

Idaho Public Utilities Commission

Case Nos. AVU-E-12-08 and AVU-G-12-07

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Commission adopts Avista rate case settlement

The Idaho Public Utilities Commission has adopted a settlement to the Avista Utilities rate case that considerably reduces the size of the increase originally proposed and delays an electric increase for another six months.

The settlement divides Avista's request into two phases with a 4.9 percent increase in natural gas rates on April 1 (Avista originally proposed 7.2 percent) and no electric increase.

On Oct. 1, customers will receive a net electric increase of 1.9 percent. (Avista originally proposed a 4.6 percent electric increase effective April 1.) Also on Oct. 1, customers will get a 0.3 percent increase in natural gas rates.

The settlement precludes another base rate increase from becoming effective until Jan. 1, 2015, at the earliest.

Under the agreement, the bill of an average residential electric customer who uses 930 kilowatt-hours per month will increase by about \$2 on Oct. 1. The gas increase for a residential customer who uses the company's average 60 therms per month will be about \$2.82 per month on April 1 and another 31 cents per month on October 1.

"The settlement represents a significant reduction in Avista's requested revenue increase," the commission said. "Moreover, the stay-out provision prohibiting any new electric or natural gas base rate increase before January 1, 2015, provides an extended period of rate stability that might not otherwise occur," had the case not been settled and instead proceeded to a full hearing, the commission said.

Signatories to the settlement are Avista Utilities, commission staff, the Clearwater Paper Association, Idaho Forest Group and the Community Action Partnership Association of Idaho, (CAPAI), which represents customers on low and fixed incomes.

The electric increase, delayed until October 1, is a 3.1 percent increase to base rates. However, the settlement also provides that customers receive a \$3.86 million credit due to an Avista settlement with the Bonneville Power Administration regarding BPA's use of Avista transmission lines over the last eight years. That credit reduces the net increase in electric rates to an average 1.9 percent.

The Oct. 1 gas adjustment is a 2.1 percent increase to base rates. However, that total is offset by a reduction in the annual Purchased Gas Cost Adjustment (PGA) resulting in a net 0.3 percent increase.

The additional annual revenue requirement allowed Avista is \$7.8 million on the electric side and \$3.1 million on the gas side. When Avista filed the case last October, it sought \$11.4 million on the electric side and \$4.6 million on the gas side. The return on equity allowed is up to 9.8 percent. If the company earns above that, it must share 50 percent of the overage with customers. Avista is allowed to earn up to a 7.9 percent rate of return.

About 70 percent of its electric revenue increase and 48 percent of its natural gas revenue increase are attributed to the need to replace aging infrastructure and upgrade existing plant. Other expense increases are related to hydroelectric plant relicensing, mercury emissions compliance and federal reliability requirements.

About 21 commission staff members were assigned to the case. They submitted 199 formal production requests and numerous formal and informal audit requests. Staff also reviewed the more than 300 data requests and responses that were part of the latest Avista electric and natural gas rate case filings in Washington state. Three Idaho staff accountants conducted a week-long on-site audit of Avista's books and reviewed work papers of external auditors.

The commission, by state law, cannot accept or deny a requested increase without first considering the evidence. State law requires that regulated utilities be allowed to recover their prudently incurred expenses and earn a reasonable rate of return, which is also set by the commission. The burden of proof is on the utility to demonstrate if additional expenses already incurred were needed to serve customers and, if so, were they prudently incurred. To read how a rate case is processed, go to the Commission's Website at www.puc.idaho.gov and click on the link, "Why can't you tell them NO?" under "Hot Links" in the upper right-hand corner.

Avista serves about 123,000 electric and 75,000 natural gas customers in northern Idaho.

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