

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION DBA AVISTA)	CASE NOS. AVU-E-15-05
UTILITIES FOR AUTHORITY TO)	AVU-G-15-01
INCREASE ITS RATES AND CHARGES FOR)	
ELECTRIC AND NATURAL GAS SERVICE)	NOTICE OF APPLICATION
IN IDAHO)	
)	NOTICE OF
)	INTERVENTION DEADLINE
)	
)	ORDER NO. 33324

On June 1, 2015, Avista Corporation dba Avista Utilities filed an Application seeking authority to increase the Company’s general rates for electric and natural gas service in Idaho. Avista proposes a two-year rate plan that would increase annual *electric* billed revenues by \$13.2 million (5.2%) on January 1, 2016,¹ and by \$13.7 million (5.1%) on January 1, 2017. The plan also would increase annual *natural gas* billed revenues by \$3.2 million (4.5%) on January 1, 2016,² and by \$1.7 million (2.2%) on January 1, 2017.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Avista is a public utility engaged in the generation, transmission and distribution of electricity and natural gas. Avista’s service area includes eastern Washington, northern Idaho, and parts of southern and eastern Oregon. Avista’s existing base rates and charges for electric and natural gas services were approved by the Commission on March 27, 2013, and took effect in October 2013. Order No. 32769.

YOU ARE FURTHER NOTIFIED that Avista’s proposed *electric* rate increase would increase the bill of an average residential customer, using 929 kilowatt hours (kWh) per month, by \$5.92 per month in 2016. This increase includes a “basic charge” increase of \$3.25

¹ Avista’s Application proposes a July 3, 2015 effective date. Avista asks the Commission to suspend this proposed effective date for a period of 30 days plus 5 months to ensure the Company complies with Commission Order No. 33130. This Order approved a settlement agreement in which the parties agreed that Avista may file a general rate case as of May 31, 2015, with “an effective date no earlier than January 1, 2016,” but the “final approved new rates will not go into effect prior to January 1, 2016.” See Order No. 33130 at 2.

² *Id.*

per month.³ For 2017, the same customer could expect another bill increase of \$6.10 per month. Avista’s proposed electric rate increase would impact customers’ electric bills by schedule as follows:

Proposed Electric Increase

Service Schedule	Proposed 2016 Billing Increase	Proposed 2017 Billing Increase
Residential Service Schedule 1	6.9%	6.7%
General Service Schedules 11 & 12	3.5%	3.5%
Large General Service Schedules 21 & 22	4.5%	4.5%
Extra Large General Service Schedule 25	4.5%	4.5%
Extra Large General Service Schedule 25P	2.6%	2.7%
Pumping Service Schedules 31 & 32	5.2%	5.1%
Street & Area Lighting Schedules 41-49	6.1%	5.9%
Overall Increase	5.2%	5.1%

See Morris Direct at 7.

YOU ARE FURTHER NOTIFIED that Avista’s proposed *natural gas* rate increase would increase the bill of an average residential customer, using 61 therms per month, by \$3.90 per month in 2016. This increase includes a “basic charge” increase of \$3.75 per month.⁴ For 2017, the same customer could expect another bill increase of \$1.79 per month. Avista’s proposed natural gas rate increase would impact customers’ gas bills by schedule as follows:

Proposed Natural Gas Increase

Service Schedule	Proposed 2016 Billing Increase	Proposed 2017 Billing Increase
General Service Schedule 101	6.5%	2.9%
Large General Service Schedule 111 & 112	3.5%	1.3%
Interruptible Sales Service Schedules 131 & 132	5.5%	2.0%
Transportation Service Schedule 146 (excluding natural gas costs)	4.5%	5.4%
Overall Increase	5.8%	2.5%

See Morris Direct at 9.

YOU ARE FURTHER NOTIFIED that Avista claims its existing rates are not fair, just, and reasonable, and that it must increase them so it can earn a fair return on its investment.

³ The “basic charge” is “essentially the fixed distribution costs for providing service to customers.” See Ehrbar Direct at 42. This component of “the Company’s costs are fixed and do not vary with customer usage.” *Id.*

⁴ See *supra* note 3.

Avista maintains that it needs to increase its rates primarily to cover an increase in net plant investment (including return on investment, depreciation and taxes, and offset by the tax benefit of interest), \$1.08 billion in capital expenditures over the two year period, and the December 31, 2016, expiration of an existing capacity sales agreement that will increase net power expenses. Application at 3-6.

YOU ARE FURTHER NOTIFIED that besides increasing base rates as described above, Avista also proposes to implement an electric and natural gas Fixed Cost Adjustment (FCA). The FCA is designed to break the link between Avista's revenues and customers' energy use. Under the proposed FCA, Avista's revenues would adjust each month to reflect revenues based on the number of customers, rather than on sales of kilowatt-hours and therms. Avista explains that the difference between sales-based revenues and revenues based customer numbers will yield surcharges or rebates to customers the following year. *See Ehrbar Direct* at 55.

YOU ARE FURTHER NOTIFIED that Avista bases its supporting evidence for the requested rate increases on a 12-month test year ending December 31, 2014. *Id.* at 4. Avista requests a 50% common equity-50% debt ratio, a 9.9% return on equity, a 5.34% cost of debt, resulting in an overall rate of return of 7.62%. Avista asserts that the proposed rate of return and capital structure reasonably balance safety and economy. *Id.* at 7. Avista asserts that it will notify its customers about the proposed rate increases by distributing bill stuffers over the June 2015 billing cycle, and through news releases.

YOU ARE FURTHER NOTIFIED that the Commission finds it appropriate to suspend Avista's first proposed effective date of July 3, 2015, for a period of thirty days plus five months, until January 2, 2016, unless the Commission issues an earlier Order accepting, rejecting, or modifying Avista's Application. *See Idaho Code* §§ 61-622(4) and Order No. 33130.

YOU ARE FURTHER NOTIFIED that the Commission has designated this case as a general rate case. As such, Avista's intrastate revenue requirement, and every component of it, both rate base and expense, are at issue. The Commission may grant, deny, or modify the revenue requirement requested and may find a revenue requirement different from that proposed by any party is just, fair and reasonable. IDAPA 31.01.01.124.01.

YOU ARE FURTHER NOTIFIED that the rates and charges of all Avista retail customers, both recurring and non-recurring, including those of special contract customers, are at

issue, and every component of every existing and proposed rate and charge is at issue. The Commission may approve, reject or modify the rates and charges proposed and may find that rates and charges different from those proposed by any party are just, fair and reasonable. *Id.*

YOU ARE FURTHER NOTIFIED that the Commission may approve, reject or modify existing or proposed relationships between and among rates and charges within, between or among customer classes or rate groupings and may approve, reject or modify existing or proposed relationships among and between customer classes or rate groupings. *Id.*

YOU ARE FURTHER NOTIFIED that the Commission may abolish, reduce or create rate blocks or categories of rates and charges, abolish, create or reduce components of rates and charges, abolish, reduce or create customer classes or rate groupings, and abolish, reduce or create absolute or relative differences among and between existing classes or rate groupings of customers. *Id.*

YOU ARE FURTHER NOTIFIED that the tariffs, practices, rules and regulations, service, instrumentalities, equipment, facilities, classifications, and customer relations of the utility are at issue, and the Commission may address any of them in its order. *Id.*

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's web site at www.puc.idaho.gov. Click on the "File Room" tab at the top of the page, scroll down to "Open Electric Cases" or "Open Gas Cases," and then click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-501, 61-502, 61-507, 61-520, 61,523, and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

NOTICE OF INTERVENTION DEADLINE

YOU ARE FURTHER NOTIFIED that **persons desiring to intervene** in this matter for the purpose of presenting evidence or cross-examining witnesses at hearing **must file a Petition to Intervene** with the Commission pursuant to this Commission's Rules of Procedure 72 and 73, IDAPA 31.01.01.072 and -.073. Persons intending to participate at the hearing must file a Petition to Intervene **no later than fourteen (14) days from the service date of this**

Order. Persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or the parties.

YOU ARE FURTHER NOTIFIED that the Commission Secretary shall issue a Notice of Parties after the deadline for intervention has passed. The Notice of Parties shall assign exhibit numbers to each party in this proceeding.

YOU ARE FURTHER NOTIFIED that once the Notice of Parties is issued, the Commission's Staff will convene an informal prehearing conference at the Commission's offices for the parties to discuss a schedule to process this case and other issues as may be raised by the parties.

YOU ARE FURTHER NOTIFIED that the following persons are designated as Avista's representatives in this matter:

David J. Meyer
Vice President & Chief Counsel, Reg. & Gov't Affairs
Avista Corporation
PO Box 3727
1411 East Mission Avenue
Spokane, WA 99220-3727
E-mail: david.meyer@avistacorp.com

Kelly Norwood
Vice President – State & Federal Regulation
Avista Utilities
PO Box 3727
1411 East Mission Avenue
Spokane, WA 99220-3727
E-mail: kelly.norwood@avistacorp.com

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-mail: secretary@puc.idaho.gov

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*


ORDER

IT IS HEREBY ORDERED that the July 3, 2015, effective date that Avista proposes for its first set of electric and natural gas rate increases is suspended for a period of thirty days plus five months, until January 2, 2016, unless the Commission issues an earlier Order accepting, rejecting, or modifying the Application. Order No. 33130 and *Idaho Code* § 61-622(4).

IT IS FURTHER ORDERED that persons desiring to intervene in this matter for the purpose of presenting evidence or cross-examination at hearing shall file a Petition to Intervene with the Commission no later than fourteen (14) days from the service date of this Order.

IT IS FURTHER ORDERED that discovery is available in these consolidated cases pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.221-234.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15th
day of June 2015.



PAUL KJELLANDER, PRESIDENT

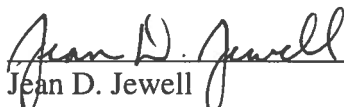


MACK A. REDFORD, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:AVU-E-15-05_AVU-G-15-01_bk