18-19. The mechanisms accomplish this by removing the fixed-cost portion of production costs from the ERM and the application of the Retail Revenue Credit in the decoupling mechanisms.

<sup>25</sup> Settlement, ¶ 13(b). The mechanism specified in this Settlement supersedes Avista's currently-effective natural gas decoupling mechanism. Exh. No. 4, at 17, note 13. The electric schedules omitted from the decoupling mechanism include Extra Large General Service (Schedule 25) and Street and Area Lighting (Schedules 41-48). Appendix 2 to Settlement at 3. The natural gas schedules omitted from the decoupling mechanism include Large General Service – Firm (Schedule 112), High Annual Load Factor Large General Service – Firm (Schedule 122), Interruptible Service (Schedule 132), and Transportation Service for Customer-owned Gas (Schedule 146).

<sup>26</sup> Norwood, TR 181:16-183:12; Ehrbar, Exh. No. PDE-9, at 4, line 35; Ehrbar, Exh. No. PDE-10, at 4, line 17. The Settlement did not specify if or when the interest rate will be adjusted to reflect the current FERC rate. Avista must update the interest rate to the current FERC rate on January 1 of each year the mechanisms are in effect.

- 23 The decoupling mechanisms include an earnings test that the settling parties intend to operate as a benefit to Avista's customers.<sup>27</sup> For example, if volumetric rates produce a surplus of revenue (i.e., sales revenue is above the product of the number of customers in the rate year times the revenue per customer), all of the surplus will be returned to the customers. In addition, if Avista's achieved ROR, as determined in the Company's annual Commission Basis Report exceeds 7.32 percent, the rebate to customers will be increased by half the revenue causing the excess ROR.<sup>28</sup>
- 24 Alternatively, if the decoupling mechanisms produce a revenue deficit (i.e., sales revenue is below the product of the number of customers in the rate year times the revenue per customer) and Avista's ROR is less than 7.32 percent, a bill surcharge is applied to customer bills to recover the full deficit amount. However, should that condition arise, to the extent Avista's ROR is greater than 7.32 percent, the surcharge on customer bills will be decreased by half the revenue causing the excess ROR.<sup>29</sup>
- 25 At hearing, the settling parties made three clarifications regarding the earnings test. First, Avista indicated that the Settlement's use of the term "one-half the rate of return in excess of 7.32%" in paragraph 13(c) has the same meaning as the term "one-half the *revenue causing* the excess ROR."<sup>30</sup> Second, Mr. Norwood clarified that if Avista's ROR is exactly 7.32 percent, there will be no adjustment to any surcharge or rebate.<sup>31</sup> Third, Mr. Norwood specified that the earnings test applies to all of the Company's earnings, and is not limited to the amount of decoupling surcharges or rebates.<sup>32</sup>
- 26 Avista also agrees in the Settlement to increase its electric conservation achievement by 5 percent over its biennial target.<sup>33</sup> At hearing, Avista specified that its 2014-2015 biennial conservation target is currently 64,956 megawatt-hours (MWh), 5 percent of

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<sup>27</sup> Settlement, ¶ 13; TR 179:24-181:7 (exchange between Commissioner Goltz and Mr. Norwood); Exh. No. 4, at 46:10-15.

<sup>28</sup> Settlement, ¶ 13(c)(ii); TR 178:12-179:2.

<sup>29</sup> Settlement, ¶ 13(c)(iii).

<sup>30</sup> Norwood, TR 178:12-179:2; Settlement, ¶ 13(c).

<sup>31</sup> Norwood, TR 179:3-6.

<sup>32</sup> TR 179:24-181:7 (exchange between Commissioner Goltz and Mr. Norwood).

<sup>33</sup> Settlement, ¶ 13(f); RCW 19.285.040(1)(b).



which is 3,248 MWh.<sup>34</sup> Thus, the Settlement commits Avista to achieving 68,204 MWh of conservation in the 2014-2015 biennium. If the electric decoupling mechanism is in effect for any portion of a subsequent biennium, Avista commits to increasing its electric conservation achievement by 5 percent for the entire biennium. In other words, the 5 percent will not be reduced or pro-rated because decoupling is not in effect for the full biennium.<sup>35</sup> If this decoupling mechanism is in effect when Avista files a biennial conservation plan, that plan should state the 5 percent of additional conservation in MWh and the sum of Avista's biennial conservation target, plus this five percent commitment, in MWh.

27 Finally, Avista clarified that the Settlement obligates its shareholders to pay for a third-party evaluation of the decoupling mechanisms after three years.<sup>36</sup> The Settlement does not include specific requirements regarding the scope or contents of this evaluation, though Avista plans to consult with stakeholders as it develops the scope of the evaluation.<sup>37</sup> Mr. Schooley testified for Staff that the evaluation should include, at a minimum:

- an analysis of the mechanism's impact on conservation achievement,
- an analysis of the mechanism's impact on Company revenues (i.e., whether there has there been a stabilizing effect), and
- an analysis of the extent to which fixed costs are recovered in fixed charges for the customer classes excluded from the decoupling mechanisms.<sup>38</sup>

28 *Decision.* We find that the decoupling mechanisms presented in the Settlement are in the public interest, will promote the policy goals of increased conservation, and will result in fair, just, reasonable, and sufficient rates. We require that any review of the mechanisms should, at a minimum, include the three above-referenced analyses Mr. Schooley described. Additionally, we require Avista's decoupling evaluation to analyze if allowed revenues from the following rate classes are recovering their cost of service: residential class, non-residential class, and customers not subject to

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<sup>34</sup> Norwood, TR 179:16-23; *Avista Corp.*, Docket UE-132045, Order 01, Order Approving Avista Corporation's 2014-2023 Achievable Conservation Potential and 2014-2015 Biennial Conservation Target, Subject To Conditions, ¶ 9 (Dec. 19, 2013).

<sup>35</sup> Norwood, TR 181:11-15.

<sup>36</sup> Settlement Stipulation, ¶ 13(a); TR 186:2-13.

<sup>37</sup> Settlement Stipulation, ¶ 13(a); TR 184:25-185:15; TR 186:14-17.

<sup>38</sup> TR 186:18-187:3; TR 187:22-188:11.

decoupling. Finally, to ensure that the evaluation's scope is sufficient to provide the Commission and stakeholders with a meaningful review of the new mechanisms, we require Avista to:

- consult with its conservation advisory group in the development of the evaluation's request for proposals (RFP), and incorporate the input from its advisory group in a draft RFP;
- file a draft RFP for Commission approval that includes the scope of evaluation query, allowing sufficient time for Commission consideration; and
- consult with its conservation advisory group on the selection of the entity to perform the evaluation.

**c. Power Supply**

29 The base power costs for the Energy Recovery Mechanism (ERM) proposed in the Settlement are derived from the Company's power cost modeling with two additional out-of-model adjustments. At the time of the filing of the Settlement, the Company estimated base power costs to increase by approximately \$6.3 million. The Settlement proposed that the Company re-run its power cost model on November 1, 2014.<sup>39</sup> At hearing, the Company agreed to include in this filing its level of planned hedging for the rate year, and its level of hedged positions included in the update base power costs.<sup>40</sup> On November 12, 2014, Avista filed updated power costs based on the November 1, 2014, model run.<sup>41</sup> That filing decreased total power supply costs to \$5.6 million.

30 The Settlement provides two additional out-of-model adjustments to base power costs. First, base power costs will include 2015 renewable energy credit (REC) expenses.<sup>42</sup> In Avista's future filings, REC expenses will be included in base power

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<sup>39</sup> *Id.* This update will provide more recent: three-month average natural gas and electricity prices, short-term contracts, transmission contract prices. *Id.* Based on this update, the Company will file with the Commission revised appendices to the Settlement Stipulation by November 17, 2014.

<sup>40</sup> Norwood, TR 233:22.

<sup>41</sup> November 2014 Update, Appendix 2; Settlement, ¶6.

<sup>42</sup> November 2014 Update, Appendix 2. Ms. Fisher provides Public Counsel's rationale for moving these expenses from the REC Revenue Tracker to the ERM. Fisher, Exh. No. LF-1CT, at 15:1-13.



supply costs and subject to the ERM's dead band and sharing bands.<sup>43</sup> Second, base power supply costs will also include Staff's proposed \$500,000 expense reduction.<sup>44</sup>

31 Additionally, the settling parties agreed to allow Avista to recover the costs of improving dissolved oxygen levels in Lake Spokane.<sup>45</sup>

32 *Decision.* The proposed modifications are reasonable as a part of the whole Settlement. The ERM currently includes both fixed and variable costs. The Settlement removes fixed costs from the ERM and from the application of the Retail Revenue Credit adjustment.<sup>46</sup> The removal of fixed costs is appropriate because Avista will recover the fixed costs through the decoupling mechanism.<sup>47</sup>

#### d. Rate Spread/Rate Design

33 In the Settlement, the settling parties agreed to a uniform percentage increase for purposes of spreading among customer classes the final electric base revenue increase approved by the Commission, as well as the ERM rebate amount.<sup>48</sup> With regard to the natural gas increase, the settling parties did not agree on utilization of the results of a single cost of service study for purposes of allocating the final natural gas base revenue increase. Instead, the settling parties agreed to a negotiated rate spread specifically described and set forth in paragraph 15(a) of the Settlement.<sup>49</sup> The overall result is a modest increase in base rates across most schedules.<sup>50</sup>

34 *Decision.* The rate spread proposed in the Settlement results in fair, just, and reasonable allocation of costs among customer classes. The rate design proposed in the Settlement is basically unchanged from current rates, except for modest increases

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<sup>43</sup> *Id.*, ¶ 5(b).

<sup>44</sup> *Id.* Staff proposed this adjustment in Ball, Exhibit No. JBL-2, at 8:8-10:4.

<sup>45</sup> Settlement, ¶ 8.

<sup>46</sup> *Id.*, ¶ 13(e).

<sup>47</sup> Ball, Exhibit No. JLB-1T, at 10:1-13.

<sup>48</sup> Settlement, ¶ 14.

<sup>49</sup> *Id.*, ¶ 15.

<sup>50</sup> *Id.* At hearing, Avista clarified that the proposed basic charges for Schedules 111 and 121 remove the natural gas commodity costs, consistent with a prior Commission decision. Ehrbar, TR 229:22-230:9.

in basic charges in most schedules resulting in fair, just, reasonable, and sufficient rates.

**e. LIRAP**

- 35 The Settlement increases annual electric and natural gas LIRAP funding by twice the proposed Schedule 1 increase, for a total increase of \$200,000 (5 percent) for electric LIRAP funding and \$214,000 (11.6 percent) for natural gas LIRAP funding.<sup>51</sup> The Energy Project estimates that the increased LIRAP funding will provide assistance to an additional 400 households within the Company's service area.<sup>52</sup> At hearing, Avista and the Energy Project indicated that they would be amenable to the Commission approving even more LIRAP funding than set forth in the Settlement, by doubling the Settlement's proposed LIRAP increase.<sup>53</sup> Staff did not take a position, but did not oppose an increase in funding above the increase set forth in the Settlement.<sup>54</sup>
- 36 In Avista's 2012 general rate case, the Commission approved a multiparty settlement in which Avista committed to discuss potential program design options with Staff and other interested parties, and to propose changes to LIRAP in its next general rate case, if necessary.<sup>55</sup> In September 2013, Avista and Staff hosted a meeting on this topic with representatives of other investor-owned utilities, Commission Staff, the Energy Project, Public Counsel and other stakeholders.<sup>56</sup> In May 2014, Avista participated in a Commission-led workshop on low-income assistance programs.<sup>57</sup>
- 37 Avista did not propose any changes to LIRAP in this case, a decision Staff noted and opposed in its response testimony.<sup>58</sup> Staff proposed that Avista create a pilot program

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<sup>51</sup> Settlement, ¶ 18.

