

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF AVISTA’S ) CASE NO. AVU-G-20-05**  
**APPLICATION TO IMPLEMENT FCA )**  
**RATES FOR NATURAL GAS SERVICE ) NOTICE OF APPLICATION**  
**FROM NOVEMBER 1, 2020 THROUGH )**  
**OCTOBER 31, 2021 ) NOTICE OF**  
**) MODIFIED PROCEDURE**  
**)**  
**) ORDER NO. 34729**

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On June 30, 2020, Avista Corporation (“Company” or “Avista”) applied to the Commission for authorization to implement Fixed Cost Adjustment (“FCA”) rates for natural gas service effective from November 1, 2020 through October 31, 2021, to approve its corresponding modifications to Schedule 175, “Fixed Cost Adjustment Mechanism – Natural Gas,” and to update language in Schedule 175 to incorporate modifications authorized in Order No. 34502. Application at 1-2. Avista also asks that the Commission approve the level of natural gas FCA revenue deferred during calendar year 2019. *Id.* at 1. The Company separately applied to implement FCA rates for electric service in Case No. AVU-E-20-06. The Company proposes per therm FCA rebate rates for its residential and non-residential gas customers. The Company’s Application, if approved, would incrementally decrease overall natural gas revenues by about \$1.1 million. *Id.* at 13. The monthly bill of an average residential gas customer would decrease by about \$1.11, or 2.2%. *Id.* at 12. Avista asks that its Application be processed by Modified Procedure and requests an effective date of November 1, 2020. *Id.* at 2.

With this Order, the Commission issues a Notice of Application and Notice of Modified Procedure and establishes a public comment period and Company reply deadline.

**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<sup>1</sup> of providing service, thus decoupling the utility’s revenues from its customers’ energy usage. Order No. 33437 at 3. This decoupling removes a utility’s incentive to increase sales to increase revenue and profits and

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<sup>1</sup> “Fixed costs” are a utility’s costs to provide service that do not vary with energy use, output, or production, and remain relatively stable between rate cases – for example, infrastructure and customer service.

encourages energy conservation. *Id.* at 3-4. The Commission originally approved Avista's FCA as a three-year pilot program, and part of the approved settlement of Avista's 2015 rate case. *See* Case Nos. AVU-E-15-05; AVU-G-15-01; Application at 3; and Order No. 33437 at 10. In the order approving the FCA program, the Commission noted that the parties to Avista's rate case agreed to review the program's effectiveness at the end of its second full year, to ensure it is functioning as intended. Application at 3-4. The settlement stipulation in those cases and Schedule 175 also set forth how the FCA mechanism works, including treatment of existing versus new customers, quarterly reporting requirements, annual filings, interest, accounting, and a 3% rate increase cap. *Id.* at 4.

On June 15, 2018, the Commission approved an addendum to the settlement stipulation approved in AVU-E-15-05 and AVU-G-15-01, which extended the term of the Company's FCA pilot for an additional year. *See* Order No. 34085. On December 13, 2019, the Commission authorized the Company to: (1) extend its FCA mechanism for both gas and electric through March 31, 2025; (2) alter the first deferral period of the FCA extension by using a one-time, 18-month deferral period from January 1, 2020 through June 30, 2021; and (3) alter its quarterly FCA reporting requirement to 60-days after the end of each quarter. Order No. 34502; Case Nos. AVU-E-19-06 and AVU-G-19-03.

### **NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that in its filing, Avista proposes a rate rebate for its residential gas customer group and its non-residential gas customer groups based on the amount of deferred revenue recorded for each group between January 1, 2019 and December 31, 2019. *Id.* at 12. The Company mostly attributes the proposed changes to drivers such as cooler weather in February and March 2019 and "other" drivers. *Id.* at 7. Other drivers are not easily quantifiable according to the Company's Application but include the effects of non-programmatic energy efficiency and changes in business cycles. *Id.* at 8.

YOU ARE FURTHER NOTIFIED that Avista recorded \$517,162 in the rebate direction in deferred revenue for its natural gas residential customer group in 2019. *Id.* (table includes: 2018 residual balance, interest, and revenue-related expenses). After considering the 2018 residual balance of \$22,393, the Company proposes a rebate of \$509,799, at a proposed rate of -0.783 cents per therm, to the Company's residential natural gas customers served under rate

Schedule 101. *Id.* at 8-9; Exhibit B. If approved by the Commission, the Company would record this amount in a regulatory liability balancing account and reduce the account balance each month by the rebate<sup>2</sup> received by customers under the tariff. *Id.* at 9.

YOU ARE FURTHER NOTIFIED that for its natural gas non-residential customer groups, Avista recorded \$175,310 in the rebate direction in deferred revenue in 2019. *Id.* (table includes: 2018 residual balance, interest, and revenue-related expenses). After considering the 2018 residual balance of \$2,617, the Company proposes to rebate \$178,131, at a proposed rate of -0.687 cents per therm, to the Company's commercial and industrial natural gas customers served under rate Schedules 111 and 112. *Id.* at 9-10; Exhibit B. If approved by the Commission, the Company would record this amount in a regulatory liability balancing account and reduce the account balance each month by the rebate received by customers under the tariff. *Id.* at 10.

YOU ARE FURTHER NOTIFIED that the Company also proposed to update language in its Schedule 175 to include the modifications authorized in Order No. 34502. These modifications include the authority to: (1) extend the FCA mechanism for both gas and electric through March 31, 2025; (2) alter the first deferral period of the FCA extension by using an 18-month deferral period from January 1, 2020 through June 30, 2021; and (3) alter its quarterly FCA reporting requirement to 60-days after the end of each quarter. *Id.* at 2 and 6. The Company will also file its FCA Applications by July 31 of each year during the extended FCA period. *Id.* at 6.

YOU ARE FURTHER NOTIFIED that with its Application, the Company submitted its residential and non-residential rate calculations, support for its deferrals, and its proposed FCA Schedule 175, including the updated language to incorporate modifications authorized by Order No. 34502.

YOU ARE FURTHER NOTIFIED that the Company's Application and Exhibits, including the proposed tariff sheets, are available for public inspection during regular business hours at the Commission's office. The Application is also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the "NATURAL GAS" tab in the left-hand column of the home page, then select "Open Cases" and then locate and click on the case number as shown on the front of this document.

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<sup>2</sup> The Decision Memo in AVU-G-20-05 incorrectly stated the Company would receive a surcharge from customers.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code, and specifically *Idaho Code* § 61-503. The Commission may enter any final order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted under the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

### **NOTICE OF MODIFIED PROCEDURE**

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and it will review the case through written submissions under the Commission's Rules of Modified Procedure Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201-204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that persons desiring to state a position on this Application may file a written comment explaining why the person supports or opposes the Application. Persons who would like a hearing must specifically request a hearing in their written comments. **Persons shall have until October 7, 2020, to file written comments.** Comments must be filed by e-mail unless e-mail is unavailable. To comment by e-mail, please access the Commission's home page at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Consumers" tab and then "Case Comment Form" and complete the form using the case number as it appears on the front of this document. Comments filed by e-mail must also be e-mailed to the Company at the e-mail addresses listed below. If e-mail is unavailable, then comments may be mailed to the Commission and Company at these addresses:

**For the Idaho Public Utilities  
Commission:**

Commission Secretary  
Idaho Public Utilities Commission  
P.O. Box 83720  
Boise, ID 83720-0074

**For Avista Corporation:**

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YOU ARE FURTHER NOTIFIED that **Avista must file any reply comments by October 14, 2020.**

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.


**ORDER**

IT IS HEREBY ORDERED that this case be processed by Modified Procedure, Rule 201-204 (IDAPA 31.01.01.201 - .204). Persons shall have until October 7, 2020, to file written comments, and the Company shall have until October 14, 2020, to file a reply, if any.

IT IS FURTHER ORDERED that parties continue to comply with Order No. 34602, issued March 17, 2020. All pleadings should be filed with the Commission electronically and shall be deemed timely filed when received by the Commission Secretary. *See* Rule 14.02. Service between parties should also be accomplished electronically. Voluminous discovery-related documents may be filed and served on CD-ROM or a USB flash drive.

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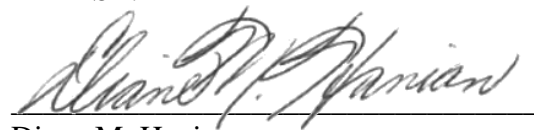
DONE by order of the Idaho Public Utilities Commission at Boise, Idaho this 20<sup>th</sup>  
day of July 2020.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

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