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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION FOR AUTHORITY TO AMEND ITS ANNUAL POWER COST ADJUSTMENT (PCA) RATES.	**CASE NO. AVU-E-16-05** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Brandon Karpen, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 33571 on August 17, 2016, in Case No. AVU-E-16-05, submits the following comments.

OVERVIEW OF COMPANY APPLICATION

The PCA is an annual cost adjustment mechanism that tracks changes in the Company's hydroelectric generation, secondary prices, thermal fuel costs, and changes in power contract revenue and expenses ensuring that customers do not pay more or less than the Company's actual power supply expense (minus sharing). Avista's annual cost of providing electricity (i.e., its power supply costs) vary from year-to-year depending on changes in streamflow, thermal fuel costs, the market price of power, and changes in power contract revenue and expenses. If the cost of providing electricity is greater than that recovered through base rates, customers are surcharged the difference. If the cost is less, customers receive a rebate. The annual PCA rate is combined with the Company's "base rates" to produce a customer's overall energy rate.

The Company reports that lower power supply costs than expected were due primarily to favorable natural gas and wholesale power prices as well as lower net expense for Colstrip and Kettle Falls generation. Offsetting some of the lower expenses was lower generation from hydro, Palouse Wind, and Clearwater paper than those reflected in base rates.

The Company asks the Commission to approve a PCA rebate of 0.017¢ per kWh to be effective October 1, 2016, in place of the 0.032¢ per kWh rebate approved by Order No. 33389. Under the Company's proposal, the PCA rate for all customers, including residential customers, would change from a rebate rate of 0.032¢ per kWh to a rebate rate of 0.017¢ per kWh—an increase in the billing rate of 0.015¢ per kWh. Since PCA rate adjustments are spread on a uniform cents per kWh basis, the resulting percentage increase varies by rate schedule. The overall increase is 0.2%. The table below shows the percentage change on billed revenue for each customer group.

Percent Change on Billed Revenue for Each Type of Service

Types of Service	Schedule Numbers	Percent Change on Billed Revenue
Residential	1	0.17%
General Service	11,12	0.15%
Large General Service	21,22	0.19%
Extra Large General Service	25	0.28%
Clearwater	25P	0.29%
Pumping Service	31,32	0.15%
Street and Area Lights	41-49	0.06%
Total		0.19%

STAFF REVIEW

Staff has thoroughly examined the Company's PCA Application by reviewing: (1) actual and authorized expenses making up the deferral; (2) the calculation method of the deferral; (3) the prudency of actual NPSE incurred during the deferral period; (4) the calculation of balancing accounts and interest used to determine the final PCA rate; and (5) the calculation of the PCA rate. The results of Staff's review are summarized below.

Audit of Actual and Authorized Amounts

Staff conducted an onsite audit during the week of August 22, 2016. Staff reviewed and audited the deferred balance amounts included in the current filing. Additionally, Staff reviewed and audited the amounts from the prior PCA deferral that is currently being amortized, and finds the amortization of the prior year's PCA deferral to be correct.

Staff's review of the deferral balance covered expenses incurred for the period of July 2015 through June 2016. Staff examined a representative cross section of transactions included in the Purchased Power account (FERC 555), Thermal Fuel account (FERC 501), Combustion Turbine Fuel account (FERC 547), and the Sales for Resale account (FERC 447). Based on its review of these transactions, Staff concludes that the various power cost transactions are reasonable and were prudently incurred at the time they were made. Staff confirmed that all transactions comply with Avista Utilities Energy Resources Risk Policy. Staff also verified that Avista's booked amounts and other calculations have been correctly reflected.

Staff checked authorized amounts used to calculate the deferral and confirmed that they were the same used to determine base rates that were authorized during the deferral period. Base rates that were in effect during the deferral period were authorized in Case Nos. AVU-E-12-08 for July 1, 2015 through December 31, 2015, and AVU-E-15-05 for January 1, 2016 through June 30, 2016.

Staff recommends in future PCA filings that the Company separate authorized and actual net power costs (NPC) in the workpapers detailing the calculation of the deferral instead of only providing the actual less authorized difference. This will facilitate a more efficient Staff review. Staff has provided an example in Attachment A to these comments.

