



Case No: AVU-E-19-07, AVU-E-19-08, AVU-E-19-09

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Avista customers to see slight increase in annual rate calculation

BOISE (October 3, 2019) – Avista customers will pay slightly more for electricity this fall after state regulators approved several rate adjustments.

Combined, the changes approved by the Idaho Public Utilities Commission will result in a 3.1 percent increase to residential rates on October 1.

Residential electric customers in Idaho using an average of 898 kilowatt hours (kWh) per month would see their monthly bills increase from \$82.57 to \$85.12, an increase of \$2.55 per month.

Two of the changes are to annual rate adjustment mechanisms: the Fixed Cost Adjustment is set to increase by 1.7 percent, while the Power Cost Adjustment will increase by 2.91 percent.

The third adjustment results from Bonneville Power Administration's (BPA) Residential Exchange Program (REP). Customers will receive a credit on their power bill of 1.6 percent.

Each year the Commission reviews these annual rate calculations to determine whether customer rates should increase or decrease.

Here is a closer look at each of these changes:

The **Fixed Cost Adjustment (FCA)** mechanism will increase by 1.7 percent for residential customers on October 1.

The FCA is an annual rate adjustment tool that separates or decouples energy use from the company's revenue, thereby removing the utility's disincentive to invest in and promote energy efficiency and conservation that can lead to a decline in energy sales.

If fixed costs recovered from customers are less than the fixed costs authorized by the Commission, customers in the Residential and Small General Service classes see a surcharge on their bill. If the company collects more in fixed costs than is authorized, customers in those classes receive a refund.

A year ago, the Commission approved a FCA decrease of 2.9 percent.

The **Power Cost Adjustment (PCA)** mechanism will increase by 3.3 percent for residential customers, effective October 1.

The PCA is a cost-recovery tool that passes on to customers the benefits and costs of providing energy to Avista's customers.

Like the FCA, it is adjusted each year to reflect the actual power-supply costs incurred by the company over the previous year.

Costs can vary significantly from year to year based on hydroelectric generation, market prices for energy, fuel costs, and other factors.

The PCA has two main components: a forecast and true-up. The forecast projects the company's anticipated power-supply costs, and the true-up balances those forecasted costs with the actual costs incurred by the company over the previous 12 months.

A year ago, the Commission approved a PCA decrease of 1.0 percent.

The **Residential Exchange Program (REP)** was established by the Northwest Electric Power Planning and Conservation Act. That law makes low-cost power from the federal Columbia River power system available to investor-owned utilities in the Northwest. The statute permits utilities to "exchange power they have purchased or generated for lower-cost power generated by BPA." The exchange is a paper transaction – a utility may offer to sell power to BPA at the utility's average system cost for producing power. The utility must pass the benefit on to its qualifying customers.

Avista's current rate credit is 0.069 cents per kWh, and was designed to pass through about \$840,000 to customers. The Commission approved rate credit of 0.387 cents per kWh will pass through approximately \$4.8 million to customers. The rate credit reflects Idaho's share of BPA's REP benefits, as offset by any over-refunded balance from the prior year. The \$4.8 million in BPA benefits would decrease rates for qualifying customers by about \$3.9 million, or 1.6 percent. This decrease in rates reflects the difference between this year's \$4.8 million proposed REP credit and last year's \$840,000 REP credit. The proposed REP credit is further offset by last year's over-refunded balance of about \$100,000.

To access documents filed in these cases, go to the Commission's web site, www.puc.idaho.gov, and click on "Open Cases" under the "Electric" heading and scroll down to the appropriate case number. Or click on the case number below:

[AVU-E-19-07](#), FCA

[AVU-E-19-08](#), REP

[AVU-E-19-09](#), PCA