

Idaho Public Utilities Commission

Case No. AVU-E-14-05 and AVU-G-14-01, Order No. 33080

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Proposed settlement would mean no increase for Avista electric, natural gas customers

BOISE (July 24, 2014) – Avista Utilities' northern Idaho customers have until Aug. 15 to submit written comments or request a public hearing regarding a proposed settlement that would result in no electric or gas base rate increase until Jan. 1, 2016 at the earliest.

Because the settlement does not propose any base rate increases, the commission intends to process the case by a modified procedure that includes written comments rather than conducting public hearings. However, the commission may conduct a public hearing if customers request one by e-mailing secretary@puc.idaho.gov or mailing the commission at P.O. Box 83720, Boise, ID, 83720-0074.

Two customer credits that expire on Jan. 1, 2015 would have resulted in increases for both electric and natural gas customers, but the parties are proposing other means than a rate increase to make up for revenue lost due to the credits' expiration.

A one-time credit resulting from a previous agreement between Avista and the Bonneville Power Administration expires on Jan. 1, 2015, which would have resulted in a 1.3% increase. A second credit to natural gas customers also expires on Jan. 1, and that would have resulted in a 1.7% increase in natural gas rates.

The proposed settlement eliminates the need for both increases by using funds from a revenue sharing program Avista has with customers. If the consolidated earnings from both Avista's electric and natural gas sectors exceed 9.8%, half those earnings are deferred to future credits for customers the following year. If earnings are below 9.5%, Avista is allowed to apply previous years' earnings' deferral to move its earnings up to 9.5%.

The settlement proposes to apply a portion of Avista's 2013 deferral for earnings above 9.8% (\$3.2 million) against the BPA credit expiration. The remaining \$713,000 in customers' share of 2013 earnings would be applied against the next Power Cost Adjustment on Oct. 1, 2014.

The increase that would have occurred when the natural gas credit ends is proposed to be paid for from a \$653,000 balance in the natural gas Energy Efficiency account plus \$444,000 in natural gas earnings sharing with customers

The agreement proposes that 80% of expenses related to a new customer information system (up to \$3.3 million) be deferred until 2016. The deferral of those expenses is due in part to the uncertainty of the in-service date for the Project Compass billing and customer information system. The proposed settlement also defers to 2016 a three-year amortization of \$1.25 million (\$418,000 per year) of expenses related to operations and maintenance of the Coyote Springs 2 natural gas plant near Boardman, Oregon and the Colstrip 3 and 4 coal generating plants in southeastern Montana.

The settlement also proposes that the parties meet before October 1 to review Avista's conservation programs for low-income residential customers. Avista temporarily discontinued conservation programs for natural gas customers, claiming the programs were no longer cost-effective given low natural gas prices. The review will help determine under which conditions those programs may resume and will also look at electric and natural gas use by low-income customers. By Dec. 1, the parties will determine whether a formal case should be opened to examine cost-effectiveness of conservation measures and rate design for low-income customers.

The proposed base rate freeze through 2015 does not apply to the company's annual Power Cost Adjustment (PCA) on Oct. 1 of each year. Unlike base rates which cover fixed costs, the PCA is designed to recover variable expenses that change every year, such as market prices for electricity and fuel and transportation expense. If those expenses are less than what is already included in rates, customers get a one-year credit. If they are greater, customers get a one-year surcharge. Avista's earnings are not increased as a result of the PCA.

Parties signing the proposed settlement include Avista, Idaho commission staff, the Clearwater Paper Association, Idaho Forest Group, the Idaho Conservation League, Snake River Alliance and the Community Action Partnership Association of Idaho, which represents customers on low- and fixed-incomes. The commission is not bound by the settlement. It will independently review the settlement to determine whether it is in the public interest. The proponents of the settlement carry the burden of showing the settlement is reasonable and in the public interest.

Comments or requests for a hearing can be submitted through Aug. 15 by accessing the commission's Website at www.puc.idaho.gov. Click on "Case Comment Form," under either the "Electric" or "Natural Gas" heading, enter the case number (AVU-E-14-05 or AVU-G-14-01) and provide your comments. Comments or requests for a hearing can also be mailed to P.O. Box 83720, Boise, ID, 83720-0074.

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