

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 18, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE November 1, 2016

DATE: October 4, 2016

TO: Public Utility Commission

FROM: Lisa Gorsuch

THROUGH: Jason Eisdorfer and Michael Dougherty

SUBJECT: AVISTA UTILITIES: (Docket No. UG 317/Advice No. 16-11-G) Revises Schedule 478, Demand Side Management (DSM) Cost Recovery.

**STAFF RECOMMENDATION:**

Staff recommends approval of Avista Corporation's, dba Avista Utilities' (Avista or Company) request to revise Schedule 478 with an effective date of November 1, 2016.

**DISCUSSION:**

Issue

Whether the Commission should approve Avista's request to revise Schedule 478, Demand Side Management (DSM) Cost Recovery, to reflect a rate reduction.

Applicable Law

Avista makes its DSM filing pursuant to ORS 759.259(2)(e) and OAR 860-027-0400. This statute and rule allow the Commission to authorize deferred accounting treatment. Further, ORS 757.262 allows the Commission to adopt policies designed to encourage the acquisition of cost-effective conservation resources.

By Order No. 93-1881, the Commission originally authorized Avista to begin deferral of the revenue requirements and estimated revenue margin losses associated with its DSM investment, and to establish an annual rate adjustment mechanism to reflect deferred costs in rates on a timely basis. Subsequently, Commission reauthorization of the DSM-related deferral accounts has occurred annually. Current authorization of the deferrals is made pursuant to Order No. 16-304.

Discussion and Analysis

On July 29, 2016, Avista filed its request to revise Schedule 478, DSM Cost Recovery. The Company updates this schedule annually with its Purchased Gas Adjustment (PGA) filing.<sup>1</sup> The Company is proposing to decrease the DSM cost recovery rate by \$0.00304 (i.e. from \$0.02212 per therm to \$0.01908 per therm). The proposed rate combines the effect of amortizing residual balances from prior periods with DSM costs that the Company incurred during the 12 months ending June 30, 2016.<sup>2</sup>

The DSM cost recovery mechanism is designed to recover expenses associated with Commission-authorized DSM programs. This mechanism also allows the Company to recover lost margin due to energy savings resulting from the implementation of the DSM programs. The Company submitted workpapers in compliance with the Commission's PGA filing guidelines with supporting calculations of the proposed rate. The Company used the applicable Commission-authorized rate of return to calculate the interest accruing on these deferrals.<sup>3</sup> The Company also applied the appropriate blended treasury rates approved by the Commission to calculate interest accrued during the amortization periods.

Table 1 below shows the rate schedules and the number of customers in each schedule that will be impacted by this decrease.

**Table 1**

<b>Rate Schedule</b>	<b>Number of Customers</b>
Schedule 410	88,800
Schedule 420	11,590
Schedule 424	81
Schedule 444	4

Table 2 below shows the annual revenue before and after the impact of the rate change and the average monthly use and resulting bills under existing and proposed rates.

<sup>1</sup> Other rate applications associated with this filing with an effective date of November 1, 2016, are UG 314, UG 315, UG 316, and UG 318.

<sup>2</sup> Commission Order No. 16-304 in Docket No. UM 1165 approved request for reauthorization to defer costs related to Avista's DSM programs for the 12 month period of July 2015 through June 2016.

<sup>3</sup> See Commission Order Nos. 11-080 and 16-304.

**Table 2**

Sch No	Description	Present Revenues	Proposed Revenues	Revenue Incr (Decr)	Monthly Use Therms	Present Monthly Cost	Proposed Monthly Cost	Monthly Change	Proposed Change Monthly Cost
410	Residential	\$63,090,463	\$62,942,083	\$(148,381)	46	\$59.42	\$59.28	\$(0.14)	-0.24%
420	General	\$28,455,892	\$28,374,978	\$(80,914)	191	\$204.23	\$203.65	\$(0.58)	-0.28%
424	Large Gen	\$2,445,093	\$2,433,367	\$(11,726)	3,960	\$2,510.19	\$2,498.15	\$(12.04)	-0.48%
444	Seasonal	\$171,014	\$170,213	\$(801)	5,609	\$3,638.84	\$3,621.79	\$(17.05)	-0.47%
456	Int Trans	\$3,266,597	\$3,266,597	\$ -	89,724	\$7,163.56	\$7,163.56	\$ -	0.00%

This amortization is included in the calculation of the three percent test pursuant to ORS 757.259(6). Per the statute, the total proposed amortization subject to the three percent test will be the net of credits and surcharge, unless the Commission finds that allowing a higher amortization rate is reasonable under the circumstances. Avista reports, and Staff has confirmed, that the total amortizations for which Avista requests a November 1, 2016, effective date, does not exceed the three percent threshold.

Conclusion

Staff finds that the revisions proposed in this filing meet with the requirements of applicable law, and previous Commission Orders. Staff recommends approval of Avista's proposed rates based on its review of this filing and the associated work papers.

**PROPOSED COMMISSION MOTION:**

Approve Avista's proposed changes in Docket No. UG 317 and allow the tariff sheet revisions in Advice No. 16-11-G to go into effect on November 1, 2016.