



Case Nos. AVU-G-17-03 and AVU-G-17-04

Order Nos. 33919 and 33923

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PUC approves changes to Avista billing mechanisms for natural gas service

BOISE (Oct. 31, 2017) – State regulators have approved changes to two billing mechanisms that, combined, will lead to a slight rate increase for Avista’s natural gas customers.

The changes to the Fixed Cost Adjustment (FCA) and Purchased Gas Cost Adjustment (PGA) will lead to an overall increase of 28 cents per month for a residential or small commercial customer using an average of 61 therms.

That customer’s monthly bill will increase from \$51.10 to \$51.38 when the changes take effect Nov. 1.

The FCA and PGA are adjusted each fall subject to approval from the Idaho Public Utilities Commission.

For the coming year, the PGA will decrease by 2.4 percent for the average residential and small commercial customer. That equates to a reduction of \$1.23 on the monthly bill of a residential or small commercial customer using an average of 61 therms.

The FCA will rise by 3 percent, leading to a \$1.51 increase on the monthly bill for a residential or small commercial customer using an average of 61 therms.

Avista’s earnings, dividends to shareholders and employee salaries are not increased by the FCA or PGA, and the changes to the two billing mechanisms are not related to the general rate case currently before the Commission or the company’s proposed merger with Hydro One.

Purchased Gas Cost Adjustment (PGA)

Annual modifications to the PGA reflect variability in the cost of natural gas as well as its delivery and storage.

In years in which the price of natural gas is lower than the price included in rates, the PGA is lowered. When market prices exceed the amount collected through rates, the PGA is increased.

The change to the PGA for the coming year is designed to refund approximately \$1.7 million to the roughly 75,000 northern Idahoans who receive natural gas service from Avista.

The primary drivers for the decrease were the low cost of natural gas and a decline in transportation costs, the company said.

Fixed Cost Adjustment (FCA)

The FCA allows the utility to recover the fixed costs incurred providing service to customers when energy sales fall short of those costs. If the utility over-collects its fixed costs, the FCA is a rebate rather than a surcharge.

Fixed costs include those associated with infrastructure, including power lines and poles, and employee salaries.

While these expenses remain relatively stable, a utility's energy sales, and therefore revenue, fluctuate due to a number of factors, including weather and conservation or efficiency measures.

Without the FCA, Avista would have a financial disincentive to promote its efficiency and conservation programs because of the potential decline in revenue tied to lower energy usage.

Avista said its natural gas customers used significantly less energy in 2016 than in 2014, the test year on which revenue projections are based.

The decline in usage led to a \$3.1 million shortfall for 2016 across all customer classes. The primary driver for the deficit was warmer-than-normal weather, according to the company.

In its order approving the increase, the Commission expressed concern about whether customers benefit when a utility is allowed to recover costs due to weather. The commission encouraged the utility and interested parties to examine the issue and address it in the company's next FCA filing.

The FCA that takes effect Nov. 1 is designed to recover approximately \$1.94 million from all customer classes. That will leave a balance of approximately \$1.34 million to be recovered or offset in the future.

The Commission's decision and other documents related to the PGA and FCA are available on the Commission's website at www.puc.idaho.gov. Click on Open Cases under the Natural Gas heading and scroll down to [AVU-G-17-03](#) or [AVU-G-17-04](#).