

## **Idaho Public Utilities Commission**

Case Nos. AVU-E-13-04, Order No. 32873

AVU-E-13-05, Order No. 32878

AVU-E-G-13-01, Order No. 32874

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### **Workshops to explain Avista rate adjustments**

Staff from the Idaho Public Utilities Commission will be in Coeur d'Alene on Thursday, Sept. 5, to explain three Avista Utilities' annual rate adjustments – two increases and one decrease – that are proposed to become effective Oct. 1. The commission is also taking written comment on the proposed adjustments through Sept. 11.

**None of the adjustments increase Avista earnings.** Two are annual adjustments made every Oct. 1 to account for those portions of electric and gas rates that change every year due to factors like weather conditions and fuel prices. When those factors cause prices to go lower than anticipated, customers get a one-year credit. When those factors cause an increase in costs above what is already included in base rates, customers get a one-year surcharge. The revenue collected from the electric and gas surcharges goes into a deferred account and can be used only to paying electric and gas supply expense not already included in customer rates. The account is audited by the commission.

Avista's annual gas cost adjustment results in a proposed 6.8 percent increase for residential and small commercial gas customers. Avista's annual electric adjustment is a proposed 0.83 percent decrease to residential and small-commercial customers.

Avista also proposes a third adjustment, an increase to its Energy Efficiency Rider by 1.2 percent.

A fourth adjustment, a reduction in the credit Avista customers get from the Bonneville Power Administration, would result in an increase of 1.1 percent. The reduction in the BPA credit is a federal "pass through" not subject to the Idaho Commission's approval or disapproval.

Overall, the three electric adjustments would increase electric rates by about 1.5 percent. However, customers should also be aware that the Oct. 1 adjustments also include a 3.1 base rate increase as part of the settlement of a base rate case that utility filed with the commission in August 2012. The combined increase, including the rate case settlement already approved, would increase a residential bill from about \$78.69 to \$81.94 (4.1 percent) for a customer who uses the system average of 930 kilowatt-hours per month.

On the gas side, a residential customer who uses the average of 60 therms per month, would see an increase in the monthly bill from \$55.37 to \$59.48, or 7.4 percent. For all customers classes combined, the average increase is 6.8 percent.

Here are more details about each of the adjustments:

### **ELECTRIC ADJUSTMENTS**

**Energy Efficiency Rider (1.2 percent increase or an average 92-cent increase)** – The rider, now set at 0.146 cents per kWh, funds about 30 programs that increase energy efficiency or shift electric demand from peak-use times when electricity is more expensive. The fund currently has a \$3 million deficit. Avista proposes to increase the rider to 0.245 cents per kWh, which would pay down the deficit over a two-year period and provide about \$6.4 million in annual revenue to fund ongoing energy efficiency programs.

All of the programs included in the rider must pass cost efficiency tests that demonstrate that all customers benefit from the programs, not just those who directly participate in them. In other words, without the programs in place rates for all electric customers would be higher.

Most of the underfunded amount in the rider account is the result of Avista's efforts to incent customers to switch to higher efficiency fluorescent lighting fixtures. During 2012, the utility issued rebates to 4,740 customers who switched from the T12 fixtures to T8 fixtures. Other programs include rebates for energy efficiency appliances, HVAC improvements and electric motor measures. Another program offers rebates to residential customers who convert from electric to natural gas for space and water heating.

During 2012, the programs resulted in Idaho electric savings of 24,183 megawatt-hours in addition to another 15,942 MWh in savings through Avista's participation in the regional Northwest Energy Efficiency Alliance, which is also funded by the rider.

**Power Cost Adjustment (0.83 percent decrease, or an average 58-cent decrease)** – Since 1989, the PCA adjusts rates up or down to reflect changes in costs the Avista incurs to provide power supply to its customers. Costs of power supply vary from year to year depending to changes in streamflows, thermal fuel costs, market prices of power and changes in power contract revenues and expenses.

During the 2012-13 PCA year, power costs decreased by about \$3.8 million, which would increase the existing customer credit of 0.09 cents per kWh to 0.152 cents per kWh.

**BPA Residential Exchange Program (1.1 percent increase due to reduction in size of credit)** – The 1980 Northwest Power Act requires that residential and small-farm customers in the Northwest share in the benefits of the federal hydroelectric projects located in the region. That benefit is shared with customers through a bill credit. However, BPA is reducing the level of

benefits to Avista's Idaho customers by about \$1.1 million. Customers still get a credit, but the size of the credit is reduced.

### **NATURAL GAS ADJUSTMENT**

**Purchased Gas Cost Adjustment (6.8 percent increase, or an average \$3.80 per month increase )** – Like the Power Cost Adjustment, the PGA is adjusted up or down at least annually to reflect that portion of gas rates that change from year to year, due to changing market prices and fuel and transportation costs.

In recent years, lower demand, higher production rates and record high storage levels, drove prices to the lowest they've been in a decade. However, for most of 2013, prices began an upward trend, caused primarily by the late, colder-than-normal winter. Consequently, Avista proposes to increase the portion of rates that accounts for variable changes from 33.3 cents per therm to 37.4 cents. The variable portion of rates accounts for more than half of the total proposed rate of 63.37 cents per therm.

To protect customers from wholesale market swings in gas prices, Avista engages in "hedging," or buying gas while prices are lower and storing it for use during higher-priced periods. Avista said it will hedge about 38 percent of its estimated annual load requirements for the next PGA year.

### **PUBLIC INVOLVEMENT**

The workshop on September 5 begins at 7 p.m. at the Molstead Library on the campus of North Idaho College, 1000 W. Garden Ave. in Coeur d'Alene. The workshop will deal primarily with the proposed increase in the Energy Efficiency Rider and the proposed natural gas increase. The Power Cost Adjustment is a decrease and the commission has no authority to modify the BPA credit or the rate adjustment that is the result of a settlement in the 2012 rate case. Staff members will have a brief presentation and that take questions. Representatives from Avista may also be on hand to answer questions.

The commission is also taking written comment on the energy efficiency rider, Power Cost Adjustment and Purchased Gas Cost Adjustment through Sept. 11. Comments are accepted via e-mail by accessing the commission's homepage at [www.puc.idaho.gov](http://www.puc.idaho.gov) and clicking on "Case Comment or Question Form," under the "Consumers" heading. Fill in the case number (AVU-E-13-05 for the energy efficiency rider; AVU-E-13-04 for the Power Cost Adjustment and AVU-G-13-01 for the Purchased Gas Cost Adjustment) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

The commission's orders, along with other documents related to these cases, are available on the commission's Web site. Click on "Open Cases" under either the "Electric" or "Gas" headings and scroll down to the applicable case number.

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