

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 21, 2016

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

DATE: April 12, 2016

TO: Public Utility Commission

FROM: Max St. Brown<sup>MSB</sup> and JP Batmale<sup>JPB</sup>

THROUGH: Jason Eisdorfer<sup>J</sup> and Marc Hellman<sup>A</sup>

SUBJECT: AVISTA UTILITIES: (Docket No. ADV 262/Advice No. 16-05-G)  
Establishes Public Purpose Funding Surcharge to fund energy efficiency programs administered through the ETO and the Company.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Avista Utilities' (Avista or the Company) proposed Schedule 469 for the purpose of collecting a Public Purpose Funding Surcharge to fund energy efficiency programs administered by the Energy Trust of Oregon (ETO) and the Company, effective May 1, 2016, subject to the following condition:

1. No later than October 1, 2017, Avista will provide an update to the Commission indicating the remaining funds to be collected under Schedule 478 and outlining how collections will be ceased.

Staff recommends that the Commission approve the Company's application for Less Than Statutory Notice.

Issue

Whether the Commission should approve Avista's proposed Schedule 469 for the purpose of collecting an energy efficiency Public Purpose Funding Surcharge.

Applicable Law

The Public Purpose Funding Surcharge came about through Commission Order No. 16-076, which adopted the first partial stipulation in the UG 288 Avista general rate case (First Partial Stipulation). Under the terms of the First Partial Stipulation, Avista will

begin transferring some energy efficiency programs to the Energy Trust of Oregon (ETO) in 2016.

Discussion and Analysis:

On March 30, 2016, Avista filed Advice No. 16-05-G which proposes a new schedule to collect Public Purpose Funding Surcharges for funding certain energy efficiency programs. The advice filing was made in order to comply with Commission Order 16-076, which adopted the First Partial Stipulation among the parties, wherein Avista agreed that it "will establish a separate natural gas energy efficiency tariff to collect costs (through current rates) for administering and delivering energy efficiency programs. In 2016, Avista will offer conservation programs and the ETO will administer a conservation acquisition program. In 2017, the monies collected through the tariff will be transferred to the ETO."<sup>1</sup> Avista's proposed Schedule 469 is to be applied to residential Schedule 410, commercial and industrial Schedule 420 and Schedule 424, and seasonal Schedule 444.

The proposed Schedule 469 public purpose charges will fund energy efficiency acquisition programs administered by the Energy Trust of Oregon (ETO) and the low-income energy efficiency programs administered by the Company from May 1, 2016 forward. In 2017, Avista will transfer non-low-income energy efficiency programs to the ETO. Prior to 2017, Avista will continue to operate both low-income and non-low-income efficiency programs and ETO will operate one residential products energy efficiency program. The non-transferred low-income programs are the Oregon Low Income Energy Efficiency Program (AOLIEE) and the Low Income Rate Assistance Program (LIRAP).

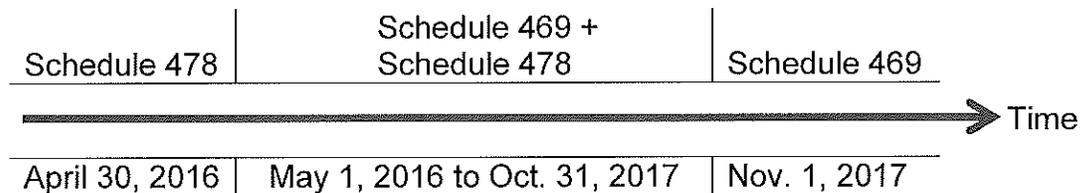
Avista has incurred and deferred expenses related to its energy efficiency programs. The Company plans to continue to recover deferred energy efficiency costs using Schedule 478 through October 31, 2017. The present rate in Schedule 478 is recovering deferred energy efficiency expenditures for the period between July 1, 2014 and June 30, 2015. Advice No. 16-05-G describes that the Company will file for a rate change in Schedule 478 by August 1, 2016, to recover the costs associated with its DSM programs for the period between July 1, 2015 and April 30, 2016. The deferred balance is not expected to be fully recovered from customers until October 31, 2017, at which time the Company anticipates resetting Schedule 478 rates to \$0.0 per therm. Staff recommends the condition that Avista update to the Commission before October 1,

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<sup>1</sup> *In re Avista Utilities*, OPUC Docket Nos. UG 288 and UM 1753, Order No. 16-076 at 4 (Feb. 29, 2016).

