

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA) CASE NO. AVU-E-20-08
CORPORATION’S ANNUAL APPLICATION)
TO ADJUST RESIDENTIAL AND SMALL)
FARM ENERGY RATES) ORDER NO. 34795

On July 31, 2020, Avista Corporation dba Avista Utilities (“Avista” or “Company”) applied to the Commission for authority to implement a 0.336 cents per kilowatt-hour (“kWh”) Schedule 59—Residential and Small Farm Energy Rate Adjustment - Idaho—credit for schedules 1, 12, 22, 32, and 48. Application at 1, 4. Avista states this proposed rate credit would increase qualifying customers’ rates by \$0.6 million, with the average monthly bill for a residential customer increasing from \$86.27 to \$86.73. *Id.* at 4. Avista requested its Application be processed under Modified Procedure, and that the proposed rates take effect October 1, 2020. *Id.* at 2, 5.

On August 25, 2020, the Commission issued a Notice of Application and Notice of Modified Procedure setting public comment and Company reply deadlines. Order No. 34761. Commission Staff filed comments. The Company did not reply. No other comments were received.

BACKGROUND

This Application results from the Bonneville Power Administration’s (“BPA”) Residential Exchange Program (“REP”). The REP was established by Section 5(c) of the Northwest Electric Power Planning and Conservation Act. 16 U.S.C. § 839c(c). That section makes low-cost power from the federal Columbia River power system available to investor-owned utilities in the Northwest. *See Assoc. of Pub. Agency Customers v. Bonneville Power Admin. (APAC v. BPA)*, 733 F.3d 939, 945 (9th Cir. 2013). The statute permits utilities to “exchange power they have purchased or generated for lower-cost power generated by BPA.” *Portland General Elec. Co. v. Bonneville Power Admin. (PGE v. BPA)*, 501 F.3d 1009, 1015 (9th Cir. 2007). The exchange is a paper transaction—a utility may offer to sell power to BPA at the utility’s average system cost (“ASC”) for producing power, which BPA compares to a Priority Firm (“PF”) Exchange Rate that BPA calculates for purposes of the exchange. *See id.*, *APAC v. BPA*, 733 F.3d at 945-46. If BPA’s PF Exchange Rate is lower than the utility’s ASC, then the utility is entitled to a benefit from BPA. *APAC v. BPA*, 733 F.3d at 946. Generally, the utility benefit is the difference between BPA’s PF Exchange Rate and the utility’s ASC, multiplied by the utility’s residential load. *Id.* at 945. The

utility must pass the benefit on to its qualifying (residential and small farm) customers. *See id.* (citing 16 U.S.C. § 839c(c)(3)).

THE APPLICATION

The current Residential and Small Farm Energy Adjustment Rate credit is 0.387 cents per kWh and was designed to pass about \$4.8 million in BPA benefits to customers through a credit to their energy rates. Application at 3. The proposed credit of 0.336 cents per kWh would pass about \$4.2 million to customers. *Id.* Energy rates would increase by about \$0.6 million, or 0.3%, during the October 1, 2020 through September 30, 2021 rate credit period. *Id.* The rate increase reflects that this year's \$4.2 million credit is about \$0.6 million less than last year's \$4.8 million credit. *Id.* In other words, this year's rate increase would reflect that the Company over-refunded about \$0.6 million to customers through last year's credit. *Id.* The Company explains the proposed rate credit would not affect its net income. *Id.*

The Company indicates it will bring the Application to the attention of its customers via a news release and a customer notice explaining each of several rate filings. *Id.* at 4.

STAFF COMMENTS

Staff reviewed the methodology and calculations of the proposed Residential and Small Farm credit rate and confirmed the approach is consistent with Schedule 59 – Residential and Farm Energy Rate Adjustment – Idaho. Staff Comments at 3. Staff recommended the proposed rate of 0.336 cents per kWh be approved. *Id.*

Staff explained the calculation of the BPA benefit for residential and small farm customers has two inputs. *Id.* The first input is the usage by Avista's residential and small farm customers over the previous two years, in this case 2017 and 2018, which is then averaged to create an annualized usage. *Id.* The second input is the difference between two variables calculated by BPA: Avista's ASC rate and the PF Exchange Rate. *Id.* The BPA calculates these rates every two years. *Id.* The difference between these two rates is multiplied by the annualized usage to calculate the BPA benefit to be passed on to qualifying customers for each of the next two years. *Id.* Avista's BPA credit is allocated between Washington and Idaho based on the actual usage of qualifying customers in each jurisdiction. *Id.*

Avista's Residential and Small Farm credit rate is then calculated by taking the projected remaining balance of the BPA benefit from the previous year and adding the BPA benefit for the next year. *Id.* In this filing, the amount from the previous year was over-refunded because

customers used more electricity than was projected, creating a balance of \$0.6 million. *Id.* The total is then divided by the projected annual kWh sales to residential and small farm customers to calculate the rate. *Id.* Staff confirmed the Company's calculation was consistent with the approach for Schedule 59.

Staff also discussed the aggregate effect of the Company's Fixed Cost Adjustment ("FCA") and the Power Cost Adjustment ("PCA") filings that are also proposed to be effective October 1, 2020. *Id.* at 3. The Company's FCA filing (AVU-E-20-06) would decrease electric revenues by about \$3.0 million (1.2% decrease). *Id.* The PCA filing (AVU-E-20-07) would increase electric revenues by \$2.2 million (0.9% increase). *Id.* The \$0.6 million increase in electric revenues from the proposed BPA filing represents a 0.2% revenue increase. *Id.* The net effect of Company's three filings (FCA, PCA, and BPA credit) decreases electric revenues by \$0.2 million (0.1% decrease) and the average residential electric customer's monthly bill would decrease by \$0.06. *Id.*

Staff reviewed the Company's press release and customer notice, which were included with the Application. Each document addressed two cases: this case (AVU-E-20-08) and the PCA (AVU-E-20-07). *Id.* Staff reviewed the documents and determined both complied with Commission Rule of Procedure 125. *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, 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, including the Application and comments. 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. If any comments had been filed between then and the date of this Order, we would have considered them. No such comments were filed.

We find that the proposed rate credit of 0.336 cents per kWh is just and reasonable. We therefore approve the Application and the proposed tariff Schedule 59, to be effective October 1, 2020.

ORDER

IT IS HEREBY ORDERED The Avista's Application is granted and its proposed tariff Schedule 59—Residential and Farm Energy Rate Adjustment – Idaho—is effective October 1, 2020 through September 30, 2021.

IT IS FURTHER ORDERED that the rate credit for Avista's Schedule 59 customers will be 0.336 cents per kWh.

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

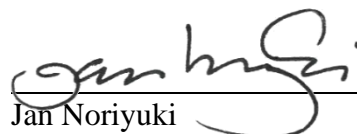


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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