

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA’S APPLICATION TO IMPLEMENT FCA RATES FOR ELECTRIC SERVICE FROM OCTOBER 1, 2021 THROUGH SEPTEMBER 30, 2022)))))	CASE NO. AVU-E-21-08 ORDER NO. 35183
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On July 30, 2021, Avista Corporation dba Avista Utilities (“Company”) applied to the Commission for authorization to implement Fixed Cost Adjustment (“FCA”) rates for electric service effective from October 1, 2021 through September 30, 2022, and approve its corresponding modifications to Schedule 75 “Fixed Cost Adjustment Mechanism – Electric.” The Company also asks that the Commission approve as prudently incurred the level of electric FCA revenue deferred during the 18-month deferral period from January 1, 2020 through June 30, 2021 (“deferral period”).¹ The Company separately applied to implement FCA rates for natural gas service in Case No. AVU-G-21-06. The Company proposes per kilowatt-hour (“kWh”) FCA rebate rates for its residential electric customers and surcharge rates for its non-residential electric customers. The Company’s Application, if approved, would decrease overall electric revenues by about \$0.8 million. The monthly bill of an average residential electric customer would decrease by about \$1.94, or 2.3%. The Company requested that its Application be processed by Modified Procedure and that the proposed rates take effect October 1, 2021.

On August 18, 2021, the Commission issued a Notice of Application and Notice of Modified Procedure establishing a public comment period and Company reply deadline. Staff filed the only public comments. The Company did not file a reply.

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

BACKGROUND

The FCA is a rate adjustment mechanism designed to break the link between the energy a utility sells and the revenue it collects to recover fixed costs² of providing service, thus

¹ In Order No. 34502, the Commission authorized the Company to modify its electric and natural gas deferral periods one-time to run from January 1, 2020, through June 30, 2021.

² “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.

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 to increase revenue and profits and encourages energy conservation. The Commission originally approved the Company's FCA as a three-year pilot program, and part of the approved settlement of its 2015 rate case. *See* Case Nos. AVU-E-15-05; AVU-G-15-01; Application at 3; and Order No. 33437 at 10. In the Order approving the FCA program, the Commission noted that the parties to the Company's rate case agreed to review the program's effectiveness at the end of its second full year, to ensure it is functioning as intended. The settlement stipulation in those cases and Schedule 75 also set forth how the FCA mechanism works, including treatment of existing versus new customers, quarterly reporting requirements, annual filings, interest, accounting, and a 3% rate increase cap.

On June 15, 2018, the Commission approved an addendum to the settlement stipulation approved in Case Nos. AVU-E-15-05 and AVU-G-15-01, which extended the term of the Company's FCA pilot for an additional year. Order No. 34085.

On December 13, 2019, the Commission authorized the Company to: (1) extend its FCA mechanism for both gas and electric customers 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 requirement to 60-days after the end of each quarter. Order No. 34502; Case Nos. AVU-E-19-06 and AVU-G-19-03.

APPLICATION

In its filing, the Company proposes a rate rebate for its residential electric customers and a rate surcharge for its non-residential electric customer groups based on the amount of deferred revenue recorded for each group between January 1, 2020, and June 30, 2021. The Company mostly attributes the proposed changes to drivers including warmer than normal weather during the deferral period, energy efficiency, and "other" drivers.

The Company recorded \$2,260,697, in the rebate direction in deferred revenue for its electric residential customer group for the deferral period. After considering the prior year residual balance of \$35,117, the Company proposes to return \$2,323,407, at a proposed rebate rate of 0.189 cents per kWh, to the Company's residential electric customers served under rate Schedule 1. *See* 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 amount returned to customers under the tariff.

For its electric non-residential customer groups, the Company recorded \$2,011,841 in the surcharge direction in deferred revenue for the deferral period. After considering the prior year residual balance of \$18,516, the Company proposes to recover \$2,049,329 from the Company's commercial and industrial electric customers served under rate Schedules 11, 12, 21, 22, 31 and 32, at a proposed surcharge rate of 0.197 cents per kWh. *See 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 amount collected from customers under the tariff.

With its Application, the Company submitted its residential and non-residential rate calculations, support for its deferrals, and its proposed FCA Schedule 75.

COMMENTS

Commission Staff recommended the Commission approve the Company's Application and proposed Schedule 75 as filed. Staff verified that the Company correctly calculated its deferral balances. Staff recommended the Commission allow the Company to return \$2,323,407 to its residential customer group with a rebate rate of 0.189 cents per kWh and recover \$2,049,329 from its non-residential customer group with a surcharge rate of 0.197 cents per kWh.

According to the Company, the proposed residential FCA rebate deferrals are the result of increases in use-per-customer ("UPC") from 2018 test-year levels used to establish the FCA base period. For non-residential customers the surcharge deferrals were due to lower UPC than embedded in the 2018 test-year levels.

The monthly UPC during the deferral period increased by 16 kWh for residential customers and was primarily driven by the "other" category. For non-residential customers, the monthly UPC during the deferral period decreased by 193 kWh and the primary drivers were energy efficiency and the "other" category. The "other" category drivers have a more significant impact on the non-residential customers than on the residential customers and weather is generally a more significant driver for residential customers, although not as much in this filing.

Regarding the Company's customer notice and press release, Staff expressed that the Company satisfied Commission Rule of Procedure 125. The Company filed its Application with the Commission on July 30, 2021, and included its draft customer notice and press release, complying with Commission Rule of Procedure 125.04 and .05, IDAPA 31.01.01.125.04-.05. The Company mailed its customer notice during its regular billing cycle to affected customers between

August 12, 2021 and September 9, 2021. Due to the public comment deadline of September 8, 2021, Staff recommended the Commission accept any late filed comments.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over the Company and this matter pursuant to *Idaho Code* §§ 61-336, 61-502, 61-503, and 61-622. 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 and finds the Company's requested FCA Residential Group (Schedule 1) rebate rate of 0.189 cents per kWh, and FCA Non-Residential Group (Schedules 11, 12, 21, 22, 31 and 32) surcharge rate of 0.197 cents per kWh to be fair, just, and reasonable. The Commission finds the Company correctly calculated its deferral balances. The Commission thus approves the Company's Application and proposed revisions to Schedule 75, as filed, effective October 1, 2021.

ORDER

IT IS HEREBY ORDERED that the Company's Application is approved as described above. The Company's FCA Filing for Electric Service from October 1, 2021 through September 30, 2022, is granted as requested, effective October 1, 2021. The Commission approves the Company's Tariff Sheet 75 as filed.

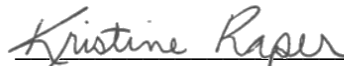
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code*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

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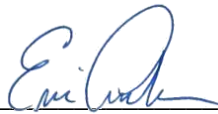
DONE by order of the Idaho Public Utilities Commission at Boise, Idaho this 29th day of September 2021.



PAUL KJELLANDER, PRESIDENT

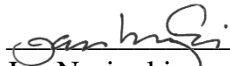


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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