

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FIXED COST) CASE NO. AVU-E-17-04
ADJUSTMENT MECHANISM (FCA))
ANNUAL RATE ADJUSTMENT FILING) NOTICE OF APPLICATION
OF AVISTA CORPORATION FOR)
ELECTRIC SERVICE FROM OCTOBER 1,) NOTICE OF
2017 THROUGH SEPTEMBER 30, 2018) MODIFIED PROCEDURE
)
) ORDER NO. 33817

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 electric service from October 1, 2017 through September 30, 2018, and to approve its corresponding modifications to Schedule 75, “Fixed Cost Adjustment Mechanism – Electric.” The Company separately applied to implement FCA rates for natural gas service in Case No. AVU-G-17-03. The Company proposes per kilowatt-hour (kWh) 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 October 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 costs¹ 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

¹ “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 electric FCA filing, Avista proposes to increase rates for each rate group, based on the deferred revenue recorded for January through December 2016. The Company mostly attributes these electric 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 \$4,028,203 in surcharge deferred revenue for its electric residential customer group in 2016, which is affected by the 3% rate increase cap. *Id.* at 9 (table includes interest and revenue-related expenses), 12-13. The Company proposes to increase residential rates by 0.281 cents per kWh, to recover \$3,290,149 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 \$814,802 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 \$2,556,424 in surcharge deferred revenue in 2016, which is not affected by the 3% rate increase cap. *Id.* (table includes interest and revenue-related expenses), 13-14. The Company proposes to increase non-residential rates by 0.241 cents per kWh, to recover \$2,601,585 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.

YOU ARE FURTHER NOTIFIED that the Application, the Company's rate calculations, supporting documents, and the proposed tariff Schedule 75 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. Click on the "File Room" tab at the top of the page, scroll down to the type of "Open Electric 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 August 31, 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
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. 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 September 13, 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.*

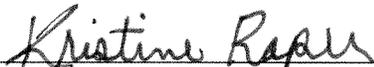
ORDER

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 August 31, 2017 to file written comments, and the Company shall have until September 13, 2017 to file a reply, if any.

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



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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