

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	CASE NO. AVU-E-21-01
OF AVISTA CORPORATION FOR	)	AVU-G-21-01
AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR ELECTRIC AND	)	NOTICE OF
NATURAL GAS SERVICE TO ELECTRIC	)	PROPOSED SETTLEMENT
AND NATURAL GAS CUSTOMERS IN)	
THE STATE OF IDAHO	)	NOTICE OF PUBLIC
	)	WORKSHOP
)	
	)	NOTICE OF TELEPHONIC
	)	CUSTOMER HEARING
)	
	)	NOTICE OF TECHNICAL
	)	HEARING
)	
	)	ORDER NO. 35087

On January 29, 2021, Avista Corporation dba Avista Utilities (“Avista” or the “Company”) applied to increase its electric and natural gas rates for Idaho customers through a “Two Year Rate Plan”. *Application* at 1. In “Rate Year 1,” Avista requested an electric base rate increase of \$24.8 million (10.1 percent) and a natural gas base rate increase of \$0.1 million (0.1 percent), effective September 1, 2021. *Id.* In “Rate Year 2,” Avista requested an electric base rate increase of \$8.7 million (3.2 percent) and a natural gas base rate increase of \$1.0 million (2.2 percent), effective September 1, 2022. *Id.* Avista represented that these proposed rate increases would be offset by the effect of Tax Customer Credit Tariff Schedules 76 (electric) and 176 (natural gas)¹ and the Deferred Depreciation Credit Tariff Schedule 177 (natural gas). *Id.* 2022. *Id.* at 1-2.

On February 23, 2021, the Commission issued a Notice of Application and Notice of Intervention Deadline. *See* Order No. 34930. The Idaho Conservation League (“ICL”), Walmart Inc. (“Walmart”), Community Action Partnership Association of Idaho (“CAPAI”), Idaho Forest

¹ The proposed offset to the requested rate increases in Tariff Schedules 76 and 176 come from Case Nos. AVU-E-20-12 and AVU-G-20-01 wherein the Commission approved Avista’s request to change its accounting method. *See* Order No. 34906. The Commission found that this accounting change could provide immediate benefits to customers, subject to similar approvals in other jurisdictions where Avista provides services. Order No. 34906 at 3.

Group LLC (“IFG”), and Clearwater Paper Corporation (“Clearwater”) intervened as parties (collectively the “Parties”). *See* Order Nos. 34940, 34953, 34958 and 34967. On April 23, 2021, the Commission issued a Notice of Scheduling and Notice of Technical Hearing which set a date for the Parties to attend a settlement conference, deadlines for the Parties to file testimony and exhibits, and scheduled a technical hearing. *See* Order No. 35010.

On June 14, 2021, Avista and the Commission Staff (“Staff”) filed a joint Motion for Approval of Stipulation and Settlement (“Motion”) notifying the Commission that the Parties had reached a stipulation and settlement (“Stipulation”) resolving all issues. The Stipulation was signed by all Parties and was filed with the Motion. The Motion requests that the Commission amend the case schedule to allow for review and approval of the proposed Stipulation.

With this Order, we provide notice of the proposed settlement and amend the case schedule as set forth below.

NOTICE OF PROPOSED SETTLEMENT

YOU ARE HEREBY NOTIFIED that if the Commission approves the Stipulation, the Stipulation will fully resolve the case as follows:²

1. Overview of Settlement, Revenue Requirement and Effective Date

Avista would increase annual base electric revenue by \$10.6 million, or 4.3%, effective September 1, 2021, and increase base electric revenue by \$8.0 million, or 3.1%, effective September 1, 2022. For natural gas, Avista would decrease natural gas base revenue by \$1.6 million, or 3.7%, effective September 1, 2021, and increase natural gas base revenue \$0.9 million, or 2.2%, effective September 1, 2022.

2. Tax Customer Credit

Avista would return to customers, tax customer credits of approximately \$31.3 million for electric and \$12.1 million for natural gas, through separate Tariff Schedules 76 (electric) and 176 (natural gas). For Year 1 electric, an amount equal to the base rate increase set forth in the Stipulation would be returned to customers. For Year 2 electric, the remaining balance of the tax customer credit, offsetting the overall base rate increase set forth in the Stipulation, effective September 1, 2022. In addition, the \$250,000 of the tax customer credit applicable to Schedule 11

² Interested persons may view the actual Stipulation and Settlement on the Commission’s web site at www.puc.idaho.gov.

would be allocated to Schedule 25. For natural gas, the tax customer credit would begin to be returned starting September 1, 2021, over a ten-year period.

