



Idaho Public Utilities Commission

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Case No. AVU-E-14-06, Order No. 33095
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Commission taking comment on Avista request to recover power supply expense

Boise (Aug. 29, 2014) – Avista is seeking two adjustments to its overall energy rate that would increase rates about 4.2% for residential customers. One adjustment, the annual Power Cost Adjustment (PCA), is an increase while another much smaller adjustment, the Bonneville Power Administration credit, is a slight decrease. The Idaho Public Utilities Commission is taking comment on Avista's request through Sept. 15.

Every Oct. 1, electric rates for Avista Utilities customers go up or down based on the previous year's variable costs to serve customers. Variable costs of providing energy may not already be included in rates because they change from year to year. Factors that contribute to variable costs include: 1) streamflows, 2) fuel costs, 3) the market price of power and 4) revenue and expenses related to contracts with power suppliers.

During years when variable expenses are less than what is already included in rates, customers get a one-year rate credit or decrease. During years when variable expenses are greater than anticipated, customers get a one-year surcharge. Avista's earnings are not increased by the PCA. Extraordinary power supply expense is kept in a deferred account audited by the commission. The money collected from customers through the PCA surcharge can go only toward paying down power supply expense.

This year, Avista claims its power supply expense is \$7.8 million greater than that already included in customer rates. Further, a \$4.6 million credit that occurred as a result of last year's PCA decrease expires this year.

As a result, Avista proposes to adjust this year's PCA from a credit of 0.152 cents per kilowatt-hour to a surcharge of 0.252 cents per kWh, resulting in an overall increase of 0.4 cents per kWh, or slightly less than one-half of one cent per kWh. For a residential customer who uses Avista's average of 930 kWhs per month, an average monthly bill would increase by \$3.76, from \$81.88 to \$85.64.

Staff from the commission is reviewing Avista's application to determine if the additional power supply expense it seeks to recover was prudently incurred and necessary to serve customers. Idaho law requires that regulated utilities recover all prudently incurred expenses needed to serve customers.

Avista claims the following factors led to the increase of \$7.8 million in expense not already included in customer rates:

- A forced outage at the Colstrip coal plant in eastern Montana from July 1, 2013 to Jan. 22, 2014, required Avista to buy replacement power that was more expensive than Colstrip generation, resulting in increased power supply expense of \$4.1 million.
- The Palouse Wind project in eastern Washington came online during 2013, adding \$2.17 million to power supply expense.
- A 19% increase in retail electric demand resulted in an additional \$1.3 million in power supply expense.
- Clearwater Paper in Lewiston chose to use its own generation to reduce anticipated purchases from Avista by about \$2.3 million.
- A customer rebate that was part of last year's PCA expires, adding \$4.6 million to the PCA account.

Avista's application also includes an increase to the credit customers get from the Bonneville Power Administration. That would decrease the average residential customer's monthly bill by 31 cents or 0.2%.

The commission plans to process this case through written comments rather than public hearings, but customers can request a hearing by explaining why they believe the case should not be processed through written comment. In addition, customers may request a workshop conducted by commission staff that would further explain the company's application.

Comments about Avista's request or those requesting a workshop or hearing must be submitted to the commission by no later than Sept. 15. Comments are accepted via e-mail by accessing the commission's Website at www.puc.idaho.gov and clicking on "Case Comment Form," under the "Electric" heading. Fill in the case number (AVU-E-14-06) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

A full text of the company's application along with other documents related to this case is available on the commission's Web site. Click on "Open Cases" under the "Electric" heading and scroll down to the above case number.