Avista Corp.
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June 30, 2020

State of Idaho
Idaho Public Utilities Commission
11331 W. Chinden Blvd
Bldg 8 Suite 201-A
Boise, ID 83714

Attention: Ms. Diane Hanian, Secretary

Re: **Case No. AVU-E-20-__**
Electric Fixed Cost Adjustment Annual Rate Filing of Avista Corporation

In accordance with Case No. GNR-U-20-01, Order No. 34602, which suspends the requirement to file physical copies, the Company has attached for electronic filing with the Commission the following revised tariff sheets:

Fourth Revision Sheet 75	**canceling**	**Third Revision Sheet 75**
Second Revision Sheet 75B	**canceling**	**First Revision Sheet 75B**
Second Revision Sheet 75C	**canceling**	**First Revision Sheet 75C**

These tariff sheets reflect Avista's electric Fixed Cost Adjustment (FCA) annual rate adjustment filing. This filing consists of Avista's Application, Exhibit A (the Company's proposed tariffs), Exhibit B (rate calculation), Exhibit C (2019 deferral), and Exhibit D (customer communications) in support of the Application. The Company requests that the proposed tariff sheets be made effective October 1, 2020.

Electronic versions of the Company's filing were emailed to the Commission, and the Service List, on June 30, 2020.

Please direct any questions on this matter to me at (509) 495-8620 or Joel Anderson at (509) 495-2811.

Sincerely,

/s/ Patrick Ehrbar

Patrick D. Ehrbar
Director of Regulatory Affairs

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 30th day of June, 2020, served the Application of Avista Corporation – Fixed Cost Rate Adjustment, upon the following parties, by electronically mailing thereof to:

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Idaho Public Utilities Commission
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/s/ Patrick Ehrbar

Patrick D. Ehrbar
Director of Regulatory Affairs

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FIXED COST	)	
ADJUSTMENT MECHANISM (FCA)	)	CASE NO. AVU-E-20-__
ANNUAL RATE ADJUSTMENT FILING	)	APPLICATION OF AVISTA
OF AVISTA CORPORATION	)	CORPORATION

I. INTRODUCTION

In accordance with Idaho Code §61-502, Commission Order No. 33437, and RP 052, Avista Corporation, doing business as Avista Utilities (hereinafter "Avista" or "Company"), at 1411 East Mission Avenue, Spokane, Washington, respectfully makes application to the Idaho Public Utilities Commission ("Commission") for an order approving the level of electric Fixed Cost Adjustment Mechanism (FCA) revenue deferred during calendar year 2019 and authorizing FCA rates for electric service from October 1, 2020 through September 30, 2021, and to approve the Company's corresponding modifications to Schedule 75, "Fixed Cost Adjustment Mechanism – Electric". The FCA rate for the Residential Group (Schedule 1) is proposed to change from a present surcharge rate of 0.158¢ to a proposed surcharge rate of 0.028¢ per kilowatt-hour. The FCA rate for the Non-Residential Group (Schedules 11, 12, 21, 22, 31 and 32) is proposed to change from a present surcharge rate of 0.145¢ to a proposed surcharge rate of 0.011¢ per kilowatt-hour. The Residential Group rate change represents a $1.6 million, or 1.4%, decrease to Schedule 1 customers, and the Non-Residential group rate change represents a $1.4 million, or 1.6% decrease. The combined effect of expiring FCA rates and the proposed 2019 rates are shown on the table below.

	Expiring Present FCA Revenue	Proposed FCA Revenue	Proposed FCA Decrease
Residential	$ 1,884,176	$ 333,905	$ (1,550,271)
Non-Residential	$ 1,538,104	$ 116,684	$ (1,421,420)

In addition to the Schedule 75 rate changes, the Company is proposing to update language in the tariff to reflect the approved extension of the mechanism through March 31, 2025 per Order No. 34502 (Case No. AVU-E-19-06 and AVU-G-19-03). The Company has requested an October 1, 2020 effective date.

The Company requests that this filing be processed under the Commission's Modified Procedure Rules (RP 201-204). Communications in reference to this Application should be addressed to:

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II. BACKGROUND

The purpose of the electric FCA is to adjust the Company's Commission-authorized revenues from kilowatt-hour ("kWh") sales, such that the Company's revenues will be recognized based on the number of customers served under the applicable electric service schedules. The FCA allows the Company to: 1) defer the difference between actual FCA-related revenue received from customers through volumetric rates, and the FCA-related revenue approved for recovery in the Company's last general rate case on a per-customer basis; and 2) file a tariff to surcharge or rebate, by rate group, the total deferred amount accumulated in the deferred revenue accounts for the prior January through December time period.

