



Idaho Public Utilities Commission

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Case No. AVU-E-15-05, AVU-G-15-01, Order No. 33353

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www.puc.idaho.gov

Commission staff to conduct workshops for Avista customers in Moscow, Coeur d'Alene

BOISE (August 12, 2015) – Staff from the Idaho Public Utilities Commission will be in Moscow and Coeur d'Alene early next month to conduct workshops for customers of Avista Utilities regarding its application for increased electric and natural gas rates.

The purpose of the workshops is to provide customers an overview of the utility's application and to answer questions from customers. Avista representatives may also be available. The first workshop is Tuesday, Sept. 1, at 7 p.m. in the Arts Workshop Room of the 1912 Center, 412 E. Third St. in Moscow. The second workshop is Wednesday, Sept. 2, at 7 p.m. in the Library/Art Room of the Lake City Center, 1916 Lakewood Drive in Coeur d'Alene.

The commission's staff of auditors, engineers, rate analysts and attorneys is in the midst of a six-month examination of Avista's request for a two-year rate plan that would increase electric rates by 5.2% in 2016 and 5.1% in 2017 and natural gas rates by 4.5% in 2016 and 2.2% in 2017.

Following the workshops, commission staff and parties to the case will participate in a settlement conference on Sept. 18. Parties participating in the settlement conference include Avista, commission staff, the Idaho Conservation League, Snake River Alliance, Clearwater Paper Corporation, Idaho Forest Group LLC and the Community Action Partnership Association of Idaho, which represents primarily customers on low- and fixed-incomes.

Testimony from the staff and intervening parties will be filed by no later than Oct. 21 with Avista filing rebuttal by Nov. 11. Technical hearings are scheduled to begin Nov. 23 and continue through Nov. 24 if necessary. The company's application, testimony from the intervening parties and customer comments will be available on the commission Web site as they are filed. The website is www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to Case No. AVU-E-15-05.

Regulated utilities are entitled by state law to recover prudently incurred expenses in exchange for their commitment to reliably serve all customers within their assigned territories. The burden is on Avista to demonstrate that the expenses it seeks to recover from customers were necessary to serve customers and prudently incurred.

Avista claims it has or will invest \$1.08 billion in capital improvements projects since the company's last general rate case three years ago. That case, filed in 2012, was a two-year plan that increased rates in 2013 and 2014 and a settlement that extended it through 2015 with no increase.

If the commission were to grant Avista's request in its entirety, the bill for a residential customer using the system average of 929 kilowatt-hours per month would increase by about \$5.92 per month in 2016 and \$6.10 per month in 2017. Part of that \$5.92 increase is a proposed increase in the monthly customer service charge from \$5.25 per month to \$8.50. The bill for a natural gas customer using the company average of 61 therms per month would increase by \$3.90 per month in 2016 and \$1.79 per month in 2017. The proposed increase in the natural gas customer service charge is to \$8 per month, up from the current \$4.25.

Avista's proposal would increase annual electric billed revenue by \$13.2 million in 2016 and another \$13.7 million in 2017. Natural gas revenues would increase by \$3.2 million in 2016 and \$1.2 million in 2017. Avista is seeking a 7.62% overall rate of return.

The major cost drivers in the case include \$67.3 million for rehabilitation to the Nine Mile hydroelectric facility on the Spokane River, expected to be completed in 2017, and a \$107 million customer information system. The customer information system increases the range of self-service options for customers, enhances mobile dispatch for gas and electric servicemen, houses the company's GIS for its electric and gas facility maps, provides for automated meter reading, includes construction design and outage management tools, and allows customers to participate in Smart Grid programs.

Another factor driving up rates, according to Avista, is the expiration of a power sales agreement with Portland General Electric on Dec. 31, 2016. That will result in higher-priced replacement power for the 150 megawatts provided by the agreement.

To reduce expense, Avista says it has imposed hiring restrictions, offered a voluntary severance incentive plans to reduce employee numbers and eliminated its defined benefit pension plan for new hires, replacing it with a contribution to a 401K plan established by the employees. Avista also made changes to post-retirement medical plans for non-union employees.

The company is also proposing an annual adjustment to rates that will allow it to recover fixed costs of serving customers even when electric or gas consumption declines below the fixed cost to serve each customer as determined in the most recent case. The annual adjustment, called a Fixed Cost Adjustment, would reduce the disincentive for Avista to promote energy efficiency by ensuring fixed cost recovery regardless of how much customers conserve.

During those years when energy sales are above the allowed fixed cost per customer, such as during a colder than normal winter, customers would be credited the amount of revenue collected above the allowed level. During years when sales were below allowed fixed cost, customers would receive a one-year surcharge. The credit or surcharge would be effective every Nov. 1.

Comments are accepted by accessing the commission's website at www.puc.idaho.gov and clicking on "Case Comment Form" under the "Consumers" heading. Fill in the case number, AVU-E-15-05, and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID, 83720 or faxed to 208-334-3762.