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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** **COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission ("Staff"), by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

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 ended June 30, 2021.[1] The Company separately applied to implement FCA rates for natural gas service in Case No. AVU-G-21-06.

[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.

The Company proposed a per kilowatt-hour ("kWh") FCA *rebate* rate of 0.189 cents per kWh for its residential electric customers and a *surcharge* rate of 0.197 cents per kWh for its non-residential electric customers. The Company's Application, if approved, would decrease overall electric revenues by about $0.7 million. The monthly bill for an average residential electric customer using 892 kWh per month would decrease by $1.94, from $85.63 to 83.69, or 2.3%.[2] The Company mostly attributes the proposed changes to factors including warmer than normal weather during the 18 months ended June 30, 2021, energy efficiency, and "other" factors.

Overview of Avista' s FCA

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 the fixed costs[3] of providing service, thus 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, as 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 Tariff 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)

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[2] The Company's Application states Schedule 1 customers' rates will decrease by 2.2% on page 2 and 2.3% on page 12.

[3] "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.

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.

STAFF REVIEW

Staff reviewed the Company's Application and calculations of its residential and non-residential FCA rates, along with the Company's workpapers and responses to production requests. After an examination of all these documents, Staff recommends that the Commission approve the Company's proposed Tariff Schedule 75 rebates for the Residential customer class and surcharge for the Non-Residential customer class.

Staff reviewed the FCA deferral balances and associated rates for both residential and non-residential classes to confirm they have been calculated correctly by the Company. Staff reviewed the amortization from the prior deferral balance, the kWh sales for the FCA year, new and existing customer counts, the revenue from fixed costs collections, the interest calculations, and the submitted revenue reports. Staff verified the authorized amounts used to calculate the deferral were the same used to determine base rates authorized during the deferral period. Further, Staff examined the internal control processes and the associated internal audit documents and found them to be compliant.

In its Application, the Company proposed 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. For the Residential customers (Schedule 1), the Company proposed to change the rate from a present surcharge rate of 0.028 cents per kWh to a rebate rate of 0.189 cent per kWh, a decrease of 0.217 cents, to refund approximately $2.3 million to the residential class. For the Non-Residential Group (Schedules 11, 12, 29, 21, 22, 31 and 32), the Company proposed to change the present surcharge rate of 0.011 cents per kWh to a surcharge rate of 0.197 cents per kWh, an increase of 0.186 cents. The increase will allow the Company to recover the approximately $2.0 million deferral balance from the Non-Residential Customer Group. The Residential Customer Class rate change represents a $2.7 million, or 2.2 %, decrease to Schedule 1 customers, and the Non-Residential Customer Class rate change represents a $1.9 million, or 2.0 % increase. The combined effect of expiring FCA rates and the proposed 2021 rates are shown on Table No. 1 below:

Table No. 1: Present and Proposed Changes

	Expiring Present FCA Revenue	Proposed FCA Revenue	Change in FCA Revenue
Residential	$344,208	($2,323,407)	($2,667,615)
Non-Residential	$114,430	$2,049,329	$1,934,900
Total	**$458,638**	**($274,078)**	**($732,715)**

Energy Consumption Drivers

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

When compared to the base period, monthly UPC increased by 16 kWh for Residential customers but decreased by 193 kWh for the Non-Residential groups. These changes were caused by (1) changes in the weather, (2) Energy Efficiency Programs, and (3) other factors, which are items that are more difficult to quantify, such as the effects of non-programmatic energy efficiency, changes in business cycles, and non-quantifiable effects related to COVID-19. The "Other" factors have a more significant impact on the non-residential group than on the residential group. The Weather, on the other hand, is a more significant factor for the residential group than for the non-residential group. This is expected because residential energy usage is relatively sensitive to weather fluctuations as demonstrated during the 18 months ending June 30, 2021. Table No. 2 below shows the Company's estimates of these factors on UPC in kWh and FCA revenue in million dollars. The results demonstrate that energy efficiency is not the sole factor of declining energy sales, and that the FCA mechanism provides fixed cost recovery for a wide range of factors.

Table No. 2: Effects of the Drivers on UPC and FCA Revenue ($ in Million)

	Residential		Non-Residential	
Source	UPC (kWh)	FCA Revenue	UPC (kWh)	FCA Revenue
Weather	-2	(0.50)	7	$0.30
Energy Efficiency	-11	(2.40)	-112	(4.10)
Other	29	$5.20	-88	$1.80
Total	**16**	**$2.30**	**-193**	**(2.00)**

Overall Impact of Three Filings (PCA, BPA and FCA) Effective October 1, 2021

The Company has proposed two other rate adjustment applications, also effective October 1, 2021. The Company's proposed Power Cost Adjustment ("PCA") filing, AVU-E-21-09, if approved, will increase Idaho electric revenues by approximately $7.2 million or 2.8%. The second proposed filing is for the Bonneville Power Administration ("BPA") Residential and Small Farm Energy Rate Adjustment, AVU-E-21-10. If this filing is approved, it will increase Idaho electric revenues by approximately $0.1 million increase or 0.1 percent. When combined with the current FCA filing in this case, the net effect of the three requests is an increase in the overall Company's electric revenue by approximately $6.6 million or 2.6% effective October 1, 2021, as shown on Table No. 3 below:

Table No. 3: Summary of Overall Impact to Idaho Electric Revenue

Filing	**2020**	**2021**	**Net Effect**	**% Change**
PCA	$ 459,391	$ 7,646,804	$ 7,187,413	2.8%
BPA	(4,188,620)	(4,057,098)	131,522	0.1%
FCA	458,638	(274,078)	(732,716)	-0.2%
Total	**(3,270,591)**	**3,315,628**	**6,586,219**	**2.7%**

CUSTOMER NOTICE AND PRESS RELEASE

The Company's press release and customer notice were included with its Application. Each document addresses the following cases: this case, AVU-E-21-08, the natural gas FCA, AVU-G-21-06, the PCA, AVU-E-21-09, the BPA Residential and Small Farm credit, AVU-E-21-10. Staff reviewed the documents and determined both meet the requirements of Rule 125 of the Commission's Rules of Procedure. See IDAPA 31.01.01.125. The notice was included with bills mailed to customers beginning August 12, 2021, and ending September 9, 2021.

The Commission set a comment deadline of September 8, 2021. Some customers in the last billing cycles will not have received/and or had adequate time to submit comments before the deadline. Customers must have the opportunity to file comments and have those comments considered by the Commission. Staff recommends that the Commission accept late filed comments from customers. As of September 7, 2021, no customer comments had been filed.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the Company's FCA filing. Specifically, Staff recommends that the Commission approve the Company's proposed Tariff Schedule 75 with a Residential rebate rate of 0.189 cents per kWh and Non-Residential surcharges rate of 0.197 cents per kWh for electric service from October 1, 2021, through September 30, 2022.

Respectfully submitted this 8th day of September 2021.

Dayn Hardie
Deputy Attorney General

Technical Staff: Johan Kalala-Kasanda
Kevin Keyt
Curtis Thaden

i:umisc/comments/avue21.8dhjkkkct comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 8th DAY OF SEPTEMBER 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. AVU-E-21-08, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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