In Case Nos. AVU-E-15-05 and AVU-G-15-01, the Commission in Order No. 33437 approved for Avista a Fixed Cost Adjustment Mechanism. On page 10 of Order No. 33437, the Commission stated:

> The parties have also agreed upon a three-year[1] FCA pilot for electric and natural gas operations. The FCA will compare actual FCA revenues to allowed FCA revenues determined on a per-customer basis. Any differences will be deferred for a rebate or surcharge. There are a number of customer safeguards, including that an FCA surcharge cannot exceed a 3% annual rate adjustment. Any unrecovered balances will be carried forward to recover in future years. Further, there is no limit to the level of the FCA rebate. As part of the Stipulation, Staff and other interested parties, will review the efficacy of the FCA after its second full year to ensure it is functioning as intended. Fixed cost adjustment mechanisms are intended to encourage conservation and allow customers more control over their bills. Further,

[1] On June 15, 2018, the Idaho Public Utilities Commission approved an Addendum to the Stipulation which extended the term of the pilot for an additional year by Order No. 34085.

the proposed FCA will remove any financial disincentive of the Company to encourage energy conservation.

Section 13 of the Stipulation and Settlement, as amended by Addendum to the Stipulation approved by the Commission in Order No. 34085 on June 15, 2018, provided further details, reproduced below, regarding the mechanics of the fixed cost adjustment mechanism.

A. FCA Mechanisms Term. The Parties agree to an initial FCA term of 4 years, with a review of how the mechanisms have functioned conducted by Avista, Staff, and other interested parties following the end of the third full year. Avista may seek to extend the term of the mechanism prior to its expiration.

B. Rate Groups. There will be two rate groups established for both the electric FCA and natural gas FCA:

Electric Customer Rate Groups:

1. Residential – Schedule 1
2. Commercial – Schedules 11, 12, 21, 22, 31, 32

Natural Gas Rate Groups:

1. Residential – Schedule 101
2. Commercial – Schedules 111 and 112

C. Existing Customers and New Customers. The Parties have agreed that revenue related to certain items discussed below would not be included in the FCA for new customers. The result is that the Fixed Cost Adjustment Revenue-Per-Customer for new customers will be less than the Fixed Cost Adjustment Revenue-Per-Customer for existing customers. For new electric customers added after the test period, recovery of incremental revenue related to fixed production and transmission costs would be excluded from the electric FCA. For new natural gas customers added after the test period, recovery of incremental revenue related to fixed production and underground storage facility costs would be excluded. These modifications are included in Appendices B and C to the Stipulation.

D. Quarterly Reporting. Avista will file, within 45 days of the end of each quarter, a report detailing the FCA activity by month. The reporting will also include information related to the deferrals by rate group, what the deferrals would have been if tracked by rate schedule, use and revenue-per-customer for existing and new customers, and other summary financial information. Avista will provide such other information as may be reasonably requested, from time to time, in the future quarterly reports.

E. Annual Filings. On or before July 1, the Company will file a proposed rate adjustment surcharge or rebate based on the amount of deferred revenue recorded for the prior January through December time period. The rate adjustment would be calculated separately for each Rate Group, with the applicable surcharge or rebate recovered from each group on a uniform cents per kWh or per therm basis. The proposed tariff (Schedule 75 for electric, Schedule 175 for natural gas) included with that filing would include a rate adjustment that recovers/rebates the appropriate deferred revenue amount over a twelve-month period effective on October 1 for electric (to match with Power Cost Adjustment and Residential Exchange annual rate adjustments time period) and November 1st for natural gas (to match with the annual Purchased Gas Cost Adjustment rate adjustment time period). The deferred revenue amount approved for recovery or rebate would be transferred to a balancing account and the revenue surcharged or rebated during the period would reduce the deferred revenue in the balancing account. After determining the amount of deferred revenue that can be recovered through a surcharge (or refunded through a rebate) by Rate Group, the proposed rates under Schedules 75 and 175 would be determined by dividing the deferred revenue to be recovered by Rate Group by the estimated kWh sales (Electric FCA) or therm sales (Natural Gas FCA) for each Rate Group during the twelve-month recovery period. Any deferred revenue remaining in the balancing account at the end of the amortization period would be added to the new revenue deferrals to determine the amount of the proposed surcharge/rebate for the following year.

F. Interest. Interest will be accrued on the unamortized balance in the FCA balancing accounts at the Customer Deposit Rate.

G. Accounting. Avista will record the deferral in account 186 – Miscellaneous Deferred Debits. The amount approved for recovery or rebate would then be transferred into a Regulatory Asset or Regulatory Liability account for amortization. On the income statement, the Company would record both the deferred revenue and the amortization of the deferred revenue through Account 456 (Other Electric Revenue), or Account 495 (Other Gas Revenue), in separate sub-accounts. The Company would file quarterly reports with the Commission showing pertinent information regarding the status of the current deferral. This report would include a spreadsheet showing the monthly revenue deferral calculation for each month of the deferral period (January - December), as well as the current and historical monthly balance in the deferral account.

H. 3% Rate Increase Cap. An FCA surcharge, by rate group, cannot exceed a 3% annual rate adjustment, and any unrecovered balances will be carried forward to future years for recovery. There is no limit to the level of the FCA rebate.

As detailed above, the Commission approved the following procedural schedule for administering the annual electric FCA filings for deferrals through December 31, 2019:

July 1 - Company filing for prior January – December deferral period

October 1 - Commission Order and effective date of electric FCA rate adjustment.

In accordance with the provisions in Section A, a workshop was held on March 27, 2019 to review the mechanism with the Staff and other interested parties, followed by an application to extend the mechanism (Case No. AVU-E-19-06, AVU-G-19-03).

The Commission approved extension of the mechanism January 1, 2020 through March 31, 2025 by Order No. 34502. As part of the extension, the Commission approved modification of the deferral period to a July to June basis by using a one-time 18-month deferral period, January 1, 2020 through June 30, 2021. The effective date of electric FCA rate adjustments is to remain October 1, however, the annual rate adjustment filings will be made by July 31 of each year, beginning with next year's filing. Other modifications to the mechanism include an annual revenue-per-customer true-up to the deferral calculation and quarterly reports due by 60-days after the end of each quarter.

The Company has included revisions to the Term provision stated on tariff Sheet 75, the Calculation of Monthly FCA Deferral mechanism description stated on tariff Sheet 75B, and the Annual Electric FCA Rate Adjustment provision on tariff Sheet 75C to reflect these approved modifications to the mechanism going forward in compliance with the Commission Order.

III. DRIVERS OF ELECTRIC FCA DEFERRALS

The FCA surcharge deferrals in 2019 were the result of lower monthly use-per-customer than the use-per-customer that was embedded in the 2016 test year (i.e., the FCA base)[2]. Residential average monthly use-per-customer was lower by 5 kWhs, and non-residential average monthly use-per-customer was lower by 106 kWhs in 2019. The Company has identified the primary drivers for the change in use-per-customer.

First, weather was colder than normal during February and March, and fluctuated with offsetting impacts throughout the rest of the year, giving rise to a weather normalization adjustment that required the subtraction of 17.3 million kWhs to residential usage (13 kWhs per customer) and 4.4 million kWhs (15 kWhs per customer) to non-residential usage. The estimated FCA revenue surplus associated with weather was approximately $1.2 million residential and $0.3 million non-residential.

Since the 2016 test year used to set 2019 rates, Idaho customers have achieved energy efficiency savings from participation in the Company's Demand Side Management programs. Estimated cumulative savings since the test year (derived from the Idaho 2016,[3] 2017, 2018 and 2019 DSM Annual Reports) reduced residential usage in 2019 approximately 30 million kWhs and non-residential usage approximately 82 million kWhs. The estimated FCA revenue shortfall associated with energy efficiency programmatic savings is $2.0 million residential and $4.6 million non-residential.

The "other" drivers are related to items not easily quantifiable, such as the effects of non-programmatic energy efficiency, changes in business cycles, etc. The following

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[2] For purposes of the deferral driver analysis, only the 2016 test year was considered as a basis for comparison, even though the FCA base was updated for AVU-E-19-04 rates effective December 1, 2019.

[3] For the energy efficiency savings in 2016, the Company assumed that one-half of those savings were reflected in the test year billing determinants. The reduction in usage attributed to energy efficiency savings in this filing include the other half of 2016 energy efficiency savings.

table summarizes the impact of these drivers on the FCA Revenues received from customers in 2019.

	Residential		Non-Residential	
Driver	Use/Cust	FCA Revenue	Use/Cust	FCA Revenue
Total	(5)	($0.3)	(106)	($0.1)
Weather	13	$1.2	15	$0.3
Energy Efficiency	(23)	($2.0)	(278)	($4.6)
Other	5	$0.5	157	$4.2

IV. RESIDENTIAL GROUP RATE DETERMINATION

The Company recorded $337,502 in the surcharge direction in deferred revenue for the electric residential customer group in 2019. The proposed rate of 0.028 cents per kWh is designed to recover $333,905 from the Company's residential electric customers served under rate Schedule 1. The following table summarizes the components of the Company's request for recovery:

2019 Deferred Revenue	$337,502
Add: 2018 Residual Balance	($9,294)
Add: Interest through 9/30/2021	$8,208
Add: Revenue Related Expense Adj.	($2,511)
Total for Recovery	$333,905
Customer Surcharge Revenue	$333,905
Carryover Deferred Revenue	$0

Exhibit B, page 1 shows the derivation of the proposed surcharge rate to recover revenue of $333,905 based on projected sales volumes for Schedule 1 customers during the surcharge/amortization period (October 2020 through September 2021). As identified on tariff Sheet 75B under Step 7 of "Calculation of Monthly FCA Deferral", interest on the deferred balance accrues at the Customer Deposit Interest Rate.[4] If the proposed surcharge is approved by the Commission, the 2019 deferral balance, plus interest through September, will be transferred into the regulatory asset balancing account with any outstanding balance from the surcharge approved for recovery in the prior year FCA rate filing (Case No. AVU-E-19-07 Order No. 34451). The balance in the account will be reduced each month by the revenue collected under the tariff.

V. NON-RESIDENTIAL GROUP RATE DETERMINATION

The Company recorded $109,351 in the surcharge direction in deferred revenue for the electric Non-Residential Group in 2019. The proposed surcharge rate of 0.011 cents per kWh is designed to recover $116,684 from commercial and industrial customers served under rate Schedules 11, 12, 21, 22, 31, and 32. The following table summarizes the components of the Company's request for recovery:

2019 Deferred Revenue	$109,351
Add: 2018 Residual Balance	$7,242
Add: Interest through 9/30/2021	$2851
Add: Revenue Related Expense Adj.	($2,761)
Total for Recovery	$116,684
Customer Surcharge Revenue	$116,684
Carryover Deferred Revenue	$0

Exhibit B, page 3 shows the derivation of the proposed surcharge rate to recover revenue of $116,684 based on projected sales volumes for Schedules 11, 12, 21, 22, 31, and 32 during the surcharge/amortization period (October 2020 through September 2021).

4 The Customer Deposit Interest Rate was 2.00% throughout 2019. The current rate of 2.00% has been used as an estimate for purposes of this rate determination.

As identified on tariff Sheet 75B under Step 7 of "Calculation of Monthly FCA Deferral", interest on the deferred balance accrues at the Customer Deposit Interest Rate.[5] If the proposed surcharge is approved by the Commission, the 2019 deferral balance, plus interest through September, will be transferred into the regulatory asset balancing account with any outstanding balance from the surcharge approved for recovery in Case No. AVU-E-19-07. The balance in the account will be reduced each month by the revenue collected under the tariff.

Support showing the monthly calculation of the 2019 deferral balances for both the Residential and Non-Residential Groups is provided as Exhibit C. These calculations were also provided to the Commission in quarterly reports.

VI. 3% ANNUAL RATE INCREASE TEST

FCA rate adjustment surcharges are subject to a 3% annual rate increase limitation. There is no limit to rebate rate adjustments, therefore the reversal of any rebate rate is not included in the incremental surcharge test. As described in tariff Schedule 75 (see First Revision Sheet 75C), the 3% annual rate increase limitation will be determined by dividing the incremental annual revenue to be collected (proposed surcharge revenue less present surcharge revenue) under this Schedule by the total "normalized" revenue for the two Rate Groups for the most recent January through December time period. Normalized revenue is determined by multiplying the weather-corrected usage for the period by the present rates in effect. If the incremental amount of the proposed surcharge exceeds 3%, only a 3%

5 Ibid.

incremental rate increase will be proposed, and any remaining deferred balance will be carried over to the following year.

Exhibit B, page 6 shows the 3% test for the two rate groups. The incremental change from the existing surcharge to the proposed surcharge for the residential group is a decrease of $1.6 million or approximately 1.4%. For the Non-Residential group, the incremental change from the existing surcharge to the proposed surcharge is a decrease of $1.4 million or approximately 1.6%. As both the Residential deferral and the Non-Residential deferral incremental changes are decreases for 2019, there is no proposed carry over for either rate class.

VII. EXISTING CUSTOMERS AND NEW CUSTOMERS

The Settlement Stipulation approved by the Commission requires that electric customers that have been added since the test year are subject to an FCA Revenue-Per-Customer that excludes incremental revenue related to fixed production and transmission costs. Separate calculations for new versus existing customers are clearly identified in the FCA base that was approved in Order No. 33953 for rates effective January 1, 2019 and Order No. 34499 for rates effective December 1, 2019.

Due to this segregation, Avista tracks the usage of new customers since January 1, 2017 as compared with existing customers.[6] In general, the average usage of new customers is lower compared to the average usage of existing customers. Avista has found

[6] "Existing customers" were part of the test year used to set the January 1, 2019 rates (2016 calendar year) for January through November deferrals, and the test year used to set the December 1, 2019 rates (2018 calendar year) for December deferrals. "New customers" consist of all new hookups after the test year.

that new customer meters, on average, have less usage in the first six to 12 months after meter installation, then generally see increases in their usage until their usage is more in line with the average usage of existing customers after 12 months of service. This is due, in part, to the lag that occurs between when a meter is installed and billing commences, and when a customer moves into the premises. Avista will continue to track the usage of new customers over the Fixed Cost Adjustment term.

