BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. AVISTA CORPORATION d/b/a AVISTA UTILITIES Respondent.	DOCKETS UE-170485 and UG-170486 (*Consolidated*) MULTIPARTY PARTIAL SETTLEMENT STIPULATION

I. PARTIES

1 This settlement stipulation is entered into by some, but not all of the parties to these dockets, specifically the Avista Corporation ("Avista" or the "Company"), the Staff of the Washington Utilities and Transportation Commission ("Staff"), the Public Counsel Unit of the Washington Office of Attorney General ("Public Counsel"), Northwest Industrial Gas Users ("NWIGU"), and The Energy Project (collectively the "Settling Parties"). This settlement stipulation resolves some, but not all issues in these dockets, resolving specifically cost-of-service, rate spread, and rate design issues. Accordingly, this settlement stipulation represents a "Multiparty Partial Settlement" under WAC 480-07-730. The Settling Parties agree that this Multiparty Partial Settlement Stipulation (hereinafter "Multiparty Partial Settlement" or

"Stipulation") is in the public interest and request that the Commission accept the Stipulation as a partial resolution of certain issues in these dockets.

II. BACKGROUND

2 On May 26, 2017, Avista filed with the Commission certain tariff revisions designed to increase general rates for electric service (Docket UE-170485) and natural gas service (Docket UG-170486) in the State of Washington. Avista requested a Three-Year Rate Plan, which would begin with new rates effective May 1, 2018, and run through April 30, 2021. Effective May 1, 2018, Avista requested an increase in electric base rates of $61.4 million, or 12.5 percent (12.0% on a billed basis), and an increase in natural gas base rates of $8.3 million, or 9.3 percent (5.4% on a billed basis). For the second year of the Rate Plan, Avista proposed an increase in electric base revenues of $14.0 million, or 2.4%, and an increase in natural gas base rates of $4.2 million, or 2.6%, effective May 1, 2019. For the third year of the Rate Plan, Avista proposed an additional electric base increase of $14.4 million, or 2.5%, and an increase in natural gas base rates of $4.4 million, or 2.7%, effective May 1, 2020. As part of the Rate Plan, the Company proposed to update power supply costs through a Power Supply Update, the effects of which would also go into effect on May 1, 2019 and May 1, 2020.[1]

3 On June 2, 2017, the Commission entered Order 01 suspending the tariff revisions and setting Dockets UE-170485 and UG-170486 for hearing and determination pursuant to WAC 480-07-320. Representatives of all parties appeared telephonically, and in person, at a Settlement Conference held on September 15, 2017, which was held for the purpose of narrowing or resolving

[1]Avista proposed that the revenue increases for Years 2 and 3 of the Rate Plan would be implemented through Schedules 96 and 196 and not through a change to base tariffs. The Power Supply Updates would be administered through Schedule 93. For purposes of the Low Income Rate Assistance Program ("LIRAP") five year funding plan, the increases in Years 2 and 3 of the general rate case rate plan administered through Schedules 93 and 96/196 would be considered base revenue changes.

the contested issues related to cost of service, rate spread and rate design in this proceeding. Subsequent discussions led to this Multiparty Partial Settlement Stipulation.

4 The Settling Parties have reached a Partial Settlement of some issues in this proceeding. If approved, this Partial Settlement would resolve all issues pertaining to cost of service, rate spread and rate design, and only those issues.[2] The Settling Parties, therefore, adopt the following Multiparty Partial Settlement Stipulation in the interest of reaching a fair disposition of certain issues in this proceeding and wish to present their agreement for the Commission's consideration and approval.

III. AGREEMENT

5 Cost of Service.

Electric and Natural Gas Cost of Service – The Settling Parties agree that it is more appropriate to address, in the ongoing generic collaboration (arising out of Docket Nos. UE-160228/UG-160229), cost-of-service methodologies to be used in future cases. Accordingly, the Settling Parties do not agree on specific cost-of-service methodologies in this or in any other case and agree to reserve all cost-of-service issues for the generic cost-of-service collaboration.[3]

6 Electric Rate Spread/Rate Design.

a. Electric Rate Spread – If the Commission approves a revenue requirement increase for Avista, the Settling Parties agree that all electric schedules will receive an equal

[2] The Settling Parties do not consider Avista's request for a three-year rate plan to be a cost of service, rate spread, or rate design issue. Accordingly, that request is among the issues that this settlement stipulation does not address. The Commission's decision not to approve a rate plan in these dockets would void the provisions in this settlement stipulation dealing with rate spread and rate design in the second and third years of a rate plan.

