Agenda Date: July 21, 2016
Item Numbers: A1 and A2

Dockets: UE-160756 and UG-160758
Company: Avista Corporation

Staff: Jing Liu, Regulatory Analyst
Chris McGuire, Energy Policy Strategist
Kathi Scanlan, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff filings made by Avista Corporation in Dockets UE-160756 and UG-160758 to become effective on August 1, 2016, by operation of law.

Background

On May 31, 2016, Avista Corporation d/b/a Avista Utilities (Avista or company) filed revisions to its electric and natural gas demand side management (DSM) tariffs, Schedules 91 and 191. These tariff filings update rates for the recovery of conservation program expenditures. The rate revisions attempt to match Schedule 91 and 191 revenues with ongoing program expenditures. As such, the revised rates true up the previous year's expenditures and collections and include Avista's prospective budget documented in the supporting workpapers for this filing and in the company's 2016 DSM Business Plan.[1]

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 cost recovery tariff filings. The cost recovery tariff filings before the commission now provide us with one of many opportunities to review Avista's conservation expenditures and the appropriateness of those expenditures.

Staff Review

Avista requests a total of $15 million for electric DSM programs, a 32 percent increase from last year. Avista's projection indicates that at current rates, at the end of July 2017 the Schedule 91 balance will be approximately $3.4 million underfunded. The balance to be cleared consists of an expected under-collection of $1 million as of July 31, 2016, and projected $2.4 million under-collection between August 2016 and July 2017.[2]

[1] Docket UE-152076, 2016-2017 Biennial Conservation Report, Appendix B 2016 Demand-Side Management Business Plan (filed October 30, 2015).
[2] Avista provided the actual DSM account balance as of March 31, 2016. The monthly expenditures for the remainder of 2016 are estimated based on 2016 program budget. Expenditures for January through July 2017 are estimated based on 2016 budget with a 5% escalator.

An average residential electric customer using 957 kWhs will see a monthly bill increase of $0.59, from $82.66 to $83.25 (0.7 percent increase).

Avista requests a total of $5.5 million for natural gas DSM programs, a 24 percent increase from 2015. Avista's projection also indicates that at current rates, at the end of July 2017 the Schedule 191 balance will be approximately $1.0 million underfunded. The balance to be cleared consists of an expected under-collection of $1.5 million as of July 31, 2016, and projected $0.5 million over-collection between August 2016 and July 2017.[3]

An average residential natural gas customer using 66 therms will see a monthly bill increase of $0.48, from $61.37 to $61.85 (0.8 percent increase).

On June 17, 2016, staff conducted an on-site audit of Avista's conservation expenditures between April 2015 and March 2016. Overall, staff is satisfied with the supporting documents the company provided for each selected line item expense. Staff found minor issues associated with record keeping[4] and some small program adjustments, [5] which the company has already corrected or has agreed to correct. These staff audit findings are detailed in the attachment to this memo. Staff highlight two issues that merit attention here.

I. OPower Program

OPower provides residential home energy reports to customers showing each customer's energy usage compared to peer groups. The original program contract was for a total of 19 reports from June 2013 to June 2016. In 2015, as it migrated to its new billing system, Avista delayed issuing three home energy reports for its OPower program. As part of a settlement in its 2015 Conservation tariff review, Avista refunded $211,589 to customers.[6] The settlement stipulation provided that the amount remain in the tariff rider balancing account as a regulatory liability and that Avista may seek recovery of these costs as part of this filing.[7]

Avista has extended the original OPower contract. OPower has agreed to run three reports during the third quarter of 2016 without additional cost to Avista. Staff believes this agreement justifies the recovery of the $211,589 previously refunded. Staff will monitor the program delivery through advisory group meetings and the company's annual DSM reports.

[3] *Id.*
[4] Record keeping issues include the integration of the new Customer Care & Billing system's DSM module and the accounting system; and failure to update the project top-sheet.
[5] Small program adjustments include the addition of eligibility criteria for rebates on HVAC variable frequency drives; limiting natural gas incentives to projects with a simple payback period of 15 years or less; and an agreement to ensure that the scope of the replacement technology matches the baseline technology.
[6] UE-151148, Order 04. See compliance filing dated March 30, 2016.
[7] UE-151148, Multiparty Settlement Stipulation, p.6.

II. ESource Payment

Staff requested the invoice for ESource, a common cost item in the electric non-incentive category and inquired about the payment of $15,762 for “customer strategy council” in December 2015. The company made an error in cost allocation. Given that the work performed by ESource was not completely specific to DSM, the cost should have been split between corporate planning and DSM. However, for December 2015, the entire amount is booked under Washington-Idaho electric DSM program.

The company has corrected the allocation and the DSM balance accounts will reflect the following correction:

Esource Strategy Council
Expense Allocation

$ 15,762

	Corrected	Current	Change
099 Corporate planning	7,881	-	7,881
028 DSM - WA Gas	1,576	-	1,576
098 DSM - WA Electric	4,413	11,033	(6,620)
098 DSM - ID Electric	1,891	4,728	(2,837)
	15,762	15,762	0

As a result, the company will book a $1,576 increase to the Washington gas DSM expenditure and a $6,620 reduction in the Washington electric DSM revenue requirement. The change will be reflected in the July 2016 actual expenditure report in next year’s conservation tariff revision.

Recommendation

Staff’s review indicates that the proposed Schedule 91 and Schedule 191 rates are reasonable and will sufficiently balance the DSM funding accounts over the next year. Staff recommends that the commission take no action, thereby allowing the tariff filings made by Avista Corporation in Dockets UE-160756 and UG-160758 to become effective on August 1, 2016, by operation of law.