

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER RAPER  
COMMISSIONER ANDERSON  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** JOHN R. HAMMOND JR.  
DEPUTY ATTORNEY GENERAL

**DATE:** JUNE 20, 2019

**SUBJECT:** AVISTA GENERAL RATE CASE – ELECTRIC CASE NO. AVU-E-19-04

On June 10, 2019, Avista Corporation (“Avista” or the “Company”) applied to increase its base rates for electric service it provides to customers in Idaho.<sup>1</sup> Specifically, Avista seeks to increase its electric base revenues by \$5.3 million dollars (2.1%). *Application* at 1. The Company states the proposed rate increase also reflects the present Permanent Federal Income Tax Rate Credit under electric tariff Schedule 72 being consolidated into its base rates. *Id.* Avista requests that the proposed rate increase for electric service in Idaho take effect on January 1, 2020. *Id.*

### THE APPLICATION

Avista is a public utility primarily engaged in the generation, transmission and distribution of electric power and the distribution of natural gas in certain portions of eastern and central Washington, northern Idaho, as well as the distribution of natural gas in northeast and southwest Oregon. *Id.* at 2. The Commission approved Avista’s existing base rates and charges for electric service on December 28, 2017. *See* Commission Final Order No. 33953, Case No. AVU-E-17-01.

Avista claims its existing rates are not fair, just and reasonable, and as a result it will not have the opportunity to realize a fair rate of return on its investment. *Id.* at 3. Avista states it will notify the public of the proposed rate changes through inserts to customer bills for the June,

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<sup>1</sup> The instant Application requests an increase in rates and charges for electric service only. Previously, the Company filed a Notice of Intent to File a Combined Electric and Natural Gas General Rate Case on March 25, 2019.

17, 2019 through July 16, 2019 billing cycle, and through a news release. Copies of the bill insert and press release are attached as **Exhibit B** to the Application. *Id.* at 9.

Avista alleges the “primary factor” driving the Company’s requested electric revenue increase in 2020 is an increase in net plant investment. *Id.* at 3. Avista also states that for 2020, there is an offsetting decrease in power supply expenses. *Id.*

Avista’s evidence in support of its requested \$5.3 million dollar revenue increase for electric service is based on a 12-month test year that ended December 31, 2018. *Id.* at 4. Avista states documentation showing how the test year data was adjusted is provided in the testimony and exhibits of Company witness Elizabeth Andrews, Senior Manager of Revenue Requirements at Avista. *Id.* Avista requests an overall rate of return of 7.55%, which includes a 50% common equity ratio, a 9.9% return on equity and a cost of debt of 5.2%. *Id.* at 5. Avista asserts the proposed rate of return and capital structure provide a reasonable balance between safety and economy. *Id.*

If Avista’s Application is approved, a residential electric customer using an average of 898 kilowatt hours (kWh) per month could expect to see a bill increase of \$2.89 per month, or a 3.5% increase, for a monthly bill change from \$82.57 to \$85.46 in 2020. *See Press Release at Exhibit B* to the Application. Avista is not proposing to increase the residential basic monthly charge, currently set at \$6.00 per month. *Id.* Avista’s proposed rate increase would impact customers’ electric bills by rate schedule as follows:

#### **Proposed Electric Increase**

<b>Rate Schedule</b>	<b>Proposed 2020 Billing Increase</b>
Residential Service Schedule 1	3.5%
General Service Schedules 11 & 12	0.0%
Large General Service Schedules 21 & 22	1.5%
Extra Large General Service Schedule 25	1.6%
Extra Large General Service Schedule 25P	1.6%
Pumping Service Schedules 31 & 32	1.5%
Street & Area Lighting Schedules 41-49	0.0%
<b>Overall Increase</b>	<b>2.1%</b>

#### **STAFF RECOMMENDATION**

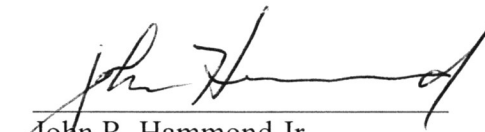
The Company’s Application requests that the proposed increases to its rates for electric service take effect on January 1, 2020. *Id.* Staff notes however, Avista’s proposed tariffs specify

a July 10, 2019, effective date for these proposed increases. *Id.* at 1. Staff recommends the Commission issue a Notice of Application suspending the July 10, 2019, effective date until January 1, 2020, consistent with the Company's request in its Application. *See Idaho Code* § 61-622(4). Suspension until January 1, 2020 is also consistent with Commission Order No. 33953, Case No. AVU-E-17-01, wherein the Commission approved a settlement agreement between certain parties in the Company's last general rate case. That settlement agreement provides Avista would not file an electric or natural gas general rate case to increase base rates before May 31, 2019, and any such rates would not go into effect before January 1, 2020. *See* Order No. 33953 at 2. Staff further recommends the Commission set a 14-day intervention deadline, and direct Staff to convene an informal prehearing conference for the parties to discuss scheduling and other matters that may arise, and for Staff to then report to the Commission with a proposed schedule. Finally, Staff recommends the Commission direct Staff to convene one or more public workshops in Avista's service territory.

### COMMISSION DECISION

Does the Commission wish to issue a Notice of Application that:

1. Suspends Avista's requested effective date for any proposed, new rates and charges for electric service to January 1, 2020;
2. Establishes a 14-day intervention deadline;
3. Directs Staff to informally confer with the parties and report to the Commission with a proposed schedule; and
4. Directs Staff to convene one or more public workshops.



John R. Hammond Jr.  
Deputy Attorney General