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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FIXED COST	)	
ADJUSTMENT MECHANISM (FCA)	)	CASE NO. AVU-G-25-05
ANNUAL RATE ADJUSTMENT FILING	)	APPLICATION OF AVISTA
OF AVISTA CORPORATION	)	CORPORATION

I. INTRODUCTION

In accordance with Idaho Code §61-502, Commission Order No. 33437, and RP 052, Avista Corporation, doing business as Avista Utilities (hereinafter "Avista" or "Company"), at 1411 East Mission Avenue, Spokane, Washington, respectfully makes application to the Idaho Public Utilities Commission ("Commission") for an order approving the level of natural gas Fixed Cost Adjustment Mechanism (FCA) revenue deferred during 12 months ended June 30, 2025 and authorizing FCA rates for natural gas service from November 1, 2025 through October 31, 2026. The FCA rate for the Residential Group (Schedule 101) is proposed to change from a present surcharge rate of 1.506¢ to a proposed surcharge rate of 1.737¢ per therm. The FCA rate for the Non-Residential Group (Schedules 111 and 112) is proposed to change from a present surcharge rate of 1.006¢ to a proposed surcharge rate of 0.677¢ per therm. The Residential Group rate change represents a $0.2 million, or 0.2% increase to Schedule 101 customers, and the Non-Residential Group rate change represents a $0.1 million, or 0.6%, decrease. The combined effect of expiring FCA rates and the proposed rates are shown on the table below.

	Expiring Present FCA Revenue	Proposed FCA Revenue	Proposed FCA Increase
Residential	$ 1,143,801	$ 1,319,245	$ 175,444
Non-Residential	$ 284,460	$ 191,431	$ (93,029)

The Company has requested a November 1, 2025 effective date.

The Company requests that this filing be processed under the Commission's Modified Procedure Rules (RP 201-204). Communications referencing this Application should be addressed to:

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II. BACKGROUND

The purpose of the natural gas FCA is to adjust the Company's Commission-authorized revenues from therm sales, such that the Company's revenues will be recognized based on the number of customers served under the applicable natural gas service schedules. The FCA allows the Company to: 1) defer the difference between actual FCA-related revenue received from customers through volumetric rates, and the FCA-related revenue approved for recovery in the Company's last general rate case on a per-customer basis; and 2) file a tariff to surcharge or rebate, by rate group, the total deferred amount accumulated in the deferred revenue accounts for the prior January through December time period.

In Case Nos. AVU-E-15-05 and AVU-G-15-01, the Commission in Order No. 33437 approved for Avista a Fixed Cost Adjustment Mechanism. On page 10 of Order No. 33437, the Commission stated:

> The parties have also agreed upon a three-year[1] FCA pilot for electric and natural gas operations. The FCA will compare actual FCA revenues to allowed FCA revenues determined on a per-customer basis. Any differences will be deferred for a rebate or surcharge. There are a number of customer safeguards, including that an FCA surcharge cannot exceed a 3% annual rate adjustment. Any unrecovered balances will be carried forward to recover in future years. Further, there is no limit to the level of the FCA rebate. As part of the Stipulation, Staff and other interested parties, will review the efficacy of the FCA after its second full year to ensure it is functioning as intended. Fixed cost adjustment mechanisms are intended to encourage conservation and allow customers more control over their bills. Further, the proposed FCA will remove any financial disincentive of the Company to encourage energy conservation.

The Section 13 of the Stipulation and Settlement, as amended by Addendum to the

[1] On June 15, 2018, the Idaho Public Utilities Commission approved an Addendum to the Stipulation which extended the term of the pilot for an additional year by Order No. 34085.

Stipulation approved by the Commission in Order No. 34085 on June 15, 2018, provided further details, reproduced below, regarding the mechanics of the fixed cost adjustment mechanism.

> A. FCA Mechanisms Term. The Parties agree to an initial FCA term of 4 years, with a review of how the mechanisms have functioned conducted by Avista, Staff, and other interested parties following the end of the third full-year. Avista may seek to extend the term of the mechanism prior to its expiration.[2]
>
> B. Rate Groups. There will be two rate groups established for both the electric FCA and natural gas FCA:
>
> Electric Customer Rate Groups:
> 1. Residential – Schedule 1
> 2. Commercial – Schedules 11, 12, 21, 22, 31, 32
>
> Natural Gas Rate Groups:
> 1. Residential – Schedule 101
> 2. Commercial – Schedules 111 and 112
>
> C. Existing Customers and New Customers. The Parties have agreed that revenue related to certain items discussed below would not be included in the FCA for new customers. The result is that the Fixed Cost Adjustment Revenue-Per-Customer for new customers will be less than the Fixed Cost Adjustment Revenue-Per-Customer for existing customers. For new electric customers added after the test period, recovery of incremental revenue related to fixed production and transmission costs would be excluded from the electric FCA. For new natural gas customers added after the test period, recovery of incremental revenue related to fixed production and underground storage facility costs would be excluded. These modifications are included in Appendices B and C to the Stipulation.
>
> D. Quarterly Reporting. Avista will file, within 45 days of the end of each quarter, a report detailing the FCA activity by month.[3] The reporting will also include information related to the deferrals by rate group, what the deferrals would have been if tracked by rate schedule, use and revenue-per-customer for existing and new customers, and other summary financial information. Avista will provide such

