

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA) CASE NO. AVU-E-20-07
CORPORATION’S ANNUAL POWER COST)
ADJUSTMENT (PCA) RATE APPLICATION)

) ORDER NO. 34796

On July 31, 2020, Avista Corporation (“Company”) filed its annual Power Cost Adjustment (“PCA”) Application. The PCA is an annual adjustment mechanism that tracks changes in the Company’s hydroelectric generation, secondary prices, thermal fuel costs, and changes in power contract revenue and expenses. Application at 2.

This year, the Company asked the Commission to approve a PCA surcharge rate of 0.015¢ per kilowatt-hour (“kWh”). *Id.* at 3. Under the Company’s proposal, the PCA surcharge rate for all customers, including residential customers, would increase rates from the current rebate of 0.058¢ per kWh to a proposed surcharge of 0.015¢ per kWh (a 0.073¢ per kWh increase in the customer rate). *Id.* The Company requested an effective date of October 1, 2020.

On August 25, 2020, the Commission issued its Notice of Application and Notice of Modified Procedure establishing public comment and Company reply deadlines. *See* Order No. 34762. Commission Staff filed comments. The Company did not reply. No other comments were received.

Having reviewed the record, the Commission issues this Order approving the Company’s Application.

THE APPLICATION

The Company reported higher overall power supply expenses than were included in retail rates. *Id.* at 3. The Company noted increased power supply expenses from changes in hydro generation, Palouse Wind power purchase agreement net expense, Colstrip and Kettle Falls generation and fuel expense, net power purchase expense, and change in retail load. Direct Testimony of Scott Reid at 6-9. The Company stated these higher power supply, generation, fuel, and transmission expenses are partially offset by lower gas generation and natural gas prices, net transmission expenses, and miscellaneous expense. *Id.*

The net impact of these expenses included deferrals of \$1,038,548 for July 1, 2019 through June 30, 2020 plus interest of \$15,928. Direct Testimony of Annette Brandon at 4. The

deferral was offset by renewable energy credit (“REC”) retirement benefits of \$857,010. *Id.* The Company proposed a total deferral balance of \$197,466. *Id.*

Last year, the Company’s PCA application resulted in a rebate to customers of 0.058¢ per kWh. Application at 3. The Company proposed a 0.015¢ PCA surcharge for all customers beginning October 1, 2020. *Id.* The proposed rate adjustment would surcharge customers about \$0.5 million. *Id.* The net effect of the expiring rebate and the proposed surcharge is an overall increase in revenue of about \$2.2 million. *Id.* The Company stated the new rate would increase the Company’s revenue by about 0.9%. *Id.* at 3, 5. The Company asserted the resulting percentage increases will vary by customer rate schedule because the PCA rate changes are spread on a uniform cents-per kWh basis. *Id.* at 5.

According to the Company’s Application, residential customers using an average of 898 kWh per month would see their monthly bill increase by 0.9%, from \$86.27 to \$86.93. *Id.* at 5.

STAFF COMMENTS

Staff recommended approval of the Company’s Application to update Schedule 66, Temporary Power Cost Adjustment—Idaho, after reviewing the Company’s Application, direct testimony filed with the Application, and information received during a desk audit.¹ Staff Comments at 2. Staff recommended the Commission authorize \$461,909² to be collected from ratepayers during the PCA year as requested in the Company’s Application and that the Commission approve corresponding modifications to Schedule 66 as filed in Exhibit A of the Company’s Application. *Id.* at 7, 9.

Staff’s analysis focused on (1) the PCA deferral; (2) prudence of net power costs (“NPC”); (3) analysis of PCA rates; (4) overall impact of the Company’s rate adjustment applications; and (5) customer notification. *Id.* at 2-8.

1. PCA Deferral

Staff audited the Company’s NPC by reviewing samples of the Company’s natural gas purchases, market purchases, transmission revenues and expenses, and other deferral items. *Id.* at 2. Based on its review, Staff was reasonably assured the power cost transactions were reasonable,

¹ Staff noted that it was unable to conduct an onsite audit due to Covid-19 travel restrictions.

² The surcharge balance includes the Idaho deferral for the PCA year plus the remaining amortization balance from the previous PCA year plus the upcoming PCA year’s amortization balance all adjusted by the applied conversion factor. Staff Comments Table No. 3.

prudently incurred, and complied with previous Commission orders and the Company's own risk management policies. *Id.* The deferral amount represents the under-recovery of NPC through base rates during the deferral period. *Id.* at 3.

