

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	<b>CASE NOS. AVU-E-23-01</b>
<b>OF AVISTA CORPORATION FOR THE</b>	)	<b>AVU-G-23-01</b>
<b>AUTHORITY TO INCREASE ITS RATES</b>	)	
<b>AND CHARGES FOR ELECTRIC AND</b>	)	
<b>NATURAL GAS SERVICE TO ELECTRIC</b>	)	<b>ORDER NO. 35909</b>
<b>AND NATURAL GAS CUSTOMERS IN THE</b>	)	
<b>STATE OF IDAHO</b>	)	
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On February 1, 2023, Avista Corporation (“Company”) filed an application (“Application”) with the Idaho Public Utilities Commission (“Commission”) requesting authorization to increase its rates for both Electric and Natural Gas service. The Company requested a September 1, 2023, effective date.

On February 21, 2023, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 35684. Subsequently, the Commission granted intervention to Clearwater Paper Corporation, Idaho Forest Group LLC, Walmart Inc., and the Idaho Conservation League and NW Energy Coalition (“ICL/NWEC”) jointly. Order Nos. 35704, 35713, and 35719.

On April 12, 2023, the Commission issued a Notice of Schedule, Notice of Virtual Public Workshop, and Notice of Technical Hearing. Order No. 35736. The Commission set a June 14, 2023, Commission Staff (“Staff”) and Intervenor written testimony deadline, and a July 12, 2023, Company Rebuttal written testimony deadline. *Id.*

On June 1, 2023, Staff, the Company, and all Intervenors participated in a settlement conference. Based upon that settlement conference, on June 6, 2023, Staff requested that the Commission vacate the deadlines for written testimony, and the Commission issued an Order Vacating Testimony Deadlines. Order No. 35808.

On June 14, 2023, Staff and the Company filed a Stipulation and Settlement (“Proposed Settlement”), and a Motion for Approval of Stipulation and Settlement (“Motion”). The Proposed Settlement was signed by Staff, the Company, and intervenors Clearwater Paper Corporation, Idaho Forest Group LLC, and Walmart Inc. (“Signing Parties”). Intervenors ICL/NWEC did not sign the Proposed Settlement. The Motion requested that the Commission revise the procedural schedule to set the deadline for filing testimony in support of, or in opposition to, the Proposed

Settlement on July 12, 2023, and set a July 26, 2023, deadline for any rebuttal testimony by the Signing Parties.

On July 6, 2023, the Commission issued a Notice of Proposed Settlement, Notice of Amended Schedule, Notice of Customer Hearings, Notice of Technical Hearing, and Notice of Public Comment Deadline. Order No. 35844. The Commission set an initial testimony filing date of July 12, 2023, and a rebuttal testimony filing date of July 26, 2023. *Id.* The Commission scheduled customer hearings in Lewiston and Coeur d’Alene, Idaho, on July 25, 2023, and a customer hearing in Sandpoint, Idaho, on July 26, 2023. The Commission also set a July 26, 2023, deadline for public comments on the Proposed Settlement.

On July 25, 2023, the Commission held customer hearings in Lewiston and Coeur d’Alene, Idaho. On July 26, 2023, the Commission held a customer hearing in Sandpoint, Idaho. On August 2, 2023, the Commission held a technical hearing on the Proposed Settlement.

**TERMS OF PROPOSED SETTLEMENT**

Under the Proposed Settlement, the Company would be allowed to implement revised tariff schedules designed to increase annual electric base revenues by \$22,134,000, or 8.03%, effective September 1, 2023, and increase annual electric base revenues by \$4,305,000, or 1.37%, effective September 1, 2024. For natural gas, the Company would be allowed to increase annual natural gas base revenue by \$1,252,000, or 2.71%, effective September 1, 2023, and increase annual natural gas base revenues \$3,000, or 0.01%, effective September 1, 2024. Proposed Settlement at 3.

