



Idaho Public Utilities Commission

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Case No. AVU-E-15-05, AVU-G-15-01, Order No. 33400

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www.puc.idaho.gov

Technical, public hearings set for settlement that significantly reduces Avista rate request

BOISE (October 26, 2015) – Parties to an Avista Utilities rate case are proposing a settlement that reduces the Spokane-based utility's requested electric rate increase from 10.3% over two years to 0.7% in one year and its requested gas rate increase from 6.8% over two years to a one-year increase of 3.5%.

All parties to the case, including Avista, are asking the commission to approve the settlement, with rates proposed change on Jan. 1, 2016. Avista serves customers in northern Idaho.

While base electric and gas rates, which reflect Avista's fixed costs, would increase Jan. 1 under the proposed settlement, customers are getting substantial reductions to the variable portion of their rates that more than offset the base rate increases. On the electric side, the annual Power Cost Adjustment reduced electric rates by 3.5% on Oct. 1. On the gas side, the annual Purchases Gas Cost Adjustment will reduce gas rates by 14.5% on Nov. 1. However, base rate changes are permanent, while the variable PGA and PCA adjustments either increase or decrease rates yearly.

On June 1, Avista filed an application to 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. Under the original proposal, Avista's annual increase in revenue would have been \$13.2 million on the electric side. The proposed settlement reduces that to \$1.7 million. Annual gas revenues would have increased by \$3.2, with the settlement proposing \$2.5 million.

Parties signing the settlement 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.

While the settlement proposes reductions to Avista's annual revenue requirement, it does allow Avista to establish an annual rate adjustment called the Fixed Cost Adjustment (FCA). The FCA will allow the company to recover fixed costs of doing business when electricity or natural gas sales decline due to changes in conservation, weather or the economy. The mechanism removes the disincentive for the company to invest in and promote energy efficiency programs.

Under the FCA, the company's natural gas and electric revenues would be adjusted monthly to reflect revenues based on the number of customers rather than kilowatt-hour and therm sales. The yearly adjustment will be either a surcharge or rebate to customers. The FCA would have an initial term of three years and will be reviewed to determine whether the adjustment should continue.

These are some of the major revenue reductions from Avista's original request proposed by the settlement:

- Leaving expense related to the Palouse Wind Project in the annual Power Cost Adjustment mechanism rather than shifting it to base rates, reducing annual base rate revenue requirement by \$3.5 million.
- Shifting expense related to an upgrade of the Nine Mile Hydroelectric project from 2015 to 2016, reducing revenue requirement by \$3.34 million.
- Establishing a 9.5% Return on Equity, rather than the 9.9% proposed by Avista, reducing annual revenue requirement by \$2.44 million.
- Spreading the cost of Avista's new customer information and billing service called Project Compass over four years rather than two years, reducing revenue requirement by \$669,000.
- Reducing various capital additions that bring revenue requirement down by \$548,000.
- Removing projected 2016 expense related to information services and technology to reduce revenue requirement by \$521,000.
- Removing 2016 non-executive labor expense to reduce revenue requirement by \$385,000 and removing incentives this year for company officers to reduce annual revenue requirement by \$100,000.

The commission will take public comment on the proposed settlement through Nov. 23. Comments can be submitted via e-mail at the commission's Web site at www.puc.idaho.gov. Click on "Case Comment Form," under the "Consumers" heading and fill in Case No. AVU-E-15-05. Comments can also be mailed to P.O. Box 83720, Boise ID, 83720-0074.

The commission will conduct a technical hearing on Nov. 23 at 9:30 a.m. Mountain Standard Time (8:30 a.m. Pacific Standard Time) in the commission hearing room at 472 W. Washington St. in Boise. The commission will also conduct a **telephonic public hearing** on Nov. 23 at 7 p.m. MST and 6 p.m. PST. Persons wishing to testify or listen to the hearing may call toll-free, **1-888-706-6468** and enter the participant code, **4435939**. Those wishing to testify should call at 5:45 p.m., Pacific time. Names will be taken of those wanting to testify in the order in which they call. When it is your turn to testify, your name will be called. You will then be asked to state

your name and address for the court reporter and sworn in. While customers are welcome to listen to the entire hearing, they can speak only when they testify.

Because the commission is taking written comment and also conducting a telephonic hearing, it does not intend to hold an in-person hearing unless it receives comments from customers specifically requesting an in-person public hearing. Such requests must explain why written comment and a telephonic hearing are inappropriate or insufficient in this case.

Comments are accepted via e-mail through Nov. 23 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 83720-0074 or faxed to (208) 334-3762.

A copy of the proposed settlement and other documents related to these cases can be found on the commission website. Click on "Open Cases" under the "Electric" or "Gas" heading and scroll down to Case No. AVU-E-15-05 or AVU-G-15-01.