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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA UTILITIES FOR AN ORDER APPROVING A CHANGE IN NATURAL GAS RATES AND CHARGES TO REBATE CERTAIN DEFERRED CREDIT BALANCES	**CASE NO. AVU-G-21-03** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission ("Staff") submits the following comments.

BACKGROUND

On July 2, 2021, Avista Corporation dba Avista Utilities ("Company") applied for an Order Approving a Change in Natural Gas Rates and Charges to Rebate Certain Deferred Credit Balances asking to *decrease* its annualized revenues by about $1.9 million (2.9%). *Application* at 1. The Company proposes to refund to customers deferred credit balances associated with depreciation expense, Accumulated Funds Used During Construction ("AFUDC"), and Coronavirus AID, Relief, and Economic Security ("CARES") Act benefits. The proposed refund to customers, if approved, would offset the Company's proposed Purchased Gas Cost Adjustment ("PGA") rate increase in its application in Case No. AVU-G-21-04 if approved by the Commission. The Company filed its application for a change in rates for the PGA and amortization of gas-related deferral balances simultaneously with this application.

STAFF ANALYSIS

Staff reviewed the Company's Application and accompanying workpapers and supports the Company's proposal to return to natural gas customers in Idaho approximately $1.9 million of deferred credits. See Table No. 1. After examining the Company's Application, prior Orders, and reviewing the deferral balances, Staff recommends the Commission approve the Company's proposed Tariff Schedule 178 and set the rebate rates as discussed below.

Table No. 1 – Credit Balances as of August 31, 2021

Depreciation Expense	$ 894,000
AFUDC Equity Tax Deferral (Estimated)	393,000
CARES Act Tax Benefits Deferral	648,000
Total	**$ 1,935,000**

Schedule 178 – Deferred Credit Balances

The Company has accumulated deferred credit balances on its books and is proposing to refund the balances to natural gas customers over a twelve-month period through Tariff Schedule 178. The first deferred credit is the Natural Gas Deferred Depreciation Expense. This credit balance is a result of the Company deferring the benefit of reduced natural gas depreciation expense recorded but not yet reflected in customer rates for the period December 1, 2019, through August 31, 2021. *See* Order No. 34276 in Case Nos. AVU-E-18-03 and AVU-G-18-02 (see Stipulation and Settlement at page 9, para. 14).

The second deferred credit is the AFUDC Equity Tax Deferral. AFUDC tax flow-through deferral balances are the result of a change in how taxes associated with AFUDC Equity are recognized for ratemaking purposes, specifically, changing from the normalization method to the flow-through method, per Case No. AVU-G-19-01, Order No. 34326. The deferral balances reflect amounts collected between January 1, 2018 and August 31, 2021 (estimated), until such time as the flow through method is embedded in base rates in the pending general rate case filing. *See* Case No. AVU-G-21-01 and AVU-E-21-01.

The third deferred credit is the CARES Act Deferral. The CARES Act Deferral balance is a result of Order No. 34718 in Case No. GNR-U-20-03, which required Avista to defer the benefits associated with the CARES Act. The CARES Act allows companies with taxable net operating losses for years 2018 through 2020 to carry those losses back to the five previous tax years. The tax benefits were to be deferred and returned to customers in a future proceeding. The Company proposes to return these tax benefits to natural gas customers, in this filing.

Staff reviewed the deferral balances, workpapers, and rate calculations, along with the Commission's prior orders authorizing the deferred credits, and supports the Company's proposed rates as found in the Application, see Table No. 2.

Table No. 2 – Tariff Schedule 178

	Rate Per Therm
General Service – Schedule 101	(0.02286)
Large General Service – Schedules 111 & 112	(0.01444)
Interruptible Service – Schedules 131 & 132	(0.01444)
Transportation Service – Schedule 146	(0.00378)

SUMMARY OF CUSTOMER IMPACT

On July 2, 2021, the Company simultaneously filed the Deferred Balance Credit Application and its annual PGA Application, Case No. AVU-G-21-04. If the Commission approves both Applications, the net effect on natural gas revenue is an increase of approximately \$7.1M or 10.6 percent as shown in Table No. 3.

Table No. 3 – PGA and Deferred Balances Credit Summary

Adjustment	**Revenue Impact \$**	**Revenue Impact %**
PGA	\$9.0M	13.5%
Deferred Balances Credits	(\$1.9M)	(2.9%)
Net Effect	**\$7.1**	**10.6%**

CUSTOMER COMMENTS, NOTICE, AND PRESS RELEASE

The Company's press release and customer notice were included with its Application. Each document addresses two cases: this case (AVU-G-21-03) Deferred Balances Credits Applications and the PGA (AVU-G-21-04). Staff reviewed the documents and determined that both meet the requirements of Rule 125 of the Commission's Rules of Procedure. See IDAPA 31.01.01.125.

The Commission set a comment deadline of August 17, 2021. Because customer notices were inserted into bills beginning July 8, 2021, through August 5, 2021, some customers in the last billing cycle may not have adequate time to submit comments before the deadline. Customers should have the opportunity to file comments and have those comments considered by the Commission. Staff recommends that the Commission accept late-filed comments from customers. As of August 17, 2021, no customer comments had been filed.

STAFF RECOMMENDATION

Based upon its review of the Company's Application, Staff recommends the Commission approve the Company's proposed Tariff Schedule 178 and set the rebate rates as presented in Table No. 1. Staff also recommends the Commission accept late-filed comments from customers.

Respectfully submitted this 17th day of August 2021.

John R. Hammond, Jr.
Deputy Attorney General

Technical Staff: Travis Culbertson
Kevin Keyt
Kathy Stockton
Curtis Thaden

i:umisc/comments/avug21.3jhtnckskklsct comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 17th DAY OF AUGUST 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. AVU-G-21-03, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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