

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)	CASE NO. AVU-E-21-09
CORPORATION’S ANNUAL POWER COST)	
ADJUSTMENT (PCA) RATE APPLICATION)	ORDER NO. 35184
)	

On July 30, 2021, 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 other changes in power contract revenues and expenses.

This year, the Company asks the Commission to approve a PCA surcharge rate of 0.251¢ per kilowatt-hour (“kWh”). Under the Company’s proposal, the PCA surcharge rate for all customers, including residential customers, would increase rates from the current surcharge of 0.015¢ per kWh to a proposed surcharge of 0.251¢ per kWh (a 0.236¢ per kWh increase in the customer rate). The Company requests an effective date of October 1, 2021, and that its Application be processed by Modified Procedure.

On August 18, 2021, the Commission issued a Notice of Application and Notice of Modified Procedure setting comment and reply comment deadlines. *See* Order No. 35135. The Commission granted intervention into this case to Clearwater Paper Corporation. *See* Order No. 35141. On September 9, 2021, the Commission Staff (“Staff”) filed comments and was the only party to do so. The Company did not file reply comments.

Having reviewed the record, the Commission grants the Company’s PCA Application as discussed in more detail below.

APPLICATION

The Company reported higher overall actual power supply expenses than amounts included in retail rates. The Company noted increased power supply expenses were driven primarily by increased thermal generation costs and issues with gas-fired generation of about \$12.5 million that was offset by \$4.7 million in favorable net purchases and transmission expense. *See* Direct Testimony of Annette M. Brandon at p. 9. The Company stated this results in a proposed net surcharge for Idaho.

Last year, the Company’s PCA application resulted in a surcharge to customers of 0.015¢ per kWh. *Application* at 6. The Company proposed a PCA surcharge rate of 0.251¢ per

kWh for all customers beginning October 1, 2021. *Id.* The proposed rate adjustment would surcharge customers about \$7.6 million. *Id.* at 5. The net effect of the expiring surcharge and the proposed surcharge is an overall increase in revenue of about \$7.2 million or 2.8%. *Id.* 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.* The Company asserted that if its PCA surcharge rate request is approved residential customers using an average of 892 kWhs per month would see their monthly bills increase from \$85.63 to \$87.74, an increase of \$2.11 per month, or 2.5%. *Id.* at 5.

STAFF COMMENTS

Staff reviewed the Company's Application and direct testimony of Company witnesses Annette Brandon and Kaylene Schultz, along with additional information received during the ensuing audit and production requests. Based on its review, Staff recommended approval of the Company's Application updating Schedule 66, Temporary Power Cost Adjustment - Idaho, which will increase the Company's revenue by \$7.2 million. Staff's conclusions and rationale are discussed in further detail below.

1. PCA Deferral

Staff audited the Company's Net Power Costs ("NPC") by reviewing samples of the Company's natural gas purchases, market purchases, transmission revenues and expenses, and other deferral items. *Staff Comments* at 2. Based on its review, Staff was reasonably assured the various power cost transactions were reasonable, 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.*

Staff noted the Company made more sales than were included in base rates. *Id.* at 3. Based on increased sales, the Load Change Adjustment Rate ("LCAR") is a credit of \$933,482 against the Idaho deferral balance. *Id.* Staff stated the Company used the correct LCAR of \$22.00/Megawatt-hour ("MWh"), for the months of July 2020 through June 2021. *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, 2021. *Id.* Purchased power costs made up the largest share of the difference between actual and authorized costs. *Id.* at 4. During the PCA year, Idaho's share of purchased power was \$10,848,821 greater than authorized in base rates. *Id.* Staff also stated expenses for the Palouse Wind and Rattlesnake Wind projects are

included in the Purchased Power costs. *Id.* In Case No. AVU-E-19-04, Palouse Wind and Rattlesnake Wind projects were not included in base rates and the expenses continue to be recovered through the PCA. *Id.* This expense treatment requires Avista shareholders to cover 10% of the Idaho jurisdictional costs of Palouse Wind and Rattlesnake Wind projects. *Id.*

Staff noted the revenue generated from the Company's sales of renewable energy credits ("RECs") was more than the amounts authorized in base rates. *Id.* Idaho customers are credited \$970,811 for REC revenues which offset the deferral balance. *Id.*

