

Idaho Public Utilities Commission

Case Nos. AVU-E-13-04, Order No. 32892

AVU-E-13-05, Order No. 32894

AVU-G-13-01, Order No. 32898

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Commission approves adjustments to Avista gas, electric rates

Avista's residential and small commercial customers will be paying about 6.8 percent more for natural gas and about 0.4 percent more for electricity as a result of rate adjustments approved this week by the Idaho Public Utilities Commission. The increases in rates, which are effective Oct. 1, do not increase Avista earnings.

The gas increase is Avista's annual Purchased Gas Cost Adjustment (PGA), which 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 for natural gas, 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 must increase that 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 rate of 63.37 cents per therm paid by Avista natural gas customers.

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.

There are two electric rate adjustments, one an increase and the other a decrease.

Like the PGA, Avista's annual Power Cost Adjustment (PCA) adjusts electric rates up or down to account for conditions that change from year to year due to factors like weather conditions and fuel prices. When those conditions result in expenses that are less than anticipated, customers get a one-year credit. When those factors cause an increase in costs above that already included in base rates, customers get a one-year surcharge. This year, variable expenses were \$3.8 million lower than anticipated, resulting in a 0.83 percent decrease for customers. The PCA portion of electric rates declines from 0.09 cents per kWh to 0.152 cents per kWh.

The commission also approved a 1.2 percent increase in Avista's Energy Efficiency Rider.

The rider, which increases from 0.146 cents per kWh to 0.245 cents for residential customers, funds about 30 programs that increase energy efficiency or shift electric demand from peak-use times when electricity is more expensive. The increase will allow the company to recover a \$3.6

million shortfall in the rider account and allow continued funding of energy efficiency and demand response programs.

In approving the rider increase, the commission said that energy efficiency and demand response programs reduce the need for higher cost, supply-side resources such as a new or expanded power plant. The programs funded by 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. Avista had originally budgeted \$1.2 million for the program, but customer participation was so high that the utility ended up paying \$5.2 million in rebates.

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.

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