2017 about how collections under Schedule 478 will be ceased. Staff spoke with a representative of the Company and the Company supports this condition. The new Schedule 469 proposes to recover funds through current rates beginning May 1, 2016, going forward. Thus, the timing is such that for 18 months (May 1, 2016 to October 31, 2017) rates will simultaneously include the costs of current energy efficiency programs (Schedule 469) and the deferred costs of past energy efficiency programs (Schedule 478). As such, the rate increase of this filing will be partially offset by the rate decrease when the Schedule 478 charge is reduced to \$0.0 per therm. Therefore the rate increase associated with this filing should not be mistaken for the rate increase associated with moving Avista's energy efficiency programs to the ETO.

The 18-month doubling-up of energy efficiency charges is made explicit in the expected timeline below:



The timeline above illustrates that total collections of public purpose charges from customers are highest in the expected 18 months of overlap during May 1, 2016 to October 31, 2017. As stated above, after October 31, 2017, it is expected that Schedule 478 will be reset to \$0.00 per therm because the entire deferred balance for Avista energy efficiency programs, will have been collected.

The Company is currently working with the ETO to determine Schedule 469 rates for 2017 and will file an updated Schedule 469 later this year. Until then, the rates are designed to recover \$1,561,422 to fund Avista's May 1, 2016 through December 31, 2016, energy efficiency programs, an ETO energy efficiency program, and costs of planning and development to complete all work necessary to have a "warm start" for the 2017 ETO-administered programs. The funding to be delivered to the ETO in 2016 is authorized at \$156,000, \$84,000 for a residential products program to start in summer 2016, and \$72,000 for planning and development.<sup>2</sup>

<sup>2</sup> *Id* at 10 of Appendix A.

The funds to be collected through Schedule 469 proposed rates are presented in the table below from the Company's workpapers:

Expenditure Type	Budget
Avista Programs	\$ 764,167
Low Income	\$ 340,000
ETO	\$ 156,000
NEEA	\$ 253,000
<b>Total</b>	<b>\$ 1,513,167</b>

Staff IR 1 inquired about the therms savings goal associated with the May 1, 2016 to December 31, 2016 total budget which is to be recovered through Schedule 469. In its response to Staff IR 1, the Company indicated that a collaborative process with Staff developed a 2016 goal of 189,505 therms savings and a budget of \$1,440,239. Estimated spending between January 1, 2016 and April 30, 2016, was subtracted out in order to arrive at the proposed \$1,104,167 (the sum of \$764,167 and \$340,000 in the table above) to be collected through Schedule 469. As described above, funds related to the ETO transition and launch of a retail program total \$156,000. Commission Order No. 15-288 on September 22, 2015 ordered Avista's participation in NEEA (Northwest Energy Efficiency Alliance).

The Company's workpapers describe how the per therm rates in Schedule 469 result in the desired aggregate funding. First, due to uncollectable bills and other fees, the Company would not recover the full funding unless it charged slightly higher rates (because some bills will go uncollected, all bills must be slightly higher). The Company uses a conversion factor to reflect this. Second, the Company divides the aggregate funding by the forecasted therm sales in order to arrive at the per therm rates. At Staff's recommendation, the Company is setting rates to collect on a uniform percentage of revenue basis from all affected Schedules. This is a change from the Company's current practice of collecting energy efficiency funds on a uniform per therm basis. The uniform percentage of revenue basis is preferred by Staff to align the Company's methodology for collecting public purpose funds with other utilities in Oregon.

The proposed tariff increases an average residential monthly bill by \$1.98, which is 3.4 percent of the total bill. However, as described above, there will be a compensating rate decrease when Schedule 478 is reduced to \$0.0 per therm, as expected October 31, 2017. The net rate change due to Avista transferring its non-low-income energy

efficiency programs to the ETO can be determined after ETO's 2017 budget is developed.

The Company inadvertently labeled the proposed schedule 474 instead of what was designated in Commission Order No. 16-109 as Schedule 469.<sup>3</sup> Subsequently, after discussions with Commission Staff, the Company withdrew the proposed Schedule 474 tariff and re-filed it with a Less Than Statutory Notice application as Schedule 469 in compliance with Commission Order No. 16-109.

### Conclusion

Staff issued five information requests and spoke with Company representatives via telephone. Staff finds that this filing is not contradictory to the First Partial Stipulation approved in Commission Order 16-076. As described above, Staff believes the proposed rates in Avista's Schedule 469 are appropriate until the Company files to update them later this year after the ETO's 2017 budget is finalized.

### **PROPOSED COMMISSION MOTION:**

Approve, for the purpose of collecting an energy efficiency Public Purpose Funding Surcharge, Avista's proposed Schedule 469 tariff, for service on and after May 1, 2016, subject to the condition listed in Staff's recommendation and approve the Company's application for Less Than Statutory Notice.

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<sup>3</sup> *In re Avista Utilities*, OPUC Docket Nos. UG 288 and UM 1753, Order No. 16-109 at 4 (Mar. 15, 2016).