

Avista VP defends most recent rate-hike request

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By Hillary Hamm, Daily News staff writer

Posted on: Thursday, January 29, 2009

Avista Corp. Vice President Kelly Norwood defended the company's nearly \$110 million proposed annual utility base rate hike to Washington and Idaho customers Wednesday, saying the additional money is needed for essential infrastructure projects.

Norwood, who was in Moscow to meet with Avista employees, said the request is driven by increasing costs to generate, purchase and distribute utilities, to make upgrades to capital investments and infrastructure and to comply with environmental and legal requirements.

"As we add more customers it costs us more," he said. "But we have a responsibility to serve everyone and serve them with reliable power ... and it's really important we cover our costs."

The Spokane-based company filed rate-increase requests with both the Washington Utilities and Transportation Commission and the Idaho Public Utilities Commission on Friday.

If approved, average Washington homeowners could face a combined electric and gas increase from \$161 to \$170, and average customers in Idaho would see their bill bump from \$157 to \$167.

Avista last increased rates for Idaho customers on Oct. 1. Washington customers saw similar bumps in their bills starting Jan. 1. Avista serves more than 231,000 electric customers and 144,000 natural gas customers in eastern Washington and northern Idaho.

The pending request is the seventh such request for increased rates since 2001 and the company's fourth attempt to boost rates since 2005.

Norwood also defended the 6 percent increased rate in investor returns should the rate hike be approved.

He said Avista's credit rating and equity went downhill during the energy crisis of 2001 and 2002. The company is now in rebuilding mode, and Avista needs investors to continue buying stock.

In turn, he said the company must keep stockholders happy, especially during times of economic crisis.

"There's a cost and obligation to stockholders and debt and equity holders," he said.

Norwood said another rate increase could be looming if and when the pending request is granted. He explained that Avista can only apply for enough rate increases to meet the company's immediate needs - such as projects that need to be started or completed while the request is being deliberated by the utility commissions. The Washington commission has 11 months to deliberate the request, while officials in Idaho have seven months to reach a decision.

Norwood used Avista's drawn-out dispute with the Couer d'Alene Tribe regarding use and ownership of Lake Couer d'Alene as an example.

The company settled with the tribe in December following accusations that Avista used the lake for its Spokane River Hydroelectric Project. As part of the settlement, Avista will retroactively pay the tribe \$39 million in increments, along with \$400,000 per year for the next 50 years.

The money to cover the payments to the tribe will come from current and future Avista customers. Norwood said the company was not allowed to seek rate increases to pay off the tribe until a settlement was reached, which he deemed fair.

"Our customers have seen the benefits, and they'll continue to see the benefits" of the hydroelectric power generated on the lake, he said.

A department of the Washington State Attorney General's Office disagrees, and claims Avista plans to charge current customers for the company's past legal troubles.

Public Council Section Chief Simon Ffitch said an appeal of the Washington Utilities and Transportation Commission's decision to allow the Jan. 1 rate increases - which amounted to about \$37.3 million a year - is pending in Thurston County Superior Court.

He said a utility watch-dog group has taken issue with Avista charging customers for the cost of charitable donations and advertising and retroactive funds for the tribe.

Ffitch further claims that Avista officials asked for an additional 30-percent increase to be added to electric rates halfway through the rate increase process without adequate public notification.

Ffitch proposes Avista provide nearly \$10 million in refunds to customers.

"We don't debate that they were entitled to a rate increase, just not as much," ffitch said. "But especially with this current economy, we think there's even more of a burden on the company to limit increases to what is justified."

Ffitch said the Public Council Section is reviewing Avista's pending rate increase for discrepancies.

Norwood stands by the commission's verdict.

"The commission reviewed all of the issues ... and we believe the commission made the right decision," he said.

Norwood said Avista isn't asking for more from customers without taking its own internal hits. The company's top 12 officials will go without salary increases in 2009, a headquarter office expansion has been put on hold, billing services have been outsourced to a California company to save costs, and an automated phone system has reduced the number of customer service representatives needed.

A wind generation project slated for Reardan, Wash., also has been put on hold.

"We've scrubbed the capital budget, and we're going to do it again," he said.

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