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AVISTA
Corp.

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IDAHO PUBLIC
UTILITIES COMMISSION

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February 6, 2013

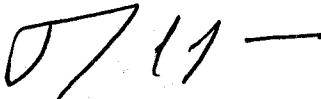
Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83702

Re: Case Nos. AVU-E-12-08 and AVU-G-12-07
Avista's Motion and Stipulation and Settlement

Enclosed for filing with the Commission in the above-referenced docket are the original and seven copies of Avista's Motion and Stipulation and Settlement, dated February 6, 2013.

Certain parties to the Stipulation intend to file testimony in support of the Stipulation, on or before February 22, 2013.

Sincerely,



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

Enclosures

c: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 6th day of February, 2013, served the Motion and Stipulation and Settlement in Docket No. AVU-E-12-08 and AVU-G-12-07, upon the following parties, by mailing a copy thereof, properly addressed with postage prepaid to:

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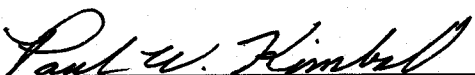
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION DBA)	CASE NOS. AVU-E-12-08
AVISTA UTILITIES FOR AUTHORITY TO)	AVU-G-12-07
INCREASE ITS RATES AND CHARGES)	
FOR ELECTRIC AND NATURAL GAS)	MOTION FOR APPROVAL OF
SERVICE IN IDAHO)	STIPULATION AND SETTLEMENT

COMES NOW, Avista Corporation ("Avista" or "Company") and the Commission Staff, and hereby move the Commission for an Order accepting the Settlement Stipulation filed herewith. RP 56; 272; 274. This Motion is based on the following:

1. On October 11, 2012, Avista filed an Application with the Commission for authority to increase revenue from electric and natural gas service in Idaho by 4.6% and 7.2%, respectively. If approved, the Company's revenues for electric base retail rates would have increased by \$11.4 million annually; Company revenues for natural gas service would have

increased by \$4.6 million annually. The Company requested an effective date of April 1, 2013 for its proposed electric and natural gas rate increases. By Order No. 32689, dated December 4, 2012, the Commission suspended the proposed schedules of rates and charges for electric and natural gas service, until such time as the Commission enters an Order accepting, rejecting or modifying the Application in this matter.

2. Petitions to intervene in this proceeding were filed by Clearwater Paper Corporation, Idaho Forest Group, LLC, Community Action Partnership Association of Idaho ("CAPAI"), the Idaho Conservation League and the Snake River Alliance. By various orders, the Commission granted these interventions. *See*, IPUC Order Nos. 32678, 32680 and 32687.

3. Settlement conferences were noticed and held in the Commission offices on January 17 and 24, 2013, and were attended by signatories to this Stipulation; further discussions ensued.

4. Based on settlement discussions, the Parties whose signatures appear on the Stipulation have agreed to resolve and settle all of the issues in the case (hereinafter "Parties").¹ A copy of the signed Stipulation evidencing that settlement is enclosed as Attachment 1.

5. The Parties recommend that the Commission grant this Motion and approve the Stipulation in its entirety, without material change or condition, pursuant to RP 274.

6. The Parties respectfully request that the Commission consider the Motion, the Stipulation, and the pre-filed testimony in support of the Stipulation at the time of the technical evidentiary hearings to be scheduled in this docket. The Parties request that any such hearings

¹ The Community Action Partnership Association of Idaho participated in settlement discussions and is continuing to review its position with regard to the Settlement, as proposed, and will be filing separate comments and/or testimony in that regard. The Snake River Alliance, as an intervenor, was provided notice of the settlement discussions, but did not participate.

be scheduled so as to allow the implementation of new rates, as per the Stipulation, on April 1, 2013. The testimony in support of the Stipulation will be filed on or before February 22, 2013.

7. As noted in the Stipulation, the Parties agree that the Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

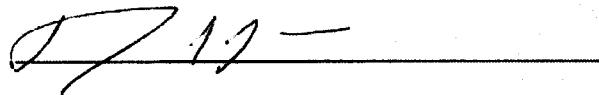
NOW, THEREFORE, the Parties respectfully request that the Commission issue orders in Case Nos. AVU-E-12-08 and AVU-G-12-07:

1. Granting this Motion and accepting the Stipulation (Attachment 1), in its entirety, without material change or condition; and

2. Authorizing the Company to implement revised tariff schedules designed to recover the additional annual electric and natural gas revenue from Idaho customers consistent with the terms of the Stipulation; and

3. Authorizing that revised tariff schedules be made effective April 1, 2013 and October 1, 2013 consistent with the terms of the Stipulation.

