

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FIXED COST ADJUSTMENT MECHANISM (FCA) ANNUAL RATE ADJUSTMENT FILING OF AVISTA CORPORATION))))) CASE NO. AVU-G-22-04 ORDER NO. 35574

On July 29, 2022, Avista Corporation (“Company” or “Avista”) applied to the Idaho Public Utilities Commission (“Commission”) for approval of recovery of its Fixed Cost Adjustment (“FCA”) deferrals for July 1, 2021, through June 30, 2022, and authorization for an adjustment to its FCA rates for natural gas service from November 1, 2022, through October 30, 2023. The Company proposed to adjust the FCA rate for the Residential group (Schedule 101) from a present rebate rate of 0.493¢, to a proposed rebate rate of 1.020¢ per therm. The Company proposed to adjust the FCA rate for the Non-Residential group (Schedules 111 and 112) from a present rebate rate of 0.490¢, to a proposed surcharge of 0.381¢ per therm.

The Company represented that the Residential group rate change represents a \$0.3 million, or 0.5%, decrease to Schedule 101 customers, and the Non-Residential group rate change represents a \$0.1 million, or 1.2% increase to Schedules 111 and 112 customers. The Company requested that the adjustment have a November 1, 2022, effective date.

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 costs¹ of providing service, thus decoupling the utility’s revenues from its customers’ energy usage. This decoupling removes a utility’s incentive to increase sales to increase revenue and profits and encourages energy conservation. The Commission originally approved a three-year pilot program of the Company’s FCA as part of the approved settlement of the Company’s 2015 rate case. Order No. 33437 at 10. 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 the program was functioning as intended. On June 15, 2018, the Commission approved an addendum to the settlement that extended the term of the Company’s FCA pilot for

¹ “Fixed costs” are a utility’s costs to provide service, such as infrastructure and customer service, which do not vary with energy use, output, or production, and remain relatively stable between rate cases.

an additional year. Order No. 34085. On December 13, 2019, the Commission authorized the Company to extend its FCA mechanism for both gas and electric customers through March 31, 2025. Order No. 34502.

APPLICATION

The Company proposed a rate adjustment for its Residential and Non-Residential natural gas customer groups based on the amount of deferred revenue for the 12 months ending June 30, 2022. The Company mostly attributes the proposed changes to warmer weather, customer energy efficiency savings, and “other” drivers.

The Company represented that it recorded \$743,688 in the rebate direction in deferred revenue for the natural gas Residential customer group for the 12 months ending June 30, 2022. The Company stated that the proposed rate of 1.020¢ per therm is designed to rebate \$717,280 to the Company’s Residential natural gas customers served under rate Schedule 101. The Company represented that the deferral balance for the 12 months ended June 30, 2022, plus interest through October, would be transferred into a regulatory liability balancing account, and the balance in the account would be reduced each month by the revenue collected under the tariff.

The Company represented that it recorded \$99,328 in surcharge direction in deferred revenue for the Non-Residential natural gas group for the 12 months ended June 30, 2022. The Company stated that the proposed surcharge rate of 0.381¢ per therm is designed to recover \$103,384 from commercial and industrial customers served under rate Schedules 111 and 112. The Company represented that the deferral balance, plus interest through October, would be transferred into a regulatory asset balancing account, and the balance in the account would be reduced each month by the revenue collected 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 COMMENTS

Staff reviewed the Company’s Application, supporting workpapers, and the proposed FCA Schedule 175. Staff audited the Company’s FCA deferral accounts and internal controls related to the FCA. Based upon its review, Staff believed that the Company’s FCA natural gas deferral balances and rates were correctly calculated. Staff also reviewed the Company’s press release and customer notice. Staff believed that they both met the requirements of Rule 125 of the Commission’s Rules of Procedure, and that the Company had provided customers with a

reasonable opportunity to file timely comments with the Commission by the October 4, 2022, deadline.

Staff recommended that the Commission approve the Company's Application and proposed FCA Schedule 175 as filed. Specifically, Staff recommended that the Commission approve:

1. The proposed FCA Residential rebate rate of 1.020¢ per therm, which was designed to refund \$717,280 to the Company's Residential natural gas customer group;
2. The proposed FCA Non-Residential rate of 0.381¢ per therm, which was designed to collect \$103,384 from the Company's Non-Residential natural gas customer group; and
3. The proposed Schedule 175 – Fixed Cost Adjustment Mechanism – Natural Gas as filed.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over the Company and this matter pursuant to *Idaho Code* §§ 61-336, 61-502, 61-503, and 61-622. The Commission has the express statutory authority to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and may fix the same by order. *Idaho Code* §§ 61-502, 61-503.

The Commission has reviewed the record and finds the Company's proposed FCA Residential rebate rate of 1.020¢ per therm, and the proposed FCA Non-Residential surcharge rate of 0.381¢ per therm to be fair, just, and reasonable. The Commission finds the Company correctly calculated its deferral balances for the period of July 1, 2021, through June 30, 2022. The Commission thus approves the Company's Application and proposed revisions to Schedule 175, as filed, effective November 1, 2022.

ORDER

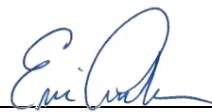
IT IS HEREBY ORDERED that the Company's FCA deferrals for the period of July 1, 2021, through June 30, 2022, are approved.

IT IS FURTHER ORDERED that the Company's request for a FCA Residential rebate rate of 1.020¢ per therm, and a FCA Non-Residential surcharge rate of 0.381¢ per therm, both to become effective November 1, 2022, is approved.

IT IS FURTHER ORDERED that the Company's proposed Schedule 175 - Fixed Cost Adjustment Mechanism - Natural Gas is approved 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 upon this Order regarding any matter decided in 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, 62-619.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 1st day of November 2022.



ERIC ANDERSON, PRESIDENT

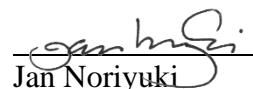


JOHN CHATBURN, COMMISSIONER



JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary