

David J. Meyer, Esq.  
Vice President and Chief Counsel of  
Regulatory and Governmental Affairs  
Avista Corporation  
1411 E. Mission Avenue  
P.O. Box 3727  
Spokane, Washington 99220  
Phone: (509) 495-4316

RECEIVED  
2023 JUNE 14, 2023 2:04PM  
IDAHO PUBLIC  
UTILITIES COMMISSION

Chris Burdin  
Deputy Attorney General  
Idaho Public Utilities Commission Staff  
P.O. Box 83720  
Boise, ID 83720-0074  
Phone: (208) 334-0357, Fax: (208) 334-3762

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

\_\_\_\_\_  
IN THE MATTER OF THE APPLICATION )  
OF AVISTA CORPORATION FOR ) CASE NO. AVU-E-23-01  
AUTHORITY TO INCREASE ITS RATES ) AVU-G-23-01  
AND CHARGES FOR ELECTRIC AND )  
NATURAL GAS SERVICE TO ELECTRIC )  
AND NATURAL GAS CUSTOMERS IN ) **STIPULATION AND SETTLEMENT**  
THE STATE OF IDAHO )  
\_\_\_\_\_ )

This Stipulation and Settlement (“Stipulation”) is entered into by and among Avista Corporation, doing business as Avista Utilities (“Avista” or “Company”), the Staff of the Idaho Public Utilities Commission (“Staff”), Clearwater Paper Corporation (“Clearwater”), Idaho Forest Group, LLC (“Idaho Forest”), and Walmart Inc. These entities are collectively referred to as the “Settling Parties” and singularly as a “Settling Party.” The remaining parties, the Idaho Conservation League / NW Energy Coalition (“ICL/NWEC”), do not join in the Settlement. The Settling Parties understand this Stipulation is subject to approval by the Idaho Public Utilities Commission (“IPUC” or the “Commission”).

## I. INTRODUCTION

1. The terms and conditions of this Stipulation are set forth herein. The Settling Parties agree that this Stipulation represents a fair, just, and reasonable compromise of all the issues raised in the proceeding, is in the public interest, and its acceptance by the Commission represents a reasonable resolution of the multiple issues identified in this case. The Settling Parties, therefore, recommend that the Commission, in accordance with RP 274, approve the Stipulation and all of its terms and conditions without material change or condition.

## II. BACKGROUND

2. On February 1, 2023, Avista filed an Application with the Commission for authority to increase revenue effective September 1, 2023, and September 1, 2024, for electric and natural gas service in Idaho. The Company proposed a “Two-Year Rate Plan” with an increase in electric base revenue of \$37.5 million or 13.6% for “Rate Year 1”, and \$13.2 million or 4.2% for “Rate Year 2”.<sup>1</sup> With regard to natural gas, the Company proposed an increase in base revenue of \$2.8 or 6.0% for “Rate Year 1”, and \$120,000 or 0.3% for “Rate Year 2”. By Order No. 35684, dated February 21, 2023, the Commission provided Notice of the Application and set an intervention deadline for interested persons and parties to intervene in the case.

3. Petitions to intervene in this proceeding were filed by Clearwater, Idaho Forest, Walmart Inc., and ICL/NWEC. The Commission granted these interventions in IPUC Order Nos. 35704, 35713 and 35719.

4. A settlement conference was noticed and held on June 1, 2023. All Parties attended, whether in person or virtually. As a compromise of positions in this case, and for other consideration as set forth below, the Settling Parties agree to the following terms:

---

<sup>1</sup> “Rate Year 1” is defined as September 1, 2023 through August 31, 2024. “Rate Year 2” is defined as September 1, 2024 through August 31, 2025.

### III. TERMS OF THE STIPULATION AND SETTLEMENT

5. Overview of Settlement and Revenue Requirement. The Settling Parties agree that Avista should be allowed to implement revised tariff schedules designed to increase annual base electric revenues by \$22,134,000, or 8.03%, effective September 1, 2023, and increase base revenues by \$4,305,000, or 1.37%, effective September 1, 2024. For natural gas, the Settling Parties agree that Avista should be allowed to increase natural gas base revenue by \$1,252,000, or 2.71%, effective September 1, 2023, and increase base revenues \$3,000, or 0.01%, effective September 1, 2024.

