

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

AVISTA CORPORATION,

Petitioner,

For an Order Authorizing Accounting and  
Ratemaking Treatment of Fees for  
Payments Made by Residential Customers

DOCKET UE-160071 and  
DOCKET UG-160072

ORDER 01

ORDER GRANTING ACCOUNTING  
PETITION

**BACKGROUND**

- 1 On January 12, 2016, Avista Corporation (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition requesting an order authorizing accounting and ratemaking treatment of fees for credit and debit card payments made by residential customers (Petition). Avista seeks to defer, for up to 36 months, all fees paid by Avista related to offering a fee-free program for payment of bills by Washington residential customers that use credit and debit cards. Absent approval of this deferral, the company states that it will not move forward with a fee-free program. Avista has also sought similar treatment in Oregon and Idaho.
- 2 Under the Company’s current practices, Avista customers who wish to pay their bills with a credit or debit card pay a \$3.50 fee directly to Avista’s third-party payment processor; Avista receives no portion of this fee. No other standard forms of payment, such as money orders, checks, or cash, require customers to pay a “convenience fee.” Instead, the costs of processing these payments are recovered as a routine administrative expense through rates.
- 3 However, if Avista incurs the payment fees rather than customers, the Company will qualify to use the lower “utility rate” interchange rates assessed by payment networks such as VISA and MasterCard. The lower interchange rate will significantly reduce the cost per transaction. Access to this lower interchange rate requires demonstrating to payment networks that the utility is the entity incurring the costs of processing payments.
- 4 In order to achieve this method of cost-reduction for its card-paying customers, Avista seeks to defer the costs associated with processing these payments. Approval of the deferral would allow Avista to begin the fee-free program for residential customers in

October of this year. The total length of time in which deferred costs are anticipated to accrue is 21 months, based on an expected suspension date of July 1, 2018, of Avista's next rate case.<sup>1</sup> Assuming a future rate case filing date of July 1, 2017, this deferral would be available for review for intervening parties after nine months of accrual and through the pendency of the rate case.<sup>2</sup> Separately, Avista has also agreed to provide updates to the Commission every three months about the program's progress.

5 Staff recommends the Commission grant the Company's Petition and approve the proposed accounting treatment. Moving to a fee-free program would eliminate the \$3.50 "convenience charge" customers currently pay, and instead would result in the Company paying roughly \$1.50 per transaction for these same payments. Approval of a deferral will also allow the record to reflect known-and-measurable customer behavior under a fee-free program without exposing the company to large losses.

### DISCUSSION

6 We agree with Staff's recommendation and grant the Company's Petition. Avista's proposed accounting treatment would enable the Company to proceed with implementing a fee-free program for residential customers paying by credit and debit card at a significantly lower cost for each payment processed. Accordingly, we find that the Petition is consistent with the public interest and should be approved.

### FINDINGS AND CONCLUSIONS

- 7 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 8 (2) Avista is an electric company and a public service company subject to Commission jurisdiction.

---

<sup>1</sup> Avista plans on proposing in its next rate case to recover the deferred balance from all customers over a two year amortization period.

<sup>2</sup> Avista received 4,759,839 residential payments in 2014. Assuming a 15 percent adoption rate by these customers – consistent with the 14 percent adoption rate experienced by Northwest Natural<sup>2</sup> – Avista expects to defer roughly \$607,000 million over the course of a year. Over a presumed 21 month deferral period, this would amount to approximately \$1.03 million.

- 9 (3) WAC 480-07-370(1)(b), allows companies to file petitions, including the Petition Avista filed in this docket.
- 10 (4) Staff has reviewed the Petition in Dockets UE-160071 and UG-160072, including related work papers.
- 11 (5) Staff finds that Avista's Petition is reasonable and should be granted.
- 12 (6) This matter came before the Commission at its regularly scheduled meeting on March 24, 2016.
- 13 (7) After reviewing Avista's Petition filed in Dockets UE-160071 and UG-160072, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition should be granted.

**ORDER**

**THE COMMISSION ORDERS:**

- 14 (1) Avista Corporation's Petition to defer all fees paid by Avista related to offering a fee-free program for payment of bills by Washington residential customers that use credit and debit cards is granted.
- 15 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate, determination of costs, valuation of property claimed or asserted or to the possible recovery of, or return on, the amounts deferred to the regulatory asset.
- 16 (3) The Commission retains jurisdiction over the subject matter and Avista Corporation to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective March 24, 2016.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner