

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER RAPER  
COMMISSIONER ANDERSON  
COMMISSION SECRETARY  
COMMISSION STAFF

**FROM:** JOHN R. HAMMOND JR.  
DEPUTY ATTORNEY GENERAL

**DATE:** JULY 10, 2020

**SUBJECT:** AVISTA'S APPLICATION TO IMPLEMENT FCA RATES FOR ELECTRIC SERVICE FROM OCTOBER 1, 2020 THROUGH SEPTEMBER 30, 2021; CASE NO. AVU-E-20-06

On June 30, 2020, Avista Corporation ("Company") applied to the Commission for and order approving the level of electric Fixed Cost Adjustment Mechanism ("FCA") revenue deferred during the 2019 calendar year and authorizing implementation of FCA rates for electric service effective from October 1, 2020 through September 30, 2021. *Application* at 1. The Company also requests authorization to make corresponding modifications to Schedule 75, "Fixed Cost Adjustment Mechanism – Electric," and to update language in Schedule 75 to reflect the approved extension of the FCA through March 31, 2025, as authorized by Order No. 34502. *Id.* at 1-2. The Company separately applied to implement FCA rates for electric service in Case No. AVU-G-20-05.

The Company proposes to reduce its present surcharge rate for residential customers from 0.158¢ to a proposed surcharge rate of 0.028 cents per kilowatt hour. *Id.* at 1. The Company also proposes to reduce the present surcharge rate for non-residential customers from 0.145 cents to a proposed surcharge rate of 0.011 cents per kilowatt-hour. *Id.* at 1-2. The Company's Application, if approved, would result in a \$1.6 million revenue decrease from residential customers and a \$1.4 million revenue decrease from non-residential customers. *Id.* at 2. If the Application is approved the residential customers using an average of 898 kilowatt-hours per month would see their monthly bills decrease by \$1.17 per month, or 1.4%. *Id.* at 12. The Company asks that its Application be processed by Modified Procedure and requests an effective date of October 1, 2020. *Id.* at 2.

### THE APPLICATION

In its filing, the Company proposes a rate surcharge for its residential electric customer group and its non-residential electric customer groups based on the amount of deferred revenue recorded for each group between January 1, 2019 and December 31, 2019. *Id.* at 12. The Company represents the major drivers for the proposed changes to FCA rates were, cooler weather, energy

efficiency savings and other matters that are not easily quantifiable according to the Company, but include the effects of non-programmatic energy efficiency and changes in business cycles. *Id.* at 7-8.

The Company recorded \$337,502 in the surcharge direction in deferred revenue for its electric residential customer group in 2019. *Id.* at 8 (table includes: 2018 residual balance, interest, and revenue-related expenses). After considering the 2018 residual balance of -\$9,294 and other adjustments, the Company proposes a surcharge of \$333,905, at a proposed rate of 0.028 cents per kilowatt-hour, to the Company's residential electric customers served under rate Schedule 1. *Id.* at 1, 8-9; *see also* Exhibit B.

For its electric non-residential customer groups, the Company recorded \$109,351 in the surcharge direction for deferred revenue in 2019. *Id.* (table includes: 2018 residual balance, interest, and revenue-related expenses). After considering the 2018 residual balance of \$7,242, and other adjustments, the Company proposes a surcharge of \$116,684, at a proposed rate of 0.011 cents per kilowatt-hour, to the Company's commercial and industrial electric customers served under rate Schedules 11, 12, 21, 22, 31, and 32. *Id.* at 9-10; *see also* Exhibit B.

The Company also proposed to update language in its tariff Sheet 75 to include the modifications authorized by Order No. 34502. Order No. 34502 authorized the Company to: (1) extend its FCA mechanism for both gas and electric through March 31, 2025, (2) alter the first deferral period of the FCA extension by using a one-time, 18-month deferral period from January 1, 2020 through June 30, 2021, and (3) alter its quarterly FCA reporting mandate to 60 days after the end of each quarter.

With its Application, the Company submitted its residential and non-residential rate calculation, support for the Company's deferrals, and its proposed FCA tariff Sheet 75, including updated language to incorporate modifications authorized by Order No. 34502.

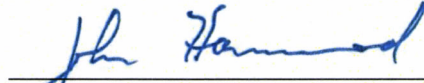
The Company also represents that its Application will be brought to the attention of customers by news releases and a customer notice that is attached to the Application as Exhibit D. The Company states the news release was to be issued on June 30, 2020, and the customer notice will be inserted in customer bills starting in the July timeframe and will run for a full billing cycle.

#### **STAFF RECOMMENDATION**

Staff recommends that the case be processed by Modified Procedure with a comment deadline of September 9, 2020, for Staff and any other interested persons and parties and reply deadline of September 16, 2020 for the Company.

**COMMISSION DECISION**

Does the Commission wish to process this case under Modified Procedure with a comment deadline of September 9, 2020, and reply deadline of September 16, 2020?



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John R. Hammond Jr.  
Deputy Attorney General

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