Respectfully submitted this 6th day of February, 2013.



David J. Meyer
Attorney for Avista Corporation

Karl Klein
Weldon Stutzman
Deputy Attorneys General
Idaho Public Utilities Commission Staff

be scheduled so as to allow the implementation of new rates, as per the Stipulation, on April 1, 2013. The testimony in support of the Stipulation will be filed on or before February 22, 2013.


7. As noted in the Stipulation, the Parties agree that the Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

NOW, THEREFORE, the Parties respectfully request that the Commission issue orders in Case Nos. AVU-E-12-08 and AVU-G-12-07:

1. Granting this Motion and accepting the Stipulation (Attachment 1), in its entirety, without material change or condition; and
2. Authorizing the Company to implement revised tariff schedules designed to recover the additional annual electric and natural gas revenue from Idaho customers consistent with the terms of the Stipulation; and
3. Authorizing that revised tariff schedules be made effective April 1, 2013 and October 1, 2013 consistent with the terms of the Stipulation.

Respectfully submitted this 6th day of February, 2013.

David J. Meyer
Attorney for Avista Corporation


Karl Klein
Weldon Stutzman
Deputy Attorneys General
Idaho Public Utilities Commission Staff

**MOTION FOR APPROVAL OF
STIPULATION AND SETTLEMENT
Case Nos. AVU-E-12-08 & AVU-G-12-07**

ATTACHMENT 1

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<u>IN THE MATTER OF THE APPLICATION</u>)	
<u>OF AVISTA CORPORATION DBA AVISTA</u>)	CASE NOS. AVU-E-12-08
<u>UTILITIES FOR AUTHORITY TO</u>)	AVU-G-12-07
<u>INCREASE ITS RATES AND CHARGES</u>)	
<u>FOR ELECTRIC AND NATURAL GAS</u>)	
<u>SERVICE IN IDAHO</u>)	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") and the Idaho Conservation League ("Conservation League")¹. These entities are collectively referred to as the "Parties," and represent several parties in the above-referenced cases that participated in settlement discussions. The Parties understand this Stipulation is subject to approval by the Idaho Public Utilities Commission ("IPUC" or the "Commission").

¹ The Community Action Partnership Association of Idaho ("CAPAI") participated in settlement discussions and is continuing to review its position with regard to the Settlement, as proposed, and will be filing separate comments and/or testimony in that regard. The Snake River Alliance, as an intervenor, was provided notice of the settlement discussions, but did not participate.

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 and that this Stipulation and its acceptance by the Commission represents a reasonable resolution of the multiple issues identified in these cases. 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.

II. BACKGROUND

2. On October 11, 2012, Avista filed an Application with the Commission for authority to increase revenue from electric and natural gas service in Idaho by 4.6% and 7.2%, respectively. If approved, the Company's revenues for electric base retail rates would have increased by \$11.4 million annually; Company revenues for natural gas service would have increased by \$4.6 million annually. The Company requested an effective date of April 1, 2013 for its proposed electric and natural gas rate increases. By Order No. 32689, dated December 4, 2012, the Commission suspended the proposed schedules of rates and charges for electric and natural gas service.

3. Petitions to intervene in this proceeding were filed by Clearwater, Idaho Forest, CAPAI, the Idaho Conservation League, and the Snake River Alliance. By various orders, the Commission granted these interventions. *See*, IPUC Order Nos. 32678, 32680 and 32687.

4. Settlement conferences were noticed and held in the Commission offices on January 17 and 24, 2013, and were attended by signatories to this Stipulation; further discussions ensued. Based upon the settlement discussions among the Parties, as a compromise of positions

in this case, and for other consideration as set forth below, the Parties agree to the following terms:

III. TERMS OF THE STIPULATION AND SETTLEMENT

5. Overview of Settlement and Revenue Requirement. The Parties agree that Avista should be allowed to implement revised tariff schedules designed to recover the following revenue requirement in two steps, as summarized in Attachment A, and below:

Electric

Step 1: April 1, 2013

- a. No electric base rate change effective April 1, 2013, instead of the proposed 4.6%, or \$11.393 million.

Step 2: October 1, 2013

- a. Overall electric base rate increase of 3.1% (3.2% in billed rates) or \$7.825 million effective October 1, 2013.
- b. Offsets – Apply \$3.865 million for rate mitigation purposes (the BPA Parallel Operation Settlement²), and amortize that offset over 15 months, from October 1, 2013 to December 31, 2014.
- c. Net overall bill increase to customers of 1.9% effective October 1, 2013.

	<u>Billing Rate</u>		<u>Net Billing</u>
	<u>Change</u>	<u>Offset</u>	<u>Rate Change</u>
April 1, 2013	0.0%	0.0%	0.0%
October 1, 2013	3.2%	-1.3%	1.9%

² The BPA Settlement Revenue of \$3.865 million represents the Idaho customers' share of \$12.224 million (system) for the past use of Avista's transmission system for the period January 2005 through February 2013. In December 2012, Avista and Bonneville reached a settlement that pertains to the use of Avista's transmission system by Bonneville. Avista and Bonneville each own and operate transmission systems that are interconnected at various points. Between June 1998 and December 2009, Bonneville integrated four generation projects onto its 115 kV transmission system in the Walla Walla, Washington area. Bonneville sold transmission capacity to wind projects totaling 336 MW. The transmission path for these four projects follows a single Bonneville line that has a rated capacity of only 203 MW. Upon Avista's discovery of this situation, Avista asserted that Bonneville requires the use of up to 133 MW of parallel capacity support through the Avista system in order to fulfill Bonneville's transmission service obligations for these wind projects. The Settlement Agreement was intended to resolve the issue of compensation to Avista for the prior use of its transmission system, as well as provide Bonneville with continuing cost-effective parallel capacity support in lieu of constructing additional transmission facilities at this point in time. Avista anticipates FERC approval of the Settlement in February 2013, after which Avista will bill Bonneville.

Natural Gas

Step 1: April 1, 2013

- a. Overall natural gas base rate increase of 4.9% (5.0% in billed rates) or \$3.115 million, instead of the proposed 7.2%, or \$4.561 million, effective April 1, 2013.

Step 2: October 1, 2013

- a. Overall natural gas base rate increase of 2.0% (2.0% in billed rates) or \$1.330 million effective October 1, 2013.
- b. Offsets – Apply \$1.550 million PGA deferral credit balance from 2012 PGA³ to partially offset the base rate increase, amortized over 15 months, October 1, 2013 to December 31, 2014.
- c. Net overall bill impact to customers of 0.3% effective October 1, 2013.

	<u>Billing Rate</u> <u>Change</u>	<u>Offset</u>	<u>Net Billing</u> <u>Rate Change</u>
April 1, 2013	5.0%	0.0%	5.0%
October 1, 2013	2.0%	-1.7%	0.3%

6. Cost of Capital. The Settling Parties agree to a 9.8 percent return on equity, with a 50.0 percent common equity ratio, and adopt the capital structure and resulting rate of return as set forth below:

Component	Capital Structure	ProForma Cost	ProForma Weighted Cost
Total Debt	50.00%	6.01%	3.01%
Common Equity	50.00%	9.80%	4.90%
Total	100.00%		7.91%

³ In Docket AVU-G-12-05, the Commission approved Staff's proposal that approximately \$1.55 million in un-refunded credit balances be held back due to the Company's filing of a "Notice of Intent to File a General Rate Case." The Commission stated in Order 32651, on page 6, that "the resulting \$1.55 million un-refunded credit balance will help mitigate potential rate increases and provide rate stability for customers."

A. ELECTRIC

7. Overview of Electric Revenue Requirement (April 1, 2013). Below is a summary table and descriptions of the electric revenue requirement components agreed to by the Parties for April 1, 2013:

