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March 28, 2018

Diane Hanian, Commission Secretary
Idaho Public Utilities Commission
W. 472 Washington Street
Boise, Idaho 83720

RE: Case No. GNR-U-18-01, Avista Report on Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking

Dear Ms. Hanian:

Pursuant to the Commission's directive in Order No. 33965 in Case No. GNR-U-18-01, Avista Corporation dba Avista Utilities ("Avista" or "the Company") hereby submits an original and seven copies of its report relating to the impact of the Federal Tax Code revisions on utility costs and ratemaking, as well as its proposal for reflecting the new tax law in customer rates and returning deferred tax benefits to customers. Included with this response, and attached for filing with the Commission is an electronic copy of the Company's new proposed tariff Schedules 72 (electric) and 172 (natural gas), "Permanent Federal Income Tax Rate Credit," and 74 (electric) and 174 (natural gas), "Temporary Federal Income Tax Rate Credit".

I. PURPOSE AND BACKGROUND OF REPORT AND FILING

As noted in the Commission's Order No. 33965 dated January 17, 2018, on December 22, 2017, the President signed the Tax Cuts and Jobs Act of 2017 ("TCJA") into law. A main feature of the TCJA reduced the federal corporate tax rate from 35% to 21%, effective January 1,

2018. This significant tax rate reduction materially decreases the current and deferred tax expense currently included in customers' rates.

In addition, the TCJA also resulted in excess deferred income tax assets and liabilities (including both "protected" and "unprotected," as discussed further below[1]) which have been labeled by the Company as a permanent benefit (plant excess ADFIT) or labeled as a temporary benefit (non-plant excess ADFIT).

The purpose of this report, as requested by the Commission, is to identify and quantify the TCJA changes affecting the Company's costs and its impact on ratemaking for Avista. Included in this report, as described below, is 1) the "permanent" and "temporary" net tax benefit to customers from the TCJA; 2) the Company's proposal for returning these TCJA benefits to customers; 3) the federal income tax components for the year 2017, and the federal income tax components if the utility had been subject to the 2017 Tax Act's revisions to the tax code in 2017, including the 21% tax rate; and 4) discussion of the proposed tariff schedules (included as Attachment A), that reflect the revenue requirement impacts from the 2017 Tax Act.

II. PERMANENT AND TEMPORARY TAX BENEFITS AND PROPOSAL FOR RETURNING BENEFITS TO CUSTOMERS

On January 1, 2018, in compliance with Commission Order No. 33953 in Case Nos. AVU-E-17-01 and AVU-G-17-01, Avista's revised electric and natural gas base tariffs went into effect based on rates approved in that proceeding. The effective date of these base tariffs coincided with the TCJA effective date of January 1, 2018. Given Avista's existing base rates reflect new rates in effect as of January 1, 2018, for purposes of determining "permanent" benefits, including the effect of lowering the effective tax rate to 21%, and "temporary" benefits to be returned to customers over a shorter period of time[2], the Company used its recently approved general rate case (Case Nos. AVU-E-17-01 and AVU-G-17-01) data and information

[1] Avista has two main types of excess accumulated deferred income taxes (ADFIT) as defined by the Internal Revenue Code (IRC), "protected" and "unprotected". "Protected" excess ADFIT is generally defined as capital assets depreciated under IRC section 167, whereby these timing differences are required to be recorded and then reversed (i.e. normalized) over the depreciable lives of the capital assets that created the ADFIT. "Unprotected" excess ADFIT makes up the remainder of the Company's excess ADFIT, reflecting mainly non-plant related deferred assets and liabilities.

[2] For purposes of this filing, "permanent" benefits represent tax changes that impact base rates on a long-term or on-going basis, whereas "temporary" benefits represent amounts which are a one-time calculation or temporary in nature.

that was reviewed by all parties in that proceeding and approved by the IPUC for the 2018 rate effective period.[3/4]

Summary of Tax Benefits

As further described below, after giving effect to the TCJA changes, a summary of the permanent and temporary tax benefits to customers is shown in the Summary Table below:

Summary Table

Effective June 1, 2018:	**Revenue Requirement (000s)**	
Permanent Reductions (Tariff 72 / 172)[1]:	**ID Electric**	**ID Natural Gas**
1) Current/Deferred Tax Expense (35% to 21%)	$ (11,080)	$ (2,082)
2a) Plant Excess ADFIT	$ (2,660)	$ (474)
Permanent base rate change	$ (13,740)	$ (2,556)
Temporary Reductions:		
Tariff 74/174 (effective Jun 1, 2018 - May 31, 2019)[2]		
2b) Non-Plant Excess ADFIT	$ (6,302)	$ 526
3) Deferral of Jan - Apr 2018 balances	$ (5,724)	$ (1,065)
Total Tariff 74/174	$ (12,026)	$ (539)

[1]Tariff Schedules 72 (electric) and 172 (natural gas) would remain in place until included in base rate tariff schedules in the next general rate case.

