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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF AVISTA CORPORATION DBA	)	CASE NO. AVU-E-18-03
AVISTA UTILITIES REQUESTING	)	CASE NO. AVU-G-18-02
AUTHORITY TO REVISE ITS ELECTRIC	)	
AND NATURAL GAS BOOK	)	
DEPRECIATION RATES	)	
		STIPULATION AND SETTLEMENT

This 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"), Sierra Club, and the Idaho Conservation League ("Conservation League"). These entities are collectively referred to as the "Parties," and represent all of the parties in the above-referenced cases. The 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 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 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. *See* IDAPA 31.01.01.274

II. BACKGROUND

2. On February 23, 2018, Avista filed an application requesting authority to revise its book depreciation rates. The Company requested authorization to revise its book depreciation rates consistent with the results of the depreciation study undertaken by the Company.[1] That study showed that the Idaho share of annual depreciation expense recorded to O&M and A&G expense on the Company's books should be increased by approximately $1,275,324 for electric plant and decreased by approximately $487,632 for natural gas plant, based on the average service life rates of plant in service as of December 31, 2016.[2]

3. Because Avista is a utility that also provides service to electric and natural gas customers in eastern Washington and natural gas in Oregon, it also filed depreciation studies in its other jurisdictions under Docket Nos. UE-180167 and UG-180168 in Washington, and Docket No. UM 1933 in Oregon. The Washington depreciation study is still being reviewed, whereas a settlement of new depreciation rates has been approved by the Oregon Public Utility Commission.

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[1] Avista hired Gannett Fleming, Inc. to undertake a depreciation study of its depreciable electric, gas and common plant in service. The study was completed in 2017. The objective of this assignment was to recommend depreciation rates to be utilized by Avista for accounting and ratemaking purposes.

[2] These balances reflect corrected amounts from that shown in the Company's originally filed application as discussed further on page 5.

4. Recognizing the need for sufficient time for Staff and interested Parties to complete their review of the Company's depreciation study, on August 22, 2018 the Company, filed an "Agreed-Upon Motion to Revise Schedule," which included an extension of the implementation date for new depreciation rates from January 1, 2019 to April 1, 2019. That request was approved by the Commission in Order No. 34133 on August 30, 2018.

5. On December 11, 2018 and January 22, 2019, settlement conferences were held and attended by the Parties. The Parties ultimately reached agreement on revisions to the Company's book depreciation rates. If ultimately approved by the Commission, in accordance with this Stipulation, such rates would constitute revised depreciation rates, which would become effective for accounting purposes on April 1, 2019, for both Idaho direct and common plant. Customer rates, however, to reflect the revised depreciation rates would not change until inclusion in the Company's next general rate case, as discussed below.

6. Approval of this Stipulation by April 1, 2019 would provide for the opportunity to simultaneously implement new depreciation rates for accounting purposes for common plant in all three jurisdictions in which Avista serves: Idaho, Washington, and Oregon.[3] Allowing Idaho common depreciation rate changes to be effective for accounting purposes at the same time as the other two jurisdictions will synchronize the timing of the Company's common depreciation accounting changes for the three States, simplifying future accounting and audits of depreciation expense, if the same rates and methodology are in effect for all jurisdictions.

[3] In Oregon, the Commission approved a Stipulation that will adjust common plant deprecation items on April 1, 2019. The Company's request is still pending before the Washington Commission, with a proposed April 1, 2019 effective date.

III. TERMS OF THE STIPULATION AND SETTLEMENT

7. This Stipulation resolves all issues regarding proposed changes to the Company's depreciation rates as set forth in the filed depreciation study.

8. The Parties have agreed to book depreciation rates on directly assigned and common plant effective April 1, 2019. The agreed-upon depreciation rates are shown in Attachments A and C. Attachment A provides detail of the affected plant accounts, specified depreciation rates, and the Idaho allocated share of the depreciation expense impact on December 31, 2016 plant balances. Attachment C provides the agreed-upon depreciation rates specific to the Colstrip Units 3 and 4 assets, as discussed further below in Paragraph 13.

9. Before reflecting the agreed-upon depreciation rates for the Colstrip generating plant (discussed later in Paragraph 13), the change in all other electric depreciation rate changes (based upon plant balances at December 31, 2016) results in an annual reduction to electric depreciation expense of $101,656. After reflecting the agreed-upon revisions to Colstrip Units 3 and 4 to reflect an earlier 2027 depreciable date for depreciation purposes[4] (resulting in an annual Colstrip regulatory amortization expense of $780,090 as discussed in Paragraph 13), results in an annual overall electric increase in depreciation and amortization expense of $678,434. See Table I on page 5, column Electric, lines 11 – 13.

10. Reflecting the agreed-upon depreciation rates for natural gas operations, based upon plant balances at December 31, 2016, results in an annual overall decrease in depreciation expense of approximately $487,780. See Table I on page 5, column Gas, line 13.

[4] Colstrip units 3 & 4, as shown in in the filed depreciation study, previously had a scheduled depreciable life of 2034 & 2036, respectively.

11. Summary Table I below captures the agreed-upon results:

Table I – Summary of Impact on Depreciation Expense with and without Colstrip[5]

Line		Electric		Gas
1 Depreciation study net impact per filings	$	978,934	$	(542,802)
2 Inadvertent reduction included in petition in error		296,390		55,170
3 Revised depreciation study net impact		**1,275,324**		**(487,632)**
4 Remove Colstrip		(735,171)		-
5 Net impact excluding Colstrip		**540,153**		**(487,632)**
6 Agreed upon changes				
7 Common-Transportation		(979)		(148)
8 Common - Transmission		(126,304)		-
9 ID Electric Distribution		(514,526)		-
10 Total Idaho Adjustments		**(641,809)**		**(148)**
11 New impact **excluding** Colstrip		**(101,656)**		**(487,780)**
12 Proposed Colstrip Amortization		780,090		
13 Net Impact **including** Colstrip	**$**	**678,434**	**$**	**(487,780)**

The following describes each of the agreed-upon adjustments:

- Line 2 "Inadvertent reduction included in petition in error" reflects a benefit, or reduction in depreciation expense, inadvertently included in the Company's original petition balances, which showed a larger reduction in overall depreciation expense for natural gas and a smaller increase in electric overall depreciation than will actually occur.[6] Line 3 provides the depreciation study net impact balance per the filed depreciation study.

- Line 7 "Common – Transportation" reflects the Idaho share of the Parties accepting the change agreed to by the Company in the Company's Oregon depreciation settlement agreement, that included a change to the salvage percent for certain common gas transportation assets. Transportation assets are common assets to all

[5] Line 4, column Electric of Table I above "Remove Colstrip" of $735,171, reflects the impact of revised Colstrip depreciation as filed, which reflects a 2034-2036 depreciable life. This line removes the impact of Colstrip depreciation for informational purposes to show the as filed change in depreciation excluding the impact of Colstrip (or $540,153).

[6] This was a calculation prepared by the Company's depreciation consultant for excess theoretical depreciation balance reserves for informational purposes. The Company determined that the actual reserve (accumulated depreciation) is properly stated, as it included previously-approved depreciation rates by the Company's State Commissions. The excess theoretical reserve, however, does not reduce future annual depreciation expense, and will reverse over time. As such, it should not have been included in the estimated depreciation change in balances as stated in the Company's original petition. This correction has no impact on depreciation rates proposed in the filed depreciation study.

jurisdictions due to the pooling of the Company's depreciation expense. Therefore, these changes are also being proposed in Washington and Idaho. The impact to Idaho Electric and Natural Gas is a $979 reduction and a $148 reduction, respectively, as shown on line 7.

- Line 8, "Common Transmission" reflects the Parties agreement to change Common Transmission account *356 Overhead Conductor and Devices* from a curve life of 65-R3 to a 70-R3, which changes the depreciation rate from 2.14% to 1.90%. The overall impact of this agreement reduces Idaho Electric depreciation expense by approximately $126,304.

- Line 9, "Idaho Electric Distribution" reflects the Parties agreement to change Idaho Electric Distribution account *365 Overhead Conductors and Devices*, from a curve life of 60-R3 to a 65-R3.5, which changes the depreciation rate from 2.82% to 2.45%. The overall impact of this adjustment reduces Idaho Electric depreciation expense by approximately $223,358. In addition, the Parties agreed to change Idaho Electric Distribution account *367 Underground Conductors and Devices*, from a salvage percent of -30 to a salvage percent of -20, which changes the depreciation rate from 3.44% to 2.99%. The overall impact of this adjustment further reduces Idaho Electric depreciation expense by approximately $291,168. The effect of both of these distribution adjustments decreases depreciation expense by approximately $514,526 as shown on line 9.