Calculation of the Deferral

The deferral captures the difference between actual power supply expense and the revenue that recovers power supply expense through base rates for the twelve months ending June 30, 2016. It is composed of two components: (1) the difference between actual power supply expense and the authorized power supply expense; and (2) the load change adjustment (LCA). The total deferral including interest of $5,054 for the period from July 1, 2015 through June 30, 2016, is $478,103 and is a rebate to customers. Of this amount (minus interest), $1,232,245 is a result of the LCA, which is a surcharge due to the Company, and the remaining is due to the actual versus authorized NPC difference of $1,676,422 which is a credit to customers.[1]

Staff examined each account and item that contributes to the deferral, and also reviewed the method used in the Company's calculations. Staff believes that the $478,103 deferral balance is accurate and the method used to derive it complies with past Commission orders. The amount represents the over-recovery of actual power supply costs through base rates during the deferral period and is a refund to customers.

The table below shows the accounts and items contributing to the deferral. Positive values represent a cost to customers, while negative values represent a benefit to customers.

Deferral Activity

Number	Accounts and Items	Amount
1	FERC Account 555 - Purchased Power with Palouse	$20,316,973
2	FERC Account 447 - Sale for Resale	(17,957,124)
3	FERC Account 501- Thermal Fuel	(1,318,531)
4	FERC Account 547 - CT Fuel	170,598
5	Net Transmission Revenue and Expense	3,312
6	FERC Account 557 - Resource Optimization and REC Revenue	(4,159,091)
7	Idaho Load Change Adjustment	1,232,245
8	All Clearwater Revenues and Expenses	1,267,440
	Net Power Cost Increase (Decrease)	**$ (444,178)**
9	REC Revenue Credit for Washington RPS	(38,978)
	Net Deferral Balance	**$ (483,157)**
10	Interest on the Deferral Balance	5,054
	Deferral Balance with Interest	**$ (478,103)**

1. FERC Account 555 – Purchased Power. Purchased Power costs reflect 90% of the Idaho jurisdictional share of the difference in costs the Company incurred for power purchases in the review period compared to authorized purchased power costs included in base rates. In the review period, the Company incurred more purchased power costs than are included in base rates. The positive amount is a cost to customers.

Palouse Wind expenses are included in the Purchased Power costs. In the past two general rate cases, Palouse Wind has been removed from base rates and the expenses have been required to flow through the PCA accounting mechanism. This expense treatment requires

[1] There was an additional $38,978 credit due to Idaho customers for the use of renewable energy credits to meet Washington's renewable portfolio standards.

Avista to share 10% of the Idaho jurisdictional costs of Palouse. Had the costs been included in base rates, customers would have paid 100% of the costs associated with the Palouse Wind Project.

2. FERC Account 447 – Sale for Resale. Sales for Resale are long-term and short-term off-system sales. The amount represents 90% of the Idaho jurisdictional share of the difference between the actual off-system sale revenues and off-system sale revenues included in base rates. The negative amount in the Company's Application reflects an increase in sales for resale revenues and is a benefit to customers.

3. FERC Account 501 – Thermal Fuel. Thermal Fuel, primarily coal, is used to produce electricity. The amount represents 90% of the Idaho jurisdictional share of the difference in costs the Company incurred for thermal fuel compared to the normalized amount included in base rates. During the review period, the Company actually incurred lower coal costs than are currently included in base rates. The negative amount in the Application is a benefit to customers.

4. FERC Account 547 – CT Fuel. Combustion Turbine (CT) Fuel is natural gas burned in the Company's gas-fired generators. This amount represents 90% of the Idaho jurisdictional share of the difference in costs the Company actually incurred for gas generator fuel compared to the amount included in normalized base rates. In the review period, the Company incurred more natural gas cost than is currently included in base rates. The positive amount here is an additional cost to customers.

5. Net Transmission Revenue and Expense. In Case No. AVU-E-09-01, the Commission approved a multi-party settlement that authorized the Company to include transmission revenues and expenses in the PCA. Avista incurs third party transmission costs when it purchases power and has it wheeled or delivered to its service area by a third party. Avista also incurs third party transmission costs when it sells power and pays a third party to deliver it. Third party transmission revenues occur when Avista is the third party and is delivering power for others. Including transmission revenues and expenses in the PCA tracks the variability of these items.

