

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA) **CASE NO. AVU-G-23-05**
CORPORATION’S FILING OF THE FIXED)
COST ADJUSTMENT MECHANISM) **ORDER NO. 35969**
ANNUAL RATE ADJUSTMENT)
_____)

On July 31, 2023, Avista Corporation (“Company”) applied to the Idaho Public Utilities Commission (“Commission”) for authorization to adjust the Fixed Cost Adjustment (“FCA”) rates for natural gas service from November 1, 2023, through October 31, 2024, and approve its corresponding modifications to Schedule 175 Fixed Cost Adjustment Mechanism – Natural Gas (“Schedule 175”). The Company’s Application referenced the current FCA rates as well as the proposed changes as illustrated in Table No. 1 below:

Table No. 1

	Current Rate (Per Therm)	Proposed Rate (Per Therm)	Proposed Rate Change
Residential Group (Schedule 101)	Rebate of 1.020¢	Rebate of 1.219¢	-0.2% decrease
Non-Residential Group (Schedules 111 and 112)	Surcharge of 0.381¢	Rebate of 0.632¢	-1.2% decrease

The Company requested that the adjustment be processed by Modified Procedure and become effective November 1, 2023.

The Commission issued a Notice of Application and set comment deadlines for public comments and the Company’s reply. Order No. 35895. Staff filed the only comments.

Having reviewed the record in this case the Commission issues this Order authorizing FCA rates included in 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 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.

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.

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 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's proposed rate adjustment for its Residential and Non-Residential natural gas customer groups is based on the amount of deferred revenue for the 12 months ending June 30, 2023. The Company mostly attributes the proposed changes to higher monthly use-per customer than is embedded in rates because of colder than average weather and participation in Demand Side Management programs.

The Company recorded \$820,233 of deferred revenue in the rebate direction for its Residential natural gas customers for the 12-month period ending on June 30, 2023. The Company stated that the proposed rate of 1.219¢ per therm is designed to return \$859,547 to the Company's Schedule 101 customers. The Company represented that the deferral balance for the 12 months ending June 30, 2023, plus interest through October 31, 2024, would be transferred into a regulatory liability balancing account. The balance of that account would be reduced monthly by rebate received by Schedule 101 customers.

The Company recorded \$181,388 of deferred revenue in the rebate direction for its Non-Residential natural gas customers for the 12-month period ending on June 30, 2023. The Company stated that the proposed rate of 0.632¢ per therm will result in a rebate of \$174,563 for the Company's commercial and industrial customers served under Schedules 111 and 112. Like the Residential customers, the Company represented that the deferral balance for the 12 months ending June 30, 2023, plus interest through October 31, 2024, would be transferred into a regulatory liability balancing account. The balance of that account would also be reduced monthly by the rebate received by Schedule 111 and 112 customers.

The Company submitted its Residential and Non-Residential rate calculations, support for its deferrals, and its proposed Schedule 175 with its Application and supplemental materials.

STAFF COMMENTS

Staff reviewed the information provided by the Company including its Application, supplemental materials, and the proposed Schedule 175. Staff represented that the Company's FCA deferral accounts and relevant internal controls were audited. Based upon its review, Staff believed the Company's FCA natural gas deferral balances and proposed 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, 2023, deadline.

Staff noted the Company's proposed rate adjustment was measured by the amount of deferred revenue for the 12 months preceding June 30, 2023. Staff likewise noted the Company's position that the proposed changes were due to certain drivers including higher monthly use-per-customer, colder weather, and energy efficiency. Staff stated that, if the Company's Application is approved, the Company would place the respective deferral balances from the Residential and Non-Residential Groups into separate regulatory liability balancing accounts. The balance of these accounts would be reduced each month as customers received rebates under the respective tariffs. Staff noted the proposed changes outlined in the Company's Application for each of the proposed rates. Staff recommended that the Commission approve the Company's Application as filed—including the Company's proposed Schedule 175.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over the Company and this matter pursuant to *Idaho Code* §§ 61-501, 61-502, 61-503. 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 1.219¢ per therm, and the proposed FCA Non-Residential rebate rate of 0.632¢ per therm to be fair, just, and reasonable. The Commission finds the Company correctly calculated its deferral balances for the period of July 1, 2022, through June 30, 2023. The Commission thus approves the Company's Application and corresponding proposed revisions to Schedule 175, as filed, effective November 1, 2023.

ORDER

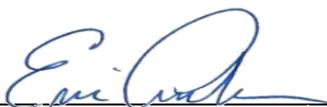
IT IS HEREBY ORDERED that the Company's FCA deferrals for the period of July 1, 2022, through June 30, 2023, are approved.

IT IS FURTHER ORDERED that the Company's request for a FCA Residential rebate rate of 1.219¢ per therm, and a FCA Non-Residential rebate rate of 0.632¢ per therm, both to become effective November 1, 2023, 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.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27th day of October 2023.



ERIC ANDERSON, PRESIDENT

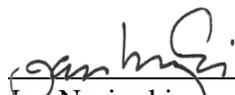


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

I:\Legal\GAS\AVU-G-23-05_FCA\orders\AVUG2305_Final_md.docx