

Agenda Date: April 25, 2013
Item Numbers: A1 and A2

Dockets: UG-120790 and UG-121119
Company: Avista Corporation, dba Avista Utilities

Staff: Deborah Reynolds, Assistant Director
Eric Russell, Regulatory Analyst
EJ Keating, Regulatory Analyst

Recommendation

Issue an Order to:

1. Dismiss the Complaint and Order Suspending the Tariff; Allowing Rates on a Temporary Basis, Subject to Revision in Docket UG-120790.
2. Allow the tariff revision filed on May 31, 2012, and revised on June 5, 2012, by Avista Corporation to become effective on May 1, 2013, on a permanent basis.

Background

On May 31, 2012, and again on June 5, 2012, Avista Corporation (Avista) filed with the Washington Utilities and Transportation Commission (commission) a revision to Schedule 191, its Public Purposes Rider Adjustment. The purpose of the filing is to decrease the tariff charges to reflect actual costs and collections over the past year for gas conservation programs. The filing is intricately linked with Avista's subsequent filing in Docket UG-121119 that proposes to discontinue its gas conservation programs.¹ On July 27, 2012, the commission suspended the tariff, allowing the rates on a temporary basis subject to revision.²

Shortly thereafter, on July 31, 2012, the commission commenced a rule-making proceeding in Docket UG-121207 to consider, among other things, the methods by which the commission, and the gas utilities, should evaluate the cost-effectiveness of gas conservation programs.

The commission and parties to the various dockets concerning natural gas conservation programs performed extensive investigations, exchanged comments, and discussed Avista's filings. Avista proposed the following alternative cost-effectiveness analysis in its comments to the commission filed April 8, 2013, in Docket UG-121207:

¹ See staff open meeting memos, Docket UG-121119, Sep. 27, 2012, and Dec. 21, 2012.

² Paragraph 1 of Order 01, Docket UG-120790, incorrectly identified the filed tariff sheet as First Revision Sheet No. 190 – Supplemental Schedule 191, Public Purposes Rider Adjustment. The order should have referred to Substitute Fifteenth Revision Sheet 191 – Schedule 191, Public Purposes Rider Adjustment.

The success of the company's demand-side management efforts will generally be judged by the quantity of resource acquisition achieved through a portfolio that passes the gross utility cost test (UCT), with consideration given to all elements of participant economics.

During the discussion of Dockets UG-121207 and UG-121119 at the open meeting on April 11, 2013, the Commissioners in attendance decided that stopping gas conservation programs as a result of an incomplete Total Resource Cost Test (TRC) evaluation that excludes the full value of the non-energy and risk reduction benefits of conservation programs is not appropriate. They further agreed that the more appropriate course is either to undertake a complete TRC evaluation, including all the requisite technical studies to quantify non-energy and risk avoidance benefits, or to use the UCT to evaluate the cost-effectiveness of gas conservation programs until such studies are available.

As a result of the open meeting discussion, the company proposed that the commission should permit the tariff revision in Docket UG-120790 to go into effect by operation of law, and the company would subsequently withdraw the proposed tariff revisions in Docket UG-121119 and undertake further analysis of its gas conservation programs.

Discussion

Avista's proposal to stop its gas conservation programs in Docket UG-121119 is based on the company's analysis of its gas conservation portfolio using the TRC. The decision of whether or not to adjust the tariff rider rate in Docket UG-120790 is highly dependent on whether or not Avista's existing gas conservation programs end. Avista's proposed application of the UCT ensures that programs will continue to be cost-effective under the UCT, and considers the impacts on participants in designing programs.

The commission has not yet determined the best approach for considering the cost-effectiveness of natural gas conservation programs. Avista's proposal addresses the Commissioners' concerns. Accordingly, in the interim, staff recommends the commission dismiss the complaint in Docket UG-120790 and allow the tariff revision to go into effect with the understanding that the company will withdraw its filing in Docket UG-121119, and evaluate its gas conservation programs as proposed.

Conclusion

Issue an Order to:

1. Dismiss the Complaint and Order Suspending the Tariff; Allowing Rates on a Temporary Basis, Subject to Revision in Docket UG-120790.

2. Allow the tariff revision filed on May 31, 2012, and revised on June 5, 2012, by Avista Corporation to become effective on May 1, 2013, on a permanent basis.