

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE RESIDENTIAL)
AND SMALL FARM ANNUAL RATE) CASE NO. AVU-E-18-08
ADJUSTMENT FILING OF AVISTA)
CORPORATION) ORDER NO. 34155
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On July 31, 2018, Avista Corporation dba Avista Utilities applied to the Commission for authorization to implement a Residential and Small Farm Energy credit rate for rate schedules 1, 12, 22, 32, and 48, of 0.069 cents per kilowatt-hour (kWh). Application at 1. Avista states that this rate represents an increase of \$0.1 million to qualifying customers. *Id.* at 1-2. Avista requested that the Application be processed under Modified Procedure, with an effective date of October 1, 2018. *Id.* The Commission issued a Notice of Application and Notice of Modified Procedure setting a comment deadline. Order No. 34127. Commission Staff timely filed comments. No other comments were received.

Having reviewed the record, the Commission enters this Order approving Avista’s Application, with the new rate to be effective October 1, 2018. The Commission’s decision is set out more fully below.

BACKGROUND

This Application results from the Bonneville Power Administration’s (BPA) Residential Exchange Program. The Residential Exchange Program was established by Section 5(c) of the Northwest Electric Power Planning and Conservation Act. 16 U.S.C. § 839c(c). That section makes low-cost power from the federal Columbia River power system available to investor-owned utilities in the Northwest. *See Assoc. of Pub. Agency Customers v. Bonneville Power Admin. (APAC v. BPA)*, 733 F.3d 939, 945 (9th Cir. 2013). The statute permits utilities to “exchange power they have purchased or generated for lower-cost power generated by BPA.” *Portland General Elec. Co. v. Bonneville Power Admin. (PGE v. BPA)*, 501 F.3d 1009, 1015 (9th Cir. 2007). The exchange is a paper transaction—a utility may offer to sell power to BPA at the utility’s average system cost (ASC) for producing power, which BPA compares to a Priority Firm (PF) Exchange Rate that BPA calculates for purposes of the exchange. *See id.*, *APAC v. BPA*, 733 F.3d at 945-46. If BPA’s PF Exchange Rate is lower than the utility’s ASC, then the utility is entitled to a benefit from BPA. *APAC v. BPA*, 733 F.3d at 946. Generally, the utility benefit is

the difference between BPA's PF Exchange Rate and the utility's ASC, multiplied by the utility's residential load. *Id.* at 945. The utility must pass the benefit on to its qualifying (residential and small farm) customers. *See id.* (citing 16 U.S.C. § 839c(c)(3)). The implementation of the exchange has been litigated over the years; the current implementation results from a settlement that took effect in 2012. *See id.* at 946-47 (describing litigation and settlement).

THE APPLICATION

In its Application, Avista summarized the Residential Exchange Program. Application at 2-3. Avista passes the benefits it receives under the program to qualifying customers via the residential and small farm energy credit rate. *Id.*

The *current* residential and small farm energy credit rate is 0.078 cents per kWh. *Id.* at 3. The current BPA benefit passed to Avista's Idaho customers is about \$0.94 million. *Id.*

The *proposed* credit rate is 0.069 cents per kWh. *Id.* The proposed credit rate of 0.069 cents per kWh is designed to pass through approximately \$0.84 million, which is the Idaho portion of BPA benefits offset by the over-refunded balance from the prior year, starting in October 2018. *Id.* While the level of BPA benefits is consistent with what is currently being passed back to customers today, the offset by the over-refunded balance results in the reduced credit. *Id.* at 3. The Company states that the overall increase to qualifying customers under the proposed credit rate is \$0.1 million, or 0.1%. *Id.* at 4. The Company explained that the change in the credit rate does not affect its net income. *Id.* at 3.

The Company's Application included workpapers that calculate the residential and small farm energy credit rate. Application Attachment A (Workpapers). The Company requested that the rate be effective from October 1, 2018 through September 30, 2019. *Id.* at 1. The Company indicated that it will bring the Application to the attention of its customers via a news release and a customer notice explaining each of several rate filings. *Id.* at 5.

STAFF COMMENTS

Staff explained the calculation of the BPA benefit. Staff Comments at 2. The calculation of the BPA benefit for residential and small farm customers has two inputs. *Id.* The first input is the usage by Avista's residential and small farm customers over the previous two years, in this case 2015 and 2016, which is then averaged to create an annualized usage. *Id.* The second input is the difference between two variables calculated by BPA: Avista's ASC rate and the PF Exchange Rate. *Id.* These variables are calculated by BPA every two years. *Id.* The

difference between these two rates is multiplied by the annualized usage to calculate the BPA benefit to be passed on to qualifying customers for each of the next two years. *Id.* Currently, the Company is in year 2 of the current credit. *Id.* The BPA credit is allocated between Washington and Idaho based on the actual usage in each jurisdiction. *Id.*

Avista's Residential and Small Farm credit rate is calculated by taking the projected remaining balance of the BPA benefit from the previous year and adding the BPA benefit for the next year. *Id.* In this filing, the amount from the previous year was over-refunded because customers used more electricity than was projected. *Id.* The total is then divided by the projected annual kWh sales to residential and small farm customers to calculate the rate. *Id.*

Staff audited the inputs to the calculations and independently recalculated the rate. *Id.* Staff reviewed the methodology and calculation of the proposed Residential and Small Farm credit rate and the approach is consistent with the terms and conditions of Schedule 59 – Residential and Farm Energy Rate Adjustment – Idaho. *Id.* Staff recommends the proposed rate of 0.069 cents per kWh be approved. *Id.*

Staff also reviewed the Company's customer notice and draft press release, which were included with the Company's Application, and the Company's final press release that addressed this Application, which was filed in Case No. AVU-E-18-08 (the press release addressed both cases and two others). *Id.* Staff determined that the customer notice and final press release complied with Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125.

COMMISSION FINDINGS

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 proposed credit rate of 0.069 cents per kWh is just and reasonable. We therefore approve the Application and the proposed tariff Schedule 59, to be effective October 1, 2018.

ORDER

IT IS HEREBY ORDERED that the Application of Avista Corporation dba Avista Utilities to implement a new residential and small farm energy credit rate is approved. The Company is authorized to implement its proposed credit rate of 0.069 cents per kWh and the proposed tariff Schedule 59 is approved, to be effective October 1, 2018.

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 26th day of September 2018.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary