

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF

**FROM:** DON HOWELL  
DEPUTY ATTORNEY GENERAL

**DATE:** AUGUST 6, 2013

**SUBJECT:** AVISTA CORPORATION'S APPLICATION TO INCREASE THE RATES  
CONTAINED IN ITS ENERGY EFFICIENCY RIDER ADJUSTMENT,  
SCHEDULE 91, CASE NO. AVU-E-13-05

On August 1, 2013, Avista Corporation dba Avista Utilities filed an Application asking to increase its "Energy Efficiency Rider" found in tariff Schedule 91. The Schedule 91 tariff rider is designed to "match future revenue with budgeted [energy efficiency] expenditures." Application at 1. The tariff rider mechanism includes a true-up that reconciles the previous periods actual expenditures with Schedule 91 collections. Avista proposes to increase its Schedule 91 rider rates by 1.2%. The proposed tariff rider is designed to recover a purported \$3 million deficit in the rider account over a two-year period and provide approximately \$6.4 million in annual revenues to fund ongoing energy efficiency programs.

### THE APPLICATION

#### A. *The Rider Programs*

The Company reports that as of May 31, 2013, the fund balance in the Schedule 91 tariff rider account was approximately \$3.0 million underfunded. The Company reports that the underfunded amount is primarily the result of the Company's efforts to accelerate the conversion of "T12 fluorescent lighting fixtures to higher efficiency T8 fixtures." *Id.* at 2.<sup>1</sup> During 2012, Avista operated a T12 conversion program where it issued 4,740 rebates to customers. The

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<sup>1</sup> Generally T12 fluorescent lighting fixtures use "older" magnetic ballast while T8 fixtures use newer electronic ballast. T8 lamps with electronic ballast are more energy efficient than T12 lamps with magnetic ballast. Electronic ballast will generally reduce the overall load on a circuit by reducing energy demand. See [www.UltraLuxLight.com/fluorescent\\_tube\\_faq.html](http://www.UltraLuxLight.com/fluorescent_tube_faq.html).

Company had budgeted approximately \$1.2 million for this conversion program but issued approximately \$5.2 million in rebates.

The Schedule 91 rider funds a variety of demand-side management (DSM) programs directed at improving the Company's energy efficiency services. These programs include rebates for: energy efficiency appliances, HVAC improvements, lighting measures, electric motor measures, and participating in the Northwest Energy Efficiency Alliance (NEEA). The Company has about 30 programs for customers to utilize. Application at 4. In addition, the Company encourages its all-electric residential customers to convert to natural gas space and water heating. *Id.*

The Company also assists in funding various NEEA programs. NEEA operates and implements programs that promote electric conservation and efficiency in Avista's service territory. "Historically, Avista has received approximately 1.5 to 2 aMW of savings in its service territory from NEEA programs." *Id.* at 5. The Company also provides \$700,000 for low-income weatherization programs in 2012 and an additional \$50,000 for conservation education in Idaho. The low-income weatherization program is administered by the local community action agencies in the Company's Idaho service territory.

In determining the cost-effectiveness of its various DSM programs, the Company applies several evaluation metrics. In particular, the Company utilizes the total resource cost (TRC) test and the program administrator cost (PAC) test to evaluate the cost-effectiveness of its DSM programs. The Company asserts that ratios over 1.0 illustrate that program benefits exceed costs. "For 2012, the Company's DSM portfolios were cost-effective with TRC and PAC ratios of 1.58 and 2.69, respectively." *Id.* at 6.

### ***B. The Proposed Rider Increase***

Increasing the Schedule 91 Energy Efficiency Rider by 1.2% in overall billed rates would result in a proposed monthly rate increase in the rider of \$0.92 for the average residential electric customer utilizing 930 kWh per month. This represents an increase of 1.17% per month for the average residential customer. The table below reflects the proposed increase to the Energy Efficiency Rider for various customer classes:

<b>SCHEDULE</b>	<b>EXISTING RATE</b>	<b>PROPOSED RATE</b>
Residential Customers – Sch. 1	0.146¢ per kWh	0.245¢ per kWh
General Service – Sch. 11 & 12	0.162¢ per kWh	0.271¢ per kWh
Large General Service – Sch. 21 & 22	0.125¢ per kWh	0.209¢ per kWh
Extra Large Customers – Sch. 25	0.086¢ per kWh	0.142¢ per kWh
Clearwater Paper – Sch. 25P	0.08¢ per kWh	0.131¢ per kWh
Pumping Service – Sch. 31-32	0.142¢ per kWh	0.240¢ per kWh

The Company proposes that the Commission process this case under Modified Procedure and request that the proposed tariff Schedule 91 rider be increased effective October 1, 2013.

**STAFF RECOMMENDATION**

Staff concurs with the Company’s recommendation to process this case via Modified Procedure. Staff proposes the deadline for comments be set for September 10, 2013, and reply comments (if any) be due September 13, 2013.

**COMMISSION DECISION**

1. Does the Commission wish to process this case under Modified Procedure with comments due September 10, 2013, and the Company’s reply, if any, due September 13, 2013?
2. Does the Commission desire to hold public workshop(s) in Avista’s service territory regarding the proposed 1.21% increase in the Schedule 91 tariff rider?

  


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 Don Howell  
 Deputy Attorney General

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