12. **Vintage Year Accounting -** As described on Page VI-17 of the depreciation study, FERC AR-15 allows utilities to utilize vintage year accounting for general plant assets, including FERC Account Nos. 391 through 399, as long as certain requirements are met.[7] Avista has utilized vintage year accounting for all general plant accounts, except FERC Account No. 397 – Communication Equipment. In the depreciation study, Avista proposed utilizing vintage year accounting for its communication equipment (FERC Account No. 397). The Company meets the requirements as detailed in the FERC Accounting Release (FERC AR-15). The Parties accept this proposed accounting treatment of Account No. 397 per FERC AR-15. Avista therefore, per FERC AR-15, will retire fully depreciated vintages of communication equipment with the

[7] FERC AR-15 Vintage year accounting for general plant accounts, permits public utilities to adopt a vintage year accounting method for general plant accounts, which would eliminate the unitization and record keeping requirements associated with individual items of property and allow companies to record only the total cost of plant additions for the year as a vintage group for each account.

implementation of depreciation rates with this Study, and will utilize vintage year accounting going forward for all of its general plant accounts.

13. **Colstrip Depreciation** – Avista owns a 15% share of two coal-fired generation facilities located in Colstrip, Montana, known as Colstrip Units 3 and 4, which have a combined capacity of about 1,480 MW. These two facilities were placed in service in 1984 and 1986. No decommissioning date has been established for these assets. Current rates include depreciation expense on Colstrip Units 3 and 4 with assumed remaining useful lives of these units through December 31, 2034 and December 31, 2036, respectively. Per this Settlement agreement, the Parties agree to the following treatment of Colstrip Units 3 and 4 for depreciation purposes. See also Attachment B for further detail.

(a) The Company agrees to adopt a depreciation schedule for Colstrip Units 3 and 4 that assumes a remaining useful life for depreciation purposes of December 31, 2027. The Parties also acknowledge that there presently is no plan to close Colstrip Units 3 and 4 by a specific date, nor has Avista agreed to do so.

(b) The Colstrip Units 3 and 4 generation and transmission asset balances at December 31, 2017, offset by accumulated depreciation through March 31, 2019, as well as estimated asset retirement obligations (ARO) previously not included in rates, produces an <u>undepreciated</u> balance for Colstrip Units 3 and 4 as of March 31, 2019 of approximately $55.18 million. This undepreciated balance of $55.18 million will be recovered as follows:

1) Use of $6.41 million (ID share) of "temporary" tax credits will be used as an offset. These tax credits were described in Avista's "Report on Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking" (Case No. GNR-U-18-01);[8]

[8] Per order No. 34070, in Case No. GNR-U-18-01 "In the Matter of the Investigation into the Impact of Federal Tax Code Revisions on Utility costs and Ratemaking," approving the all-party Stipulation and Settlement proposed in that proceeding, the Commission approved the set-aside of electric temporary tax benefits of approximately $12.0 million to offset costs associated with accelerated depreciation of Colstrip Units 3 and 4, or other purposes.

2) Annual Colstrip depreciation expense will remain at the current depreciation level of $2.475 million per year[9], over the remaining 8.75 years, totaling $21.66 million;

3) The remaining balance of $27.11 million will be recovered through the amortization of a Regulatory Asset (FERC Account No. 183.3). The amortization schedule of the Regulatory Asset will be structured to match the amortization schedule of protected Excess Deferred Federal Income Taxes (DFIT) benefit that began being returned to customers on June 1, 2018 (as described in Case No. GNR-U-18-01). Using a 34.75 year amortization, consistent with the remaining protected Excess DFIT schedule, results in an annual amortization of approximately $780,000 per year – ID share. The amortization of the Regulatory Asset over time, therefore, would be recovered from customers over the same time period as the amortization of protected Excess DFIT is returned to customers, offsetting the entire remaining Colstrip Regulatory Asset over the 34.75 years. This figure is also shown at Column Electric, Line 12 of Table I above. The Regulatory Asset, net of accumulated deferred federal income taxes, will be included in rate base and will earn Avista's rate of return.[10]

4) Starting April 1, 2019, Colstrip capital additions will be depreciated at the revised depreciation rates reflecting a 2027 depreciable life (see Attachment C for specific revised Colstrip depreciation rates). Prudency of any capital additions not yet in current rates (beyond December 31, 2017) are subject to review in future rate proceedings.

