Avista wants 25 percent more for electricity. Three percentage points decide most of it.

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What happened

In January, Avista asked Washington regulators for permission to raise electric rates by 25 percent and natural gas rates by about 10 percent, phased in over four years — roughly $750 million by the Attorney General's tally. The Attorney General's office has filed testimony arguing that as much as $626 million of it is not justified. Commission staff and an industrial customers' group have filed numbers in between.

Three commissioners will decide — the ruling is expected in December — and whatever they decide shows up on bills in January. The case is Dockets UE-260007 and UG-260008 before the Utilities and Transportation Commission.

Underneath the dollar figures, the case turns on three questions. What belongs in the cost of serving customers? What return on investment is fair? And who ends up bearing the result? What follows works through each of them, using only numbers in the public record.

How the machinery works

Avista is a monopoly, and that is on purpose. Running four sets of power lines down the same street so households could choose between suppliers would cost far more than it saved. So the state grants one company the exclusive right to serve an area, and in exchange the state sets the price.

Setting that price is what a rate case is. Every few years the utility opens its books, says what it costs to serve customers, and asks for permission to collect that much. Everyone who objects gets to file testimony. The Utilities and Transportation Commission, three people appointed by the governor, decides.

The price is built from a formula.

> **What customers pay = operating costs + depreciation + taxes + (everything the utility has built × an allowed rate of return)**

The first three items are pass-throughs. Fuel, wages, tree trimming, property tax. Avista spends the money, and customers reimburse it. The utility earns nothing on any of it.

The fourth item works differently.

“Everything the utility has built” is called the **rate base**. Poles, wires, substations, generating plants, meters, service trucks. Every dollar of it was paid for with money from investors, either lenders or shareholders. Those investors expect a return, the same way a bank expects interest. So the commission allows the utility to collect a percentage of its rate base each year and hand it to those investors.

That percentage is where most of the money is.

A utility earns a return on what it **builds** and nothing on what it **buys**. Insulate ten thousand attics so people use less power, and the utility recovers the cost and no more. Build a new substation for the same money, and it collects a return on that substation every year for thirty or forty years. The incentive points toward concrete and steel. Economists have had a name for this since 1962, the Averch-Johnson effect, and every regulator in the country knows about it.

None of that makes building wrong. Wildfire hardening is necessary work and Avista is exposed to it. It does explain why a utility’s wish list tends to be a construction list.

Three numbers

Avista’s chief executive earned $4.77 million in 2025. The Attorney General notes that in 2024 the package was close to $5 million, including nearly a million in bonuses, and about 23 times what the median Avista employee makes.

Of that $4.77 million, Washington customers are being asked to fund **$746,516** through their electric and gas rates. The rest is paid by shareholders and by customers in Idaho and Oregon. Avista’s own rebuttal testimony puts the total customer-funded share across all three states at $1.2 million. Shareholders carry the other three quarters.

In 2025 Avista paid **$159 million to its shareholders**. By the Attorney General’s own accounting, 9 percent of an electric bill and 11 percent of a gas bill go to paying investors.

	Amount
CEO pay charged to Washington customers	$746,516
Paid to shareholders in 2025	$159,000,000

The ratio is roughly 213 to 1.

Cutting the customer-funded CEO pay to zero saves the average Washington customer about 14 cents a month.

The allowed return is a different order of magnitude.

Avista reported a Washington electric rate base of $2,399 million at the end of 2025, plus $595 million for Washington natural gas. Its requested capital structure in this case is 48.5 percent equity, the same ratio it is authorized today. Three percentage points of return on the equity share of that rate base comes to about $44 million a year on the electric side and $11 million on gas, once the figure is grossed up for corporate income tax. Call it **$55 million a year**, or roughly $220 million across four years, and more than that in practice because the rate base grows every year of the plan — and because Avista's ask is not flat. It requests 10.2 percent for the first two years, rising to 10.5 percent for the last two.

One caveat on that estimate: it is my arithmetic from Avista's published figures, not a number filed by any party.

Set against the Attorney General's total of $626 million over four years, the return on equity accounts for roughly a third of it. The office's filed testimony itemizes the rest: by press accounts of the filings, the parties are roughly $115 million apart in the first year on the return alone, and the expense disallowances include about $35.9 million for a transmission project near Coeur d'Alene Lake in Idaho — infrastructure Washington customers were asked to help fund — along with executive pay.

A salary is easy to picture. A percentage applied to a rate base is not, and the percentage is the larger number.

The percentages, in plain terms

Avista is asking to earn **10.2 percent** on the shareholder-supplied portion of its rate base, rising to **10.5 percent** in the plan's later years. It is currently allowed 9.8 percent.

Four parties have filed answers to the same question — what return is fair?

Who	Recommends
Avista	10.2%, rising to 10.5%
Commission staff	9.625%
Industrial customer group	9.0%
Attorney General	7.2%

The legal standard here is old and specific. Two Supreme Court cases, *Bluefield* in 1923 and *Hope* in 1944, say the return has to be comparable to what investors could earn on other investments of similar risk, and high enough to let the utility raise money and stay creditworthy. It is not a guaranteed profit — as the *Hope* court put it, "regulation does not insure that the business shall produce net revenues." It is a fair opportunity to earn one.

Against that standard, both ends of the table sit outside current practice. Authorized returns nationally have been running near 9.7 percent; the lowest any commission has gone in recent years is 8.72 percent, in Illinois in 2023, and 10.2 percent would sit above the national average. Filed positions in rate cases function partly as negotiating anchors, and outcomes typically land somewhere between the utility's request and the numbers staff and intervenors file. The distance between 7.2 and 10.2 is better read as the bargaining range than as two point estimates anyone expects adopted as filed.

"Return on equity" and "dividend" get used interchangeably in coverage of this case. They are not the same thing. The allowed return is what the commission permits the utility to collect from customers. The dividend is what the company's board chooses to pay out to shareholders from its earnings. Avista has raised its dividend for 24 consecutive years, which is a fact about the board, not about the commission.

Who bears it

If Avista gets everything it asked for, the first year adds **$17.21 a month** to an average household electric bill and $4.14 to an average gas bill. By the fourth year the electric increase reaches **$33.71 a month**, which is $404.52 a year.

Avista serves about 429,000 electric customers in eastern Washington and northern Idaho, and about 386,000 natural gas customers in Washington, Idaho, and Oregon. In Washington itself, this case reaches about 275,000 electric and 179,000 gas customers. Who among them feels a $404 increase is not a matter of guesswork, because Avista files an answer.

A pair of tariffs — Schedule 92 on the electric side, Schedule 192 on gas — set a discount for lower-income households on a sliding scale. The tiers are the utility's own published judgment about who needs help and how much.

Bill discount tier	Income ceiling, household of four	Year-four increase, per month	Per year
No discount	—	$33.71	$404.52
Tier 5, 151–200% of poverty line or 80% of area median income	$66,000, or $80,650 in Spokane County	$28.65	$343.84
Tier 4, 101–150% of poverty line	$49,500	$26.97	$323.62
Tier 3, 51–100%	$33,000	$21.91	$262.94
Tier 2, 6–50%	$16,500	$8.43	$101.13
Tier 1, 0–5%	$1,650	$2.02	$24.27

Modeled from Avista's filed tariff and the Attorney General's bill-impact figures. This is arithmetic from public documents, not observation. Income ceilings apply the 2026 federal poverty guidelines for a four-person household in the lower 48 states ($33,000 a year, HHS); Tier 5′s Spokane County ceiling reflects the 80-percent-of-area-median-income arm of the tariff.

The eligibility ceiling is high. In Spokane County a four-person household earning up to $80,650 qualifies for the smallest discount — the ceiling is 80 percent of area median income, which in Spokane County reaches higher than 200 percent of the poverty line. Spokane County's median household income was about $86,000 in 2024. Those two numbers are not strictly comparable, because the median covers households of every size while the $80,650 applies to households of four. But they are close enough to show that this is not a narrow program. A large share of Avista's customers are eligible for something.

The discount does not protect anyone from the increase.

A discount is a percentage. So is the increase. Take a household paying $120 a month with a 15 percent discount, so $102 out of pocket. Raise rates 25 percent and the bill becomes $150, the discount still applies, and the household now pays $127.50.

That is 25 percent more than it was paying.

Run the same arithmetic at every tier and the answer never changes. A household with a 94 percent discount also pays 25 percent more than it did. The discount sets how much you pay. It does nothing to how exposed you are to a rate increase. Every customer, assisted or not, absorbs the full percentage.

The discount program is funded by a rate adjustment collected from all retail customers, so it runs on other customers' money. When rates rise, more households need help and the collection that funds them has to rise too. The increase pushes on both ends of that at once.

What to watch

The Commission holds a virtual public hearing on **Thursday, August 27, at 6:30 p.m.** Anyone can speak, and written comments can be filed with the commission referencing Dockets UE-260007 and UG-260008. Comments go into the record the commissioners read.

The decision is expected in December. New rates take effect in January.

If the commission adopts the staff's 9.625 percent instead of Avista's 10.2, the return alone swings roughly ten million dollars a year — my arithmetic again, from the same figures. If it disallows every dollar of executive pay the Attorney General objects to, the swing is $746,516. Hundreds of millions of dollars separate the parties' four-year totals, and three appointed people will settle it in a proceeding that roughly nobody attends.

About 275,000 Washington households and businesses get an Avista electric bill. How many of them will have said anything by December?

Sources

Every figure above, checked against the primary document.

- WUTC Docket UE-260007 and UG-260008 — the rate case, filed January 2, 2026, including all testimony cited here
- Attorney General's news release, June 23, 2026 — the $626 million challenge, bill impacts, shareholder figures
- Avista rebuttal testimony, Exh. BAC-1T — executive compensation in rates ($746,516 Washington; $1,195,279 total)
- Avista direct testimony, Exh. KJC-1T — requested return on equity and capital structure
- Avista 2026 proxy statement — CEO compensation, $4,773,308 in 2025

- Avista 2025 Form 10-K — customer counts and service territory
- Avista investor presentation, March 2026 — Washington rate base
- Avista tariffs Schedule 92 (electric) and Schedule 192 (gas) — discount tiers and funding
- Avista My Energy Discount — income ceilings, October 2025 guidelines
- U.S. Census Bureau, 2024 American Community Survey 1-year estimates, Table B19013 — Spokane County median household income, $86,205
- HHS 2026 poverty guidelines — $33,000 for a four-person household, 48 contiguous states
- Avista dividend announcement, February 2026 — 24 consecutive years
- *Bluefield Water Works v. PSC of West Virginia*, 262 U.S. 679 (1923); *FPC v. Hope Natural Gas Co.*, 320 U.S. 591 (1944)
- Averch & Johnson, "Behavior of the Firm Under Regulatory Constraint," *American Economic Review* 52(5), 1962
- National authorized-return averages: Regulatory Research Associates / S&P Global, rate case decisions through September 2025
- The Spokesman-Review, January 16, June 23, and August 16, 2026 — party positions and case coverage