

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF AVISTA CORPORATION FOR</b>	)	<b>CASE NO. AVU-E-13-05</b>
<b>AUTHORITY TO INCREASE ITS ENERGY</b>	)	
<b>EFFICIENCY RIDER ADJUSTMENT,</b>	)	
<b>SCHEDULE 91</b>	)	
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<b>IN THE MATTER OF AVISTA</b>	)	
<b>CORPORATION'S APPLICATION TO</b>	)	<b>CASE NO. AVU-G-13-01</b>
<b>CHANGE ITS RATES AND CHARGES (2013</b>	)	
<b>PURCHASED GAS COST ADJUSTMENT).</b>	)	
	)	<b>NOTICE OF</b>
	)	<b>PUBLIC WORKSHOP</b>
	)	

On July 31 and August 1, 2013, Avista Corporation dba Avista Utilities filed two Applications asking the Commission to approve several annual rate adjustments. One Application—Electric Energy Efficiency Tariff Rider Adjustment (Tariff Rider)—would affect customers' electric rates. The other Application—Avista's annual Purchased Gas Cost Adjustment (PGA)—affects natural gas rates. The Company asks that the changes proposed in these Applications take effect on October 1, 2013. The changes do not impact the Company's earnings.

Commission Staff will hold a public workshop on September 5, 2013, in Coeur d'Alene, Idaho to discuss these two Applications and two other cases that affect rates.<sup>1</sup> Interested persons are invited to attend. The Applications are summarized below. The workshop details follow the summary.

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<sup>1</sup> On July 31, 2013, Avista also filed two other proposals to change its electric rates. First, the Company proposed to decrease its annual Power Cost Adjustment (PCA) by about \$3.9 million. The adjusted rebate results in an overall decrease in the annual PCA rate of 0.83%. The Company calculates that average residential customers using 930 kWh per month will experience a monthly decrease in their electric bill of \$.58. Case No. AVU-E-13-04. Second, Avista also proposed to adjust its Residential Exchange Program (REP) credit (tariff Schedule 59) to reflect a decrease in BPA-derived benefits from the federal Columbia River power system to residential and small farm customers. Reducing the level of benefits from BPA's Residential Exchange Program will result in a net reduction of the benefit of approximately \$1.1 million, or approximately 0.5%. The reduction in the BPA credit is a federal "pass-through" not subject to this Commission's approval. Avista Tariff Advice No. 13-05-E. The requested effective date for both these rate changes is October 1, 2013.

## SUMMARY OF THE TWO APPLICATIONS

### *A. Electric Energy Efficiency Tariff Rider Adjustment (AVU-E-13-05)*

YOU ARE HEREBY NOTIFIED that Avista has applied 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.” The tariff rider mechanism includes a true-up that reconciles the previous period’s 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.

YOU ARE FURTHER NOTIFIED that 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.”<sup>2</sup> During 2012, Avista operated a T12 conversion program where it issued 4,740 rebates to customers. The Company had budgeted approximately \$1.2 million for this conversion program but issued approximately \$5.2 million in rebates. Avista said that a significant number of rebate requests were received in the last month of the program (December 2012).

YOU ARE FURTHER NOTIFIED that 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. In addition, the Company encourages its all-electric residential customers to convert to natural gas space and water heating. See Order No. 32878 for more details.

YOU ARE FURTHER NOTIFIED that 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

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<sup>2</sup> Generally T12 fluorescent lighting fixtures use “older” magnetic ballasts while T8 fixtures use newer electronic ballasts. T8 lamps with electronic ballasts are more energy efficient than T12 lamps with magnetic ballasts. Electronic ballasts 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).

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:

SCHEDULE	EXISTING RATE	PROPOSED RATE
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

***B. Annual Natural Gas PGA (AVU-G-13-01)***

YOU ARE FURTHER NOTIFIED that Avista’s PGA Application proposes to increase the Company’s annualized revenues by about \$4.9 million (7.5%).<sup>3</sup> The Company says its proposal will not affect its earnings and will increase the average, residential or small commercial customer’s rates by \$3.80 per month (6.8%).

YOU ARE FURTHER NOTIFIED that the Company buys natural gas and then transports it through pipelines for delivery to customers. The Company defers the effect of timing differences due to implementation of rate changes and differences between the Company’s actual weighted average cost of gas (WACOG) purchased and the WACOG embedded in rates. The Company also defers various pipeline refunds or charges and miscellaneous revenue received from natural gas related transactions, including pipeline capacity releases. In its annual PGA filing, the Company proposes to: (1) pass to customers any change in the estimated cost of natural gas for the next 13 months (Schedule 150); and (2) revise the amortization rates to refund or collect the balance of deferred gas costs (Schedule 155).

YOU ARE FURTHER NOTIFIED that the Company’s present PGA filing would impact customers as follows:

Service	Schedule No.	Commodity Change per Therm	Demand Change per Therm	Total Sch. 150 Change	Amortization Change per Therm	Total Rate Change per Therm	Overall Percent Change
General	101	\$0.04066	\$0.00471	\$0.04537	\$0.01800	\$0.06337	6.8%
Lg. General	111	\$0.04066	\$0.00471	\$0.04537	\$0.01800	\$0.06337	9.7%
Interruptible	131	\$0.04066	\$0.00000	\$0.04066	\$0.00621	\$0.04687	8.3%

<sup>3</sup> The PGA mechanism is used to adjust rates to reflect annual changes in the Company’s costs for the purchase of natural gas from suppliers – including transportation, storage, and other related costs.

YOU ARE FURTHER NOTIFIED that Avista estimates that the commodity cost (i.e., the WACOG) will increase by \$0.041 per therm, from the currently approved \$0.333 per therm to \$.374 per therm.

YOU ARE FURTHER NOTIFIED that Avista says it periodically hedged gas throughout 2013 for the coming PGA year (13 months), and that it will hedge about 38% of its estimated annual load requirements for the PGA year (October 2013 – October 2014) at a fixed price comprised of: (1) 12% of volumes hedged for a term of one-year or less; and (2) 26% of volumes from prior multi-year hedges. Through June, the planned hedge volumes for the PGA year have been executed at a weighted average price of \$0.452 per therm. Avista says underground storage capacity represents about 19% of its annual load requirements, with the estimated weighted average cost for all storage volumes being \$0.325 per therm.

YOU ARE FURTHER NOTIFIED that Avista says lower overall demand, increased production, and record high storage impacted the 2012 natural gas market and drove natural gas prices to ten-year lows. However, these prices trended upward for most of 2013. According to the Company, the late, colder than normal winter increased demand, reduced excess supply, and decreased storage balances to levels below the five-year average. The Company explains that this return to a more balanced market added to the uplift of natural gas prices and increased the WACOG components (hedges, index, and storage) for the upcoming PGA year above the prior year and what is currently included in rates.

YOU ARE FURTHER NOTIFIED that Avista's demand costs primarily represent the cost to transport gas through interstate pipelines to the Company's distribution system. The Company proposes increasing demand costs principally to account for the inclusion of the new Northwest Pipeline transportation rates.

YOU ARE FURTHER NOTIFIED that Avista proposes *increasing* the amortization rate by \$0.01800 per therm (from \$0.01785 per therm in the rebate direction to \$0.03775 per therm in the surcharge direction). This increase is the result of fully amortizing the \$1.6 million rebate deferral balance approved in the 2012 PGA (the Company says the amortization balance actually was over-amortized by about \$0.1 million). The Company says this surcharge balance was mostly offset by current 2012-2013 deferrals, resulting in a deferral balance, in the surcharge direction, of about \$12,000.

**NOTICE OF PUBLIC WORKSHOP**

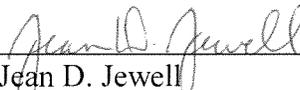
YOU ARE HEREBY NOTIFIED that the Commission Staff will hold a public workshop for Avista customers on **THURSDAY, SEPTEMBER 5, 2013 AT 7:00 P.M. IN THE TODD LECTURE HALL IN THE MOLSTEAD LIBRARY AT NORTH IDAHO COLLEGE, 1000 W. GARDEN AVENUE, COEUR D' ALENE, IDAHO.** At this meeting customers will have an opportunity to hear from Commission Staff regarding the Company's Applications in the above-referenced cases and ask questions of Staff and representatives of the Company.

YOU ARE FURTHER NOTIFIED that the Applications and supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Applications and testimonies are also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the "File Room" tab at the top of the page, scroll down to "Open Electric Cases" or "Open Gas Cases," and then click on the case numbers as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that all workshops and hearings in these matters will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

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DATED at Boise, Idaho this 15<sup>th</sup> day of August 2013.

  
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Jean D. Jewell  
Commission Secretary

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