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March 30, 2016

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

Re: Tariff WN U-28, Electric Service  
Renewable Energy Credit Revenue Mechanism - Washington

Dear Mr. King:

Attached for electronic filing with the Commission is the following tariff sheet proposed to be effective July 1, 2016:

**First Revision Sheet 98      Canceling      2<sup>nd</sup> Substitute Original Sheet 98**

The proposed tariff sheet reflects a rate adjustment to decrease the present rebate customers are receiving related to Renewable Energy Credits (“RECs”). In Docket Nos. UE-140188 and UG-140189, the Settlement Stipulation approved by the Commission in Order No. 05 required Avista to provide customers, by way of a separate tariff, the actual and projected net REC revenues from 2012 through June 2016. That amount was \$8.7 million, and was to be rebated to customers over an 18-month period – January 2015 through June 2016 (on an annualized basis, the amount credited to customers was \$5.9 million).<sup>1</sup> Under the terms of the agreed-upon mechanism, Avista is to file by April 1, 2016, and each year thereafter, to adjust the REC Revenue rebate to reflect both the under or over amortized balance from the current rebate as well as the projected net REC revenues for the following July – June time period. The new rates would go into effect July 1 for a twelve month period.

Under current rates, approximately \$5.9 million on an annualized basis is being passed through to customers. As provided in the workpapers accompanying this filing, the proposed rebate for the July 2016 through June 2017 time period is \$2.0 million. This amount reflects the estimated net REC revenues for the July 2016 through June 2017 time period of approximately \$3.4

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<sup>1</sup> See Docket Nos. UE-140188 and UG-140189, Settlement Stipulation Appendix 2, p. 4.

million, offset by an over-rebate of the present rebate of \$1.4 million projected through June 2016.<sup>2</sup>

The net effect of the new and expiring REC rebate is an increase in revenue of approximately \$3.9 million, or 0.8%. The change in the rate credit has no effect on Avista's net income.

Enclosed is a set of workpapers that shows the derivation of the proposed per kilowatt-hour rate credit proposed to be effective July 1, 2016. The average residential customer using 957 kWhs per month will see an increase of \$0.66 per month, or approximately 0.8%. The present bill for 957 kWhs is \$82.79 while the proposed bill is \$83.45. The actual increase will vary based on customer usage.

The Company will provide notice to customers through a bill insert, planned to be inserted during the May 2016 bill cycle. Please direct any questions regarding this filing to Patrick Ehrbar at (509) 495-8620.

Sincerely,



David J. Meyer  
Vice President and Chief Counsel for  
Regulatory and Governmental Affairs

Enclosures

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<sup>2</sup> The over-rebate is primarily related to an estimated level of net REC revenue for 2015 that came in lower than expected.