Office of the Secretary
Service Date
September 29, 2023

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FIXED COST ADJUSTMENT MECHANISM (FCA) ANNUAL RATE ADJUSTMENT FILING OF AVISTA CORPORATION	**CASE NO. AVU-E-23-09** **ORDER NO. 35941**

On July 31, 2023, Avista Corporation ("Company" or "Avista") applied to the Idaho Public Utilities Commission ("Commission") for approval of its Fixed Cost Adjustment mechanism ("FCA") revenue deferred between July 1, 2022, and June 30, 2023 (the "deferral period"), and for authorization to adjust its FCA rates for electric service from October 1, 2023, through September 30, 2024. The Company requested that the adjustment have an October 1, 2023, effective date and that the Commission process the request under Modified Procedure.

On August 18, 2023, the Commission issued a notice of Application and Notice of Modified Procedure establishing public comment and Company reply deadlines. Order No. 35897. Staff filed the only comments.

Having reviewed the record, the Commission now 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 costs[1] of providing service, thus decoupling the utility's revenues from its customers' energy usage. This decoupling removes a utility's incentive to increase sales to increase revenue and profits and encourages energy conservation. The Commission originally approved a three-year pilot program of the Company's FCA as part of the approved settlement of the Company's 2015 rate case. Order No. 33437 at 10. 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 the program was functioning as intended. On June 15, 2018, the Commission approved an addendum to the settlement that extended the term of the Company's FCA pilot for an additional year. Order No. 34085. On December 13, 2019, the Commission authorized the

[1] "Fixed costs" are a utility's costs to provide service, such as infrastructure and customer service, which do not vary with energy use, output, or production, and remain relatively stable between rate cases.

Company to extend its FCA mechanism for both gas and electric customers through March 31, 2025. Order No. 34502.

APPLICATION

The Company proposed a rate rebate for its Residential and Non-Residential electric customer groups based on the amount of deferred revenue recorded for each group during the deferral period. The Company mostly attributed the proposed changes to differences in consumption than the assumptions embedded in rates based on the 2019 test year. Residential customers consumed more gas than rates included, and Non-Residential customers used less gas. The Company suggested the reason for this was a colder than normal deferral period with fluctuation in the heating and cooling needs.

The Company represented that it recorded $7,180,059 in the rebate direction in deferred revenue for the electric Residential customer group for the deferral period. The Company stated that the proposed rate of 0.540¢ per kilowatt-hour ("kWh") was designed to rebate $6,955,562 to the Company's Residential electric customers served under rate Schedule 1. The Company represented that the deferral balance for the deferral period, plus interest through September 2023, and any outstanding balance approved for recovery in the prior year FCA rate filing would be transferred into a regulatory liability balancing account, and the balance in the account would be reduced each month by the revenue collected (returned) under the tariff.

The Company represented that it recorded $555,724 in the rebate direction in deferred revenue for the electric Non-Residential Group for the deferral period. The Company stated that the proposed rebate rate of 0.048¢ per kWh was designed to rebate $523,679 to commercial and industrial customers served under rate Schedules 11, 12, 21, 22, 31, and 32. The Company represented that the deferral balance, plus interest through September 2023, would be transferred into a regulatory liability balancing account, and the balance in the account would be reduced each month by the revenue collected (returned) under the tariff.

The Company submitted its Residential and Non-Residential rate calculations, support for its deferrals, and its proposed FCA Schedule 75 with its Application.

STAFF COMMENTS

Staff reviewed the Company's Application, the calculations of its Residential and Non-Residential FCA rates, and the Company's workpapers and responses to production requests. Staff confirmed the FCA deferral balances and associated rates for both classes were calculated correctly. 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 that the authorized amounts used to calculate the deferral were the same amounts used to determine base rates authorized during the deferral period. Staff also examined the internal control processes and the associated internal audit documents and found them to be compliant.

The following table presents the combined effect of expiring FCA rates and the proposed 2022 rates.

Table No. 1: Present and Proposed FCA Surcharge Changes

	Expiring Present FCA Revenue	Proposed FCA Revenue	Change in FCA Revenue
Residential	(5,216,672)	(6,955,562)	(1,738,891)
Non-Residential	(370,939)	(523,679)	(152,740)
Total	(5,587,611)	(7,479,241)	(1,891,631)

With respect to energy consumption, the Residential customer FCA rebate deferrals, for the FCA deferral period, were the result of higher monthly use-per-customer ("UPC") than what was embedded in the 2019 test year. On average, Residential monthly UPC was 45 kWh higher than the 2019 baseline embedded assumptions. The FCA rebate deferrals for Non-Residential customers were the result of slightly lower monthly UPC than what was embedded in the 2019 test year. Staff reviewed the Company's press release and customer notice that were included with its Application. The notice was included with bills mailed to customers between August 7, 2023, and September 7, 2023. As the deadline for public comments was also September 7, 2023, Staff believed some customers in the last billing cycles would not have had adequate time to submit comments according to the Commission's schedule established in Order No. 35897. Consequently, Staff recommends that the Commission consider untimely filed customer comments.

Staff also reviewed the combined impact of the Company's three other proposed rate adjustments for electric customers that are proposed to be effective October 1, 2023: the Company's proposed Power Cost Adjustment ("PCA") filing, Case No. AVU-E-23-08; the Residential and Farm Energy Rate Adjustment or Residential Exchange Program ("ResEx Credit"), Case No. AVU-E-23-11; and, the Schedule 91, Energy Efficiency Rider Adjustment ("EE Rider"), Case No. AVU-E-23-10. Table No. 3 summarizes the overall impact to electric revenues of the four filings.

Table No. 3: Summary of Overall Impact to Electric Revenues

Filing	Change in Revenues	% Change
PCA	$10.9 million	4.3%
FCA	($1.9 million)	-.7%
ResEx Credit	$0.2 million	0.1%
EE Rider	($3.1 million)	-1.2%
Total	**$6.1 million**	**2.5%**

STAFF RECOMMENDATION

Staff recommended that the Commission approve the Company's Application, allowing the Company to rebate $6,955,526 to the Residential customer class and rebate $523,679 to the Non-Residential customer class. Additionally, Staff recommended the Commission approve the proposed Schedule 75 Fixed Cost Adjustment Mechanism – Electric tariff as filed, establishing rebate rates of 0.540¢ per kWh for the Residential customer class and 0.048¢per kWh for the Non-Residential customer class from October 1, 2023, through September 30, 2024.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over the Company and this matter pursuant to *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 requested FCA Residential Group (Schedule 1) rebate rate of 0.540¢ per kWh, and FCA Non-Residential Group (Schedules 11, 12, 21, 22, 31 and 32) rebate rate of 0.048¢ 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, 2023.

ORDER

IT IS HEREBY ORDERED that the Company's FCA deferrals for the period of July 1, 2022, through June 30, 2023, are approved.

IT IS FURTHER ORDERED that the Company's request for a FCA rebate rate of 0.540¢ per kWh for the Residential Group, and a FCA rebate rate of 0.048¢ per kWh for the Non-Residential Group, both to become effective October 1, 2023, is approved.

IT IS FURTHER ORDERED the Company's proposed tariff modifications to Tariff Sheet 75 are approved 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 upon 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 29th day of September 2023.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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