

DECISION MEMORANDUM

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

**FROM: BRANDON KARPERN
DEPUTY ATTORNEY GENERAL**

DATE: NOVEMBER 3, 2016

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

On May 26, 2016, Avista Corporation dba Avista Utilities filed an Application seeking authority to increase its electric base rates by \$15.4 million (6.3%) in Idaho. On June 7, 2016, the Commission issued a Notice of Application and Notice of Intervention Deadline. Clearwater Paper Corporation, Idaho Forest Group, Snake River Alliance, and Community Action Partnership Association of Idaho petitioned for and were granted intervention. The Commission also set deadlines for the parties to file testimony and exhibits, and scheduled public workshops, and a technical hearing.

On October 14, 2016, Staff filed a Motion notifying the Commission that the parties have reached a settlement and requesting an amendment to the procedural schedule. The Commission granted that Motion and vacated the pending comment deadlines. On October 24, 2016, the Company and Staff jointly moved the Commission to further amend the case schedule, and ultimately approve the Stipulation and Settlement that has been entered into by all parties. This Motion is now before the Commission.

PROPOSED SETTLEMENT

The parties represent that the Stipulation and Settlement in whole is in the public interest and is fair, just and reasonable. The parties acknowledge that the Commission is not bound by these representations and that the Commission will independently review the proposed settlement to decide whether to approve it, reject it, or state conditions under which to accept it. By way of summary, the Stipulation and Settlement proposes to fully resolve the case as follows:

1. Overview of Settlement and Revenue Requirement

Avista would revise its tariff schedules to recover \$6.25 million in additional annual revenue, or about a 2.6% increase, effective January 1, 2016.

2. 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%	5.67%	2.83%
Common Equity	50%	9.50%	4.75%
Total	100%		7.58%

3. Percentage Increase by Service Schedule

Avista’s base rates and billing rates would increase overall by about 2.5% by schedule, as reflected below:

Resulting Percentage Increase by Electric Service Schedule

<u>Rate Schedule</u>	<u>Increase in Base Rates</u>	<u>Increase in Billing Rates</u>
Residential Schedule 1	3.2%	3.1%
General Service Schedules 11/12	1.9%	1.8%
Large General Service Schedules 21/22	2.3%	2.3%
Extra Large General Service Schedule 25	1.9%	1.9%
Clearwater Paper Schedule 25P	1.8%	1.8%
Pumping Service Schedules 31/32	3.1%	3.0%
Street & Area Lights Schedules 41-48	<u>3.4%</u>	<u>3.3%</u>
Overall	<u>2.6%</u>	<u>2.5%</u>

4. Collaboration on Low Income Issues

The Company and interested parties have agreed to meet and confer prior to the Company’s next general rate case to assess the Company’s low-income programs and explore different options to improve those programs.

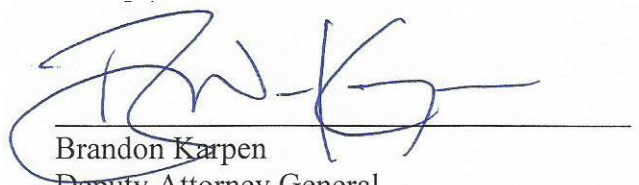
STAFF RECOMMENDATION

Staff recommends that the Commission issue an Order that adopts the following schedule:

DATE	ACTIVITY
November 21, 2016	Deadline to file prefiled testimony relating to the proposed settlement
November 29, 2016	Telephonic customer hearing
December 2, 2016	Technical hearing

COMMISSION DECISION

Does the Commission wish to issue an Order that adopts the recommended schedule as described above?



Brandon Karpen
Deputy Attorney General

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