6. Cost of Capital. The Settling Parties agree to a 9.4 percent return on equity, with a 50.0 percent common equity ratio. The capital structure and resulting rate of return is as set forth below:

<b>Component</b>	<b>Capital Structure</b>	<b>Cost</b>	<b>Weighted Cost</b>
Total Debt	50.00%	4.97%	2.49%
Common Equity	50.00%	9.40%	4.70%
Total	100.00%		7.19%

#### A. ELECTRIC REVENUE REQUIREMENT

7. Overview of Electric Revenue Requirement (September 1, 2023) [Rate Year 1]. Below is a summary table and descriptions of the electric revenue requirement components agreed to by the Settling Parties, effective September 1, 2023:

**Table No. 1**

<b>SUMMARY TABLE OF ADJUSTMENTS TO ELECTRIC REVENUE REQUIREMENT EFFECTIVE SEPTEMBER 1, 2023 (000s of Dollars)</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Amount as Filed:</b>	<b>\$ 37,462</b>	<b>\$ 1,034,938</b>
<b>Adjustments:</b>		
a.) Cost of Capital	\$ (5,343)	
b.) Remove 2024 AMA Capital Additions	\$ (3,051)	\$ (17,554)
c.) Revise Wildfire Deferral Amortizations	\$ (2,062)	
d.) Remove Officer Incentives and 2023 Officer Labor Increases	\$ (418)	
e.) Remove 2024 Union and Non-Union Labor Increases	\$ (516)	
f.) Update Regulatory Assessment Fee and Conversion Factor	\$ (4)	
g.) Remove Pro Forma 401K Expenses	\$ (41)	
h.) Remove Escalated Miscellaneous O&M Expense	\$ (2,560)	
i.) Remove Pro Forma WRAP Expenses	\$ (121)	
j.) Restate Net Pro Forma Power Supply Expense	\$ (500)	
k.) Adjust Pro Forma Insurance Expense	\$ (298)	
l.) Miscellaneous Adjustments: Board of Director expenses, Fee Free expense adjustment, cell phone savings, O&M expense, removal of Sandpoint Weatherization loans and reclassification of other administrative and general expenses.	\$ (414)	\$ (59)
<b>Adjusted Amounts Effective September 1, 2021</b>	<b>\$ 22,134</b>	<b>\$ 1,017,325</b>

- a. Cost of Capital. As previously described (see ¶6 above). This adjustment reduces the overall revenue requirement by \$5.343 million.
- b. Remove 2024 AMA Capital Additions. This adjustment removes the Company's capital additions beyond August 31, 2023, included by the Company for Rate Year 1, reflecting only plant investment prior to the September 1, 2023, effective date. This adjustment decreases the overall revenue requirement by \$3.051 million and reduces net rate base by \$17.554 million.
- c. Revise Wildfire Deferral Amortizations. This adjustment revises the Company's proposed amortization of its two Wildfire Regulatory Deferred Asset balances: 1) Wildfire Resiliency Plan Expense Deferral and 2) Wildfire Expense Balancing Account deferral, for the period July 1, 2020 through September 30, 2022 of \$8.2 million, from a two (2) year amortization to a four (4) year amortization. This adjustment reduces the

overall revenue requirement by \$2.062 million. See Wildfire Balancing Account discussion at ¶13 below.

- d. Remove Officer Incentives and 2023 Officer Labor. Reflects the removal of officer incentives and 2023 incremental officer labor proposed by the Company. This adjustment decreases the overall revenue requirement by \$418,000.
- e. Remove 2024 Union and Non-Union Labor Increases. This adjustment removes 2024 union and non-union labor increases included by the Company, reflecting 2023 labor increases for union and non-union employees. This adjustment decreases the overall revenue requirement by \$516,000.
- f. Update Regulatory Assessment Fee and Conversion Factor. This adjustment reflects the April 2023 adjusted IPUC Regulatory Assessment Fee, per Order No. 35743, of 0.001982, and the impact on the Company's Conversion Factor. This adjustment decreases the overall revenue requirement by \$4,000.
- g. Remove Pro Forma 401K expenses. This adjustment removes certain pro formed 401K expenses, leaving those actual 401K expenses per the filed historical test period. This adjustment decreases the overall revenue requirement by \$41,000.
- h. Remove Escalated Miscellaneous O&M Expenses. This adjustment removes the escalated O&M expense pro formed by the Company. This adjustment decreases the overall revenue requirement by \$2.56 million.
- i. Remove Pro Forma WRAP Expenses. This adjustment removes the pro formed Western Regional Adequacy Program (WRAP) expenses included by the Company. This adjustment decreases the overall revenue requirement by \$121,000.

