



Case Nos. AVU-E-17-01 and AVU-G-17-01

Order No. 33953

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Avista rates increased Jan. 1 due to settlement

BOISE (Jan. 2, 2018) – A rate increase took effect Jan. 1 for Avista Utilities electric and natural gas service as a result of a settlement adopted by the Idaho Public Utilities Commission.

Electric rates rose by an average of 5.6 percent Jan. 1, and natural gas rates increased by 2.3 percent – significantly less than the company initially proposed in a two-year rate plan submitted to the Commission in April.

Avista initially proposed electric rate increases of 7.9 percent in 2018 and 4.2 percent in 2019, and increases to natural gas rates of 5.7 percent in 2018 and 3.3 percent in 2019.

The settlement calls for electric rates to increase by 2.3 percent in 2019, when natural gas rates will rise by 1.8 percent.

“These rate changes result in significantly less additional revenue than Avista originally sought,” the Commission said in its order adopting the settlement.

In its application, Avista asserted a rate increase was needed in part to replace and upgrade its aging infrastructure. An increase in power supply costs also was a factor, the company said, as was a drop in electric consumption in two customer classes.

Avista owns and operates eight hydropower plants, five natural gas plants, a biomass facility and a 222-MW share of the output at the Colstrip coal plant in Montana.

Among the planned capital investments are the rehabilitation of a generator at its biomass plant, an ongoing project to replace portions of a natural gas distribution line, upgrades to the company’s transmission and distribution system and technological improvements.

The rate changes are projected to increase Avista’s annual billed electric revenue by \$12.9 million in 2018 and by \$4.5 million in 2019.

For natural gas service, the changes are designed to increase annual billed revenue by \$1.2 million in 2018 and by \$1.1 million in 2019.

The revenue increases are based on a 9.5-percent return on equity, down from a 9.9-percent return on equity in the company's original proposal.

Idaho state law requires that regulated utilities be allowed to recover their prudently incurred expenses and earn a reasonable rate of return, which is established by the Commission. The burden of proof is on the utility to demonstrate that additional capital investment was necessary to serve customers and, if so, that the expenses were prudently incurred.

The settlement approved by the Commission calls for reductions or delays in a number of projects outlined in the company's original proposal.

The settlement was supported by several parties to the case, including Commission staff, Clearwater Paper, Idaho Forest Group and the Community Action Partnership Association of Idaho.

Two parties, Sierra Club and the Idaho Conservation League, opposed the settlement primarily because it allows Avista to recover costs associated with emissions control measures at the Colstrip plant.

In its order, however, the Commission found that the company's "SmartBurn" projects were a cost-effective way to incrementally reduce nitrous oxide emissions, "likely reducing the size and cost of future emissions controls."

The settlement, which came after two public workshops, a public hearing, settlement conference and technical hearing, includes a "stay-out provision" that prohibits Avista from filing a general rate case increasing rates prior to Jan. 1, 2020. The settlement includes a number of other provisions, including the consideration of funding increases to low-income weatherization programs and energy conservation education programs.

For a residential electric customer using an average of 910 kilowatt-hours per month, the settlement will lead to an increase of \$5.22 per month, for a monthly bill of \$93.34, as of Jan. 1, 2018. That includes a 25-cent increase to the basic charge, raising it to \$6 per month.

The same customer will see an increase of \$2.16 per month in 2019.

Avista's initial proposal would have led to monthly increases of \$7.03 in 2018 and \$4.02 in 2019.

For natural gas service, the rate increase that took effect Jan. 1 will lead to a monthly increase of \$1.13 for a residential customer using an average of 63 therms per month, raising the monthly bill to \$53.74. That includes a 75-cent increase to the basic charge, raising it to \$6 per month.

The same customer will see an increase of \$1.09 per month in 2019.

The company's initial request would have increased the monthly bill for that customer by \$3.37 in 2018 and \$2.07 in 2019.

Avista serves approximately 125,000 electric customers and 75,000 natural gas customers in northern Idaho.

Petitions for reconsideration must be submitted by no later than Jan. 18. Petitions must cite why the order is unreasonable, unlawful or erroneous. Petitions should include a statement of the nature and quantity of evidence the petitioner will offer if reconsideration is granted.

Petitions can be delivered to the Commission at 472 W. Washington St. in Boise, mailed to P.O. Box 83720, Boise, ID, 83720-0074, or faxed to 208-334-3762.

Full text of the Commission's order, along with other documents related to these cases, are available on the commission's website at www.puc.idaho.gov. Click on Open Cases under the "Electric" or "Natural Gas" heading and scroll down to Case No. [AVU-E-17-01](#) or [AVU-G-17-01](#).