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[2] Review of the mechanisms took place at a workshop April 10, 2024, and the Company filed a separate application with the Commission which extended the term of the FCA Mechanisms through August 31, 2029.

[3] As stated in Order No. 34502 Case No. AVU-G-19-03, the Company altered its quarterly reporting from 45 days to 60 days from the end of each quarter.

other information as may be reasonably requested, from time to time, in the future quarterly reports.

E. Annual Filings. On or before July 1, the Company will file a proposed rate adjustment surcharge or rebate based on the amount of deferred revenue recorded for the prior January through December time-period.[4] The rate adjustment would be calculated separately for each Rate Group, with the applicable surcharge or rebate recovered from each group on a uniform cents per kWh or per therm basis. The proposed tariff (Schedule 75 for electric, Schedule 175 for natural gas) included with that filing would include a rate adjustment that recovers/rebates the appropriate deferred revenue amount over a twelve-month period effective on October 1 for electric (to match with Power Cost Adjustment and Residential Exchange annual rate adjustments time period) and November 1st for natural gas (to match with the annual Purchased Gas Cost Adjustment rate adjustment time period). The deferred revenue amount approved for recovery or rebate would be transferred to a balancing account and the revenue surcharged or rebated during the period would reduce the deferred revenue in the balancing account. After determining the amount of deferred revenue that can be recovered through a surcharge (or refunded through a rebate) by Rate Group, the proposed rates under Schedules 75 and 175 would be determined by dividing the deferred revenue to be recovered by Rate Group by the estimated kWh sales (Electric FCA) or therm sales (Natural Gas FCA) for each Rate Group during the twelve-month recovery period. Any deferred revenue remaining in the balancing account at the end of the amortization period would be added to the new revenue deferrals to determine the amount of the proposed surcharge/rebate for the following year.

F. Interest. Interest will be accrued on the unamortized balance in the FCA balancing accounts at the Customer Deposit Rate.

G. Accounting. Avista will record the deferral in account 186 – Miscellaneous Deferred Debits. The amount approved for recovery or rebate would then be transferred into a Regulatory Asset or Regulatory Liability account for amortization. On the income statement, the Company would record both the deferred revenue and the amortization of the deferred revenue through Account 456 (Other Electric Revenue), or Account 495 (Other Gas Revenue), in separate sub-accounts. The Company would file quarterly reports with the Commission showing pertinent information regarding the status of the current deferral. This report would include a spreadsheet showing the monthly revenue deferral calculation for each month of the deferral period (January - December), as well as the current and historical monthly balance in the deferral account.

[4] As stated in Order No. 34502 Case No. AVU-G-19-03, The company altered the deferral period of its FCA extension to July through June by using a one-time 18-month deferral period of January 1, 2020 through June 30, 2021.

H. 3% Rate Increase Cap. An FCA surcharge, by rate group, cannot exceed a 3% annual rate adjustment, and any unrecovered balances will be carried forward to future years for recovery. There is no limit to the level of the FCA rebate.

III. DRIVERS OF NATURAL GAS FCA DEFERRALS

The FCA deferral for Residential and Non-Residential customers for 12 months ended June 30, 2025 was the result of lower monthly use-per-customer than was embedded in the 2022 test year (i.e., the FCA base).

Since the 2022 test year used to set 2024 rates, Idaho customers have achieved energy efficiency savings from participation in the Company's Demand Side Management programs.

IV. RESIDENTIAL GROUP RATE DETERMINATION

The Company recorded $1,195,606 in the surcharge direction in deferred revenue for the natural gas residential customer group for 12 months ended June 30, 2025. The proposed rate of 1.737 cents per therm is designed to recover $1,319,245 from the Company's residential natural gas customers served under rate Schedule 101. The following table summarizes the components of the Company's request to rebate:

Summary	
07.2024 - 06.2025 Deferred Revenue	$1,195,606
Add Prior Year Residual Balance	$75,354
Add Interest through 10/31/2026	$41,922
Add Revenue Related Expense Adj.	$6,363
Total Requested Recovery	$1,319,245
Customer Surcharge Revenue	$1,319,245
Carryover Deferred Revenue	$0

Exhibit B, page 1 shows the derivation of the proposed rate to recover revenue of

$1,319,245 based on projected sales volumes for Schedule 101 customers during the amortization period (November 2025 through October 2026). As identified on tariff Sheet 175B under Step 6 of "Calculation of Monthly FCA Deferral", interest on the deferred balance accrues at the Customer Deposit Interest Rate.[5] If the proposed surcharge is approved by the Commission, the 12 months ended June 30, 2025 deferral balance, plus interest through October, will be transferred into the regulatory asset balancing account. The balance in the account will be reduced each month by the surcharge received from customers under the tariff.

V. NON-RESIDENTIAL GROUP RATE DETERMINATION

The Company recorded $176,144 in the surcharge direction in deferred revenue for the natural gas Non-Residential Group for 12 months ended June 30, 2025. The proposed surcharge rate of 0.677 cents per therm is designed to recover $191,431 from the Company's commercial and industrial customers served under rate Schedules 111 and 112. The following table summarizes the components of the Company's request for recovery:

Summary	
07.2024 - 06.2025 Deferred Revenue	$176,144
Add Prior Year Residual Balance	$7,647
Add Interest through 10/31/2026	$6,662
Add Revenue Related Expense Adj.	$977
Total Requested Recovery	$191,431
Customer Surcharge Revenue	$191,431
Carryover Deferred Revenue	$0

Exhibit B, page 3 shows the derivation of the proposed rate to recover revenue of

[5] The Customer Deposit Interest Rate was 5.00% beginning January 2024 and was 5.00% beginning January 2025. The current rate of 5.00% has been used as an estimate for purposes of this rate determination.

$191,431 based on projected sales volumes for Schedules 111 and 112 during the amortization period (November 2025 through October 2026). As identified on the tariff Sheet 175B under Step 6 of "Calculation of Monthly FCA Deferral", interest on the deferred balance accrues at the Customer Deposit Interest Rate. If the proposed surcharge is approved by the Commission, the deferral balance, plus interest through October will be transferred into the regulatory asset balancing account. The balance in the account will be reduced each month by the surcharge received by customers under the tariff.

Support showing the monthly calculation of the 12 months ended June 30, 2025 deferral balances for both the Residential and Non-Residential Groups is provided as Exhibit C. These calculations were also provided to the Commission in quarterly reports (except April through June 2025 which will be provided in the Q2 report by the end of August).

VI. 3% ANNUAL RATE INCREASE TEST

FCA rate adjustment surcharges are subject to a 3% annual rate increase limitation. There is no limit to rebate rate adjustments. As described in tariff Schedule 175, the 3% annual rate increase limitation will be determined by dividing the incremental annual revenue to be collected (proposed surcharge revenue less present surcharge revenue) under this Schedule by the total "normalized" revenue for the two Rate Groups for the most recent January through December time-period. Normalized revenue is determined by multiplying the weather-corrected usage for the period by the present rates in effect. If the incremental amount of the proposed surcharge exceeds 3%, only a 3% incremental rate increase will be proposed, and any remaining deferred balance will be carried over to the following year.

Exhibit B, page 6 shows the 3% test for the two rate groups. The incremental change from the existing surcharge to the proposed surcharge for the residential group is an increase of $0.2 million or approximately 0.2%. For the Non-Residential group, the incremental change from the existing surcharge to the proposed surcharge is a decrease of $0.1 million or approximately 0.6%. As both the Residential deferral and the Non-Residential deferral are less than 3%, they are not subject to the 3% incremental surcharge test. There is no proposed carry over for either rate class.

VII. EXISTING CUSTOMERS AND NEW CUSTOMERS

The Settlement Stipulation approved by the Commission requires that natural gas customers that have been added since the test year are subject to an FCA Revenue-Per-Customer that excludes incremental revenue related to fixed production and underground storage facility costs. Separate calculations for new versus existing customers are clearly identified in the FCA base that was approved in Order No. 35909 for rates effective since September 1, 2024.

Due to this segregation, Avista tracks the usage of new customers since January 1, 2022 as compared with existing customers.[6] In general, the average usage of new natural gas customers is comparable to the average usage of existing customers. Avista will continue to track the usage of new customers over the Fixed Cost Adjustment term.

[6] "Existing customers" were part of the test year used to set the September 1, 2024 rates (2022 calendar year). "New customers" consist of all new hookups after the test year.

VIII. PROPOSED RATES TO BE EFFECTIVE NOVEMBER 1, 2025

The Company is proposing a per therm FCA surcharge rate of 1.737¢ for the Residential Group, and a per therm FCA surcharge rate of 0.677¢ for the Non-Residential Group, both to become effective November 1, 2025. Exhibit B to this Application provides the Residential and Non-Residential Rate Calculation, and Exhibit C provides the support for the deferrals for the July 1, 2024 through June 30, 2025 deferral period. Exhibit A is a copy of the proposed tariff, Schedule 175, which contains the proposed FCA rates. Exhibit A also includes the proposed changes to Schedule 175 in strike/underline format.