VIII. PROPOSED RATES TO BE EFFECTIVE OCTOBER 1, 2020

The Company is proposing a per kilowatt-hour FCA surcharge rate of 0.028¢ for the Residential Group, and a per kilowatt-hour FCA surcharge rate of 0.011¢ for the Non-Residential Group, both to become effective October 1, 2020. Exhibit B to this Application provides the Residential and Non-Residential Rate Calculation, and Exhibit C provides the support for the deferrals for the January 1, 2019 through December 31, 2019 deferral period. Attached as Exhibit A is a copy of the proposed tariff, Schedule 75, Schedule 75B, and Schedule 75C which contain the proposed FCA rates and tariff revisions discussed earlier in this Application. Exhibit A also includes the proposed changes to Schedule 75, 75B and 75C in strike/underline format.

Residential customers using an average of 898 kilowatt-hours per month would see their monthly bills decrease from $85.30 to $84.13, a decrease of $1.17 per month, or 1.4%.

IX. COMMUNICATIONS AND SERVICE OF APPLICATION

In conformance with RP 125, this Application will be brought to the attention of the Company's customers. First, the Company has served a copy of this Application upon the service list in Case Nos. AVU-E-15-05 and AVU-G-15-01, the cases that gave rise to the FCA mechanisms. Second, a copy of Company's news release and customer notice is provided as Attachment D. The news release will be issued on June 30, 2020, and the customer notice will be inserted in customer bills starting in the July timeframe and will run for a full billing cycle.

X. REQUEST FOR RELIEF

The Company requests that the Commission issue an order approving FCA deferrals for the period January 1, 2019 through December 31, 2019 and approve a per kilowatt-hour FCA surcharge rate of 0.028¢ for the Residential Group, and a per kilowatt-hour FCA surcharge rate of 0.011¢ for the Non-Residential Group, both to become effective October 1, 2020. The Company also requests that the Commission approve the proposed tariff modifications to tariff Sheet 75, 75B, and 75C. The Residential Group surcharge represents a $1.6 million, or 1.4%, decrease to Schedule 1 customers, and the Non-Residential group surcharge results in a $1.4 million, or 1.6%, decrease. The Company requests that the matter be processed under the Commission's Modified Procedure rules through use of written comments.

Dated at Spokane, Washington this 30th day of June 2020.

AVISTA CORPORATION

BY *<u>/s/ David J. Meyer</u>*________________
David J. Meyer
Vice President and Chief Counsel for Regulatory &
Governmental Affairs
Avista Corporation

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

AVISTA UTILITIES

CASE NO. AVU-E-20-__

EXHIBIT A

Tariff Sheets – Proposed, Strikethrough and Underline
Electric Service

June 30, 2020

SCHEDULE 75

FIXED COST ADJUSTMENT MECHANISM – ELECTRIC

PURPOSE:

This Schedule establishes balancing accounts and implements an annual Fixed Cost Adjustment ("FCA") rate mechanism that separates the recovery of the Company's Commission authorized revenues from kilowatt-hour sales to customers served under the applicable electric service schedules.

TERM:

The FCA mechanism will remain in effect through March 31, 2025.

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This schedule shall be applicable to all retail customers taking service under Schedules 1, 11, 12, 21, 22, 31, and 32. This Schedule does not apply to Extra Large General Service Schedule 25, Extra Large General Service to Clearwater Paper Schedule 25P, or to Street and Area Light Schedules 41 through 49.

Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 1
Group 2 – Schedules 11, 12, 21, 22, 31, 32

Note – the recovery of incremental revenue related to fixed production and transmission costs will be excluded for new natural gas customers added after the FCA Base test year.

MONTHLY RATE:

Group 1 – $0.00028 per kWh
Group 2 – $0.00011 per kWh

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 75B

FIXED COST ADJUSTMENT MECHANISM – ELECTRIC (continued)

Step 7 – Determine the Monthly FCA Revenue per Customer - to determine the Monthly FCA Revenue per customer, the annual FCA Revenue per customer is shaped based on the monthly kWh usage from the rate year. The FCA mechanism uses the resulting monthly percentage of usage by month and multiplied that by the annual FCA Revenue per Customer to determine the 12 monthly values.

Calculation of Monthly FCA Deferral:

Step 1 – Determine the actual number of customers each month.

Step 2 – Multiply the actual number of customers by the applicable monthly Allowed FCA Revenue per Customer. The result of this calculation is the total Allowed FCA Revenue for the applicable month.

Step 3 – Determine the actual revenue collected in the applicable month.

