Office of the Secretary
Service Date
September 26, 2012

# BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| **IN THE MATTER OF AVISTA CORPORATION'S APPLICATION TO REVISE ITS ELECTRIC ENERGY EFFICIENCY RIDER ADJUSTMENT, SCHEDULE 91.** | ) ) ) ) ) ) | **CASE NOS. AVU-E-12-07** <br><br> **ORDER NO. 32652** |

On July 31, 2012, Avista Corporation dba Avista Utilities applied to the Commission for an Order allowing Avista to decrease the Schedule 91 rate adjustment (the "Energy Efficiency Rider Adjustment").[1] The Company asks that the case be processed under Modified Procedure, and that the changes take effect on October 1, 2012. *See* Application.

On August 16, 2012, the Commission solicited public input on the Application and set a September 17, 2012 comment deadline. Staff, individual members of the public, the Snake River Alliance, and the Idaho Conservation League (ICL) submitted written comments. ICL also intervened as a party in the case.

With this Order, we grant the Company's Application as discussed below.

## THE APPLICATION

With this Application, Avista requests authority to adjust the portion of Schedule 91 rider that funds electric demand-side management (DSM) programs described in Schedule 90. *Id.* at 4. Avista says its proposed changes will reduce billed electric rates by 1.3%. *Id.* at 1.

The Company says that in 2010-2011, its energy efficiency programs and measures resulted in electric savings of 59,002 MWh (115% of the Integrated Resource Plan (IRP) goal) in Idaho. *Id.* at 2.

The Company states that in 2011, its electric DSM portfolio was cost-effective with a Total Resource Cost (TRC) test and Program Administrator Cost (PAC) ratios of 1.80 and 2.88, respectively. *Id.* at 6-7.

The Company maintains that the revenue expected to be generated by the Schedule 91 surcharge at its present level would exceed the requirements necessary to fund the DSM activities during the next 12-month cycle, including adjustments for the disposition of rider

[1] Avista filed a single, combined Application in Case Nos. AVU-E-12-07 and AVU-G-12-06. The Commission subsequently consolidated AVU-G-12-06 with another case, AVU-G-12-03. *See* Notice of Application, Case Nos. AVU-G-12-03 and AVU-G-12-06. Accordingly, the instant case, AVU-E-12-07 is being processed by itself.

imbalances. Through June 2012, the electric DSM tariff rider balance was $316,231 (Company owes ratepayer). *Id.* 2-3.

The Company further maintains that only 55% of the currently projected rider surcharge revenue is needed to fund expected DSM operations for the 12 months following October 1, 2012, given a projected balance of $886,761 at the end of September 2012. Thus, the Company wants to decrease the rider surcharge by 45% as of October 1, 2012. The Company says decreasing the surcharge will not impact the Company's ability to fund and pursue cost-effective DSM resources; it will merely adjust revenues to move the rider balance towards zero. *Id.* at 3. The Company says decreasing Schedule 91 rates and charges will decrease the Company's estimated annual revenue by $3,464,000 (a decrease of 1.3% of billed rates). The Company says the proposed rate decrease will have an average monthly bill impact to residential electric customers using 939 kWh of $1.05. *Id.* at 7.

## THE COMMENTS

Commission Staff, individual members of the public, Snake River Alliance, and ICL submitted written comments. The comments are summarized below.

***Staff Comments***

Staff supports the Company's proposal to decrease the Schedule 91 electric energy efficiency rider. Staff confirmed that the Company's proposed decrease will not prevent the Company from pursuing all cost-effective DSM. Rather, the decrease will gradually align rider revenues to expenditures over the next 12 months so the rider fund balance is zero by September 2013. Staff Comments at 2.

Staff said that the Company wants to decrease the rider due to declining customer participation in rider-funded programs caused by: (1) the end of federal American Recovery and Reinvestment Act (i.e., ARRA or Stimulus) tax incentives for energy efficient measures, and (2) a persistent sluggish economy that discourages customers from investing in energy efficient appliances. Staff said it is reasonable for the Company to return an over-collected rider balance to customers now given the difficult economic conditions. *Id.* at 2-3.