Staff noted the Company made fewer sales than were included in base rates. Based on reduced sales, the Load Change Adjustment Rate ("LCAR") added \$471,080 to the Idaho deferral balance. *Id.* Staff stated the Company used the correct LCAR of \$24.84/Megawatt-hour ("MWh"), for the months of July 2019 through November 2019, and \$22.00/MWh, for December 2019 to June 2020. *Id.*

The net power supply deferral captures the difference between actual NPC and NPC embedded in base rates for the PCA year ending June 30, 2020. *Id.* at 4. Purchased power costs made up the largest share of the difference between actual and authorized costs. *Id.* During the PCA year, Idaho's share of purchased power was \$1,088,477 greater than authorized in base rates. *Id.*

The revenue generated from Avista's sales of RECs was more than the amounts authorized in base rates. Idaho customers were credited \$159,661 for REC revenues. *Id.*

The Company also applied an \$857,010 credit for REC retirement benefits for REC credits retired to meet Washington's renewable portfolio standard ("RPS"). *Id.* at 5. The RECs used to meet Washington RPS are tracked 100% in the PCA. *Id.* The credit is based on REC market prices and the Idaho allocation of RECs retired to meet Washington RPS. *Id.*

2. Prudence of NPC

Staff believed the Company's actual NPC during the PCA year was reasonable. For accounts that make up NPC, Staff compared the actual generation and unit costs to amounts used in base rates. *Id.* Because the PCA deferral consists primarily of authorized versus actual NPC, the analysis helped explain this year's surcharge. *Id.* Based on the analysis, Staff believed the Company dispatched its resources, purchased power from the wholesale market, and transacted off-system sales to serve customer load in a prudent manner. *Id.*

Staff noted the two major drivers affecting NPC in this year's PCA were lower amounts of hydro generation and lower natural gas prices. *Id.* Due to reduced hydro generation available to meet load, the Company had to increase the electricity it purchased and increase the generation from its Company-owned natural gas plants. *Id.* Lower gas prices helped offset reduced hydro generation's effect on the Company's NPC in two ways. *Id.* First, it put downward pressure on

wholesale electricity prices. *Id.* Second, lower gas prices reduced the cost of generation at the Company's gas-fired units. *Id.* This allowed the Company to increase the generation from its gas-fired units and allowed the Company to sell into the wholesale market. *Id.*

3. Analysis of PCA Rates

Staff verified the Company's calculation of its proposed PCA rate was accurate and would reasonably charge customers for under-collection of actual NPC during the PCA year.³ *Id.* at 7.

4. Impact of the Company's Rate Adjustment Applications

Staff discussed the aggregate effect of the Company's Fixed Cost Adjustment ("FCA") and the Bonneville Power Administration Residential and Small Farm Energy Rate Adjustment ("BPA") filings, that are also proposed to be effective October 1, 2020. *Id.* at 8. The Company's FCA filing, AVU-E-20-06, would decrease electric revenues by about \$3.0 million (1.2% decrease). *Id.* The BPA credit, AVU-E-20-08, would increase electric revenues by \$0.6 million (0.2% increase). *Id.* The \$2.2 million increase in electric revenues from the proposed PCA filing represents a 0.9% revenue increase. *Id.* The net effect of Company's three filings (FCA, PCA, and BPA credit) would decrease electric revenues by \$0.2 million (0.1% decrease) and the average residential electric customer's monthly bill would decrease by \$0.06. *Id.*

5. Customer Notice

The Company's press release and customer notice were included with its Application. Staff noted each document addresses two cases: this case (AVU-E-20-07) and BPA credit (AVU-E-20-08). *Id.* Staff reviewed the documents and determined both met the requirements of Rule 125 of the Commission's Rules of Procedure. See IDAPA 31.01.01.125. *Id.* Due to the timing of notices being received by some customers, Staff suggested the Commission should accept late-filed comments. *Id.*

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission has the express statutory authority to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just,

³ Staff comments included Table No. 4 with details of how the new rate in Schedule 66 would affect different classes of consumers.

reasonable, preferential, discriminatory, or in violation of any provision of law, and may fix the same by order. *Idaho Code* §§ 61-502 and 61-503.

The Commission has reviewed the record and finds the Company's methodology adheres to the Commission's prior orders regarding the PCA. Thus, we accept the deferral balance in the surcharge direction for the period of July 1, 2019 to June 30, 2020, of \$197,466. We further find the Company's proposed PCA surcharge rate of 0.015¢ per kWh to be just and reasonable and we approve it along with the proposed tariff Schedule 66 which will be effective October 1, 2020.

We are mindful of concerns that some customers may not have received notice of the Application in time for them to comment on it by the comment deadline. Had any comments been filed between then and the date of this Order, we would have considered them. No such comments were filed.

ORDER

IT IS HEREBY ORDERED that the Company's Application regarding its annual PCA rate adjustment is approved. The Company's deferred power costs of \$197,466 from July 1, 2019 through June 30, 2020, are approved. The Company may implement a PCA surcharge rate of 0.015¢ per kWh and the Company's proposed Schedule 66 is approved, to be effective October 1, 2020.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

///

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 1st day of October 2020.



PAUL KJELLANDER, PRESIDENT

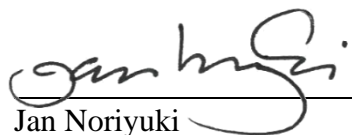


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

I:\Legal\ELECTRIC\AVU-E-20-07\orders\AVUE2007_final_dh.docx