Avista Corp.
1411 East Mission Ave.
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April 30, 2018

VIA – Commission Web-Portal

Steven V. King
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Docket No. UG-180177 (Do not Redocket)

Dear Mr. King,

Attached for electronic filing with the Commission is the following tariff sheet proposed to be effective June 1, 2018:

Third Substitute Original Sheet 174

Per Commission Order 07 in Docket No. UG-170486 the Company is revising its estimated excess deferred federal income tax benefits. In that Order the Commission stated the following:

> Staff and Avista also agree with regard to the unprotected excess deferred income tax as of December 31, 2017, and the deferral from January 1, 2018, to April 30, 2018, for gas operation. The parties have proposed that these balances are returned to customers over a one year amortization period through Schedule 174 – Temporary Federal Income Tax Rate Credit. The Commission finds this approach reasonable and orders these funds returned to ratepayers as proposed by the parties.
>
> Finally, we turn to Staff's concerns regarding the Company's calculation methods from the January to April 2018 excess deferred income taxes. Staff took issue with the rate base, ROR, and load used in deriving the estimated tax over-collection. We agree with Staff, that using the rate base and ROR authorized in the 2015 GRC, and normalized load, is the appropriate methodology to calculate the excess deferral. This appropriately matches the rate at which taxes were collected and the time period over which they were collected.

The estimated "temporary" changes associated with the excess deferred federal tax benefits total \$3.246 million. Schedule 174 will remain in place for a one-year period June 1, 2018 through May 31, 2019, with any residual balance being recovered in a future general rate case filing.

The average residential bill impact for a customer using 65 therms per month would be a reduction of \$1.37, or 2.6%.

If you have any questions regarding the calculation of the "temporary" benefit please call Liz Andrews at 509-495-8601 or if you have questions regarding the rate spread and rate design of the annual benefit please call Joe Miller at 509-495-4546.

Sincerely,

Patrick Ehrbar
Director of Regulatory Affairs