- j. Restate Net Power Supply Expense. This adjustment revises net power supply costs as discussed below, decreasing the overall revenue requirement by \$500,000. See Power Cost Adjustment (PCA) discussion at ¶11 below.
- i. Authorized Net Power Supply. The Settling Parties agree to leave system net power supply expense as approved in Case No. AVU-E-21-01 totaling \$149,279,000, adjusted to reflect items ii. and iii below, resulting in a revised system net power supply expense of \$177,585,000. Idaho’s share of net power supply costs reflects a production and transmission (P/T) ratio of 34.47%.
  - ii. Palouse and Rattlesnake Flat Wind. The Settling Parties agree to include the Palouse Wind<sup>2</sup> and Rattlesnake Flat Wind<sup>3</sup> Power Purchase Agreements (“PPA”) in base rates at 90%. 90% of actual net power costs for these projects will then be compared to this 90% base amount to calculate the base-to-actual difference that will be reflected in the PCA mechanism. This adjustment increases system net power supply expense \$29,313,000.
  - iii. Remove Columbia Basin Hydro Transmission Costs. Remove cost of Columbia Basin Hydro Transmission costs. This adjustment decreases system net power supply expense by \$1,007,000. See PCA discussion at ¶11 below.
- k. Pro Forma Insurance Expense. This adjustment reduces pro formed insurance expense for certain escalated assumptions used to calculate Rate Year 1 insurance expense

---

<sup>2</sup> The Palouse Wind PPA is a 30-year contract that was executed in 2011 by the Company who purchases all of its output (105 MW nameplate capacity) and environmental attributes. The project began commercial operation in December 2012.

<sup>3</sup> The Rattlesnake Flat Wind PPA is a 20-year contract which consists of 50 Siemen’s S-129 2.9 MW wind turbines with a total capacity of approximately 145 MW’s. The project began commercial operation in December 2020.

levels. This adjustment decreases the overall revenue requirement by \$298,000. See Insurance Balancing Account discussion at ¶15 below.

1. Miscellaneous Adjustments. Reflects the net change in operating expenses related to:  
1) removing Board of Director expenses and fees (\$242,000); 2) including cell phone savings (\$36,000); 3) removing pro forma Fee Free expense (\$27,000); 4) removal of historical Sandpoint Weatherization loans<sup>4</sup> (\$5,000 expense and \$59,000 rate base); and removal of other miscellaneous transmission O&M expenses associated with the Company's Wildfire Open Access Transmission Tariff (\$102,000) and A&G expenses (\$2,000). The net effect of this adjustment decreases the overall revenue requirement by \$414,000 and rate base by \$59,000.

8. Overview of Electric Revenue Requirement (September 1, 2024) [Rate Year 2].

Below is a summary table and descriptions of the incremental electric revenue requirement components agreed to by the Settling Parties effective September 1, 2024:

---

<sup>4</sup> Sandpoint weatherization loans relate to weatherization and DSM investment included in rate base (FERC account 124.350). Beginning in July 1994, accumulation of allowance for funds used to conserve energy (AFUCE) ceased on electric DSM and full amortization began on the balance based on the measure lives of the investment. Beginning in 1995, the amortization rates were accelerated to achieve a 14-year weighted average amortization period, which was completed in 2010. Remaining as an Idaho rate base item is the weatherization loan balance of approximately \$59,000.

**Table No. 2**

<b>EFFECTIVE SEPTEMBER 1, 2024</b> <b>(000s of Dollars)</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Rate Base Amount Effective September 1, 2023</b>		<b>\$ 1,017,325</b>
<b>Incremental Revenue Adjustment to September 1, 2023 Rate Change (see Table No. 1):</b>		
a.) <b>Add Incremental 2023/2024 Related Capital and Expenses:</b>		
i. AMA 2024 Capital Additions	\$ 4,888	\$ 17,554
ii. Property Tax Expense	\$ 706	
iii. 2024 Union Labor Increase	\$ 410	
iv. Employee Benefits	\$ 255	
v. 2024 Growth Revenue	\$ (1,939)	
vi. Revise Colstrip/CS2 Major Maintenance Expense	\$ 247	
vii. Remove Expiring Fee Free Amortization Expense	\$ (97)	
viii. Miscellaneous Other Expense Offsets	\$ (165)	
<b>September 1, 2024 Incremental Revenue Adjustment and Rate Base Amount (above September 1, 2023 Rate Change - see Table No. 1)</b>	<b>\$ 4,305</b>	<b>\$ 1,034,879</b>

a. Add Incremental 2023/2024 Related Capital and Expenses to Rate Year 2  
(incremental above Rate Year 1).

- i. AMA 2024 Capital Additions. Includes capital additions from September 1, 2023 through August 31, 2024 on an AMA basis, prior to the Rate Year 2 September 1, 2024, effective date. This adjustment increases the overall revenue requirement by \$4.888 million and increases net rate base by \$17.554 million.
- ii. Property Tax Expense. Includes incremental property tax expense above Rate Year 1 levels, associated with 2023 capital additions. This adjustment increases the overall revenue requirement by \$706,000.
- iii. 2024 Union Labor Increases. Includes the 2024 union annualized labor increases. This adjustment increases the overall revenue requirement by \$410,000.



