

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: BRANDON KARPEN
DEPUTY ATTORNEY GENERAL**

DATE: JUNE 2, 2016

SUBJECT: AVISTA GENERAL ELECTRIC RATE CASE, CASE NO. AVU-E-16-03

On May 26, 2016, Avista Corporation applied to the Commission for authority to increase its electric base rates by \$15.4 million (6.3%). The Company says its average residential customer would experience an electric bill increase of \$6.54 (7.7%) per monthly bill. Avista asks for the new rates to take effect on January 1, 2017.

THE APPLICATION

Avista is a public utility engaged in the production, transmission, and distribution of electric power and natural gas to customers in eastern Washington, northern Idaho, and parts of southern and eastern Oregon. Avista's existing base rates and charges for electric service were approved by the Commission on December 18, 2015, and took effect on January 1, 2016. Order No. 33437. Avista's natural gas rates are not at issue in this case.

In its Application, Avista claims its existing electricity rates are not fair, just, and reasonable, and that it must increase them so it can have an opportunity to earn a fair return on its investment. Avista plans to notify its customers about the proposed rate increases by distributing bill stuffers over the June 2016 billing cycle, and through news releases.

Avista claims that approximately 77% of the proposed increase is attributable to cover an increase in Net Plant Investment (including return on investment, depreciation and taxes, and offset by the tax benefit of interest). The Company states further that approximately 12% of the proposed increase relates to net power supply expenses, and that 11% is owed to increases in operation and maintenance, and administrative expenses. Avista's evidence is based on a 12-month test year ending December 31, 2015. Avista's request will result in an overall rate of return of 7.78%, which includes a 50% common equity ratio, and a 9.9% return on equity.

If the Application is approved, a residential customer using an average of 918 kilowatt hours (kWh) per month could expect to see a bill increase of \$6.54 per month in 2017, which includes a basic charge increase from \$5.25 to \$6.25 per month. Avista’s proposed electric rate increase would impact customers’ electric bills by schedule as follows:

Proposed Electric Increase

Service Schedule	Proposed Billing Increase
Residential Service Schedule 1	7.7%
General Service Schedules 11 & 12	4.5%
Large General Service Schedules 21 & 22	5.6%
Extra Large General Service Schedule 25	4.7%
Extra Large General Service Schedule 25P	4.5%
Pumping Service Schedules 31 & 32	7.5%
Street & Area Lighting Schedules 41-49	8.2%
Overall Increase	6.3%


The Company requests that the Commission suspend the Application for 30 days plus 5 months from the proposed effective date of June 26, 2016. Under that proposal, the suspended tariffs would go into effect on January 1, 2017.

STAFF RECOMMENDATION

Staff recommends that the Commission issue a Notice of Application that suspends the June 26, 2016 effective date, as proposed by Avista. See Idaho Code § 61-622(4). Staff further recommends that the Commission set a 14-day intervention deadline, and direct Staff to informally confer with the parties about scheduling. Finally, Staff recommends that the Commission direct Staff to convene an informal prehearing conference for the parties to discuss scheduling of discovery, testimony, technical hearings, and other matters that may arise.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application and Order that suspends Avista’s proposed June 26, 2016 effective date to January 1, 2017, establishes a 14-day intervention deadline, and directs Staff to informally confer with the parties about scheduling?



 Brandon Karpen
 Deputy Attorney General

M:AVU-E-16-03_bk