Step 4 – Calculate the amount of fixed charge revenue included in total actual monthly revenue.

Step 5 – For existing customers, multiply actual kWh sales by the approved Load Change Adjustment Rate. The result of this calculation is the total revenue collected related to variable power supply. For new customers, multiply actual kWh sales by both the approved Load Change Adjustment Rate and the approved Fixed Production and Transmission Revenue rate. The result of this calculation is the total revenue collected related to fixed and variable production and transmission costs.

Step 6 – For existing customers, subtract the basic charge revenue and the variable power supply revenue from the total actual monthly revenue. The result is the Actual FCA Revenue. For new customers, subtract the basic charge revenue and the fixed and variable production and transmission revenue from the actual monthly revenue. The result is the Actual FCA Revenue.

Step 7 – The difference between the Actual FCA Revenue (Step 6) and the Allowed FCA Revenue (Step 2) is calculated, and the resulting balance is deferred by the Company. Interest on the deferred balance will accrue at the Customer Deposit Rate.

Step 8 – At the end of every 12 month deferral period, the annual FCA revenue per customer, by Rate Group, will be multiplied by the average annual number of actual customers). The result of that calculation will be compared to the actual deferred revenue for the same 12 month period. The difference between the actual deferred revenue, and the calculated value, will be added to, or subtracted from, the total deferred balance, by Rate Group.

Issued June 30, 2020 Effective October 1, 2020

Issued by Avista Corporation
By Patrick Ehrbar, Director of Regulatory Affairs

Patrick D. Ehrbar

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 75C

FIXED COST ADJUSTMENT MECHANISM – ELECTRIC (continued)

ANNUAL ELECTRIC FCA RATE ADJUSTMENT:

On or before July 31 each year, the Company will file a request with the Commission to surcharge or rebate, by Rate Group, the amount accumulated in the deferred revenue accounts for the prior July through June time period (the transition deferral period will be from January 2020 through June 2021).

The proposed tariff revisions included with that filing would include a rate adjustment that recovers/rebates the appropriate deferred revenue amount over a twelve-month period effective on October 1st. The deferred revenue amount approved for recovery or rebate would be transferred to a balancing account and the revenue surcharged or rebated during the period would reduce the deferred revenue in the balancing account. Any deferred revenue remaining in the balancing account at the end of the calendar year would be added to the new revenue deferrals to determine the amount of the proposed surcharge/rebate for the following year.

After determining the amount of deferred revenue that can be recovered through a surcharge (or refunded through a rebate) by Rate Group, the proposed rates under this Schedule will be determined by dividing the deferred revenue to be recovered by Rate Group by the estimated kWh sales for each Rate Group during the twelve month recovery period. The deferred revenue amount to be recovered will be transferred to a FCA Balancing Account and the actual revenue received under this Schedule will be applied to the Account to reduce (amortize) the balance. Interest will be accrued on the unamortized balance in the FCA Balancing Account at the Customer Deposit Rate.

3% ANNUAL RATE INCREASE LIMITATION:

The amount of the incremental proposed rate adjustment under this Schedule cannot reflect more than a 3% rate increase. This will be determined by dividing the incremental annual revenue to be collected (proposed surcharge revenue less present surcharge revenue) under this Schedule by the total “normalized” revenue for the two Rate Groups for the most recent July through June time period (the transition deferral period will be from January 2020 through June 2021). Normalized revenue is determined by multiplying the weather-corrected usage for the period by the present rates in effect. If the incremental amount of the proposed surcharge exceeds 3%, only a 3% incremental rate increase will be proposed and any remaining deferred revenue will be carried over to the following year. There is no limit to the level of the FCA rebate, and the reversal of any rebate rate would not be included in the 3% incremental surcharge test.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 75

FIXED COST ADJUSTMENT MECHANISM – ELECTRIC

PURPOSE:

This Schedule establishes balancing accounts and implements an annual Fixed Cost Adjustment ("FCA") rate mechanism that separates the recovery of the Company's Commission authorized revenues from kilowatt-hour sales to customers served under the applicable electric service schedules.

TERM:

The term of the FCA mechanism is ~~four years, effective January 1, 2016 through December 31, 2019.~~

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This schedule shall be applicable to all retail customers taking service under Schedules 1, 11, 12, 21, 22, 31, and 32. This Schedule does not apply to Extra Large General Service Schedule 25, Extra Large General Service to Clearwater Paper Schedule 25P, or to Street and Area Light Schedules 41 through 49.

Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 1
Group 2 – Schedules 11, 12, 21, 22, 31, 32

Note – the recovery of incremental revenue related to fixed production and transmission costs will be excluded for new natural gas customers added after the FCA Base test year.

