

Agenda Date: February 28, 2008
Item Number: A1

Docket: UG-060518
Company: Avista Utilities

Staff: Doug Kilpatrick, Senior Engineer
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Recommendation

Receive Avista Utilities' update on the development of a decoupling program evaluation plan that was required in the commission's order allowing the establishment of its natural gas decoupling pilot.

Background

On February 1, 2007, the commission granted Avista Utilities' (Avista) request for approval of a decoupling mechanism pilot program in Order 04 in Docket UG-060518. Avista had petitioned the commission for authority to implement a mechanism to decouple its natural gas rates for conducting business operations, from its rates for commodity sales. Avista's request was granted effective January 1, 2007, to implement a pilot decoupling program for a term of two years and six months (January 2007 – June 2009).

In traditional ratemaking, utilities recover a large portion of their fixed costs through charges based on the volume of energy that consumers use. Consequently, a reduction in energy consumption may lower the probability that the utility will fully recover its fixed costs. Decoupling is a ratemaking and regulatory tool intended to break the link between a utility's recovery of fixed costs and a consumer's energy consumption by reducing the impact of energy consumption on a utility's recovery of its fixed costs. Conservation advocates view decoupling as an important tool to promote greater conservation efforts by the utility by removing financial disincentives.

Discussion

In its Order adopting the settlement agreement in Docket UG-060518, the commission ordered Avista to review the decoupling program at its conclusion (after June 2009) through a general rate case to ensure an adequate review of the program and its accomplishments¹. Further, in the settlement agreement filed by Avista, commission staff, Northwest Industrial Gas Users, and the Northwest Energy Coalition, it was agreed that the parties would collaboratively develop a draft evaluation plan and file it with the commission by December 31, 2007. The purpose of the plan was to detail what program issues would be assessed after June 2009 and ensure that adequate data was available to support thorough evaluation.

¹ Docket UG-060518, Order 04, ¶ 32.

On January 18, 2008, Avista contacted commission staff by e-mail to report that the company was aware that the specified deadline for filing the draft evaluation plan had not been met. In the e-mail, Avista sent an initial outline of an evaluation plan for the decoupling pilot program. Avista indicated that it was preparing to send a discussion draft to the other parties in the settlement agreement in order to start the collaborative discussion. Staff offered some thoughts and additions to the outline in a reply sent on January 25, 2008.

On January 31, 2008, Public Counsel submitted a letter to the commission regarding the missed deadline. Public Counsel stated that, among other things, it believed “the careful evaluation of the mechanism is being jeopardized by failure to develop and file the draft plan as required by the Settlement Agreement.”

Avista responded to Public Counsel’s letter on February 1, 2008. Avista expressed its understanding of the importance of an evaluation plan for the decoupling pilot and indicated that it had been in contact with commission staff to create a draft for discussion purposes with parties to the settlement agreement. Avista apologized for the delay and stated it would redouble its efforts to arrive at a draft evaluation plan satisfactory to all parties. Avista offered in the letter that “the Company, within thirty (30) days, will either file a copy of the final evaluation plan or a progress report concerning status of the plan.”

Conclusion

Avista is currently developing an evaluation plan for the decoupling pilot as required by commission Order 04. After Avista sent its response letter to the commission, the company contacted the parties to the settlement agreement in Docket UG-060518 and Public Counsel by e-mail with a copy of the initial draft plan. Avista stated that the next steps would be determined based on the extent of comments or questions received.