- iv. Employee Benefits. Includes 2024 incremental employee benefit expenses above Rate Year 1 levels. This adjustment increases the overall revenue requirement by \$255,000.
- v. 2024 Growth Revenue. Reflects the 2024 incremental revenue associated with 2024 growth capital, matching the inclusion of 2024 capital investment. This adjustment decreases the overall revenue requirement by \$1,939,000.
- vi. Colstrip/CS2 Major Maintenance. Revises the Colstrip/CS2 Major Maintenance expense level included in Rate Year 1 to reflect the revised expense for Rate Year 2. This adjusts maintenance expense to one-third of each amount deferred for calendar years 2022 through 2024. This adjustment increases the overall revenue requirement by \$247,000.
- vii. Fee Free Expense. Reflects the removal of the expiring Fee Free Amortization and expense at August 31, 2024. This adjustment decreases the overall revenue requirement by \$97,000.
- viii. Miscellaneous O&M Expense. Reflects an agreed-to reduction of O&M expense. This adjustment decreases the overall revenue requirement by \$165,000.

## **B. NATURAL GAS REVENUE REQUIREMENT**

9. Overview of Natural Gas Revenue Requirement (September 1, 2023) [Rate Year 1]. Below is a summary table and descriptions of the natural gas revenue requirement components agreed to by the Settling Parties effective September 1, 2023:

**Table No. 3**

<b>SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT EFFECTIVE SEPTEMBER 1, 2023 (000s of Dollars)</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Amount as Filed:</b>	<b>\$ 2,771</b>	<b>\$ 206,562</b>
<b>Adjustments:</b>		
a.) Cost of Capital	\$ (1,066)	
b.) Remove 2024 AMA Capital Additions	\$ (142)	\$ (2,978)
c.) Remove Officer Incentives and 2023 Officer Labor Increases	\$ (98)	
d.) Remove 2024 Union and Non-Union Labor Increases	\$ (115)	
e.) Update Regulatory Assessment Fee and Conversion Factor	\$ (1)	
f.) Remove Pro Forma 401K Expenses	\$ (10)	
g.) Miscellaneous Adjustments: Board of Director expenses, Fee Free expenses, cell phone savings, and injuries and damages expenses.	\$ (87)	
<b>Adjusted Amounts Effective September 1, 2023</b>	<b>\$ 1,252</b>	<b>\$ 203,584</b>

- a. Cost of Capital. As previously described (see ¶6 above). This adjustment reduces the overall revenue requirement by \$1.066 million.
- b. Remove 2024 AMA Capital Additions. This adjustment removes the Company's capital additions beyond August 31, 2023, included by the Company for Rate Year 1, reflecting only plant investment prior to the September 1, 2023, effective date. This adjustment decreases the overall revenue requirement by \$142,000 and reduces net rate base by \$2.978 million.
- c. Remove Officer Incentives and 2023 Officer Labor. Reflects the removal of officer incentives and 2023 incremental officer labor proposed by the Company. This adjustment decreases the overall revenue requirement by \$98,000.
- d. Remove 2024 Union and Non-Union Labor Increases. This adjustment removes 2024 union and non-union labor increases included by the Company, reflecting 2023 labor increases for union and non-union employees. This adjustment decreases the overall revenue requirement by \$115,000.

- e. Update Regulatory Assessment Fee and Conversion Factor. This adjustment reflects the April 2023 adjusted IPUC Regulatory Assessment Fee, per Order No. 35743, of .001982, and the impact on the Company’s Conversion Factor. This adjustment decreases the overall revenue requirement by \$1,000.
- f. Remove Pro Forma 401K expenses. This adjustment removes certain pro formed 401K expenses, leaving those actual 401K expenses per the filed historical test period. This adjustment decreases the overall revenue requirement by \$10,000.
- g. Miscellaneous Adjustments. Reflects the net change in operating expenses related to: 1) removing Board of Director expenses and fees (\$60,000); 2) including cell phone savings (\$6,000); 3) removing pro forma Fee Free expense (\$18,000); and 4) injuries and damages 6-year average expense (\$3,000). The net effect of this adjustment decreases the overall revenue requirement by \$87,000.

10. Overview of Natural Gas Revenue Requirement (September 1, 2024) [ Rate Year

2]. Below is a summary table and descriptions of the incremental Natural Gas revenue requirement components agreed to by the Settling Parties effective September 1, 2024:

**Table No. 4**

<b>SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT EFFECTIVE SEPTEMBER 1, 2024 (000s of Dollars)</b>		
	<u>Revenue Requirement</u>	<u>Rate Base</u>
<b>Rate Base Amount Effective September 1, 2024</b>		<b>\$ 203,584</b>
<b>Incremental Revenue Adjustment to September 1, 2023 Rate Change (see Table No. 1):</b>		
a.) Add <u>Incremental</u> 2023/2024 Related Capital and Expenses:		
i. AMA 2024 Capital Additions	\$ 823	\$ 2,978
ii. Property Tax Expense	\$ (18)	
iii. 2024 Union Labor Increase	\$ 93	
iv. Employee Benefits	\$ 61	
v. 2024 Growth Revenue	\$ (798)	
vi. Remove Expiring Fee Free Amortization Expense	\$ (158)	
<b>September 1, 2024 Incremental Revenue Adjustment and Rate Base Amount (above September 1, 2023 Rate Change - see Table No. 1)</b>	<b>\$ 3</b>	<b>\$ 206,562</b>

- a. Add Incremental 2023/2024 Related Capital and Expenses to Rate Year 2 (incremental above Rate Year 1).
- i. AMA 2024 Capital Additions. Includes capital additions from September 1, 2023 through August 31, 2024 on an AMA basis, prior to the Rate Year 2 September 1, 2024, effective date. This adjustment increases the overall revenue requirement by \$823,000 and increases net rate base by \$2.978 million.
  - ii. Property Tax Expense. Includes the incremental change (reduction) in property tax expense in Rate Year 2 versus Rate Year 1 levels. This adjustment decreases the overall revenue requirement by \$18,000.
  - iii. 2024 Union Labor Increases. Includes the 2024 union annualized labor increases. This adjustment increases the overall revenue requirement by \$93,000.
  - iv. Employee Benefits. Includes 2024 incremental employee benefit expenses above Rate Year 1 levels. This adjustment increases the overall revenue requirement by \$61,000.
  - v. 2024 Growth Revenue. Reflects the 2024 incremental revenue associated with 2024 growth capital, matching the inclusion of 2024 capital investment. This adjustment decreases the overall revenue requirement by \$798,000.
  - vi. Fee Free Expense. Reflects the removal of the expiring Fee Free Amortization and expense at August 31, 2024. This adjustment decreases the overall revenue requirement by \$158,000.

### C. OTHER SETTLEMENT COMPONENTS

11. PCA Authorized Level of Expense. The new level of power supply revenues, expenses, retail load, and Load Change Adjustment Rate resulting from the September 1, 2023, settlement revenue requirement for purposes of the monthly PCA mechanism calculations are detailed in Appendix A. The Settling Parties agree to the following:

- i. Authorized Net Power Supply. The Settling Parties agree to leave system power supply expense as approved in Case No. AVU-E-21-01 totaling \$149,279,000 (Power Supply), adjusted to reflect these items: (a.) 90% Palouse Wind and Rattlesnake Flat Wind; and (b.) Remove Columbia Basin Hydro Transmission Project, discussed below, resulting in a revised system net power supply expense of \$177,585,000.
  - a. Palouse and Rattlesnake Flat Wind. As noted in ¶ 7. j. ii. above, the Settling Parties agree to include the Palouse Wind and Rattlesnake Flat Wind Power PPA in base rates at 90%. 90% of actual net power costs for these projects will then be compared to this 90% base amount to calculate the base-to-actual difference that will be reflected in the PCA mechanism. This adjustment increases system net power supply expense \$29,313,000.
  - b. Remove Columbia Basin Hydro Transmission Costs. As noted in ¶ 7. j. iii. above, the Settling Parties agree to remove the cost of Columbia Basis Hydro Transmission costs. This adjustment decreases system net power supply expense by \$1,007,000.

- ii. Authorized Transmission Revenues. The Settling Parties agree to leave system transmission revenues as approved in Case No. AVU-E-21-01 totaling \$23,471,000.
- iii. Adjust Columbia Basin and Chelan 2023 – 2033 Contracts. The Settling Parties agree that the actual cost of the Chelan and the Columbia Basin contracts will be included in the PCA using the lower of market cost or contract cost, with the PCA description and methodology as follows:
  - a. Avista agrees to protect Idaho customers against its executed contracts resulting from the 2022 All-Source RFP with Columbia Basin Hydro (CBH) and Chelan Public Utility District (Chelan), from the potential of costs of each contract being higher than the spot-market value of power. Avista will ensure the cost of each contract does not exceed the time-valued delivery of power calculated on a daily basis using the on and off-peak prices at the Mid-Columbia trading hub, as reported by the Intercontinental Exchange’s on- and off-peak firm energy indices. The Settling Parties agree to meet and confer to determine a calculation method prior to the Company filing its 2024 PCA application.
  - b. Avista will recover some or all of the approximately \$1.007 million annual cost of Columbia Basin Hydro transmission not included in base rates to the extent that market prices are higher than the Columbia Basin Hydro generation contract price as determined in 11.iii.a. above. The Settling Parties agree to meet and confer to

determine the calculation method prior to the Company filing its 2024 PCA.

