

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)
CORPORATION’S APPLICATION TO) CASE NOS. AVU-G-12-03
REVISE NATURAL GAS EFFICIENCY) AVU-G-12-06
PROGRAMS AND RIDER ADJUSTMENT,)
SCHEDULES 190 AND 191.) NOTICE OF APPLICATION
)
) NOTICE OF
) MODIFIED PROCEDURE
)
) ORDER NO. 32618

On June 29, 2012, Avista Corporation dba Avista Utilities applied to the Commission for an Order allowing Avista to revise Schedule 190, “Natural Gas Efficiency Programs,” to suspend its natural gas demand-side management (DSM) programs. *See* Application in Case No. AVU-G-12-03. The Natural Gas Efficiency Programs described in Schedule 190 are funded from Schedule 191 (the Energy Efficiency Rider Adjustment) revenues. Consequently, on July 31, 2012, Avista also applied for an Order allowing it to decrease its Schedule 191 rates. *See* Application in Case No. AVU-G-12-06.¹

Although Avista filed AVU-G-12-03 and AVU-G-12-06 as separate cases, Avista and Commission Staff subsequently determined that these related cases should be processed together. In light of this, while the Company’s AVU-G-12-03 Application initially asked for a September 1, 2012 effective date, the Company subsequently informed Staff that the Company was changing the requested effective date to October 1, 2012, to coincide with the effective date requested in Case No. AVU-G-12-06. Accordingly, the Company now asks that both cases be processed under Modified Procedure, and that the changes requested in both cases take effect on October 1, 2012.

NOTICE OF APPLICATION

Application in Case No. AVU-G-12-03

YOU ARE HEREBY NOTIFIED that with the Application in Case No. AVU-G-12-03, Avista seeks to revise Schedule 190 to suspend its natural gas DSM programs. Avista claims

¹¹ Avista filed a single, combined Application in Case Nos. AVU-G-12-06 and AVU-E-12-07.

it must revise Schedule 190 due to new natural gas avoided costs that were released as part of its integrated resource planning (IRP) process. *See* Application in Case No. AVU-G-12-03 at 1. Avista says the new avoided natural gas costs are about 50% lower than existing avoided costs and that these lower avoided costs render the natural gas energy efficiency portfolio cost ineffective going forward. *Id.* at 2.

YOU ARE FURTHER NOTIFIED that Avista says it typically re-files avoided costs *after* it releases its natural gas IRP, which is set to be released on August 31, 2012, but it is opting to begin phasing out the natural gas DSM programs now because it already knows about the lower avoided costs. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says it tested whether different DSM portfolio calculations and avoided cost modifications might yield a cost-effective DSM portfolio under the Total Resource Cost (TRC) test. *Id.* Avista says no tested scenario resulted in a cost-effective DSM portfolio.² *Id.* at 3. Avista says it will continue evaluating the natural gas DSM portfolio and will move to return all or part of the natural gas DSM portfolio to its overall energy-efficiency strategy if natural gas costs, technologies, or delivery methods change to make the portfolio cost-effective. *Id.* at 3.

YOU ARE FURTHER NOTIFIED that Avista says its proposed tariff revision would suspend its natural gas DSM programs while accounting for its outstanding contractual obligations. Avista says its proposed tariff revision addresses its three natural gas DSM portfolios as follows:

1. Site Specific Programs. Avista says it will honor all agreements that are fully executed before September 1, 2012. Avista also will honor natural gas energy efficiency projects it knows about before September 1, 2012, even if those projects lack fully executed contracts, if Avista already has analyzed a proposed natural gas energy efficiency measure. If Avista has not already analyzed such a measure, then customers seeking incentive funding must submit a written (or e-mailed) overview of the proposed project to Avista by September 1, 2012. Avista says that projects must have material documentation by October 15, 2012, and an energy efficiency agreement must be signed by January 15, 2013. *Id.*

² Major tested scenarios involved adding a carbon cost adder for 2013-2019; including a natural gas distribution capacity cost value; interpreting the TRC test on a gross rather than net basis; re-categorizing program net-to-gross ratios and realization rates; re-allocating non-incentive utility costs across programs. *Id.* at 2.

2. Residential and Non-Residential Prescriptive Rebate Programs. Avista says customers who qualify for these programs will be eligible for payment if they send Avista all required rebate forms and documentation postmarked by November 1, 2012. Requests postmarked after November 1, 2012, will be denied payment. *Id.*
3. Limited Income Programs. Avista says it will honor all existing, 2012 Community Action Partnership contracts with natural gas incentives, but it will not fund any more natural gas measures as of January 1, 2013. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says that in a future electric efficiency filing, it will propose increasing incentives to convert end-use equipment from electricity to natural gas. Avista says this increase would benefit customers by encouraging efficient fuel-use, supporting the trade ally network, and keeping the efficiency message in the marketplace. *Id.* at 4.

