Office of the Secretary
Service Date
September 30, 2025

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S FIXED COST ADJUSTMENT (FCA) MECHANISM ANNUAL RATE ADJUSTMENT FILING	)))))	**CASE NO. AVU-E-25-08** **ORDER NO. 36784**

On July 31, 2025, Avista Corporation ("Company") applied to the Idaho Public Utilities Commission ("Commission") requesting approval of fixed cost adjustment ("FCA") deferrals for the period of July 1, 2024 through June 30, 2025, a per kilowatt-hour ("kWh") FCA surcharge of 0.018¢ for the Residential Group (Schedule 1 customers), and a per kWh FCA surcharge of 0.058¢ for the Non-Residential Group (Schedule 11, 12, 21, 22, 31 and 32 customers) to be effective October 1, 2025 ("Application"). If the new FCA rates are approved as filed, an average residential customer using 939 kWh of electricity a month would expect their monthly bill to increase by $1.38, or about 1.3 percent.

On August 20, 2025, the Commission issued a Notice of Modified Procedure, setting public comment and Company reply deadlines. Order No. 36299. Staff filed the only comments.

Based on our review of the record, the Commission now issues this Final 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—such as infrastructure and customer service, which do not vary with energy use, output, or production, and remain relatively stable between rate cases—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 Company to extend its FCA mechanism for both gas and electric customers through March 31, 2025. Order No. 34502. On September 27, 2024, the Commission granted the Company authorization to adjust its FCA rates for electric service from October 1, 2024, through September 30, 2025. Order No. 36335 at 5.

THE APPLICATION

The Company proposed changing the FCA rate for the Residential Group from a present rebate rate of 0.129¢ to a surcharge rate of 0.018¢ per kWh, representing a $2 million, or 1.2 percent increase to Schedule 1 customers. Application at 1–2. The Company stated that the proposed surcharge for the Residential Group is designed to recover $242,209 from customers. *Id.* at 6.

The Company proposed changing the FCA rate for the Non-Residential Group from a present surcharge rate of 0.004¢ to a surcharge rate of 0.058¢ per kWh representing a $0.6 million, or 0.5%, increase to the Non-Residential Group customers. *Id* at 1–2. The Company stated that the proposed surcharge for the Non-Residential Group is designed to recover $649,636 from customers. *Id.* at 7.

The Company represented that it recorded $185,886 in the surcharge direction in deferred revenue for the electric Residential customer group for the 12 months ending June 30, 2025. *Id.* at 6. The Company represented that the deferral balance for the 12 months ending June 30, 2025, plus interest through September, and any outstanding balance approved for recovery in the prior year FCA rate filing would be moved into a regulatory liability balancing account, and the balance in the account would be reduced each month by the revenue collected under the tariff. *Id.* at 7.

The Company represented that it recorded $623,266 in the surcharge direction in deferred revenue for the electric Non-Residential Group for the 12 months ending June 30, 2025. *Id.* The Company represented that the deferral balance, plus interest through September, would be moved into a regulatory asset balancing account, and the balance in the account would be reduced each month by the revenue collected under the tariff. *Id.*

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

STAFF COMMENTS

Staff analyzed the Company's Application, the calculations of its residential and non-residential FCA rates, and the Company's workpapers. Staff Comments at 3. Staff believed the Company accurately calculated the FCA deferral balances and associated rates for both classes. *Id.* 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. *Id.* Staff also verified that the authorized amounts used to calculate the deferral were consistent with the amounts used to determine base rates authorized during the deferral period. *Id.* Based on these reviews, Staff recommended that the Commission approve the Company's FCA application. *Id.*

Staff's Comments included the following table that presents the effect of expiring FCA rates and the proposed 2025 rates. *Id.*

<u>Table No. 1: Present and Proposed FCA Surcharge Changes</u>

	Expiring Present FCA Revenue	Proposed FCA Revenue	Change in FCA Revenue
Residential	($1,735,832)	$242,209	$1,978,041
Non-Residential	$44,802	$649,636	$604,834

Staff stated that the residential customer FCA deferrals were due to lower monthly use-per-customer ("UPC") than what was embedded in the 2022 test year. *Id.* The FCA deferrals for non-residential customers were also the result of slightly lower monthly UPC than what was embedded in the 2022 test year. *Id.*

As a main energy consumption driver, Staff noted that weather has a consequential effect on the FCA. *Id.* at 4. During the relevant FCA deferral period, temperatures were warmer than normal across the Company's service territory. *Id.* The service territory also experienced fluctuating heating and cooling periods. *Id.* Additionally, Staff observed that Idaho customers have generated energy efficiency savings by participating in the Company's Demand-Side Management programs. *Id.*

Staff reviewed the combined impact of the FCA proposed in this case, the Company's proposed Power Cost Adjustment ("PCA") filing (Case No. AVU-E-25-07), its Bonneville Power Administration Residential Exchange Program ("ResEx") filing (Case No. AVU-E-25-09), and its Schedule 91, Energy Efficiency Rider Adjustment("EE Rider") filing (AVU- E- 25- 10) filing. *Id.*

Staff's Comments included Table No. 2, which summarizes the overall impact on electric revenues, assuming the four filings are approved as submitted. *Id.* at 5.

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

Filing	Change in Revenues	% Change
PCA	$2.6 million	0.8%
FCA	($1.8 million)	-0.6%
ResEx Credit	$1.9 million	0.6%
EE Rider	$3.6 million	1.2%
Total	**$6.3 million**	**2.0%**

Staff also reviewed the Company's press release and customer notice that were included with its Application. *Id.* The notice was included with bills mailed to customers between August 1, 2025, and August 29, 2025. *Id.* Staff believed that both met the requirements of Rule 125 of the Commission's Rules of Civil Procedure. *Id.*

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 all submitted materials, the Commission finds it fair, just, and reasonable to approve the Application as filed.

ORDER

IT IS HEREBY ORDERED that the Company's FCA deferrals for the Residential and Non-Residential Groups for the period of July 1, 2024, through June 30, 2025, are approved as filed.

IT IS FURTHER ORDERED that the Company's proposed tariff modifications to Schedule 75 of a per kWh FCA surcharge rate of 0.018¢ for the Residential Group, and a per kWh FCA surcharge rate of 0.058¢ for the Non-Residential Group, both with an effective date of October 1, 2025, 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 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, 2025.

EDWARD LODGE, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

DAYN HARDIE, COMMISSIONER

ATTEST:

Laura Calderon Robles
Interim Commission Secretary

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