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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-G-20-__**
Natural Gas 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 175	**canceling**	**Third Revision Sheet 175**
Second Revision Sheet 175B	**canceling**	**First Revision Sheet 175B**
Second Revision Sheet 175C	**canceling**	**First Revision Sheet 175C**

These tariff sheets reflect Avista's natural gas 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 November 1, 2020.

Filed concurrently with this FCA is the Company's annual Purchased Gas Cost Adjustment (PGA) filing. If both the natural gas FCA and PGA filings are approved, residential natural gas customers in Idaho using an average of 64 therms per month would see their monthly bills decrease from $50.98 to $50.18, a decrease of $0.80 per month, or approximately 1.6%. The proposed natural gas rate changes would be effective Nov. 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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/s/ Patrick Ehrbar
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FIXED COST ADJUSTMENT MECHANISM (FCA) ANNUAL RATE ADJUSTMENT FILING OF AVISTA CORPORATION	)	CASE NO. AVU-G-20-__ APPLICATION OF AVISTA 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 natural gas Fixed Cost Adjustment Mechanism (FCA) revenue deferred during calendar year 2019 and authorizing FCA rates for natural gas service from November 1, 2020 through October 31, 2021, and to approve the Company's corresponding modifications to Schedule 175, "Fixed Cost Adjustment Mechanism – Natural Gas". The FCA rate for the Residential Group (Schedule 101) is proposed to change from a present surcharge rate of 0.951¢ to a proposed rebate rate of -0.783¢ per therm. The FCA rate for the Non-Residential Group (Schedules 111 and 112) is proposed to change from a present rebate rate of -0.554¢ to a proposed rebate rate of -0.687¢ per therm. The Residential Group rate change represents a $1.1 million, or 2.2% decrease, to Schedule 101 customers, and the Non-Residential Group rate change represents a $35,000, or 0.3%, 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	$ 619,181	$ (509,799)	$ (1,128,980)
Non-Residential	$ (143,645)	$ (178,131)	$ (34,485)

In addition to the Schedule 175 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 a November 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 natural gas FCA is to adjust the Company's Commission-authorized revenues from therm sales, such that the Company's revenues will be recognized based on the number of customers served under the applicable natural gas 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.

The 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. The proposed Tariff Sheet 175 reflects the change in the term of the mechanism from three years to four in accordance with the Addendum.

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.[2]

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

[2] Review of the mechanisms took place at a workshop March 27, 2019, and the FCA Mechanisms has been extended through March 31, 2025.

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 natural gas FCA filings for deferrals through December 31, 2019:

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

November 1 - Commission Order and effective date of natural gas 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 natural gas FCA rate adjustments is to remain November 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 175, the Calculation of Monthly FCA Deferral mechanism description stated on tariff Sheet 175B, and the Annual Natural Gas FCA Rate Adjustment provision on tariff Sheet 175C to reflect these approved modifications to the mechanism going forward in compliance with the Commission Order.

III. DRIVERS OF NATURAL GAS FCA REBATES

The FCA rebate deferrals for Residential and Non-Residential customers in 2019 were the result of higher monthly use-per-customer than the use-per-customer that was embedded in the 2016 test year (i.e., the FCA base). Residential average monthly use-per-customer was higher by 3 therms, and non-residential average monthly use-per customer was higher by 71 therms 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 2 million therms to residential usage (2 therms per customer) and 0.5 million therms (28 therms per customer) to non-residential usage. The estimated FCA revenue surplus associated with weather was approximately $0.9 million residential and $0.1 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

[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.

approximately 720 thousand therms and non-residential usage approximately 160 thousand therms. The estimated FCA revenue shortfall associated with energy efficiency programmatic savings is $350 thousand residential and $30 thousand 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 table summarizes the impact of these drivers on the FCA Revenues received from customers in 2019.

	Residential Group		Non-Residential Group	
Driver	Use-per-Customer	FCA Revenue	Use-per-Customer	FCA Revenue
Weather	2.0	$0.94	28.3	$0.11
Energy Efficiency	(0.7)	($0.35)	(8.6)	($0.03)
Other	1.2	($0.07)	51.7	$0.10
Total	**2.5**	**$0.52**	**71.4**	**$0.18**

IV. RESIDENTIAL GROUP RATE DETERMINATION

The Company recorded $517,162 in the rebate direction in deferred revenue for the natural gas residential customer group in 2019. The proposed rate of -0.783 cents per therm is designed to rebate $509,799 to the Company’s residential natural gas customers served under rate Schedule 101. The following table summarizes the components of the Company’s request to rebate:

