

ORDER NO. 15 328

ENTERED OCT 19 2015

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 291

In the Matter of

AVISTA CORPORATION, dba
AVISTA UTILITIES,

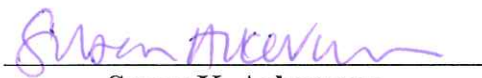
Updates Schedule 478, Demand Side
Management (DSM) Cost Recovery.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

This order memorializes our decision, made and effective at the special public meeting on October 19, 2015 to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

Dated this 19 day of October, 2015, at Salem, Oregon.

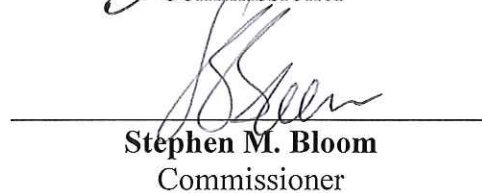


Susan K. Ackerman

Chair




John Savage
Commissioner


Stephen M. Bloom
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA7

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 19, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2015

DATE: October 5, 2015

TO: Public Utility Commission

FROM:  Lisa Gorsuch

THROUGH:  Jason Eisdorfer and  Aster Adams

SUBJECT: AVISTA UTILITIES: (Docket No. UG 291/Advice No. 15-06-G) Revises Schedule 478, Demand Side Management (DSM) Cost Recovery.

STAFF RECOMMENDATION:

Staff recommends that Avista Utilities' (Avista or Company) request to revise Schedule 478 be approved with an effective date of November 1, 2015.

ISSUE:

On July 31, 2015, Avista Utilities (Avista or Company) filed its request to revise Schedule 478, DSM Cost Recovery. The Company updates this schedule annually with its Purchased Gas Adjustment (PGA) filing.¹ The Company is proposing to increase the DSM cost recovery rate by \$0.00423 (i.e. from \$0.01789 per therm to \$0.02212 per therm). The proposed rate combines the effect of amortizing residual balances from prior periods with DSM costs that the Company incurred during the twelve months ending June 30, 2015.²

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

¹ Other rate applications associated with this filing with an effective date of November 1, 2015, are UG 289 and UG 290.

² Commission Order No. 14-206 in Docket No. UM 1165 approved request for reauthorization to defer costs related to Avista's DSM programs for the twelve month period of July 2014 through June 2015.

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for Avista's filing. 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, reauthorization of the DSM-related deferral accounts has occurred annually. Current authorization of the deferrals is made pursuant to Order No. 14-206.

ANALYSIS:

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.³ 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 increase.

Table 1

Rate Schedule	Number of Customers
Schedule 410	87,066
Schedule 420	11,365
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.

³ See Commission Order Nos. 11-080 and 14-015.

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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	\$64,704,680	\$64,905,976	\$201,296	46	\$62.47	\$62.66	\$0.19	0.31%
420	General	\$29,883,409	\$29,993,349	\$109,940	191	\$219.58	\$220.39	\$0.81	0.37%
424	Large Gen	\$3,367,059	\$3,385,144	\$18,085	4,394	\$3,460.53	\$3,479.12	\$18.59	0.54%
444	Seasonal	\$212,084	\$213,193	\$1,109	5,959	\$4,820.00	\$4,845.20	\$25.21	0.52%
456	Int Trans	\$3,211,359	\$3,211,359	\$ -	85,558	\$7,451.25	\$7,451.25	\$ -	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, 2015, effective date, does not exceed the three percent threshold.

Staff finds that the revisions proposed in this filing meet with the requirements of applicable Oregon Administrative Rules, Oregon Revised Statutes, 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:

Avista's Docket No. UG 291/Advice No. 15-06-G be allowed to go into effect on November 1, 2015.

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