3. Capital Structure and Cost of Capital

Avista’s capital structure and weighted-average cost of capital (rate of return) would be:

Component	Capital Structure	Cost	Weighted-Average Cost of Capital
Debt	50%	4.70%	2.35%
Common Equity	50%	9.40%	4.70%
Total	100%		7.05%

4. Percentage Increase by Service Schedule

The resulting percentage increases to Avista’s base rates, increase in billing revenue before tax customer credits and change in billing revenue with the tax customer credit offset:

Resulting Percentage Increase by Electric Service Schedule

Effective September 1, 2021 (Rate Year 1)

<u>Rate Schedule</u>	Increase in Billing		Change in Billing
	Increase in Base Revenue	Revenue before Offset	Revenue with Offset
Residential Schedule 1	4.9%	4.9%	0.6%
General Service Schedules 11/12	4.3%	4.1%	0.0%
Large General Service Schedules 21/22	4.3%	4.1%	0.0%
Extra Large General Service Schedule 25	4.3%	4.2%	0.0%
Clearwater Paper Schedule 25P	1.1%	1.0%	-3.1%
Pumping Service Schedules 31/32	4.3%	4.2%	0.0%
Street & Area Lights Schedules 41-48	<u>4.3%</u>	<u>4.2%</u>	<u>0.0%</u>
Overall	<u>4.3%</u>	<u>4.2%</u>	<u>0.0%</u>

Effective September 1, 2022 (Rate Year 2)

<u>Rate Schedule</u>	Increase in Billing	
	Increase in Base Revenue	Change in Billing Revenue before Offset
Residential Schedule 1	4.3%	4.4%
General Service Schedules 11/12	0.8%	0.8%
Large General Service Schedules 21/22	3.1%	3.1%
Extra Large General Service Schedule 25	3.1%	3.1%
Clearwater Paper Schedule 25P	0.8%	0.8%
Pumping Service Schedules 31/32	3.1%	3.1%
Street & Area Lights Schedules 41-48	<u>3.1%</u>	<u>3.1%</u>
Overall	<u>3.1%</u>	<u>3.2%</u>

Effective September 1, 2021 (Rate Year 1)

<u>Rate Schedule</u>	Change in Billing	
	Change in Margin Revenue	Change in Billing Revenue before Offset
General Service Schedule 101	-3.7%	-2.6%
Large General Service Schedules 111/112	-3.7%	-2.1%
Transportation Service Schedule 146	<u>-3.7%</u>	<u>-3.7%</u>
Overall	<u>-3.7%</u>	<u>-2.5%</u>

Effective September 1, 2022 (Rate Year 2)

<u>Rate Schedule</u>	Change in Margin Revenue	Change in Billing Revenue
	General Service Schedule 101	2.2%	1.6%
Large General Service Schedules 111/112	2.2%	1.3%
Transportation Service Schedule 146	<u>2.2%</u>	<u>2.3%</u>
Overall	<u>2.2%</u>	<u>1.5%</u>

5. Cost of Service

In the Stipulation, the Parties did not agree on any cost-of-service methodology. Recognizing that certain rate schedules are generally above their relative cost of service, the Parties agree that Schedule 25P should receive 25% of the overall percentage base rate changes for the September 1, 2021, and September 1, 2022, base rate increases. In addition, Schedules 11/12 should receive 25% of the overall percentage base rate change for the September 1, 2022, increase. All other schedules, except Schedule 1, should receive a uniform percentage of the overall base rate revenue increase. The remaining revenue requirement should be spread to Schedule 1.

For natural gas, the Parties agreed to a uniform percentage of distribution margin increase on September 1, 2021, and September 1, 2022.

6. Agreed Upon Workshops and Meetings

Avista will work with the interested parties to set a schedule for workshops and meetings by October 15, 2021, concerning the foregoing matters:

- (a) Cost of Service Workshops;
- (b) Basic Charge Discussion;
- (c) Long-Term Ownership of Colstrip;
- (d) Weather Normalization Discussion;
- (e) Neilson Substation and Interconnection Discussion; and,
- (f) Customer Service Metrics/Customer Facing Technologies.

7. Signing Parties

The Company, Staff, Clearwater Paper, Idaho Forest, CAPAI, ICL, and Walmart have signed the Stipulation, and assert it is in the public interest and is fair, just, and reasonable.

COMMISSION SETTLEMENT RULES

YOU ARE FURTHER NOTIFIED that the Commission will review the Stipulation under Commission Rules 271-280. *See* IDAPA 31.01.01.271-280.

YOU ARE FURTHER NOTIFIED that the Stipulation does not bind the Commission. The Commission will independently review the Stipulation to decide whether to approve it, reject it, or state conditions under which to accept it. The Stipulation's proponents ultimately must prove it is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.

YOU ARE FURTHER NOTIFIED that the Stipulation, Application, and supporting work papers, testimony, and exhibits are available for public inspection during regular business hours at the Commission's office. They also may be viewed on the Commission's web site at www.puc.idaho.gov by clicking on the "Electric" or "Natural Gas" icon, select "Open Cases," and click on the case number (Case No. AVU-E-21-01 for electric or AVU-G-21-01 for natural gas) as shown on this document.

PREFILED DIRECT TESTIMONY

YOU ARE FURTHER NOTIFIED that the Parties of record in the case have until **July 19, 2021, to file their prefiled testimony with the Commission** regarding the Stipulation. The June 23, 2021, date for filing of Staff and Intervenor testimony and the July 26, 2021, date for the filing of Avista rebuttal testimony are vacated. The Parties' prefiled testimony and exhibits must conform to Rules 231, 266 and 267 of the Commission's Rules of Procedure. Reference IDAPA 31.01.01.231 and .266-.267. E-copy service on Parties of record should be made on the same date, with full service of testimony and exhibits provided to Parties of record by the next business day.

PUBLIC COMMENTS

YOU ARE FURTHER NOTIFIED that persons desiring to state a position on the case and the Stipulation may file a written comment explaining their position. Persons who would like a hearing must specifically request a hearing in their written comments. **Persons shall have until the close of business on August 3, 2021, to file written comments.** Comments must be filed by e-mail unless e-mail is unavailable. To comment by e-mail, please access the Commission's home page at www.puc.idaho.gov. Click the "Consumers" tab and then "Case Comment or Question Form" and complete the form using the case number as it appears on the front of this document. Comments filed by e-mail must also be e-mailed to the Company at the e-mail addresses listed below. If e-mail is unavailable, then comments may be mailed to the Commission and Company at these addresses:

Commission Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074
secretary@puc.idaho.gov

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11331 W. Chinden Blvd.
Building 8, Suite 201-A
Boise, Idaho 83714

NOTICE OF TELEPHONIC CUSTOMER HEARING

YOU ARE FURTHER NOTIFIED that the Commission previously set a telephonic customer hearing in this matter for **WEDNESDAY, JULY 14, 2021, AT 6:00 PM (PDT)**. *See* Order No. 35010. The purpose of the telephonic customer hearing is to take testimony from members of the public and customers of Avista. To participate, please call **1-415-655-0001** and enter the passcode **133 481 5766** when prompted. Those planning on testifying are encouraged to join the hearing at 5:45 PM (PDT).

NOTICE OF TECHNICAL HEARING

YOU ARE FURTHER NOTIFIED that the Commission will conduct a technical hearing on **MONDAY, AUGUST 2, 2021, COMMENCING AT 9:30 A.M. (MDT) IN THE COMMISSION HEARING ROOM, 11331 W. CHINDEN BLVD, BUILDING 8, SUITE 201A, BOISE, IDAHO 83714 AND CONTINUING ON TUESDAY, AUGUST 3, 2021, IF NECESSARY.**

YOU ARE FURTHER NOTIFIED that the workshop and all hearings in this case will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act. Persons needing the help of a sign language interpreter or other assistance to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the workshop or hearings. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
P.O. BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
secretary@puc.idaho.gov

YOU ARE FURTHER NOTIFIED that the record in this matter is available for public inspection during regular business hours at the Commission offices. The record is available on the Commission's web site at www.puc.idaho.gov. Click on the "Electric" or "Natural Gas" icon, select "Open Cases," and click on the case number (Case No. AVU-E-21-01 for electric or AVU-G-21-01 for natural gas) as shown on this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

IT IS HEREBY ORDERED that an amended schedule, as set forth above, is adopted.

IT IS FURTHER ORDERED that the Parties to the Stipulation have until July 19, 2021, to file prefiled testimony and any exhibits with the Commission about the Stipulation.

IT IS FURTHER ORDERED that anyone may file written comments with the Commission about the case and the Stipulation through the close of business on August 3, 2021.


IT IS FURTHER ORDERED that the Commission will hold a telephonic customer hearing at which customers and interested members of the public may testify on Wednesday, July 14, 2021, at 6:00 PM (PDT).

IT IS FURTHER ORDERED that the Commission will hold a technical hearing for the Parties to offer evidence and examine witnesses on Monday, August 2, 2021, at 9:30 AM (MDT). The technical hearing will continue Tuesday, August 3, 2021, if necessary.

IT IS FURTHER ORDERED that Parties should continue to comply with Order No. 35058, issued June 3, 2021. All pleadings should be filed with the Commission electronically and shall be deemed timely filed when received by the Commission Secretary. *See* Rule 14.02. Service between Parties should also be accomplished electronically. Voluminous discovery-related documents may be filed and served on CD-ROM or a USB flash drive.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 25th day of June 2021.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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