

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA) CASE NO. AVU-G-24-01
CORPORATION’S ANNUAL FIXED COST)
ADJUSTMENT MECHANISM (FCA) RATE) ORDER NO. 36378
ADJUSTMENT)
)

On July 31, 2024, Avista Corporation (“Company”) applied for authorization to adjust the Fixed Cost Adjustment (“FCA”) rates for natural gas service from November 1, 2024, through October 31, 2025, (“Application”). The Company stated the current FCA rates as well as the proposed changes as illustrated below:

	Current Rate (Per Therm)	Proposed Rate (Per Therm)	Proposed Rate Change
Residential Group (Schedule 101)	Rebate of 1.219¢	Surcharge of 1.506¢	2.3% increase
Non-Residential Group (Schedules 111 and 112)	Rebate of 0.632¢	Surcharge of 1.006 ¢	1.7% increase

The Company requested a November 1, 2024, effective date and that the Idaho Public Utilities Commission (“Commission”) process the request under Modified Procedure.

The Commission issued a Notice of Application and set comment deadlines for public comments and the Company’s reply. Order No. 36301. 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. 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

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.

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.

THE APPLICATION

The Company's proposed rate adjustment for its Residential and Non-Residential natural gas customer groups is based on "the difference between actual FCA-related revenue received from customers through volumetric rates, and the FCA-related revenue approved for recovery in the Company's last general rate case on a per customer basis" for the 12 months ending June 30, 2024. Application at 3. The Company mostly attributes the proposed changes to the fact that "Idaho customers have achieved energy efficiency savings from participation in the Company's Demand Side Management programs." *Id.* at 6.

The Company recorded \$1,085,515 of deferred revenue in the surcharge direction for its Residential natural gas customers for the 12-month period ending on June 30, 2024. The Company stated that the proposed surcharge rate of 1.506¢ per therm is designed to recover \$1,112,815 from the Company's Schedule 101 customers. The Company represented that the deferral balance for the 12 months ending June 30, 2024, plus interest through October 31, 2025, plus the prior year's FCA residual balance, plus a revenue related expense adjustment would be transferred into a regulatory liability balancing account, and the balance of that account would be reduced monthly by the revenue collected under Schedule 101 customers under the tariff.

The Company recorded \$299,626 of deferred revenue in the surcharge direction for its Non-Residential natural gas customers for the 12-month period ending on June 30, 2024. The Company stated that the proposed rate of 1.006¢ per therm will result in the Company recovering \$277,795 under Schedules 111 and 112 commercial and industrial customers. Like the Residential customers, the Company represented that the deferral balance for the 12 months ending June 30, 2024, plus interest through October 31, 2025, plus the prior year's FCA residual balance, plus a revenue related expense adjustment, would be transferred into a regulatory liability balancing account, and the balance of that account would be reduced monthly by the revenue collected under Schedule 111 and 112 customers under the tariff.

The Company submitted its Residential and Non-Residential rate calculations, support for its deferrals, and its proposed FCA tariff 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 FCA Schedule 175. Based upon its review, Staff believed the Company's FCA natural gas deferral balances and proposed rates were correctly calculated.

Staff noted the Company's proposed rate adjustment was measured by the amount of deferred revenue for the 12 months preceding June 30, 2024. Staff likewise noted the Company's position that these changes were due to certain drivers including lower monthly use-per-customer than the 2022 test year and savings from participation in the Company's Demand Side Management Program. Staff stated that, if the Company's Application is approved, the deferral balance and associated interest would be placed into a regulatory asset balancing account, and the balance of this account would be reduced monthly by the customer's surcharge. Staff noted the proposed changes outlined above and in the Company's Application for each of the proposed rates.

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 10, 2024, deadline.

Staff recommended that the Commission approve the Company's Application as filed. Specifically, Staff recommended that Schedule 175 have a residential surcharge rate of 1.506¢ per therm with a total estimated surcharge of \$1,112,815 and a Non-Residential surcharge rate of 1.006¢ per therm with a total estimated surcharge of \$277,795. Staff recommended that Schedule 175's proposed changes be effective November 1, 2024.

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 surcharge rate of 1.506¢ per therm, and the proposed FCA Non-Residential surcharge rate of 1.006¢ per therm to be fair, just, and reasonable. The Commission finds the Company correctly calculated its deferrals for July 1, 2023, through June 30, 2024. The Commission thus approves the Company's Application and corresponding proposed revisions to Schedule 175, as filed, effective November 1, 2024.

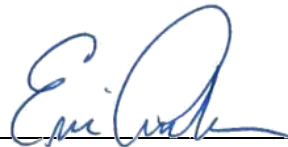
ORDER

IT IS FURTHER ORDERED that the Company's request for a FCA Residential surcharge rate of 1.506¢ per therm, and a FCA Non-Residential surcharge rate of 1.006¢ per therm, is approved effective November 1, 2024.

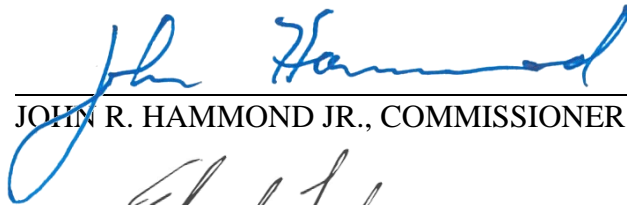
IT IS FURTHER ORDERED that the Company's proposed Schedule 175 - Fixed Cost Adjustment Mechanism - Natural Gas is approved as filed.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order about 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. *Idaho Code* § 61-626.

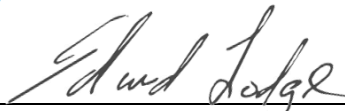
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of October 2024.



ERIC ANDERSON, PRESIDENT

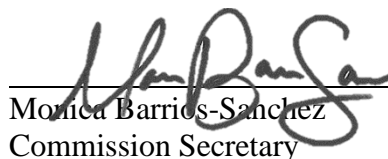


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Monica Barrios-Sanchez
Commission Secretary

I:\Legal\GAS\AVU-G-24-01_FCA\orders\AVUG2401_Final_md.docx