

**Attachment A - Adjustment Summary**  
**Docket Nos. UE-180167 and UG-180168**

Account Number	Description	Filed Study Rate			Agreed upon Changes			Washington		
		Filed Study Rate	Curve - Life	Net Salvage %	Settled Study Rate	Curve - Life	Net Salvage %	Washington Electric impact	Washington Natural Gas	Net Washington Impact
	Depreciation study net impact per filings							554,082	(1,053,966)	(499,884)
	Inadvertent reduction included in petition in error							725,107	150,281	875,388
	<b>Revised depreciation study net impact <sup>1</sup></b>							<b>1,279,189</b>	<b>(903,685)</b>	<b>375,504</b>
<b>Colstrip</b>										
	Unit 3							(17,726)		(17,726)
	Unit 4							(136,996)		(136,996)
	ARO							(1,234,694)		(1,234,694)
	Transmission							(20,645)		(20,645)
	<b>Subtotal for Colstrip</b>							<b>(1,410,061)</b>		<b>(1,410,061)</b>
	<b>Net Change after removing Colstrip</b>							<b>(130,872)</b>	<b>(903,685)</b>	<b>(1,034,557)</b>
<b>Common - Transportation</b>										
	392.2 Light Trucks	4.68	13-S1.5	0	3.55	13-S1.5	10	(1,463)	615	(847)
	392.4 Heavy Trucks	7.48	18-R3	0	7.04	18-R3	5	(452)	190	(262)
	392.5 Other	7.24	15-L2	0	5.38	15-L2	9	(43)	18	(25)
	396.5 Power operated equipment - other	3.40	15-S0	0	2.06	15-S0	10	(194)	81	(112)
								(2,151)	905	(1,246)
<b>Common - Transmission</b>										
	356.0 Overhead Conductors and Devices	2.14	65-R3	-30	1.9	70-R3	-30	(197,058)	-	(197,058)
								(197,058)	-	(197,058)
<b>Electric Distribution</b>										
	364.0 Poles, Towers & Fixtures	2.57	65-R2.5	-60	2.47	67-R2.5	-60	(230,688)		(230,688)
	365.0 OH Conductor & Devices	2.71	60-R3	-50	2.27	68-R3	-50	(643,665)		(643,665)
	366.0 UG Conduit	2.14	60-S2.5	-30	1.56	R1.5-75	-30	(387,281)		(387,281)
								(1,261,634)	-	(1,261,634)
<b>Natural Gas Distribution</b>										
	376.0 Mains	2.17	55-R3	-25	2.22	R3-60	-23		(118,580)	(118,580)
	380.0 Services	2.23	50-R3	-30	2.30	50-R3	-25		(215,075)	(215,075)
	385.0 Measuring/Regulating Industrial Equipmen	1.73	55-R2.5	-15	1.36	R1.5-69	-15		(44,829)	(44,829)
								-	(378,484)	(378,484)
	<b>Total Adjustments</b>							<b>(1,460,843)</b>	<b>(377,579)</b>	<b>(1,838,422)</b>
	<b>New Impact Excluding Colstrip</b>							<b>(1,591,715)</b>	<b>(1,281,264)</b>	<b>(2,872,979)</b>

<sup>1</sup> Correction has no impact on depreciation rates proposed per the filed Depreciation Study.

## **Attachment B**

### **Docket UE-180167**

#### **Colstrip Depreciation Summary and Description**

Avista owns a 15% share of two coal-fired generation facilities located in Colstrip, Montana, known as Colstrip Units 3 & 4, which have a combined capacity of about 1,480 MW. These two facilities were placed in service in 1984 and 1986. No decommissioning date has been established for these assets. Current rates include depreciation expense on Colstrip Units 3 & 4 with assumed remaining useful lives of these units through December 31, 2034 and December 31, 2036, respectively.

The Parties acknowledge that there presently is no plan to close Colstrip Units 3 & 4 by a specific date, nor has Avista agreed to do so. The parties to the Settlement Stipulation in this docket (the “Parties”) agree, however, to a depreciation schedule for Colstrip Units 3 & 4 that assumes a remaining useful life of those units through December 31, 2027. The Parties agree to set depreciation rates for Colstrip Units 3 & 4 at amounts that will yield an annual depreciation expense of approximately \$4.533 million (WA Share)<sup>1</sup> for the remaining depreciable lives of those units, which is the current level of annual depreciation expense.

The Parties agree to adopt a depreciable balance of Colstrip Units 3 & 4 of \$104.1 million. This includes the currently recognized unrecovered plant balance, as well as estimated asset retirement obligations previously not included in rates<sup>2</sup>. Nothing in this Settlement will preclude Avista from seeking recovery of additional future asset retirement costs, based on a showing of prudence in future general rate cases.

The \$104.1 million balance will be recovered as follows:

- \$10.9 million (WA share) of “temporary” tax credits approved by the WUTC in Avista’s general rate case (Docket No. UE-170485).<sup>3</sup>
- \$39.7 million, through an annual depreciation expense of approximately \$4.533 million (WA Share), which is the current level of annual depreciation expense.
- \$53.5 million, through the amortization of a Regulatory Asset (FERC Account No. 183.3) (approximately \$1.54 million per year – WA share), offset entirely over time by the amortization of protected Excess DFIT. The amortization schedule of the Regulatory Asset will be structured to match the remaining amortization schedule of protected Excess DFIT, so that the amortization of protected Excess DFIT covers the remaining depreciable balance.

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<sup>1</sup> Annual depreciation expense is approximately \$7.0 million on system-basis.

<sup>2</sup> The asset retirement obligations are currently estimated at approximately \$38.4 million (WA share). These costs include cost of removal, decommissioning and remediation costs.

<sup>3</sup> The tax credits were the result of H.R.1 – Tax Cuts and Jobs Act signed into law in December 2017.

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Nothing in this Settlement will preclude Avista from seeking recovery of routine future capital maintenance costs incurred in the normal course of business beyond January 1, 2017 not intended to extend operational life, based on a showing of prudence in future general rate cases.

The Regulatory Asset<sup>4</sup>, net of accumulated deferred federal income taxes, will be included in rate base and will earn Avista's rate of return.

Concurrent with Avista's change in depreciation rates, effective April 1, 2019, Avista will begin amortizing the Colstrip Regulatory Asset at an annual amount of approximately \$1.54 million. Avista agrees it will absorb this annual increase (\$1.54 million) until such time this balance is reflected in base rates.

A summary of the Colstrip costs and offsetting tax credits follows:

<b>Summary of Colstrip Costs (WA Share)</b>			
	<u>Total Amount</u>	<u>Amortization</u>	<u>Annual Amount</u>
	<u>Period (Years)</u>		
Net Book Value of Colstrip Units 3 & 4, including transmission assets, at December 31, 2017*	\$ 65,711,049		
Estimated asset retirement obligations	38,349,829		
Undepreciated Balance	104,060,878		
Future depreciation expense recovered April 1, 2019 - December 31, 2027	(39,668,057)		
Temporary Tax Credits	(10,851,000)		
Net Colstrip Costs Recorded as Regulatory Asset	\$ 53,541,821	34.75	\$ 1,540,772

\*Includes accumulated depreciation through March 31, 2019 on Colstrip plant balances at December 31, 2017.

<sup>4</sup> The Colstrip accounts included as rate base include the following: FERC Account No. 101.0 – Plant Cost, FERC Account No. 108.0 – Accumulated Depreciation, FERC Account No. 182.3 – Regulatory Asset ARO, FERC Account No. 182.3 – Regulatory Asset Colstrip, FERC Account No. 230.0 – Colstrip ARO, and FERC Account No. 242.0 – Colstrip Accounts Payable.

**ATTACHMENT C**  
**Colstrip Proposed Rates for a 2027 Depreciable Life**  
**Docket No. UE-180167**

<b>Generation Assets</b>		<b>Proposed Depreciation Rate</b>
ED.C3.311000	STEAM PROD PLT-STR & IMPR	1.99%
ED.C3.312000	STM PROD-BOILER PLANT EQ	2.67%
ED.C3.313000	STEAM PROD PLT-GENERATORS	9.22%
ED.C3.314000	STM PROD PLT-TURBOGENERAT	8.34%
ED.C3.315000	STM PROD PLT-ACCESSORY EQ	2.97%
ED.C3.316000	STEAM PROD PLT-MISC EQUIP	4.21%
ED.C4.311000	STEAM PROD PLT-STR & IMPR	2.95%
ED.C4.312000	STM PROD-BOILER PLANT EQ	4.79%
ED.C4.313000	STEAM PROD PLT-GENERATORS	9.34%
ED.C4.314000	STM PROD PLT-TURBOGENERAT	7.59%
ED.C4.315000	STM PROD PLT-ACCESSORY EQ	3.72%
ED.C4.316000	STEAM PROD PLT-MISC EQUIP	4.74%

<b>Plant Acct</b>	<b>Transmission Assets</b>	<b>Proposed Depreciation Rate</b>
350	REMOVING PROPERTY OF OTHERS	6.02%
352	STRUCTURES AND IMPROVEMENTS	11.19%
353	STATION EQUIPMENT	5.69%
354	TOWERS AND FIXTURES	6.75%
355	POLES AND FIXTURES	8.07%
356	OVERHEAD CONDUCTORS	8.25%
359	ROADS AND TRAILS	5.62%