

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)	CASE NO. AVU-E-18-06
CORPORATION'S APPLICATION TO)	
IMPLEMENT FIXED COST ADJUSTMENT)	
RATES FOR ELECTRIC SERVICE FROM)	ORDER NO. 34158
OCTOBER 1, 2018 THROUGH)	
SEPTEMBER 30, 2019)	

On July 2, 2018, Avista Corporation ("Company") applied to the Commission for authority to implement Fixed Cost Adjustment ("FCA") rates for electric service from October 1, 2018, through September 30, 2019, and to approve its corresponding modifications to Schedule 75, "Fixed Cost Adjustment Mechanism – Electric." Along with this request, the Company sought approval of its FCA deferrals from January 1, 2017, through December 31, 2017. The Company also requested an FCA rebate rate of 0.176 cents per kilowatt-hour (kWh) for its Residential Group and an FCA surcharge rate of 0.056 cents per kWh for its Non-Residential Group from October 1, 2018, through September 30, 2019. The Company requested an effective date of October 1, 2018.

The Commission subsequently issued a Notice of Application and Notice of Modified Procedure setting deadlines for interested persons to submit comments in the case. Order No. 34112. Staff filed the only comments, and recommended the Commission approve the Application. The Company did not reply.

Having reviewed the record, the Commission enters this Order approving the Company's Application as set forth below.

BACKGROUND

The FCA rate adjustment mechanism breaks the link between the energy a utility sells and the revenue it collects to recover its fixed costs¹ to serve customers, thus decoupling the utility's revenues from its customers' energy usage. Order No. 33437 at 3. This decoupling encourages energy conservation by removing a utility's incentive to sell more energy to increase revenue and profits. *Id.* at 3-4; Application at 4.

¹ "Fixed costs" are a utility's costs to provide service that do not vary with energy use, output, or production, and remain relatively stable between rate cases – for example, infrastructure and customer service.

The Commission approved the Company's FCA as a three-year pilot program as part of the approved settlement of the Company's 2015 rate case. *See* Case Nos. AVU-E-15-05 and AVU-G-15-01; Application at 3; and Order No. 33437 at 10. In Order No. 33437, the Commission ordered analysis of the program's effectiveness at the end of its second full year, to ensure it is functioning as intended. Application at 3-4. The Order also set forth how the FCA mechanism works, including treatment of existing versus new customers, quarterly reporting, annual filings, interest, accounting, and 3% rate increase cap. *Id.* at 4-6.

On June 15, 2018, the Commission approved an addendum to the settlement stipulation approved in AVU-G-15-01 and AVU-E-15-05, which extended the term of the Company's FCA pilot and, therefore, the effectiveness review, for another year. *See* Order No. 34085.

APPLICATION

The Company proposed to decrease rates for its electric Residential Group and increase rates for its Non-Residential Group based on the deferred revenue recorded for January through December 2017. Application at 1. The Company attributed the proposed changes to drivers such as abnormally cold weather in January and February 2017, and hot weather during the summer of 2017, as well as savings from energy efficiency programs in 2017. *Id.* at 7-8. The Company stated that other drivers are not easily quantifiable but include, among others, the effects of non-programmatic energy efficiency and changes in business cycles. *Id.* at 8.

The Company recorded \$2,816,256 in the rebate direction in deferred revenue for its electric residential customer group in 2017, which includes the actual 2016 Carry Over Balance of \$788,461. *Id.* at 9. The Company's proposed rate of -0.176 cents per kWh would rebate \$2,071,515 to the Company's residential electric customers on rate Schedule 1. *Id.* at 9; Exhibit B. For its Non-Residential Group, the Company recorded \$610,929 in surcharge deferred revenue in 2017. *Id.* at 10-11. The Company proposed to increase non-residential rates by 0.056 cents per kWh, to recover \$603,669 from commercial and industrial customers. *Id.* at 10-11; Exhibit B.

Because the Commission approved the extended FCA pilot period, the Company also proposed changes to its Tariff Sheet 75 to reflect, among other changes: (1) an FCA mechanism term of four years; and (2) that interested parties will conduct an effectiveness review at the end of the third year. *Id.* at 4.

STAFF COMMENTS

Staff believes the Company calculated its proposed FCA deferral balances and rates using the methodology authorized in Order No. 33437. Thus, Staff recommended the Commission allow the Company to rebate \$2,071,515 to the Residential Group with a rate of -0.176 cents per kWh and recover \$603,669 for the Non-Residential Group in the 2018 FCA year with a surcharge rate of 0.056 cents per kWh. Staff Comments at 3. Staff also supported the updates the Company requested to its Tariff Sheet 75. *Id.*

While Staff could not reconcile the Company's demand-side management savings estimates identified as a driver of reduced energy consumption, Staff's recommendation did not change. Instead, Staff suggested the Company, Staff and interested stakeholders assess the balance of risk between the Company and its customers when the FCA is reviewed after the third year. *Id.*

Staff noted that the Company included notices with customer bills between July 12, 2018, and August 10, 2018. Staff thus believed customers were sufficiently notified of their opportunity to comment. *Id.* at 6.

DISCUSSION AND FINDINGS

The Commission has jurisdiction over the Company and this matter under Title 61 of the Idaho Code, and specifically *Idaho Code* §§ 61-336, -502, and -622. The Commission has reviewed the record and finds the Company's requested FCA residential rate of -0.176 cents per kWh, and FCA non-residential rate of 0.056 cents per kWh to be fair, just, and reasonable. The Commission finds that the Company correctly calculated its deferral balances. The 3% annual rate adjustment cap is not operative because there is no proposed carry-over for either class. The Commission thus approves the Company's Application and proposed Tariff Sheet 75, as filed, effective October 1, 2018.

We encourage interested persons and parties to examine issues related to the effectiveness of the FCA during the end of third-year programmatic review in 2019, including, among other issues, how the FCA effects customer and Company risk and the benefits accruing therefrom. *See* Order Nos. 33437 and 34085.

ORDER

IT IS HEREBY ORDERED that the Company's Application is approved. The Company's FCA Filing for Electric Service from October 1, 2018 through September 30, 2019 is

granted as requested, effective October 1, 2018. The Commission approves the Company's Tariff Sheet 75 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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

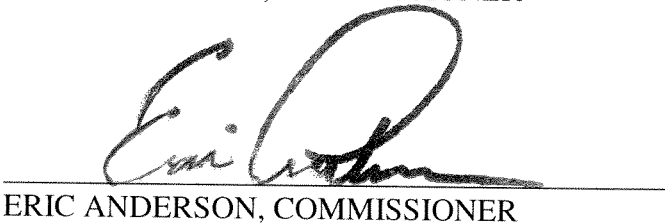
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of September 2018.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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