<sup>52</sup> Joint Testimony, 57:21-28:2.

<sup>53</sup> TR 253:17-25, 254:1-23 (Exchange between Commissioner Jones and Mr. Norwood) (September 23, 2014).

<sup>54</sup> Schooley, TR 254:11-13 (September 23, 2014).

<sup>55</sup> *Utilities & Transp. Comm'n v. Avista Corp.*, Dockets UE-120436 and UG-120437, Order 09 (December 26, 2012).

<sup>56</sup> Williams, Exh. No. JMW-1T, 5:14-19.

<sup>57</sup> *Id.*, 6:1-15.

<sup>58</sup> Kopczynski, Exh. No. DFK-1T, at 17:14-16. Williams, Exh. No. JMW-1T, 7:1-3.



offering rate discounts for low-income electric and natural gas customers,<sup>59</sup> and develop a data collection plan to determine the impact of low-income assistance in its service territory.<sup>60</sup>

38 The Settlement does not include any modifications to the design of LIRAP, or any additional low-income assistance programs. Instead, Avista agrees to continue to meet with Staff, the Energy Project, and other interested parties to develop mutually agreed-upon modifications or additions to LIRAP, and establish a filing schedule.<sup>61</sup>

39 We find that it is difficult for the parties to evaluate and manage LIRAP effectively due to insufficient data.<sup>62</sup> Staff recommended that the Commission facilitate more effective management of the program by ordering Avista to adopt express goals for LIRAP.<sup>63</sup> In the Settlement, the parties agree that the primary intention of any additions or modifications to LIRAP should be to keep low-income customers connected to services, and serve more customers who need assistance.<sup>64</sup> At hearing, the parties also expressed support for the goal of reducing low-income customers' energy burden.<sup>65</sup> We agree that it is important to identify program goals before attempting to redesign a program.<sup>66</sup> We find that the program goals discussed in the Settlement and at hearing are appropriate for Avista's low-income assistance programs.

40 The Settlement requires the parties to meet no later than 30 days after the effective date of this order, and at least every other month thereafter to explore additional program options.<sup>67</sup> The Settlement provides a filing deadline of June 1, 2015, for modifications to the existing LIRAP and June 1, 2016, for any additions to LIRAP.<sup>68</sup>

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<sup>59</sup> Williams, Exh. No. JMW-1T, 11:14-17, 17:9-10.

<sup>60</sup> *Id.*, 20:1-2.

<sup>61</sup> Settlement, ¶ 17.

<sup>62</sup> Williams, Exh. No. JMW-1T, 7:5-21, 8:1-10; Eberdt, Exh. No. CME-1T, 7:7-11.

<sup>63</sup> Williams, Exh. No. JMW-1T, 2:13-16.

<sup>64</sup> Settlement, ¶ 17.

<sup>65</sup> TR 271:1-272:20 (Exchange between Chairman Danner and Mr. Eberdt) (September 23, 2014).

<sup>66</sup> *Id.*

<sup>67</sup> Settlement, ¶ 17.

<sup>68</sup> *Id.*

- 41 The Settlement requires that Avista's shareholders pay for a third-party facilitator acceptable to all the parties to help manage this process.<sup>69</sup> We believe that the Community Action Agencies administering LIRAP are essential stakeholders in this process, and recognize that agencies located outside of the Spokane area may lack the resources needed to attend meetings.
- 42 *Decision.* We are concerned that the LIRAP funding set forth in the Settlement is not sufficient to meet existing and increasing low income customers' needs while also implementing needed program reforms and additions. At the public comment hearing in Spokane, we heard comments from several low-income customers and advocates stating that the overall rate increases in the Settlement would be burdensome to Avista's low-income customers. Specifically, the Spokane Neighborhood Action Partners (SNAP) stated that it did not support the Settlement, and encouraged us to consider further expanding LIRAP funding to serve more eligible customers.<sup>70</sup>
- 43 We find that the program goals discussed in the Settlement and at hearing are appropriate for Avista's low-income assistance program. When proposing additions to the LIRAP program or pilot projects, the parties should consider collecting appropriate data necessary both to evaluate the effectiveness of the program and inform ongoing policy discussions.<sup>71</sup>
- 44 Further, the record in this case shows that the poverty rate in Avista's service territory is higher than the statewide average,<sup>72</sup> and that the majority of customers eligible for LIRAP assistance are not served by the current program.<sup>73</sup> We are sensitive to the

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<sup>69</sup> Settlement, ¶ 17.

<sup>70</sup> Honekamp, TR 96:7-12, 98:1-5 (August 27, 2014). SNAP is an independent community action agency, represented by the Energy Project in this proceeding, and the largest of the community action agencies administering Avista's LIRAP. Mr. Eberdt, on behalf of the Energy Project, clarified at hearing that he didn't understand SNAP's objection to be anything other than concern "that there are a lot of people that are hurting and we're not getting to enough of them." Eberdt, TR 256:12-13.

<sup>71</sup> For example, Aging and Long-term Care of Eastern Washington proposes using the Elder Economic Security Index to qualify customers for low-income energy assistance instead of the Federal Poverty Guidelines; TR 66:5-7 (August 26, 2014); TR 261:22-264:20 (September 23, 2014).

<sup>72</sup> Honekamp, TR 93:4-22 (August 27, 2014).

<sup>73</sup> Eberdt, Exh. No. CME-1T, 7:8-18; Williams, Exh. No. JMW-1T, 7:8-10, 17-19; TR 261:15-20 (Exchange between Commissioner Goltz and Mr. Eberdt) (September 23, 2014).



needs of low income consumers and recognize that as energy prices increase to all consumers so must the available funding to those portions of the Company's customer base that are most affected by such increases. Although we are pleased the settling parties agreed to increase LIRAP funding for electric and natural gas consumers, we find the new proposed annual LIRAP funding levels to be inadequate and modify that portion of the Settlement. We therefore find that it is in the public interest to double the increase in LIRAP funding provided for in the Settlement, to a total increase of \$400,000 for electric LIRAP funding and \$428,000 for natural gas LIRAP funding.

45 We believe that it is in the public interest to avoid further delay in developing LIRAP program options to increase low income customer participation in the program. At hearing, the parties consented to file an agreed-upon proposal for modifications and additions by June 2015; or file competing proposals, if no consensus is reached.<sup>74</sup>

46 We therefore require Avista to file agreed-upon proposals for modifications *and additions* to LIRAP by June 1, 2015. We recognize that additional meetings or teleconferences may be necessary to comply with this timeline. If the parties do not reach consensus, they may file separate proposals containing program modifications and additions for the Commission's consideration by July 1, 2015.

47 Finally, at hearing, Avista agreed also to pay for the travel and lodging expenses of Community Action Agencies located in its service territory to participate in meetings.<sup>75</sup> We recognize and commend Avista's continued commitment to improving its low-income assistance programs, and we find that it is in the public interest for shareholders to bear these costs. In addition to paying for a third-party facilitator, we also require Avista to pay for any reasonable travel and lodging expenses incurred by Community Action Agencies participating in the meetings.

#### **f. Attrition**

48 In its filing, Avista maintains that it is experiencing attrition of earnings and that the decline in earnings is expected to be an ongoing phenomenon.<sup>76</sup> In support of its claim, the Company prepared an attrition study that trends the impact of attrition, by expense class, on its earnings, which it then uses to derive its revenue deficiency.

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<sup>74</sup> Jones, TR 268:8-16 (September 23, 2014).

<sup>75</sup> TR 269:2-12 (Exchange between Commissioner Jones and Ms. Gervais).

<sup>76</sup> Norwood, Exh. No. KON-1T, at 11:6-8.

Staff, in its response testimony, adopted a similar trending method identifying projected expense levels which Staff proposed the Commission use to set rates.<sup>77</sup> Public Counsel strongly opposed the trending methodology used by Avista and Commission Staff, arguing that, although it appears the trending approach used in the prior case "...is working and [is] quite precise," upon closer examination, the apparent precision is not due to the trending. Instead, Public Counsel suggests the attrition study results are due to the Company's decisions to accelerate capital expenditures before the end of the test period.<sup>78</sup> ICNU also opposed the use of the attrition study by pointing out that the proposed methodology has not been approved by the Commission nor has the Company satisfied the burden necessary to justify the Commission changing from its normal practice of setting revenue requirements.<sup>79</sup>

49 Since the parties do not agree that an attrition adjustment is included within the Settlement or whether an attrition adjustment is appropriate at all, we do not deliberate on the merits of any position on the issue presented in this case.<sup>80</sup> The settling parties do, however, recommend that the Commission establish a separate forum to discuss attrition and other general rate making policy issues.<sup>81</sup> Clearly there is a consensus among the parties regarding the need for a formalized discussion of attrition along with other possible ratemaking mechanisms that may address attrition's effects on earnings.<sup>82</sup>

50 In addition to the forum, Avista agrees to provide semi-annual reporting of 2014 and 2015 capital expenditures with actual data by expenditure request, in the categories provided in its *pro forma* "cross check" plant adjustments.<sup>83</sup> The settling parties agree to meet no later than January 31, 2015, to establish any additional details of the capital reporting requirements.<sup>84</sup>

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<sup>77</sup> McGuire, Exh. No. CRM-1CT.

<sup>78</sup> Dittmer, Exh. No. JRD-1CT, at 25:3-18.

<sup>79</sup> Mullins, Exh. No. BGM-1T, at 2:15-26.

<sup>80</sup> Settlement, ¶ 11.

<sup>81</sup> *Id.*, ¶ 21.

<sup>82</sup> Fisher, TR 213:11-18.

<sup>83</sup> Settlement, ¶ 20.

<sup>84</sup> *Id.*



51 *Decision.* We direct Commission Staff to open an investigatory docket for the purpose of convening a forum to address attrition consistent with the Settlement. We expect the forum to be inclusive, open to participation by not only the parties in this proceeding but also the broader community of commission-regulated utility companies and interested consumer groups.

**g. Cost of Capital**

52 The parties have not formally agreed to capital structure ratios or the elements that make up the Company's authorized cost of capital including ROE or overall ROR.<sup>85</sup> However, despite the lack of formal agreement on the individual components of cost of capital, the parties have agreed to a 7.32 percent ROR for certain purposes including the determination of Allowance for Funds Used During Construction (AFUDC).<sup>86</sup> The Settlement also uses a 7.32 percent ROR as the potential trigger for future earnings tests associated with any decoupling deferral based on the company's reported annual earnings.<sup>87</sup> Appropriately, the Settlement recognizes that the 7.32 percent ROR will be changed to reflect any future ROR authorization that may be established by the Commission.<sup>88</sup>

53 *Decision.* The settling parties note that they undertook extensive negotiations over many components of the Company's filing including the various components of cost of capital. The settlement discussions produced a reasonable balancing of interests with each party making certain concessions on matters which would not have been resolved or agreed to if the parties were to proceed to evidentiary hearings.<sup>89</sup> We accept the 7.32 percent ROR to be used for AFUDC purposes and for the earnings test to be applied for decoupling purposes.

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<sup>85</sup> Settlement, ¶ 10 and 24 and Joint Testimony, Exh. No. 4, at 1:19-20, 11:14-19 and 43:3-6.

<sup>86</sup> Settlement, ¶ 10, n. 7.

<sup>87</sup> Settlement, ¶ 13 Part c.

<sup>88</sup> Settlement, ¶ 13 Part c.ii.1, n. 10.

<sup>89</sup> Joint Testimony, Exh. No. 4, at 11, 14-19.