In the review period, the transmission revenues were less than what is included in base rates by $76,211. Transmission expenses were less than what is included in base rates by $72,899. Although the Company paid less for transmission expenses, the shortfall in transmission revenues was larger than the difference in transmission expenses. The net transmission revenue and expense of $3,312 is positive and is an additional cost to customers.

6. Resource Optimization. Resource Optimization results in a cost or a benefit to customers when natural gas purchased in advance for use in generating plants is later sold because it is more cost effective to sell the gas and purchase electricity than it is to generate electricity with the gas. Ninety percent of the Idaho jurisdictional share of the gain or loss on the sale of the gas transactions resulting from optimizing Company resources is included in the PCA. The gain during the review period, shown as a negative amount, is a benefit to Idaho customers.

Staff notes that this line item only shows one side of the transaction, when the Company utilizes its power plants for economic dispatch, and should not be looked at independently from the entire optimization of Company resources. Generally, when the Company purchases natural gas, there is a corresponding sale of electricity and the spread between the cost to produce electricity with the natural gas purchased and the price that the electricity is sold for (the spark spread) is a benefit to customers.

Staff has verified that when the Company initially purchased gas, the cost of producing electricity at Avista's natural gas plants (primarily the Coyote Springs and Lancaster facilities) was less expensive than purchasing electricity on the open market to meet its native load. Staff further verified that when the Company resold gas and purchased electricity to meet native load, the resale and corresponding purchased electricity was the least expensive and most cost-effective alternative.

Also included in the Resource Optimization amount is REC Revenue. On a system basis, REC revenue was greater than the amounts authorized in base rates by $2,758,725, and Idaho's portion, before sharing, is $966,031. Staff recommends that the Company break out and show separately the REC revenues and expenses as a line item outside of the Resource Optimization line item in future PCA filings.

7. Idaho Load Change Adjustment. This adjustment captures the over or under recovery of net power supply expense through base rates attributable to the difference between actual sales and sales used to set base rates. The Load Change Adjustment Rate is $26.97/MWh for July 2015 through December 2015, and $22.68/MWh for January 2016 through June 2016. During the review period, the Company experienced less sales than what was used to set base rates. This results in a positive adjustment and a cost to customers. The amount is subject to 90% sharing.

8. All Clearwater Revenues and Expenses. The Clearwater revenue and expense components are directly assigned to Idaho, and are not subject to sharing. They are based on the

difference in Clearwater costs and revenues (for its Lewiston facility) relative to the normalized Clearwater costs and revenues established in the Company's last general rate case. A contract that expired prior to the beginning of the deferral period (July 2015 – June 2016) is included in base rates, and it is these base rate costs that are still reflected in the PCA. This contract included Avista's purchase of Clearwater self-generation at PURPA avoided cost rates. Clearwater is currently a Schedule 25P customer; however, the revenues and expenses for the expired Clearwater contract are still included in base rates through December 2015. New base rates went into effect on January 1, 2016, and this line item will no longer be in the deferral balance calculation going forward.

In the review period, the Company recorded base revenues and expenses, with no offsetting Clearwater revenue and expenses separately stated. The net amount of Clearwater revenue and expenses included in base rates is $1,267,440. This positive amount is an increased cost to customers.

9. REC Revenue Credit for Washington Renewable Portfolio Standards. This credit is based on the Idaho allocation of RECs that were retired to meet Washington Renewable Portfolio Standards that would have otherwise been sold. The Company uses the average amount per REC received for the sale of RECs to value the revenue credit for the RECs retired to meet the RPS for Washington. This amount is a benefit to customers.

10. Interest during Deferral Period. The Company calculates interest on the deferral balance using the methodology authorized in Order No. 29323. Staff reviewed the Company's interest calculation and verified that the amounts included in the deferral balance are correct. The Company uses the Customer Deposit Rate to calculate interest on current year deferrals and on carryover balances from one year to the next. The Customer Deposit Rate for 2015 and 2016 is 1%. Although the overall deferral balance results in a credit to customers, due to timing, interest during the review period is a cost to customers.