The Company would receive a 9.4% return on equity, with a 50.0% common equity ratio with a capital structure and resulting rate of return as set forth below:

<b>Component</b>	<b>Capital Structure</b>	<b>Cost</b>	<b>Weighted Cost</b>
Total Debt	50.00%	4.97%	2.49%
Common Equity	50.00%	9.40%	4.70%
Total	100.00%		7.19%

*Id.*

The Proposed Settlement sets forth the following tables of adjustments of the electric revenue requirement components for Rate Year 1 and Rate Year 2.

<b>SUMMARY TABLE OF ADJUSTMENTS TO ELECTRIC REVENUE REQUIREMENT EFFECTIVE SEPTEMBER 1, 2023 (000s of Dollars)</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Amount as Filed:</b>	<b>\$ 37,462</b>	<b>\$ 1,034,938</b>
<b>Adjustments:</b>		
a.) Cost of Capital	\$ (5,343)	
b.) Remove 2024 AMA Capital Additions	\$ (3,051)	\$ (17,554)
c.) Revise Wildfire Deferral Amortizations	\$ (2,062)	
d.) Remove Officer Incentives and 2023 Officer Labor Increases	\$ (418)	
e.) Remove 2024 Union and Non-Union Labor Increases	\$ (516)	
f.) Update Regulatory Assessment Fee and Conversion Factor	\$ (4)	
g.) Remove Pro Forma 401K Expenses	\$ (41)	
h.) Remove Escalated Miscellaneous O&M Expense	\$ (2,560)	
i.) Remove Pro Forma WRAP Expenses	\$ (121)	
j.) Restate Net Pro Forma Power Supply Expense	\$ (500)	
k.) Adjust Pro Forma Insurance Expense	\$ (298)	
l.) Miscellaneous Adjustments: Board of Director expenses, Fee Free expense adjustment, cell phone savings, O&M expense, removal of Sandpoint Weatherization loans and reclassification of other administrative and general expenses.	\$ (414)	\$ (59)
<b>Adjusted Amounts Effective September 1, 2021</b>	<b>\$ 22,134</b>	<b>\$ 1,017,325</b>

<b>EFFECTIVE SEPTEMBER 1, 2024 (000s of Dollars)</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Rate Base Amount Effective September 1, 2023</b>		<b>\$ 1,017,325</b>
<b>Incremental Revenue Adjustment to September 1, 2023 Rate Change (see Table No. 1):</b>		
a.) Add <u>Incremental</u> 2023/2024 Related Capital and Expenses:		
i. AMA 2024 Capital Additions	\$ 4,888	\$ 17,554
ii. Property Tax Expense	\$ 706	
iii. 2024 Union Labor Increase	\$ 410	
iv. Employee Benefits	\$ 255	
v. 2024 Growth Revenue	\$ (1,939)	
vi. Revise Colstrip/CS2 Major Maintenance Expense	\$ 247	
vii. Remove Expiring Fee Free Amortization Expense	\$ (97)	
viii. Miscellaneous Other Expense Offsets	\$ (165)	
<b>September 1, 2024 Incremental Revenue Adjustment and Rate Base Amount (above September 1, 2023 Rate Change - see Table No. 1)</b>	<b>\$ 4,305</b>	<b>\$ 1,034,879</b>

*Id.* at 3, 4, and 8.

The Proposed Settlement sets forth the following tables of adjustments of the natural gas revenue requirement components for Rate Year 1 and Rate Year 2.

<b>SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT EFFECTIVE SEPTEMBER 1, 2023 (000s of Dollars)</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Amount as Filed:</b>	\$ 2,771	\$ 206,562
<b>Adjustments:</b>		
a.) Cost of Capital	\$ (1,066)	
b.) Remove 2024 AMA Capital Additions	\$ (142)	\$ (2,978)
c.) Remove Officer Incentives and 2023 Officer Labor Increases	\$ (98)	
d.) Remove 2024 Union and Non-Union Labor Increases	\$ (115)	
e.) Update Regulatory Assessment Fee and Conversion Factor	\$ (1)	
f.) Remove Pro Forma 401K Expenses	\$ (10)	
g.) Miscellaneous Adjustments: Board of Director expenses, Fee Free expenses, cell phone savings, and injuries and damages expenses.	\$ (87)	
<b>Adjusted Amounts Effective September 1, 2023</b>	<b>\$ 1,252</b>	<b>\$ 203,584</b>

