

Agenda Date: March 25, 2010  
Item Number: A4

Docket: UG-100254  
Company: Avista Corporation

Staff: Deborah Reynolds, Regulatory Analyst  
Roland Martin, Regulatory Analyst  
Roger Kouchi, Consumer Protection Staff

## **Recommendation**

Take no action, allowing Avista Corporation's (Avista or company) proposed natural gas energy efficiency tariff rider revision to Schedule 191 filed in Docket UG-100254 to become effective April 1, 2010, by operation of law.

## **Background**

Avista funds its energy efficiency programs through two special tariff riders, the electric Schedule 91 and natural gas Schedule 191.<sup>1</sup> 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. The electric energy efficiency tariff rider does not need adjustment this year.

Avista's External Energy Efficiency Board (Triple E)<sup>2</sup> reviews the company's program results and future plans. Staff is a member of the Triple E Board and attends twice-yearly meetings.

## **Discussion**

On February 12, 2010, Avista filed proposed revisions to its tariff sheet, WN U-29 Natural Gas Schedule 191-Public Purposes Rider Adjustment –WA, to become effective April 1, 2010. The proposed rate increase is intended to fund the 2010 Demand Side Management (DSM) annual budget<sup>3</sup> for natural gas energy efficiency services and to collect the under-recovered amount in the balancing account as of January 31, 2010. The impact of the proposal is an annual revenue increase of approximately \$6.4 million or an increase of 4.5% of billed rates. On March 17, 2010, the company filed substitute tariff page reflecting decreased rates, in response to the significant rate impact concern of staff.

The cost effectiveness of Avista's programs funded by the rider has historically been reviewed during a general rate case. However, in its most recent general rate case, Dockets UE-090134 and UG-090135, the company's request for a prudence determination of its 2008 DSM program result was not addressed in the commission's findings. In the company's decoupling surcharge

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<sup>1</sup> See Dockets UE-941377 and UG-941378.

<sup>2</sup> See Docket UE-981126.

<sup>3</sup> The DSM annual budget was filed by Avista as part of its DSM Business Plan attached to its I-937 filing in Docket UE-100176.

filing in Docket UG-091399, Staff and Public Counsel reviewed some aspects of the company's 2008 DSM achievements and as a result, the company agreed to adjust the number of therms claimed and reduce its decoupling recovery accordingly.<sup>4</sup>

In its review of the current docket, staff resumed its examination of the company's 2008 DSM cost-effectiveness but has not reached a final conclusion. If further investigation results in an adjustment, it will be applied to the January 2010 balance of under-recovered DSM costs and incorporated into rates when the 2009 natural gas achievements are reviewed and the tariff rider is reset in 2011.

The under-recovery in the balancing account as of January 2010 was \$3.7 million. The revised proposed rates shown below will recover half of that amount, or \$1.86 million, and the net 2010 budgeted natural gas energy efficiency spending of \$4.8 million.

Natural Gas Service	Schedule	Existing Rate	Proposed Rate
Residential Service	Schedule 101	\$0.03344	\$0.05135
Commercial Service	Schedules 111 & 112	\$0.02944	\$0.04939
Industrial Service	Schedules 121 & 122	\$0.02756	\$0.04675
Contract Services	Schedules 131 & 132	\$0.02663	\$0.04298

The annual revenue impact of the proposed revision to the natural gas tariff rider is approximately \$3.2 million or 2.27% of billed rates. The proposed rate will increase the average monthly bill for a natural gas residential customer using 70 therms per month by \$1.25.

Staff and the company agreed on certain additional documentation and support for its next filing to facilitate review. See Attachment 1.

On March 19, 2010, Public Counsel filed a letter to inform the commission that it does not oppose Avista's revised filing and to submit certain recommendations related to concerns regarding the tariff rider filing. Specifically, Public Counsel recommends the commission direct the company to provide in its next general rate case a plan to address DSM budgeting and balancing account issues, and comprehensive evidence regarding the cost effectiveness analysis and prudence of its DSM expenditures. In addition, Public Counsel recommends modification of the tariff filing schedule.

Staff generally concurs with Public Counsel regarding its recommendations for the next general rate case and modification of the tariff filing schedule. Staff believes that the conditions agreed

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<sup>4</sup> Although staff's testimony in Dockets UE-090134, UG-090135, and UG-060518, *consolidated*, said that the Company's DSM investment was cost-effective, more information came to light in staff's review of the company's decoupling surcharge in Docket UG-091399. See Public Counsel Comment letter dated October 23, 2009, Docket UG-091399, and Staff Handout from the October 29, 2009, open meeting in the same docket.

to by the company, detailed in Attachment 1 to this memo, are consistent with and complement those recommendations.

### **Customer Comments**

On February 12, 2010, the company notified its customers of the proposed rate increase by a news release to newspapers, radio and television stations and community agencies within the company's service area. The commission received one customer comment on this filing; the consumer opposed the proposed increase.

Consumer Protection staff advised customers that they may access company documents about this rate case at [www.utc.wa.gov](http://www.utc.wa.gov), and that they may contact Roger Kouchi at 1-888-333-9882.

### **General Comments**

- One consumer is frustrated because Avista has been raising rates frequently for the past few years.

### **Staff Response**

State law requires rates to be fair and reasonable, and sufficient to allow the company the opportunity to recover reasonable operating expenses and earn a reasonable return on investment.

### **Conclusion**

Staff found the revised proposed tariff revisions filed by Avista in Docket UG-100254 reasonable. Therefore, Staff recommends the Commission take no action thereby allowing Avista's proposed energy efficiency tariff rider revisions in Docket UG-100254 to become effective April 1, 2010, by operation of law.