

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF AVISTA)
CORPORATION’S APPLICATION TO) CASE NO. AVU-G-15-03
RESUME NATURAL GAS EFFICIENCY)
PROGRAMS AND INCREASE THE RIDER) NOTICE OF APPLICATION
SURCHARGE IN SCHEDULES 190 AND)
191.) NOTICE OF
) MODIFIED PROCEDURE
)
)
) ORDER NO. 33422**

On October 28, 2015, Avista Corporation dba Avista Utilities filed an Application for authority to: (1) resume natural gas energy efficiency programs and projects to residential (including low-income), commercial and industrial natural gas customers under Schedule 190 (Natural Gas Efficiency Programs); and (2) fund these programs by increasing its “Energy Efficiency Rider” surcharge rates in tariff Schedule 191. Application at 1. Avista proposes that the gas demand-side management (DSM) programs “be offered through prescriptive rebates to customer segments for eligible weatherization and high efficiency equipment measures as well as custom incentives for 27 non-residential projects.” *Id.* Avista asks that the case be processed by Modified Procedure, and that new Schedule 191 Rider rates take effect on January 1, 2016.

In 2012, Avista filed and the Commission approved an application to suspend Avista’s natural gas DSM programs. In its 2012 application, Avista advised the Commission that new natural gas costs were about 50% lower than existing avoided costs and that these lower gas costs render the “natural gas energy efficiency portfolio cost-ineffective going forward.” Order No. 32650 at 1. After evaluating a number of cost-effectiveness tests, Avista now seeks to re-establish those programs.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Avista seeks to resume its previously suspended natural gas DSM programs (Schedule 190) and to resume collecting a Rider surcharge to pay for the DSM programs (Schedule 191). Avista claims that changes made to the avoided cost calculation methodology used in the previously discontinued DSM programs will make the natural gas energy efficiency portfolio cost effective going forward.

YOU ARE FURTHER NOTIFIED that Avista claims that its historic method of measuring cost-effectiveness, the Total Resource Cost test (TRC) metric, has a potential for bias against conservation programs. *Id.* at 2. In its Application, the Company instead utilizes the Utility Cost Test (UCT) metric as a measurement of cost-effectiveness.¹ Avista explains in its Application that it prefers to emphasize the UCT over the TRC test when evaluating its DSM programs because the TRC “typically includes the full costs, but not the full benefits to customers because the risk reduction value of conservation and many non-energy benefits are difficult to quantify.” Application at 2.

YOU ARE FURTHER NOTIFIED that Avista has proposed three changes to its historic avoided cost methodology for natural gas:

1. Total Cost of Delivery: Avista claims that “the demand portion of Schedule 150 is a more accurate representation of the total costs to deliver natural gas from the wellhead to the customer meter, and therefore, that should be a component of the natural gas avoided cost calculation.” *Id.* at 4-5. Thus, Avista has proposed inclusion of a \$2.69/MWh long term firm wheeling charge, based on the electric forward market prices of the Mid-C market hub in its avoided cost calculation. *Id.*
2. Future Carbon Cost Assumptions: Avista states it is unable to come up with an accurate future carbon cost assumption and there are a range of legitimate projections from \$0/metric ton to over \$240/metric ton. Facing this uncertainty, the company proposes using an estimate of \$10/metric ton starting in 2020 with a 3% annual escalation.
3. Discount Rate: Avista argues that the most appropriate method of measuring the cost-effectiveness of its conservation programs is its Weighted Average Cost of Capital (WACC). However, the Company also claims that the tax benefits of debt financing and inflation adjustment should be included in any discount rate. Accordingly, Avista has proposed to move from a nominal WACC to a real WACC.

YOU ARE FURTHER NOTIFIED Avista requests a revision to Schedule 190 to “provide customers with a levelized incentive of \$3.00 per first year therm savings for any project with a simple payback less than 15 years and capped at 70% of the project cost.” *Id.* at 8.

¹ The Company uses analytical tests such as the TRC and UCT to measure the cost-effectiveness of its various DSM programs. The TRC compares program administrator costs and customer costs to utility resource savings, and assesses whether the total resource cost of energy in a utility’s service territory will decrease. The UCT compares program administrator costs to supply-side resource costs, and assesses whether utility bills will increase. Under these tests, a program or measure is deemed to be cost-effective if it has a benefit/cost ratio above 1.0.

YOU ARE FURTHER NOTIFIED that Avista requests authority to resume collecting an Energy Efficiency Rider surcharge (Schedule 191). Avista says this will generate approximately \$1.25 million in revenue, resulting in an increase in overall billed natural gas rates by 1.7%. *Id.* at 1-2. If approved, the proposed Rider increase will increase the monthly bill of the average residential natural gas customer using 61 therms by about \$1.11 per month.

YOU ARE FURTHER NOTIFIED that Avista says for 2016-2017, its energy efficiency programs and measures are estimated to result in a first year savings of 233,000 therms in Idaho. *Id.*

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined 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 supporting or opposing this Application may file a written comment with the Commission **no later than December 10, 2015**. The comment must explain why the commenter supports or opposes the Application. Persons who want a hearing must specifically ask for a hearing in their written comments. Written comments concerning this Application 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

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Linda Gervais
Manager, Regulatory Policy
Avista Corporation
PO Box 3727
1411 E. Mission Avenue, MSC-29
Spokane, WA 99220-3717
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Regulatory and Government Affairs
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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 **December 17, 2015**.

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 Commission finds it appropriate to suspend Avista's proposed effective date of January 1, 2016, for a period of sixty days, until March 1, 2016, unless the Commission issues an earlier Order accepting, rejecting, or modifying Avista's Application. *See Idaho Code* § 61-622(3-4).

YOU ARE FURTHER NOTIFIED that the Application has been filed with the Commission and is available for public inspection during regular business hours at the Commission offices. The Application is also available on the Commission's web site at www.puc.idaho.gov. Click on the "File Room" tab at the top of the page, scroll down to "Open Gas Cases," and then click on the case number as shown on the front of this document.

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* §§ 61-117, 61-502, 61-503 and 61-622. 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 this case be processed under Modified Procedure. Interested persons may file written comments no later than December 10, 2015. The Company may file reply comments (if any) no later than December 17, 2015.

IT IS FURTHER ORDERED that Avista's proposed January 1, 2016, effective date is suspended for a period of sixty days, until March 1, 2016, unless the Commission issues an earlier Order accepting, rejecting, or modifying the Application. *Idaho Code* § 61-622(3-4).

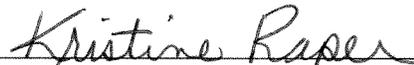
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 20th day of November 2015.



PAUL KJELLANDER, PRESIDENT

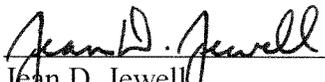


MARSHA H. SMITH, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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