

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA) CASE NO. AVU-G-18-03
CORPORATION’S APPLICATION TO)
IMPLEMENT FIXED COST ADJUSTMENT) NOTICE OF APPLICATION
RATES FOR NATURAL GAS SERVICE)
FROM NOVEMBER 1, 2018, THROUGH) NOTICE OF
OCTOBER 31, 2019) MODIFIED PROCEDURE
)
) ORDER NO. 34114

On July 2, 2018, Avista Corporation (Avista) applied to the Commission for authorization to implement Fixed Cost Adjustment (FCA) rates for natural gas service from November 1, 2018, through October 31, 2019, and to approve its corresponding modifications to Schedule 175, “Fixed Cost Adjustment Mechanism – Natural Gas.” Application at 1. Avista also asks that the Commission approve the level of natural gas FCA revenue deferred during calendar year 2017. The Company separately applied to implement FCA rates for electric service, in Case No. AVU-E-18-06. The Company proposes per therm FCA rebate rates for both residential and non-residential groups in this case. Avista asks that its Application be processed by Modified Procedure, and requests an effective date of November 1, 2018. *Id.* at 2.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that the FCA is a rate adjustment mechanism designed to break the link between the amount of energy a utility sells and the revenue it collects to recover fixed costs¹ of providing service, thus decoupling the utility’s revenues from its customers’ energy usage. Order No. 33437 at 3. This decoupling removes a utility’s incentive to increase sales as a means of increasing revenue and profits, and encourages energy conservation. *Id.* at 3-4; Application at 4.

YOU ARE FURTHER NOTIFIED that the Commission approved Avista’s FCA as a three-year pilot program, and part of the approved settlement of Avista’s 2015 rate case. *See* Case Nos. AVU-E-15-05; AVU-G-15-01; Application at 3; and Order No. 33437 at 10. In the Order approving the FCA program, the Commission noted that the parties to Avista’s rate case agreed to

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.

review the program's effectiveness at the end of its second full year, to ensure it is functioning as intended. Application at 3-4. The Stipulation in those cases and Tariff Sheet 175 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.

YOU ARE FURTHER NOTIFIED that on June 15, 2018, the Commission approved an addendum to the settlement stipulation approved in AVU-E-15-05 and AVU-G-15-01, which extended the term of the Company's FCA pilot for an additional year. *See* Order No. 34085. As a result, the Company also proposes changes to its Tariff Sheet 175 to reflect, among other changes: (1) an FCA mechanism term of four years; and (2) interested parties will conduct an effectiveness review at the end of the third year. Application at 4.

YOU ARE FURTHER NOTIFIED that in its natural gas FCA filing Avista proposes to decrease rates for each rate group based on the amount of deferred revenue recorded for January through December 2017. The Company mostly attributes these proposed changes to drivers such as abnormally cold weather in 2017, and FCA revenue shortfall associated with energy efficiency programmatic savings. *Id.* at 7-8. Other drivers are not easily quantifiable but include, among other things, the effects of non-programmatic energy efficiency and changes in business cycles. *Id.* at 8.

YOU ARE FURTHER NOTIFIED that Avista recorded \$1,636,265 in the rebate direction in deferred revenue for its natural gas residential customer group in 2017. *Id.* at 9 (table includes carry over balance, interest and revenue-related expenses). After taking into account the 2016 carry over balance of approximately \$1.2 million, the Company proposes to rebate \$465,043, at a proposed rate of -0.766 cents per therm, to the Company's residential natural gas customers served under rate Schedule 101. *Id.*; Application Exhibit B. If approved by the Commission, the Company would record this amount in a regulatory liability balancing account and reduce the account balance each month by the rebate received by customers under the tariff. *Id.* at 10.

YOU ARE FURTHER NOTIFIED that for its non-residential group, Avista recorded \$377,623 in the rebate direction in deferred revenue in 2017. *Id.* (table includes carry over balance, interest and revenue-related expenses). After taking into account the 2016 carry over balance of approximately \$108,778, the Company proposes to rebate \$274,617, at a proposed rate of -1.067 cents per therm, to the Company's commercial and industrial natural gas customers served under

rate Schedules 111 and 112. *Id.*; Application Exhibit B. If approved by the Commission, the Company would record this amount in a regulatory liability balancing account and reduce the account balance each month by the rebate received by customers under the tariff. *Id.* at 11.

YOU ARE FURTHER NOTIFIED that the Application, Exhibit A (the Company’s proposed tariffs), Exhibit B (rate calculation), Exhibit C (2017 deferral), and Exhibit D (customer communications) have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and attachments are also available on the Commission’s web site at www.puc.idaho.gov. Click on the “File Room” tab at the top of the page, scroll down to “Open Gas Cases,” and then click on the case number as shown on the front of this document.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission’s Rules of Procedure, IDAPA 31.01.01.201-204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or in opposition with the Commission **by no later than September 20, 2018**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application may be mailed to the Commission and Avista Corporation at the addresses reflected below:

| | |
|-----------------------------------|---|
| Commission Secretary | David J. Meyer, Esq. |
| Idaho Public Utilities Commission | Avista Corporation |
| PO Box 83720 | P.O. Box 3727 |
| Boise, ID 83720-0074 | 1411 E. Mission Ave, MSC-27 |
| | Spokane, WA 99220-3727 |
| Street Address for Express Mail: | email: david.meyer@avistacorp.com |
| 472 W. Washington Street | |
| Boise, ID 83702-5918 | |

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the

Commission's home page located at www.puc.idaho.gov. Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the form using the case number as it appears on the front of this document. These comments must also be sent to the Company at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that Avista may file reply comments, if necessary, **no later than September 27, 2018.**

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code, and specifically *Idaho Code* § 61-503. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

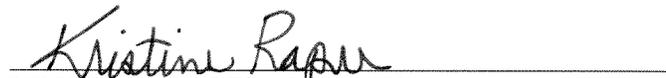
ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure, Rule 201-204 (IDAPA 31.01.01.201 - .204). Parties and persons shall have until September 20, 2018, to file written comments, and the Company shall have until September 27, 2018, to file a reply, if any.

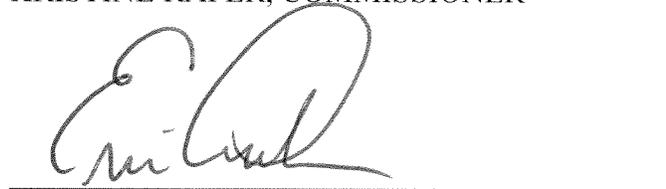
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26th
day of July 2018.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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