Office of the Secretary
Service Date
September 27, 2024

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S FIXED COST ADJUSTMENT MECHANISM (FCA) ANNUAL RATE ADJUSTMENT	))))))	**CASE NO. AVU-E-24-08** **ORDER NO. 36335**

On July 31, 2024, Avista Corporation ("Company") applied for (1) approval of Fixed Cost Adjustment ("FCA") deferrals for July 1, 2023, through June 30, 2024; (2) authorization to adjust its FCA rates for electric service from October 1, 2024, through September 30, 2025; and (3) approval of its proposed corresponding modifications to Tariff Schedule 75. The Company requested that the proposed FCA rates have an October 1, 2024, effective date and that the Commission process the request via Modified Procedure.

On August 21, 2024, the Commission issued a Notice of Application and Notice of Modified Procedure, setting public comment and Company reply deadlines. Order No. 36299. 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

[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.

FCA pilot for an additional year. Order No. 34085. On December 13, 2019, the Commission authorized the Company to extend its FCA mechanism for both gas and electric customers through March 31, 2025. Order No. 34502.

THE APPLICATION

The Company proposed changing the FCA rate for the Residential Group (Schedule 1) from a present rebate rate of 0.540¢ per kilowatt-hour ("kWh") to a rebate rate of 0.129¢ per kWh and changing the rate for the Non-Residential Group (Schedules 11, 12, 21, 22, 31 and 32) from a present rebate rate of 0.048¢ per kWh to a proposed surcharge rate of 0.004¢ per kWh. According to the Company, the Residential Group rate change represents a $5.6 million, or 3.8%, increase to Schedule 1 customers, and the Non-Residential Group rate change represents a $0.6 million, or .5% increase, to the remaining schedules. If approved, the monthly bill of residential customers using an average of 927 kWh per month would increase by $3.81.

The Company represented that it recorded $1,814,109 in the rebate direction in deferred revenue for the electric Residential Group for the 12 months ending June 30, 2024. The Company stated that the proposed rate of 0.129¢ per kWh is designed to rebate $1,757,929 to the Company's Schedule 1 customers. The Company represented that the deferral balance for the 12 months ending June 30, 2024, plus interest through September, 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 under the tariff.

The Company represented that it recorded $37,939 in the surcharge direction in deferred revenue for the electric Non-Residential Group for the 12 months ending June 30, 2024. The Company stated that the proposed surcharge rate of 0.004¢ per kWh is designed to recover $45,797 from 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, would be transferred into a regulatory asset balancing account, and the balance in the account would be reduced each month by the revenue collected under the tariff.

The Company also 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. Staff confirmed the accuracy of the Company's calculations of the FCA deferral balances and associated rates for both classes. Additionally, 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 also verified that the authorized amounts used to calculate the deferral were the same amounts used to determine base rates authorized during the deferral period. Based on these reviews, Staff recommended that the Commission approve the Company's FCA application.

The following table presents the effect of expiring FCA rates and the proposed 2024 rates.

Table No. 1: Present and Proposed FCA Surcharge Changes

	Expiring Present FCA Revenue	Proposed FCA Revenue	Change in FCA Revenue
Residential	($7,358,773)	($1,757,929)	$5,600,844
Non-Residential	($549,565)	$45,797	$595,362

With respect to energy consumption, the residential customer FCA deferrals, for the FCA deferral period, were the result of higher monthly use-per-customer ("UPC") than what was embedded in the 2022 test year. The FCA deferrals for non-residential customers were the result of slightly lower monthly UPC than what was embedded in the 2022 test year.

Staff noted that weather has a significant effect on the FCA. During the FCA deferral period at issue in this case, temperatures were colder than normal across the Company's service territory. Additionally, Staff observed that Idaho customers have generated energy efficiency savings by participating in the Company's Demand-Side Management programs.

Staff reviewed the combined impact of the FCA proposed in this case and the Company's proposed Power Cost Adjustment ("PCA") filing, Case No. AVU-E-24-07. Table No. 2 summarizes the overall impact to electric revenues of the four filings.

Table No. 2: Summary of Overall Impact to Electric Revenues

Filing	Change in Revenues	% Change
PCA	$6.2 million	2.0%
FCA	($22.8 million)	-7.4%
Total	**($16.6 million)**	**-5.4%**

Staff also 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 2, 2024, and August 30, 2024. Staff believed that both met the requirements of Rule 125 of the Commission's Rules of Procedure, but that some customers would not have adequate time to submit comments before the September 10, 2024 comment deadline. Accordingly, Staff recommended that the Commission consider late filed comments by customers.

STAFF RECOMMENDATION

Staff recommended that the Commission approve the Company's Application, as filed. Specifically, Staff recommended Commission approval of the Company's proposed Schedule 75, as filed, with a Residential rebate rate of 0.129¢ per kWh and Non-Residential surcharge rate of 0.004¢ per kWh for electric service from October 1, 2024, through September 30, 2025.

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 0.129¢ per kWh, and FCA Non-Residential Group (Schedules 11, 12, 21, 22, 31, and 32) surcharge rate of 0.004¢ 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, 2024.

ORDER

IT IS HEREBY ORDERED that the Company's FCA deferrals for the period of July 1, 2023, through June 30, 2024, are approved.

IT IS FURTHER ORDERED that the Company's request for a FCA rebate rate of 0.129¢ per kWh for the Residential Group, and a FCA surcharge rate of 0.004¢ per kWh for the Non-Residential Group is approved.

IT IS FURTHER ORDERED the Company's proposed modifications to Schedule 75 are approved as filed, effective October 1, 2024.

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 27th day of September 2024.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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