SUMMARY TABLE OF ADJUSTMENTS TO ELECTRIC REVENUE REQUIREMENT		
EFFECTIVE APRIL 1, 2013		
000s of Dollars		
	Revenue Requirement	Rate Base
Amount as Filed:	\$ 11,393	\$ 639,030
Adjustments:		
a.) Cost of Capital	\$ (5,517)	
b.) Remove 2013 Capital Additions (Delay to October 1, 2013)	\$ (1,117)	\$ (1,582)
c.) Remove 2013 Expenses: Delay Recovery to October 1, 2013 Rate Change		
i. Major Generation O&M	\$ (926)	
ii. Information Services & Technology	\$ (318)	
iii. CS2 Levelized Return	\$ (38)	
iv. Non-Exec Labor	\$ (426)	
d.) Remove 2013 Property Tax Expense	\$ (428)	
e.) Remove Officer Incentive and CPI escalation	\$ (187)	
f.) Two-Year Amortization of Reardan	\$ 878	
g.) Include Palouse Wind in PCA until in base rates in 2015 (90%/10% sharing)	\$ (3,139)	
h.) Miscellaneous Adjustments: Two-Year Amortization of Booz Consulting costs, Oasis Training, Abandoned Projects & Depreciation Study expense	\$ (175)	
Adjusted Amounts Effective April 1, 2013	\$ -	\$ 637,448

- a. Cost of Capital. As previously described (see Paragraph 6 above).
- b. Remove 2013 Capital Additions. Reflects total depreciation expense and rate base, net of accumulated depreciation and accumulated deferred income tax, as of year-end December 31, 2012. Moves 2013 capital additions to October 1, 2013 rate change.
- c. Remove 2013 Expenses: Delay Recovery to October 1, 2013 Rate Change.
 - i. Major Generation O&M. Removes the 2013 incremental non-labor generation plant operation and maintenance (O&M) expense related to the Company's thermal generation plant at Kettle Falls,

and its hydro generation plants, to be included in the October 1, 2013 rate change.

- ii. Information Services & Technology. Removes the 2013 incremental information service and technology expenses, related mainly to the Company's replacement of the Company's Customer Service Information System, and increased costs to support various business processes, application support, additional security requirements, annual contractual agreements and maintenance and license fees, to be included in the October 1, 2013 rate change.
- iii. CS2 Levelized Return. Removes the 2013 incremental amortization of the deferred levelized return related to the 10-year deferral of return on the Coyote Springs 2 (CS2) investment, to be included in the October 1, 2013 rate change.
- iv. Non-Exec Labor. Removes the 2013 incremental non-executive labor increases, to be included in the October 1, 2013 rate change.
- d. 2013 Property Tax. Removes the 2013 incremental property tax expense, adjusting property tax expense to December 31, 2012 levels.
- e. Remove Officer Incentive and CPI Escalation. Removes officer portion of incentives and removes the Consumer Price Index adjustment on incentives included in the Company's original filing.
- f. Two-Year Amortization of Reardan. See Paragraph 10 below for further information.
- g. Include Palouse Wind in PCA until Reflected in Base Rates in 2015. See Paragraph 9 below for further information.

h. Miscellaneous Adjustments. Includes a two-year amortization of Booz & Co. consulting fees, thereby reducing test period expenses, and removes certain other amounts related to OASIS training, abandoned projects and depreciation study expenses.

8. Overview of Electric Revenue Requirement (October 1, 2013). Below is a summary table and descriptions of the Electric revenue requirement components agreed to by the Parties for October 1, 2013:

SUMMARY TABLE OF ELECTRIC REVENUE REQUIREMENT		
EFFECTIVE OCTOBER 1, 2013		
000s of Dollars		
	Revenue Requirement	Rate Base
Amounts Effective April 1, 2013	\$ -	\$ 637,448
Adjustments to October 1, 2013 Rate Change:		
a.) 2013 Capital Additions	\$ 5,488	\$ 20,705
b.) 2014 Capital Additions	\$ 629	\$ 888
c.) Add 2013 Expenses		
i. Major Generation O&M	\$ 926	
ii. Information Services & Technology	\$ 318	
iii. CS2 Levelized Return	\$ 38	
iv. Non-Exec Labor	\$ 426	
Adjusted Amounts Effective October 1, 2013	\$ 7,825	\$ 659,041

a. 2013 Capital Additions. Includes 2013 capital additions, reflecting total depreciation expense and rate base, net of accumulated depreciation and accumulated deferred income tax, as of year-end December 31, 2013.

b. 2014 Capital Additions. Includes certain 2014 capital additions, including depreciation expense and rate base, net of accumulated depreciation and accumulated deferred income tax, to represent an agreed-upon level of rate base.

c. 2013 Expenses:

- i. Major Generation O&M. Includes the 2013 incremental non-labor generation plant O&M expense discussed above in Paragraph 7(c)(i).
- ii. Information Services & Technology. Includes the 2013 incremental information service and technology expenses discussed above in Paragraph 7(c)(ii).
- iii. CS2 Levelized Return. Includes the 2013 incremental amortization of the deferred CS2 levelized return discussed above in Paragraph 7(c)(iii).
- iv. Non-Exec Labor. Includes the 2013 incremental non-executive labor increases discussed above in Paragraph 7(c)(iv).

