AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 175
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS

PURPOSE:

This Schedule establishes balancing accounts and implements an annual Fixed Cost Adjustment (“FCA”) rate mechanism that separates the recovery of the Company’s Commission authorized revenues from therm sales to customers served under the applicable natural gas service schedules.

TERM:

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

APPLICABLE:

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

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

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

MONTHLY RATE:

Group 1 – $0.01506 per therm
Group 2 – $0.01006 per therm

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By Patrick Ehrbar, Director of Regulatory Affairs

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

DESCRIPTION OF THE NATURAL GAS FCA MECHANISM:

Calculation of Monthly Allowed Delivery Revenue Per Customer:

Step 1 – Determine the Total Delivery Revenue - The Total Delivery Revenue is equal to the final approved base rate revenue (excluding natural gas costs) approved in the Company's last general rate case, individually for each Rate Schedule. For new customers, determine the Fixed Production and Underground Storage Revenue by multiplying the Normalized Therms by rate schedule from the last approved general rate case by the sum of the average Production and Underground Storage Cost per Therm by rate schedule from the approved Cost of Service.

Step 2 – Remove Basic Charge Revenue – included in the Delivery Revenue is revenue recovered from customers in Basic and Minimum charges ("Fixed Charges"). Because the FCA mechanism only tracks revenue that varies with customer energy usage, the revenue from Fixed Charges is removed. The number of Customer Bills in the test period, multiplied by the applicable Fixed Charges determines the total Fixed Charge revenue by rate schedule.

Step 3 – Determine Allowed FCA Revenue – Allowed FCA Revenue is equal to the Delivery Revenue (Step 1) minus the Basic Charge Revenue (Step 2). For new customers, Allowed FCA Revenue is equal to the Delivery Revenue minus the Fixed Production and Underground Storage Revenue (Step 1) minus the Basic Charge Revenue (Step 2).

Step 4 – Determine the Allowed FCA Revenue per Customer – To determine the annual per customer Allowed FCA Revenue, divide the Allowed FCA Revenue (by Rate Group) by the Rate Year number of Customers (by Rate Group) to determine the annual Allowed FCA Revenue per Customer (by Rate Group).

Step 5 – Determine the Monthly Allowed FCA Revenue per Customer - to determine the monthly Allowed FCA Revenue per customer, the annual Allowed FCA Revenue per customer is shaped based on the monthly therm usage from the rate year. The mechanism uses the resulting monthly percentage of usage by month and multiplied that by the annual Allowed FCA Revenue per Customer to determine the 12 monthly values

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

Calculation of Monthly FCA Deferral:

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

Step 2 – Multiply the actual number of customers by the applicable monthly Allowed FCA Revenue per Customer. The result of this calculation is the total Allowed FCA Revenue for the applicable month.

Step 3 – Determine the actual revenue collected in the applicable month. For new customers only, also multiply actual therm sales by the approved Fixed Production and Underground Storage Cost per Therm to determine actual revenue collected related to fixed production and underground storage costs.

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

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

Step 6 – The difference between the Actual FCA Revenue (Step 5) and the Allowed FCA Revenue (Step 2) is calculated, and the resulting balance is deferred by the Company. Interest on the deferred balance will accrue at the Customer Deposit Rate.

Step 7 – At the end of every 12 month deferral period, the annual FCA revenue per customer, by Rate Group, will be multiplied by the average annual number of actual customers). The result of that calculation will be compared to the actual deferred revenue for the same 12 month period. The difference between the actual deferred revenue, and the calculated value, will be added to, or subtracted from, the total deferred balance, by Rate Group.

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

ANNUAL NATURAL GAS FCA RATE ADJUSTMENT:

On or before July 31 each year, the Company will file a request with the Commission to surcharge or rebate, by Rate Group, the amount accumulated in the deferred revenue accounts for the prior July through June time period (the transition deferral period will be from January 2020 through June 2021).

The proposed tariff revisions included with that filing would include a rate adjustment that recovers/rebates the appropriate deferred revenue amount over a twelve-month period effective on November 1st. The deferred revenue amount approved for recovery or rebate would be transferred to a balancing account and the revenue surcharged or rebated during the period would reduce the deferred revenue in the balancing account. Any deferred revenue remaining in the balancing account at the end of the calendar year would be added to the new revenue deferrals to determine the amount of the proposed surcharge/rebate for the following year.

After determining the amount of deferred revenue that can be recovered through a surcharge (or refunded through a rebate) by Rate Group, the proposed rates under this Schedule will be determined by dividing the deferred revenue to be recovered by Rate Group by the estimated therm sales for each Rate Group during the twelve month recovery period. The deferred revenue amount to be recovered will be transferred to a FCA Balancing Account and the actual revenue received under this Schedule will be applied to the Account to reduce (amortize) the balance. Interest will be accrued on the unamortized balance in the FCA Balancing Account at the Customer Deposit Rate.

3% ANNUAL RATE INCREASE LIMITATION:

The amount of the incremental proposed rate adjustment under this Schedule cannot reflect more than a 3% rate increase. This will be determined by dividing the incremental annual revenue to be collected (proposed surcharge revenue less present surcharge revenue) under this Schedule by the total “normalized” revenue for the two Rate Groups for the most recent July through June time period (the transition deferral period will be from January 2020 through June 2021). Normalized revenue is determined by multiplying the weather-corrected usage for the period by the present rates in effect. If the incremental amount of the proposed surcharge exceeds 3%, only a 3% incremental rate increase will be proposed and any remaining deferred revenue will be carried over to the following year. There is no limit to the level of the FCA rebate, and the reversal of any rebate rate would not be included in the 3% incremental surcharge test.

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