[2]Tariff Schedules 74 (electric) and 174 (natural gas) would expire on May 31, 2019 unless necessary to continue due to true-up of benefits owed customers.

To the extent that results of ongoing discussions in the Avista/Hydro One merger dockets in Avista's jurisdictions (AVU-E-17-09/AVU-G-17-05 in Idaho) may impact these calculations, Avista will amend this report accordingly. In addition, after review by Staff and upon Commission order, the Company would file an update to the electric and natural gas Fixed Cost Adjustment (FCA) base values to appropriately reflect the base rate change included in the Schedule 72 (electric) / 172 (natural gas) adder schedules.

[3] For example, the Company updated its final approved electric and natural gas revenue requirement models, approved in Case Nos. AVU-E-17-01 and AVU-G-17-01, to reflect a 21% effective tax rate. The electric and natural gas revenue requirement models, with a separate adjustment reflecting each TCJA benefit, has been included with the workpapers filed with this response.

[4] The Commission requested the Company provide the federal income tax components for the year 2017, and the federal income tax components if the utility had been subject to the 2017 Tax Act's revisions to the tax code, including the 21% tax rate. As discussed further below, although the 2017 information as requested by the Commission is provided, the Company believes it is appropriate to use its most recent general rate case information for the rate effective period January 1, 2018 through December 31, 2018 to determine the TCJA benefits for customers.

Per the Summary Table above, the individual components are as follows:

1) Current and deferred income tax expense and conversion factor (or gross up to cover tax expenses) – The result of lowering the tax rate from 35% to 21% of taxable income, as well as the impact on the conversion factor, reduces current and deferred tax expense. The resulting reduction on a revenue requirement basis is **approximately $11.1 million electric and $2.1 million natural gas**. The Company proposes to reflect this tax benefit by lowering customer rates through new proposed tariff Schedules 72 (electric) and 172 (natural gas), "Permanent Federal Income Tax Rate Credit."[5]

2) Excess deferred income tax asset/liability – As of December 2017, deferred tax amounts were required to be revalued at the lower corporate rate (21%), resulting in excess deferred federal income tax reserve balances. Balances associated with regulated utility operations resulted in a balance sheet reclassification from deferred tax to deferred regulatory assets or liabilities. This revaluation impacted both plant (protected) and non-plant (unprotected) balances.[6] As a part of this item, amortization of deferred tax amounts that represent the difference between the historical 35% rate and the revised 21% rate have been determined.

   a) For Plant-related excess deferred income tax, the Company will amortize the plant DFIT balances (Regulatory Liability of $106.4 million electric and $20.5 million natural gas, per Table 2 below) in accordance with the TCJA's Average Rate Assumption Method (ARAM). The Company estimates the ARAM for Avista results in an amortization period of approximately 36 years. As shown in the Summary Table above, the annual permanent benefit from the plant excess deferred amortization (the benefit will change over time as the ARAM is not calculated on a straight-line basis), the resulting reduction on a revenue requirement basis is **approximately $2.7 million electric and $474,000 natural gas**. The Company proposes to reflect this tax benefit by lowering customer rates through new proposed tariff Schedules 72 (electric) and 172 (natural gas), "Permanent Federal Income Tax Rate Credit."

   b) For non-plant related excess deferred income tax, as shown in the Summary Table, the deferred tax benefit for **electric** to return to customers on a revenue requirement basis is **approximately $6.3 million.** For **natural gas**, the excess ADFIT results in a deferred tax asset, resulting in a **surcharge to customers of approximately $526,000**. For the net non-plant excess ADFIT surcharge, along

[5] Tariff Schedules 72 (electric) and 172 (natural gas), "Permanent Federal Income Tax Rate Credit" would remain in place until these tax benefits were included in base tariff schedules in the next general rate case. The Company proposed separate tariffs (Schedules 72/172), as opposed to adjusting base rates, so as not to alter the Commission approved base rates for year two of the Commission approved rate plan that will go into effect January 1, 2019.
[6] See definition of "protected" and "unprotected" below.

