



Case No. AVU-E-16-03, Order No. 33682

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Avista electric rates increased an average 2.6% on Jan. 1 North Idaho utility originally requested 6.3%

BOISE (January 3, 2017) – Electric rates for the northern Idaho customers of Avista Utilities went up by an average 2.6 percent effective January 1. The utility originally requested a 6.3 percent increase, but a settlement proposed by Idaho Public Utilities Commission staff, Avista and other parties resulted in a smaller increase.

Avista originally requested a \$15.4 million increase to its annual revenue requirement. The settlement, adopted by the commission, reduced that annual increase to \$6.25 million.

“The settlement represents a reasonable compromise of the positions held by the parties and reflects a significant reduction in the requested revenue increase,” the commission stated. “The commission appreciates the parties’ work on the settlement and their ability to resolve all the issues in this case.”

Parties signing the settlement included commission staff, Clearwater Paper Corporation, Idaho Forest Products, the Snake River Alliance and the Community Action Partnership Association of Idaho, which represents low- and fixed-income customers.

After Avista filed the application last May, commission staff initiated an active discovery process, including an on-site investigation and thorough audit. Commission staff said its position in the settlement process was to reach a conclusion that “was as good or better (for customers) than what could be achieved,” had the case not settled and went to full litigation.

The settlement reduced Avista’s requested annual revenue increase by \$9.2 million. The most significant adjustment was a \$4.5 million reduction by moving the net expenses for the Palouse Wind project from base rates to the annual Power Cost Adjustment (PCA) process.

“Circumstances and evidence suggest that the company acquired Palouse Wind to meet Resource Portfolio Standards for the State of Washington, not to meet Idaho load needs,” the commission said. Further, the commission stated, Avista pays substantially more for Palouse

Wind energy than the actual market value of the energy. However, Idaho customers are served by some of the energy from the wind project. The compromise in past years, the commission said, has been to remove the above-market value of Palouse energy from base rates and flow 90 percent of the remainder through the PCA process, with Avista paying the remaining 10 percent. By continuing that treatment for Palouse Wind, the savings to customers is about \$450,000 annually.

The settlement also reduced Avista's requested Return on Equity from 9.9 percent to 9.5 percent, resulting in a \$2.47 million reduction in revenue requirement. Other reductions included \$1.33 million from capital plant additions, \$1.06 million from 2015 storm costs; \$333,000 from administrative and general expense, board of director expense and other items; \$310,000 from non-union labor expense; and \$171,000 by removing all company officer incentives.

Finally, the settlement reduced the size of the increase in the Residential Basic Charge from the company's requested \$6.25 per month to \$5.75 per month. The former charge was \$5.25 per month. The parties also agreed to meet before the next rate case to assess Avista's Low-Income Weatherization and Low-Income Energy Conservation education programs for possible improvements.

Avista, headquartered in Spokane, has about 125,000 customers in its north-central and northern Idaho territory. A copy of the commission's final order as well as other documents in this rate case are available on the commission's website at www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to Case No. AVU-E-16-03.

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