[3] In Avista's most recent general rate case, the Commission directed Staff to initiate, within 60 days after the date of its final order, a collaborative effort with interested stakeholders, to more clearly define the scope and expected outcomes of generic cost of service proceedings that will provide an opportunity to establish greater clarity and some degree of uniformity in cost of service studies going forward. *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Docket Nos. UE-160228 & UG-160229, Order 06, at ¶ 116 (Dec. 15, 2016). Staff initiated the first cost of service meeting among interested stakeholders on February 8th, 2017. The first cost of service meeting was attended either in person, or telephonically, by representatives of Commission Staff, ICNU, NWIGU, Public Counsel, The Energy Project, and all of the investor-owned utilities in Washington. Subsequent meetings will be planned in 2017 and 2018, with a Staff progress report in 2018.

percentage increase in allocated revenue requirement in each year of any approved rate plan, except for (1) Residential Schedules 1/2, which will receive an increase of approximately 106 percent of all other classes except General Service Schedules 11/12, and (2) General Service Schedules 11/12, which will receive an increase of approximately 80 percent of all other classes except Residential Schedules 1/2. If the Commission approves a revenue requirement decrease for Avista, the Settling Parties agree that all electric schedules will receive an equal percentage decrease in the allocated revenue requirement in each year of any approved rate plan, except for (1) Residential Schedules 1/2, which will receive a decrease of approximately 94 percent of all other classes except General Service Schedules 11/12, and (2) General Service Schedules 11/12, which will receive a decrease of approximately 125 percent of all other classes except Residential Schedules 1/2.

b) Electric Rate Design – Rate Plan Year 1

(i.) The Residential Schedules 1/2 Basic Charge will increase to $9.00 per month from $8.50, with the remaining revenue spread to the volumetric rates on a uniform percentage basis, consistent with Avista's filed request.

(ii.) The Rate Design for all other Schedules will be as follows:

- General Service Schedules 11/12 will have an increase in the Basic Charge from $18.00 to $20.00 per month, and a uniform percentage rate change to the blocks. In addition, the demand charge will increase from $6.00 to $6.50 per kilowatt for all demand in excess of 20 kW per month.
- Large General Service Schedules 21/22 will have no change to the current $500 per month fixed demand charge. The revenue increase for the schedule will be spread on a uniform percentage increase to all blocks,

and the demand charge will increase from $6.00 to $6.50 per kilowatt for all demand in excess of 50 kW per month.

- Extra Large General Service Schedule 25 will have an increase in the demand charge for the first 3,000 kVa or less from $21,000 to $24,000 per month. In addition, the variable demand charge increases from $6.00 to $6.50 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.
- Pumping Service Schedules 31/32 will have an increase in the Basic Charge from $18.00 to $20.00 per month, and there will be a uniform percentage increase to all blocks for the remaining revenue increase applicable to the schedule.
- Street Lighting Schedules 41-48 would see a uniform percentage increase, and the proposed removal of High-Pressure Sodium Vapor lighting options and the customer area light calculation methodology described in Exh. PDE-1T, pp. 14-15 will be adopted.

c) Electric Rate Design – Rate Plan Years 2 & 3 – If the Commission approves a rate plan, the revenue changes will be administered through Schedule 96 (General Increase) and Schedule 93 (Power Supply) as originally proposed by the Company. For rate design, the Company will spread the revenue increases or decreases for each schedule on a uniform percent basis to the variable energy rates.[4]

[4]To the extent that the power supply portion (Schedule 93) of the Three-Year Rate Plan results in a rate decrease, the revenue spread will be applied on a uniform percentage of base revenue.

7 Natural Gas Rate Spread/Rate Design

a) Natural Gas Rate Spread – The Settling Parties agree, for any revenue changes approved in any final order in this proceeding, to apply an equal percentage of margin increase or decrease to each schedule except for Schedule 148, Special Contracts, for purposes of spreading the increase or decrease in the retail natural gas base margin revenue requirement.[5]

b) Natural Gas Rate Design – Rate Plan Year 1

(i.) The General Service Schedules 101/102 Basic Charge will increase to $9.50 per month from $9.00, with the remaining revenue spread to the volumetric rates on a uniform percentage basis, consistent with Avista's filed request.

(ii.) For Transportation Service Schedule 146, the monthly basic charge will increase from $525 to $550 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:

- Large General Service Schedules 111/112 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.
- High Annual Load Factor Large General Service Schedules 121/122 will have an increase in the monthly Minimum Charge based on Schedule 101 rates (breakeven at 500 therms), and a uniform percentage increase to all blocks.

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[5]Base margin revenue refers to the base revenue associated with the Company's ownership and operation of its natural gas distribution operations. It is the revenue related to delivering natural gas to customers, and does not include the cost of natural gas, upstream third-party owned transportation, or the effect of other tariffs.

- Interruptible Service Schedules 131/132 will have a uniform percentage increase to all blocks.

c) Natural Gas Rate Design – Rate Plan Years 2 & 3 – If the rate plan is approved, the revenue changes will be administered through Schedule 196 (General Increase) as originally proposed by the Company. For rate design, the Company will spread the revenue increases or decreases for each schedule except Schedule 148 on a uniform percent of margin basis to the variable energy rates.