Residential customers using an average of 66 therms per month would see their monthly bills increase from $64.74 to $64.89, an increase of $0.15 per month, or 0.2%.

IX. COMMUNICATIONS AND SERVICE OF APPLICATION

In conformance with RP 125, this Application will be brought to the attention of the Company's customers. First, the Company has served a copy of this Application upon the service list in Case Nos. AVU-E-15-05 and AVU-G-15-01, the cases that gave rise to the FCA mechanisms. Second, a copy of Company's news release and customer notice is provided as Attachment D. The news release will be issued in July and the customer notice will be inserted in customer bills starting in August and run for a full billing cycle.

X. REQUEST FOR RELIEF

The Company requests that the Commission issue an order approving recovery of FCA deferrals for the period July 1, 2024 through June 30, 2025 and approve a per therm FCA surcharge rate of 1.737¢ for the Residential Group, and a per therm FCA surcharge rate of 0.677¢ for the Non-Residential Group, both to become effective November 1, 2025. The Residential Group surcharge represents a $0.2 million, or 0.2% incremental increase to schedule 101 customers, and the Non-Residential Group surcharge represents a $0.1 million, or 0.6% incremental decrease to Schedule 111 and 112 customers. The Company requests that the matter be processed under the Commission's Modified Procedure rules through use of written comments.

Dated at Spokane, Washington this 31st day of July 2025.

AVISTA CORPORATION

BY *<u>/s/ Patrick Ehrbar</u>*
Patrick D. Ehrbar
Director of Regulatory Affairs

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 175
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS

PURPOSE:

This Schedule establishes balancing accounts and implements an annual Fixed Cost Adjustment ("FCA") rate mechanism that separates the recovery of the Company's Commission authorized revenues from therm sales to customers served under the applicable natural gas service schedules.

TERM:

The term of the FCA mechanism will remain in effect through August 31, 2029.

APPLICABLE:

To Customers in the State of Idaho where the Company has natural gas service available. This schedule shall be applicable to all retail customers taking service under Schedules 101, 111, and 112. This Schedule does not apply to Schedules 131/132 (Interruptible Service), Schedule 146 (Transportation Service For Customer-Owned Gas) or Schedule 148 (Special Contracts). Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 101
Group 2 – Schedules 111 and 112

Note – the recovery of incremental revenue related to fixed production and underground storage costs will be excluded for new natural gas customers added after the FCA Base test year.

MONTHLY RATE:

Group 1 – $0.01737 per therm
Group 2 – $0.00670 per therm

SCHEDULE 175
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS

PURPOSE:

This Schedule establishes balancing accounts and implements an annual Fixed Cost Adjustment ("FCA") rate mechanism that separates the recovery of the Company's Commission authorized revenues from therm sales to customers served under the applicable natural gas service schedules.

TERM:

The term of the FCA mechanism will remain in effect through ~~March 31, 2025~~.

APPLICABLE:

To Customers in the State of Idaho where the Company has natural gas service available. This schedule shall be applicable to all retail customers taking service under Schedules 101, 111, and 112. This Schedule does not apply to Schedules 131/132 (Interruptible Service), Schedule 146 (Transportation Service For Customer-Owned Gas) or Schedule 148 (Special Contracts). Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 101
Group 2 – Schedules 111 and 112

Note – the recovery of incremental revenue related to fixed production and underground storage costs will be excluded for new natural gas customers added after the FCA Base test year.

MONTHLY RATE:

Group 1 – ~~$0.01506~~ per therm
Group 2 – ~~$0.01006~~ per therm

Patrick D. Ehrbar

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 175
FIXED COST ADJUSTMENT MECHANISM – NATURAL GAS

PURPOSE:

This Schedule establishes balancing accounts and implements an annual Fixed Cost Adjustment ("FCA") rate mechanism that separates the recovery of the Company's Commission authorized revenues from therm sales to customers served under the applicable natural gas service schedules.

TERM:

The term of the FCA mechanism will remain in effect through August 31, 2029.

APPLICABLE:

To Customers in the State of Idaho where the Company has natural gas service available. This schedule shall be applicable to all retail customers taking service under Schedules 101, 111, and 112. This Schedule does not apply to Schedules 131/132 (Interruptible Service), Schedule 146 (Transportation Service For Customer-Owned Gas) or Schedule 148 (Special Contracts). Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 101
Group 2 – Schedules 111 and 112

Note – the recovery of incremental revenue related to fixed production and underground storage costs will be excluded for new natural gas customers added after the FCA Base test year.

MONTHLY RATE:

Group 1 – $0.01737 per therm
Group 2 – $0.00670 per therm