MONTHLY RATE:

Group 1 – $~~0.00158~~ per kWh
Group 2 – $~~0.00145~~ per kWh

AVISTA CORPORATION
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SCHEDULE 75B

FIXED COST ADJUSTMENT MECHANISM – ELECTRIC (continued)

Step 7 – Determine the Monthly FCA Revenue per Customer - to determine the Monthly FCA Revenue per customer, the annual FCA Revenue per customer is shaped based on the monthly kWh usage from the rate year. The FCA mechanism uses the resulting monthly percentage of usage by month and multiplied that by the annual FCA Revenue per Customer to determine the 12 monthly values.

Calculation of Monthly FCA Deferral:

Step 1 – Determine the actual number of customers each month.

Step 2 – Multiply the actual number of customers by the applicable monthly Allowed FCA Revenue per Customer. The result of this calculation is the total Allowed FCA Revenue for the applicable month.

Step 3 – Determine the actual revenue collected in the applicable month.

Step 4 – Calculate the amount of fixed charge revenue included in total actual monthly revenue.

Step 5 – For existing customers, multiply actual kWh sales by the approved Load Change Adjustment Rate. The result of this calculation is the total revenue collected related to variable power supply. For new customers, multiply actual kWh sales by both the approved Load Change Adjustment Rate and the approved Fixed Production and Transmission Revenue rate. The result of this calculation is the total revenue collected related to fixed and variable production and transmission costs.

Step 6 – For existing customers, subtract the basic charge revenue and the variable power supply revenue from the total actual monthly revenue. The result is the Actual FCA Revenue. For new customers, subtract the basic charge revenue and the fixed and variable production and transmission revenue from the actual monthly revenue. The result is the Actual FCA Revenue.

Step 7 – The difference between the Actual FCA Revenue (Step 6) and the Allowed FCA Revenue (Step 2) is calculated, and the resulting balance is deferred by the Company. Interest on the deferred balance will accrue at the Customer Deposit Rate.

SCHEDULE 75C

FIXED COST ADJUSTMENT MECHANISM – ELECTRIC (continued)

ANNUAL ELECTRIC FCA RATE ADJUSTMENT:

On or before July ~~1st~~ each year, the Company will file a request with the Commission to surcharge or rebate, by Rate Group, the amount accumulated in the deferred revenue accounts for the prior ~~January~~ through ~~December~~ time period.

The proposed tariff revisions included with that filing would include a rate adjustment that recovers/rebates the appropriate deferred revenue amount over a twelve-month period effective on October 1st. The deferred revenue amount approved for recovery or rebate would be transferred to a balancing account and the revenue surcharged or rebated during the period would reduce the deferred revenue in the balancing account. Any deferred revenue remaining in the balancing account at the end of the calendar year would be added to the new revenue deferrals to determine the amount of the proposed surcharge/rebate for the following year.

After determining the amount of deferred revenue that can be recovered through a surcharge (or refunded through a rebate) by Rate Group, the proposed rates under this Schedule will be determined by dividing the deferred revenue to be recovered by Rate Group by the estimated kWh sales for each Rate Group during the twelve month recovery period. The deferred revenue amount to be recovered will be transferred to a FCA Balancing Account and the actual revenue received under this Schedule will be applied to the Account to reduce (amortize) the balance. Interest will be accrued on the unamortized balance in the FCA Balancing Account at the Customer Deposit Rate.

3% ANNUAL RATE INCREASE LIMITATION:

The amount of the incremental proposed rate adjustment under this Schedule cannot reflect more than a 3% rate increase. This will be determined by dividing the incremental annual revenue to be collected (proposed surcharge revenue less present surcharge revenue) under this Schedule by the total “normalized” revenue for the two Rate Groups for the most recent ~~January~~ through ~~December~~ time period. Normalized revenue is determined by multiplying the weather-corrected usage for the period by the present rates in effect. If the incremental amount of the proposed surcharge exceeds 3%, only a 3% incremental rate increase will be proposed and any remaining deferred revenue will be carried over to the following year. There is no limit to the level of the FCA rebate, and the reversal of any rebate rate would not be included in the 3% incremental surcharge test.

AVISTA CORPORATION
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SCHEDULE 75

FIXED COST ADJUSTMENT MECHANISM – ELECTRIC

PURPOSE:

This Schedule establishes balancing accounts and implements an annual Fixed Cost Adjustment ("FCA") rate mechanism that separates the recovery of the Company's Commission authorized revenues from kilowatt-hour sales to customers served under the applicable electric service schedules.

TERM:

The FCA mechanism will remain in effect through March 31, 2025.

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This schedule shall be applicable to all retail customers taking service under Schedules 1, 11, 12, 21, 22, 31, and 32. This Schedule does not apply to Extra Large General Service Schedule 25, Extra Large General Service to Clearwater Paper Schedule 25P, or to Street and Area Light Schedules 41 through 49.

Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 1
Group 2 – Schedules 11, 12, 21, 22, 31, 32

Note – the recovery of incremental revenue related to fixed production and transmission costs will be excluded for new natural gas customers added after the FCA Base test year.

MONTHLY RATE:

Group 1 – $0.00028 per kWh
Group 2 – $0.00011 per kWh

SCHEDULE 75B

FIXED COST ADJUSTMENT MECHANISM – ELECTRIC (continued)

Step 7 – Determine the Monthly FCA Revenue per Customer - to determine the Monthly FCA Revenue per customer, the annual FCA Revenue per customer is shaped based on the monthly kWh usage from the rate year. The FCA mechanism uses the resulting monthly percentage of usage by month and multiplied that by the annual FCA Revenue per Customer to determine the 12 monthly values.

Calculation of Monthly FCA Deferral:

Step 1 – Determine the actual number of customers each month.

Step 2 – Multiply the actual number of customers by the applicable monthly Allowed FCA Revenue per Customer. The result of this calculation is the total Allowed FCA Revenue for the applicable month.

Step 3 – Determine the actual revenue collected in the applicable month.

Step 4 – Calculate the amount of fixed charge revenue included in total actual monthly revenue.

Step 5 – For existing customers, multiply actual kWh sales by the approved Load Change Adjustment Rate. The result of this calculation is the total revenue collected related to variable power supply. For new customers, multiply actual kWh sales by both the approved Load Change Adjustment Rate and the approved Fixed Production and Transmission Revenue rate. The result of this calculation is the total revenue collected related to fixed and variable production and transmission costs.

Step 6 – For existing customers, subtract the basic charge revenue and the variable power supply revenue from the total actual monthly revenue. The result is the Actual FCA Revenue. For new customers, subtract the basic charge revenue and the fixed and variable production and transmission revenue from the actual monthly revenue. The result is the Actual FCA Revenue.

Step 7 – The difference between the Actual FCA Revenue (Step 6) and the Allowed FCA Revenue (Step 2) is calculated, and the resulting balance is deferred by the Company. Interest on the deferred balance will accrue at the Customer Deposit Rate.

Step 8 – At the end of every 12 month deferral period, the annual FCA revenue per customer, by Rate Group, will be multiplied by the average annual number of actual customers). The result of that calculation will be compared to the actual deferred revenue for the same 12 month period. The difference between the actual deferred revenue, and the calculated value, will be added to, or subtracted from, the total deferred balance, by Rate Group.

SCHEDULE 75C

FIXED COST ADJUSTMENT MECHANISM – ELECTRIC (continued)

ANNUAL ELECTRIC FCA RATE ADJUSTMENT:

On or before July 31 each year, the Company will file a request with the Commission to surcharge or rebate, by Rate Group, the amount accumulated in the deferred revenue accounts for the prior July through June time period (the transition deferral period will be from January 2020 through June 2021).

The proposed tariff revisions included with that filing would include a rate adjustment that recovers/rebates the appropriate deferred revenue amount over a twelve-month period effective on October 1st. The deferred revenue amount approved for recovery or rebate would be transferred to a balancing account and the revenue surcharged or rebated during the period would reduce the deferred revenue in the balancing account. Any deferred revenue remaining in the balancing account at the end of the calendar year would be added to the new revenue deferrals to determine the amount of the proposed surcharge/rebate for the following year.

After determining the amount of deferred revenue that can be recovered through a surcharge (or refunded through a rebate) by Rate Group, the proposed rates under this Schedule will be determined by dividing the deferred revenue to be recovered by Rate Group by the estimated kWh sales for each Rate Group during the twelve month recovery period. The deferred revenue amount to be recovered will be transferred to a FCA Balancing Account and the actual revenue received under this Schedule will be applied to the Account to reduce (amortize) the balance. Interest will be accrued on the unamortized balance in the FCA Balancing Account at the Customer Deposit Rate.

3% ANNUAL RATE INCREASE LIMITATION:

The amount of the incremental proposed rate adjustment under this Schedule cannot reflect more than a 3% rate increase. This will be determined by dividing the incremental annual revenue to be collected (proposed surcharge revenue less present surcharge revenue) under this Schedule by the total “normalized” revenue for the two Rate Groups for the most recent July through June time period (the transition deferral period will be from January 2020 through June 2021). Normalized revenue is determined by multiplying the weather-corrected usage for the period by the present rates in effect. If the incremental amount of the proposed surcharge exceeds 3%, only a 3% incremental rate increase will be proposed and any remaining deferred revenue will be carried over to the following year. There is no limit to the level of the FCA rebate, and the reversal of any rebate rate would not be included in the 3% incremental surcharge test.