8 Expanded Natural Gas Transportation Service

a) The Settling Parties agree that customers presently served on sales Schedules 111/112 and 121/122 may elect to take service, for a minimum of one year, under new transportation service Schedules 116 or 126. The Settling Parties agree with the parameters of the expanded natural gas transportation service schedules as outlined below:

(i.) Eligibility - For Schedules 111/112, qualifying sales customers must have a minimum annual average usage of 30,000 therms, as determined by the Company. All Schedule 121/122 customers otherwise qualify for transportation service on Schedule 126 (as the minimum annual usage threshold for Schedule 121/122 is 60,000 therms).

(ii.) The base rates for Transportation Schedules 116 and 126 will be the same as the base rates on Schedules 111/112 and 121/122, respectively.

(iii.) For purposes of all future "adder schedule filings" (DSM, Decoupling, LIRAP, etc.), cost of service studies, and rate spread and rate design proposals, Schedule 116 will be grouped with Schedules 111/112 and Schedule 126 will be grouped with Schedules 121/122.

(iv.) The Settling Parties further agree that customers served on Transportation Schedules 116 and 126 will be subject to the Company's natural gas decoupling mechanism, and that any customers who are served on rate Schedules 112 and 122, which presently are not subject to decoupling, will now be subject to the decoupling mechanism.

(v.) Schedules 116 and 126 will contain the same provisions contained in the Company's tariff sheets 146A through 146D, which relate to the transportation of customer-owned natural gas.

(vi.) The Settling Parties agree that the Company will file Schedules 116 and 126 as part of the compliance filing, along with the base tariffs, approved as part of the general rate case. Proposed Transportation Schedules 116 and 126 are attached to this Stipulation as Exhibit A.

(vii.) The Settling Parties agree that the creation of Transportation Schedules 116 and 126 have no impact on the existing Schedule 146.

IV. EFFECT OF THE MULTIPARTY PARTIAL SETTLEMENT STIPULATION

9 Binding on Parties. The Settling Parties agree to support the terms of the Multiparty Partial Settlement Stipulation throughout this proceeding, including any appeal, and recommend that the Commission issue an order adopting the Multiparty Partial Settlement Stipulation contained herein without conditions. The Settling Parties understand that this Multiparty Partial Settlement Stipulation is subject to Commission approval. The Settling Parties agree that this Multiparty Partial Settlement Stipulation represents a compromise in the positions of the Settling Parties. As such, conduct, statements and documents disclosed in the negotiation of this Multiparty Partial Settlement Stipulation shall not be admissible evidence in this or any other proceeding.

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

11 Procedure. The Settling Parties shall cooperate in submitting this Multiparty Partial Settlement Stipulation promptly to the Commission for acceptance. Each Settling Party shall make available a witness or representative in support of this Multiparty Partial Settlement Stipulation. The Settling 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 Multiparty Partial Settlement Stipulation and to supplement the record accordingly.

12 Reservation of Rights. Each Settling 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 Multiparty Partial Settlement. If the Commission rejects all or any material portion of this Multiparty Partial Settlement Stipulation, or adds additional material conditions, each Settling Party reserves the right, upon written notice to the Commission and all Settling Parties to this proceeding within seven (7) days of the date of the Commission's Order, to withdraw from the Multiparty Partial Settlement Stipulation. If any Settling Party exercises its right of withdrawal, this Multiparty Partial Settlement Stipulation shall be void and of no effect, and the Settling Parties will support a joint motion for a procedural schedule to address the issues that would otherwise have been settled herein.

13 No Precedent. The Settling Parties enter into this Multiparty Partial Settlement Stipulation to avoid further expense, uncertainty, and delay. By executing this Multiparty Partial Settlement

Stipulation, no Settling Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving at the Multiparty Partial Settlement Stipulation, and, except to the extent expressly set forth in the Multiparty Partial Settlement Stipulation, no Settling Party shall be deemed to have agreed that such a Multiparty Partial Settlement Stipulation is appropriate for resolving any issues in any other proceeding.

14 Public Interest. The Settling Parties agree that this Multiparty Partial Settlement Stipulation is in the public interest.

15 Execution. This Multiparty Partial Settlement Stipulation may be executed by the Settling Parties in several counterparts and as executed shall constitute one Multiparty Partial Settlement Stipulation.

Entered into this 1st day of November 2017.

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

Staff: By: ____________________
Christopher M. Casey
Assistant Attorney General

Public Counsel: By: ____________________
Lisa W. Gafken
Assistant Attorney General

NWIGU: By: ____________________
Chad M. Stokes
Tommy Brooks
Cable Huston Benedict Haagensen & Lloyd LLP

EP: By: ____________________
Simon J. ffitch
Attorney for The Energy Project

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