12. Electric and Natural Gas Fixed Cost Adjustment Mechanisms Authorized Base.

The new level of baseline values for the electric and natural gas Fixed Cost Adjustment Mechanism (FCA) resulting from the September 1, 2023 and September 1, 2024, settlement revenue requirements are detailed as follows:

- Appendix B – September 1, 2023 Electric FCA Base
- Appendix C – September 1, 2024 Electric FCA Base
- Appendix D – September 1, 2023 Natural Gas FCA Base
- Appendix E – September 1, 2024 Natural Gas FCA Base

13. Wildfire Balancing Account. The Settling Parties agree to revise the two-way Wildfire O&M Expense Balancing Account authorized “base” level to \$4.367 million annually, effective September 1, 2023. The incremental balance deferred, beyond the existing deferred balance as of September 30, 2022 being amortized over a 4-year period in this proceeding (see ¶7 c. above), will be included for review and recovery in future general rate cases.

14. Wildfire Resiliency Plan. The Settling Parties agree to the following Wildfire Resiliency Plan (“WRP”) changes:

(a) For the Distribution Risk Tree program, the Company will have a third party conduct a study, within a year of Commission Order, to see what the most efficient vegetation management cycle should be in their service area (i.e., 2- or 3-year cycles).

(b) The Company will develop a formal process for Undergrounding Distribution Lines related to the WRP to include project criteria, a selection process, and cost-benefit analysis for completed and future undergrounding distribution line projects related to wildfire mitigation prior to the Company’s next general rate case.

(c) The Company will develop process guidelines, including a least-cost least-risk analysis, to evaluate pilot projects and to convert them to full programs within a year of a Commission Order.

(d) The Company will detail all relationships (such as BLM and Forest Service) it has that may benefit the wildfire mitigation program, contribute to program costs, or provide cost sharing opportunities in its WRP.

(e) The Company will detail all funding alternatives and sources it pursued in its WRP and provide an analysis and a comparison of alternatives it considered for each pilot, project, or program when it requests recovery for these costs, including, among other sources, any available funding from current or future federal infrastructure funds.

(f) The Company will file a copy of each version of its WRP with the Commission.

15. Insurance Expense Balancing Account. The Settling Parties agree to a two-way Insurance Expense Balancing Account to defer the difference in actual insurance expense, up or down, from the authorized “base” level of insurance expense included of \$4.009 million for electric and \$714,000 for natural gas, effective September 1, 2023. The balance in the deferral will be included for review and recovery in future regulatory proceedings.

16. Regulatory Amortizations. The Settling Parties agree to the Regulatory Amortizations as filed by the Company<sup>5</sup>, with the exception of the Wildfire Deferral amortizations (i.e. Wildfire Resiliency Plan Deferred Expense and Wildfire Expense Balancing Account deferred expense), which the Settling Parties agree to revise from a two-year amortization to a four-year amortization, as discussed at ¶7 c. above.

---

<sup>5</sup> The Regulatory amortizations are discussed in the direct testimony of Ms. Schultz at pages 38, 41 - 46 and 48.



17. Revenue Normalization Adjustments. The Settling Parties agree to the test year revenue normalization adjustments, as included by the Company in its as-filed case, inclusive of the change to 20-year rolling average “normal” weather and monthly regression factors.

18. Depreciation Rates. The Settling Parties agree to the depreciation rates, as included by the Company in its as-filed case, for purposes of the agreed-to depreciation expense included in the Company’s filing and agreed to by the Settling Parties in this settlement.<sup>6</sup> The depreciation rates as-filed by the Company in this proceeding include the proposed depreciation rates per the Company’s updated Depreciation Application in Case Nos. AVU-E-23-02 and AVU-G-23-02, requesting approval for its proposed change to electric and natural gas book depreciation rates.<sup>7</sup> To the extent depreciation rates included in this general rate case, or the effective date of approved depreciation rates (i.e. September 1, 2023), as proposed by the Company, vary from the depreciation rates or effective date ultimately approved in Case Nos. AVU-E-23-02 and AVU-G-23-02, the Company will defer the difference in depreciation expense included and approved in this case, versus the actual depreciation expense approved per Case Nos. AVU-E-23-02 and AVU-G-23-02 on a monthly basis, for review and recovery or return to customers in a future general rate case.

**D. COST OF SERVICE/RATE SPREAD/RATE DESIGN**

19. Cost of Service/Rate Spread (Base Rate Changes). The Settling Parties do not agree on any particular cost of service methodology. In recognition, however, that certain rate schedules are generally above their relative cost of service, the Settling Parties agree that Schedule 25P

---

<sup>6</sup> Inclusion of the updated (proposed) depreciation study depreciation rates in this proceeding results in an overall decrease in electric and natural gas annual depreciation expense from existing depreciation expense levels.

