

APPENDIX A

subject to approval of the Washington Utilities and Transportation Commission (the “Commission”).

II. INTRODUCTION

2. On February 9, 2015, Avista filed with the Commission certain tariff revisions designed to increase general rates for electric service (Docket UE-150204) and natural gas service (Docket UG-150205) in the State of Washington. Avista requested an increase in electric base rates of \$33.2 million, or 6.6 percent, and an increase in natural gas base rates of \$12.1 million, or 6.9 percent. On February 20, 2015, the Commission entered Order 01 suspending the tariff revisions and setting Dockets UE-150204 and UG-150205 for hearing and determination pursuant to WAC 480-07-320. Representatives of all Parties appeared telephonically at a Settlement Conference held on April 24, 2015, which was held for the purpose of narrowing or resolving the contested issues in this proceeding. Subsequent discussions led to this Multiparty Settlement Stipulation.

3. The signing Parties have reached a Multiparty Settlement of several issues in this proceeding. If approved, this Multiparty Settlement would resolve all issues pertaining to cost of capital, power supply, rate spread and rate design. The Parties, therefore, adopt the following Multiparty 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

4. Cost of Capital. The Parties agree to the following cost of capital components:

	Percent of Total Capital	Cost	Component
Total Debt	51.5%	5.20%	2.68%
Common Equity	48.5%	9.50%	4.61%
Total Debt	100.0%		7.29%

5. Power Supply.

a) Power Supply Update – The Parties agree that Avista shall file with the Commission an updated Power Supply adjustment two months before new electric retail rates from this electric Docket go into effect.²

b) Specified Adjustments to Power Supply Costs – The Parties agree with the new base Power Supply costs filed by the Company, with the following specified adjustments:

(i.) Correction for AURORA_{XMP} Coding Error: The AURORA_{XMP} power supply model contains the functionality to calculate the mark-to-market value of the financial transactions entered into in the pro forma year by calculating the “gain” or “loss” of each transaction by comparing the fixed price of the transactions compared to the modeled energy price in AURORA_{XMP}. An enhancement of the AURORA_{XMP} model by EPIS in late 2014 contained an incorrect calculation of the mark-to-market function, which the Company discovered in April 2015.³ The logic in the model essentially reversed the signs so that a gain became a loss and a loss was reflected as a gain. The effect of this correction is a reduction in power supply expense of approximately \$6.9 million (Washington basis).

(ii.) Chelan PUD Contract Expense: During the development of the power supply costs for the rate case, the Company had been working with Chelan PUD regarding a planned auction for Chelan to sell a 5% share of Rocky Reach/Rock

² As in past proceedings, the purpose of this power supply update would 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 2016 rate year.

³ This enhancement to the Aurora Model was completed after the power supply update filed with the Commission in November 2014 related to Avista’s prior General Rate Case Docket UE-140188 and therefore had no impact on the results submitted in that case.

Island output for the 2016 through 2020 period. The Company included an estimate of the expected purchase price in the pro forma; however, on March 17, 2015, the Company was able to purchase the output at a lower price than what was included in the rate case. The actual purchase price for 2016 is \$5.5 million less (on a system basis) than the estimate. The effect of this update is a reduction in power supply expense of \$3.6 million (Washington basis).

(iii.) Hydro Station Service: The modeled station service included for the Noxon, Little Falls, and Long Lake hydro facilities will be removed from the Company's power supply adjustment. The effect of this adjustment is an estimated reduction in power supply expense of \$28,000 (Washington basis).

(iv.) Colstrip and CS2 Thermal O&M: O&M costs related to Coyote Springs II and Colstrip will be removed from the base Power Supply costs. The effect of this adjustment is an estimated reduction in power supply expense of \$3.6 million (Washington basis). The revenue requirement related to these costs will be addressed during the remainder of the case.

- c) Other Adjustments to Power Supply Costs – The Parties agree to an additional adjustment to the new base Power Supply costs filed by the Company, following discussions by the Parties. The Parties agree that it would be fair and reasonable to further reduce power supply expense by \$1.5 million. At the time that power supply costs are updated pursuant to Section 5. a) above, the resulting power supply costs will be reduced by \$1.5 million on a Washington basis.
- d) ERM Annual Rate Adjustments – The Parties agree that the ERM rate adjustment trigger will remain at \$30 million, as approved in Docket UE-120436.

e) Retail Revenue Adjustment – Avista proposed that the name of the Retail Revenue Credit be changed to the Load Change Adjustment Rate. The Parties agree that the proper name should be Retail Revenue Adjustment. Furthermore, the Parties agree that the methodology for calculating the Retail Revenue Adjustment will not change and will remain the same as approved in Docket UE-140188.

6. Electric Rate Spread/Rate Design.

a) Electric Cost of Service/Rate Spread – The Parties agree to apply an equal percentage of revenue increase for purposes of spreading the revised electric revenue requirement. The Parties, however, do not agree on a specific Cost of Service methodology.

b) Electric Rate Design –

(i.) The Schedule 1 Basic Charge will remain at \$8.50 per month, with the revenue spread to the volumetric rates on a uniform percentage basis.

(ii.) For the rate design of Schedule 25, the revenue change applicable to the schedule will be spread on a uniform percentage basis to the three energy block rates; however, the increase to the third energy block will be adjusted, if necessary, so that the largest customer served on Schedule 25 receives the same percentage increase as the overall revenue increase in this case. The demand charge for the first 3,000 kVa will remain \$21,000 per month, and the variable demand charge will remain at \$6.00 per kVa over 3,000 kVa per month.

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

- 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 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.

- 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.
- 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 street light calculation methodology described in Exhibit No. __ (PDE-1T), pp. 14-16 will be adopted.

7. Natural Gas Rate Spread/Rate Design.

- a) Natural Gas Cost of Service/Rate Spread – The Parties agree to apply an equal percentage of margin increase for purposes of spreading the increase in the retail natural gas non-gas revenue requirement. The Parties, however, do not agree on a specific Cost of Service methodology.
- b) Natural Gas Rate Design –
 - (i.) The Schedule 101 Basic Charge will remain at \$9.00 per month, with the revenue spread to the volumetric rates on a uniform percentage basis.
 - (ii.) For Schedule 146, the monthly basic charge will increase from \$500 to \$525 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 all blocks.
- Schedule 131 will have a uniform percentage increase to all blocks.

IV. EFFECT OF THE MULTIPARTY SETTLEMENT STIPULATION

8. Binding on Parties. The Parties agree to support the terms of the Multiparty Settlement Stipulation throughout this proceeding, including any appeal, and recommend that the Commission issue an order adopting the Multiparty Settlement Stipulation contained herein. The Parties understand that this Multiparty Settlement Stipulation is subject to Commission approval. The Parties agree that this Multiparty Settlement Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements and documents disclosed in the negotiation of this Multiparty Settlement Stipulation shall not be admissible evidence in this or any other proceeding.

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

10. Procedure. The Parties shall cooperate in submitting this Multiparty Settlement

Stipulation promptly to the Commission for acceptance. Each Party shall make available a witness or representative in support of this Multiparty 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 Multiparty Settlement Stipulation and to supplement the record accordingly.

11. 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 Multiparty Settlement. If the Commission rejects all or any material portion of this Multiparty 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 Multiparty Settlement Stipulation. If any Party exercises its right of withdrawal, this Multiparty 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.

12. 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 Multiparty 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 Multiparty 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.

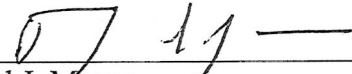
13. No Precedent. The Parties enter into this Multiparty Settlement Stipulation to avoid further expense, uncertainty, and delay. By executing this Multiparty Settlement Stipulation, no Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving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

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

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

Entered into this 1st day of May 2015.

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By: 
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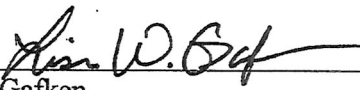
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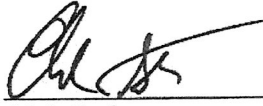
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