

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of  
  
AVISTA CORPORATION,  
  
Petitioner,  
  
For an Order Authorizing Approval of  
Changes to the Company’s Natural Gas  
Line Extension Tariff and Accounting  
Ratemaking Treatment

DOCKET UG-152394  
  
ORDER 01  
  
ORDER GRANTING PETITION

**BACKGROUND**

- 1 On December 16, 2015, Avista Corporation (Avista or Company) filed a Petition for an Order Authorizing Approval of Changes to the Company’s Natural Gas Line Extension Tariff, Limited Waiver of WAC 480-90-223(1), and Accounting Ratemaking Treatment (Petition). The Company requests approval to make changes to its natural gas line extension tariff, Tariff WN U-29, Schedule 151, including 1) a modification to the calculation for line extension allowances, 2) a limited waiver of WAC 480-90-223(1) related to natural gas advertising, and 3) accounting and ratemaking treatment related to the use of any excess single-family residential line extension allowance. Avista proposes these changes be approved on a temporary basis, for a pilot period of three years, with a subsequent review to determine their effectiveness.
- 2 Following conversations with Commission Staff (Staff), Avista filed replacement tariff pages on February 2, 2016. The revised tariff pages include coding notations and updated allowances to reflect new base values resulting from the Company’s 2015 general rate case.<sup>1</sup> Avista also withdrew its request for a limited waiver of WAC 480-90-223(1).
- 3 In its Petition, Avista proposes adopting a new methodology for the calculation of line extension allowances, known as the Perpetual Net Present Value method, which uses figures that are established by the Commission during a rate case. Staff supports using this methodology because it produces the maximum line extension allowance that is economically viable for the Company.

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<sup>1</sup> The updated allowances modify terms of the “Excess Allowance for Existing Single-Family Residential Schedule 101 customers,” and clarify that the Excess Allowance Rebate does not apply to new construction.

- 4 Avista next proposes a rebate program for existing single-family, Residential Schedule 101 customers that receive a natural gas line extension as part of conversion to natural gas from another fuel source. In cases where the customer's line extension allowance exceeds the cost of providing the line extension, an "excess allowance" remains. Customers in these circumstances can, within 90 days, apply for a rebate to cover the costs of purchasing and installing high-efficiency natural gas appliances for space-heating and water-heating.<sup>2</sup> During the three year period, between March 1, 2016, and February 28, 2019, the Company proposes to file semi-annual reports with the Commission showing the impact of the increased allowance and rebates.
- 5 Avista also seeks to defer the excess allowance rebates paid to Washington residential customers upon conversion to natural gas from another fuel source. Staff finds that deferring these expenses for later recovery is appropriate and that the three-year period requested for this treatment provides a reasonable timeframe in which to expect the Company to file a general rate case, which will serve as an opportunity to review the program.
- 6 Overall, Staff finds that Avista's revised natural gas line extension allowance methodology allows the Company to make natural gas service more accessible to single-family residences in its service territory. Staff recommends the Commission approve the Company's Petition as revised on February 2, 2016.

### DISCUSSION

- 7 We agree with Staff that Avista's revised natural gas line extension allowance methodology is appropriate. The change in methodology will better ensure that the Company is acquiring new customers who will aid in lowering fixed costs recovered from existing customers. In addition, the excess allowance rebate will aid in mitigating the switching costs for many customers who are interested in natural gas services while ensuring that the Company does not acquire new customers to the detriment of existing customers.
- 8 We also agree with Staff that deferring the excess allowance rebates for later recovery is appropriate given that acquisition of these customers will aid in lowering costs to existing customers by spreading the burden of fixed costs over a larger user base. Accordingly, we approve the proposed changes to the Company's Natural Gas Line

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<sup>2</sup> "High efficiency" is as defined in the company's conservation and demand-side management program, similar in standards to the Department of Energy's Energy STAR program.

Extension Tariff on a temporary basis for a three-year period, and authorize accounting ratemaking treatment. To document the impact of the increased allowance and rebates, Avista must file semi-annual reports with Commission during the three-year pilot period.

### **FINDINGS AND CONCLUSIONS**

- 9 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts, securities, transfers of property, and affiliated interests of public service companies, including electric companies.
- 10 (2) Avista is an electric company and a public service company subject to Commission jurisdiction.
- 11 (3) This matter came before the Commission at its regularly scheduled meeting on February 25, 2016.
- 12 (4) On December 16, 2015, Avista filed a petition for an order authorizing approval of changes to the Company's natural gas line extension tariff, limited waiver of WAC 480-90-223(1), and accounting ratemaking treatment. On February 2, 2016, Avista filed replacement tariff pages and withdrew its request for a limited waiver of WAC 480-90-223(1).
- 13 (5) Staff reviewed the Petition and found that Avista's revised methodology produces the maximum line extension allowance that is economically-viable for the Company. Staff also found that the proposed accounting ratemaking treatment is appropriate.
- 14 (6) After reviewing Avista's Petition and giving due consideration to all relevant matters and for good cause shown, the Commission finds it is consistent with the public interest to grant Avista's Petition on a temporary basis for a three-year period and authorize both the changes to the Company's natural gas line extension tariff and accounting ratemaking treatment. The Company should be required to file semi-annual reports with the Commission showing the impact of the increased allowance and rebates.

**ORDER**

**THE COMMISSION ORDERS:**

- 15 (1) Avista Corporation's Petition for approval of changes to the Company's natural  
gas line extension tariff and accounting ratemaking treatment on a temporary  
basis for a three-year period, as revised on February 2, 2016, is granted.
- 16 (2) The proposed revision to Tariff WN U-29, Schedule 151, is approved.
- 17 (3) Avista Corporation must file with the Commission semi-annual reports showing  
the impact of the increased allowance and rebates during the three-year pilot  
period from March 1, 2016, to February 28, 2019.
- 18 (4) The Commission retains jurisdiction over the subject matter and Avista  
Corporation to effectuate the terms of this Order.

DATED at Olympia, Washington, and effective February 25, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN RENDAHL, Commissioner