<sup>7</sup> The Company also requested that the Commission approve deferred accounting treatment if allocated depreciation rates are not approved by all jurisdictions prior to September 1, 2023, resulting in a difference between allocated depreciation expense included in Case Nos. AVU-E-23-01 and AVU-G-23-01, and allocated depreciation expense ultimately approved in the Depreciation Case Nos. AVU-E-23-02 and AVU-G-23-02.

should receive 35% of the overall percentage base rate changes. Schedules 1, 21/22 and 31/32 should receive 130% of the overall percentage base rate changes and the remaining revenue requirement will be spread to Schedules 11/12, 25, and Street and Area Lights. For natural gas, the Settling Parties agreed to apply the margin increase on September 1, 2023 and September 1, 2024 solely to Schedule 101.

20. Rate Design. The Settling Parties agree to the rate design changes<sup>8</sup> proposed by the Company in Mr. Miller’s direct testimony for the September 1, 2023, and September 1, 2024, base rate increases with two exceptions. The basic charge for Schedule 31/32 will increase from \$13.00 to \$18.00 in Rate Year 1 and from \$18.00 to \$20.00 in Rate Year 2. Also, the primary voltage discount will increase from \$0.20 per kW to \$0.30 per kW in Rate Year 1, and from \$0.30 per kW to \$0.40 per kW in Rate Year 2 for all applicable rate schedules. Appendix F provides a summary of the current and revised rates and charges (as per the Settlement) for electric and natural gas service.

21. Resulting Percentage Change by Electric Service Schedule. The following tables reflect the agreed-upon percentage change by schedule for electric service:

**Effective September 1, 2023 (Rate Year 1)**

<u>Rate Schedule</u>	<u>Increase in Base Revenue</u>	<u>Increase in Billing Revenue</u>
Residential Schedule 1	10.4%	11.8%
General Service Schedules 11/12	2.9%	3.0%
Large General Service Schedules 21/22	10.4%	10.8%
Extra Large General Service Schedule 25	2.9%	3.0%
Clearwater Paper Schedule 25P	2.8%	2.9%
Pumping Service Schedules 31/32	10.4%	10.9%
Street & Area Lights Schedules 41-48	<u>2.9%</u>	<u>2.9%</u>
<b>Overall</b>	<b><u>8.0%</u></b>	<b><u>8.7%</u></b>

<sup>8</sup> This includes an increase in the residential basic charge from \$7.00 to \$15.00 in Rate Year 1 and \$15.00 to \$20.00 in Rate Year 2, for both electric and natural gas.

**Effective September 1, 2024 (Rate Year 2)**

<b><u>Rate Schedule</u></b>	<b><u>Increase in Base Revenue</u></b>	<b><u>Increase in Billing Revenue</u></b>
Residential Schedule 1	1.9%	2.1%
General Service Schedules 11/12	0.4%	0.5%
Large General Service Schedules 21/22	1.9%	1.9%
Extra Large General Service Schedule 25	0.4%	0.5%
Clearwater Paper Schedule 25P	0.5%	0.5%
Pumping Service Schedules 31/32	1.9%	2.0%
Street & Area Lights Schedules 41-48	<u>0.4%</u>	<u>0.4%</u>
<b>Overall</b>	<b><u>1.4%</u></b>	<b><u>1.6%</u></b>

22. Resulting Percentage Increase by Natural Gas Service Schedule. The following tables reflect the agreed-upon percentage increase by schedule for natural gas service:

**Effective September 1, 2023 (Rate Year 1)**

<b><u>Rate Schedule</u></b>	<b><u>Increase in Margin Revenue</u></b>	<b><u>Increase in Billing Revenue</u></b>
General Service Schedule 101	3.3%	1.6%
Large General Service Schedules 111/112	0.0%	0.0%
Interrupt. Sales Service Schedules 131/132	0.0%	0.0%
Transportation Service Schedule 146	<u>0.0%</u>	<u>0.0%</u>
<b>Overall</b>	<b><u>2.7%</u></b>	<b><u>1.2%</u></b>

**Effective September 1, 2024 (Rate Year 2)**

<b><u>Rate Schedule</u></b>	<b><u>Increase in Margin Revenue</u></b>	<b><u>Increase in Billing Revenue</u></b>
General Service Schedule 101	0.01%	0.00%
Large General Service Schedules 111/112	0.00%	0.00%
Interrupt. Sales Service Schedules 131/132	0.00%	0.00%
Transportation Service Schedule 146	<u>0.00%</u>	<u>0.00%</u>
<b>Overall</b>	<b><u>0.01%</u></b>	<b><u>0.00%</u></b>

23. Primary Voltage Discount – Avista agrees to conduct a Primary Voltage Discount study prior to its next general rate case filing. The purpose of the study will be to inform the proper Primary Voltage Discount levels in the Company’s next general rate case.

24. Schedule 111 Rate Design – Avista agrees to evaluate the rate design of Schedule 111, including the minimum charge level, and include any changes or modification in its next general rate case filing.