**FINDINGS OF FACT**

54 Having discussed above in detail the evidence received in this proceeding concerning all material matters, and having stated findings and conclusions upon issues in dispute among the parties and the reasons therefore, the Commission now makes and enters the following summary of those facts, incorporating by reference pertinent portions of the preceding detailed findings:

55 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including gas and electrical companies.

56 (2) Avista is a “public service company,” an “electrical company,” and “gas company” as those terms are defined in RCW 80.04.010 and used in Title 80 RCW. Avista provides electric and natural gas utility service to customers in Washington.

57 (3) On February 4, 2014, Avista filed certain revisions to its currently effective tariffs for electric and natural gas services.

58 (4) The Commission suspended the operation of the proposed tariff revisions pending an investigation and hearing and consolidated the Company’s proposed tariff revisions.

59 (5) On August 18, 2014, the parties filed a Settlement Stipulation that, if approved, would resolve the contested issues raised in Avista’s initial filing.

60 (6) On September 23, 2014, the Commission convened a settlement hearing to hear the parties’ views on why the Settlement should be approved and adopted and to clarify portions of the Settlement.



CONCLUSIONS OF LAW

61 Having discussed above all matters material to this decision, and having stated  
detailed findings, conclusions, and the reasons therefore, the Commission now makes  
the following summary conclusions of law, incorporating by reference pertinent  
portions of the preceding detailed conclusions:

- 62 (1) The Washington Utilities and Transportation Commission has jurisdiction over  
the subject matter of, and parties to, these proceedings.
- 63 (2) The rates proposed by tariff revisions filed by Avista on February 4, 2014, and  
suspended by prior Commission order, were not shown to be fair, just or  
reasonable and should be rejected.
- 64 (3) Avista's existing rates for electric service provided in Washington are  
insufficient to yield reasonable compensation for the service rendered.
- 65 (4) Avista requires relief with respect to the rates it charges for electric and natural  
gas services provided in Washington.
- 66 (5) The Settlement filed by the parties to this proceeding on August 18, 2014, and  
revised on September 8, 2014, if approved with conditions, would result in  
rates that are fair, just, reasonable, and sufficient, and are neither unduly  
preferential nor discriminatory.
- 67 (6) The Settlement, which is attached to this Order as Appendix A, and subject to  
the conditions in paragraph 5, should be approved by the Commission as a  
reasonable resolution of the issues presented.
- 68 (7) The Low Income Rate Assistance Program portion of Schedules 91 and 191  
should be increased in Avista's electric and natural gas tariffs to levels double  
those listed in the Settlement.
- 69 (8) The Settlement is lawful and approval and adoption of it, subject to the  
conditions set forth in paragraph 5, is in the public interest.

- 70 (9) Avista should be required to make such compliance and subsequent filings as are necessary to effectuate the terms of this Order.
- 71 (10) The Commission Secretary should be authorized to accept by letter, with copies to all parties to this proceeding, a filing that complies with the requirements of this Order.
- 72 (11) The Commission should retain jurisdiction over the subject matters and the parties to this proceeding to effectuate the terms of this Order.

**ORDER**

THE COMMISSION ORDERS:

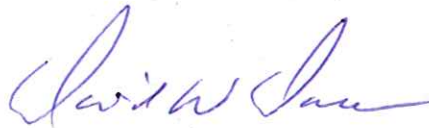
- 73 (1) The proposed tariff revisions Avista Corporation, d/b/a Avista Utilities, filed on February 4, 2014, and suspended by prior Commission order, are rejected.
- 74 (2) The Settlement filed by the parties on August 18, 2014, and revised on September 8, 2014, which is attached to this Order as Appendix A and subject to the conditions listed in paragraph 5, is approved and adopted as being in the public interest.
- 75 (3) Avista is required to make a compliance filing including such new and revised tariff sheets as are necessary to implement the requirements of this Order. The stated effective date of the revised tariff sheets shall be January 1, 2015, in accordance with the terms of the Settlement. Avista must make its compliance filing, assuming conditions are accepted, as soon as possible, but no later than December 15, 2014, , to afford Staff a reasonable opportunity to review the filing and to inform the Commission whether Staff finds the revised tariff sheets fully conform to the requirements of this Order.
- 76 (4) Within 10 days from the date of this Order, Avista must file notification with the Commission if it accepts the conditions imposed by the Commission.
- 77 (5) The Commission Secretary is authorized to accept by letter, with copies to all parties to this proceeding, such filings as Avista makes to comply with the terms of this Order.



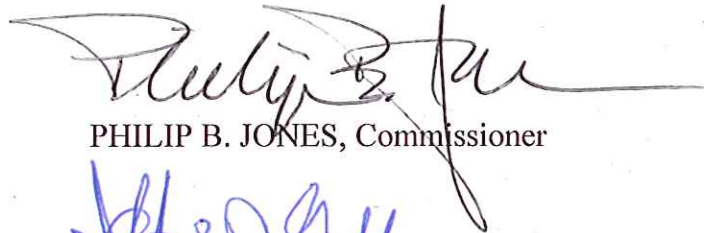
- 78 (6) The Commission retains jurisdiction over the subject matters and parties to this proceeding to effectuate the terms of this Order.

Dated at Olympia, Washington, and effective November 25, 2014.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



DAVID W. DANNER, Chairman



PHILIP B. JONES, Commissioner



JEFFREY D. GOLTZ, Commissioner

**NOTICE TO PARTIES: This is a Commission Final Order. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-07-870.**

**APPENDIX A**

**SETTLEMENT STIPULATION  
DOCKETS UE-140188 and UG-140189 (*consolidated*)**



**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION	)	DOCKETS UE-140188 and
	)	UG-140189 ( <i>Consolidated</i> )
	)	
Complainant,	)	
	)	
v.	)	FULL SETTLEMENT STIPULATION
	)	
AVISTA CORPORATION d/b/a	)	
AVISTA UTILITIES	)	
Respondent.	)	
.....)	)	

**I. PARTIES**

1. This Settlement Stipulation is entered into by Avista Corporation (“Avista” or the “Company”), the Staff of the Washington Utilities and Transportation Commission (“Staff”), the Public Counsel Section of the Washington Office of Attorney General (“Public Counsel”), Northwest Industrial Gas Users (“NWIGU”), Industrial Customers of Northwest Utilities (“ICNU”), and The Energy Project, jointly referred to herein as the “Parties.” Accordingly, this represents a “full settlement” under WAC 480-07-730. The Parties, representing all who have intervened or appeared in these dockets, agree that this Settlement Stipulation (hereinafter “Settlement” and/or “Stipulation”) is in the public interest and should be accepted by the Commission as a full resolution of the known issues in these dockets. The Parties understand this Settlement Stipulation is subject to approval of the Washington Utilities and Transportation Commission (the “Commission”).

## II. INTRODUCTION

2. On February 4, 2014, Avista filed with the Commission certain tariff revisions designed to increase general rates for electric service (Docket UE-140188) and natural gas service (Docket UG-140189) in the State of Washington. Avista requested an increase in electric base rates of \$18.2 million, or 3.8 percent from 2014 levels, and an increase in natural gas base rates of \$12.1 million, or 8.1 percent from 2014 levels. On March 10, 2014, the Commission entered Order No. 03 suspending the tariff revisions and setting Dockets UE-140188 and UG-140189 for hearing and determination pursuant to WAC 480-07-320. Representatives of all Parties appeared at Settlement Conferences held on July 7, 2014 and August 4, 2014, which were held for the purpose of narrowing or resolving the contested issues in this proceeding. Subsequent discussions led to this Settlement Stipulation.

3. The Parties have reached a settlement of the known issues as among themselves in this proceeding and wish to present their agreement for the Commission's consideration and approval. The Parties, therefore, adopt the following Settlement Stipulation in the interest of reaching a fair disposition of the issues in this proceeding.

## III. AGREEMENT

### A. Revenue Increases and Rate Effective Dates

4. Increases in Base Rates. The Parties agree that, effective with service on and after January 1, 2015, Avista shall be authorized to implement base rate changes designed to increase its annual revenues, over existing 2014 revenues, from Washington electric customers by \$7.0 million (approximately 1.4 percent overall), and from Washington natural gas customers by \$8.5 million (approximately 5.6 percent overall). The Parties agree that a credit of \$3.0 million from the existing Energy Recovery Mechanism (ERM) deferral balance will be returned to electric customers to mitigate the 2015 rate increase for calendar year 2015, such that the net overall electric rate increase



to customers in 2015 is 0.8 percent overall.

5. January 1, 2015 Electric Billing Changes and REC Revenue Mechanism.

- a) Effective January 1, 2015, the current ERM and BPA credits will expire resulting in an overall increase of 2.8%.<sup>1</sup>
- b) The Company will rebate approximately \$8.6 million of Renewable Energy Credit ("REC") revenues over 18 months (\$5.9 million annualized, or 1.3 percent)<sup>2 / 3</sup>. Going forward, the Parties agree that the costs associated with RECs purchased to comply with the Washington Energy Independence Act will be excluded from the REC tracking mechanism,<sup>4</sup> and will be included in the determination of base power supply costs in a general rate case. Any differences in costs from that included in base power supply costs will be tracked through the ERM, and subject to the existing dead band and sharing bands.

6. Power Supply Update. Effective January 1, 2015, the Parties agree to adjust, up or down, Washington electric revenues related to updated power supply costs. The current estimate is a \$6.3 million increase for power supply costs. A new power supply model run on November 1, 2014, will determine the final power cost increase and ERM baseline. As in past proceedings, and as noted in Staff testimony (Ball Exhibit No. JLB-1T, page 6), the purpose of this power supply update will be to: 1) update the three-month average of natural gas and electricity market prices; 2) include new short-term contracts for gas and electric; and 3) update or correct power and transmission service contracts for the 2015 rate year. Staff's \$500,000 power supply reduction to expense will be

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<sup>1</sup> Included in present billing rates is a refund of approximately \$9.0 million from the Energy Recovery Mechanism Schedule 93 (as approved in Docket No. UE-120436), and a refund of approximately \$4.3 million from the Bonneville Power Settlement (Docket No. UE-130536), both expiring on January 1, 2015.

<sup>2</sup> Page 4 of Appendix 2 shows the rate spread and cents per kWh rate for the REC Revenue rebate.

<sup>3</sup> The Parties agree to the removal of certain 2015 REC expenses of \$725,000 in the determination of the REC revenue rebate, and the use of an after-tax cost of capital interest rate (6.34%) on the rebate balance as proposed by Public Counsel and Staff, and agree to the rate spread (E02 allocator - Generation Level Consumption) as proposed by Staff.

<sup>4</sup> The mechanics of the REC tracking mechanism are included in Mr. Johnson's testimony, WGJ-1T, pages 15-16.

reflected in the updated net power supply costs. In addition, the 2015 REC expenses of \$725,000, excluded from the REC rebate calculation, will also be added to the updated net power supply costs.

The net power supply costs resulting from this power supply update, including the two adjustments of \$500,000 and \$725,000, referenced immediately above, will be compared with the net power supply costs in Avista's original filing in this case to determine the adjustment to Washington revenues on January 1, 2015 related to the power supply update. The net power supply costs in Avista's original filing are shown in Appendix 3.<sup>5</sup>

The updated level of net power supply costs will also be used to determine the new base set of power supply revenues and expenses for ERM calculations beginning January 1, 2015, as further explained in Section B below.

If the November 2014 power supply update results in an increase in net power supply costs, the increase will be offset with available ERM deferral balance dollars for the 12-month period January 1, 2015 through December 31, 2015.<sup>6</sup>

The Company will file on or before November 17, 2014, revisions to the appendices to this settlement stipulation to reflect the power supply update. The Parties are free to seek discovery on, and examine the prudence of, the updated power supply items identified above.

7. Natural Gas Project Compass Deferral. The Parties agree the natural gas revenue requirement associated with the Project Compass Customer Information System for the calendar year 2015 will be deferred for recovery in a future proceeding, based on the actual costs of the Project

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<sup>5</sup> These net power supply costs, from the original filing, have been adjusted to reflect 2015 system retail loads, per Paragraphs 9 and 12 of this settlement stipulation.

<sup>6</sup> The ERM deferral balance as of June 30, 2014 is \$16.7 million, and is currently estimated to be \$13.9 million by December 31, 2014.



at the time the Project goes into service. The carrying charge on the deferral balance will be 3.25%. An estimate of the revenue requirement, for illustrative purposes only, is provided in Appendix 1.

8. Lake Spokane Deferral. In Docket No. UE-131576, Order No. 01, the Company received approval to defer and seek recovery in its next general rate case Washington's share (\$871,000) of costs related to the improvement of dissolved oxygen levels in Lake Spokane. The agreed upon revenue increase reflects the amortization of this balance over a three-year period beginning January 1, 2015, with no carrying charge.

9. 2015 Billing Determinants. The Parties agree the Washington electric and natural gas revenue increases will be spread using the January 2015 through December 2015 billing determinants.

10. Cost of Capital. The Parties have not agreed on specific capital structure ratios or cost of capital components.<sup>7</sup> The agreed-upon revenue increases reflect a reduction in risk associated with the adoption of decoupling.

11. Attrition. While the Parties agree to the level of electric and natural gas revenue increases, there is disagreement on the use of an attrition adjustment in the determination of the revenue increases.<sup>8</sup>

**B. Other Settlement Components**

12. ERM Authorized Amounts.

- a) For purposes of calculating the monthly ERM entries beginning January 1, 2015, the level of power supply revenues, expenses, retail load, and retail revenue credit for the ERM will be

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<sup>7</sup> A 7.32% rate of return, however, will be used for "Allowance For Funds Used During Construction" (AFUDC) and other purposes.

<sup>8</sup> While the Company and Staff support the use of an attrition adjustment to achieve reasonable and sufficient rates, ICNU, Public Counsel and NWIGU do not agree that an attrition adjustment is warranted in this case.

based on the November 1, 2014 updated power supply model run discussed in Section A, Paragraph 6. Appendix 3 includes the level of power supply revenues, expenses, retail load, and retail revenue credit as originally filed by Avista, with the power supply expenses and retail load adjusted to reflect 2015 retail loads. The retail load in the new ERM base numbers will be based on 2015 billing determinants, per Paragraph 9 above.

- b) The Retail Revenue Credit (RRC) will be based on Staff's proposed variable rate (revised to exclude all production plant), which will be based on ERM-related FERC accounts. The same RRC will be used for both the ERM calculations and the electric Decoupling Mechanism starting January 1, 2015 (described below).

13. Electric and Natural Gas Decoupling.

- a) The electric and natural gas Decoupling Mechanisms illustrated in Appendices 4 and 5 will commence concurrent with the natural gas and electric rate changes January 1, 2015.<sup>9</sup> Per the Company's testimony, the length of the decoupling mechanisms is five years, with a third-party evaluation of the mechanisms paid for by Avista, to be completed following the end of the third full-year.
- b) Electric Schedules 25 and 41-48 are excluded from the decoupling mechanism. Natural Gas Schedules 112, 122, 132 and 146 are excluded from the decoupling mechanism.
- c) The Company will perform an annual earnings test as follows:
  - i. The earnings test will be based on the Company's year-end Commission Basis Reports ("CBR") stated on an average-of-monthly-averages ("AMA") basis, prepared in accordance with WAC 480-90-257 and 480-100-257 (Commission Basis Report). This report is prepared using actual recorded results of electric or natural gas operations and rate base, adjusted for any material out-of-period, non-operating, nonrecurring, and extraordinary items or any other item that materially

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<sup>9</sup> Per the Company's filed testimony (PDE-IT, p. 78), the existing partial natural gas decoupling mechanism will be terminated effective January 1, 2015, and the Company will transfer any remaining deferral balance into the new mechanism.



distorts reporting period earnings and rate base. These adjustments have been consistently made by the Company when preparing past CBRs and are consistent with the adjustments described in paragraph (2) (b) of WAC 480-90-257 and 480-100-257 (Commission Basis Report). The CBR includes normalizing adjustments, such as adjustments to power supply-related revenues and expenses to reflect operations under normal conditions. For the earnings test, the decoupling accounting entries adjust revenues from a kilowatt-hour (“kWh”) sales basis to a revenue per customer basis. The CBR will not include any annualizing or pro forma adjustments.

- ii. Should the Company have a decoupling rebate balance at year-end, the entire rebate will be returned to customers.
  - 1) If the CBR earned return exceeds 7.32%, the rebate will be increased by one-half the rate of return in excess of 7.32%.<sup>10</sup>
- iii. Should the Company have a decoupling surcharge balance at year-end:
  - 1) If the CBR earned return is less than 7.32%, no adjustment is made to the surcharge, if any, recorded for the year.
  - 2) If the CBR earned return exceeds 7.32%, the surcharge recorded for the year will be reduced, or eliminated, by one-half the rate of return in excess of 7.32%.
- d) The calculation of power supply related revenue that will be deducted from total revenues prior to calculating revenue per customer is as follows: Authorized Power Supply Year kWhs \* Retail Revenue Credit.
- e) The Retail Revenue Credit is based on Staff’s proposed variable rate (revised to exclude all production plant), which is based on ERM-related FERC accounts. The same credit will be used for ERM calculations.
- f) The Company agrees to increase its electric energy conservation achievement by 5% over the conservation target approved by the Commission, beginning with the 2014-2015 biennial target.
- g) A decoupling surcharge cannot exceed a 3% annual rate adjustment, and any unrecovered

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<sup>10</sup> The 7.32% figure used for the earnings test will be adjusted to reflect any subsequent rates of return approved by the Commission during the term of the Decoupling Mechanisms.

balances will be carried forward to future years for recovery. There is no limit to the level of the decoupling rebate.

- h) Appendix 4 contains the calculations for determining the baseline allowed revenue per customer for the electric decoupling mechanism. The final form of Appendix 4 will be filed on or before November 17, 2014, to reflect changes from the November 1, 2014 power supply update.
- i) Appendix 5 contains the calculations for determining the baseline allowed revenue per customer for the natural gas decoupling mechanism.

**C. Rate Spread/Rate Design**

**14. Electric Rate Spread/Rate Design**

- a) Electric Cost of Service/Rate Spread – The Parties agree to a uniform percentage of revenue increase for purposes of spreading the base revenue increase of \$7.0 million, as well as the \$3.0 million ERM offset, as shown on Page 1 of Appendix 2.<sup>11</sup>
- b) The Parties agree that the revenue change related to the updated power supply costs discussed in Section A above, as well as the ERM offset, will be spread on a uniform percentage basis. Within each electric rate schedule, the revenue increase from the updated power supply costs and the ERM offset will be applied on a uniform percentage basis to the variable energy blocks.
- c) Electric Rate Design, shown on Page 2 of Appendix 2:
  - (i) The Residential Basic Charge (Schedule 1) increases from \$8 per month to \$8.50 per month.

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<sup>11</sup> Page 3 of Appendix 2 shows the revenue spread of the \$3.0 million to each rate schedule.



- (ii.) For the rate design of Schedule 1, the revenue applicable to the volumetric rates is spread on a uniform percentage basis.
- (iii.) For the rate design of Schedule 25, the demand charge for the first 3,000 kVa or less increases from \$15,000 to \$21,000 per month. In addition, the variable demand charge increases from \$5.25 to \$6.00 per kVa over 3,000 per month. The remaining revenue change applicable to Schedule 25 will be spread on a uniform percentage basis to the three energy block rates.
- (iv.) The Rate Design for all other Schedules will be as follows:
- Schedules 11/12 will have an increase in the Basic Charge from \$15.00 to \$18.00 per month, and a uniform percentage rate change to blocks. In addition, the demand charge will remain at \$6.00 per kilowatt in excess of 20 kW per month.
  - Schedules 21/22 will have an increase in the Basic Charge from \$450 to \$500 per month, for the first 50kW or less, and a uniform percentage increase to all blocks for the remaining revenue increase. In addition, the demand charge will remain at \$6.00 per kilowatt for all demand in excess of 50 kW per month.
  - Schedules 31/32 will have an increase in the Basic Charge from \$15.00 to \$18.00 per month, and there will be a uniform percentage increase to all blocks for the remaining revenue increase applicable to the schedule.
  - Street and Area Lighting (Schedules 41-48) will see a uniform percentage increase.

15. Natural Gas Rate Spread/Rate Design:

- a) Natural Gas Cost of Service/Rate Spread – The rate spread for natural gas is shown on Page 6 of Appendix 2. While the Parties do not agree on the results of a single cost of service study, for purposes of settlement the Parties agree to spread the revenue increase as follows:

	<b>Revenue</b>	<b>Percentage</b>
Schedule 101	\$6,581,000	6.00%
Schedule 111/112	\$1,515,000	4.40%
Schedule 121/122	\$181,000	4.60%
Schedule 131/132	\$43,000	5.60%
Schedule 146	\$180,000	7.40%
	<b>\$8,500,000</b>	<b>5.60%</b>

- b) Natural Gas Rate Design, shown on Page 7 of Appendix 2:

- (i.) The Basic Charge for Schedule 101 will increase from \$8 per month to \$9 per month.
- (ii.) For Schedule 146, the monthly basic charge will increase from \$400 to \$500 per month, and the remaining revenue increase will be spread on a uniform percentage basis to all blocks.
- (iii.) The Rate Design for other Schedules will be as follows:
- Schedule 111 will have an increase in the monthly Minimum Charge based on Schedule 101 rates (breakeven at 200 therms), and a uniform percentage increase to all blocks.
  - Schedule 121 will have an increase in the monthly Minimum Charge based on Schedule 101 rates (breakeven at 500 therms), and a uniform percentage increase to blocks two through four.
  - Schedule 131 will have a uniform percentage increase to all blocks.



**D. Service Quality and Reliability Program:**

16. Avista agrees to meet with Staff and interested parties to develop and implement appropriate service quality metrics, customer guarantees and reporting, with the agreed upon tariff revisions filed on or before June 1, 2015, with a program in place on July 1, 2015.

**E. Low Income Rate Assistance Program (LIRAP) Modifications:**

17. The Company, the Energy Project, Commission Staff, other interested parties and the agencies that deliver the LIRAP program shall meet to explore additional program options and develop mutually agreed to modifications or additions to the LIRAP program. The primary intention of either additions or modifications is to keep low-income customers connected to service while serving more customers who need assistance. Modifications would entail changes to the existing bill assistance structures, e.g., continuing to serve LIRAP Heat applicants through the summer. Additions are changes that augment the existing programs with new service offerings, such as a targeted rate discount or arrearage management program. Meetings will begin no later than 30 days after the Commission accepts any settlement that covers this issue in this case. A third party facilitator acceptable to all the parties will be used and will be paid for by Avista shareholders. Meetings will be held at least bi-monthly or more frequently until completion. The Company will file mutually agreed upon modifications to the existing LIRAP program with the Commission by June 1, 2015, including a proposal to implement such changes in time for the fall 2015 bill assistance season. Any mutually agreed to addition(s) to LIRAP will be filed by June 1, 2016 for implementation on or after October 1, 2016.

