

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA	)	CASE NO. AVU-E-26-05
CORPORATION'S POWER COST	)	
ADJUSTMENT ANNUAL RATE	)	
ADJUSTMENT FILING	)	ORDER NO. 37187
	)	

On July 31, 2026, Avista Corporation (“Company”) applied to the Idaho Public Utilities Commission (“Commission”) requesting approval of the proposed Power Cost Adjustment (“PCA”) surcharge for recovery of deferred power costs for the period July 1, 2025, through June 30, 2026, effective October 1, 2026 (“Application”).

On August 6, 2026, the Company amended its Application to correct scrivener's errors (“Amended Application”).

On August 14, 2026, the Commission issued a Notice of Application and Notice of Modified Procedure, establishing deadlines for public comments and Company reply comments. Order No. 37132. Staff and two members of the public filed comments. The Company filed reply comments. Based on our review of the record, the Commission now issues this Final Order approving the Company's Amended Application.

BACKGROUND

The PCA is a mechanism that monitors changes in revenues and costs associated with hydroelectric generation, secondary market prices, thermal fuel costs, and revenues and expenses from power contracts. Amended Application at 2. The current PCA rebate rate is 0.301¢ per kilowatt-hour (“kWh”), based on an overall rebate of approximately \$9.6 million, which the Commission approved in Order No. 36777, effective October 1, 2025, through September 30, 2026.

THE APPLICATION

The Company proposed a PCA surcharge rate adjustment of 0.157¢ per kWh that would recover approximately \$14.6 million from customers effective October 1, 2026. Amended Application at 3. The Company stated that the proposed surcharge resulted from the expiration of the existing rebate rate and power supply costs that exceeded the costs embedded in retail rates during the deferral period. *Id.* The Company attributed the higher costs primarily to lower market energy prices, the exclusion of certain wind generation resources from the authorized base for

September 2025 through August 2026, and higher customer loads during peak months of the year. *Id.*

The Company anticipated that the average residential customer using an average of 939 kWh per month would see their monthly bill increase \$4.31, or 3.6%, per month. *Id.* at 6. Other customer classes would experience differing impacts as a percentage of their monthly bills due to the uniform cents per kWh application of the PCA surcharge rate. *Id.* at 5–6.

STAFF COMMENTS

Staff reviewed the Company’s Amended Application, supporting testimony, and monthly accounting records. Staff Comments at 2. The review considered the PCA deferral balances, the prudence of the Company’s actual net power costs (“NPC”), the proposed PCA rate, and the customer notice and press release. *Id.* Staff believed the PCA process and the Company’s power costs to be generally prudent and recommended approval of the Amended Application. *Id.*

Staff audited the Company’s NPC by examining natural gas and market power purchases, transmission revenues and expenses, and other items included in the PCA deferral. *Id.* Staff reviewed selected transactions and believed that the Company reasonably and prudently incurred the sampled costs and that those costs complied with prior Commission decisions and the Company’s risk-management practices. *Id.* Under the PCA mechanism, customers are responsible for 90% of the difference between actual NPC and the amount included in base rates, while the Company bears or retains 10%. *Id.* Staff verified the Company’s total PCA balance of \$4,979,318 and recommended that the Commission approve recovery of that amount through the updated PCA rate. *Id.* at 3.

The Company calculated an NPC deferral balance of \$8,227,143, representing the difference between actual NPC and the NPC that the Commission authorized in base rates from July 2025 through June 2026, after applying the Idaho allocation factor and the 90% customer-sharing component. *Id.* Staff reviewed the monthly calculations and supporting invoices and agreed with the Company’s calculation. *Id.* at 4. Staff also agreed with the Company’s \$1,210,204 Load Change Adjustment, which captured differences between actual customer sales and the sales levels used to establish base rates. *Id.*

Staff reviewed several additional components of the PCA calculation, including renewable energy credits (“REC”s), Clearwater power costs, Energy Imbalance Market (“EIM”) expenses, prior PCA amortizations, REC adjustments associated with Washington renewable-energy

requirements, and interest on the PCA balance. *Id.* at 4–6. Staff verified and agreed with the Company’s calculations, including a \$961,837 customer credit related to Clearwater REC revenue, \$216,105 in eligible incremental EIM expenses, \$8,705,512 in PCA amortization that the Company returned to customers during the review period, a \$2,717,969 REC adjustment, and a \$298,028 net interest expense. *Id.* at 6–7. Staff also agreed with the Company’s projected amortization of \$2,331,366 and projected interest of \$33,731 for July through September 2026. *Id.* at 7.

Staff believed that the Company’s NPC during the PCA period reflected prudent expenditures. *Id.* Staff’s analysis compared the Company’s actual generation, purchases, sales, and resource costs with the assumptions used to establish base rates. *Id.* at 7–8. Staff identified several factors contributing to the proposed PCA surcharge, including approximately \$8.3 million less in market-sales revenue than included in base rates, lower generation from gas and thermal resources because of higher fuel costs, changes required by prior rate-case settlements, and overall lower actual customer sales for the year than those embedded in base rates. *Id.* at 8. Staff noted that the Company relied more heavily on relatively lower-cost market purchases, wind generation, and hydro resources. *Id.* Based on these comparisons, Staff believed that the Company generally operated its system cost-effectively and that the Company properly reflected adjustments from prior settlement agreements. *Id.* at 9–10.

Staff identified issues concerning the Palouse Wind Power Purchase Agreement (“PPA”). *Id.* at 10. Staff verified that the Company correctly applied the adjustments required by existing settlement agreements. *Id.* However, Staff’s additional analysis calculated that the Palouse Wind PPA cost approximately \$13 million more than the cost of obtaining the same amount of energy at market prices during the PCA deferral period, or roughly 150% higher than market costs. *Id.* at 11. Staff also calculated that the Palouse Wind PPA costs were substantially more than two of the Company’s newer wind PPAs. *Id.* Although Staff did not recommend an adjustment in the current proceeding because of the existing Commission-approved agreements, it recommended that the Company take additional steps to mitigate the Palouse Wind PPA’s impact on Idaho customers in its next general rate case. *Id.* at 11–12.

Staff also reviewed the Company’s adjustments related to Columbia Basin Hydro, Chelan Hydro, and the Rattlesnake Wind PPA. *Id.* at 12. Staff believed that the calculations for these resources followed the settlement agreements and Commission Orders and were accurately

reflected in the Company's records. *Id.* Staff additionally reviewed planned and forced outages at the Company's generating facilities and believed that the duration and causes of the outages were reasonable compared with the prior year and that scheduled outages were adequately justified. *Id.* at 12–13.

Staff verified that the Company correctly calculated the proposed PCA surcharge rate was 0.157¢ per kWh and that the rate should recover the approved PCA deferral balance. *Id.* at 13. Staff estimated that the PCA surcharge would increase the monthly bill of an average residential customer from \$119.52 to \$123.83, or about \$4.31 per month (3.6%). *Id.* at 13–14.

Staff recommended that the Commission approve the \$4,979,318 PCA deferral balance and authorize the Company to revise Schedule 66 to establish the 0.157¢ per kWh surcharge effective October 1, 2026, producing an estimated annual revenue increase of approximately \$14.58 million. *Id.* at 15–16. Staff also recommended that the Company be required to pursue additional mitigation of the Palouse Wind PPA's costs in its next general rate case and that the Commission consider late-filed customer comments. *Id.* at 16.

PUBLIC COMMENTS

Two customers filed comments and both customers expressed frustration with another proposed rate increase and urged the Commission to reject the proposed rate increases.

COMPANY REPLY

The Company acknowledged Staff's audit results but argued that the Commission should not require additional mitigation of the Palouse Wind PPA's impact on Idaho customers beyond the existing methodologies in the next general rate case. Company reply at 1. The Company proposed that it support the continued inclusion of the Palouse Wind PPA and explain how the contract fit within its overall power supply portfolio. *Id.* The Company noted that, although Palouse Wind had been uneconomic during the PCA year, that had not always been the case, particularly because the Company had absorbed 10% of Idaho's share of the project for more than a decade. *Id.* The Company emphasized that the PCA compared actual net power supply costs with authorized costs to assess the prudent management of the overall resource portfolio. *Id.* The PCA did not determine which resources or prices should be included in NPS expense. *Id.* The Company maintained that a general rate case would provide the appropriate forum to develop a formal record and determine whether additional mitigation was warranted. *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company's Filing and the issues in this case under Title 61 of the Idaho Code including, *Idaho Code* §§ 61-501, -502, and -503. 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, -502, and -503.

The Commission has reviewed the Company's Amended Application, Staff's Comments, the Company's Reply Comments, and the comments submitted by customers. Based on our review of the record, we approve the Company's proposed PCA rate, as filed.

The PCA is intended to reconcile differences between the Company's actual net power costs and the costs reflected in base rates. The record reflects the accuracy of the Company's PCA calculations and the prudence of the Company's actual net power costs.

The proposed surcharge is a change from the current PCA rebate. The current rebate of 0.301¢ per kWh will expire September 30, 2026, and the proposed 0.157¢ per kWh surcharge will become effective October 1, 2026. The record reflects several factors contributing to the change, including lower market-sales revenues, changes in generation and fuel costs, adjustments associated with prior rate-case settlements, and lower customer sales. These factors resulted in actual power supply costs exceeding the costs reflected in base rates.

The Commission therefore approves the Company's PCA deferral balance of \$4,979,318 and authorizes the Company to revise Schedule 66 to establish a PCA surcharge of 0.157¢ per kWh, effective October 1, 2026.

Although we approve the PCA as filed, the record raises a separate issue concerning the cost of the Palouse Wind PPA. Staff's review determined the cost of energy obtained under the Palouse Wind PPA was approximately \$13 million greater than the cost of obtaining the same amount of energy from the market, during the PCA deferral period. Staff argued that the cost of the Palouse Wind PPA was approximately 150% of the comparable market cost and substantially exceeded the costs of two of the Company's newer wind PPAs.

We find that Staff's analysis warrants further examination and that the Company's next general rate case will provide an appropriate forum to examine the Palouse Wind PPA within the

broad context of the Company's power supply portfolio and to determine whether additional measures are available or required to mitigate the costs paid by Idaho customers.

For these reasons, the Commission approves the Company's Amended Application as filed and directs the Company, Staff, and any intervening parties to review the Palouse Wind PPA in the Company's next general rate case.

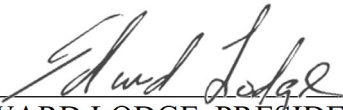
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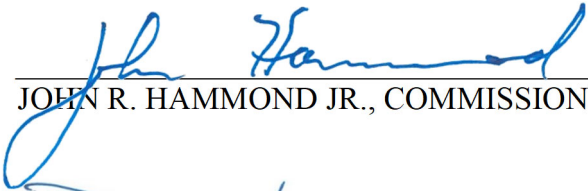
IT IS HEREBY ORDERED that the Company's power costs deferred for the period of July 1, 2025, through June 30, 2026, are approved as filed.

IT IS FURTHER ORDERED that the Company's proposed tariff modifications to Schedule 66 of a per kWh PCA surcharge rate of 0.157¢ with an effective date of October 1, 2026, are approved as filed.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within 21 days of the service date of this Order regarding any matter decided in this Order. Within 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 30th day of September 2026.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary
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