

1
2 BEFORE THE PUBLIC UTILITY COMMISSION
3 OF OREGON
4 Docket No. UM 1165
5

6 IN THE MATTER OF THE APPLICATION OF) APPLICATION FOR
7 AVISTA UTILITIES FOR AN ORDER) REAUTHORIZATION OF
8 REAUTHORIZING THE DEFERRAL OF) CERTAIN DEFERRAL
9 CERTAIN COSTS RELATED TO DEMAND) ACCOUNTS
10 SIDE MANAGEMENT PROGRAMS)
11

12 Avista Utilities (“Avista” or “Company”) pursuant to ORS 757.259 and OAR 860-27-
13 0300(4) applies to the Public Utility Commission of Oregon (“Commission”) for an order
14 reauthorizing deferred accounting related to the Company’s costs for Demand Side
15 Management (DSM) programs for later inclusion in rates. The Company respectfully
16 requests that the reauthorization become effective July 1, 2015.
17

18 In support of this Application, the Company states:
19

20 Avista provides natural gas service in southwestern and northeastern Oregon and is a
21 public utility subject to the Commission’s jurisdiction under ORS 757.005(1)(a)(A).
22

23 Avista requests that all notices, pleadings and correspondence regarding this filing be
24 sent to the following:
25

26 David J. Meyer, Esq.	Patrick Ehrbar
27 Vice President and Chief Counsel for	Manager, Rates & Tariffs
28 Regulatory and Governmental Affairs	Avista Corporation
29 Avista Corporation	P.O. Box 3727
30 P.O. Box 3727	1411 East Mission, MSC 27
31 1411 East Mission, MSC 27	Spokane, WA 99220-3727
32 Spokane, WA 99220-3727	(509) 495-8620
33 (509) 495-4316	Pat.ehrbar@avistacorp.com
34 David.meyer@avistacorp.com	

35
36 This Application is filed pursuant to ORS 757.259, which empowers the Commission
37 to authorize the deferral of expenses or revenues of a public utility for later incorporation into
38 rates.
39

40 Background
41

42 Deferral of conservations costs and lost margin revenue was originally authorized by
43 Order No. 93-1881 in Docket UM 636 and subsequently reauthorized on June 10, 2014 by
44 Order No. 14-206 in Docket UM 1165(10). These costs are accumulated in various sub-
45 accounts of FERC Account 186 and, after Staff review for prudence, are filed in conjunction

46 with the Company's annual Purchased Gas Cost Adjustment (PGA) filing for recovery from
47 customers.

48
49 Description of Expenses

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51 Avista requests reauthorization to defer certain costs associated with the Company's
52 DSM programs. These costs include the installation and acquisition of DSM measures,
53 approved advertising expenses and any applicable taxes. Additionally, due to improved
54 energy efficiencies, customers consume less natural gas than they would consume absent the
55 programs so the Company loses margin revenue. This lost margin revenue is deferred for
56 later recovery.¹ Interest is also calculated on the average net balance, excluding margin
57 revenue, and included in the deferral accounts.

58
59 Deferral of conservation costs and associated lost margin revenue is consistent with the
60 Commission's policy to remove disincentives to acquiring DSM resources relative to supply-
61 side resources. Absent reauthorization, standard accounting practices would be utilized for
62 the recording of conservation costs. These costs would be expensed until such time as they
63 could be incorporated into rates and would act as a disincentive to DSM program
64 continuation.

65
66 It is appropriate that reauthorization be approved to minimize both the frequency of rate
67 changes and the fluctuation of rate levels pursuant to subsection (2)(E) of ORS 757.259 and
68 to encourage the Company to continue its long-standing support of DSM measures.

69
70 Proposed Accounting

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72 The Company is not proposing any change to the current deferral accounting. Each
73 month the Company defers all reasonably incurred direct costs associated with the various
74 DSM programs. Additionally, the associated lost margin is calculated and deferred². Lost
75 margin is calculated by determining the annual therm reduction caused by the DSM measure.
76 This annual number is divided by 12 to determine the monthly lost margin therms, and added
77 to the accumulated lost margin therms from the prior month. The total accumulated lost
78 margin therms are multiplied by the current margin rate to calculate the lost margin amount
79 to be recorded. The total accumulated lost margin therms are carried forward each month
80 until the Company has a general rate case. When the updated rates from the general rate case
81 become effective, the accumulated lost margin therms are deemed to have been embedded in
82 rates and are zeroed out. Interest is calculated on the average monthly balance, excluding

¹ The Company did not defer lost margin resulting from its DSM programs during 2014 as the Company's rates were set based upon forecasted 2014 billing determinants. Those billing determinants included the effects of the Company's DSM programs. The Company's most recent Oregon rate case (Docket No. UG 284) was approved by the Commission on April 9, 2015 (Order No. 15 109) which had an effective date of April 16, 2015. Since updated rates beginning in April 2015 include the effect of the Company's DSM program, only three months (January through March 2015) of lost margin has been included for deferral.

² Id.

83 lost margin revenue, at the Company's allowed rate of return and included in the deferral
84 accounts.

85
86 Estimate of Amounts

87
88 For the November 1, 2014 through March 31, 2015 time period, the outstanding
89 balances for the various DSM programs are:

<u>Program</u> <u>Description</u>	<u>FERC</u> <u>Acct</u>	<u>Work</u> <u>Order</u>	<u>Balance</u>
Commercial State Mandated	186	1817	\$50,449
Residential State Mandated	186	1838	\$172,068
Residential Space Heating	186	1832	\$105,481
Commercial Energy Efficiency	186	1819	\$119,268
Programmable Thermostats	186	5089	\$14,587
OR Regional Transformation	186	5188	\$18,968
Low Income Weatherization	186	5182	\$174,859
			<u>\$655,680</u>

90
91 The Company estimates that approximately \$1,300,000 in conservation costs and will
92 be deferred and added to the various DSM accounts between July 1, 2015 and June 30, 2016.

93
94 Avista seeks, with this application, reauthorization of the sub-accounts of FERC
95 Account No. 186, used to account for the Company's DSM programs, for the July 1, 2015
96 through June 30, 2016 time period.

97
98 This Application will have no effect on Company revenue or customer rates.

99
100 A copy of the attached Notice of Application and list of persons served the Notice and
101 Application is attached as Exhibit A.

102
103 WHEREFORE, Avista Utilities respectfully requests that the Commission reauthorize
104 the Company to defer the costs described in this application.

105
106 Dated this 12th day of May 2015.

107
108 Respectfully submitted,
109 Avista Utilities

110
111 By: Kelly Norwood
112 Kelly O. Norwood, Vice President
113 State and Federal Regulation

AVISTA UTILITIES

Application for An Order
Reauthorizing Deferred Accounting
Related to the Net Investment for
Demand Side Management
Programs

EXHIBIT A

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
DOCKET UM 1165

NOTICE OF THE APPLICATION OF AVISTA UTILITIES FOR AN ORDER
REAUTHORIZING THE DEFERRAL OF CERTAIN COSTS RELATED TO DEMAND SIDE
MANAGEMENT PROGRAMS

Avista Utilities ("Avista") pursuant to ORS 757.259 has applied to the Public Utility Commission of Oregon ("Commission") for an order reauthorizing the use of certain deferral accounts for costs associated with demand-side management programs (DSM). These costs include the installation and acquisition of DSM measures, approved advertising expenses, applicable taxes related to the DSM investments, lost margin revenue and interest.

Avista seeks, with this application, to receive reauthorization of the sub-accounts of FERC Account No. 186 for the July 1, 2015 through June 30, 2016 time period.

This Notice, along with the Application, is being sent to all parties and interested persons that participated in Avista Utilities most recent general rate case in Docket UG-246.

Additional copies of the Notice or Application may be obtained by calling (509) 495-4565 or writing:

Avista Utilities
Attention: Ms. Wendy Manskey
P.O. Box 3727
Spokane, WA 99220

Written comments regarding this Application may be submitted no later than 25 days from May 15, 2015 by mailing to:

Public Utility Commission of Oregon
Attention: Filing Center
3930 Fairview Industrial Dr. SE
Salem, Oregon 97302-1166

Granting of this Application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

DATED this 12th day of May 2015.