9. Palouse Wind. The Parties agree that recovery of costs related to the Palouse Wind Power Purchase Agreement (“PPA”) will be included in the PCA, subject to the current sharing (90% customer, 10% Company) until it is included in base rates as part of the implementation of new rates from the Company’s next general rate case anticipated in 2015.

10. Reardan Wind Site Deferral. The Parties agree to amortize the Reardan Wind Project deferred balance of \$1.747 million over a two-year period beginning April 1, 2013.⁴

11. Amortization of 2013 Coyote Springs 2/Colstrip Maintenance Deferral. The Parties agree that the amount deferred in 2013 related to the Company’s O&M costs of its Coyote Springs 2 (CS2) natural gas-fired generating plant and its fifteen (15) percent ownership

⁴ In May 2008, Avista purchased the Reardan Wind Project Site from Energy Northwest, the then-current developer, after it was demonstrated as the Company’s least-cost option for securing a renewable resource for its customers, consistent with its 2007 Integrated Resource Plan. Avista later chose to delay the construction of the Reardan project and take advantage of much-lower costs for wind projects that emerged in 2011 (Palouse Wind). Avista recorded \$4.0 million of site acquisition and preparation costs, of which approximately \$1.7 million is Idaho’s share. This includes approx. \$0.37 million in AFUDC in accordance with Order No. 30611 (Case No. AVU-E-08-04)

share of the Colstrip 3 & 4 coal-fired generating plants will be amortized over three years, beginning with the implementation of new base rates resulting from the Company's next general rate case filing.⁵

B. NATURAL GAS

12. Overview of Natural Gas Revenue Requirement (April 1, 2013). Below is a summary table and descriptions of the Natural Gas revenue requirement components agreed to by the Parties:

SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT EFFECTIVE APRIL 1, 2013 000s of Dollars		
	Revenue Requirement	Rate Base
Amount as Filed:	\$ 4,561	\$ 110,930
Adjustments:		
a.) Cost of Capital	\$ (957)	
b.) Remove 2013 Capital Additions (Delay to October 1, 2013)	\$ (22)	\$ 1,309
c.) Remove 2013 Expenses: Delay Recovery to October 1, 2013 Rate Change		
i. Information Services & Technology	\$ (42)	
ii. Non-Exec Labor	\$ (215)	
d.) Remove 2013 Property Tax Expense	\$ (84)	
e.) Remove Officer Incentive and CPI escalation	\$ (50)	
f.) Miscellaneous Adjustments: Two-Year Amortization of Booz Consulting costs, Injuries & Damages, Abandoned Projects & Depreciation Study expense	\$ (76)	
Adjusted Amounts Effective April 1, 2013	\$ 3,115	\$ 112,239

- a. Cost of Capital. As previously described (see Paragraph 6 above).
- b. Remove 2013 Capital Additions. Reflects total depreciation expense and rate base, net of accumulated depreciation and accumulated deferred income tax,

⁵ Per Order No. 32371 in Case No. AVU-E-11-01, in order to address the large variability in year-to-year O&M costs, beginning in 2011, the Company was allowed to defer changes in O&M costs related to its Coyote Springs 2 (CS2) natural gas-fired generating plant located near Boardman, Oregon, and its fifteen (15) percent ownership share of the Colstrip 3 & 4 coal-fired generating plants located in southeastern Montana. The Company compares actual, non-fuel, O&M expenses for the Coyote Springs 2 and Colstrip 3 & 4 plants with the amount of expenses authorized for recovery in base rates in the applicable deferral year, and defers the difference from that currently authorized. The deferral occurs annually, with no carrying charge, with deferred costs being amortized over a three-year period, beginning in January of the year following the period costs are deferred.

as of year-end December 31, 2012. Moves certain 2013 capital additions to the October 1, 2013 rate change.⁶

- c. Remove 2013 Expenses: Delay Recovery to October 1, 2013 Rate Change.
 - i. Information Services & Technology. Removes the 2013 incremental information service and technology expenses as discussed above, to be included in the October 1, 2013 rate change.
 - ii. Non-Exec Labor. Removes the 2013 incremental non-executive labor increases as discussed above, to be included in the October 1, 2013 rate change.
- d. 2013 Property Tax. Removes the 2013 incremental property tax expense, adjusting property tax expense to December 31, 2012 levels.
- e. Remove Officer Incentive and CPI Escalation. Removes officer portion of incentives and removes the Consumer Price Index adjustment on incentives included in the Company's original filing.
- f. Miscellaneous Adjustments. Includes a two-year amortization of Booz & Co. consulting fees, thereby reducing test period expenses, and removes certain other amounts related to injuries and damages, abandoned projects and depreciation study expenses.

⁶ In the Company's filed case, inclusion of total net plant, including accumulated depreciation and accumulated deferred income tax on an average-of-monthly-average basis for 2013, had the effect of reducing rate base by \$1.309 million and increasing revenue requirement associated with a net increase in depreciation expense by \$22,000. This is due to the original filed adjustment that depreciated all plant, including the plant in service balance at December 31, 2012, to the AMA balance at December 31, 2013. The additional accumulated depreciation on plant in service at December 31, 2012 was greater than the net plant additions in 2013 on an AMA basis, which had an overall impact of reducing net rate base.

13. Overview of Natural Gas Revenue Requirement (October 1, 2013). Below is a summary table and descriptions of the Natural Gas revenue requirement components agreed to by the Parties:

SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT EFFECTIVE OCTOBER 1, 2013 000s of Dollars		
	Revenue Requirement	Rate Base
Amounts Effective April 1, 2013	\$ -	\$ 112,239
Adjustments to October 1, 2013 Rate Change:		
a.) 2013 Capital Additions	\$ 1,073	\$ 3,831
b.) Add 2013 Expenses		
i. Information Services & Technology	\$ 42	
ii. Non-Exec Labor	\$ 215	
Adjusted Amounts Effective October 1, 2013	\$ 1,330	\$ 116,070

a. 2013 Capital Additions. Includes certain 2013 capital additions, including depreciation expense and rate base, net of accumulated depreciation and accumulated deferred income tax, to represent an agreed-upon level of rate base.

b. 2013 Expenses:

i. Information Services & Technology. Includes the 2013 incremental information service and technology expenses discussed above in Paragraph 12(c)(i).

ii. Non-Exec Labor. Includes the 2013 incremental non-executive labor increases discussed above in Paragraph 12(c)(ii).

C. OTHER SETTLEMENT COMPONENTS

14. PCA Authorized Level of Expense. The new level of power supply expense, retail load and Clearwater Paper generation, and the April 1, 2013 and October 1, 2013 Load Change Adjustment Rates resulting from the April 1, 2013 and October 1, 2013 settlement revenue requirements for purposes of the monthly PCA mechanism calculations, are detailed in Attachment B. The parties agree for the purpose of Settlement in this case to accept the Company's normalized load forecast without specifically accepting the weather normalization methodology or the proposed Energy Efficiency Load Adjustment.

15. Depreciation Rates. The Parties have agreed to the updated electric and natural gas depreciation rates as filed by the Company, with all common/allocated plant depreciation rates, including the new depreciation rates for transportation equipment, effective January 1, 2013 to coincide with the Company's Washington and Oregon jurisdictions, with the remaining direct Idaho plant depreciation rate changes effective April 1, 2013.

16. Earnings Test. The Company agrees to an after-the-fact earnings test, where it would refund to customers one-half of any earnings in excess of the 9.8% ROE for each of the years 2013 and 2014, to allay any concerns that the base rate relief in April 1, 2013 and October 1, 2013 may allow the Company to exceed its authorized return. The earnings test would be based on actual, consolidated results for Idaho electric and natural gas operations.

17. Rate Freeze/Stay Out. The Parties agree that, in recognition of the two-year rate plan covered by this Stipulation, Avista will not file another electric or natural gas general rate case before May 31, 2014, and while it may request an effective date earlier than January 1, 2015, final approved new rates will not go into effect prior to January 1, 2015. This does not apply to tariff filings authorized by or contemplated by the terms of the Power Cost Adjustment (PCA), or the Purchased Gas Adjustment tariff (PGA), or other miscellaneous filings.