2019 Deferred Revenue	($517,162)
Add: 2018 Residual Balance	$22,393
Add: Interest through 10/31/2021	($12,200)
Add: Revenue Related Expense Adj.	($2,830)
Total Surcharge	($509,799)
Customer rebate	($509,799)
Carryover Deferred Revenue	$0

Exhibit B, page 1 shows the derivation of the proposed rate to rebate revenue of $509,799 based on projected sales volumes for Schedule 101 customers during the rebate/amortization period (November 2020 through October 2021). As identified on tariff Sheet 175B under Step 6 of "Calculation of Monthly FCA Deferral", interest on the deferred balance accrues at the Customer Deposit Interest Rate.[4] If the proposed rebate is approved by the Commission, the 2019 deferral balance, plus interest through October, and any outstanding balance from the surcharge approved for recovery in the prior year FCA rate filing (Case No. AVU-G-19-04 Order No. 34468) will be transferred into a regulatory liability balancing account. The balance in the liability account will be reduced each month by the rebate received by customers under the tariff.

V. NON-RESIDENTIAL GROUP RATE DETERMINATION

The Company recorded $175,310 in the rebate direction in deferred revenue for the natural gas Non-Residential Group in 2019. The proposed rebate rate of -0.687 cents per therm is designed to rebate $178,131 to the Company's commercial and industrial customers served under rate Schedules 111 and 112. The following table summarizes the components of the Company's request for rebate:

2019 Deferred Revenue	($175,310)
Add: 2018 Residual Balance	$2,617
Add: Interest through 10/31/2021	($4,347)
Add: Revenue Related Expense Adj.	($1,092)
Total Rebate	($178,131)
Customer rebate	($178,131)
Carryover Deferred Revenue	$0

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

Exhibit B, page 3 shows the derivation of the proposed rate to rebate revenue of $178,131 based on projected sales volumes for Schedules 111 and 112 during the rebate/amortization period (November 2020 through October 2021). As identified on the tariff Sheet 175B under Step 6 of "Calculation of Monthly FCA Deferral", interest on the deferred balance accrues at the Customer Deposit Interest Rate.[5] If the proposed rebate is approved by the Commission, the 2019 deferral balance, plus interest through October will be transferred into the regulatory liability balancing account with any outstanding balance from the rebate approved in case No. AVU-G-19-04. The balance in the liability account will be reduced each month by the rebate received by customers 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. As described in Tariff Schedule 175, 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

[5] Ibid.

amount of the proposed surcharge exceeds 3%, only a 3% 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. As both the Residential deferral and the Non-Residential deferral are rebates for 2019 and there is no limitation on rebate rate adjustments, 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 natural gas 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 underground storage facility costs. Separate calculations for new versus existing customers are clearly identified in the FCA base that was approved in Order No. 33953 (included in this filing as Attachment C, pages 3 through 6).

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 natural gas customers is comparable to the average usage of existing customers. Avista will continue to track the usage of new customers over the Fixed Cost Adjustment term.

VIII. PROPOSED RATES TO BE EFFECTIVE NOVEMBER 1, 2020

The Company is proposing a per therm FCA rebate rate of -0.783¢ for the Residential Group, and a per therm FCA rebate rate of -0.687¢ for the Non-Residential

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

Group, both to become effective November 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 175, Schedule 175B, and Schedule 175C which contains the proposed FCA rates and tariff revisions discussed earlier in this Application. Exhibit A also includes the proposed changes to Schedule 175, 175B, and 175C in strike/underline format.

Residential customers using an average of 64 therms per month would see their monthly bills decrease from $50.98 to $49.87, a decrease of $1.11 per month, or 2.18%.

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 recovery of FCA deferrals for the period January 1, 2019 through December 31, 2019 and approve a per therm FCA rebate rate of -0.783¢ for the Residential Group, and a per therm FCA rebate rate of -0.687¢ for the Non-Residential Group, both to become effective November 1, 2020. The Company also requests that eh Commission approve the proposed tariff modifications to tariff Sheet 175, 175B, and 175C. The Residential Group rebate represents a $1.1 million, or 2.2% incremental decrease to Schedule 101 customers, and the Non-Residential Group rebate represents a $35,000, or 0.3% incremental decrease to Schedule 111 and 112 customers. 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-G-20-__

EXHIBIT A

Tariff Sheets – Proposed, Strikethrough and Underline
Natural Gas Service

June 30, 2020

SCHEDULE 175
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS

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 therm sales to customers served under the applicable natural gas service schedules.

TERM:

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

APPLICABLE:

To Customers in the State of Idaho where the Company has natural gas service available. This schedule shall be applicable to all retail customers taking service under Schedules 101, 111, and 112. This Schedule does not apply to Schedules 131/132 (Interruptible Service), Schedule 146 (Transportation Service For Customer-Owned Gas) or Schedule 148 (Special Contracts). Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 101
Group 2 – Schedules 111 and 112

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

MONTHLY RATE:

Group 1 – ($0.00783) per therm
Group 2 – ($0.00687) per therm

Patrick D. Ehrbar

SCHEDULE 175B
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS (continued)

Calculation of Monthly FCA Deferral:

Step 1 – Determine the actual number of customers each month (see Note 1 below).

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. For new customers only, also multiply actual therm sales by the approved Fixed Production and Underground Storage Cost per Therm to determine actual revenue collected related to fixed production and underground storage costs.

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

Step 5 – Subtract the basic charge revenue (Step 4) from the total actual monthly revenue (Step 3). For new customers, subtract the basic charge revenue (Step 4) and the fixed production and underground storage revenue (Step 3) from the total actual monthly revenue (Step 3). The result is the Actual FCA Revenue.

Step 6 – The difference between the Actual FCA Revenue (Step 5) 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 7 – 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 November 1, 2020

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

Patrick D. Ehrbar

SCHEDULE 175C
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS (continued)

ANNUAL NATURAL GAS 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 November 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 therm 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.

Patrick D. Ehrbar

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 175
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS

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 therm sales to customers served under the applicable natural gas 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 natural gas service available. This schedule shall be applicable to all retail customers taking service under Schedules 101, 111, and 112. This Schedule does not apply to Schedules 131/132 (Interruptible Service), Schedule 146 (Transportation Service For Customer-Owned Gas) or Schedule 148 (Special Contracts). Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 101
Group 2 – Schedules 111 and 112

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

MONTHLY RATE:

Group 1 – ~~$0.00951~~ per therm
Group 2 – ~~($0.00554)~~ per therm

Issued ~~June 28, 2019~~ Effective ~~November 1, 2019~~

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

SCHEDULE 175B
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS (continued)

Calculation of Monthly FCA Deferral:

Step 1 – Determine the actual number of customers each month (see Note 1 below).

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. For new customers only, also multiply actual therm sales by the approved Fixed Production and Underground Storage Cost per Therm to determine actual revenue collected related to fixed production and underground storage costs.

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

Step 5 – Subtract the basic charge revenue (Step 4) from the total actual monthly revenue (Step 3). For new customers, subtract the basic charge revenue (Step 4) and the fixed production and underground storage revenue (Step 3) from the total actual monthly revenue (Step 3). The result is the Actual FCA Revenue.

Step 6 – The difference between the Actual FCA Revenue (Step 5) 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 175C
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS (continued)

ANNUAL NATURAL GAS 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 November 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 therm 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.

<u>3% ANNUAL RATE INCREASE LIMITATION:</u>

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
dba Avista Utilities

SCHEDULE 175
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS

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 therm sales to customers served under the applicable natural gas service schedules.

TERM:

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

APPLICABLE:

To Customers in the State of Idaho where the Company has natural gas service available. This schedule shall be applicable to all retail customers taking service under Schedules 101, 111, and 112. This Schedule does not apply to Schedules 131/132 (Interruptible Service), Schedule 146 (Transportation Service For Customer-Owned Gas) or Schedule 148 (Special Contracts). Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 101
Group 2 – Schedules 111 and 112

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

MONTHLY RATE:

Group 1 – ($0.00783) per therm
Group 2 – ($0.00687) per therm

SCHEDULE 175B
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS (continued)

Calculation of Monthly FCA Deferral:

Step 1 – Determine the actual number of customers each month (see Note 1 below).

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. For new customers only, also multiply actual therm sales by the approved Fixed Production and Underground Storage Cost per Therm to determine actual revenue collected related to fixed production and underground storage costs.

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

Step 5 – Subtract the basic charge revenue (Step 4) from the total actual monthly revenue (Step 3). For new customers, subtract the basic charge revenue (Step 4) and the fixed production and underground storage revenue (Step 3) from the total actual monthly revenue (Step 3). The result is the Actual FCA Revenue.

Step 6 – The difference between the Actual FCA Revenue (Step 5) 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 7 – 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 175C
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS (continued)

ANNUAL NATURAL GAS 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 November 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 therm 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.