

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE POWER COST)
ADJUSTMENT (PCA) ANNUAL RATE) CASE NO. AVU-E-17-07
ADJUSTMENT FILING OF AVISTA)
CORPORATION) ORDER NO. 33894
)**

On August 1, 2017, Avista Corporation dba Avista Utilities filed its Power Cost Adjustment (PCA) annual rate adjustment. The Company requested that the Commission issue an Order approving the level of power costs deferred for the period July 1, 2016 through June 30, 2017, and approve a PCA rebate rate of 0.240 cents per kilowatt-hour (kWh) to be effective October 1, 2017. Application at 1. The Commission issued a Notice of Application and Notice of Modified Procedure setting comment and reply deadlines. Order No. 33841. Commission Staff timely filed comments. No other comments were received.

Having reviewed the record, the Commission enters this Order approving the Company's Application, with the new rate to be effective October 1, 2017. The Commission's decision is set out more fully below.

THE APPLICATION

The Company's PCA is used to track changes in revenue and costs associated with variations in hydroelectric generation, secondary prices, thermal fuel costs, and changes in power contract revenues and expenses. The Company's existing PCA methodology and method of recovery were approved in Order No. 30361 (Case No. AVU-E-07-01). The present PCA became effective on October 1, 2016. *See* Order No. 33605.

The Company explained that the current PCA rebate for all customers is 0.017 cents per kWh. Ehrbar Direct at 6. With the increase in the rebate to 0.240 cents per kWh, residential customers using an average of 910 kWhs per month "would see their monthly bills decrease from \$86.39 to \$84.36, a decrease of \$2.03 per month, or 2.4%." *Id.*

The Company's power cost deferrals for the period July 2016 through June 2017, including renewable energy credit retirement benefits and interest, total (\$7,233,993). Application at 4. The deferral amount includes: (1) the amount by which Idaho's share of power supply expenses was lower than the authorized level; (2) the credit to Idaho customers for Renewable Energy Credits (RECs) retired to meet the Washington Renewable Portfolio Standard

that would otherwise have been sold (referred to as renewable energy credit retirement benefits); and (3) interest. Johnson Direct at 2.

The factors leading to the lower-than-authorized power supply costs were better than normal hydro generation, lower wholesale power prices and other contract changes, lower net transmission expense due to higher than anticipated third-party transmission revenue, and higher than expected REC sales revenue. *Id.* at 3. The lower net expense was partially offset by increased expense from Palouse Wind. *Id.* The Company provided additional detail and quantified each item. *See id.* at 3-5.

The Company also described four long-term power purchase contracts it entered into between July 2016 and June 2017. *Id.* at 5-6. Two contracts are with Mid-Columbia hydro plant owners and two are with qualifying facilities under the Public Utility Regulatory Policies Act. *Id.* The Company had existing contracts with each of the four plants. *Id.*

The Application included the updated rate schedule for the PCA, Schedule 66, with the proposed change in the rate. *See* Application Exhibit A. The Application also included a draft news release that would provide customers with details on the PCA filing and other filings. The Company also described that its bill paying assistance programs continue to be available to customers. *Id.* at 7-8.

STAFF COMMENTS

Staff reviewed the Application and recommended the Commission approve it without change, effective October 1, 2017. Staff Comments at 2, 10. Staff believed that Avista “correctly booked actual [net power cost (NPC)] amounts and amortizations” for the PCA period (July 2016 through June 2017). *Id.* Staff also indicated that Avista “utilized proper loads and NPC amounts embedded in base rates to calculate the deferral.” *Id.* Staff believed that Avista properly calculated the deferral using the methods approved by the Commission. *Id.* at 3.

Staff reviewed, and described in its comments, each component of NPC in the deferral. *Id.* at 4-7. Staff explained that under Avista’s PCA, Avista and ratepayers share the difference between actual NPC and NPC embedded in base rates. *Id.* at 4. Ratepayers are allocated 90% of the difference and Avista is allocated 10%. *Id.* When actual costs are greater than costs in base rates, customers pay 90% of the difference; when actual costs are lower, customers are credited 90% of the difference. *Id.* Staff described, for each component of NPC, what the impact is to customers (cost or credit/benefit). *Id.* at 4-7.

Staff analyzed the actual NPC in this Application by comparing, for each generation supply source, actual unit cost and amounts of generation to those assumed in base rates. *Id.* at 7. Staff believed that the Company's actual NPC is reasonable. *Id.*

Staff also described the calculation of the PCA rate. Having reviewed the Company's calculation, Staff believed "the Company's proposed rates are accurate and will fairly reimburse customers for over collection of actual net power cost embedded in base rates." *Id.*

Finally, Staff reviewed the Company's press release and customer notice and indicated that both comply with Rule 125 of the Commission's Rules of Procedure, IDAPA 31.01.01.125.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 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 and 61-503. The Commission has reviewed the record, including the Application and comments.

We find that the Application is reasonable and adheres to our prior Orders regarding the PCA methodology for recovery or reimbursement of deferred net power supply costs. Thus, we accept the deferral balance of (\$7,233,993). We find that the Company's proposed PCA rebate of 0.240 cents per kWh is just and reasonable, and we approve it and the proposed tariff Schedule 66, to be effective October 1, 2017.

ORDER

IT IS HEREBY ORDERED that the Company's Application regarding its annual PCA rate adjustment is approved. The Company's deferred power costs of (\$7,233,993) from July 1, 2016 through June 30, 2016, are approved. The Company is authorized to implement a PCA rebate rate of 0.240 cents per kWh and the Company's proposed Schedule 66 is approved, to be effective October 1, 2017.

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 with regard to 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
day of September 2017.

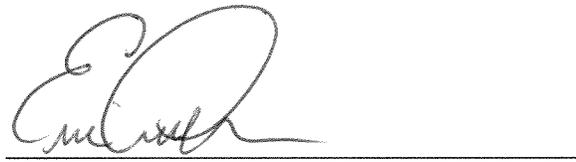
29th



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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