



Case Nos: AVU-E-17-04, Order No. 33899

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PUC approves increase to Avista billing mechanism

BOISE (Sept. 29, 2017) – State regulators have approved an increase to a billing mechanism that allows Avista to recover the fixed costs of serving its electric customers.

The change to the Fixed Cost Adjustment (FCA) takes effect Oct. 1 and will lead to an increase of \$2.56 to the monthly bill of the average residential customer using 910 kilowatt-hours (kWh).

The change to the FCA is one of four billing adjustments set to take effect Oct. 1.

Two of the changes increase charges related to energy use, while two decrease the cost per kWh used. The overall impact on residential customers is a 2-percent increase, or \$1.73 on the monthly bill of the average residential customer using 910 kWh.

In requesting approval from the Idaho Public Utilities Commission to increase the FCA, Avista said revenue fell short of expenses by approximately \$6.5 million in 2016, due to an abnormally warm winter and savings from its energy efficiency programs.

The increase approved by the Commission allows the utility to recover all but approximately \$814,000 of that deficit.

Avista's FCA was approved as a three-year pilot program in late 2015.

It allows the company to recover the fixed costs it loses when energy sales decline. By separating the two, the FCA removes a utility's incentive to increase sales as a means of increasing revenue and profits, which provides incentive to encourage energy efficiency and conservation.

The FCA can be adjusted annually with Commission approval – via a surcharge when expenses exceed revenue or a refund when FCA revenue surpasses costs. Any increase to the surcharge is capped at 3 percent.

In seeking Commission approval to raise the FCA for the coming year, Avista said its natural gas and electric customers used significantly less energy in 2016 than in 2014, the test year on which revenue projections are based.

For residential customers, the FCA surcharge will increase by 3 percent, the maximum allowed, to 0.281 cents per kWh.

The surcharge is expected to recover approximately \$3.3 million, leaving a deficit of \$814,802 to be recovered or offset in the future.

The FCA increase for non-residential customers is slightly smaller, at 2.7 percent, taking it to 0.241 cents per kWh. It is designed to recover \$2.6 million.

Revenue from the FCA is earmarked for the recovery of fixed costs and cannot be used for company earnings.

This case is unrelated to Avista's proposed merger or the rate case currently before the Commission.

Documents related to this case are available for review on the Commission's website at www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to AVU-E-17-04. Or go [here](#).