with the January – May 2018 deferred benefit (see Item 3 below), the Company proposes to return these balances to customers over a one-year amortization, beginning May 1, 2018, through separate (temporary) tariff Schedules 74/174. [7/8]

3) Deferral of January 1 – May 31, 2018 TCJA benefits – In compliance with IPUC Order No. 33965, the Company began to "immediately account for the financial benefits from the January 1, 2018 tax rate reduction to 21%," by deferring the benefits of the TCJA into a deferred regulatory liability until such time as the benefits are reflected in customer rates and the net deferred balance has been returned to customers. As shown in the Summary Table above (see also Table 3 below), the estimated deferred benefit for January 1 – May 31, 2018 is **approximately $5.7 million electric and $1.1 million natural gas**. For the net January – May 2018 deferred benefit, along with the non-plant excess ADFIT surcharge (see Item 2 above), the Company proposes to return these balances to customers over a one-year amortization, beginning May 1, 2018, through separate (temporary) tariff Schedules 74/174.[9]

Current/Deferred Tax Rate Change to 21%

The primary provision of the TCJA was a reduction in the federal corporate tax rate from 35% to 21%, reducing the current and deferred tax expense currently included in customers' rates. Avista's current retail rates, effective January 1, 2018 per Order 33953 in Case Nos. AVU-E-17-01 and AVU-G-17-01, assumed a federal corporate tax rate of 35%. To recognize the 21% tax rate, the Company has revised its revenue requirement calculation recently approved by the IPUC for the calendar year 2018 to include the impact on current and deferred tax expense. The corporate tax rate of 21% also has an effect on the gross up to cover tax expenses (conversion factor). Included as Attachments B and C with this response are the revenue requirement models previously approved in Case Nos. AVU-E-17-01 and AVU-G-17-01, updated to reflect the current tax rate of 21%, with all electronic workpapers provided as Attachment E.[10]

As shown in the Summary Table above, the result of lowering the tax rate from 35% to 21% of taxable income, as well as the impact on the conversion factor, reduces the Company's

[7] Tariff Schedules 74 (electric) and 174 (natural gas), "Temporary Federal Income Tax Rate Credit" would expire on May 31, 2019 unless necessary to continue due to true-up of benefits owed customers.
[8] To the extent the Commission would prefer other means or timing for returning these "temporary" benefits back to customers, i.e., in conjunction or timing with the Company's PGA or PCA, for example, rather than through separate tariff Schedules 74/174 effective June 1, 2018, the Company would not be opposed to such treatment.
[9] Tariff Schedules 74 (electric) and 174 (natural gas), "Temporary Federal Income Tax Rate Credit" would expire on May 31, 2019, unless necessary to continue due to true-up of benefits owed customers.
[10] These models also show the impact of the revised tax rate of 21% on the approved change in base rates effective January 1, 2019, year 2 of the Two Year Rate Plan. The effect of the 21% revised tax rate reduces the 2019 revenue requirement amount by $264,000 for electric and $66,000 for natural gas.

annual revenue requirement going forward by approximately **$11.1 million electric** and **$2.1 million natural gas**. (See Attachment B (electric) and Attachment C (natural gas), Tax Reform Adjustment #1, and supporting workpapers provided as Attachment D (.pdf) and E (electronic).)

To reflect the TCJA tax rate on current and deferred tax expense within customers' rates, the Company proposes to reduce customer's rates through new Tariff Schedules 72 (electric) and 172 (natural gas) "Permanent Federal Income Tax Rate Credit," to be effective June 1, 2018, and remain in place until such time as the tax reduction is included in base rates in a future general rate case.

Accumulated Deferred Federal Income Tax – Excess Tax Reserve

The Company has complied with the financial accounting requirements of Accounting Standards Codification ("ASC") - 740 which required recognition of the effect of certain tax law changes to be recognized in the period of enactment, in this case, December 2017. Recognition of this tax law change at December 31, 2017, resulted in the recording of excess accumulated deferred federal income tax (ADFIT) assets and liabilities.

