

E Proportion of Margin Lost to Company-Sponsored DSM Relative to the Amount Subject to Recovery

Section E Introduction

Paragraph 26 of the Commission’s Order No. 4 states that the Commission will “closely scrutinize” the proportion of margin lost to Company-sponsored DSM relative to the amount subject to recovery. This information is therefore a key part of the Evaluation.

- 1) The timing of base rate changes will affect recoveries of lost margins through base rates. The evaluation should therefore identify recoveries of margin through updating of baseline values in rate cases, as well as the deferrals booked under the decoupling authorization.
- 2) What was the annual amount of estimated lost margin due directly to Company DSM programs/installations for Schedule 101 customers during 2007 and 2008 compared to the annual amount of lost margin calculated (and subject to recovery) under the Mechanism (at both the 100% and 90% levels)? This analysis should compare the estimated annual reduction in customer usage (therms) and margin (\$) directly attributable to Avista’s programmatic DSM for Schedule 101 customers to the total annual reduction in (weather-corrected) customer usage/margin as calculated under the deferral Mechanism, as well as additional margin revenues provided by Schedule 101 customers as a result of new rates taking effect.

The lost margin due to DSM programs and the decoupling deferrals for 2007 and 2008 are shown below.⁸²

Table E-2 WA DSM Lost Margin versus Decoupling Deferrals		
	2007	2008
WA Schedule 101 DSM Lost Margin	\$90,429	\$162,661
100% Decoupling Deferrals	\$1,042,587	\$748,344
90% Decoupling Deferrals	\$938,329	\$673,509
100% Decoupling Deferrals (No GRC)	\$1,042,587	\$1,438,714
90% Decoupling Deferrals (No GRC)	\$938,329	\$1,294,843

The DSM lost margins in Table E-2 are the first-year lost margins and do not reflect the multi-year impact of the DSM measures.

The 2007 GRC reduced the 2008 deferrals as a portion of the reduced customer usage was transferred to the GRC rate in lieu of the decoupling deferrals. Additionally, the weather normalization methodology was modified as described in Exhibit D-10 UG-070805 Weather Correlation Method.

⁸² See Exhibit D-9 DSM Lost Margin and Deferrals