Net Power Cost Analysis

Staff performed an analysis of Avista's actual net power costs by comparing the unit cost and amount of each supply source used during the deferral period with the amounts authorized in base rates. This provides Staff with a determination of the Company's operational prudence by examining the utilization of specific resources and long-term contracts that were in place to meet customer load during the deferral period. Based on this analysis, Staff concludes that the Company's actual power supply costs were reasonably incurred.

As illustrated by the table below, the reduction in the amount of hydro generation and lower gas prices were the biggest factors contributing to differences between actual generation and generation assumed in base rates. Lower precipitation and hydro generation availability during the first half of the deferral period required the Company to dispatch the next lowest cost resources to meet customer load. As a result, the Company increased the amount of Kettle Falls and natural gas-fired generation. While generation at these plants was higher than expected, the unit price for gas was lower than assumed in base rates. Given that market electric prices have also declined, the Company was able to utilize significantly more market purchases to make up for any shortfalls.

Resources	aMW Change	Percent Change	Unit Cost Difference ($/MWh)	Percent Change
Hydro Generation	-71.1	-13.1%	n/a	n/a
Gas-fired	21.7	5.8%	-2.65	-9.8%
Colstrip Generation	-5.0	-2.8%	-1.06	-7.2%
Kettle Falls	3.1	9.2%	-7.45	-27%

Analysis of PCA Rates

As a result of its analysis, Staff believes the Company's proposed rates are accurate and will fairly reimburse customers for over collection of actual net power cost (minus sharing) embedded in base rates. Staff identified an error in the Company's rate impact calculation that has no effect on the Company's proposed rates, but is highlighted for reporting purposes. Staff also proposes simplifications in the calculation of interest that will add greater consistency, transparency, and accuracy in the development of rates and PCA filings in the future. Each of these items is discussed in more detail below.

The PCA rate is calculated by dividing the PCA revenue requirement by the forecasted Idaho electricity usage during the next PCA billing period. The revenue requirement includes the ending balances from the previous year's PCA, the current PCA deferrals and amortizations, and a projected amortization for the time period after the Company submitted its Application but prior to when rates become effective on October 1, 2016. Interest is calculated based on the authorized customer deposit rate currently set at 1% for actuals through the end of June 2016 and estimated for future periods. All estimates and projections are replaced with actuals and trued up in next year's PCA. The sum of these components is subject to a conversion rate adjusting for Commission fees and uncollectibles to arrive at the PCA revenue requirement. Staff verified the components of the revenue requirement which currently includes the amounts shown in the table below.

The $519,030 decrease in revenue requirement results in a proposed 0.017¢ per kWh PCA rebate rate to customers. Based on its analysis, Staff believes the Company calculated the PCA rate correctly.

PCA Rate Calculation

	Amount	Total
2014-15 PCA Ending Balance		1,149,773
2015-16 Incremental Deferral	(483,157)	
2015-16 Interest on Deferral	5,054	
2015-16 Amortization	(1,438,429)	
2015-16 Interest on Amortization	(3,591)	
Subtotal	(1,920,123)	(770,350)
Jul-Sept 2016 Projected Amortization	258,788	
Jul-Sept 2016 Projected Interest	(1,909)	
Subtotal	256,879	(513,471)
Oct '15-Sept '17 Projected Interest	(2,560)	
Grand Total		**(516,031)**
Conversion Factor		0.994222
PCA Revenue Requirement		(519,030)
Forecast Sales during Collection Period (MWh)		3,049,359
Final PCA Rate ($/kwh)		**(0.00017)**

Staff found an error in the Company's residential rate impact calculation. Using 918 kWhs for average customer usage, the Company calculated a 0.16% increase in the customer's bill from $84.72 to $84.86 using the new PCA rate. Staff believes the Company used incorrect residential base rates to calculate the average bill impact. Using current residential base rates, Staff calculates the impact to be an increase from $83.80 to $83.93, also a 0.16% difference.