#### **IV. OTHER GENERAL PROVISIONS**

25. The Settling Parties agree that this Stipulation represents a compromise of the positions of the Settling Parties in this case. As provided in RP 272, other than any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Settling Party to explain before the Commission its own statements and positions with respect to the Stipulation, all statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible in evidence in this or any other proceeding, unless all Settling Parties to the negotiation agree to the contrary in writing.

26. The Settling Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to RP 274. Settling Parties shall support this Stipulation before the Commission, and no Settling Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation is challenged by any person not a party to the Stipulation, the Settling Parties to this Stipulation reserve the right to file testimony, cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlement terms embodied in this Stipulation. Notwithstanding this reservation of rights, the Settling Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

27. If the Commission rejects any part or all of this Stipulation or imposes any additional material conditions on approval of this Stipulation, each Settling Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 14 days of

the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Settling Party shall be bound or prejudiced by the terms of this Stipulation, and each Settling Party shall be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate. In such case, the Settling Parties immediately will request the prompt reconvening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case, in accordance with law.

28. The Settling Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

29. No Settling Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Settling Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Settling Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Settling Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

30. The obligations of the Settling Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and upon such approval being upheld on appeal, if any, by a court of competent jurisdiction.

31. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this 14<sup>th</sup> day of June, 2023.

Avista Corporation

Idaho Public Utilities Commission Staff

By: [Signature]  
David J. Meyer  
Attorney for Avista Corporation

By: \_\_\_\_\_  
Chris Burdin  
Deputy Attorney General

Clearwater Paper Corporation

Idaho Forest Group LLC

By: \_\_\_\_\_  
Peter Richardson  
Attorney for Clearwater Paper Corporation

By: \_\_\_\_\_  
Andrew Moratzka  
Attorney for Idaho Forest Group LLC

Walmart, Inc.


By: \_\_\_\_\_  
Justina A. Caviglia  
Attorney for Walmart Inc.

DATED this \_\_\_\_ day of June, 2023.

Avista Corporation

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

Idaho Public Utilities Commission Staff

By:  \_\_\_\_\_  
Chris Burdin  
Deputy Attorney General

Clearwater Paper Corporation

By: \_\_\_\_\_  
Peter Richardson  
Attorney for Clearwater Paper  
Corporation

Idaho Forest Group LLC

By: \_\_\_\_\_  
Andrew Moratzka  
Attorney for Idaho Forest Group LLC

Walmart, Inc.

By: \_\_\_\_\_  
Justina A. Caviglia  
Attorney for Walmart Inc.

DATED this \_\_\_\_ day of June, 2023.

Avista Corporation

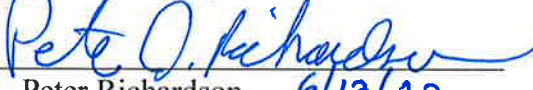
Idaho Public Utilities Commission Staff

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

By: \_\_\_\_\_  
Chris Burdin  
Deputy Attorney General

Clearwater Paper Corporation

Idaho Forest Group LLC

By:  \_\_\_\_\_  
Peter Richardson 6/13/23  
Attorney for Clearwater Paper  
Corporation

By: \_\_\_\_\_  
Andrew Moratzka  
Attorney for Idaho Forest Group LLC

Walmart, Inc.

By: \_\_\_\_\_  
Justina A. Caviglia  
Attorney for Walmart Inc.



DATED this 13<sup>th</sup> day of June, 2023.

Avista Corporation

Idaho Public Utilities Commission Staff

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

By: \_\_\_\_\_  
Chris Burdin  
Deputy Attorney General

Clearwater Paper Corporation

Idaho Forest Group LLC

By: \_\_\_\_\_  
Peter Richardson  
Attorney for Clearwater Paper  
Corporation

By:  \_\_\_\_\_  
Andrew Moratzka  
Attorney for Idaho Forest Group LLC

Walmart, Inc.

By: \_\_\_\_\_  
Justina A. Caviglia  
Attorney for Walmart Inc.

DATED this \_\_\_\_ day of June, 2023.

Avista Corporation

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

Idaho Public Utilities Commission Staff

By: \_\_\_\_\_  
Chris Burdin  
Deputy Attorney General

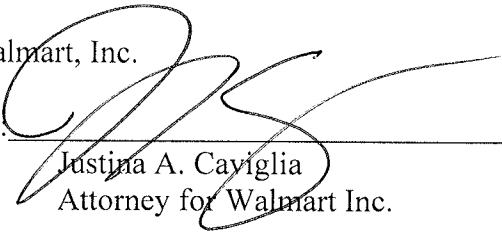
Clearwater Paper Corporation

By: \_\_\_\_\_  
Peter Richardson  
Attorney for Clearwater Paper  
Corporation

Idaho Forest Group LLC

By: \_\_\_\_\_  
Andrew Moratzka  
Attorney for Idaho Forest Group LLC

Walmart, Inc.

By:   
\_\_\_\_\_  
Justina A. Caviglia  
Attorney for Walmart Inc.