

ITEM NO. CA7

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 22, 2018

REGULAR  CONSENT  EFFECTIVE DATE January 1, 2019

DATE: December 11, 2018

TO: Public Utility Commission

FROM: Mitchell Moore *mm*

THROUGH: Jason Eisdorfer *JE* and John Crider *Jc*

SUBJECT: AVISTA UTILITIES: (Docket No. ADV 870/Advice No. 18-06-G) Request to adjust rates in Schedule 469, relating to the Public Purpose Surcharge.

**STAFF RECOMMENDATION:**

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Avista Corporation's (Avista or Company) adjustment to Schedule 469 which funds the Company's energy efficiency and low-income programs, and allow it to take effect January 1, 2019.

Staff recommends that the Commission approve housekeeping changes to Schedule 485B, adjusting the average cost allowed to weatherize low-income homes.

**DISCUSSION:**

Issue

Whether the Commission should approve Avista's adjustment to Schedule 469, the "Public Purpose Surcharge," to fund the Company's energy efficiency and low-income programs in 2019.

Whether the Commission should approve amending the language in Schedule 485B, to eliminate the requirement for the average cost of low-income weatherization to not exceed \$6,000.

Applicable Rule or Law

Under ORS 757.205(1):

Every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it.

The Commission may approve tariff changes if they are deemed to be fair, just and reasonable per ORS 757.210. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025.

OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. ORS 757.220; OAR 860-022-0015.

Analysis

Avista filed this request on November 9<sup>th</sup> to adjust their Schedule 469, which funds the Company's public purpose activities around energy efficiency and low-income support. Specifically, the funds will go towards the delivery of energy efficiency programs administered by the Energy Trust of Oregon ("ETO"), Northwest Energy Efficiency Alliance ("NEEA") natural gas programs, the Avista Oregon Low Income Energy efficiency Program ("AOLIEE"), and Company energy efficiency program administrative costs.

Avista proposes to increase rates to collect an additional \$1.4 million over the amount currently included in rates. A residential customer using an average of 47 therms a month could expect their bill to increase by \$0.87, or 1.7 percent, for a total monthly bill of \$51.20.

The primary driver of the rate change is an increase in the total ETO budget from \$1,036,869 that was established in January of 2017 to the proposed \$2.1 million for 2019. The company did not increase rates in 2018. The company states the increase is the result of ETO's expanded knowledge of the energy efficiency savings available within Avista's service territory, and that previous budget forecasts were prior to ETO having minimal experience in serving Avista's Oregon customers.

This filing also increases the AOLIEE budget from \$350,000 to \$600,000. The AOLIEE program provides weatherization services to low-income residential customers. The Company had proposed this budget change to the AOLIEE budget in Advice No. 17-07-G, approved by the Commission at its November 7, 2017 public meeting. The budget increase was part of a comprehensive revision of Schedule 485, the AOLIEE program tariff.

Also included in the filing is a revision to the AOLIEE tariff. Current language in the tariff requires the Community Action Partnership agencies (Agencies) to maintain a portfolio average of \$6,000 per home when completing low-income energy efficiency measures. Avista states that this requirement has prohibited the Agencies from pursuing all available weatherization options. The average cost of weatherization measures through October 2018 has been around \$7,609 per home, plus \$1,664 for required health, safety and repair measures, resulting in a total average cost of \$9,273 per home.

This filing proposes eliminating the required average of \$6,000 per home, while still maintaining the total maximum of \$10,000 per home.

The proposed budget for energy efficiency programs in 2019 is as follows:

| <b>Expenditure Type</b> | <b>Budget</b>       | <b>% of Budget</b> |
|-------------------------|---------------------|--------------------|
| Energy Trust            | \$ 2,091,870        | 65%                |
| AOLIEE                  | \$ 660,000          | 21%                |
| NEEA                    | \$ 253,000          | 8%                 |
| General Labor           | \$ 119,887          | 4%                 |
| Marketing               | \$ 70,000           | 2%                 |
| Admin/Travel            | \$9,000             | 0%                 |
| <b>Total</b>            | <b>\$ 3,203,757</b> |                    |

Schedule 469 was originally made effective in May 2016.<sup>1</sup> During the 2017 and 2018 program years Schedule 469 collected approximately \$1.8 million per year.

<sup>1</sup> Schedule 469 replaced Schedule 478 as part of Avista's decoupling under UG-288.

The collection of revenue and proposed rate impacts are uniform across the four Avista customer classes from which the funds are collected.

### Conclusion

Avista's proposed budget reflects an increase to programs administered by ETO. This budget is the result of an agreement between ETO and the Company and is based on available cost-effective energy efficiency potential gain. The increase to the low-income weatherization budget is consistent with a previously approved overhaul to the AOLIEE program tariff.

In addition, the proposal to eliminate the requirement of an average installed cost per home is reasonable, as it will provide the Agencies with the necessary flexibility to pursue the most cost-effective weatherization projects for low-income residents, without causing any increase to the overall budget or the maximum allowable expense per home.

Based on Staff's review of submitted documents, review of previous filings and conversations with the Company, Staff concludes that the filing is prudent and reasonable and should be approved.

### **PROPOSED COMMISSION MOTION:**

Approve Avista's adjustment to Schedule 469 which funds the Company's energy efficiency and low-income programs, and allow it to take effect January 1, 2019.

Approve amending the language in Schedule 485B, to eliminate the requirement for the average cost of low-income weatherization to not exceed \$6,000.