Agenda Date: January 29, 2009

Item Numbers: A2 and A3

**Docket: UE-082272 and UG-090052**

Company: Avista Corporation

Staff: Deborah Reynolds, Regulatory Analyst

Vanda Novak, Quantitative Analyst

**Recommendation**

Take no action, thereby allowing Avista Corporation’s (Avista or company) proposed energy efficiency tariff rider revisions filed in Dockets UE-082272 and UG-090052 to become effective February 1, 2009, by operation of law.

**Background**

Avista funds its energy efficiency programs through two special tariff riders.[[1]](#footnote-2) As detailed in its filing, the energy efficiency tariff riders support a range of programs, from rebates for the installation of residential high efficiency furnaces to complex site specific industrial energy efficiency improvements. As with other utilities, the program includes participation in the Northwest Energy Efficiency Alliance, a regional market transformation effort.

Avista’s filing details the programs it offers and its progress toward its energy efficiency targets. The cost effectiveness of Avista’s programs is reviewed during a general rate case as proposed in the original 1994 filing. The parties to the recently approved settlement in Dockets UE-080416 and UG-080417 stipulated that the demand side management (DSM) investment in the 2007 test period was prudent. Staff believes future rate cases should include a discussion of the tariff rider balances as well as the cost effectiveness of the resource.

Avista’s External Energy Efficiency Board (Triple E)[[2]](#footnote-3) reviews the company’s program results and future plans. Staff is a member of the Triple E Board and attends twice-yearly meetings and provides comments on the DSM business plan.

**Discussion**

On December 31, 2008, Avista filed tariff sheets increasing the amount collected under its energy efficiency tariff riders. The company later requested the tariff sheets become effective February 1, 2009. The increased collection is intended to eliminate, over two years, negative tariff rider balances and cover an increase in the annual budget for energy efficiency services. The proposed budget was submitted to Avista’s Triple E Board for comments in October, 2008.

In its review of the filings, Staff was concerned about the size of the negative tariff rider balances, and the length of time over which the company had been collecting the budget over-runs. As a result, Staff revisited the previous rate case finding regarding whether energy efficiency dollars from 2007 had been spent wisely. Staff asked three overarching questions. First, staff considered whether the cost of the program per kilowatt hour (kWh) or therm saved less than the cost of adding new generation. The company’s business plan provided support for the total energy efficiency resource cost, and Staff compared this cost to the avoided cost based on the integrated resource plan (IRP). The price per megawatt hour (MWh) of energy efficiency was $40, while the avoided cost of additional generation was $66.

Second, staff looked at whether the individual energy efficiency programs had reasonable energy savings. The company used deemed savings as determined by the Regional Technical Forum.[[3]](#footnote-4) Deemed savings start out as technically feasible savings, and are reduced to an achievable number by various assumptions. Staff also asked for an explanation of Avista’s process for refining those savings where it had better data, and was satisfied that Avista was conservative when it adjusted savings.

Third, staff reviewed how much of the energy efficiency money collected by tariff flows through to consumers. The company routinely reports this value in its Triple E reports. In 2007, 72 percent of expenditures were returned to ratepayers through incentives. In the 2009 budget used to develop the rates in this filing, the company is aiming for 79 percent of expenditures to flow through to customers.

In addition to these questions, staff reviewed the results of the Total Resource Cost and Utility Cost tests, and found that the benefits of the acquired energy efficiency outweighed the costs by 2.24 for the electric portfolio and 1.06 for the natural gas portfolio. Overall, even though the company has exceeded its budget in three of the last six years, staff is satisfied that the additional expenditures should be recovered.

To reduce the likelihood of a similar situation recurring, Staff, Public Counsel, and the company consulted and the company has revised its filing to include a required annual filing going forward and additional reporting. The “Attachment to Avista’s January 22, 2009 ‘Revised’ Application in Docket Nos. UE-082272 and UG-090052” is included with this memorandum. Staff will be closely monitoring the results of the revised application. In light of these changes to the filing, staff believes the filing should be allowed to go into effect. The individual changes from the tariff rider filings are detailed below.

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| **Electric Service** | **Schedule** | **Existing Rate** | **Proposed Rate** |
| Residential Service | Schedule 1 | .00186 | .00317 |
| Commercial Service | Schedules 11 & 12 | .00263 | .00449 |
| Industrial Service | Schedules 21 & 22 | .00194 | .00331 |
| Large User Services | Schedule 25 | .00127 | .00217 |
| Pumping Services | Schedules 31 & 32 | .00173 | .00295 |
| Outdoor Lighting | Schedules 41-48 | 2.81% of bill | 4.79% of bill |

The negative electric tariff rider balance is currently $5.9 million. The proposed rates above will recover that amount over two years, as well as budgeted electric energy efficiency spending of $12,825,032. The proposed electric tariff rider reflects a 1.68 percent increase in the company’s base electric revenues, increasing the average bill for an electric residential customer using 1000 kWh per month by $1.31.

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| **Natural Gas Service** | **Schedule** | **Existing Rate** | **Proposed Rate** |
| Residential Service | Schedule 101 | .01837 | .03344 |
| Commercial Service | Schedules 111 & 112 | .01617 | .02944 |
| Industrial Service | Schedules 121 & 122 | .01514 | .02756 |
| Contract Services | Schedules 131 & 132 | .01463 | .02663 |

The negative natural gas tariff rider balance is currently $2.8 million. The proposed rates above will recover that amount over two years, as well as budgeted natural gas energy efficiency spending of $3,663,703. The proposed natural gas tariff rider reflects a 0.95 percent increase in the company’s base natural gas revenues, increasing the average bill for a natural gas residential customer using 80 therms per month by $1.21.

**Conclusion**

Staff reviewed the proposed tariff revisions filed by Avista in Dockets UE-082272 and

UG-090052 and found them to be reasonable. Therefore, Staff recommends the Commission take no action thereby allowing Avista’s proposed energy efficiency tariff rider revisions in Dockets UE-082272 and UG-090052 to become effective February 1, 2009, by operation of law.

Attachment

1. See Dockets UE-941377 and UG-941378. [↑](#footnote-ref-2)
2. See Docket UE-981126. [↑](#footnote-ref-3)
3. The Regional Technical Forum is an advisory committee of the Northwest Power and Conservation Council that establishes energy efficiency verification standards. Its website is http://www.nwcouncil.org/energy/rtf/Default.htm. [↑](#footnote-ref-4)