

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF AVISTA ) CASE NO. AVU-G-19-04**  
**CORPORATION'S APPLICATION TO )**  
**IMPLEMENT FIXED COST ADJUSTMENT ) NOTICE OF APPLICATION**  
**RATES FOR NATURAL GAS SERVICE )**  
**FROM NOVEMBER 1, 2019, THROUGH ) NOTICE OF**  
**OCTOBER 31, 2020 ) MODIFIED PROCEDURE**  
**)**  
**) ORDER NO. 34393**

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On July 1, 2019, Avista Corporation (“Company” or “Avista”) applied to the Commission for authorization to implement Fixed Cost Adjustment (“FCA”) rates for natural gas service customers from November 1, 2019, through October 31, 2020, and to approve its corresponding modifications to Schedule 175, “Fixed Cost Adjustment Mechanism – Natural Gas.” Application at 1. Avista also asks that the Commission approve the level of natural gas FCA revenue deferred during calendar year 2018. The Company proposes per therm FCA surcharge rates for its residential customer group and rebate rates for its non-residential customer group. *Id.* The Company’s Application, if approved, would increase overall natural gas revenues by \$1.2 million. See *Id.* at 2, 12. The monthly bill of an average residential gas customer would increase by about \$1.05, or 2.3%. *Id.* at 2, 11. Avista asks that its Application be processed by Modified Procedure, and requests an effective date of November 1, 2019. *Id.* at 2, 11-12.

With this Order, the Commission issues a Notice of Application and Notice of Modified Procedure and establishes a public comment period and Company reply deadline.

**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.

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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.

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 general rate case. *See* Case Nos. AVU-E-15-05, AVU-G-15-01; Application at 3; and Order No. 33437 at 10. 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. On June 15, 2018, the Commission approved an addendum to the settlement stipulation approved in AVU-E-15-05 and AVU-G-15-01, which extended the term of the Company's FCA pilot for an additional year. *See* Order No. 34085; Application at 3-4. Pursuant to the addendum to the settlement stipulation, the Company, Commission Staff, and interested parties met on March 27, 2019 to review the effectiveness of the FCA mechanisms. Application at 4 n.2.

YOU ARE FURTHER NOTIFIED that in its natural gas FCA filing Avista proposes FCA surcharge rates for its residential customer group and FCA rebate rates for its non-residential customer groups based on the amount of deferred revenue recorded for January through December 2018. The Company mostly attributes these proposed changes to warmer than usual weather in January, May, and December 2018, and FCA revenue shortfall associated with energy efficiency programmatic savings in 2018. *Id.* at 6-7. According to the Company's Application, other drivers are not easily quantifiable but include, among other things, the effects of non-programmatic energy efficiency and changes in business cycles. *Id.* at 7.

YOU ARE FURTHER NOTIFIED that Avista recorded \$557,464 in the surcharge direction in deferred revenue for its natural gas residential customer group in 2018. *Id.* at 7. After taking into account the 2017 carry over balance of approximately \$27,000, the Company proposes to recover \$601,306, at a proposed rate of 0.951 cents per therm, from the Company's residential natural gas customers served under rate Schedule 101. *Id.* at 7-8; Exhibit B. 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 surcharge received under the tariff. *Id.* at 8.

YOU ARE FURTHER NOTIFIED that for its non-residential customer groups, Avista recorded \$137,897 in the rebate direction in deferred revenue in 2018. *Id.* After taking into account the 2017 carry over balance of (\$853), the Company proposes to rebate \$142,949, at a proposed rate of -0.554 cents per therm, to the Company's natural gas customers served under rate Schedules 111 and 112. *Id.* 8-9; Exhibit B. If approved by the Commission, the Company would record this

amount in a regulatory liability balancing account and reduce the account balance each month by the rebate received by customers under the tariff. *Id.* at 9.

YOU ARE FURTHER NOTIFIED that the Application, Exhibit A (the Company’s proposed tariffs), Exhibit B (FCA rate calculation), Exhibit C (2018 FCA deferral), and Exhibit D (customer communications) have been filed with the Commission and are available for public inspection during regular business hours at the Commission’s office. 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 “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 October 8, 2019**. 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 Corporation 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 J. Meyer, Esq.  
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P.O. Box 3727  
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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 15, 2019.**

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.

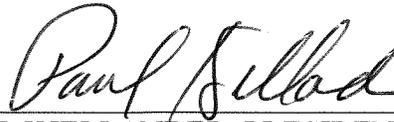
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

### **ORDER**

IT IS HEREBY ORDERED that this case be processed under Modified Procedure, Rule 201-204 (IDAPA 31.01.01.201 - .204). Parties and persons shall have until October 8, 2019, to file written comments, and the Company shall have until October 15, 2019, to file a reply, if any.

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DONE by order of the Idaho Public Utilities Commission at Boise, Idaho this 5<sup>th</sup>  
day of August 2019.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian  
Commission Secretary

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