

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

AVISTA CORPORATION d/b/a AVISTA
UTILITIES

Petitioner,

For An Accounting Order Authorizing
Approval of Changes to the Company's
Natural Gas Line Extension Tariff and
Associated Accounting and Ratemaking
Treatment

DOCKET UG-180920

ORDER 01

ORDER GRANTING SECOND
AMENDED ACCOUNTING
PETITION

BACKGROUND

- 1 On February 25, 2016, the Commission issued Order 01 in Docket UG-152394 approving modifications to the Line Extension Allowance Program (LEAP) tariff schedule (Schedule 151) for Avista Corporation d/b/a Avista Utilities (Avista or Company) for a pilot period of three years and required the Company to file semi-annual reports showing the impact of the LEAP Pilot. The LEAP Pilot created a rebate program for existing single-family customers, Residential Schedule 101, 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 and water heating.
- 2 On November 9, 2018, in Docket UG-180920, Avista filed with the Washington Utilities and Transportation Commission (Commission) a petition (Petition) requesting an order authorizing the Company to: 1) make permanent the perpetual net present value (PNPV) method for calculating line extension allowances, and 2) make permanent the existing LEAP Pilot, set to expire on February 28, 2019, including the associated accounting and ratemaking treatment. With its Petition, the Company provided a Report on its LEAP Pilot, the purpose of which is to present the Company's evaluation of how well the LEAP Pilot addressed certain public policy goals discussed in Commission staff's (Staff)

Investigation of Natural Gas Distribution Infrastructure Expansion in Docket UG-143616.¹

3 Following discussions with Commission staff, Avista filed an amended petition on December 5, 2018, revising its request to extend the LEAP Pilot for an additional three years rather than making it permanent (Amended Petition). This Amended Petition to extend the LEAP Pilot was discussed before the Commission at its regularly scheduled open meeting on December 13, 2018. At that open meeting, the Commission did not make a determination whether to extend or discontinue the LEAP Pilot, instead choosing to revisit the issue at a future open meeting. On January 14, 2019, Avista filed a Second Revised Petition in this docket. With this most recent petition, Avista seeks to withdraw its proposed extension of the LEAP pilot, allowing the pilot to expire on February 29, 2019, but to maintain its original request to make permanent the PNPV calculation methodology used to determine the amount of a line extension allowance.

Staff Recommendation

4 With its Second Revised Petition, Avista now seeks to allow the LEAP pilot to expire on February 28, 2019. However, Avista also proposes to continue using, on a permanent basis, the PNPV method for calculating residential line extension allowances.² Staff observes that the Commission previously approved the PNPV methodology for Cascade Natural Gas and Puget Sound Energy, and previously stated in Order 01 in Docket UG-152394 that the methodology is appropriate for Avista. Staff continues to support this method because it is based on economic principles and is easy to understand and administer. Accordingly, Staff supports Avista's proposal to use the PNPV method on a permanent basis, and recommends that the Commission grant the Second Revised Petition.

¹ On October 2, 2014, the Commission opened Docket UG-143616 to investigate the need for expanding natural gas distribution infrastructure and to investigate the options available to implement such expansion. During the next year, the Commission issued three notices for comment and held two workshops at recessed open meetings. As a result of those discussions, the Commission identified the following public policy issues: 1) promoting natural gas distribution infrastructure expansion, 2) reducing the environmental impacts of oil furnace and wood burning stove emissions, 3) increasing economic development by expanding natural gas service areas, and 4) promoting energy efficiency.

² The PNPV method calculates the line extension allowance using the stream of all future incremental revenues associated with the addition of a new customer, discounted to present. The simplified calculation is the annual incremental revenue divided by the authorized rate of return.

Other Comments

5 In addition to its original comments supporting the LEAP program filed on December 7,
2018, Public Counsel filed another comments to support the continued use of the PNPV
methodology on January 25, 2019.

DISCUSSION

6 We agree with Staff's recommendation and grant the Company's Second Amended
Petition, making the PNPV method permanent and allowing the Company to withdraw its
request to extend the existing LEAP Pilot, including the associated accounting and
ratemaking treatment as it related to the Pilot, otherwise set to expire February 28, 2019.

7 We agree with Staff and the Company that permanently adopting the PNPV method for
calculating residential line extension allowances is reasonable. As Avista notes in its
Amended Petition, using the PNPV method makes the line extension allowance easier for
customers to understand, for the Company to administer, and for Staff to audit. As Staff
observes, the methodology is also similar to what the Commission has approved for both
Cascade Natural Gas and Puget Sound Energy on an ongoing basis.

FINDINGS AND CONCLUSIONS

8 (1) The 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.

9 (2) Avista is an electric and gas company and a public service company subject to
Commission jurisdiction.

10 (3) WAC 480-07-370(1)(b), allows companies to file petitions, including the Petition
and two Amended Petitions Avista filed in this docket.

11 (4) Staff has reviewed the Petition and the two Amended Petitions in Docket UG-
180920, including related work papers.

12 (5) Staff finds that Avista's Amended Petition is reasonable and should be granted.

- 13 (6) This matter came before the Commission at its regularly scheduled meeting on February 28, 2019.
- 14 (7) After reviewing Avista's Second Amended Petition filed in Docket UG-180920 on January 14, 2019, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Second Amended Petition should be granted.

ORDER

THE COMMISSION ORDERS:

- 15 (1) Avista Corporation d/b/a Avista Utilities' Second Amended Petition to make permanent the current Perpetual Net Present Value (PNPV) calculation methodology used to determine the amount of a line extension allowance and to withdraw its request to extend the existing Line Extension Allowance Program Pilot is granted.
- 16 (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.
- 17 (3) The Commission retains jurisdiction over the subject matter and Avista Corporation d/b/a Avista Utilities to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective February 28, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON, Executive Director and Secretary