In reviewing the Company's amortization and deferral balancing accounts, Staff observed that the Company is using two methods for calculating interest. The amortization accounts use compound interest while the deferral account uses a simple interest method. Staff proposes that the Company change the interest calculation in the deferral account to the same method used in the amortization accounts starting with the July 2016 through June 2017 deferral period. Staff believes this is beneficial for several reasons. First, the interest calculation method used in Idaho

Power's PCA and PacifiCorp's ECAM both use compound interest calculations exclusively in their PCA balancing accounts. Implementing the change will provide consistency in the methods by all three of Idaho's regulated electric utilities. This consistency will eliminate complexity for the Company, Staff, and interveners as they evaluate the Company's accounting methods. A single interest calculation method will also enable deferral and amortization amounts to be combined into a single balance, allowing balancing account information to be included and linked with the deferral calculations on a single page (see Attachment A) and simplify the rate impact sheet the Company includes in its filing (see Attachment B). Finally, simplification would be more transparent and could reduce potential errors. For example, it could potentially eliminate the need for complicated interest adjustment entries when deferral amounts are posted incorrectly.

If the change in interest calculation method were made for this year's PCA it would result in less than a $200 difference supporting the recommended prospective change. The difference could be larger with larger deferrals and customer discount rates in future PCAs. However, the impact of the change is symmetrical depending on whether deferral balances are a credit or a surcharge to customers.

CUSTOMER NOTICE AND PRESS RELEASE

The Company's press release and customer notice were included with its Application. Staff reviewed the documents and determined that both comply with Rule 125 of the Commission's Rules of Procedure, IDAPA 31.01.01.125.

The customer notice was included with bills mailed beginning August 3, 2016, and ending September 1, 2016. Customers have the opportunity to file comments on or before September 15, 2016.

CUSTOMER COMMENTS

As of September 15, 2016, no comments have been filed with the Commission.

STAFF RECOMMENDATIONS

Staff recommends that the Commission authorize the total deferral balance with interest in the amount of $478,103 be refunded to ratepayers and approve Schedule 66 as filed in Exhibit A of the Company's Application to go into effect on October 1, 2015.

Staff also recommends the following in *future* PCA filings:

1. The Company calculate interest on its monthly deferral balances using the same compound interest method used to calculate its monthly amortization balances beginning July 2016.
2. The Company show a breakdown of authorized and actual net power expenses instead of just the actual versus authorized differences on its deferral calculation worksheet.
3. The Company include the calculation of the balancing accounts on the deferral calculation worksheet.
4. The Company break out and show separate line items for actual and authorized REC Revenue and Resource Optimization.

Respectfully submitted this 15th day of September 2016.

Brandon Karpen
Deputy Attorney General

Technical Staff: Mike Louis
Daniel Klein
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Avista Corporation PCA
July 2015 through June 2016
IPUC Deferral Analysis

