

DECISION MEMORANDUM

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

**FROM: BRANDON KARPEN
DEPUTY ATTORNEY GENERAL**

DATE: JUNE 21, 2017

**SUBJECT: AVISTA GENERAL RATE CASE – ELECTRIC AND GAS
CASE NOS. AVU-E-17-01 AND AVU-G-17-01**

On June 9, 2017, Avista Corporation filed an Application seeking authority to increase the Company's general rates for electric and natural gas service in Idaho. Avista has proposed a two-year rate plan that would increase annual *electric* billed revenues by \$18.6 million (7.9%) on January 1, 2018, and by \$9.9 million (4.2%) on January 1, 2019. The plan includes an increase in annual *natural gas* billed revenues by \$3.5 million (5.7%) on January 1, 2018, and by \$2.1 million (3.3%) on January 1, 2019.

THE APPLICATION

Avista is a public utility engaged in the generation, transmission and distribution of electricity and natural gas. Avista's service area includes eastern Washington, northern Idaho, and parts of southern and eastern Oregon. Avista's existing base rates and charges for electric and natural gas services were approved by the Commission in December 2016 for electric service, and December 2015 for gas service. Order Nos. 33682 and 33437.

In its Application, Avista claims its existing rates are not fair, just, and reasonable, and that it must increase them so it can earn a fair return on its investment. Application at 5. Avista plans to notify its customers about the proposed rate increases by distributing bill stuffers over the June 2017 billing cycle, and through news releases. *Id.* at Exhibit B.

Avista attributes the increase in its rates primarily to capital investments in infrastructure, system maintenance, and technology and increased power supply costs. The

Company's proposal includes a stay-out period where Avista would not file a new general rate case for a new rate plan to be effective prior to January 1, 2020.

Avista's evidence in support of its requested rate increases is based on a 12-month test year that ended December 31, 2016. *Id.* at 5. Avista requests an overall rate of return of 7.81%, which includes a 9.9% return on equity. Avista asserts that the proposed rate of return and capital structure reasonably balance safety, reliability, customer satisfaction, and economy. *Id.* at 7. The proposed rate increases would impact customers' as described below.

1. Electric Service

With regard to electric services, if Avista's Application is approved, a residential customer using an average of 910 kilowatt hours (kWh) per month could expect to see a bill increase of \$7.03 per month in 2018, which includes a basic charge increase from \$5.75 to \$6.00 per month. For 2019, the same customer could expect an increase of \$4.02 per month. Avista's proposed electric rate increase would impact customers' electric bills by schedule as follows:

Proposed Electric Increase

| Service Schedule | Proposed 2018 Billing Increase | Proposed 2019 Billing Increase |
|--|---------------------------------------|---------------------------------------|
| Residential Service Schedule 1 | 8.1% | 4.3% |
| General Service Schedules 11 & 12 | 7.5% | 4.0% |
| Large General Service Schedules 21 & 22 | 8.2% | 4.4% |
| Extra Large General Service Schedule 25 | 7.7% | 4.3% |
| Extra Large General Service Schedule 25P | 7.2% | 4.1% |
| Pumping Service Schedules 31 & 32 | 8.8% | 4.6% |
| Street & Area Lighting Schedules 41-49 | 7.5% | 3.8% |
| Overall Increase | 7.9% | 4.2% |

See Application Exhibit B.

2. Gas Service

With regard to gas services, if Avista's Application is approved, a residential customer using an average of 61 therms per month could expect to see a bill increase of \$3.37 per month in 2018, which includes a basic charge increase from \$5.25 to \$6.00 per month. For 2019, the same customer could expect an increase of \$2.07 per month. Avista's proposed natural gas rate increase would impact customers' gas bills by schedule as follows:

Proposed Natural Gas Increase

| Service Schedule | Proposed 2018 Billing Increase | Proposed 2019 Billing Increase |
|--|-----------------------------------|-----------------------------------|
| General Service Schedule 101 | 6.6% | 3.8% |
| Large General Service Schedule 111 & 112 | 2.2% | 1.3% |
| Interruptible Sales Service Schedules 131 & 132 | 0.0% | 0.0% |
| Transportation Service Schedule 146 (excluding natural gas costs) | 9.2% | 5.0% |
| Overall Increase | 5.7% | 3.3% |

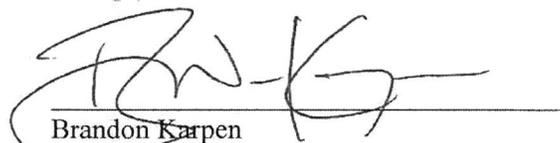
See Application Exhibit B.

STAFF RECOMMENDATION

Staff notes that Avista's proposed tariffs specify a July 9, 2017, effective date, but Avista asks the Commission to suspend that effective date until January 1, 2018. Staff thus recommends that the Commission issue a Notice of Application that suspends the July 9, 2017, effective date until January 1, 2018. 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 that suspends Avista's proposed July 9, 2017, effective date to January 1, 2018, establishes a 14-day intervention deadline, and directs Staff to informally confer with the parties about scheduling?


Brandon Karpen
Deputy Attorney General

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