5) The Parties agree that the remaining deferred tax benefit of $5.766 million[11], not used to offset the Colstrip balance of $55.18 million shown in Table I above, associated with Idaho electric tax benefits deferred January 1, 2018 through May 30, 2018, will be returned to customers in a separate Tariff Schedule 74 over a one year period beginning April 1, 2019. The annual bill impact to customers is a overall reduction of 2.23 percent. The monthly residential bill impact is a reduction of 2.38 percent or $2.04 based on an average 910 kWhs.[12] These tax credits were described in Avista's "Report on Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking" (Case No. GNR-U-18-01).

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[9] Annual depreciation expense is approximately $7.0 million on a system-basis.

[10] The Colstrip related accounts included as rate base include the following: FERC Account No. 101.0 – Plant Cost, FERC Account No. 108.0 – Accumulated Depreciation, FERC Account No. 182.3 – Regulatory Asset ARO, FERC Account No. 182.3 – Regulatory Asset Colstrip, FERC Account No. 230.0 – Colstrip ARO, and FERC Account No. 242.0 – Colstrip Accounts Payable.

[11] See footnote 10. The set-aside of electric temporary tax benefits totaling $12.175 million in Case No. GNR-U-18-01, less the $6.409 million used to offset Colstrip accelerated depreciation, results in remaining tax benefit due to customers of $5.766 million.

[12] Included as Attachment D is a summary of the net amortization and depreciation expense ($645,000) agreed to in this Settlement, including the bill impact to customers of this change, effective with the Company's next general rate case. Also summarized is the annual tax credit benefit ($5.766 million) returned to customers, as well as the bill impact (benefit) to customers effective April 1, 2019 – March 30, 2020.

14. **Effective Date** –Under this Stipulation depreciation rates will change effective April 1, 2019 within the Company's books of record. Customer rates, however, will not reflect this change until the Company's next general rate case. Until that time, the Company will absorb any differences in depreciation/amortization expense. On an annual basis, the net decrease of $487,780 for natural gas depreciation expense, versus the net increase of $678,434 for electric depreciation/amortization expense results in an annual increase in expense overall of approximately $191,000, which will be absorbed by the Company. The Company will only be allowed to absorb the natural gas reduction to depreciation expense, to offset the electric increase in depreciation/amortization expense, until a change in rates as a result of the Company's next general rate case, provided that the Company has filed its next general rate case prior to the effective date of its 2019 Purchased Gas Adjustment (PGA).

IV. GENERAL PROVISIONS

15. The Parties agree that this Stipulation represents a compromise of the positions of the Parties in this case. As provided in RP 272, other than any testimony or comments filed in support of the approval of this Stipulation, and except to the extent necessary for a 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. *See* IDAPA 31.01.01.274.

16. The Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to RP 274. Parties shall support this Stipulation before the Commission, and no 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 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 Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

17. If the Commission rejects any part or all of this Stipulation or imposes any additional material conditions on approval of this Stipulation, each 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 Party shall be bound or prejudiced by the terms of this Stipulation, and each 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 Parties immediately will request the prompt reconvening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case. The Parties agree to cooperate in development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing testimony and briefs.

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

19. No 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 Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No 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.

20. The obligations of the 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.

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

DATED this 14th day of February, 2019.

Avista Corporation	Idaho Public Utilities Commission Staff
By:____________________	By:____________________
David J. Meyer Attorney for Avista Corporation	Sean Costello Deputy Attorney General
Clearwater Paper Corporation	Idaho Forest Group
By:____________________	By:____________________
Peter Richardson Attorney for Clearwater Paper	Ronald L. Williams Attorney for Idaho Forest Group LLC
Sierra Club	Idaho Conservation League
By:____________________	By:____________________
Matt Gerhart Attorney for Sierra Club	Benjamin Otto Idaho Conservation League

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DATED this ____ day of February, 2019.