Deferral for 2015-16 Deferral Period		Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-15 thru Jun-16	
BASE RATE RECOVERY - LOAD CHANGE ADJUSTMENT															
Idaho Actual Sales	MWh	259,631	267,056	211,445	227,441	248,786	302,427	287,600	247,551	242,490	218,644	211,312	218,387	2,942,770	
Idaho Base Sales	MWh	242,247	239,641	218,705	210,034	262,809	299,304	299,392	263,761	268,236	243,401	234,981	228,959	3,011,470	
Acutal - Base Sales	MWh	17,384	27,415	(7,260)	17,407	(14,023)	3,123	(11,792)	(16,210)	(25,746)	(24,757)	(23,669)	(10,572)	(68,700)	
LCAR	$/MWh	26.97	26.97	26.97	26.97	26.97	26.97	22.68	22.68	22.68	22.68	22.68	22.68		
Retail Revenue Adjustment - Under(+)/Over(-)	$	(468,846)	(739,383)	195,802	(469,467)	378,200	(84,227)	267,443	367,643	583,919	561,489	536,813	239,773	1,369,159	
Base-to-Actual Percent Difference	%	7.18%	11.44%	-3.32%	8.29%	-5.34%	1.04%	-3.94%	-6.15%	-9.60%	-10.17%	-10.07%	-4.62%	-2.3%	
NET POWER SUPPLY EXPENSE															
Actual Expense															
555 Purchased Power	$	13,032,881	15,967,109	11,448,945	11,753,765	14,963,692	16,760,121	13,649,153	13,452,207	13,762,455	11,810,638	10,399,522	10,545,763	157,546,251	
447 Sales for Resale	$	(6,398,663)	(8,995,718)	(9,044,467)	(10,680,728)	(12,102,755)	(12,494,264)	(10,291,009)	(10,637,878)	(11,228,965)	(9,817,050)	(10,187,127)	(9,220,527)	(121,099,151)	
501 Thermal Fuel	$	2,423,826	2,729,503	2,755,735	2,870,435	2,162,141	2,565,011	2,753,922	2,300,883	2,083,055	2,266,480	662,548	1,809,764	27,383,303	
547 CT Fuel	$	8,992,329	9,090,520	8,385,184	9,119,087	8,760,178	8,725,707	9,063,065	6,579,384	5,500,996	3,000,674	3,859,806	3,886,295	84,963,225	
456 Transmission Revenue	$	(1,569,451)	(1,433,184)	(1,480,437)	(1,486,322)	(1,395,586)	(1,271,979)	(1,324,359)	(1,112,794)	(1,154,350)	(1,298,500)	(1,403,137)	(1,567,883)	(16,497,982)	
565 Transmission Expense	$	1,678,442	1,420,148	1,417,125	1,443,829	1,406,502	1,462,172	1,376,369	1,599,865	1,438,139	1,405,327	1,375,315	1,371,935	17,395,168	
557 Resource Optimization	$	(1,619,642)	(1,969,918)	(1,305,599)	(714,081)	(738,921)	(390,259)	(1,971,230)	(531,977)	(926,365)	(1,090,951)	(1,719,080)	(1,604,664)	(14,582,687)	
Spokane Energy Net Capacity Sale	$														
Adjusted Actual Net Expense	$	16,539,722	16,808,460	12,176,486	12,305,985	13,055,251	15,356,509	13,255,911	11,649,690	9,474,965	6,276,618	2,987,847	5,220,683	135,108,127	
Idaho Allocation Factor	$	34.76%	34.76%	34.76%	34.76%	34.76%	34.76%	35.29%	35.29%	35.29%	35.29%	35.29%	35.29%		
Idaho Actual Net Expense	$	5,749,207	5,842,621	4,232,547	4,277,560	4,538,005	5,337,923	4,678,011	4,111,176	3,343,715	2,215,018	1,054,411	1,842,379	47,222,573	
Clearwater Purchase	$	0	0	0	0	0	0	0	0	0	0	0	0	0	
Clearwater Revenue	$	0	0	0	0	0	0	0	0	0	0	0	0	0	
Clearwater Net Revenue	$	0	0	0	0	0	0	0	0	0	0	0	0	0	
Authorized Net Expense															
555 Purchased Power	$	5,648,618	7,939,502	5,551,282	5,789,904	8,437,276	8,726,282	12,161,272	11,404,620	9,963,402	8,809,523	6,740,586	6,706,571	97,878,838	
555 Exclucde Palouse								(821,526)	(821,526)	(821,526)	(821,526)	(821,526)	(821,526)		
447 Sales for Resale	$	(6,033,100)	(3,115,032)	(4,649,875)	(4,672,288)	(5,573,841)	(6,089,913)	(5,920,050)	(4,854,311)	(5,165,161)	(6,554,606)	(6,515,727)	(4,972,680)	(64,116,584)	
501 Thermal Fuel	$	2,715,972	2,948,383	2,925,528	3,051,784	2,909,636	3,002,771	2,775,328	2,612,937	2,619,359	2,265,736	2,033,267	1,704,765	31,565,466	
547 CT Fuel	$	6,893,937	8,303,984	8,561,441	9,099,171	9,713,701	10,900,577	8,051,247	7,027,863	6,561,435	4,369,417	2,748,054	2,201,271	84,432,098	
456 Transmission Revenue	$	(1,563,830)	(1,439,516)	(1,361,638)	(1,498,286)	(1,294,553)	(1,278,524)	(1,405,733)	(1,166,326)	(1,222,888)	(1,264,428)	(1,579,616)	(1,659,588)	(16,734,926)	
565 Transmission Expense	$	1,432,251	1,480,124	1,483,239	1,547,809	1,665,262	1,635,447	1,452,738	1,372,806	1,509,572	1,336,193	1,369,317	1,346,174	17,630,932	
Authorized Net Expense	$	9,093,848	16,117,445	12,509,977	13,318,094	15,857,481	16,896,640	16,293,276	15,576,063	13,444,193	8,140,309	3,974,355	4,504,987	145,726,668	
Idaho Allocation Factor	$	34.76%	34.76%	34.76%	34.76%	34.76%	34.76%	35.29%	35.29%	35.29%	35.29%	35.29%	35.29%		
Idaho Authorized Net Expense	$	3,161,022	5,602,424	4,348,468	4,629,369	5,512,060	5,873,272	5,749,897	5,496,793	4,744,456	2,872,715	1,402,550	1,589,810	50,982,836	
Clearwater Purchase	$	1,665,897	1,673,537	1,533,746	1,650,145	1,669,545	1,770,021							9,962,891	
Clearwater Revenue	$	(1,875,474)	(1,884,078)	(1,733,585)	(1,857,742)	(1,886,753)	(1,992,699)							(11,230,331)	
Clearwater Net Revenue	$	(209,577)	(210,541)	(199,839)	(207,597)	(217,208)	(222,678)	0	0	0	0	0	0	(1,267,440)	
RENEWABLE ENERGY CREDIT REVENUE															
Actual REC Revenue	$	0	0	0	0	0	0	0	0	0	0	0	0	0	
Authorized REC Revenue	$	0	0	0	0	0	0	(236,220)	(220,980)	(236,220)	(228,283)	(236,220)	(228,600)	(1,386,523)	
Actual - Authorized REC Revenue	$	0	0	0	0	0	0	236,220	220,980	236,220	228,283	236,220	228,600	1,386,523	
Idaho Allocation Factor	$	34.76%	34.76%	34.76%	34.76%	34.76%	34.76%	35.29%	35.29%	35.29%	35.29%	35.29%	35.29%		
Actual - Autohrized Idaho REC Revenue	$	0	0	0	0	0	0	83,362	77,984	83,362	80,561	83,362	80,673	489,304	
COST RECOVERY SUBJECT TO SHARING															
Actual - Authorized Net Expense (Idaho share)	$	2,588,185	240,197	(115,921)	(351,809)	(974,055)	(535,349)	(1,071,886)	(1,385,617)	(1,400,741)	(657,697)	(348,139)	252,569	(3,760,263)	
Retail Revenue Adjustment	$	(468,846)	(739,383)	195,802	(469,467)	378,200	(84,227)	267,443	367,643	583,919	561,489	536,813	239,773	1,369,159	1,232,243
REC Revenue	$	0	0	0	0	0	0	83,362	77,984	83,362	80,561	83,362	80,673	489,304	
Total Cost (Subject to Sharing)	$	2,119,339	(499,186)	79,881	(821,276)	(595,855)	(619,576)	(721,081)	(939,990)	(733,460)	(15,647)	272,036	573,015	(1,901,800)	
Sharing Percentage	%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%		
Total Cost Recovery Subject to Sharing	$	1,907,405	(449,267)	71,893	(739,148)	(536,270)	(557,618)	(648,973)	(845,991)	(660,114)	(14,082)	244,832	515,714	(1,711,619)	
COST RECOVERY NOT SUBJECT TO SHARING															
Clearwater Actual - Authorized Net Revenue	$	209,577	210,541	199,839	207,597	217,208	222,678	0	0	0	0	0	0	1,267,440	
Total Cost Recovery Not Subject to Sharing	$	209,577	210,541	199,839	207,597	217,208	222,678	0	0	0	0	0	0	1,267,440	
Total Power Cost Deferral with Adjustments	$	2,116,982	(238,726)	271,732	(531,551)	(319,062)	(334,940)	(648,973)	(845,991)	(660,114)	(14,082)	244,832	515,714	(444,179)	(1,676,422)

PCA Deferral Balance		Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	
Monthly Interest Rate	%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	0.0833%	
2014-15 PCA Ending Balances																	
Account 182386 June 2015 Ending Balance	$	2,352,377															2,352,377
Account 182387 June 2015 Ending Balance	$	(1,202,604)															(1,202,604)
2015-2016 Beginning Balance	$	1,149,773	2,578,420	1,682,607	1,366,648	666,170	419,580	177,908	(374,583)	(1,137,409)	(1,722,495)	(1,665,056)	(1,354,680)				(1,354,680)
2015-2016 Incremental Deferral	$	2,116,982	(238,726)	271,732	(531,551)	(319,062)	(334,940)	(648,973)	(845,991)	(660,114)	(14,082)	244,832	515,714				(444,179)
RPS Compliance Adjustment	$	(38,978)															(38,978)
Amortization - Account 182386	$	(650,315)	(659,235)	(589,093)	(170,065)												(2,068,708)
Amortization - Account 182387	$					71,917	92,918	96,334	83,477	75,975	72,956	66,931	69,771				630,279
2015-16 Ending Balance w/out Previous Month Interest	$	2,577,462	1,680,459	1,365,246	665,032	419,025	177,558	(374,731)	(1,137,097)	(1,721,548)	(1,663,621)	(1,353,293)	(769,195)				(769,195)
Interest	$	958	2,148	1,402	1,138	555	350	148	(312)	(947)	(1,435)	(1,387)	(1,128)				1,490
2015-16 Ending Deferral Balance	$	2,578,420	1,682,607	1,366,648	666,170	419,580	177,908	(374,583)	(1,137,409)	(1,722,495)	(1,665,056)	(1,354,680)	(770,323)				(770,323)
2016-2017 Projected Beginning Balance	$												(770,323)	(739,207)	(660,433)	(582,780)	(582,780)
Projected Amortization	$												31,116	79,390	78,203	69,339	258,048
Projected interest	$													(616)	(550)	(485)	(1,651)
2016-17 Projected Ending Deferral Balance	$	0	0	0	0	0	0	0	0	0	0	0	(739,207)	(660,433)	(582,780)	(513,926)	(513,926)

