

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION DBA AVISTA)	CASE NOS. AVU-E-15-05
UTILITIES FOR AUTHORITY TO)	AVU-G-15-01
INCREASE ITS RATES AND CHARGES FOR)	
ELECTRIC AND NATURAL GAS SERVICE)	ORDER NO. 33455
IN IDAHO)	

On December 18, 2015, the Commission issued final Order No. 33437 approving the settlement of Avista's rate case. On December 28, 2015, Avista customer Craig Kerwin filed a timely Petition for Reconsideration requesting that the Commission reconsider Order No. 33437. Mr. Kerwin asserts that the approved \$1.7 million increase in electric rates, and the \$2.5 million increase in natural gas rates are attributable to "inflated" executive compensation, to which he objects. Petition at 1. He specifically inquired as to how much of the approved settlement "goes to salaries for the management" of Avista.

Avista filed a timely answer urging the Commission to deny reconsideration. Avista claims that contrary to Mr. Kerwin's allegation, executive compensation was specifically addressed in the settlement. Avista points out that the settlement removes all officer incentive pay from the approved rates. Answer at 2, *citing* Stipulation and Settlement at §§ 7(h)-9(h). The utility notes that there has been no increase in the base pay for Avista executives since 2011, and that the settlement does not approve an increase in executive base pay for 2016. The Company concludes by quoting the Commission that "[t]he settlement represents a reasonable compromise of the positions held by the parties and reflects a significant reduction in the requested revenue increase." *Id.*, *quoting* Order No. 33437 at 10.

Based upon our review of the Petition for Reconsideration, Avista's answer and our record, we deny reconsideration as set out in greater detail below.

BACKGROUND

On June 1, 2015, Avista Corporation dba Avista Utilities applied to increase its general rates for electric and natural gas service. The Company originally proposed a two-phase rate plan that would increase electric billed revenues by \$26.9 million over two years effective January 1, 2016, and increase natural gas billed revenues by \$4.9 million effective January 1, 2016.

In September and October 2015, the Company, Commission Staff, Community Action Partnership Association of Idaho, Clearwater Paper, Idaho Conservation League, Idaho Forest Group, and Snake River Alliance (the “Parties”) engaged in extensive settlement negotiations. The Parties eventually agreed to a full settlement. On October 19, 2015, the Company and Commission Staff requested that the Commission approve a Stipulation and Settlement that had been entered into by all Parties. *See* Motion for Approval of Stipulation and Settlement. On October 20, 2015, the Commission issued a Notice of Proposed Settlement soliciting comments on the proposed settlement. The Commission received one customer comment expressing support generally for the settlement. The Commission approved the settlement on December 18, 2015.

ISSUES ON RECONSIDERATION

A. Legal Standards

Reconsideration provides an opportunity for a party to bring to the Commission’s attention any question previously determined and thereby affords the Commission with an opportunity to rectify any mistake or omission. *Washington Water Power Co. v. Kootenai Environmental Alliance*, 99 Idaho 875, 879, 591 P.2d 122, 126 (1979). The Commission may grant reconsideration by reviewing the existing record, by written briefs, or by evidentiary hearing. Rule 332, IDAPA 31.01.01.332. If reconsideration is granted, the Commission must complete its reconsideration within 13 weeks after the deadline for filing petitions for reconsideration. *Idaho Code* § 61-626(2).

Consistent with the purpose of reconsideration, the Commission’s Procedural Rules require that petitions for reconsideration “set forth specifically the ground or grounds why the petitioner contends that the order or any issue decided in the order is unreasonable, unlawful, erroneous or not in conformity with the law.” Rule 331.01, IDAPA 31.01.01.331.01. Rule 331 further requires that the petitioner provide a “statement of the nature and quantity of evidence or argument the petitioner will offer if reconsideration is granted.” *Id.*

B. Executive Compensation

At the outset of his Petition, Mr. Kerwin asserts that Avista management should “forego salary increases for a while . . . to pass [savings to its customers].” *Id.* Mr. Kerwin’s Petition mirrors concerns addressed in his July 10, 2015, written comments to the Commission. Kerwin also objects to the Company’s handling of recent weather-related outages and points to

that as evidence of poor management for which the executives should not be rewarded through “pay increases above operating costs.” *Id.*

Avista responds that executive compensation was specifically addressed in the settlement, and that “by its express terms, [the Settlement] removed all officer incentive pay from the approved rates.” Answer at 2. Avista states that the settlement contemplates officer compensation based on existing salary levels as of March of 2015, with no increase for 2016. *Id.*

COMMISSION FINDINGS AND CONCLUSIONS

As set out in the Parties’ settlement and explained in Avista’s reply, the amount of executive compensation paid by ratepayers will not increase. Stipulation and Settlement at 4-6. Rather, the settlement reflects the Parties’ mutual agreement to restrict incentive compensation for Avista executives to 2011 levels. In other words, the settlement precludes executives from getting a salary increase at ratepayer expense as a result of the settlement—exactly what Mr. Kerwin requested. In fact, in addition to no increase in executive compensation borne by ratepayers, the settlement also achieved a reduction of \$100,000 in non-officer incentives, when compared to the Company’s original request. Settlement at 4. Accordingly, we are not persuaded that the settlement is unreasonable, unlawful, erroneous or not in conformity with the law. Therefore, we deny reconsideration.

We further find that the Parties negotiated in good faith, participated in extensive discovery, including audits, and independent staff review. The Parties all ultimately agreed to compromised positions including consideration of executive compensation. The Parties agreed to a settlement because of a belief that the settlement achieved a better outcome than what might be gained through hearing. We affirm that the settlement is fair, just, reasonable and in the public interest.

ORDER

IT IS HEREBY ORDERED that the Petition for Reconsideration is denied.

THIS IS A FINAL ORDER ON RECONSIDERATION. Any party aggrieved by this Order may appeal to the Supreme Court of Idaho pursuant to the Public Utilities Law and the Idaho Appellate Rules. See *Idaho Code* § 61-627.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 25th
day of January 2016.



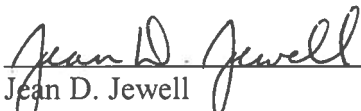
PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER

Commissioner Anderson did not participate in this case
ERIC ANDERSON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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