The ADFIT balances as of December 31, 2017 (included on an end-of period basis), prior to adjustment for the TCJA corporate tax rate change to 21% is as follows in Table 1:

Table 1

Accumulated Deferred Federal Income Tax (ADFIT) Balances at December 31, 2017:			
	Avista Utility System	ID Electric	ID Natural Gas
Plant	$ (802,685,237)	$ (204,862,764)	$ (39,382,155)
Non-Plant	$ (31,206,134)	$ (18,523,295)	$ (2,326,819)

As shown in Table 1 above, Avista has both plant ($802,685,237 system) and non-plant ($31,206,134 system) related ADFIT balances as of December 31, 2017. Plant related balances are recorded in FERC Account 282. Non-plant balances are recorded in FERC Accounts 190 and 283. In order to comply with the TCJA, these tax assets/liabilities were adjusted to be 21% of the associated deferred asset/liability. The difference between the original balance recorded at 35% and the new balance recorded at 21%, was recorded as plant or non-plant excess ADFIT.

The amount of excess deferred income tax reserve (excess ADFIT) as described in Internal Revenue Code (IRC) Sec 168(i)(9)(A)(ii) as of December 31, 2017, to comply with the TCJA as shown in Table 2 below is as follows:

Table 2

Excess Deferred Federal Income Tax Reserve at December 31, 2017						
	Protected (normalized plant)			Unprotected (non-plant)		
	Avista Utility System	ID Electric	ID Natural Gas	Avista Utility System	ID Electric	ID Natural Gas
Excess Reserve	$ 320,850,109	$ 81,887,939	$ 15,741,873	$ 13,530,194	$ 4,770,382	$ (379,295)
Gross-up for taxes	$ 96,109,097	$ 24,529,136	$ 4,715,402	$ 4,052,904	$ 1,428,945	$ (113,616)
Regulatory Liability	$ 416,959,206	$ 106,417,075	$ 20,457,275	$ 17,583,098	$ 6,199,327	$ (492,911)

As shown in Table 2 above, Avista has two main types of excess ADFIT as defined by the IRC, "protected" and "unprotected."

Protected excess ADFIT is generally defined as capital assets depreciated under IRC section 167, whereby these timing differences are required to be recorded and then reversed (i.e. normalized) over the depreciable lives of the capital assets that created the ADFIT. The utility plant related excess ADFIT at December 31, 2017 system-wide was $320,850,109, exclusive of the tax gross up.[11] The share allocated to Idaho electric is $81,887,939 and to Idaho natural gas is $15,741,873. As discussed further below, the plant related excess ADFIT will be amortized over a longer period of time (approximately 36 years, following the IRS Average Rate Assumption Method or "ARAM"). The annual revenue requirement benefit to be returned to customers, therefore, will vary annually.[12] As shown in the Summary Table above, the 2018 annual tax benefit, on a revenue requirement basis, is approximately **$2.7 million electric** and **$474,000 natural gas**. (See Attachment B (electric) and Attachment C (natural gas), Tax Reform Adjustment #2, and supporting workpapers provided as Attachment D (.pdf) and E (electronic).)

[11] Embedded in the protected excess number are various basis adjustments to plant that are not specifically classified as "protected" Internal Revenue Code Section 167 amounts. The system-wide plant related deferred taxes not specifically requiring normalization treatment is $42,956,299, leaving $277,893,810 as system-wide specifically protected excess ADFIT. At this time the Company is unable to provide a Idaho-allocated breakdown of the plant "unprotected" balances. Avista uses a tax depreciation system called PowerTax to calculate tax depreciation and associated ADFIT. This system starts with Avista's book plant balances and then records what is called tax basis adjustments due to various tax timing differences. Common tax basis adjustments are accelerated depreciation which are protected, as well as unprotected items, such as Contributions in Aid of Construction (CIAC), AFUDC capitalization, and tangible repairs. These unprotected tax basis adjustments are directly tied, and essentially comingled within the basis of the underlying plant asset and associated ADFIT, and therefore are included with "protected" plant by the Company.

[12] The 2018 annual benefit to customers associated with the excess plant ADFIT is provided below.

To reflect the amortization of the excess plant ADFIT within customers' rates, the Company proposes to reduce customer's rates through new Tariff Schedules 72 (electric) and 172 (natural gas) "Permanent Federal Income Tax Rate Credit," to be effective June 1, 2018, and remain in place until such time as the amortization of the excess plant ADFIT is included in base rates in a future general rate case.

Unprotected excess ADFIT makes up the remainder of the Company's excess ADFIT, mainly representing non-plant related deferred assets/liabilities, as well as plant-related tax basis adjustments (included by the Company within its "protected" balances.) The utility non-plant related excess ADFIT at December 31, 2017 system-wide was $13,530,194, exclusive of the tax gross up. The share allocated to Idaho electric is $4,770,382 and to Idaho natural gas is a negative balance of $379,295. On a revenue requirement basis, for **electric** the tax benefit to be **returned** to customers is approximately **$6.3 million.** For **natural gas**, the amount to **surcharge** customers is approximately **$526,000**.

To reflect the non-plant excess ADFIT benefit/surcharge to customers, the Company is proposing to adjust customer's rates over a one-year period effective June 1, 2018 through May 30, 2019, through new temporary Tariff Schedules 74 (electric) and 174 (natural gas) "Temporary Federal Income Tax Rate Credit."[13]

(See Attachment B (electric) and Attachment C (natural gas), Tax Reform Adjustment #3, and supporting workpapers provided as Attachments D (.pdf) and E (electronic).)

Deferral of January 1 – May 31, 2018 TCJA benefits

Per IPUC Order No. 33965, the Company began to "immediately account for the financial benefits from the January 1, 2018 tax rate reduction to 21%," by deferring the benefits of the TCJA into a deferred regulatory liability until such time as the benefits are reflected in customer rates and the net deferred balance has been returned to customers. The monthly deferral to be recorded by the Company will include the tax benefit of reducing current and deferred income tax expense to 21%, as well as the monthly amortization of the excess plant ADFIT for the period January 1, 2018 – May 31, 2018.

[13] The non-plant excess ADFIT benefit (electric) or surcharge (natural gas) would be combined with the January 1 – May 31, 2018 deferred TCJA benefit, also to be refunded through Schedules 74 and 174, resulting in an overall benefit returned to customers over the period June 1, 2018 – May 30, 2019.

Table 3 below, (see also Summary Table above), reflects the estimated amount for the period January 1, 2018 – May 31, 2018, representing five-twelfths of the 2018 annual tax benefit of reducing current and deferred income tax expense to 21%, as well as 5 months of the 2018 annual amortization of the excess plant ADFIT.

Table 3

Estimated Excess Deferred Federal Income Tax and Current/Deferred Tax Expense Deferred for the Period January - May 2018 (000s)		
	ID Electric	ID Natural Gas
Excess ADFIT - Plant	$ 1,107	$ 197
Current/Deferred Tax Expense	$ 4,617	$ 868
Total Deferred Balance January - May 2018[(2)]	$ 5,724	$ 1,065

As shown in Table 3, the estimated deferred benefit on a revenue requirement basis for January – May 2018 is **approximately $5.7 million electric and $1.1 million natural gas**. (See Attachment B (electric) and Attachment C (natural gas), Tax Reform Adjustments #4 - #5 and supporting workpapers provided as Attachments D (.pdf) and E (electronic).)

To return the estimated deferred balance of the tax benefit to customers, the Company is proposing to adjust customer's rates over a one-year period effective June 1, 2018 through May 30, 2019, through new temporary Tariff Schedules 74 (electric) and 174 (natural gas) "Temporary Federal Income Tax Rate Credit."

Although for reporting purposes here the Company has estimated these balances, the Company will track and compare any actual deferrals recorded by the Company for the period January 1, 2018 - May 31, 2018 versus that estimated.

Furthermore, with the limited amount of time since the legislation has been signed into law, not all impacts of the TCJA on the Utility are known at this time. For example, there may be additional interpretations and rulings from government agencies related to the law which may result in additional adjustments up or down.[14] The Company, therefore, believes it necessary to

[14] For example, the Company is in the process of determining the impact of FERC Docket No. EL-18-75-000 directing Avista to either (i) propose revisions to our transmission rate to reflect the change in corporate income tax rate, or (ii) show cause why we should not be required to make such a change. A filing by Avista is due in mid-May. At this time the Company does not know the impact on its transmission or retail customers.

continue to track any appropriate differences through the deferred regulatory liability as a result of 1) differences between estimated amounts for the January – May 2018 deferral returned to customers beginning June 1, 2018, versus actual amounts recorded for January through May 2018; and 2) unanticipated tax effects from changes in tax legislation. This difference, up or down, could be included in Schedule 74/174 as a true-up, if necessary, or deferred until the next general rate case. This tracking adjustment would also provide the opportunity for Staff and interested parties to complete their audit of Avista's filings and capture any necessary changes.

