

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE FIXED COST ) CASE NO. AVU-G-17-03**  
**ADJUSTMENT MECHANISM (FCA) )**  
**ANNUAL RATE ADJUSTMENT FILING ) NOTICE OF APPLICATION**  
**OF AVISTA CORPORATION FOR )**  
**NATURAL GAS SERVICE FROM ) NOTICE OF**  
**NOVEMBER 1, 2017 THROUGH ) MODIFIED PROCEDURE**  
**OCTOBER 31, 2018 )**  
**ORDER NO. 33816**

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On July 3, 2017, Avista Corporation (“Avista” or “the Company”) filed an Application asking the Commission for authorization to implement Fixed Cost Adjustment (FCA) rates for natural gas service from November 1, 2017 through October 31, 2018, and to approve its corresponding modifications to Schedule 175, “Fixed Cost Adjustment Mechanism – Natural Gas.” The Company separately applied to implement FCA rates for electric service, in Case No. AVU-E-17-04. The Company proposes per therm FCA surcharge rates for both residential and non-residential groups in this case. Avista asks that its Application be processed by Modified Procedure, and requests an effective date of November 1, 2017.

**NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that the FCA is a rate adjustment mechanism designed to break the link between the amount of energy a utility sells and the revenue it collects to recover fixed costs<sup>1</sup> of providing service, thus decoupling the utility’s revenues from its customers’ energy usage. Order No. 33437 at 3. This decoupling removes a utility’s incentive to increase sales as a means of increasing revenue and profits, and encourages energy conservation. *Id.* at 3-4; Application at 4.

YOU ARE FURTHER NOTIFIED that the Commission approved Avista’s FCA as a three-year pilot program, and part of the approved settlement of Avista’s 2015 rate case, Case Nos. AVU-E-15-05, AVU-G-15-01. Application at 3; Order No. 33437 at 10. In the Order approving the FCA program, the Commission noted that the parties to Avista’s rate case agreed to review the program’s effectiveness at the end of its second full year, to ensure it is functioning

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<sup>1</sup> “Fixed costs” are a utility’s costs to provide service that do not vary with energy use, output, or production, and remain relatively stable between rate cases – for example, infrastructure and customer service.

as intended. *Id.* at 3-4. The Order also set forth how the FCA mechanism works, including treatment of existing versus new customers, quarterly reporting, annual filings, interest, accounting, and 3% rate increase cap. *Id.* at 4-6.

YOU ARE FURTHER NOTIFIED that, in its natural gas FCA filing, Avista proposes to increase rates for each rate group based on the amount of deferred revenue recorded for January through December 2016. The Company mostly attributes the natural gas FCA surcharges to abnormally warm weather and savings from energy efficiency programs in 2016. Application at 7-8.

YOU ARE FURTHER NOTIFIED that Avista recorded \$2,626,654 in surcharge deferred revenue for its natural gas residential customer group in 2016, which is affected by the 3% rate increase cap. *Id.* at 9 (table includes interest and revenue-related expenses), 12-14. The Company proposes to increase residential rates by 2.466 cents per therm, to recover \$1,440,064 from residential customers. *Id.* at 9. If approved by the Commission, the Company would record this amount in a regulatory asset balancing account and reduce the account balance each month by the revenue collected under the tariff. *Id.* at 10. The remaining deferral balance of \$1,233,698 would be carried over to be recovered or potentially offset in a future period. *Id.*

YOU ARE FURTHER NOTIFIED that, for its non-residential group, Avista recorded \$500,253 in surcharge deferred revenue in 2016, which is also affected by the 3% rate increase cap. *Id.* (table includes interest and revenue-related expenses), 12-14. The Company proposes to increase non-residential rates by 1.615 cents per therm, to recover \$383,369 from commercial and industrial customers. *Id.* at 10-11. If approved by the Commission, the Company would record this amount in a regulatory asset balancing account and reduce the account balance each month by the revenue collected under the tariff. *Id.* at 11. The remaining deferral balance of \$125,952 would be carried over to be recovered or potentially offset in a future period. *Id.*

YOU ARE FURTHER NOTIFIED that the Application, the Company's rate calculations, supporting documents, and the proposed tariff Schedule 175 have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and attachments are also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the "File Room" tab at the top of the page, scroll down to the type of "Open Gas Cases," and then click on the case number as shown on the front of this document.

## NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201-.204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or in opposition with the Commission **by no later than September 27, 2017**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application may be mailed to the Commission and Avista at the addresses reflected below:

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street  
Boise, ID 83702-5918

David Meyer  
Vice President and Chief Counsel for  
Regulatory & Governmental Affairs  
Patrick Ehrbar  
Senior Manager – Rates & Tariffs  
Avista Corporation  
PO Box 3727  
MSC-27  
1411 E. Mission Ave.  
Spokane, WA 99220-3727  
E-mail: [David.Meyer@avistacorp.com](mailto:David.Meyer@avistacorp.com)  
[Pat.Ehrbar@avistacorp.com](mailto:Pat.Ehrbar@avistacorp.com)

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the form using the case number as it appears on the front of this document. These comments must also be sent to the Company at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that Avista may file reply comments, if necessary, **no later than October 11, 2017**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code, and specifically *Idaho Code* § 61-503. The Commission may enter any final Order consistent with its authority under Title 61.

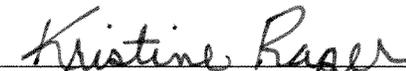
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

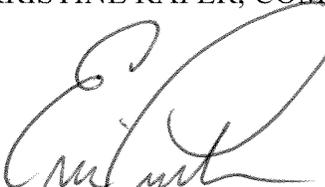
**ORDER**

IT IS HEREBY ORDERED that this case be processed under Modified Procedure, Rules 201-204 (IDAPA 31.01.01.201-.204). Interested persons shall have until September 27, 2017 to file written comments, and the Company shall have until October 11, 2017 to file a reply, if any.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26<sup>th</sup>  
day of July 2017.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

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