

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF THE POWER COST</b>	)	<b>CASE NO. AVU-E-24-07</b>
<b>ADJUSTMENT (PCA) ANNUAL RATE</b>	)	
<b>ADJUSTMENT FILING OF AVISTA</b>	)	<b>ORDER NO. 36339</b>
<b>CORPORATION</b>	)	
	)	

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On July 31, 2024, Avista Corporation, doing business as Avista Utilities (“Company”), filed its annual Power Cost Adjustment (“PCA”) application (“Application”). The PCA is a mechanism used to track changes in revenues and costs associated with variations in hydroelectric generation, secondary prices, thermal fuel costs, and changes in power contract revenues and expenses. The present PCA surcharge is a rate of 0.499¢ per kilowatt-hour, based on an overall surcharge of approximately \$15.7 million, which was approved by the Commission in Order No. 35937, dated September 28, 2023, and is effective October 1, 2023, through September 30, 2024.

The Company requested that the Commission issue an order approving the level of power costs deferred in the rebate direction for the period of July 1, 2023, through June 30, 2024, and approving a PCA rebate rate of 0.205¢ per kilowatt-hour to be effective October 1, 2024. Application at 1.

The Company represented that the proposed PCA rate adjustment of 0.205¢ per kilowatt-hour would rebate approximately \$6.6 million to customers effective October 1, 2024. *Id.* at 3. The Company stated that the rebate is primarily associated with power supply costs that were lower than those included in retail rates, due to lower wholesale electric and natural gas prices, and that the net effect of the expiring surcharge, and the proposed rebate, is an overall decrease in revenue of approximately 7.4 percent, or \$22.8 million. *Id.*

### STAFF COMMENTS

Commission Staff (“Staff”) reviewed the Company’s Application, testimonies of Company witnesses Kevin Holland and Kaylene Schultz, and additional information provided in responses to production requests. Staff Comments at 2. Staff also reviewed Energy Imbalance Market (“EIM”) benefits, Washington Climate Commitment Act (“CCA”) allowance costs, Palouse Wind and Rattlesnake Flat Wind stipulated adjustments from the previous general rate case, Clearwater-related items, and Chelan Hydro and Columbia Basin Hydro (“CBH”) stipulated adjustments from the previous general rate case. *Id.*

Based on its review, Staff believed the requested PCA is generally prudent and recommended approval of the Company’s Application updating Schedule 66, Temporary Power Cost Adjustment – Idaho with some adjustments. *Id.*

**Table No. 1: Summary of Power Supply and Deferrals for Current PCA Year - Idaho**

<b>Idaho Power Cost Deferral</b>	<b>Amount</b>
LCA <sup>1</sup> – Idaho Sales Adjustment	\$ (1,160,814)
Net Power Supply – Actual Minus Authorized	(3,458,527)
Clearwater Adjustment (Without Sharing)	(823,962)
REC <sup>2</sup> Revenues	(2,226,028)
Schedule 25P Net Cost	(478,630)
EIM <sup>3</sup> Incremental O&M	379,503
Total Cost (Subject to Company Sharing)	<b>\$ (7,768,458)</b>
Sharing Percentage over Authorized	90%
Total Idaho Deferral Amount (W/out Clearwater Adjustment)	<b>\$ (6,991,612)</b>
<b>Balancing Account</b>	
Beginning Balance as of July 2023	16,653,537
Incremental Deferral	(6,991,612)
Amortizations	(12,354,708)
Projected Amortization July 2024 through September 2024	(3,839,850)
Chelan Adjustment	(581,315)
RPS <sup>4</sup> Compliance (REC Retirement Benefit) Adjustment	(1,058,163)
Interest <sup>5</sup>	227,309
<b>Projected Ending Balance through September 2024</b>	<b>(7,944,802)</b>
<sup>1</sup> Load Change Adjustment <sup>2</sup> Renewable Energy Credit <sup>3</sup> Energy Imbalance Market <sup>4</sup> Renewable Portfolio Standards – Washington WA I-937 <sup>5</sup> Calculated using the Authorized Customer Deposit Rate of 2% over a 6-month period and 5% over a 6-month period.	

**Clearwater-related Items**

Staff noted that in removing Clearwater’s actual expenses, the Company mistakenly calculated them using the incorrect avoided cost rates for January through June of 2024. *Id.* at 6. Staff represented that by using the correct avoided cost rates, it resulted in a reduction in actual system Purchased Power expense of \$2,390,366 (Idaho Allocation is \$823,962), and after applying the authorized jurisdictional allocation factor and customer sharing, Idaho customers would see an additional rebate of \$741,566. *Id.* at 6-7.

## **Columbia Basin Hydro (“CBH”) / Chelan Hydro Purchase Power Agreements**

Staff represented that the Settlement approved through Order No. 35909 in Case No. AVU-E-23-01, stipulated that the cost of CBH and Chelan Hydro would be included in the PCA using the “lesser of” market or contract cost, and to allow the Company to recover all or some of the approximately \$1.007 million in transmission cost to the extent that market prices are higher than the cost of CBH generation with the cost of transmission included. *Id.* at 7.

However, when Staff reviewed the application of the mechanism designed to meet that agreement, Staff believed the mechanism may be unfairly accounting for the cost of the contract relative to the benefits by using unit cost “lower of” monthly comparisons. *Id.* Based on that, Staff believed that an adjustment amount of \$581,315 instead of the \$1,399,513 was more reasonable for the current circumstances in this case and that the mechanism should be re-evaluated prior to the next PCA. *Id.* at 7-8.