III. TAX BENEFIT RESULTS USING 2017 CALENDER YEAR RESULTS

Per IPUC Order No. 33965 each regulated utility "must disclose the federal income tax components for the year 2017, and the federal income tax components if the utility had been subject to 2017 Tax Act's revisions to the tax code, including the 21% tax rate." As shown in Attachment F, in 2017 the Idaho current and deferred FIT expense was approximately $20.63 million electric and $4.57 million natural gas. If the 2017 Tax Act's revisions to the tax code, including the 21% tax rate, had been in place during 2017, the revised current and deferred FIT expense for Idaho would have been approximately $12.61 million electric and $2.83 million natural gas. This would have resulted in a reduction in current and deferred FIT expense for Idaho of approximately $8.02 million electric and $1.74 million natural gas, a revenue requirement reduction (or benefit to customers) of approximately $10.77 million electric and $2.34 million natural gas.[15]

As noted above, the Company believes it is appropriate to use <u>the most recent approved rates</u> in effect as of January 1, 2018 for rate year 2018, per Commission Order No. 33953 in Case Nos. AVU-E-17-01 and AVU-G-17-01, to determine the tax benefit for customers beginning January 1, 2018. The results of using the current rates effective January 1, 2018, as noted in the Summary Table above, results in a current and deferred tax expense benefit of approximately $11.08 million electric and $2.08 million natural gas. Table 4 below summarizes the difference between updating 2017 actual results with a 21% effective tax rate, versus updating customers current approved rates in effect January 1, 2018 with a 21% effective tax rate:

[15] System amounts of the federal income tax components for the year 2017, and the federal income tax components if the utility had been subject to 2017 Tax Act's revisions to the tax code, including the 21% tax rate, are also shown in Attachment F, as required per IPUC Order No. 33965.

Table 4

Difference in Tax Benefit of Using 2017 Results versus Current Approved Rates				
	ID Electric		ID Natural Gas	
Tax Benefit Using Actual 2017 Results with 21% Effective Rate	$	(10,769)	$	(2,337)
Tax Benefit Using Current Approved Rates (Effective Jan. 1, 2018) with 21% Effective Rate	$	(11,080)	$	(2,082)
Net Benefit/(Reduced Benefit) of using 2018 GRC Approved vs 2017 Actual	$	311	$	(255)

As shown in Table 4 above, using the current approved rates for Rate Year 2018 per Case Nos. AVU-E-17-01 and AVU-G-17-01, adjusted to reflect a 21% tax rate, produces similar results as that produced if 2017 actual results had been revised using a 21% tax rate. However, although the results are similar, the Company believes given that its rates have been recently reset (January 1, 2018), coincident with the Tax Act, updating Avista's current general rates using the most current approved rates in effect as of January 1, 2018 is more appropriate.

IV. PROPOSED TARIFF SCHEDULES

As previously stated, the Company is proposing new tariff Schedules 72 (electric) and 172 (natural gas) for the "Permanent Federal Income Tax Rate Credit," and 74 (electric) and 174 (natural gas) for the "Temporary Federal Income Tax Rate Credit". The Company is proposing to spread both the permanent and temporary portions of the Rate Credits on a uniform percent of base revenue basis for both electric and natural gas. 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 applied a uniform cents per kWh (electric) and therm (natural gas) to the volumetric block rates by rate schedule. The permanent portion being passed back through rate schedules 72 and 172 will remain in effect until such time that these tax benefits are incorporated into base rates in a future general rate case proceeding. The temporary portion being passed back through rate schedules 74 and 174 will be in effect for a one-year period beginning June 1, 2018. The combined average residential bill impact for a customer using 910 kWh's per month would be a reduction of $9.09,

or 9.7%. The combined average residential bill impact for a customer using 63 therms per month would be a reduction of $2.71, or 5.4%.

Please direct questions on this matter to Liz Andrews at (509) 495-8601.

Sincerely,

Patrick Ehrbar
Director of Regulatory Affairs

Enclosures

Attachment A

Proposed Tariffs

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 72

PERMANENT FEDERAL INCOME TAX RATE CREDIT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This Permanent Federal Income Tax Rate Credit shall be applicable to all retail customers for charges for electric energy sold and to the flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service.