<b>SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT EFFECTIVE SEPTEMBER 1, 2024 (000s of Dollars)</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Rate Base Amount Effective September 1, 2024</b>		<b>\$ 203,584</b>
<b>Incremental Revenue Adjustment to September 1, 2023 Rate Change (see Table No. 1):</b>		
a.) Add <u>Incremental</u> 2023/2024 Related Capital and Expenses:		
i. AMA 2024 Capital Additions	\$ 823	\$ 2,978
ii. Property Tax Expense	\$ (18)	
iii. 2024 Union Labor Increase	\$ 93	
iv. Employee Benefits	\$ 61	
v. 2024 Growth Revenue	\$ (798)	
vi. Remove Expiring Fee Free Amortization Expense	\$ (158)	
<b>September 1, 2024 Incremental Revenue Adjustment and Rate Base Amount (above September 1, 2023 Rate Change - see Table No. 1)</b>	<b>\$ 3</b>	<b>\$ 206,562</b>

*Id.* at 10-11.

The Proposed Settlement provides information on the Power Cost Adjustment (“PCA”) authorized level of Net Power Supply Expenses included in base rates. *Id.* at 13. The Signing Parties agree to a revised system net power supply expense of \$177,585,000. *Id.* The Signing Parties agree to system transmission revenues of \$23,471,000. *Id.* The Signing Parties agree that the actual cost of the Chelan and the Columbia Basin contracts will be included in the PCA using the lower of market cost or contract cost, and the Proposed Settlement sets forth the methodology used. *Id.*

The Proposed Settlement provides information on the new level of baseline values for the electric and natural gas Fixed Cost Adjustment Mechanism (“FCA”) resulting from the September 1, 2023, and September 1, 2024, settlement revenue requirements. *Id.* at 15.

The Proposed Settlement contains agreements including: (1) a Wildfire Resiliency Plan; (2) a two-way Insurance Expense Balancing Account to defer the difference in actual insurance expenses; (3) Regulatory Amortizations; (4) Revenue Normalization Adjustments; and (5) Depreciation Rates. *Id.* at 16-17.

The Signing Parties do not agree on a cost-of-service methodology. *Id.* at 17. However, the Signing Parties agree to the rate design changes proposed by the Company in Mr. Miller’s direct testimony for the September 1, 2023, and September 1, 2024, base rate increases with two exceptions. The basic charge for Schedule 31/32 will increase from \$13.00 to \$18.00 in Rate Year 1, and from \$18.00 to \$20.00 in Rate Year 2. Additionally, the primary voltage discount will increase from \$0.20 per kW to \$0.30 per kW in Rate Year 1, and from \$0.30 per kW to \$0.40 per kW in Rate Year 2 for all applicable rate schedules. *Id.* at 18.

The Proposed Settlement sets forth the following percentage change to electric service schedules for Rate Year 1 and Rate Year 2.

**Effective September 1, 2023 (Rate Year 1)**

<u>Rate Schedule</u>	<u>Increase in Base Revenue</u>	<u>Increase in Billing Revenue</u>
Residential Schedule 1	10.4%	11.8%
General Service Schedules 11/12	2.9%	3.0%
Large General Service Schedules 21/22	10.4%	10.8%
Extra Large General Service Schedule 25	2.9%	3.0%
Clearwater Paper Schedule 25P	2.8%	2.9%
Pumping Service Schedules 31/32	10.4%	10.9%
Street & Area Lights Schedules 41-48	<u>2.9%</u>	<u>2.9%</u>
<b>Overall</b>	<b><u>8.0%</u></b>	<b><u>8.7%</u></b>

**Effective September 1, 2024 (Rate Year 2)**

<b><u>Rate Schedule</u></b>	<b><u>Increase in Base Revenue</u></b>	<b><u>Increase in Billing Revenue</u></b>
Residential Schedule 1	1.9%	2.1%
General Service Schedules 11/12	0.4%	0.5%
Large General Service Schedules 21/22	1.9%	1.9%
Extra Large General Service Schedule 25	0.4%	0.5%
Clearwater Paper Schedule 25P	0.5%	0.5%
Pumping Service Schedules 31/32	1.9%	2.0%
Street & Area Lights Schedules 41-48	<u>0.4%</u>	<u>0.4%</u>
<b>Overall</b>	<b><u>1.4%</u></b>	<b><u>1.6%</u></b>

*Id.* at 18-19.

The Proposed Settlement sets forth the following percentage change to natural gas service schedules for Rate Year 1 and Rate Year 2.

**Effective September 1, 2023 (Rate Year 1)**

<b><u>Rate Schedule</u></b>	<b><u>Increase in Margin Revenue</u></b>	<b><u>Increase in Billing Revenue</u></b>
General Service Schedule 101	3.3%	1.6%
Large General Service Schedules 111/112	0.0%	0.0%
Interrupt. Sales Service Schedules 131/132	0.0%	0.0%
Transportation Service Schedule 146	<u>0.0%</u>	<u>0.0%</u>
<b>Overall</b>	<b><u>2.7%</u></b>	<b><u>1.2%</u></b>

**Effective September 1, 2024 (Rate Year 2)**

<b><u>Rate Schedule</u></b>	<b><u>Increase in Margin Revenue</u></b>	<b><u>Increase in Billing Revenue</u></b>
General Service Schedule 101	0.01%	0.00%
Large General Service Schedules 111/112	0.00%	0.00%
Interrupt. Sales Service Schedules 131/132	0.00%	0.00%
Transportation Service Schedule 146	<u>0.00%</u>	<u>0.00%</u>
<b>Overall</b>	<b><u>0.01%</u></b>	<b><u>0.00%</u></b>

*Id.* at 19.

Under the Proposed Settlement, the Company agrees to conduct a Primary Voltage Discount study prior to its next general rate case filing. The purpose of the study is to inform the proper Primary Voltage Discount levels in the Company's next general rate case. *Id.* The Company

also agrees to evaluate the rate design of Schedule 111, including the minimum charge level, and include any changes or modification in its next general rate case filing. *Id.* at 20.

If the Commission rejects any part or all of the Proposed Settlement, or imposes any additional material conditions on its approval, each Signing Party reserves the right to withdraw from the Proposed Settlement within fourteen days of the Commission's order.

### **PUBLIC COMMENTS AND TESTIMONY**

As of August 30, 2023, the Commission has received one hundred and two (102) public written comments. Eighty-eight (88) of the comments were received prior to the Notice of Proposed Settlement, and fourteen (14) of the comments were received after the Notice of Proposed Settlement.

The majority of the comments are in opposition to the Company's request for a rate increase. Customers present issues including fixed income, inflation, taxes, corporate compensation, the state of the economy, and other world issues that present financial hardships for customers.

### **PARTY TESTIMONY**

#### **A. Staff Testimony**

During the technical hearing, Staff witness Donn English presented testimony on the Proposed Settlement. Mr. English provided testimony as to the Company's original Application and the process and procedure leading up to the filing of the Proposed Settlement. Tr. vol. IV, 204-05.

Mr. English testified to Staff's investigative process, and Staff's approach when reviewing the Company's Application. *Id.* at 206-07. Mr. English explained that fifteen (15) Staff members analyzed the Application including auditors, engineers, utility analysts, and consumer investigators. *Id.* Mr. English further testified that five supervisors reviewed the results of all analysis. *Id.* Mr. English explained that based on its investigation, Staff proposed twenty-one (21) revenue requirement adjustments, of which twenty (20) were either completely or partially accepted by the Company and incorporated into the Proposed Settlement. *Id.* at 207-09.

Mr. English testified that after a comprehensive review of the Application, a thorough audit of the Company's books and records, an analysis of the Company's class cost of service study, and extensive negotiations with the parties to the case, Staff supported the Proposed Settlement. *Id.*

Mr. English concluded that Staff believed the Proposed Settlement offers a reasonable balance between the Company's opportunity to earn a reasonable return on its investment and affordable rates for customers, and that the Proposed Settlement is in the public interest; is fair, just, and reasonable; and should be approved by the Commission. *Id.*

## **B. Company Testimony**

During the technical hearing, Company witnesses Elizabeth Andrews and Patrick Ehrbar presented testimony in support of the Proposed Settlement.

### **1. Andrews**

Ms. Andrews provided testimony summarizing both the Company's original Application and Proposed Settlement. *Id.* at 47-55. Ms. Andrews also provided a detailed summary of both the Electric and Gas Revenue Requirement Elements of the Proposed Settlement. *Id.* at 55-84. Finally, Ms. Andrews provided testimony on the other components of the Proposed Settlement including the Company's Wildfire O&M Expense Balancing Account, Wildfire Resiliency Plan, Insurance Expense Balancing Account, Regulatory Amortizations, Revenue Normalization Adjustments, and the Depreciation Rates. *Id.* at 84-96.

Ms. Andrews concluded that the Proposed Settlement strikes a reasonable balance between the interests of the Company and its customers, including its low-income customers and represents a reasonable compromise among differing interests and points of view. *Id.* at 95.

### **2. Ehrbar**

Mr. Ehrbar provided direct testimony to describe and support the non-revenue requirement portions of the Proposed Settlement including Rate Spread and Rate Design, the PCA, and the FCA. *Id.* at 162-77. Mr. Ehrbar also presented rebuttal testimony, related to the agreed-upon basic charges, and to rebut ICL/NWEC witness Lauren McCloy's prefiled direct testimony. *Id.* at 177. Mr. Ehrbar testified that the proposed increases in the residential Schedule 1 and 101 basic charges: (1) is not a wholesale conversion to straight fixed variable rate design; (2) is not prejudicial to interests of low-income customers; and (3) will not detract from conservation efforts. *Id.* at 177-81. As part of his testimony, Mr. Ehrbar also sponsored the prefiled direct testimony of Company witness Joe Miller.



### **C. Idaho Forest Group LLC Letter**

On July 12, 2023, Idaho Forest Group LLC submitted a letter in lieu of testimony (“IFG Letter”). The letter provides in relevant part:

IFG supports, and is a signatory to, the stipulation and settlement filed with the Commission on June 14, 2023 (“Settlement”). IFG respectfully requests that the Commission approve the Settlement pursuant to the agreed upon terms and will not be submitting direct testimony.

IFG Letter at 1.

### **D. Walmart Inc. Letter**

On July 26, 2023, Walmart Inc. filed a letter in lieu of testimony (“Walmart Letter”). The letter provides in relevant part:

Walmart Inc. (“Walmart”) submits this brief letter in response to the Idaho Public Utilities Commission’s (“Commission”) order dated July 6, 2023, and in response to the Settlement Testimony in the above referenced matters. Walmart respectfully requests that the Commission approve the stipulation and settlement filed with the Commission on June 14, 2023 (“Settlement”). Walmart will not be filing rebuttal testimony.

Walmart Letter at 1.

### **E. Idaho Conservation League and NW Energy Coalition Testimony**

During the technical hearing, ICL/NWEC witness Brad Heusinkveld sponsored the prefiled direct testimony of Lauren McCloy in opposition to the basic and fixed costs adjustments in the Proposed Settlement.

Mr. Heusinkveld testified in opposition to specific elements of the Proposed Settlement concerning the basic charge, or fixed charge. Tr. vol. IV, 259-60. Specifically, Mr. Heusinkveld testified that the proposed changes to the basic charge are not in the public interest; that straight-fixed variable rate design provides a negative price signal for energy efficiency and conservation; that the proposed changes disproportionately impact lower-income and lower-usage customers; and that straight-fixed variable rate design is a form of decoupling and is duplicative given the Company’s FCA. *Id.* at 257-66.

Mr. Heusinkveld recommended that the Commission reject the increased basic charge rate design portion and keep the customer charge at \$7.00/month, or if the Commission accepted the Proposed Settlement in whole, that the Commission should also require:

Avista to alter its cost-effectiveness calculation for energy efficiency to account for any decrease in participation in its DSM programs as a result of the increase in the customer charge. This could include instituting a 10% conservation preference

adder as directed by the Northwest Power Act of 1980 in order to account for hard-to-quantify benefits of energy efficiency.

Require Avista to increase funding for low-income weatherization, and provide a bill discount to help offset the increase in the customer charge for low-income customers.

Open an investigatory docket into the interplay between the high fixed charges and revenue decoupling.

*Id.* at 277-79.

## **POST-HEARING BRIEFS**

At the conclusion of the technical hearing, the Commission granted all parties fourteen (14) days to submit post-hearing briefs.

### **A. Company Brief**

The Company argued that basic principles of cost causation supported an increase in the basic charge. Company Brief at 3. Specifically, the Company contended:

The Company based the increases on detailed cost-of-service studies on fixed customer and distribution costs for electric and natural gas residential customers. Accordingly, the proposed increases rest on a solid foundation of cost causation. (Tr. at p. 181) A significant portion of the Company's costs are fixed and do not vary with customer usage. These costs include distribution plant and operating costs to provide reliable service to customers. For electric, the total customer allocated costs are \$19.24 per customer per month. Factoring in distribution demand cost per customer per month of \$23.84, the total customer and distribution demand monthly cost is \$43.08. For natural gas, the total customer allocated costs are \$21.96 per customer per month at current rates. Factoring in distribution demand cost per customer per month of \$7.56, the total customer and distribution demand monthly cost is \$29.51. These are essentially fixed costs that are allocated based on the number of customers served.

*Id.*

Further, the Company contended that there is no evidence that low-income customers will be harmed by an increase in the basic charge, and that an increase in the basic charge will not diminish the incentive to pursue conservation. *Id.* at 5-6.

### **B. Idaho Conservation League and NW Energy Coalition Brief**

ICL/NWEC recommended the Commission reject the provisions of the Proposed Settlement increasing the basic charge from \$7.00 per month to \$20.00 per month over two years. ICL/NWEC Brief at 1. ICL/NWEC argued that this increase to the basic charge is inconsistent with the principle of cost causation, sends a negative price for energy efficiency and conservation, and most disproportionately effects low-income and low-usage customers. *Id.* at 1-2. ICL/NWEC

contended that the Commission has the authority to reject only the residential rate design provisions within the Proposed Settlement. *Id.* at 2.

ICL/NWEC argued that the Signing Parties failed to meet their burden of proof showing that an increase in the customer charge is in the public interest. *Id.* at 3. Specifically, ICL/NWEC contended that: (1) the Signing Parties failed to prove that low energy users subsidize high energy users; (2) the Company is allowed to recover additional fixed costs through volumetric charges and no evidence exists that the Company is unable to recover its fixed costs; and (3) even if the settling parties did prove that intraclass subsidization exists, there is no evidence in the record indicating that such subsidization is not in the public interest. *Id.* at 3-6.

Further, ICL/NWEC argued that increasing the basic charge is not in the public interest because it exacerbates resource adequacy issues by sending a negative price signal for energy efficiency, and increasing the basic charge is not in the public interest because it most negatively impacts low-income customers. *Id.* at 7-8.

#### **APPLICATION FOR INTERVENOR FUNDING**

As part of its post-hearing briefing, ICL/NWEC applied for Intervenor Funding (“ICL/NWEC Application”). ICL/NWEC requested \$9,005.75 of intervenor funding comprised of expenses for the work done by F. Diego Rivas, attorney for NWEC, Marie Callaway Kellner, attorney for ICL, Brad Heusinkveld, Energy Associate for ICL, and Lauren McCloy, witness for ICL/NWEC. ICL/NWEC Application at 2.

#### **COMMISSION FINDINGS AND DECISION**

The Commission has jurisdiction over the Company’s Application and the issues in this case under Title 61 of the Idaho Code including *Idaho Code* §§ 61-301 through 303. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501 through 503.

In a general rates case, the Company’s intrastate revenue requirement, and every component of it, both rate base and expense, are at issue. IDAPA 31.01.01.124.01. 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. *Id.*

The Company's retail rates and charges, 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. IDAPA 31.01.01.124.02. 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.*

The Commission's process for considering settlement stipulations is set forth in its Rules of Procedure 271-277, IDAPA 31.01.01.271-277. When a settlement is presented to the Commission, it "will prescribe the procedures appropriate to the nature of the settlement to consider the settlement." IDAPA 31.01.01.274. Here, the Commission convened both a technical hearing and customer hearing on the Settlement. IDAPA 31.01.01.274. Proponents of a proposed settlement must show "that the settlement is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." IDAPA 31.01.01.275. The Commission is not bound by settlement agreements. IDAPA 31.01.01.276. Instead, the Commission "will independently review any settlement proposed to it to determine whether the settlement is just, fair and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." *Id.*

As the only provision of the Proposed Settlement in dispute between the parties, the Commission shall first consider the specific provision concerning the proposed change to the basic charge, and then the remaining general provisions of the Proposed Settlement.

#### **A. Basic Charge**

The Commission finds that the proposed change to the basic charge from \$7.00 per month to \$20.00 per month over two years is fair, just, and reasonable. ICL/NWEC recommends the Commission reject the proposed increase to the basic charge arguing that this increase to the basic charge is inconsistent with the principle of cost causation, sends a negative price for energy efficiency and conservation, and most disproportionately effects low-income and low-usage customers. ICL/NWEC Brief at 1-2. The Commission disagrees.

The Commission is persuaded by the Company's testimony on the average cost of service for customers including distribution plant and operating costs to provide reliable service. The Commission believes that accurately assigning costs is a fair component of rate design, and the misalignment of costs can create revenue recovery distortions and give an incorrect perception of the cost and value of the Company's services. The proposed change to the basic charge is

movement to ensure that all customers are paying a proper amount of the fixed costs required to serve them.

The Commission believes that customers will likely see more levelized summer and winter bills and that the changes provide the benefit of energy bill stabilization, which is an advantage for budgeting and planning purposes for all customers. The Commission anticipates that because the proposed increase in basic charge is coupled with a decrease in volumetric charges, the changes will result in a reasonable impact on the average customer.

The Commission is sensitive to customer concerns with the potential impact of increasing the basic charge; however, the Commission is not persuaded by ICL/NWEC's claims that the proposed changes will send a negative price signal for energy efficiency and conservation, and disproportionately effect low-income and low-usage customers. Further, the Commission does not believe that at this time any alteration is necessary to the Company's cost-effectiveness calculation for energy efficiency, nor is it necessary at this time to require the Company to increase funding for low-income customers. Similarly, the Commission does not believe that it is necessary at this time to open an investigatory docket into the interplay between the high fixed charges and revenue decoupling.

For those reasons, the Commission finds the proposed change to the basic fair, just, and reasonable.

## **B. General Provisions**

The Commission has reviewed the record, including the Application, Proposed Settlement, testimony, public comments, all submitted materials, and the arguments of the parties. The Commission notes that the parties and the public have built a detailed record through discovery, filings, negotiations, comments, and participation in hearings.

The Commission finds that the Proposed Settlement incorporates input from different parties and customers, and the Proposed Settlement attempts to reach a balance between customers' desires for a smaller rate increase and the Company's recovery of the costs it incurs to provide safe and reliable service as well as an opportunity to earn a fair rate of return.

Among other things, the Proposed Settlement reduces the Company's proposed first year electric base revenue increase of \$37.5 million, and natural gas base revenue increase of \$2.8 million, to \$22.1 million, and \$1.25 million respectively. For year two, the Proposed Settlement reduces the Company's proposed electric base revenue increase of \$13.2 million, and natural gas

base revenue increase of \$120,000, to \$4.3 million, and \$3,000 respectively. The Proposed Settlement also provides for an ROE of 9.4% as opposed to the 10.25% requested in the Application.

The Commission finds that the Proposed Settlement allows the Company to operate sustainably while reducing the effects of the rate increase on customers, and the Proposed Settlement represents a responsible approach to costs and rate design, while balancing the unique circumstances of the Company and the challenges that higher energy costs pose for customers. The Commission finds that the Proposed Settlement is fair, just, and reasonable.

### **C. Intervenor Funding**

Intervenor funding is available pursuant to *Idaho Code* § 61-617A and the Idaho Public Utilities Commission Rules of Procedure 161-165. *Idaho Code* § 61-617A(1) provides that it is the “policy of this state to encourage participation at all stages of all proceedings before the commission so that all affected customers receive full and fair representation in those proceedings.” The Commission may award a cumulative amount of intervenor funding not to exceed \$40,000 for all intervening parties in a single case. *Idaho Code* § 61-617A(2).

Commission Rule 162 provides the form and content of petitions for intervenor funding. Each petition must contain: (1) an itemized list of expenses broken down into categories; (2) a statement of the intervenor’s proposed findings or recommendation; (3) a statement showing that the costs the intervenor wishes to recover are reasonable; (4) a statement explaining why the costs constitute a significant financial hardship for the intervenor; (5) a statement showing how the intervenor’s proposed recommendations differed materially from the testimony and exhibits of the Staff; (6) a statement showing how the intervenor’s recommendation or position addressed issues of concern to the general body of the utility users or consumers; and (7) a statement showing the class of customer on whose behalf the intervenor appeared. IDAPA 31.01.01.162.

As part of its post-hearing briefing, ICL/NWEC submitted an application for Intervenor Funding. ICL is a non-profit organization primarily funded through membership donations, private grants, endowment fund revenue, and does not have a direct financial interest in the outcome of this case distinct from an Avista ratepayer. ICL/NWEC Application at 4. NWEC represents over one hundred (100) member organizations in the Northwest, including eleven in Idaho, to pursue sustainable and equitable energy policy, and is funded through membership dues and individual donations. *Id.*

Based upon our review of the ICL/NWEC Application, the Commission finds that the funding request comports with the procedural and substantive requirements of the statute and the rules. ICL/NWEC have materially contributed to the Commission's decision-making. Specifically, ICL/NWEC opposed the proposed basic charge increase provision of the Proposed Settlement and offered pertinent testimony regarding the proposed changes. The Commission finds that ICL/NWEC's participation added a unique and well-informed perspective to the record, and it is fair, just, and reasonable to award intervenor funding.

However, the Commission cannot find that the requested amount of funding, \$9,005.75, is reasonable. ICL/NWEC claims that "ICL and NWEC jointly intervened to avoid duplicating efforts." *Id.* at 3. Based on its review of ICL/NWEC itemized list of expenses incurred, the Commission finds significant duplication of effort between the work done by NWEC's Attorney F. Diego Rivas and ICL's Energy Associate Brad Heusinkveld, and the Commission cannot find Mr. Heusinkveld's requested rate of \$125 per hour is reasonable.

For those reasons, the Commission hereby limits Mr. Heusinkveld's rate to \$75 per hour, which equates to a reduction in the total amount of intervenor funding of \$1,550. With that modification, the Commission finds it appropriate to award ICL/NWEC intervenor funding in the amount of \$7,455.75. The award shall be chargeable to the Electric Residential class. *Idaho Code* § 61-617A(3).

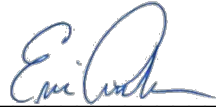
### **ORDER**

IT IS HEREBY ORDERED that the Proposed Settlement is approved as filed. The Company is authorized to implement revised tariff schedules consistent with the terms of the Proposed Settlement, effective September 1, 2023.

IT IS FURTHER ORDERED that ICL/NWEC's Application for intervenor funding is granted in the amount of \$7,455.75.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *Idaho Code* §§ 61-626.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31<sup>st</sup> day of August 2023.



ERIC ANDERSON, PRESIDENT

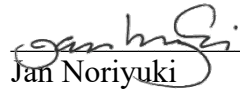


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Jan Noriyuki  
Commission Secretary

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