

## **IDAHO PUBLIC UTILITIES COMMISSION**

**Case No. AVU-E-04-1, AVU-G-04-1, Interlocutory Order No. 29588**

**Case No. AVU-G-04-2, Order No. 29590**

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### **Avista electric, gas rate increases announced**

Boise - Electric and gas rates for customers of Avista Utilities will increase effective today.

The Idaho Public Utilities Commission approved an overall 1.9 percent revenue increase in electric bills for Avista customers and an overall 20.6 percent increase in gas bills.

These increases are the combined result of three commission cases dealing with changes in 1) permanent base rates for Avista's gas and electric customers and 2) temporary surcharges on both gas and electric bills that vary annually depending on weather conditions and wholesale prices for electricity and gas.

In the electric rate case, Avista originally requested a \$35.2 million increase in revenue and, after input from commission staff, revised that to \$31.1 million. The commission eventually approved \$24.7 million. The commission approved a 10.4 percent return on common equity. The company requested 10.9 percent.

In the gas case, Avista originally requested a \$4.75 million revenue requirement and, after input from commission staff, revised that to \$4 million. The commission eventually approved \$3.3 million.

In February, Avista applied to the commission to INCREASE its permanent base ELECTRIC rates by 24.1 percent and its permanent base GAS rates by 9.16 percent. At the same time, Avista proposed a REDUCTION in its temporary power cost adjustment (PCA) surcharge for electric customers. Combining Avista's proposed base rate INCREASE with its proposed power cost adjustment DECREASE resulted in an overall proposed increase to Avista electric customers of 11 percent. After several months of analysis and technical and public hearings, the commission today ordered an overall electric rate increase of 1.9 percent.

### **ELECTRIC RATES**

While the overall electric increase for all customer classes is 1.9 percent, the increase for a residential customer using the company's average of 941 kilowatt-hours per month is about \$4 per month or 7.1 percent. General service or commercial customers get an overall reduction of 6.7 percent and large commercial customers a 1 percent reduction. Large industry received a 6.2 percent increase. Rates for each customer class are based on the costs to serve each class. Today's commission order brings all rate classes within 10 percent of cost of providing service.

The new base electric rates increase Avista's earnings by \$24.7 million, while the reduction in PCA rates decreases revenue by \$20.33 million. The net increase, also counting a \$1.2 million reduction in a conservation rider, results in a net increase of about \$3.18 million or 1.9 percent. The base rate increases announced today are the first since 1999.

The PCA is a rate adjustment mechanism that annually increases (through a one-year surcharge) or decreases (with a credit) customer rates to account for above normal or below normal costs of supplying power. Costs of supplying power are dependent primarily on the cost of buying power on the wholesale market. While the base rate includes the costs of everyday operations, the power cost adjustment surcharge covers the always variable cost of energy.

The deferral balance in Avista's PCA account was accumulated primarily during the 2000-01 energy crisis when wholesale electric rates reached unprecedented levels. At its height, the deferral account was at \$78 million. The order issued today sets that account at just under \$15 million. Avista had sought to recover \$26.2 million from customers in its PCA deferred account, but the commission rejected about \$11.26 million in expenses the company incurred purchasing gas for its Coyote Springs II gas-fired generating plant. The plant was not operational at the time and the fuel purchased was ultimately sold back into the market.

The order announced today setting permanent and PCA electric rates as well as permanent gas rates is an abbreviated order that establishes Avista's revenue requirement and resulting rates. A final order that will detail the commission's reasoning will be issued within 30 days. Petitions of reconsideration and appeals will not begin until the final order is issued.

## GAS RATES

On the gas side, the commission's orders combine both a base rate change (the company's first in 14 years) and the 14.2 percent increase in the annual purchase gas cost adjustment, or PGA.

The commission adopted a 6.38 percent revenue increase in the company's permanent base rate after the company had originally requested 9.16 percent. In July, Avista requested a 14.2 percent PGA increase to account for rapidly increasing costs in the price of wholesale gas. The commission made both adjustments effective today to prevent customers from experiencing two gas rate adjustments.

With the combined increase, gas rates for a residential customer using the company's average of 73 therms per month will increase by \$12.84 per month, or about 21.4 percent.

The permanent base rate change approves \$3.3 million in additional gas revenues for a total revenue requirement of \$55.23 million, a 6.38 percent revenue increase.

The PGA - the 14.2 percent increase - is a temporary gas surcharge or credit based primarily on the wholesale price of gas. Money collected in the PGA account goes to pay gas suppliers and, unlike changes in the base rate, does not increase Avista's earnings.

A continuing increase in the wholesale price of gas led to Avista's PGA filing. The commission approved an increase in Avista's weighted average cost of gas from 44.9 cents per therm to 55.7 cents. Because the wholesale gas market is volatile, the commission directed Avista to file for an out-of-period decrease if forward commodity prices decline by 5 percent or more.

The PGA order (AVU-G-04-2, Order No. 29590) is a final order. Interested parties may file for reconsideration by no later than Sept. 29. Petitions for reconsideration must set forth specifically why the petitioner contends that the order is unreasonable, unlawful or erroneous. Petitions should include a statement of the nature and quantity of evidence the petitioner will offer if reconsideration is granted. Petitions can be delivered to the commission at 472 W. Washington St. in Boise, mailed to P.O. Box 83720, Boise, ID, 83720-0074, or faxed to 208-334-3762.

Documents related to these cases are available on the commission's Web site at [www.puc.state.id.us](http://www.puc.state.id.us). Click on "File Room," then on "Electric Cases," for Case No. AVU-E-04-1 and "Gas Cases," for AVU-G-04-1 and AVU-G-04-2.

Avista's northern Idaho territory includes about 110,000 electric customers and 61,800 natural gas customers.