In Order No. 34252, the Commission authorized a Power Purchase and Sale Agreement ("PPA") between the Company and Clearwater Paper Corporation ("Clearwater"). *Id.* Clearwater owns and operates four thermal electric generating units rated at 132.2 Megawatts. *Id.* The units are cogeneration qualifying facilities ("QF") under the Public Utility Regulatory Policies Act of 1978. *Id.* The PPA allows the Company to purchase the energy and capacity from Clearwater and directly assign it to the Idaho jurisdiction. *Id.* Any monthly difference between actual Clearwater power purchase expense and the amount embedded in the base retail rates developed in the AVU-E-19-04 general rate case, is tracked through the PCA. *Id.* at 4-5. Parties and ratepayers benefit from the Company selling bundled RECs under the new PPA. *Id.* at 5. Bundled RECs generally command a higher price than unbundled RECs. *Id.* Idaho customers received a benefit of \$166,974 from the PPA during the PCA year which helped offset the deferral balance. *Id.*

Staff noted the \$446,075 credit for REC Retirement benefits is to credit Idaho customers for benefits related to the RECs retired to meet Washington's Renewable Portfolio Standard ("RPS"). *Id.* The RECs used to meet Washington RPS are tracked 100% in the PCA. *Id.* The credit is based on the Idaho allocation of RECs that were retired to meet Washington RPS (WA I-937) that otherwise would have been sold. *Id.*

2. Prudence of NPC

Staff believed the Company's actual NPC during the PCA year (July 2020 through June 2021) is reasonable. *Id.* For accounts that make up NPC, Staff compared the actual amount of 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 available resources, purchased power from the wholesale market, and transacted off-system sales to serve customer load in a prudent manner. *Id.*

Staff noted the three major drivers affecting NPC in this year's PCA were planned maintenance downtime for Coyote Springs 2 from March 2021 through June 2021, an increase in market purchases and a reduction in off-system sales, and an increase in thermal fuel costs when compared to amounts assumed in base rates. *Id.* at 5-6.

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.¹ *Id.* at 6-7.

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, 2021. *Id.* at 7-8. The Company's FCA filing, AVU-E-21-08, if approved would decrease electric revenues by about \$0.7 million (0.2% decrease). The BPA credit, AVU-E-21-10, if approved would decrease electric revenues by approximately \$0.5 million (0.4% decrease). The \$7.2 million increase in electric revenues from the proposed PCA filing represents a 2.8% revenue increase. The net effect of the Company's three filings (FCA, PCA, and BPA credit) if approved as filed would increase electric revenues by \$5.9 million or a 2.1% increase.

5. Customer Notice

The Company's press release and customer notice were included with its Application. Staff noted each document addresses the PCA, FCA and BPA credit cases. *Id.* at 8. 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.*

The Commission set a comment deadline of September 9, 2021. *Id.* Staff noted some customers in the last billing cycles will not have received/and or had adequate time to submit comments before the deadline. *Id.* Staff believed customers must have the opportunity to file comments and have those comments considered by the Commission. *Id.* Staff recommended that the Commission accept late filed comments from customers. *Id.* As of September 17, 2021, no customer comments had been filed in this case.

¹ Staff comments included Table No. 4 with details of how the new rate in Schedule 66 would affect different classes of consumers.

6. Staff Recommendation

Based on its review of the Application and an audit of the PCA components, Staff recommended that the Commission approve the Company's request to revise its tariff Schedule 66, Temporary Power Cost Adjustment - Idaho, as filed in Exhibit A of the Application, which will allow the Company to collect a surcharge of 0.251¢ per kWh. *Id.* at 9. Additionally, Staff recommended that the Company continue to file monthly PCA expense reports. Lastly, Staff recommended the Commission accept late-filed comments from customers. *Id.*

COMMISSION FINDINGS AND DECISION

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 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, 2020 to June 30, 2021, of \$7,469,770. We further find the Company's proposed PCA surcharge rate of 0.251¢ per kWh to be just and reasonable and we approve it along with the proposed tariff Schedule 66 which will be effective October 1, 2021.

We are aware 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 customer comments have been filed in this case.


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 \$7,469,770 from July 1, 2020 through June 30, 2021, are approved. The Company may implement a PCA surcharge rate of 0.251¢ per kWh and the Company's proposed Schedule 66 is approved, to be effective October 1, 2021.

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 30th day of September 2021.



PAUL KJELLANDER, PRESIDENT

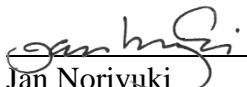


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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