Application in Case No. AVU-G-12-06

YOU ARE FURTHER NOTIFIED that with its Application in Case No. AVU-G-12-06, Avista requests authority to adjust the DSM portion of Schedule 191 (“Energy Efficiency Rider Adjustment”). Avista says this will reduce billed natural gas rates by 2.6%. Application in Case No. AVU-G-12-06 at 1.

YOU ARE FURTHER NOTIFIED that Avista says for 2010-2011, its energy efficiency programs and measures resulted in 734,056 therms of natural gas savings (or 54% of the IRP goal) in Idaho. *Id.* at 2.

YOU ARE FURTHER NOTIFIED that Avista says the revenue expected to be generated by the Schedule 191 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 imbalances. Through June 2012, Avista’s Idaho natural gas DSM tariff rider balance was \$1,355,023 (Company owes ratepayer). *Id.* at 3.

YOU ARE FURTHER NOTIFIED that the Company says its proposed timeline to suspend its natural gas DSM operations adequately notifies customers and honors existing in-process and contracted commitments while meeting the Company’s stewardship obligations for customer funds. The Company estimates a total expenditure of \$1,127,000 from July 1, 2012, until the last contractual obligation has been met. The Company says the balance of the natural gas DSM tariff rider at the close of June 2012, is \$1,335,023. *Id.* at 3.

YOU ARE FURTHER NOTIFIED that the Company projects that the existing natural gas tariff rider balance and the revenues projected to be acquired through the end of September 2012, is sufficient to fully fund 132% of the total future expenditures based upon the anticipated timeline for suspending natural gas DSM operations. The Company thus asks to adjust its tariff rider rate of \$0.00000. The Company says that as natural gas DSM operations cease, it will work with Staff to refund any remaining tariff rider balances to customers based upon actual natural gas DSM expenditures. *Id.* at 4.

YOU ARE FURTHER NOTIFIED that the Company says in 2011 its natural gas DSM portfolio was cost-effective with Total Resource Cost (TRC) test and Program Administrator Cost (PAC) ratios of 0.85 and 2.84. *Id.* at 6-7.

YOU ARE FURTHER NOTIFIED that the Company says the proposed reduction to Schedule 191 rates and charges will decrease the Company's estimated annual revenue by \$1,737,000 (a decrease of 2.6% of billed rates). The Company says the proposed natural gas rate decrease will have an average monthly bill impact to residential customers using 60 therms of \$1.61. *Id.* at 7.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that Case Nos. AVU-G-12-03 and AVU-G-12-06 present related issues and that that the two cases should be consolidated and processed together. Further, the Commission finds that the public interest may not require a formal evidentiary hearing in this matter and that it will proceed under Modified Procedure pursuant to the Commission's Rules of Procedure 201 through 204, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation in cases of this nature.

YOU ARE FURTHER NOTIFIED that anyone wanting to state a position on these Applications may file a written, supporting or opposing comment with the Commission **no later than September 10, 2012**. The comment must explain why the commenter supports or opposes the Applications. Persons who want a hearing must specifically ask for a hearing in their written comments. Written comments concerning these Applications shall be mailed to the Commission and the parties at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Linda Gervais
Manager, Regulatory Policy
Avista Corporation
PO Box 3727
1411 E. Mission Avenue, MSC-29
Spokane, WA 99220-3727
E-mail: linda.gervais@avista.corp

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

David J. Meyer, Esq.
Vice President and Chief Counsel for
Regulatory and Governmental Affairs
Avista Corporation
PO Box 3727
1411 E. Mission Avenue, MSC-113
Spokane, WA 99220-3727
E-mail: david.meyer@avistacorp.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the form, using the case number as it appears on the front of this document. These comments must also be sent to Avista at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Company may file reply comments (if necessary) by September 17, 2012.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application, supporting workpapers and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and other workpapers are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Gas Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-118, 61-119, 61-502, and 61-503. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

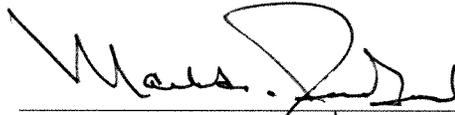
ORDER

IT IS HEREBY ORDERED that Case Nos. AVU-G-12-03 and AVU-G-12-06 are consolidated and will be processed together under Modified Procedure. Interested persons may file comments no later than September 10, 2012. The Company may file reply comments (if any) by September 17, 2012.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15th day of August 2012.



PAUL KJELLANDER, PRESIDENT

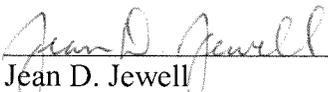


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:AVU-G-12-03_AVU-G-12-06_kk

NOTICE OF APPLICATION
NOTICE OF MODIFIED PROCEDURE
ORDER NO. 32618