

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA’S)	CASE NO. AVU-G-21-06
APPLICATION TO IMPLEMENT FCA)	
RATES FOR NATURAL GAS SERVICE)	
FROM NOVEMBER 1, 2021 THROUGH)	ORDER NO. 35210
OCTOBER 31, 2022)	

On July 30, 2021, Avista Corporation dba Avista Utilities (“Company”) applied to the Commission for authorization to implement Fixed Cost Adjustment (“FCA”) rates for natural gas service effective from November 1, 2021 through October 31, 2022, and approve its corresponding modifications to Schedule 175 “Fixed Cost Adjustment Mechanism – Natural Gas.” The Company also asks that the Commission approve, as prudently incurred, the level of natural gas FCA revenue deferred during the 18-month deferral period ended June 30, 2021.¹ The Company separately applied to implement FCA rates for electric service in Case No. AVU-E-21-08.² The Company proposes per therm FCA rebate rates for its residential and non-residential gas customers. The Company’s Application, if approved, would increase overall natural gas revenues by about \$250,000. The monthly bill of an average residential gas customer would increase by about \$0.18, or 0.4% based on the proposed FCA rates. The Company asks that its Application be processed by Modified Procedure and requests an effective date of November 1, 2021.

On August 24, 2021, the Commission issued a Notice of Application and set comment deadlines for public comments and the Company’s reply. Order No. 35145. Staff filed the only comments. The Company did not reply.

Having reviewed the record in this case the Commission issues this Order authorizing 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 costs³ of providing service, thus decoupling the utility’s revenues from its customers’ energy usage. Order No. 33437 at 3. This

¹ In Order No. 34502, the Commission authorized the Company to modify its electric and natural gas deferral periods one-time to run from January 1, 2020, through June 30, 2021.

² On September 29, 2021, the Commission issued Order No. 35183 approving the Company’s Electric FCA rates for 2021/22.

³ “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.

decoupling removes a utility's incentive to increase sales to increase revenue and profits and encourages energy conservation. *Id.* at 3-4. The Commission originally approved the Company's FCA as a three-year pilot program, and part of the approved settlement of its 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 the Company'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. 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.

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.

THE APPLICATION

The Company proposes a rate rebate for its residential and non-residential gas customer groups based on the deferred revenue recorded for each group between January 1, 2020, and June 30, 2021. The Company attributes the proposed changes to drivers including warmer than normal weather during 18 months ended June 30, 2021, energy efficiency, and "other" drivers.

The Company recorded \$324,456 of deferred revenue in the rebate direction for its residential natural gas customer group for the 18-month deferral period ended June 30, 2021. After considering the prior year residual balance of \$6,663 and other adjustments, the Company proposes to return \$334,866 to its residential natural gas customers served under rate Schedule 101, at a proposed rate of 0.493 cents per therm. *See* Exhibit B. If approved, 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.

For its non-residential natural gas customer groups, the Company recorded \$130,431 of deferred revenue in the rebate direction for the 18-month deferral period ended June 30, 2021.

After considering the prior year residual balance of \$918 and other adjustments, the Company proposes to return \$132,916 to the Company's commercial and industrial natural gas customers served under rate Schedules 111 and 112, at a proposed rate of 0.490 cents per therm. *See* Exhibit B. If approved, 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.

The Company submitted its residential and non-residential rate calculations, support for its deferrals, and its proposed FCA Schedule 175 with its Application.

STAFF'S COMMENTS

Staff reviewed the Company's Application, supporting work papers, and production responses and believed the Company properly calculated its proposed FCA deferral balances. Staff recommended the Commission allow the Company, in the 2021-22 FCA year, to return \$334,866 to residential customers with a rebate rate of 0.493 cents per therm and return \$132,916 to non-residential customers with a rebate rate of 0.490 cents per therm. Staff stated that the proposed rate change for the residential customer group would represent a \$196,979 (0.4%) decrease in revenue and for the non-residential customer groups a \$53,438 (0.4%) decrease in revenue.

The proposed FCA rebate rates for both the residential and non-residential customer groups for the 18 months ended June 30, 2021, are the result of increased use-per-customer ("UPC") from levels in the 2016 test year—the levels used to establish the FCA base period. Residential average monthly UPC was higher by two therms, and non-residential average monthly UPC was higher by approximately 23 therms during the deferral period.

The Company noted three primary drivers of FCA revenue deferrals: (1) Weather, (2) Energy Efficiency, and (3) "Other." The Company identified the "Other" drivers as items that are difficult to quantify, including the effects of non-programmatic energy efficiency, changes in business cycles, non-quantifiable effects related to the COVID 19 pandemic, etc. The "Other" drivers have a more significant impact on non-residential customers than on residential customers. Weather is an especially significant driver for residential customers because residential energy usage is relatively sensitive to weather fluctuations.

Staff noted that the Company included notices with customer bills between August 12, 2021 and September 9, 2021. Staff believed customers were sufficiently notified of their opportunity to comment.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company and this matter under Title 61 of the Idaho Code, and specifically *Idaho Code* §§ 61-501 and -502. The Commission has reviewed the record, including Staff's comments, and finds the Company's proposed natural gas FCA residential rebate rate of 0.493 cents per therm for Schedule 101 customers, and FCA non-residential rebate rate of 0.490 cents per therm for Schedule 111 and 112 customers to be fair, just, and reasonable. The Commission finds that the Company correctly calculated its deferral balances. The 3% annual rate adjustment cap is not operative in this case because the Company proposed rebate rates for both residential and non-residential groups. The Commission finds the Company's proposed Schedule 175 meets the Commission's requirements. The Commission thus approves the Company's Application and proposed Schedule 175, as filed, effective November 1, 2021.

ORDER

IT IS HEREBY ORDERED that the Company's Application is approved as described above. The Company's Application for residential and non-residential FCA Natural Gas Service rates from November 1, 2021 through October 31, 2022, is granted, as requested, effective November 1, 2021.

IT IS FURTHER ORDERED that the Commission approves the Company's Schedule 175 as filed.

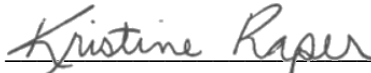
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

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DONE by order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of October 2021.



PAUL KJELLANDER, PRESIDENT

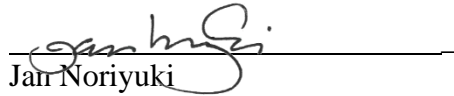


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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