This rate credit is designed to reflect the permanent benefits attributable to the revisions of the federal income tax code caused by enactment of the Tax Cuts and Jobs Act signed into law on December 22, 2017.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be decreased by the following amounts:

Schedule 1	0.533 ¢ per kWh	Schedule 25	0.307 ¢ per kWh
Schedule 11 & 12	0.568 ¢ per kWh	Schedule 25P	0.291 ¢ per kWh
Schedule 21 & 22	0.448 ¢ per kWh	Schedule 31 & 32	0.510 ¢ per kWh
Schedule 41 - 49	1.513 ¢ per kWh		

TERM:

The Permanent Federal Tax Rate Credit will be in effect until such time that the permanent federal tax benefits are incorporated into base rates in a general rate case proceeding.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 58.

Issued March 28, 2018 Effective June 1, 2018

Issued by Avista Utilities
By Patrick Ehrbar, Director of Regulatory Affairs

Patrick D. Ehrbar

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 74

TEMPORARY FEDERAL INCOME TAX RATE CREDIT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This Temporary Federal Income Tax Rate Credit shall be applicable to all retail customers for charges for electric energy sold and to the flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service.

This rate credit is designed to reflect the temporary benefits attributable to the revisions of the federal income tax code caused by enactment of the Tax Cuts and Jobs Act signed into law on December 22, 2017.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be decreased by the following amounts:

Schedule 1	0.466 ¢ per kWh	Schedule 25	0.269 ¢ per kWh
Schedule 11 & 12	0.497 ¢ per kWh	Schedule 25P	0.254 ¢ per kWh
Schedule 21 & 22	0.392 ¢ per kWh	Schedule 31 & 32	0.447 ¢ per kWh
Schedule 41 - 49	1.324 ¢ per kWh		

TERM:

The Temporary Federal Tax Rate Credit will be in effect for a one-year period from June 1, 2018 through May 31, 2019. Any residual balance at the end of the one-year term will be recovered in a future general rate case proceeding.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 58.

Issued March 28, 2018 Effective June 1, 2018

Issued by Avista Utilities
By Patrick Ehrbar, Director of Regulatory Affairs

Patrick D. Ehrbar

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 172

PERMANENT FEDERAL INCOME TAX RATE CREDIT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has natural gas service available. This Permanent Federal Income Tax Rate Credit shall be applicable to all retail customers taking service under Schedules 101, 111, 112, 131, 132, and 146.

This rate credit is designed to reflect the permanent benefits attributable to the revisions of the federal income tax code caused by enactment of the Tax Cuts and Jobs Act signed into law on December 22, 2017.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be decreased by the following amounts:

Schedule 101	$0.03548 per Therm
Schedule 111 & 112	$0.01854 per Therm
Schedule 131 & 132	$0.01854 per Therm
Schedule 146	$0.00876 per Therm

TERM:

The Permanent Federal Tax Rate Credit will be in effect until such time that the permanent federal tax benefits are incorporated into base rates in a general rate case proceeding.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 158.

Issued: March 28, 2018 Effective: June 1, 2018

Issued by Avista Utilities

By Patrick Ehrbar, Director of Regulatory Affairs

Patrick D. Ehrbar

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 174

TEMPORARY FEDERAL INCOME TAX RATE CREDIT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has natural gas service available. This Temporary Federal Income Tax Rate Credit shall be applicable to all retail customers taking service under Schedules 101, 111, 112, 131, 132, and 146.

This rate credit is designed to reflect the temporary benefits attributable to the revisions of the federal income tax code caused by enactment of the Tax Cuts and Jobs Act signed into law on December 22, 2017.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be decreased by the following amounts:

Schedule 101	$0.00748 per Therm
Schedule 111 & 112	$0.00391 per Therm
Schedule 131 & 132	$0.00391 per Therm
Schedule 146	$0.00185 per Therm

TERM:

The Temporary Federal Tax Rate Credit will be in effect for a one-year period from June 1, 2018 through May 31, 2019. Any residual balance at the end of the one-year term will be recovered in a future general rate case proceeding.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 158.