Staff recommended an adjustment of \$581,315 and that the Company, Staff, and interested parties meet after the case is closed to re-evaluate the mechanism to ensure it protects Idaho customers while balancing benefits the contract may provide prior to filing the next PCA. *Id.* at 8.

### **CCA Allowance Costs**

Staff represented that although all the CCA allowance expenses associated with the Boulder Park generation are excluded from NPC, Staff was concerned that the Company included Idaho’s portion of CCA allowance costs in Boulder Park’s dispatch costs. *Id.* at 6. Staff did not recommend a specific adjustment for this case; however, Staff recommended that the Company track the cost impact of using a Boulder Park dispatch cost without the cost of allowances over the remaining PCA year to be reported in next year’s PCA filing. *Id.*

### **Staff Recommendation**

Staff recommended the Commission approve a deferral balance recovery amount of \$7,944,802, and the resulting rates with an effective date of October 1, 2024. Staff also recommended the Commission:

1. Approve the adjustment for Clearwater Purchased Power Cost reducing the deferral by an incremental \$741,566;
2. Approve the adjustment for Chelan Hydro purchased power cost reducing the deferral by \$581,315;
3. Order the Company to file conforming tariffs for Schedule 66 Temporary Power Cost Adjustment – Idaho, reflecting the Commission-approved rates;

4. Order the Company, Staff, and interested parties to meet after the case is closed to re-evaluate the “lesser of market or contract” mechanism to ensure it protects Idaho customers while balancing benefits the contract may provide, prior to filing the next PCA;
5. Order the Company to track the cost impact of using a Boulder Park dispatch cost without the cost of allowances over the remaining PCA year to be reported in next year’s PCA filing; and
6. Consider late-filed comments from customers.

*Id.* at 10-11.

### **PUBLIC COMMENTS**

The Commission received four (4) public comments in this case. The comments voiced concerns regarding the increase in energy prices to consumers in recent years, and about grid technology and reliability.

### **COMPANY REPLY COMMENTS**

The Company represented that it supported the tariff changes and annual reporting recommendation proposed by Staff, and that the Company will submit updated tariff sheets upon approval of the updated PCA rates as noted by Staff. Company Reply Comments at 1.

The Company agreed with the adjustment to the Clearwater expense due to an incorrect avoided cost rate for January through June of 2024, resulting in an additional rebate to Idaho customers of \$741,566, after the 90/10 sharing. *Id.*

The Company also supported the Chelan Hydro recommendation as detailed by Staff, noting that the Company and Staff met on numerous occasions over the past several weeks to discuss the mechanics of the Chelan Hydro adjustment. *Id.* The Company committed to meet with Staff and interested parties after the case is closed to re-evaluate the mechanism to ensure it protects Idaho customers while balancing benefits the contract may provide prior to filing the next PCA. *Id.*

With respect to CCA Allowance Costs, the Company was supportive of Staff’s recommendation and the Company committed to the additional reporting to track the cost impact of using a Boulder Park dispatch cost without the cost of allowances over the remaining PCA year to be reported in next year’s PCA filing. *Id.* at 2.

## COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company's Application and the issues in this case under Title 61 of the Idaho Code including *Idaho Code* §§ 61-301 through 303. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501 through 503.

Having reviewed the Application, all submitted comments, and the record, the Commission finds it fair, just, and reasonable to approve a deferral balance recovery amount of \$7,944,802, and the resulting rates with an effective date of October 1, 2024. This approval incorporates the adjustments for the Clearwater Purchased Power Cost and Chelan Hydro Purchased Power Cost as outlined by Staff and agreed to by the Company. The Commission appreciates the work done by both Staff and the Company in this case.

With respect to the mechanism developed as a result of Order No. 35909 in Case No. AVU-E-23-01, the Company, Staff, and any interested parties shall meet prior to the filing of the next PCA to reevaluate the mechanism to ensure it protects Idaho customers while balancing any benefits provided. Additionally, the Company shall track the cost impact of using a Boulder Park dispatch cost without the cost of allowances over the remaining PCA year and submit that data in next year's PCA filing.

## ORDER

IT IS HEREBY ORDERED that the Company's Application is approved as adjusted by this Order.

IT IS FURTHER ORDERED that the Company, Staff, and any interested parties shall meet prior to the filing of the next PCA to reevaluate the mechanism used for CBH and Chelan Hydro as discussed above.

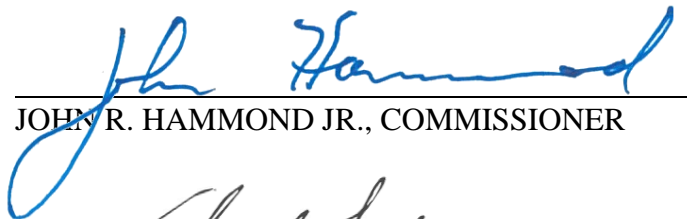
IT IS FURTHER ORDERED that the Company shall track the cost impact of using a Boulder Park dispatch cost without the cost of allowances over the remaining PCA year and submit that data in next year's PCA filing.

IT IS FURTHER ORDERED that the Company shall submit a compliance filing with tariffs conforming with this order.

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. *Idaho Code* §§ 61-626.

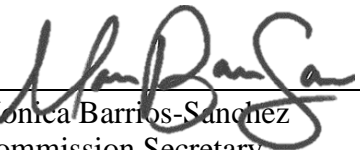
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 1<sup>st</sup> day of October 2024.

  
ERIC ANDERSON, PRESIDENT

  
JOHN R. HAMMOND JR., COMMISSIONER

  
EDWARD LODGE, COMMISSIONER

ATTEST:

  
Monica Barrios-Sanchez  
Commission Secretary

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