Avista Corporation By:______________________ David J. Meyer Attorney for Avista Corporation	Idaho Public Utilities Commission Staff By:______________________ Sean Costello Deputy Attorney General
Clearwater Paper Corporation By:______________________ Peter Richardson Attorney for Clearwater Paper	Idaho Forest Group By:______________________ Ronald L. Williams Attorney for Idaho Forest Group LLC
Sierra Club By:______________________ Matt Gerhart Attorney for Sierra Club	Idaho Conservation League By:______________________ Benjamin Otto Idaho Conservation League

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DATED this 13th day of February, 2019.

Avista Corporation

By:____________________
David J. Meyer
Attorney for Avista Corporation

Idaho Public Utilities Commission Staff

By:____________________
Sean Costello
Deputy Attorney General

Clearwater Paper Corporation

By: Pete J. Richardson
Peter Richardson
Attorney for Clearwater Paper

Idaho Forest Group

By:____________________
Ronald L. Williams
Attorney for Idaho Forest Group LLC

Sierra Club

By:____________________
Matt Gerhart
Attorney for Sierra Club

Idaho Conservation League

By:____________________
Benjamin Otto
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DATED this 14th day of February, 2019.

Avista Corporation	Idaho Public Utilities Commission Staff
By:________________	By:________________
David J. Meyer Attorney for Avista Corporation	Sean Costello Deputy Attorney General
Clearwater Paper Corporation	Idaho Forest Group
By:________________	By: Ronald L. Williams
Peter Richardson Attorney for Clearwater Paper	Ronald L. Williams Attorney for Idaho Forest Group LLC
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Attachment A - Adjustment Summary
Dockets AVU-E-18-03 and AVU-G-18-02

				Filed Study Rate			Agreed upon Changes			Idaho		
Line	Party	Account Number	Description	Filed Study Rate	Curve - Life	Net Salvage %	Settled Study Rate	Curve - Life	Net Salvage %	Idaho Electric impact	Natural Gas	Net Idaho Impact
1		Depreciation study net impact per filings								**978,934**	**(542,802)**	**436,132**
2	Avista	Inadvertent reduction included in petition in error								296,390	55,170	351,560
3		**Revised depreciation study net impact** [1]								**1,275,324**	**(487,632)**	**787,692**
4	**Colstrip**											
5	Avista		Unit 3							(9,242)		(9,242)
6	Avista		Unit 4							(71,426)		(71,426)
7	Avista		ARO							(643,739)		(643,739)
8	Avista		Transmission							(10,764)		(10,764)
9			**Subtotal for Colstrip**							**(735,171)**		**(735,171)**
10		**Net Change after removing Colstrip**								**540,153**	**(487,632)**	**52,521**
	Common - Transportation											
11	OR Staff	392.2	Light Trucks	4.68	13-S1.5	0	3.55	13-S1.5	10	(251)	(38)	(290)
12	OR Staff	392.4	Heavy Trucks	7.48	18-R3	0	7.04	18-R3	5	(39)	(6)	(45)
13	OR Staff	392.5	Other	7.24	15-L2	0	5.38	15-L2	9	(186)	(28)	(214)
14	OR Staff	396.5	Power operated equipment - other	3.40	15-S0	0	2.06	15-S0	10	(502)	(76)	(578)
15										(979)	(148)	(1,127)
	Common - Transmission											
16	ID Staff	356.0	Overhead Conductors and Devices	2.14	65-R3	-30	1.9	70-R3	-30	(126,304)		(126,304)
17										(126,304)	-	(126,304)
	Electric Distribution											
19	ID Staff	365.0	OH Conductor & Devices	2.82	60-R3	-50	2.45	65-R3.5	-50	(223,358)		(223,358)
21	ID Staff	367.0	Underground conductors and Devices	3.44	35-S1.5	-30	2.99	35-S1.5	-20	(291,168)		(291,168)
22										(514,526)	-	(514,526)
23		**Total Adjustments**								**(641,809)**	**(148)**	**(641,957)**
24		**New Impact Excluding Colstrip**								**(101,656)**	**(487,780)**	**(589,436)**

[1] Correction has no impact on depreciation rates proposed per the filed Depreciation Study.

Colstrip Summary and Description

Avista owns a 15% share of two coal-fired generation facilities located in Colstrip, Montana, known as Colstrip Units 3 & 4, which have a combined capacity of about 1,480 MW. These two facilities were placed in service in 1984 and 1986. No decommissioning date has been established for these assets. Current rates include depreciation expense on Colstrip Units 3 & 4 with assumed remaining useful lives of these units through December 31, 2034 and December 31, 2036, respectively.

The Parties acknowledge that there presently is no plan to close Colstrip Units 3 & 4 by a specific date, nor has Avista agreed to do so. The parties to the Settlement Stipulation in this docket (the "Parties") agree, however, to a depreciation schedule for Colstrip Units 3 & 4 that assumes a remaining useful life of those units through December 31, 2027. The Parties agree to set depreciation rates for Colstrip Units 3 & 4 at amounts that will yield an annual depreciation expense of approximately $2.475 million (ID Share)[1] for the remaining depreciable lives of those units, which is the current level of annual depreciation expense.

The Parties agree to adopt a depreciable balance of Colstrip Units 3 & 4 of $55.18 million (Idaho share). This includes the currently recognized unrecovered plant balance, as well as estimated asset retirement obligations previously not included in rates[2]. Nothing in this Settlement will preclude Avista from seeking recovery of additional future asset retirement costs, based on a showing of prudency in future general rate cases.

The $55.18 million balance will be recovered as follows:

- $6.41 million (ID share) of "temporary" tax credits associated with Non-Plant Excess ADFIT. These tax credits were described in Avista's "Report on Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking" (Case No. GNR-U-18-01).[3]

- $21.66 million, through an annual depreciation expense of approximately $2.475 million (ID Share), which is the current level of annual depreciation expense.

- $27.11 million, through the amortization of a Regulatory Asset (FERC Account No. 183.3). The amortization schedule of the Regulatory Asset will be structured to match the amortization schedule of protected Excess DFIT that began being returned to customers on June 1, 2018. Using a 34.75 year amortization, consistent with the remaining protected Excess DFIT schedule, results in an annual amortization of approximately $780,000 per year – ID share. The amortization of the Regulatory Asset over time, therefore, would be recovered from customers over the same time period as the amortization of protected Excess DFIT is returned to customers, offsetting the entire remaining Colstrip Regulatory Asset over the 34.75 years.

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[1] Annual depreciation expense is approximately $7.0 million on a system-basis.

[2] The asset retirement obligations are currently estimated at approximately $20.3 million (ID share). These costs include cost of removal, decommissioning and remediation costs.

[3] The tax credits were the result of H.R.1 – Tax Cuts and Jobs Act signed into law in December 2017.

Nothing in this Settlement will preclude Avista from seeking recovery of routine future capital maintenance costs incurred in the normal course of business beyond January 1, 2018 not intended to extend operational life, based on a showing of prudency in future general rate cases.

The Regulatory Asset[4], net of accumulated deferred federal income taxes, will be included in rate base and will earn Avista's rate of return.

Effective April 1, 2019, Avista will begin amortizing the Colstrip Regulatory Asset at an annual amount of approximately $780,000. Also effective April 1, 2019, Avista will revise its depreciation rates for all its assets as agreed to per this Settlement Stipulation, resulting in a decrease in depreciation expense of $135,000. Avista further agrees to absorb the net impact of depreciation/amortization expense (net increase of $645,424), until such time these balances are reflected in base rates.[5]

A summary of the agreement described above is as follows:

Summary of Colstrip Costs (ID Share)

	Total Amount	Amortization Period (Years)	Annual Amount
Net Book Value of Colstrip Units 3 & 4, including transmission assets, at December 31, 2017	$ 34,841,436		
Estimated asset retirement obligations	20,333,919		
Undepreciated Balance	55,175,355		
Future depreciation expense recovered April 1, 2019 - December 31, 2027	(21,658,238)		
Temporary Tax Credits	(6,409,000)		
Net Colstrip Costs Recorded as Regulatory Asset	$ 27,108,117	34.75	$ 780,090
Effect of agreed upon changes to depreciation expense (excluding Colstrip)			$ (134,666)
Overall net increase to depreciation/amortization expense (Company will absorb)			$ 645,424

*Includes accumulated depreciation through March 31, 2019 on Colstrip plant balances at December 31, 2017.

The Parties agree that the remaining deferred taxes, not used to offset the Colstrip balance of $55.18 million shown in the table above, which are associated with Idaho electric tax benefits deferred January 1, 2018 through May 30, 2018 of $5.766 million, will be returned to customers in a separate Tariff Schedule 74 over a one-year period beginning April 1, 2019. These tax credits were described in Avista's "Report on Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking" (Case No. GNR-U-18-01).[6]

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[4] The Colstrip accounts included as rate base include the following: FERC Account No. 101.0 – Plant Cost, FERC Account No. 108.0 – Accumulated Depreciation, FERC Account No. 182.3 – Regulatory Asset ARO, FERC Account No. 182.3 – Regulatory Asset Colstrip, FERC Account No. 230.0 – Colstrip ARO, and FERC Account No. 242.0 – Colstrip Accounts Payable.

[5] The Company's original filed Depreciation Study resulted in an increase to depreciation expense of $1.28 million (corrected balance). In comparison, the revised net increase in depreciation/amortization of $645,424 shown above for settlement purposes, reflects an agreed-upon reduction in depreciation/amortization expense of $635,000 from that originally filed.

[6] The tax credits were the result of H.R.1 – Tax Cuts and Jobs Act signed into law in December 2017.

ATTACHMENT C
Colstrip Proposed Rates for a 2027 Depreciable Life
Docket No. AVU-E-18-03

	Generation Assets	Proposed Depreciation Rate
ED.C3.311000	STEAM PROD PLT-STR & IMPR	1.99%
ED.C3.312000	STM PROD-BOILER PLANT EQ	2.67%
ED.C3.313000	STEAM PROD PLT-GENERATORS	9.22%
ED.C3.314000	STM PROD PLT-TURBOGENERAT	8.34%
ED.C3.315000	STM PROD PLT-ACCESSORY EQ	2.97%
ED.C3.316000	STEAM PROD PLT-MISC EQUIP	4.21%
ED.C4.311000	STEAM PROD PLT-STR & IMPR	2.95%
ED.C4.312000	STM PROD-BOILER PLANT EQ	4.79%
ED.C4.313000	STEAM PROD PLT-GENERATORS	9.34%
ED.C4.314000	STM PROD PLT-TURBOGENERAT	7.59%
ED.C4.315000	STM PROD PLT-ACCESSORY EQ	3.72%
ED.C4.316000	STEAM PROD PLT-MISC EQUIP	4.74%

Plant Acct	Transmission Assets	Proposed Depreciation Rate
350	REMOVING PROPERTY OF OTHERS	6.02%
352	STRUCTURES AND IMPROVEMENTS	11.19%
353	STATION EQUIPMENT	5.69%
354	TOWERS AND FIXTURES	6.75%
355	POLES AND FIXTURES	8.07%
356	OVERHEAD CONDUCTORS	8.25%
359	ROADS AND TRAILS	5.62%

Attachment D
Docket AVU-E-18-03

Idaho Electric
Bill Impact of Colstrip Amortization and Tax Benefits

Use of Tax Dollars (Non-plant ADFIT)	**$**	**6,409,000**	
Colstrip Amortization over 34.75 years	$	780,000	
Proposed Incremental Depreciation	$	(135,000)	
Net Amortization/Depreciation	**$**	**645,000**	

Billed impact to customers next GRC (assumed 1/1/2020):

Schedule 25	$	51,306	0.26%
Schedule 25P	$	49,246	0.26%
All other schedules	$	544,448	
	$	**645,000**	0.25%
Monthly Residential Bill impact @ 910 kwhs	$	0.23	0.27%

Refund Tax Credit Dollars (Deferred Jan-May 2018)	**$**	**(5,766,000)**	

Bill impact of Tax credit returned Effective 4/1/2019: *

Schedule 25	$	(458,651)	-2.32%
Schedule 25P	$	(440,240)	-2.32%
All other schedules	$	(4,867,109)	
Total Returned to customers over 1-Year	$	(5,766,000)	-2.23%
Monthly Residential Bill impact @ 910 kwhs	$	(2.04)	-2.38%

*The Parties agree to spread the temporary portions of the Rate Credits on a uniform percent of base revenue basis. The Company chose this method because it generally matches how costs are presently being recovered from customers. For the spread of the Rate Credit within each service schedule (i.e., rate design), the Company will apply a uniform cents per kWh to the volumetric block rates by rate schedule. The temporary portion will be passed back to customers through rate schedule 74 and will be in effect for a one-year period beginning April 1, 2019.