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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF AVISTA'S )  
APPLICATION TO IMPLEMENT FCA ) CASE NO. AVU-G-21-06  
RATES FOR NATURAL GAS SERVICE )  
FROM NOVEMBER 1, 2021 THROUGH )  
OCTOBER 31, 2022 ) COMMENTS OF THE  
 ) COMMISSION STAFF  
 )  
\_\_\_\_\_ )**

**STAFF OF** the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

**BACKGROUND**

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 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.<sup>1</sup> The Company separately applied to implement FCA rates for electric service in Case No. AVU-E-21-08. The

<sup>1</sup> 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.

Company proposes per therm FCA rebate rates for its residential and non-residential gas customers. The Company's Application, if approved, would decrease the current FCA rebates and 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%. The Company asks that its Application be processed by Modified Procedure and requests an effective date of November 1, 2021.

### **Overview of Avista's FCA Mechanism**

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>2</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 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. 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.

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<sup>2</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.

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

**STAFF REVIEW**

Staff reviewed the Application, supporting workpapers, and the Company’s proposed FCA Schedule 175, including the updated language to incorporate modifications authorized by Order No. 34502. Staff audited the Company's FCA deferral accounts and internal controls related to the FCA. This review provided Staff with reasonable assurance that the Company's FCA natural gas deferral balances and rates were correctly calculated. Staff recommends the Commission approve the Company’s Application to return \$334,866 to the natural gas residential customers on Schedule 101 at the rate of 0.493 cents per therm, and \$132,916 to the non-residential customers on Schedules 111 and 112 at 0.490 cents per therm for the upcoming FCA year.

In its filing, 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 combined effect of the expiring FCA rate and the proposed new rates is illustrated in Table No. 1 below. The proposed rate change for the residential customer group represents a \$196,979, or 0.4%, decrease in revenue, and for the non-residential customer group a \$53,438, or 0.4%, decrease in revenue.

**Table No 1: Combined Impact of Present and Proposed FCA Rates**

	Expiring Present FCA Revenue	Proposed FCA Revenue	Change in FCA Revenue
Residential	\$ (531,845)	\$ (334,866)	\$ (196,979)
Non-Residential	\$ (186,354)	\$ (132,916)	\$ (53,438)
<b>Total</b>	<b>\$ (718,199)</b>	<b>\$ (467,782)</b>	<b>\$ (250,417)</b>

The Company recorded \$324,456 in the rebate direction in deferred revenue for its residential natural gas customer group for the 18 months ended June 30, 2021. After considering the prior year residual balance of \$6,663 and other adjustments, the Company proposes to return \$334,866, at a proposed rate of 0.493 cents per therm, to the Company’s residential natural gas

customers served under rate Schedule 101. *See 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.

**Table No. 2: Residential Natural Gas Customers Rebate**

January 1, 2020 – June 30, 2021, Deferred Revenue	(\$324,456)
Add: 2019 Residual Balance	(\$6,663)
Add: Interest through 10/31/2022	(\$2,211)
Add: Revenue Related Expense Adj.	(\$1,536)
Total Requested Recovery	(\$334,866)
<b>Customer Rebate Revenue</b>	<b>(\$334,866)</b>
Carryover Deferred revenue	\$0

For its non-residential natural gas customer groups, the Company recorded \$130,431 in the rebate direction in deferred revenue for the 18 months ended June 30, 2020. After considering the prior year residual balance of \$918 and other adjustments, the Company proposes to return \$132,916, at a proposed rate of 0.490 cents per therm, to the Company’s commercial and industrial natural gas customers served under rate Schedules 111 and 112. *See 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.

**Table No. 3: Non-Residential Natural Gas Customers Rebate**

January 1, 2020 – June 30, 2021, Deferred Revenue	(\$130,431)
Add: 2019 Residual Balance	(\$918)
Add: Interest through 10/31/2022	(\$964)
Add: Revenue Related Expense Adj.	(\$604)
Total Requested Recovery	(\$132,916)
<b>Customer Rebate</b>	<b>(\$132,916)</b>
Carryover Deferred revenue	\$0

## Energy Consumption Drivers

The proposed FCA rebates for both the residential and non-residential customer groups for the 18 months ended June 30, 2021, are the result of increases in use-per-customer from levels in the 2016 test year. The 2016 use-per-customers (“UPC”) levels are 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 estimated the impact of three primary drivers of FCA revenue deferrals: (1) Weather, (2) Energy Efficiency, and (3) “Other.” The Company identifies 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.

Table No. 4 shows the Company’s estimates of these drivers on UPC in therms and FCA revenue in millions of dollars. The results demonstrate that energy efficiency is not the sole driver of fluctuations in energy sales, and that the FCA mechanism provides fixed cost recovery for a wide range of factors.

**Table No. 4: Impact of the Drivers on Use-per-Customer and FCA Revenue**

Source	Residential		Non-Residential	
	UPC (Therms)	FCA Revenue	UPC (Therms)	FCA Revenue
Weather	\$ (4.10)	\$ (3.00)	\$ (56.70)	\$ (0.50)
Energy Efficiency	\$ (0.70)	\$ (0.80)	\$ (7.40)	\$ (0.10)
Other	\$ 6.80	\$ 4.10	\$ 86.70	\$ 0.70
<b>Total</b>	<b>\$ 2.00</b>	<b>\$ 0.30</b>	<b>\$ 22.60</b>	<b>\$ 0.10</b>

## CUSTOMER NOTICE AND PRESS RELEASE

The Company's press release and customer notice were included with its Application. Each document addresses the following cases: this case (AVU-G-21-06), the electric FCA

(AVU-E-21-08), the Power Cost Adjustment (AVU-E-21-09), the BPA Residential and Small Farm Credit (AVU-E-21-10) and the Electric Energy Efficiency Adjustment (ACE-E-21-11).<sup>3</sup> Staff reviewed the documents and determined both meet the requirements of Rule 125 of the Commission's Rules of Procedure. *See* IDAPA 31.01.01.125. The notice was included with bills mailed to customers between August 12, 2021, and September 9, 2021, providing customers with a reasonable opportunity to file timely comments with the Commission by the October 6, 2021, deadline. As of October 5, 2021, no customer comments had been filed.

### STAFF RECOMMENDATION

Staff recommends that the Commission approve the Company's natural gas FCA filing, specifically:

1. The proposed FCA residential rebate rate of 0.493 cents per therm, which is designed to refund \$334,866 to the Company's residential natural gas customer group;
2. The proposed FCA non-residential rebate rate of 0.490 cents per therm, which is designed to refund \$132,916 to the Company's non-residential natural gas customer group; and
3. The proposed changes to Schedule 175 reflecting the FCA rate rebate for effective November 1, 2021, through October 31, 2022.

Respectfully submitted this 6<sup>th</sup> day of October 2021.



Dayn Hardie  
Deputy Attorney General

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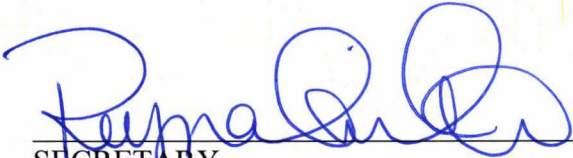
<sup>3</sup> On August 19, 2021, Avista filed a request to withdraw its Application for Case No. AVE-E-21-11 (Electric Energy Efficiency Adjustment).

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 6<sup>th</sup> DAY OF OCTOBER 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO AVISTA CORPORATION**, IN CASE NO. AVU-G-21-06, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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