**F. LIRAP Funding:**

18. The Parties accept the Energy Project and Staff's proposal to increase Electric LIRAP Funding by twice the Schedule 1 increase (\$200,000 or 5.0 percent), and Natural gas LIRAP Funding

by twice the Schedule 101 increase (\$214,000 or 11.6 percent. In addition, for Schedule 25, the Parties agree that the LIRAP rate will apply to the first and second energy blocks. LIRAP revenues previously collected from the third block will be spread to all schedules, including the first two blocks of Schedule 25, on a uniform percentage of current LIRAP funding levels. The changes to electric LIRAP funding can be found on Page 5 of Appendix 2, and the changes to natural gas LIRAP funding can be found on Page 8 of Appendix 2.

**G. Bonneville Power Residential Exchange Program Interest Rate:**

19. Related to the carrying charge on the Residential Exchange deferral balance, the Company agrees, effective January 1, 2015, to use a money market carrying charge instead of the Company's average cost of debt.

**H. Other Issues:**

20. The Company agrees to provide detailed semi-annual reporting of 2014 and 2015 capital expenditures with actual data by expenditure request, in the categories provided in its pro forma "cross check" plant adjustments. The Parties agree to meet and confer by no later than January 31, 2015 to establish any additional details of the capital reporting requirements.

21. The Parties recommend the Commission provide a separate forum to discuss attrition and other rate making policy issues, to include participation by Commissioners, and interested parties.

22. The Parties agree to address in the next general rate case alternative methods to rebate or recover ERM balances.

**IV. EFFECT OF THE SETTLEMENT STIPULATION**

23. Binding on Parties. The Parties agree to support the terms of the Settlement Stipulation throughout this proceeding, including any appeal, and recommend that the Commission issue an order adopting the Settlement Stipulation contained herein. The Parties understand that this



Settlement Stipulation is subject to Commission approval. The Parties agree that this Settlement Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements and documents disclosed in the negotiation of this Settlement Stipulation shall not be admissible evidence in this or any other proceeding.

24. Integrated Terms of Settlement. The Parties have negotiated this Settlement Stipulation as an integrated document. Accordingly, the Parties recommend that the Commission adopt this Settlement Stipulation in its entirety. Each Party has participated in the drafting of this Settlement Stipulation, so it should not be construed in favor of, or against, any particular Party.

25. Procedure. The Parties shall cooperate in submitting this Settlement Stipulation promptly to the Commission for acceptance. Each Party shall make available a witness or representative in support of this Settlement Stipulation. The Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Settlement Stipulation and to supplement the record accordingly.

26. Reservation of Rights. Each Party may offer into evidence its prefiled testimony and exhibits as they relate to the issues in this proceeding, together with such evidence in support of the Stipulation as may be offered at the time of the hearing on the Settlement. If the Commission rejects all or any material portion of this Settlement Stipulation, or adds additional material conditions, each Party reserves the right, upon written notice to the Commission and all parties to this proceeding within seven (7) days of the date of the Commission's Order, to withdraw from the Settlement Stipulation. If any Party exercises its right of withdrawal, this Settlement Stipulation shall be void and of no effect, and the Parties will support a joint motion for a procedural schedule to address the issues that would otherwise have been settled herein.

27. Advance Review of News Releases. All Parties agree:

- a. to provide all other Parties the right to review in advance of publication any and all announcements or news releases that any other Party intends to make about the Settlement Stipulation. This right of advance review includes a reasonable opportunity for a Party to request changes to the text of such announcements. However, no Party is required to make any change requested by another Party; and,
- b. to include in any news release or announcement a statement that Staff's recommendation to approve the settlement is not binding on the Commission itself. This subsection does not apply to any news release or announcement that otherwise makes no reference to Staff.

28. No Precedent. The Parties enter into this Settlement Stipulation to avoid further expense, uncertainty, and delay. By executing this Settlement Stipulation, no Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving at the Settlement Stipulation, and, except to the extent expressly set forth in the Settlement Stipulation, no Party shall be deemed to have agreed that such a Settlement Stipulation is appropriate for resolving any issues in any other proceeding.


29. Public Interest. The Parties agree that this Settlement Stipulation is in the public interest.

30. Execution. This Settlement Stipulation may be executed by the Parties in several counterparts and as executed shall constitute one Settlement Stipulation.

Entered into this 18<sup>th</sup> day of August 2014.



Company:

By:   
David J. Meyer  
VP, Chief Counsel for Regulatory and  
Governmental Affairs

Staff:

By: \_\_\_\_\_  
Brett P. Shearer  
Assistant Attorney General  
Patrick J. Oshie  
Assistant Attorney General

Public Counsel:

By: \_\_\_\_\_  
Lisa Gafken  
Assistant Attorney General

NWIGU:

By: \_\_\_\_\_  
Chad M. Stokes  
Cable Huston Benedict  
Haagensen & Lloyd LLP

ICNU:

By: \_\_\_\_\_  
Melinda Davison  
Davison Van Cleve, P.C.

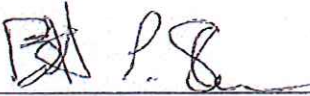
The Energy Project:

By: \_\_\_\_\_  
Ronald Roseman  
Attorney at Law

Company:

By: \_\_\_\_\_  
David J. Meyer  
VP, Chief Counsel for Regulatory and  
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By:  \_\_\_\_\_  
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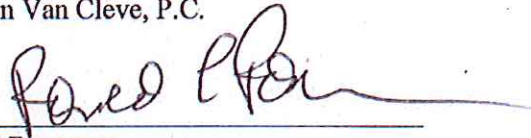
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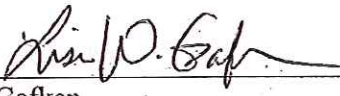
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ICNU:

By:  \_\_\_\_\_  
Melinda Davison  
Davison Van Cleve, P.C.

The Energy Project:

By: \_\_\_\_\_  
Ronald Roseman  
Attorney at Law

# APPENDIX 1



Avista Utilities  
Project Compass  
WA Natural Gas Revenue Requirement (1)

Line  
No.

	<u>Software (FERC 303100)</u>	<u>Hardware (FERC 391100)</u>	<u>Total</u>
1 Depreciation Expense	\$ 5,320,106	\$ 515,584	\$ 5,835,690
2 Property Tax @ 1.5% of Gross Plant, excluding software	-	116,006	116,006
3 Total Expenses	<u>5,320,106</u>	<u>631,590</u>	<u>5,951,696</u>
4 Net Operating Income Before FIT	(5,320,106)	(631,590)	(5,951,696)
5 FIT Benefit of Depreciation and Property Tax	1,862,037	221,057	2,083,094
6 FIT Benefit of Interest Expense	724,635	70,226	794,861
7 Net Operating Income Requirement	<u>\$ (2,733,434)</u>	<u>\$ (340,308)</u>	<u>\$ (3,073,742)</u>
8 Net Plant (2)	\$ 79,801,595	\$ 7,733,761	\$ 87,535,357
9 Accumulated Depreciation (AMA)	(2,660,053)	(257,792)	(2,917,845)
10 Accumulated DFIT (AMA)	<u>(3,723,609)</u>	<u>(360,864)</u>	<u>(4,084,473)</u>
11 Net Rate Base	73,417,933	7,115,105	80,533,039
12 Rate of Return	7.32%	7.32%	7.32%
13 Return on Rate Base	<u>\$ 5,374,193</u>	<u>\$ 520,826</u>	<u>\$ 5,895,018</u>
14 Net Operating Income Requirement including Return	\$ 8,107,627	\$ 861,133	\$ 8,968,760
15 WA Natural Gas Conversion Factor	0.62088	0.62088	0.62088
16 Revenue Requirement	<u>\$ 13,058,283</u>	<u>\$ 1,386,956</u>	<u>\$ 14,445,239</u>
17 WA Natural Gas Allocator	14.31%	14.31%	
18 Revenue Requirement - WA Natural Gas Share (3) (4)	<u>\$1,868,446</u>	<u>\$198,453</u>	<u>\$2,066,899</u>
	<u>Tax benefit of debt</u>		
19 Net rate base per above	\$73,417,933	\$7,115,105	\$80,533,039
20 Debt cost component	2.82%	2.82%	2.82%
21 Debt cost	<u>\$2,070,386</u>	<u>\$200,646</u>	<u>\$2,271,032</u>
22 Federal income tax rate	35%	35%	35%
23 Tax benefit of debt cost	<u>\$724,635</u>	<u>\$70,226</u>	<u>\$794,861</u>

**Notes:**

(1) Information provided for illustrative purposes. Amounts will be based on actual costs of the Project at the time the Project goes into service.

(2) Project Compass Costs include the following:

Total Cost	\$ 89,113,570	\$ 8,813,430	\$ 97,927,000
Less: Maximo Project (#09905700) transferred to Plant in Sept. 2013	9,311,975	1,079,669	10,391,643
	<u>\$ 79,801,595</u>	<u>\$ 7,733,761</u>	<u>\$ 87,535,357</u>

(3) In service date of January 1, 2015 was used to compute 2015 average rate base. If the in-service date is later than January 1, 2015 the revenue requirement for 2015 will be lower.

(4) The carrying charge on the deferral balance will be 3.25%.

**SECOND REVISED APPENDIX 2**

**Updated November 2014**

**AVISTA UTILITIES  
WASHINGTON ELECTRIC  
PROPOSED INCREASE BY SERVICE SCHEDULE  
12 MONTHS ENDED DECEMBER 31, 2015  
(000s of Dollars)**

Updated to reflect November 2014  
Power Supply update & ERM offset.

No.	Type of Service	Schedule Number	Base Tariff Revenue Under Present Rates(1)	(c)	Base Power Supply Increase	(e)	Base Tariff Revenue Under Proposed Rates(1)	(f)	Base Tariff Percent Increase	(g)	Sch.93 ERM Decrease	(h)	Sch.98 REC Revenue Decrease	(i)	Expiration of 2014 ERM/BPA Decrease	(j)	Sch. 92 LIRAP Increase	(k)	Net General & Sch 92/93/94/98 Increase	(l)	Percent Increase Revenue(2)	(m)
1	Residential	1	\$214,476	\$3,061	\$2,311	\$219,848	-\$3,625	2.5%	2.5%	-\$2,535	\$6,021	\$174	\$5,407	2.6%								
2	General Service	11/12	\$69,493	\$989	\$749	\$71,231	-\$1,174	2.5%	2.5%	-\$610	\$1,717	\$60	\$1,731	2.5%								
3	Large General Service	21/22	\$127,831	\$1,828	\$1,377	\$131,036	-\$2,160	2.5%	2.5%	-\$1,523	\$3,549	\$108	\$3,179	2.5%								
4	Extra Large General Service	25	\$61,637	\$877	\$667	\$63,181	-\$1,042	2.5%	2.5%	-\$1,098	\$1,937	(\$156)	\$1,185	1.9%								
5	Pumping Service	30/31/32	\$10,525	\$149	\$115	\$10,789	-\$178	2.5%	2.5%	-\$145	\$284	\$8	\$234	2.2%								
6	Street & Area Lights	41-48	\$6,871	\$96	\$76	\$7,043	-\$116	2.5%	2.5%	-\$27	\$144	\$6	\$180	2.5%								
7	Total		\$490,833	\$7,000	\$5,295	\$503,128	-\$8,295	2.5%	2.5%	-\$5,936	\$13,652	\$200	\$11,916	2.4%								

\* All revenue based on 2015 billing determinants

(1) Excludes all present rate adjustments: Schedule 59 (BPA Residential Exchange), Schedule 91 (DSM Adjustment), Schedule 92 (LIRAP Adjustment), Schedule 93 (Energy Recovery Mechanism), and Schedule 94 (BPA Transmission Revenue).

(2) Includes all rate adjustments: Schedule 59 (BPA Residential Exchange), Schedule 91 (DSM), Schedule 92 (LIRAP), Schedule 93 (ERM), Schedule 94 (BPA Transmission Revenue), and Schedule 98 (REC Revenue Rebate).



**AVISTA UTILITIES  
WASHINGTON ELECTRIC  
PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE**

Updated to reflect November 2014 Power Supply update & ERM offset.
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<u>Type of Service</u>	<u>Base Tariff</u>	<u>Present</u>	<u>Present</u>	<u>General</u>	<u>Sch. 93/98</u>	<u>Sch. 93/94</u>	<u>Sch. 92</u>	<u>Proposed</u>	<u>Proposed</u>
Total Profo (a)	Sch. Rate (b)	Other Adj.(1) (c)	Billing Rate (d)	Rate Inc/Dec (e)	ERM/REC Decrease (f)	ERM/BPA Increase (g)	LIRAP Increase (h)	Billing Rate (i)	Base Tariff Rate (j)
<b><u>Residential Service - Schedule 1</u></b>									
Basic Charge	\$8.00		\$8.00	\$0.50				\$8.50	\$8.50
Energy Charge:									
First 800 kWhs	\$0.07369	(\$0.00214)	\$0.07155	\$0.00156	(\$0.00253)	\$0.00247	\$0.00007	\$0.07312	\$0.07525
800 - 1,500 kWhs	\$0.08573	(\$0.00214)	\$0.08359	\$0.00182	(\$0.00253)	\$0.00247	\$0.00007	\$0.08542	\$0.08755
All over 1,500 kWhs	\$0.10050	(\$0.00214)	\$0.09836	\$0.00214	(\$0.00253)	\$0.00247	\$0.00007	\$0.10051	\$0.10264
<b><u>General Services - Schedule 11</u></b>									
Basic Charge	\$15.00		\$15.00	\$3.00				\$18.00	\$18.00
Energy Charge:									
First 3,650 kWhs	\$0.11391	\$0.00173	\$0.11564	\$0.00116	(\$0.00304)	\$0.00293	\$0.00010	\$0.11679	\$0.11507
All over 3,650 kWhs	\$0.08370	\$0.00173	\$0.08543	\$0.00085	(\$0.00304)	\$0.00293	\$0.00010	\$0.08627	\$0.08455
Demand Charge:									
20 kW or less	no charge		no charge	no charge					no charge
Over 20 kW	\$6.00/kW		\$6.00/kW					\$6.00/kW	\$6.00/kW
<b><u>Large General Service - Schedule 21</u></b>									
Energy Charge:									
First 250,000 kWhs	\$0.07099	\$0.00103	\$0.07202	\$0.00141	(\$0.00256)	\$0.00247	\$0.00008	\$0.07342	\$0.07240
All over 250,000 kWhs	\$0.06349	\$0.00103	\$0.06452	\$0.00126	(\$0.00256)	\$0.00247	\$0.00008	\$0.06577	\$0.06475
Demand Charge:									
50 kW or less	\$450.00		\$450.00	\$50.00				\$500.00	\$500.00
Over 50 kW	\$6.00/kW		\$6.00/kW					\$6.00/kW	\$6.00/kW
Primary Voltage Discount	\$0.20/kW		\$0.20/kW					\$0.20/kW	\$0.20/kW
<b><u>Extra Large General Service - Schedule 25</u></b>									
Energy Charge:									
First 500,000 kWhs	\$0.05708	\$0.00042	\$0.05750	(\$0.00092)	(\$0.00199)	\$0.00180	\$0.00005	\$0.05644	\$0.05616
500,000 - 6,000,000 kWhs	\$0.05135	\$0.00042	\$0.05177	(\$0.00082)	(\$0.00199)	\$0.00180	\$0.00005	\$0.05081	\$0.05053
All over 6,000,000 kWhs	\$0.04391	\$0.00042	\$0.04433	(\$0.00071)	(\$0.00199)	\$0.00180	(\$0.00046)	\$0.04297	\$0.04320
Demand Charge:									
3,000 kva or less	\$15,000		\$15,000	\$6,000				\$21,000	\$21,000
Over 3,000 kva	\$5.25/kva		\$5.25/kva	\$0.75/kva				\$6.00/kva	\$6.00/kva
Primary Volt. Discount									
11 - 60 kv	\$0.20/kW		\$0.20/kW					\$0.20/kW	\$0.20/kW
60 - 115 kv	\$1.10/kW		\$1.10/kW					\$1.10/kW	\$1.10/kW
115 or higher kv	\$1.40/kW		\$1.40/kW					\$1.40/kW	\$1.40/kW
Annual Minimum	Present:	\$779,230					Proposed:	\$841,610	
<b><u>Pumping Service - Schedule 31</u></b>									
Basic Charge	\$15.00		\$15.00	\$3.00				\$18.00	\$18.00
Energy Charge:									
First 165 kW/kWh	\$0.09545	\$0.00087	\$0.09632	\$0.00167	(\$0.00252)	\$0.00222	\$0.00007	\$0.09776	\$0.09712
All additional kWhs	\$0.06817	\$0.00087	\$0.06904	\$0.00119	(\$0.00252)	\$0.00222	\$0.00007	\$0.07000	\$0.06936

(1) Includes all present rate adjustments: Sch. 59 (BPA Residential Exchange), Sch. 91 (DSM Adjustment), Sch. 92 (LIRAP Adjustment), Sch. 93 (Energy Recovery Mechanism) and Sch 94 (BPA Transmission Revenue)

**AVISTA UTILITIES  
WASHINGTON ELECTRIC  
ERM REVENUE DECREASE BY SERVICE SCHEDULE  
(000s of Dollars)**

Updated to reflect November 2014 Power Supply update & ERM offset.
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		Present Base Revenue	ERM Offset	Percentage Change	kWh Rate	Billing Determinants
1 Residential	1	\$214,476,179	\$(3,624,621)	-1.69%	\$(0.00149)	2,437,508,068
2 General Service	11/12	\$69,492,932	\$(1,174,422)	-1.69%	\$(0.00200)	586,109,432
3 Large General Service	21/22	\$127,830,953	\$(2,160,327)	-1.69%	\$(0.00150)	1,436,806,481
4 Extra Large General Service	25	\$61,636,549	\$(1,041,650)	-1.69%	\$(0.00097)	1,076,126,636
5 Pumping Service	30/31/32	\$10,524,650	\$(177,865)	-1.69%	\$(0.00139)	127,927,573
6 Street & Area Lights	41-48	<u>\$6,870,763</u>	<u>\$(116,115)</u>	<u>-1.69%</u>	<u>\$(0.00458)</u>	<u>25,328,044</u>
7 Total		\$490,832,026	\$(8,295,000)	-1.69%		5,689,806,234

## REC Revenues Rebate Allocation - Generation Level Consumption

Line No.	DESCRIPTION	TOTAL	RESIDENTIAL SCHEDULE 1	GENERAL SVC. SCHEDULE 11,12	LG. GEN. SVC. SCHEDULE 21,22	EX LG GEN SVC SCHEDULE 25	PUMPING SCH. 30, 31, 32	ST & AREA LTG SCH. 41-48	J
A	B	C	D	E	F	H	I	I	J
1	<u>Generation Allocated</u>	100.00%							
2	Total Generation Percentage		42.51%	10.07%	25.68%	18.90%	2.38%	0.46%	(1)
3	2015 Rebate Amount	\$ (5,936,379)	\$ (2,535,008)	\$ (609,554)	\$ (1,523,015)	\$ (1,097,649)	\$ (144,558)	\$ (26,594)	
4	Annual Load (Rate Year)	5,689,806,233	2,437,508,067	586,109,432	1,436,806,481	1,076,126,635	127,927,574	25,328,044	(2)
5	Cents Per kWh Rate		\$ (0.00104)	\$ (0.00104)	\$ (0.00106)	\$ (0.00102)	\$ (0.00113)	\$ (0.00105)	
6	Total Bills	2,922,458	2,494,197	369,788	24,074	253	34,146		
7	Avg Monthly Credit Per Customer		\$ (1.02)	\$ (1.65)	\$ (63.26)	\$ (4,338.53)	\$ (4.23)		
8	Avg Annual Credit Per Customer		\$ (12.20)	\$ (19.78)	\$ (759.17)	\$ (52,062.41)	\$ (50.80)		
9									
10	<u>Rate Calculation</u>								
11	18-mo Rebate Amt	\$ (8,679,049)	\$ (3,688,996)	\$ (874,177)	\$ (2,228,873)	\$ (1,640,311)	\$ (206,468)	\$ (40,225)	
12	Load Forecast (18 Months)	8,347,293,891	3,563,388,464	836,891,898	2,109,870,302	1,615,235,840	183,456,283	38,451,104	
13	Cents Per kWh Rate		\$ (0.00104)	\$ (0.00104)	\$ (0.00106)	\$ (0.00102)	\$ (0.00113)	\$ (0.00105)	

(1) E02 Allocator (Generation Level Consumption)

(2) 2015 loads updated per Avista Response to Staff Data Request 24, Supplemental 2 Attachment A



Avista Electric  
LIRAP Rate Calculation  
UE-140188

		Settlement Billing Determinants *	Adjusted LIRAP Revenue	5.0% LIRAP Increase	Settlement LIRAP Revenue	Settlement Sch 92 kWh Rate
1 Residential	1	2,437,508,067	\$ 1,790,246	\$ 89,512	\$ 1,879,759	\$ 0.00077
2 General Service	11/12	586,109,432	\$ 621,110	\$ 31,055	\$ 652,166	\$ 0.00111
3 Large General Service	21/22	1,436,806,481	\$ 1,115,575	\$ 55,779	\$ 1,171,354	\$ 0.00082
4 Extra Large General Service	25	668,283,785	\$ 322,543	\$ 16,127	\$ 338,670	\$ 0.00051
5 Pumping Service	30/31/32	127,927,574	\$ 85,904	\$ 4,295	\$ 90,199	\$ 0.00071
6 Street & Area Lights	41-48	25,328,044	\$ 63,439	\$ 3,172	\$ 66,611	0.96%
7 Total		5,281,963,383	\$ 3,998,818	\$ 199,940	\$ 4,198,758	

\* The 3rd block billing determinants of Schedule 25 excluded per Settlement Agreement.

AVISTA UTILITIES  
WASHINGTON NATURAL GAS  
PROPOSED INCREASE BY SERVICE SCHEDULE  
12 MONTHS ENDED DECEMBER 31, 2015  
(000s of Dollars)

Line No.	Type of Service	Schedule Number	Base Tariff Revenue Under Present Rates(1)	Proposed General Increase	Base Tariff Revenue Under Proposed Rates	Base Tariff Percent Increase	Total Billed Revenue at Present Rates (2)	Sch. 192 LIRAP Increase	Total GRC/LIRAP Increase	Percent Increase on Billed Revenue (2)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	General Service	101	\$110,008	\$6,581	\$116,589	6.0%	\$114,458	\$156	\$6,737	5.9%
2	Large General Service	111/112	\$34,391	\$1,515	\$35,906	4.4%	\$35,967	\$51	\$1,566	4.4%
3	Large General Svc.-High Annual Load Factor	121/122	\$3,932	\$181	\$4,113	4.6%	\$4,181	\$6	\$187	4.5%
4	Interruptible Service	131/132	\$768	\$43	\$811	5.6%	\$798	\$1	\$44	5.5%
5	Transportation Service	146	\$2,434	\$180	\$2,614	7.4%	\$2,436	\$0	\$180	7.4%
6	Special Contracts	148	\$1,542	\$0	\$1,542	0.0%	\$1,542	\$0	\$0	0.0%
7	Total		\$153,075	\$8,500	\$161,575	5.6%	\$159,383	\$214	\$8,716	5.5%

\* All revenue based on 2015 billing determinants

- (1) Includes Purchase Adjustment Schedule 150; excludes all other rate adjustments.
- (2) Includes Schedule 150 (Purchase Gas Cost Adjustment), Schedule 155 (Gas Rate Adjustment), Schedule 159 (Decoupling), Schedule 191 (DSM), and Schedule 192 (LIRAP).

**AVISTA UTILITIES  
WASHINGTON NATURAL GAS  
PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE**

Type of Service (a)	Base Rate (b)	Sch. 150 PGA Rate Adj (c)	Base Rate Including Schedule 150 (d)	Present Billing Rate Adj. (e)	Present Billing Rate (1) (f)	General Rate Increase (g)	Sch. 192 LIRAP Increase (h)	Proposed Billing Rate(1) (i)	Proposed Base Rate Including Schedule 150 (j)	Proposed Base Rate excluding Schedule 150 (k)
<b>General Service - Schedule 101</b>										
Basic Charge			\$8.00		\$8.00	\$1.00		\$9.00	\$9.00	\$9.00
Usage Charge:										
First 70 Therms	0.28219	0.49803	\$0.78022	\$0.03803	\$0.81825	\$0.03901	\$0.00133	\$0.85859	\$0.81923	\$0.32120
All over 70 Therms	0.38327	0.49803	\$0.88130	\$0.03803	\$0.91933	\$0.04406	\$0.00133	\$0.96472	\$0.92536	\$0.42733
<b>Large General Service - Schedule 111</b>										
Usage Charge:										
First 200 therms	0.39131	0.49535	\$0.88666	\$0.03407	\$0.92073	\$0.04389	\$0.00111	\$0.96573	\$0.93055	\$0.43520
200 - 1,000 therms	0.26644	0.49535	\$0.76179	\$0.03407	\$0.79586	\$0.03735	\$0.00111	\$0.83432	\$0.79914	\$0.30379
All over 1,000 therms	0.19322	0.49535	\$0.68857	\$0.03407	\$0.72264	\$0.03376	\$0.00111	\$0.75751	\$0.72233	\$0.22698
Minimum Charge:										
per month			\$161.21		\$161.21	(\$74.17)		\$87.04	\$87.04	\$87.04
per therm	-0.41474	0.49535	\$0.08081	\$0.03407	\$0.11468	\$0.41474		\$0.52942	\$0.49535	\$0.00000
<b>High Annual Load Factor Large General Service - Schedule 121</b>										
Usage Charge:										
First 500 therms	0.40597	0.47449	\$0.88046	\$0.04203	\$0.92249	\$0.02451	\$0.00102	\$0.94802	\$0.90497	\$0.43048
500 - 1,000 therms	0.28246	0.47449	\$0.75695	\$0.04203	\$0.79898	\$0.03980	\$0.00102	\$0.83980	\$0.79675	\$0.32226
1,000 - 10,000 therms	0.20758	0.47449	\$0.68207	\$0.04203	\$0.72410	\$0.03586	\$0.00102	\$0.76098	\$0.71793	\$0.24344
10,000 - 25,000 therms	0.16056	0.47449	\$0.63505	\$0.04203	\$0.67708	\$0.03339	\$0.00102	\$0.71149	\$0.66844	\$0.19395
All over 25,000 therms	0.12272	0.47449	\$0.59721	\$0.04203	\$0.63924	\$0.03102	\$0.00102	\$0.64026	\$0.59721	\$0.12272
Minimum Charge:										
per month			\$409.92		\$409.92	(\$194.68)		\$215.24	\$215.24	\$215.24
per therm	-0.41387	0.47449	\$0.08082	\$0.04203	\$0.10265	\$0.41387	\$0.00102	\$0.51754	\$0.47449	\$0.00000
Annual Minimum per therm			Present: \$0.30041					Proposed: \$0.33816		\$0.33816
<b>Interruptible Service - Schedule 132</b>										
Usage Charge:										
First 10,000 therms	0.18974	0.44955	\$0.63929	\$0.02359	\$0.66288	\$0.03580	\$0.00098	\$0.69966	\$0.67509	\$0.22554
10,000 - 25,000 therms	0.1447	0.44955	\$0.59425	\$0.02359	\$0.61784	\$0.03328	\$0.00098	\$0.65210	\$0.62753	\$0.17798
25,000 - 50,000 therms	0.13365	0.44955	\$0.58320	\$0.02359	\$0.60679	\$0.03266	\$0.00098	\$0.64043	\$0.61586	\$0.16631
All over 50,000 therms	0.12999	0.44955	\$0.57954	\$0.02359	\$0.60313	\$0.03245	\$0.00098	\$0.63656	\$0.61199	\$0.16244
Annual Minimum per therm			Present: \$0.21578					Proposed: \$0.24776		\$0.24776
<b>Transportation Service - Schedule 146</b>										
Basic Charge			\$400.00		\$400.00	\$100.00		\$500.00	\$500.00	\$500.00
Usage Charge:										
First 20,000 therms	0.08233	0.00056	\$0.08289	\$0.00004	\$0.08293	\$0.00482		\$0.08775	\$0.08771	\$0.08715
20,000 - 50,000 therms	0.07324	0.00056	\$0.07380	\$0.00004	\$0.07384	\$0.00429		\$0.07813	\$0.07809	\$0.07753
50,000 - 300,000 therms	0.06603	0.00056	\$0.06659	\$0.00004	\$0.06663	\$0.00387		\$0.07050	\$0.07046	\$0.06990
300,000 - 500,000 therms	0.06106	0.00056	\$0.06162	\$0.00004	\$0.06166	\$0.00358		\$0.06524	\$0.06520	\$0.06464
All over 500,000 therms	0.04586	0.00056	\$0.04642	\$0.00004	\$0.04646	\$0.00270		\$0.04916	\$0.04912	\$0.04856
Annual Minimum per therm			Present: \$0.07380					Proposed: \$0.07809		\$0.07809

(1) Includes Schedule 150 (Purchase Gas Cost Adjustment), Schedule 155 (Gas Rate Adjustment), Schedule 191 (DSM Adjustment), and Schedule 192 (LIRAP Adjustment).



Avista Natural Gas  
 LIRAP Rate Calculation  
 UG-140189

	Billing Determinants	Present LIRAP Revenue	11.6% LIRAP Increase	Settlement LIRAP Revenue	Settlement Sch 192 Therm Rate
General Service	101 117,011,207	\$ 1,339,778	\$ 155,414	\$ 1,495,193	\$ 0.01278
Large General Service	111/112 46,256,893	\$ 444,066	\$ 51,512	\$ 495,578	\$ 0.01071
Large General Svc.-High Annual Load Factor	121/122 5,940,558	\$ 52,039	\$ 6,037	\$ 58,076	\$ 0.00978
Interruptible Service	131/132 1,288,220	\$ 10,847	\$ 1,258	\$ 12,105	\$ 0.00940
Transportation Service	146 31,023,878	\$ -	\$ -	\$ -	\$ -
Special Contracts	148 46,142,216	\$ -	\$ -	\$ -	\$ -
Total	247,662,972	\$ 1,846,731	\$ 214,221	\$ 2,060,951	

## SECOND REVISED APPENDIX 3

Updated November 2014

Avista Corp  
 Pro forma January 2015 - December 2015  
 ERM Authorized Expense and Retail Sales  
 Adjusted to Reflect 2015 System Loads (1)

Reflects November Power Supply update.

ERM Authorized Power Supply Expense - System Numbers (2)		January	February	March	April	May	June	July	August	September	October	November	December
<b>Total</b>		\$14,241,308	\$12,816,216	\$12,684,102	\$10,157,992	\$8,801,839	\$8,986,511	\$9,032,312	\$10,449,135	\$8,227,612	\$8,950,494	\$12,731,418	\$12,617,776
Account 555 - Purchased Power		\$2,663,532	\$2,484,671	\$2,578,707	\$2,068,252	\$1,665,745	\$1,511,381	\$2,254,578	\$2,621,357	\$2,672,936	\$2,757,933	\$2,649,850	\$2,700,195
Account 501 - Thermal Fuel		\$10,133,311	\$9,419,650	\$9,305,476	\$5,867,735	\$3,112,735	\$2,595,918	\$5,623,100	\$7,743,935	\$8,219,145	\$8,834,779	\$9,035,104	\$9,873,776
Account 547 - Natural Gas Fuel		\$5,385,864	\$7,026,454	\$8,167,295	\$8,655,099	\$9,111,902	\$8,389,009	\$5,130,621	\$3,284,320	\$4,661,364	\$4,875,558	\$6,000,154	\$4,742,812
Account 447 - Sale for Resale		\$21,652,287	\$17,694,063	\$16,400,990	\$9,438,880	\$4,468,417	\$4,684,802	\$11,779,389	\$17,530,106	\$14,458,328	\$15,667,649	\$18,416,218	\$20,448,924
Power Supply Expense (3)		\$16,817,737	\$1,429,504	\$1,405,324	\$1,394,208	\$1,365,074	\$1,353,383	\$1,377,511	\$1,429,273	\$1,414,185	\$1,374,889	\$1,403,813	\$1,423,031
Transmission Expense		\$18,015,349	\$1,105,921	\$1,123,977	\$1,154,782	\$1,377,232	\$1,552,357	\$1,659,835	\$1,502,892	\$1,308,364	\$1,460,291	\$1,241,936	\$1,225,427
Transmission Revenue		\$89,667	\$89,667	\$89,667	\$89,667	\$89,667	\$89,667	\$89,667	\$89,667	\$89,667	\$89,667	\$89,667	\$89,667
Broker Fees		\$174,518,441	\$21,885,166	\$18,107,332	\$16,772,004	\$9,767,972	\$4,545,924	\$11,586,711	\$17,546,153	\$14,655,815	\$15,671,913	\$18,667,761	\$20,736,195
<b>Total (5)</b>		\$725,000	\$181,250	\$181,250	\$181,250	\$181,250	\$181,250	\$181,250	\$181,250	\$181,250	\$181,250	\$181,250	\$181,250

ERM Authorized Power Supply Expense - 100% Washington Allocation

Washington EIA REC Purchase	\$181,250
<b>Total</b>	\$181,250

ERM Authorized Washington Retail Sales

	January	February	March	April	May	June	July	August	September	October	November	December
<b>Total</b>	5,689,806	498,034	487,551	422,246	421,982	420,901	464,392	489,763	426,967	452,424	490,319	570,023
2015 Total Retail Sales, MWh (4)	5,689,806	498,034	487,551	422,246	421,982	420,901	464,392	489,763	426,967	452,424	490,319	570,023
Retail Revenue Credit Rate	\$20.12 /MWh											

- (1) The November 2014 power supply update is based on 2015 system loads.
- (2) Multiply system numbers by 65.19% to determine Washington share.
- (3) Power Supply Expense has been adjusted to reflect 2015 system loads.
- (4) Reflects 2015 billing determinants used to set rates.
- (5) The November 2014 update of net power supply costs will be compared to the Total of \$167,877,570 to determine the increase or decrease to the \$7.0 million base revenue increase effective January 1, 2015. The November 2014 updated net power supply costs have been reduced by \$500,000 (System) Staff adjustment, and increased by the \$725,000 (Washington share) REC expenses excluded from the REC rebate calculation.

	System	WA Share
Power Cost Total in Stipulation	\$167,877,570	\$109,439,388
Updated System Power Cost	\$174,518,441	\$113,768,572
Direct WA EIA REC Purchase	\$725,000	\$725,000
<b>Total Updated WA Power Cost</b>		<b>\$114,493,572</b>
Change in WA Power Cost		\$5,054,184
FIT		\$1,768,964
NOI Requirement		\$3,285,220
Conversion Factor		0.62049
Power Supply Update Revenue Requirement		<b>\$5,294,557</b>



## SECOND REVISED APPENDIX 4

Updated November 2014

Avista Utilities

Electric Decoupling Mechanism

Development of Decoupled Revenue by Rate Schedule - Electric

Updated to reflect November  
2014 Power Supply update.

	TOTAL	RESIDENTIAL SCHEDULE 1	GENERAL SVC. SCH. 11,12	L.G. GEN. SVC. SCH. 21,22	PUMPING SCH. 30, 31, 32	EX LG GEN SVC SCHEDULE 25	ST & AREA LTG SCH. 41-48
1 Total Normalized 2015 Revenue (Appendix 2)	\$ 490,833,000	\$ 214,476,000	\$ 69,493,000	\$ 127,831,000	\$ 10,525,000	\$ 61,637,000	\$ 6,871,000
2 Settlement Revenue Increase (Appendix 2)	\$ 12,295,000	\$ 5,372,000	\$ 1,738,000	\$ 3,205,000	\$ 264,000	\$ 1,544,000	\$ 172,000
3 Total Rate Revenue (January 1, 2015)	\$ 503,128,000	\$ 219,848,000	\$ 71,231,000	\$ 131,036,000	\$ 10,789,000	\$ 63,181,000	\$ 7,043,000
4 Normalized kWhs (2015 Rate Year)	5,689,806,234	2,437,508,068	586,109,432	1,436,806,481	127,927,573	1,076,126,636	25,328,044
5 Retail Revenue Credit (line 14)	\$ 0.02108	\$ 0.02108	\$ 0.02108	\$ 0.02108	\$ 0.02108	\$ 0.02108	\$ 0.02108
6 Variable Power Supply Revenue (L4 * L5)	\$ 119,941,115	\$ 51,382,670	\$ 12,355,187	\$ 30,287,881	\$ 2,696,713	\$ 22,684,749	\$ 533,915
7 Delivery & Power Plant Revenue (L3 - L6)	\$ 336,181,549	\$ 168,465,330	\$ 58,875,813	\$ 100,748,119	\$ 8,092,287		
8 Customer Bills (2015 Rate Year)	2,917,521	2,494,197	369,788	24,074	29,462		
9 Proposed Basic Charges	\$ 8.50	\$ 8.50	\$ 18.00	\$ 500.00	\$ 18.00		
10 Basic Charge Revenue (Ln 8 * Ln 9)	\$ 40,424,175	\$ 21,200,675	\$ 6,656,184	\$ 12,037,000	\$ 530,316		
11 Decoupled Revenue	\$ 295,757,375	\$ 147,264,655	\$ 52,219,629	\$ 88,711,119	\$ 7,561,971		
12 Retail Revenue Credit - (Appendix 3)	\$0.02012						
13 Gross Up Factor for Revenue Related Exp	104.76%						
14 Grossed Up Retail Revenue Credit	\$0.02108						
15 Average Number of Customers (Line 8 / 12)		Residential	Non-Residential Group				
16 Annual kWh		207,850	35,277				
17 Basic Charge Revenues		2,437,508,068	2,150,843,486				
18 Customer Bills		21,200,675	19,223,500				
19 Average Basic Charge		2,494,197	423,324				
		\$8.50	\$45.41				

Excluded From Decoupling

Updated to reflect November  
2014 Power Supply update.

**Avista Utilities**  
**Electric Decoupling Mechanism**  
**Development of Annual Decoupled Revenue Per Customer - Electric**

Line No.	(a)	(b)	Residential	Non-Residential Schedules*
1	Decoupled Revenues	Appendix 4, Page 1	\$ 147,264,655	\$ 148,492,719
2	Rate Year # of Customers 2015	Revenue Data	207,850	35,277
3	Decoupled Revenue per Customer	(1) / (2)	\$ 708.51	\$ 4,209.34

\* Schedules 11, 12, 21, 22, 31, 32.



Updated to reflect November 2014  
Power Supply update.

**Avista Utilities  
Electric Decoupling Mechanism  
Development of Monthly Decoupled Revenue Per Customer - Electric**

Line No.	Source	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
	(a)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	Electric Sales													
2	Residential													
3	- Weather-Normalized kWh Sales	271,130,047	240,621,765	221,370,825	175,525,307	161,914,993	154,545,588	176,072,045	186,627,000	157,769,800	180,730,371	225,437,938	285,761,978	2,437,508,067
4	- % of Annual Total	11.12%	9.87%	9.08%	7.20%	6.64%	6.34%	7.22%	7.65%	6.47%	7.41%	9.25%	11.72%	100.00%
5	Non-Residential*													
6	- Weather-Normalized kWh Sales	181,922,081	170,861,843	173,030,139	157,004,730	167,947,307	175,614,812	195,632,184	207,327,409	177,370,453	177,453,044	174,351,964	192,327,521	2,150,843,487
7	- % of Annual Total	8.46%	7.98%	8.04%	7.30%	7.81%	8.16%	9.10%	9.64%	8.25%	8.29%	8.11%	8.94%	100.00%
8	Monthly Decoupled Revenue Per-Customer ("RPC")													
9	Residential													
10	- 2015 Decoupled RPC													708.51
11	- 2015 Monthly Decoupled RPC	\$ 78.81	\$ 69.94	\$ 64.35	\$ 51.02	\$ 47.06	\$ 44.92	\$ 51.18	\$ 54.25	\$ 45.86	\$ 52.53	\$ 65.53	\$ 83.06	\$ 708.51
12	Non-Residential*													
13	- 2015 Decoupled RPC													4,209.34
14	- 2015 Monthly Decoupled RPC	\$ 356.03	\$ 334.39	\$ 338.63	\$ 307.27	\$ 328.68	\$ 343.69	\$ 382.86	\$ 405.75	\$ 347.13	\$ 347.29	\$ 341.22	\$ 376.40	\$ 4,209.34

\* Schedules 11, 12, 21, 22, 31, 32.

## APPENDIX 5

Avista Utilities  
 Natural Gas Decoupling Mechanism  
 Development of Decoupled Revenue by Rate Schedule - Natural Gas

	TOTAL	RESIDENTIAL SCHEDULE 101	GENERAL SVC. SCH. 111	LG. GEN. SVC. SCH. 121	INTERRUPTIBLE SCH 131	SCHEDULES 112, 122, 132	SCHEDULES 146 & 148
1 Total Normalized 2015 Revenue (Appendix 2)	\$ 153,075,000	\$ 110,008,000	\$ 34,391,000	\$ 3,645,000	\$ -	\$ 1,055,000	\$ 3,976,000
2 Settlement Revenue Increase (Appendix 2)	\$ 8,500,000	\$ 6,581,000	\$ 1,515,000	\$ 168,000	\$ -	\$ 56,000	\$ 180,000
3 Total Rate Revenue (January 1, 2015)	\$ 161,575,000	\$ 116,589,000	\$ 35,906,000	\$ 3,813,000	\$ -	\$ 1,111,000	\$ 4,156,000
4 Normalized Therms (2015 Rate Year)	247,662,972	117,011,207	46,256,893	5,507,204	-	1,721,574	77,166,094
5 PGA Rates	\$ -	\$ 0.49803	\$ 0.49535	\$ 0.47449	\$ 0.44955		
6 Variable Gas Supply Revenue	\$ 83,801,557	\$ 58,275,091	\$ 22,913,352	\$ 2,613,113	\$ -		
7 Delivery Revenue (Ln 3 - Ln 6)	\$ 72,506,443	\$ 58,313,909	\$ 12,992,648	\$ 1,199,887	\$ -		
8 Customer Bills (2015 Rate Year)	1,833,425	1,802,235	30,276	305	0	48	561
9 Settlement Basic Charges	\$ 99,000	\$ 87,000	\$ 87,000	\$ 215,240	\$ 0.00		
10 Basic Charge Revenue (Ln 8 * Ln 9)	\$ 18,920,986	\$ 16,220,115	\$ 2,635,223	\$ 65,648	\$ -		
11 Decoupled Revenue	\$ 53,585,457	\$ 42,093,794	\$ 10,357,425	\$ 1,134,239	\$ -	Excluded From Decoupling	
		Residential		Non-Residential Group			
12 Average Number of Customers (Line 8 / 12)		150,186	2,548				
13 Annual Therms		117,011,207	51,764,097				
14 Basic Charge Revenues	\$ -	\$ 16,220,115	\$ 2,700,871				
15 Customer Bills		1,802,235	30,581				
16 Average Basic Charge		\$9.00	\$88.32				



Avista Utilities  
 Natural Gas Decoupling Mechanism  
 Development of Decoupled Revenue Per Customer - Natural Gas

Line No.	(a)	(b)	(c)	(d)
	Source	Residential	Non-Residential Schedules*	
1	Decoupled Revenues	Appendix 5, Page 1 \$ 42,093,794	\$ 11,491,664	
2	Rate Year # of Customers 2015	Revenue Data 150,186	2,548	
3	Decoupled Revenue Per Customer	(1) / (2) \$ 280.28	\$ 4,509.33	

\*Sales Schedules 111, 121, 131.

**Avista Utilities**  
**Natural Gas Decoupling Mechanism**  
**Development of Monthly Decoupled Revenue Per Customer - Natural Gas**

Line No.	(a)	Source	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1															
2	<b>Natural Gas Delivery Volume</b>														
3	<i>Residential</i>														
4	- Weather-Normalized Therm Delivery Volume	Monthly Rate Year	20,096,515	16,729,826	14,285,474	9,202,394	5,127,082	3,376,941	2,456,171	2,227,453	2,907,962	6,931,034	13,836,643	19,833,713	117,011,207
5	- % of Annual Total	% of Total	17.17%	14.30%	12.21%	7.86%	4.38%	2.89%	2.10%	1.90%	2.49%	5.92%	11.83%	16.95%	100.00%
6															
7	<i>Non-Residential Service*</i>														
8	- Weather-Normalized Therm Delivery Volume	Monthly Rate Year	7,372,452	6,284,928	5,638,128	3,840,835	2,388,634	1,911,614	1,631,753	1,792,654	2,433,461	4,483,160	6,399,826	7,586,671	51,764,097
9	- % of Annual Total	% of Total	14.24%	12.14%	10.89%	7.42%	4.61%	3.69%	3.15%	3.46%	4.70%	8.66%	12.36%	14.66%	100.00%
10															
11	<b>Monthly Decoupled Revenue Per Customer ("RPC")</b>														
12	<i>Residential</i>														
13	- 2015 Decoupled RPC	Appendix 5, P. 2 L. 3													
14	- 2015 Monthly Decoupled RPC	(5) x (13)	\$ 48.14	\$ 40.07	\$ 34.22	\$ 22.04	\$ 12.28	\$ 8.09	\$ 5.88	\$ 5.34	\$ 6.97	\$ 16.60	\$ 33.14	\$ 47.51	\$ 280.28
15															
16	<i>Non-Residential Service*</i>														
17	- 2015 Decoupled RPC	Appendix 5, P. 2 L. 3													
18	- 2015 Monthly Decoupled RPC	(9) x (17)	\$ 642.24	\$ 547.50	\$ 491.15	\$ 334.59	\$ 208.08	\$ 166.53	\$ 142.15	\$ 156.16	\$ 211.99	\$ 390.54	\$ 557.51	\$ 660.90	\$ 4,509.33
19															
20	*Sales Schedules 111, 121, 131.														