Staff verified that the Company's rider balance is $316,231 (over collection) as of June 2012, and that it will likely reach $887,000 by October 1, 2012. *Id.* at 3. For <u>October 2012 thru September 2013</u>, the Company forecasts the following rider balance with the proposed rider adjustments:

Expenditures: $5,028,751
Revenues: $4,190,189
Accumulated 2012 Rider balance to be applied to 2013 revenues: $886,761
September 2013 Rider balance: $0

*Id.*

Staff said it is reasonable for the Company to return the rider balance to customers within 12 months due to the decreased amount of forecasted rider expenditures. Staff noted that the Company says it will file an annual true-up of Schedule 91 to coincide with other annual filings (e.g., the Power Cost Adjustment and Purchased Gas Cost Adjustment). Staff does not necessarily support annually changing the rider rate. Staff does, however, support the Company's pursuit of all cost-effective DSM, and Staff would expect the Company to seek a rider increase if actual cost-effective DSM expenditures exceed rider revenues. *Id.*

Staff notes that in Case No. AVU-E-09-06, the Company asked to increase the rider primarily to eliminate a large rider deficit, and that the Commission approved the increase in Order No. 30918. Staff opined that in this case, the decrease in DSM participation due to the end of ARRA tax incentives and a continuing stagnant economy, combined with an over-funded rider designed to reduce prior deficits, makes the Company's proposal to decrease the rider reasonable. *Id.* at 4-5.

Based on its review, Staff recommended the Commission approve the Company's request to reduce the electric energy efficiency rider, Schedule 91, by 1.3% of billed revenue effective October 1, 2012. *Id.* at 5.

***Individual Public Comments***

The Commission received two comments from Avista customers.[2] Both customers opposed Avista's Application. One customer said the Commission should not reduce the rider until there is better evidence showing that Avista is over-collecting and looking for new energy efficiency opportunities. The second customer submitted a form-letter comment. That comment notes that the Commission repeatedly stresses that energy efficiency is the least-cost resource available to electric utilities and that utilities should be encouraged to increase energy efficiency programs. The comment also notes that there are new technologies to obtain more savings, and that while Avista has done a good job in providing efficiency programs and incentives, it can do

[2] Eleven members of the public from southern Idaho commented using what appears to be a form letter. The form letter comments are substantially the same as one of the comments submitted by one of the two Avista customers.

better. The comment said that if Avista continues to pursue all cost-effective energy efficiency, then decreasing the efficiency rider could increase the risk that Avista's DSM programs will be underfunded in the future. The customer concluded by saying that customers will hardly notice impact of reducing rider funding, and that the savings from a well-funded DSM program will more than offset the cost of the rider.

***Snake River Alliance Comments***

The Snake River Alliance (the "Alliance") said it does not support the Company's request to decrease its electric energy efficiency rider rate because the request is premature and potentially will undermine ongoing attempts to expand the Company's Idaho DSM programs. Alliance Comments at 1. The Alliance's arguments echo the arguments it raised earlier this year when Rocky Mountain Power sought and received Commission permission to decrease its customer efficiency services rate. *Id.* In sum, the Alliance argues that the standard for reviewing a request to change DSM funding levels "should not be that a utility is concerned about the *possibility* that it may over-collect (as may be the case here), but rather that the Commission be presented with evidence that the utility actually *did* over-collect." *Id.* at 2. "A request to change the level of customer financing of DSM programs—whether higher or lower—must be accompanied with compelling evidence that a repeated imbalance in collections is occurring and must be corrected." *Id.* at 3. The Alliance says Avista has not established a record of ongoing over-collection of DSM funds from customers, and that the "short time period in which DSM funds were over-collected and the magnitude of the over-collections does not allow the Commission to determine the wisdom of such a dramatic reduction of 45 percent in efficiency rider funds." *Id.* at 2. The Alliance finds it difficult to conclude that such an abrupt and deep reduction in DSM collections and spending will not have an impact on exiting future DSM programs. *Id.* The Alliance suggests that Avista be allowed sufficient time to justify a 45 percent reduction in its energy efficiency rider level, and that it return to the Commission after it has established that the DSM account is being repeatedly overfund. *Id.*

***ICL Comments***

ICL says that when Avista asked to reduce its natural gas rider in 2011, the Commission approved a moderate reduction that would "allow Avista's customers a rate reduction while ensuring adequate funding for the Company's DSM programs for the next two years." ICL Comments at 1 (*quoting* Order No. 32366 at 2). ICL urges the Commission to do the same thing here. *Id.* at 1. ICL says that "with Avista's track record of exceeding their DSM targets and the continued cost effectiveness of their DSM portfolio, the public interest is best served by maintaining the current rider level until Avista establishes the expected DSM expense over the next two years." *Id.* at 2.

ICL argues that Avista has provided no evidence to support its requested rider rate decrease. There is no evidence of what Avista expects its DSM expenses will be over the coming two years. There is no evidence supporting Avista's claim that only 55% of the projected electric DSM tariff revenue is necessary to fund the expected DSM operations for the 12 months following October 12, 2012. *Id.* at 1. ICL says the Company will produce its 2013 DSM Business Plan by November 1, 2012, and that the Plan will provide a basis upon which to set an appropriate rider level to cover future DSM expenses. *Id.* at 1-2. ICL argues that the Commission should not adjust the rider until Avista completes its 2013 DSM Business Plan and documents the expected DSM expenses for 2013. *Id.* at 3.

ICL notes that the available evidence (including Avista's 2011 IRP) shows Avista is entering a phase of continued growth with increasing levels of achievable energy efficiencies for the foreseeable future. *Id.* at 1-2. ICL says the Commission should ensure the DSM rider is sufficient to eliminate any budget constraints on the Company's duty to pursue all cost-effective energy efficiencies. *Id.* at 2. ICL says that given the increasing DSM targets, if the Commission adjusts the DSM rider based on 2011 performance, customers face the real risk of decrease today followed by an increase next year. *Id.* at 2. ICL says it concurs with Staff's position in Case No. AVU-G-11-03, which involved Avista's request to decrease its gas DSM tariff: "Annual DSM tariff rider changes are burdensome and disorienting to customers, especially compounded by annual PGA changes. *Id.* at 2 (*quoting* Staff Comments at 4, AVU-G-11-03).

ICL "urges the Commission to make a policy decision about how to account for [forecasting future DSM expenses] in setting the appropriate rider level." *Id.* at 3. ICL "supports the current practice of looking beyond next year to ensure adequate funding for two years of DSM activities." ICL recommended "the Commission affirm its prior decision [in Order No. 32366] to set the rider level based on two years of future program needs." ICL proposes the Commission do this by tying the rider level to the biennial conservation plans that Avista produces for the Washington jurisdiction. *Id.* at 3.

## DISCUSSION AND FINDINGS

The Idaho Public Utilities Commission has jurisdiction over Avista, a combination electric and natural gas utility, pursuant to the authority granted by Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000. We have reviewed the record in this case, including the Application and comments. Based on that review, we find it is just, fair, and reasonable for the Company to decrease the electric energy efficiency rider, Schedule 91, by 1.3% of billed revenue effective October 1, 2012.

We find that it was reasonable for the Company to forecast the rider balance using a single test-year, and we decline to require the Company to base its projections on two years of data. We also find that decreasing the rider will not prevent the Company from pursuing all cost-effective DSM, especially where, as here, the rider balance is twice as much as the Company says it needs to fund expected DSM operations. We are concerned that allowing rider funds to accumulate could undermine customers' confidence that their rates are prudently used to fund cost-effective programs. We find it would not be prudent for the Company to retain rider funds for which it has no existing or projected use.

We support and encourage utilities to pursue all cost-effective DSM. Thus, we expect Avista to continue reviewing cost-effective DSM programs, and to implement new programs or expand existing programs as appropriate. Further, if the new rider rate proves insufficient to fund cost-effective DSM expenditures, we expect the Company (or others) to bring the matter to our attention.

Lastly, in light of the declining customer participation in the Company's rider-funded programs, we find it reasonable to direct the Company to file a report with the Commission, within 60 days of the service date of this Order, advising us about the opportunities the Company believes exist for increasing customer awareness about energy efficiency issues and the Company's energy efficiency programs.

## O R D E R

IT IS HEREBY ORDERED that the Company's Application is granted, as set forth in the body of this Order. The Company may decrease the electric energy efficiency rider, Schedule 91, by 1.3% of billed revenue effective October 1, 2012.

IT IS FURTHER ORDERED that the Company shall file a report with the Commission, within 60 days of the service date of this Order, advising us about the opportunities the Company believes exist for increasing customer awareness about energy efficiency issues and the Company's energy efficiency programs.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26th day of September 2012.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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