

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

|  |   |                              |
|--|---|------------------------------|
| <b>IN THE MATTER OF AVISTA</b>           | ) | <b>CASE NOS. AVU-E-25-01</b> |
| <b>CORPORATION’S APPLICATION FOR THE</b> | ) | <b>AVU-G-25-01</b>           |
| <b>AUTHORITY TO INCREASE ITS RATES</b>   | ) |                              |
| <b>AND CHARGES FOR ELECTRIC AND</b>      | ) | <b>ORDER NO. 36741</b>       |
| <b>NATURAL GAS SERVICE TO ELECTRIC</b>   | ) |                              |
| <b>AND NATURAL GAS CUSTOMERS IN THE</b>  | ) |                              |
| <b>STATE OF IDAHO</b>                    | ) |                              |

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On January 31, 2025, Avista Corporation (“Company”) applied to the Idaho Public Utilities Commission (“Commission”) requesting authorization to increase its rates for both Electric and Natural Gas service (“Application”). The Company requests a Two-Year Rate Plan with a Rate Year 1 effective date of September 1, 2025, and a Rate Year 2 effective date of September 1, 2026.

On February 19, 2025, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 36470. Subsequently, the Commission granted intervention to Clearwater Paper Corporation (“Clearwater”), Idaho Forest Group LLC (“IFG”), and Walmart Inc. (“Walmart”). Order Nos. 36472, 36490, and 36518.

On April 2, 2025, Staff notified the Commission that the parties intended to enter settlement discussions with the intent to resolve the outstanding issues in the case. *See* IDAPA 31.01.01.271 through .277.

On April 29, 2025, the Commission set a schedule for processing this case that included pre-filed testimony deadlines and a technical hearing. Order No. 36586.

On May 22, 2025, the parties began settlement discussions. *See* Rules 271 through 277 of the Commission’s Rules of Procedure, IDAPA 31.01.01.271-.277.

On June 9, 2025, the Company filed a Stipulation and Settlement (“Proposed Settlement”) signed by Clearwater, IFG, Walmart, the Company, and Staff—all the parties to this case (“Signing Parties”). *See* IDAPA 31.01.01.056, .272, and .274. The Signing Parties agree that the Settlement resolves the outstanding issues in this case. The same day, the Commission issued a Notice of Customer Hearing, scheduling an in-person customer hearing in Coeur d’Alene, Idaho, and a telephonic customer hearing. Order No. 36633.

On June, 11, 2025, the Commission issued Order No. 36633, vacating the June 11, 2025, Staff/Intervenor prefile testimony deadline, and the July 8, 2025, Company rebuttal testimony deadline.

On June 24, 2025, the Commission issued a Notice of the Proposed Settlement, amended the procedural schedule, and provided notice of a written comment deadline for customers. Order No. 36651.

On June 25, 2025, the Commission held a customer hearing. No one testified.

On June 26, 2025, the Commission held a telephonic customer hearing. No one testified.

On July 23, 2025, the Commission held a technical hearing. Staff and the Company offered pre-filed testimony in support of the Settlement to be spread on the record. Walmart filed comments in support of the Settlement. 180 other public comments were filed.

Having reviewed the record, we now issue this Order approving the Settlement filed in this case.

### **THE APPLICATION**

The Company is a Commission-regulated electric and natural gas corporation. *See Idaho Code* § 61-119. It is a Washington corporation that provides electric service and natural gas service in, among other places, northern Idaho.

The Company represents that its current electric and gas rates will not generate enough revenue to earn the 7.68% return it requests in the Application. The Company's most recent electric and natural gas rates for Idaho were established in Case Nos. AVU-E-23-01 and AVU-G-23-01, taking effect in September 2023 and September 2024. According to the Company, if its Application is approved, electric base revenues will increase by \$43 million, or 14.4% on a billed basis, effective September 1, 2025; and \$17.7 million, or 5.2% on a billed basis, effective September 1, 2026. Further, if approved, the natural gas base revenues will increase by \$8.8 million, or 10.3% on a billed basis, effective September 1, 2025; and \$1.0 million, or 1% on a billed basis, effective September 1, 2026. The Company states that its electric and natural gas requests are based on a proposed rate of return ("ROR") of 7.68%, with a common equity ratio ("CER") of 50%, and a 10.4% return on equity ("ROE"). The proposed increase is based on a historical test year ending June 30, 2024.

According to the Company, Idaho residential electric customers using an average of 939 kWh per month would see their total monthly bill increase by 14.7% (or \$15.36), going from

\$104.30 to \$119.66, starting September 1, 2025. This includes a \$5.00 increase in the basic charge, raising it to \$25.00 per month. Then, starting September 1, 2026, those same customers would see another 5.3% increase (or \$6.36), raising their monthly bill from \$119.66 to \$126.02. This includes another \$5.00 increase in the basic charge, bringing it to \$30.00 per month. The Company's Application includes written testimony and exhibits explaining and defending the calculation of the Company's proposed rate increase.

The Company provided notice of the Application to its customers by means of bill inserts included in customer bills over the course of a billing cycle. The Company also issued a press release to local media organizations and provided copies of the Application on its website and at local Company offices.

### **THE PROPOSED SETTLEMENT**

Under the Proposed Settlement, the Company would be allowed an overall electric base rate increase of \$19,487,000, or 6.3 percent, effective September 1, 2025, and a 4.6%, on a billed basis, effective September 1, 2026. Additionally, the Proposed Settlement provides the Company an overall natural gas base rate increase of \$4,580,000, or 9.2 percent, effective September 1, 2025, and a decrease of \$209,000, or 0.4 percent, effective September 1, 2026.

The Company would receive a 9.6% 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<br/>Structure</b> | <b>Cost</b> | <b>Weighted<br/>Cost</b> |
|------------------|------------------------------|-------------|--------------------------|
| Total Debt       | 50.00%                       | 4.95%       | 2.48%                    |
| Common Equity    | 50.00%                       | 9.60%       | 4.80%                    |
| <b>Total</b>     | <b>100.00%</b>               |             | <b>7.28%</b>             |

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

| SUMMARY TABLE OF ADJUSTMENTS TO ELECTRIC REVENUE REQUIREMENT<br>EFFECTIVE SEPTEMBER 1, 2025<br>(000s of Dollars) |  |                        |                     |
|--|--|------------------------|---------------------|
|  |  | Revenue<br>Requirement | Rate Base           |
|  | <b>Amount as Filed:</b>  | \$ 42,951              | \$ 1,202,677        |
|  | <b>Adjustments:</b>  |                        |                     |
| a.)  | Cost of Capital  | \$ (6,116)             |                     |
| b.)  | Remove 2026 AMA Capital Additions  | \$ (4,715)             | \$ (34,156)         |
| c.)  | Remove 2026 Revenue and Expense Offsets  | \$ 1,936               |                     |
| d.)  | Update 2024/2025 Capital Additions   | \$ (357)               | \$ (3,276)          |
| e.)  | Revise Wildfire Deferral Amortization  | \$ (1,621)             |                     |
| f.)  | Revise Insurance Deferral Amortization   | \$ (690)               |                     |
| g.)  | Remove 2026 Officer Labor Increases  | \$ (19)                |                     |
| h.)  | Update Employee Incentive Expense  | \$ (132)               |                     |
| i.)  | Remove Escalated Miscellaneous O&M Expense   | \$ (3,399)             |                     |
| j.)  | Revise Colstrip Regulatory Amortization  | \$ (364)               |                     |
| k.)  | Revise Net Power Supply Expense  | \$ (4,611)             |                     |
| l.)  | Update Pro Forma Insurance Expense   | \$ (950)               |                     |
| m.)  | Remove Property Taxes  | \$ (1,973)             |                     |
| n.)  | Miscellaneous Adjustments: revise Board of Director expenses, remove<br>Schedule 23 DC Fast Charger Revenues, revise injuries and damages, remove<br>IS/IT expense escalation, and reclassification of other administrative and general<br>expenses. | \$ (453)               |                     |
|  | <b>Adjusted Amounts Effective September 1, 2025</b>  | <b>\$ 19,487</b>       | <b>\$ 1,165,245</b> |

| EFFECTIVE SEPTEMBER 1, 2026<br>(000s of Dollars) |  |                        |                     |
|--|--|------------------------|---------------------|
|  |  | Revenue<br>Requirement | Rate Base           |
|  | <b>Rate Base Amount Effective September 1, 2025</b>  |                        | <b>\$ 1,165,245</b> |
|  | <b>Incremental Revenue Adjustment to September 1, 2025 Rate Change<br/>(see Table No. 1):</b>  |                        |                     |
| a.)  | Add Incremental Capital and Expenses:  |                        |                     |
| i.   | Net Power Supply Expense and Transmission Revenue  | \$ 13,567              |                     |
| ii.  | AMA 2026 Capital Additions   | \$ 4,715               | \$ 34,156           |
| iii.   | Miscellaneous Capital Adjustments  | \$ (143)               | \$ (1,720)          |
| iv.  | Property Tax Expense   | \$ (784)               |                     |
| v.   | 2026 Union/Non-Union Labor Increase  | \$ 1,281               |                     |
| vi.  | Employee Benefits  | \$ 320                 |                     |
| vii.   | 2026 Growth Revenue and O&M Offsets  | \$ (1,921)             |                     |
| viii.  | Revise Colstrip/CS2 Major Maintenance Expense  | \$ (1,511)             |                     |
| ix.  | Remove Colstrip Depreciation Expense   | \$ (986)               |                     |
| x.   | Revise Excess Deferred Income Tax (EDIT)   | \$ 153                 |                     |
|  | <b>September 1, 2026 Incremental Revenue Adjustment and Rate Base<br/>Amount (above September 1, 2025 Rate Change - see Table No. 1)</b> | <b>\$ 14,691</b>       | <b>\$ 1,197,681</b> |

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The Proposed Settlement set 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</b><br><b>EFFECTIVE SEPTEMBER 1, 2025</b><br><b>(000s of Dollars)</b>   |                            |                   |
|--|----------------------------|-------------------|
|  | <b>Revenue Requirement</b> | <b>Rate Base</b>  |
| <b>Amount as Filed:</b>  | <b>\$ 8,803</b>            | <b>\$ 236,902</b> |
| <b>Adjustments:</b>  |                            |                   |
| a.) Cost of Capital  | \$ (1,205)                 |                   |
| b.) Remove 2026 AMA Capital Additions  | \$ (460)                   | \$ (4,178)        |
| c.) Remove 2026 Revenue and Expense Offsets  | \$ 754                     |                   |
| d.) Update 2024/2025 Capital Additions   | \$ (4)                     | \$ (29)           |
| e.) Revise Williams Pipeline Outage Deferral Amortization  | \$ (1,453)                 |                   |
| f.) Remove 2026 Officer Labor Increases  | \$ (5)                     |                   |
| g.) Update Employee Incentive Expense  | \$ (35)                    |                   |
| h.) Remove Escalated Miscellaneous O&M Expense   | \$ (708)                   |                   |
| i.) Update Pro Forma Insurance Expense   | \$ (155)                   |                   |
| j.) Remove Property Taxes  | \$ (836)                   |                   |
| k.) Miscellaneous Adjustments: revise Board of Director expenses, revise injuries and damages, remove IS/IT expense escalation, and reclassification of other administrative and general expenses. | \$ (117)                   |                   |
| <b>Adjusted Amounts Effective September 1, 2025</b>  | <b>\$ 4,580</b>            | <b>\$ 232,695</b> |

| <b>SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT</b><br><b>EFFECTIVE SEPTEMBER 1, 2026</b><br><b>(000s of Dollars)</b> |                            |                   |
|--|----------------------------|-------------------|
|  | <b>Revenue Requirement</b> | <b>Rate Base</b>  |
| <b>Rate Base Amount Effective September 1, 2026</b>  |                            | <b>\$ 232,695</b> |
| <b>Incremental Revenue Adjustment to September 1, 2025 Rate Change (see Table No. 3):</b>  |                            |                   |
| a.) Add <u>Incremental</u> Capital and Expenses:   |                            |                   |
| i. AMA 2026 Capital Additions  | \$ 465                     | \$ 4,178          |
| ii. Property Tax Expense   | \$ (350)                   |                   |
| iii. 2026 Union/Non-Union Labor Increase   | \$ 360                     |                   |
| iv. Employee Benefits  | \$ 85                      |                   |
| v. 2026 Growth Revenue and O&M Offsets   | \$ (769)                   |                   |
| <b>September 1, 2026 Revenue Adjustment and Rate Base Amounts (below September 1, 2025 Rate Change - see Table No. 3)</b>                | <b>\$ (209)</b>            | <b>\$ 236,873</b> |

The Proposed Settlement provided information on the Power Cost Adjustment authorized level of Net Power Supply Expenses included in base rates.

The Signing Parties agreed to a revised system net power supply expense of \$193,929,981. *Id.* The Signing Parties also agreed to system transmission revenues of \$32,922,334.

The Proposed Settlement provided information on the new level of baseline values for the electric and natural gas Fixed Cost Adjustment Mechanism (“FCA”) resulting from the September 1, 2025, and September 1, 2026, settlement revenue requirements.

The Proposed Settlement contained agreements including: (1) a Wildfire Resiliency Plan; (2) an Insurance Expense Balancing Account; (3) Regulatory Amortizations; (4) Colstrip Regulatory Assets and Accounting; and (5) Capital Projects Included in Rates.

The Signing Parties did not agree on a cost-of-service methodology. However, the Signing Parties agreed that certain rate schedules generally diverge from their relative costs of service. Accordingly, the Signing Parties agreed that Schedule 25P will receive 25% of the overall base rate change, while Street and Area Lights will receive 75%. Schedules 1 and 25 will each receive 100% of the change. Schedules 21/22 and 31/32 will receive 125%, and Schedules 11/12 will receive 105%. For natural gas, the margin increase scheduled for September 1, 2025, will apply to Schedule 101. The margin decrease set for September 1, 2026, will be evenly applied to Schedules 111/112 and 146.

The Signing Parties agreed to the rate design changes proposed by the Company in Mr. Miller’s direct testimony for the September 1, 2025, and September 1, 2026, base rate increases except for certain basic charges and volumetric rates. The basic charges for Schedules 1, 11, 12, 31, 32, and 101 will stay the same. Appendix F of the Proposed Settlement includes a summary of both the current and updated electric and natural gas rates and charges.

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

**Effective September 1, 2025 (Rate Year 1)**

| <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                  | 6.3%                                   | 6.7%                                      |
| General Service Schedules 11/12         | 6.6%                                   | 6.7%                                      |
| Large General Service Schedules 21/22   | 7.9%                                   | 8.0%                                      |
| Extra Large General Service Schedule 25 | 6.3%                                   | 6.5%                                      |
| Clearwater Paper Schedule 25P           | 1.6%                                   | 1.6%                                      |
| Pumping Service Schedules 31/32         | 7.9%                                   | 8.0%                                      |
| Street & Area Lights Schedules 41-48    | <u>4.8%</u>                            | <u>4.6%</u>                               |
| <b>Overall</b>                          | <b><u>6.3%</u></b>                     | <b><u>6.6%</u></b>                        |

**Effective September 1, 2026 (Rate Year 2)**

| <b><u>Rate Schedule</u></b>             | <b><u>Increase in Base<br/>Revenue</u></b> | <b><u>Increase in<br/>Billing Revenue</u></b> |
|---|--|---|
| Residential Schedule 1                  | 4.5%                                       | 4.7%  |
| General Service Schedules 11/12         | 4.7%                                       | 4.8%  |
| Large General Service Schedules 21/22   | 5.5%                                       | 5.6%  |
| Extra Large General Service Schedule 25 | 4.5%                                       | 4.6%  |
| Clearwater Paper Schedule 25P           | 1.2%                                       | 1.2%  |
| Pumping Service Schedules 31/32         | 5.5%                                       | 5.6%  |
| Street & Area Lights Schedules 41-48    | <u>3.4%</u>                                | <u>3.3%</u>                                   |
| <b>Overall</b>                          | <b><u>4.5%</u></b>                         | <b><u>4.6%</u></b>                            |

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

**Effective September 1, 2025 (Rate Year 1)**

| <b><u>Rate Schedule</u></b>                | <b><u>Increase in<br/>Margin Revenue</u></b> | <b><u>Increase in<br/>Billing Revenue</u></b> |
|--|--|---|
| General Service Schedule 101               | 11.1%  | 6.7%  |
| 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>9.2%</u></b>                           | <b><u>5.4%</u></b>                            |

**Effective September 1, 2026 (Rate Year 2)**

| <b><u>Rate Schedule</u></b>                | <b><u>Increase in<br/>Margin Revenue</u></b> | <b><u>Increase in<br/>Billing Revenue</u></b> |
|--|--|---|
| General Service Schedule 101               | 0.0%   | 0.0%  |
| Large General Service Schedules 111/112    | -2.5%  | -1.1%   |
| Interrupt. Sales Service Schedules 131/132 | 0.0%   | 0.0%  |
| Transportation Service Schedule 146        | <u>-2.5%</u>                                 | <u>-2.6%</u>                                  |
| <b>Overall</b>                             | <b><u>-0.4%</u></b>                          | <b><u>-0.2%</u></b>                           |

If the Commission rejects any part or all of the Proposed Settlement, or imposes any additional material conditions on its approval, each Signing Party reserved the right to withdraw from the Proposed Settlement within 14 days of the Commission's order.

## THE COMMENTS

### 1. Public Comments

As of July 23, 2025, the Commission has received 180 public written comments, all of which were received prior to the Notice of Proposed Settlement. Order No. 36651. Most of the comments opposed the Company's request for a rate increase. Customers presented issues including fixed incomes, inflation, taxes, the economy, and other worldly issues that present financial hardships for customers.

### 2. Walmart Letter

On July 08, 2025, Walmart filed a letter in lieu of testimony in support of the Proposed Settlement ("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 No. 36651 dated June 24, 2025 in the above referenced matters.

Walmart supports, and is a signatory to, the stipulation and settlement filed with the Commission on June 9, 2025 ("Settlement"). Walmart respectfully requests that the Commission approve the Settlement pursuant to the agreed upon terms and will not be submitting direct testimony.

Walmart Letter at 1.

## THE TESTIMONY

Staff and the Company filed testimony in support of the Proposed Settlement. Staff and the Company each described the process, the components (described above), and their support of the Proposed Settlement.

## COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission has the express statutory authority to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential or discriminatory, or in violation of any provision of law, and may fix the same by Order. *Idaho Code* §§ 61-502 and 61-503.

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 Proposed 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. Finally, 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.*

The Commission has reviewed the record, including the Application, Proposed Settlement, testimony, and public comments. The Signing Parties have built a substantial record through their filings, negotiations, and participation in hearings setting forth their justifications for signing and supporting the Proposed Settlement. We appreciate the investment of time and resources the Signing Parties have made to participate in this case and promote their positions on the Company’s Application. The robust record has assisted the Commission in understanding the important issues raised in this case. Based on our review of the record, we find that the Proposed Settlement is fair, just, and reasonable, in the public interest, and we approve it as filed.

The Proposed Settlement reduces the Company’s requested increase to its Idaho electric base revenues from 14.4%, on a billed basis, effective September 1, 2025; and 5.2%, on a billed basis, effective September 1, 2026, to 6.6%, on a billed basis, effective September 1, 2025, and 4.6%, on a billed basis, effective September 1, 2026. Similarly, the Proposed Settlement reduces the requested Idaho natural gas base revenue increase from 10.3% on a billed basis, effective September 1, 2025; and 1% on a billed basis, effective September 1, 2026, to 5.4%, on a billed basis, effective September 1, 2025, and provides for a 0.2%, decrease in rates on a billed basis, effective September 1, 2026.

In its Application, the Company requested authorization of a 10.4% ROE. However, we find the agreed upon 9.6% ROE presented in the Proposed Settlement is fair, just, and reasonable.

We find the agreed upon revisions to electric Schedules 1, 11/12, 21/22, 25, 25P, 31/32 fair, just, and reasonable. We similarly find the agreed upon revisions to natural gas Schedules 101, 111/112, and 146 to be fair, just, and reasonable. Additionally, we find it reasonable to authorize the rate design changes proposed by the Company in Mr. Miller’s direct testimony for the September 1, 2025, and September 1, 2026, base rate increases except for certain basic charges and volumetric rates contained in the Proposed Settlement.

The record shows that the Signing Parties spent considerable time investigating the Company's proposal and negotiating for an outcome that would provide reasonable rates for customers and an opportunity for the Company to earn a reasonable return on its investments. Significant discovery was conducted, which allowed the Signing Parties to explore the Company's proposed rate increase and make informed decisions regarding settlement. Clearly the Signing Parties worked diligently propounding discovery requests and in settlement conferences to identify adjustments that would result in an outcome agreeable to the Signing Parties, the public and, ultimately, this Commission.

### **ORDER**

IT IS HEREBY ORDERED that the Proposed Settlement is approved as filed.

IT IS FURTHER ORDERED that the Company shall submit copies of its proposed tariffs, with an effective date of September 1, 2025, as a compliance filing within 14 days of the service date of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order about 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. *See Idaho Code* § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29<sup>th</sup> day of August 2025.

  
EDWARD LODGE, COMMISSIONER

  
JOHN R. HAMMOND JR., COMMISSIONER

  
DAYN HARDIE, COMMISSIONER

ATTEST:

  
Monica Barrios-Sanchez  
Commission Secretary  
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