Attachment A
Case No. AVU-E-16-05
Staff Comments
09/15/16

AVISTA UTILITIES
IDAHO ELECTRIC
IMPACT OF PROJECTED SCHEDULE 66 PCA DECREASE
PROPOSED RATE TO BE EFFECTIVE OCTOBER 1, 2016

(000s of Dollars)
(000s of kWh)

Line No.	Type of Service (a)	Schedule Number (b)	Forecasted Kilowatt-hours (c)(1)	Total Billed Revenue at Present Rates (d)	Proposed Sch. 66 Change (e)	Percent change on Billed Revenue (f)
1	Residential	1	1,186,226	$ 106,676	$ 178	0.17%
2	General Service	11,12	366,159	$ 36,545	$ 55	0.15%
3	Large General Service	21,22	651,417	$ 52,697	$ 98	0.19%
4	Extra Large General Service	25	368,180	$ 19,487	$ 55	0.28%
5	Clearwater	25P	405,418	$ 21,280	$ 61	0.29%
6	Pumping Service	31,32	58,273	$ 5,817	$ 9	0.15%
7	Street & Area Lights	41-49	13,686	$ 3,592	$ 2	0.06%
8	Total		3,049,359	$ 246,094	$ 458	0.19%

Line No.			
9	Proposed rate	$ (0.00017)	$ (518)
10	Present rate	$ (0.00032)	$ (979)
11	Rate Change	$ 0.00015	$ 461

Line No.	Proposed rate	
12	Total Amortization and Deferral Balance including interest thru 9/30/16	$ (513.926000)
	Forecasted Interest (Deferral and Amort)10/1/16-9/30/17	$ (2.569630)
	Total Balance with Forecasted Interest	$ (516.495630)
13	Conversion factor	0.994222
14	Revenue requirement	$ (516.912722)
15	kWh's from above	3,049,359
	Proposed rate:	$ (0.000170)

(1) Source: Calendar Load forecast for the twelve month period October 1, 2016 - September 30, 2017

Attachment B
Case No. AVU-E-16-05
Staff Comments
09/15/16

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 15TH DAY OF SEPTEMBER 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. AVU-E-16-05, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY