



Case No. AVU-E-18-06, AVU-E-18-07 and AVU-E-18-08

Final Order No.: 34158, 34159 and 34155

Contact: Matt Evans

Office: (208) 334-0339

Cell: (208) 520-4763

matt.evans@puc.idaho.gov

Regulators approve Avista rate adjustments, rates decrease 5.5 percent

BOISE (Oct. 2, 2018) – Avista’s electric rates decreased Oct. 1 after state regulators approved changes to three annual rate adjustments.

The Idaho Public Utilities Commission approved reductions to the Power Cost Adjustment and Fixed Cost Adjustment, and slightly lowered the rate credit provided through the Bonneville Power Administration’s (BPA) Residential Exchange Program.

Avista’s residential electric rates fell by 5.5 percent as a result.

That equates to a decrease of \$4.85 per month for a residential customer using an average of 910 kilowatt-hours (kWh) per month, lowering the bill from \$88.49 to \$83.64.

Here is a look at each of the rate adjustments:

Fixed Cost Adjustment

The Commission’s decision regarding the Fixed Cost Adjustment (FCA) results in a decrease of \$4.16 per month for a residential customer using a monthly average of 910 kWh.

The FCA is designed to provide the utility with a financial incentive to promote energy efficiency and conservation among its customers.

It can be adjusted annually with Commission approval – via a surcharge when Commission-authorized expenses exceed revenue or a rebate when FCA revenue surpasses expenses.

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 revenue, vary due to a number of factors, including weather and efficiency measures.

In its application, Avista attributed the change to the FCA primarily to higher energy use in 2017.

All documents related to this case, including the Commission's order and Avista's application, can be found [here](#).

Power Cost Adjustment

The Commission's decision to approve a change to the Power Cost Adjustment (PCA) lowered rates for all customer classes by approximately 1 percent.

The PCA can be modified each fall with Commission approval, to reflect differences between the costs included in customer rates and the actual costs Avista incurred generating and purchasing the power needed to serve its customers over the prior 12 months.

It is a true-up mechanism in that it allows the utility to recover costs when actual expenses exceed the amount included in rates and for a rebate when expenses are lower than PCA-related revenue.

The new PCA is a rebate of 0.326 cents per kWh used, an increase of 0.086 cents per kWh over the 2017 PCA.

For the average residential customer using 910 kWh per month, that equates to a 79-cent decrease on the monthly bill.

The new rate is designed to return to customers approximately \$9.8 million, due primarily to low power prices on the wholesale energy markets over the last 12 months.

All documents in this case, including Avista's application and the Commission's order, can be reviewed [here](#).

BPA Residential Exchange Program - Residential and Small Farm Energy Rate Adjustment Credit

The Residential and Small Farm Energy Rate Adjustment Credit provides a share of the benefits of the Columbia River hydropower system to customers.

The Commission approved a credit of 0.069 cents per kWh used, down from a credit of 0.078 cents per kWh.

The new credit is expected to provide \$840,000 in annual BPA-related benefits to the 130,000 Idahoans who receive electric service from Avista.

The company attributed the change to the fact that customer energy usage in 2017 was higher than projected, creating an over-refunded balance.

The Residential and Small Farm Energy Rate Adjustment Credit is the result of a decades-old agreement between Avista and BPA, which markets and distributes the wholesale energy generated through a network of 31 hydropower projects on the Columbia and Snake rivers.

While customers of publicly owned utilities (rural cooperatives and municipal utilities, for example) are granted preferential access to BPA power, the Northwest Power Act of 1980 requires that customers of private, investor-owned utilities such as Avista also share in the benefits of the federal hydro system through a rate credit as part of BPA's Residential Exchange Program. The amount of the credit is determined by a number of factors, including a utility's average system cost for producing power.

If an investor-owned utility's average system-wide generation costs lead to rates higher than those offered to BPA's public utility customers, the customers of private, investor-owned utilities are issued a credit.

Go [here](#) to review the documents in this case, including the Commission order.