Issued: March 28, 2018 Effective: June 1, 2018

Issued by Avista Utilities

By Patrick Ehrbar, Director of Regulatory Affairs

Patrick D. Ehrbar

Workpapers

Idaho
Electric
Schedule 72
Permanent Federal Tax Rate Adjustment

No.	Type of Service	Schedule Number	Present Base Revenue	Permanent Federal Tax Rate Adjustment	Base Percentage Change	Billed Percentage Change	Present Billing Determinants	Schedule 72 Per kWh Rate
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Residential	1	$115,160	($6,098)	-5.3%	-5.1%	1,145,126,003	**$ (0.00533)**
2	General Service	11/12	$39,173	($2,074)	-5.3%	-5.1%	365,113,814	**$ (0.00568)**
3	Large General Service	21/22	$54,882	($2,906)	-5.3%	-5.1%	649,192,595	**$ (0.00448)**
4	Extra Large General Service	25	$20,728	($1,098)	-5.3%	-5.4%	357,288,245	**$ (0.00307)**
5	Clearwater	25P	$19,897	($1,054)	-5.3%	-5.4%	362,572,860	**$ (0.00291)**
6	Pumping Service	30/31/32	$5,819	($308)	-5.3%	-5.1%	60,392,324	**$ (0.00510)**
7	Street & Area Lights	41-48	$3,814	($202)	-5.3%	-5.1%	13,345,092	**$ (0.01513)**
8	Total		$259,473	($13,740)	-5.3%	-5.2%	2,953,030,933	

* In effect until incorporated into base rates.

Idaho
Electric
Schedule 74
Temporary Federal Tax Rate Adjustment

No.	Type of Service	Schedule Number	Present Base Revenue	Federal Tax Rate Adjustment	Base Percentage Change	Billed Percentage Change	Present Billing Determinants	Schedule 74 Per kWh Rate
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Residential	1	$115,160	($5,337)	-4.6%	-4.5%	1,145,126,003	**$ (0.00466)**
2	General Service	11/12	$39,173	($1,816)	-4.6%	-4.5%	365,113,814	**$ (0.00497)**
3	Large General Service	21/22	$54,882	($2,544)	-4.6%	-4.5%	649,192,595	**$ (0.00392)**
4	Extra Large General Service	25	$20,728	($961)	-4.6%	-4.7%	357,288,245	**$ (0.00269)**
5	Clearwater	25P	$19,897	($922)	-4.6%	-4.7%	362,572,860	**$ (0.00254)**
6	Pumping Service	30/31/32	$5,819	($270)	-4.6%	-4.5%	60,392,324	**$ (0.00447)**
7	Street & Area Lights	41-48	$3,814	($177)	-4.6%	-4.5%	13,345,092	**$ (0.01324)**
8	Total		$259,473	($12,026)	-4.6%	-4.5%	2,953,030,933	

* In effect for a one-year period beginning June 1, 2018.

Idaho
Natural Gas
Schedule 172
Permanent Federal Tax Rate Adjustment

Line No.	Type of Service	Schedule Number	Present Base Revenue	Permanent Federal Tax Rate Adjustment	Base Percentage Change	Billed Percentage Change	Present Billing Determinants	Schedule 172 Per Therm Rate
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	General Service	101	$34,270	($2,099)	-6.1%	-4.6%	59,156,634	**$ (0.03548)**
2	Large General Service	111/112	$7,045	($432)	-6.1%	-3.7%	23,271,119	**$ (0.01854)**
4	Interruptible Service	131/132	$0	$0	0.0%	0.0%	0	**$ (0.01854)**
5	Transportation Service	146	$414	($25)	-6.1%	-6.1%	2,891,150	**$ (0.00876)**
6	Special Contracts	148	$103	$0	0.0%	0.0%		
7	Total		$41,832	($2,556)	-6.1%	-4.4%		

* In effect until incorporated in base rates

Idaho
Natural Gas
Schedule 174
Temporary Federal Tax Rate Adjustment

Line No.	Type of Service	Schedule Number	Present Base Revenue	Schedule 174 Federal Tax Rate Adjustment	Base Percentage Change	Billed Percentage Change	Present Billing Determinants	Schedule 174 Per Therm Rate
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	General Service	101	$34,270	($443)	-1.3%	-1.0%	59,156,634	**$ (0.00748)**
2	Large General Service	111/112	$7,045	($91)	-1.3%	-0.8%	23,271,119	**$ (0.00391)**
4	Interruptible Service	131/132	$0	$0	0.0%	0.0%	0	**$ (0.00391)**
5	Transportation Service	146	$414	($5)	-1.3%	-1.3%	2,891,150	**$ (0.00185)**
6	Special Contracts	148	$103	$0	0.0%	0.0%		
7	Total		$41,832	($539)	-1.3%	-0.9%		

* In effect for a one-year period beginning June 1, 2018