

Agenda Date: July 30, 2015
Item Number: A3

Docket: UE-151148
Company: Avista Corporation

Staff: Brad Cebulko, Regulatory Analyst

Recommendation

Issue a Complaint and Order suspending the tariff but allow the rates in Schedule 91 to go into effect on a temporary basis, subject to revision, and set the matter for prehearing conference.

Background

On May 29, 2015, Avista Corporation d/b/a Avista Utilities (Avista or company) filed revisions to its electric demand side management (DSM) tariff, Schedule 91. Schedule 91 is a tariff rider with rates set to match the future year's electric energy efficiency expenditures and budget, and trued-up with the prior year's actual expenditures and revenue collection. Avista's filing is based on supporting work papers and the company's 2015 DSM Business Plan.¹

The company proposes to reduce Schedule 91 rates by \$3.4 million, or a decrease of 0.7 percent. Under the proposed rate decrease, the monthly bill of the average residential customer using 966 kilowatt-hours per month will decrease \$0.57, or 0.7 percent. The company did not file a revision to its natural gas DSM tariff, Schedule 191, because the company determined that the current funding level is sufficient to support ongoing efforts.

Staff Review and Discussion

The review of Avista's conservation programs occurs in an ongoing manner through such avenues as advisory group participation and review of annual business plans, conservation potential assessments, biennial conservation reports, and annual tariff filings. As such, the annual tariff filings presently before the commission provide us with one of many opportunities to review Avista's conservation expenditures and the appropriateness of those expenditures.

Opower Home Energy Reports

Avista ceased issuing Opower Home Energy Reports in January 2015, due to technical difficulties with its new billing system. The company does not expect to resume issuing reports until at least the end of August 2015, resulting in at least eight months of non-service. During this period, Avista continued to collect revenue from its customers, paid Opower over \$295,000

¹ Avista Corp., Docket UE-132045, filed October 31, 2014.

for the service, but did not issue Home Energy Reports to its customers.² Simply put, the program was not used and useful.

Staff also has concerns with the long-term impact of programmatic savings. The Opower program is designed as a three year program, with regularly issued Home Energy Reports. It is reasonable to assume that a sustained disruption to the designed program could have a negative impact on the program's efficacy and savings potential.

Further, in violation of the commission's Order 01 of Docket UE-132045, Avista failed to inform the Advisory Group soon after the problem began in January.³ Nor did the company discuss the problem at the company's spring Advisory Group meeting on April 20. Avista waited until May 1 to inform the group. This is precisely the type of issue that the company should have brought to its Advisory Group for discussion.

This issue warrants further investigation for possible revenue disallowance.

Staff Audit

On June 7, 2015, staff traveled to Spokane to perform an on-site audit of Avista's conservation incentive and non-incentive expenditures. Prior to the on-site audit, staff reviewed over 1000 expenditures, from which staff selected 34 electric and natural gas line items to comprehensively review on site. The on-site audit consisted of review and verification of:

- Invoice dollar match to line-item expenditures;
- Existence of proper supporting documentation for expenditures;
- Appropriate Washington allocation of expenditures;
- Overall appropriateness of expenditure;
- Presence of proper internal control mechanisms.

During the audit, Staff uncovered two additional issues:

1. Avista improperly assigned more than \$300,000 in natural gas expenditures to the electric program in 2013 and 2014.⁴ The errors occurred when the conservation team worked with the utility accounting office to allocate incoming invoices from a collaborative project with Washington State University. The company has provided documentation that demonstrates that the money has been applied to the natural gas program, however, it still needs to refile Schedule 91 to account for the change in rates.
2. Avista also paid \$2,500 to sponsor a Northwest Energy Coalition (NVEC) evening event. Titled 'Four under Forty,' the event honored four clean energy leaders from around the region and sought donations for the non-profit. The company has agreed to remove this expenditure and adjust the rider balance.

² Staff calculated the total amount as \$295,202.69 and requested confirmation by e-mail to Avista on July 20, 2015.

³ Docket UE-132045, Order 01, Attachment A.

⁴ Staff first discovered an improperly assigned natural gas expenditure of \$16,892.79. Further investigation by the company found additional assignment errors.

Rates – Schedules 91 (Electric)

The total revenue requirement requested in this filing is \$11,752,957, a \$3.4 million decrease from the previous requirement, or negative 0.7 percent in overall rates. The filing states that this is an appropriate level of funding for ongoing DSM operations. Avista is considering additional programs to ensure that it meets its 2014-2015 biennial target which could increase the costs of the portfolio.⁵ If the company does add programs that significantly increase the cost of the portfolio, the company may need to come back to the commission to seek additional funds so as to avoid a substantial rate increase next year.

Rates – Schedules 191 (Natural Gas)

The company provided draft Schedule 191 work papers to the advisory group in June 2015, which would keep current rates unchanged because the rates continue to adequately support the ongoing natural gas portfolio. Based on the information provided at that time, staff agreed that it was likely not necessary to modify rates if the rate change would be less than 0.1 percent of retail revenues. The company's informal work papers projected that the gas portfolio would be underfunded by about \$500,000 at the end of July, 2015.⁶ However, the company's July 2015 stakeholder newsletter indicates that the natural gas rider balance is underfunded by \$1.2 million, a substantial difference.⁷ Evidence suggests that the natural gas portfolio is underfunded and the company should refile its work papers to determine if Schedule 191 rates need to be modified.

Conclusion

The commission should issue an order as described in the recommendation section.

⁵ 'Avista Cost Recovery Questions' e-mail received from Avista on July 17, 2015.

⁶ Informal company work papers provided via email, \$516,042.

⁷ Avista Energy Efficiency Stakeholder Newsletter, July 2015, at page 3.