

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)
CORPORATION DBA AVISTA UTILITIES') CASE NOS. AVU-E-16-01
APPLICATION FOR AN ACCOUNTING) AVU-G-16-01
ORDER RELATED TO COSTS INCURRED)
TO OFFER CUSTOMERS A FEE-FREE) ORDER NO. 33494
PAYMENT PROGRAM.)

On January 13, 2016, Avista Corporation dba Avista Utilities applied for an Order authorizing it to record, as a regulatory asset, the costs it will incur to allow residential customers to pay bills through its web site or by telephone without also having to pay a third-party vendor a “convenience fee” for processing the transaction. Avista does not seek to recover the costs now. Rather, it requests an Accounting Order that will let it defer and record the costs so it will have the opportunity to recover them through future rates.

After Avista filed its Application, the Commission issued a Notice of Modified Procedure and invited interested persons to comment on the case. *See* Order No. 33459. The Commission Staff and one customer filed comments that generally support the Application, and Avista filed a reply. Having reviewed the record, including the Application, comments, and reply, we enter this Order approving the Application on the conditions stated below.

THE APPLICATION

In its Application, Avista explains that it currently uses a third-party vendor to process one-time payments that residential customers make through Avista’s web site or by telephone. The vendor collects a \$3.50 “convenience fee” if the customer pays by checking or savings account but lacks an Avista “My Account” profile, or by credit or debit card. On the other hand, customers with a “My Account” profile may pay by phone or Avista’s web site without being charged a convenience fee. Customers also are not charged the fee if they pay by check, cash, or pay station.

With this Application, Avista proposes to eliminate the convenience fee and replace it with a fee-free payment program for residential customers. Avista explains that the convenience fee is a major source of customer dissatisfaction because customers are now accustomed to paying for other products and services without incurring a convenience fee. Further, convenience fees are overly burdensome for customers, such as low-income customers or

customers who are struggling financially due to illness or layoffs, who may have limited options on how to pay their utility bills.

Avista notes that all customers will save money if customers are able to pay their bill by the method of their choice without also having to pay a convenience fee. Avista expects, for example, that eliminating the convenience fee will encourage more customers to pay their utility bills on time with credit and debit cards, which will decrease the number of persons who end up in collections and the associated costs that otherwise are borne by all customers. In addition, the convenience fee is a major source of customer dissatisfaction that spawns calls to Avista's Call Center. Because it costs Avista about \$6 to handle each call, decreasing the number of calls related to the convenience fee will lead to savings for all customers.

While Avista wants to benefit customers by replacing the convenience fee with a fee-free payment program, it will not offer the fee-free payment program if it ultimately will incur costs that will cause it and its shareholders to lose money. With this Application, Avista thus seeks to defer, for later recovery from customers through rates, the costs it incurs to set up and offer the fee-free payment program. Avista expects the deferred costs will be about \$195,000 per year on an Idaho electric allocated basis, and about \$120,000 per year on an Idaho natural gas allocated basis.

In its Application, Avista asks the Commission to approve an accounting treatment that would let the Company defer the program costs for up to 36 months from the month in which the program begins. Every six months, Avista would update the Commission on program participation rates and fees incurred.

Avista also asks the Commission to approve a ratemaking treatment for the incurred costs. In summary, after Avista has offered the fee-free program for 12 to 18 months, Avista would seek to recover the program's costs as part of a general rate case. In the rate case, Avista would ask to amortize and recover the costs from all customers over a two-year period, with no return on the unamortized balance.

THE COMMENTS

A customer and Commission Staff filed the only comments in the case, and Avista filed a reply.

The customer favors Avista's proposal to offer a fee-free payment program. The customer also suggests that Avista consider offering a discount for customers who receive or pay their bills electronically.

Commission Staff generally supports Avista's proposal to defer and record the program-related costs to a regulatory asset for later recovery through rates. However, while Avista proposes to defer the program-related costs for up to 36 months and then amortize and recover those costs over 24 months, Staff recommended the Commission not approve a specific amortization period until an actual deferral period is known and Avista files a rate case to recover the deferred costs. Staff also recommended the Commission order Avista to directly assign the costs to each jurisdiction, with fees attributed to Idaho customers being charged to Idaho. Lastly, Staff recommended the Commission order Avista to file a report with the Commission every six months detailing fees incurred and participation rates.

In its reply, Avista agrees with each of Staff's recommendations.

FINDINGS AND DISCUSSION

We have reviewed the record, including the Company's Application, the comments, and the reply. We find that the Company is an electrical and gas corporation and a public utility, and that we have jurisdiction over the Company and the issues in this case under the Idaho Public Utilities Law, including *Idaho Code* §§ 61-117, 61-119, 61-129, 61-501, 61-502, and 61-524. We further find that eliminating the convenience fee for residential customers will likely improve customer satisfaction and lead to cost savings for all customers. We thus find it fair, just, and reasonable for Avista to discontinue use of a third-party vendor and corresponding convenience fee for residential customers, and to defer and record the costs it incurs to offer a fee-free payment program for up to 36 months for later recovery through rates. We decline to set a precise amortization period and instead instruct Avista to seek specific treatment when it files for recovery during the next general rate case proceeding. We further find it fair, just, and reasonable, as proposed by Staff and agreed to by Avista, for Avista to directly assign the program-related costs to each jurisdiction, with only those costs attributed to Idaho customers being charged to Idaho. Lastly, we find it reasonable to require that Avista file a report every six months that details program-related costs and participation rates, as stated by Avista in its Application.

ORDER

IT IS HEREBY ORDERED that Avista's Application is approved. Avista may discontinue use of its third-party vendor and corresponding convenience fee and offer a fee-free payment program to residential customers.


IT IS FURTHER ORDERED that Avista shall defer and record the costs it incurs to offer the fee-free payment program for up to 36 months for later recovery through rates. The precise amortization period will be set when Avista files a rate case seeking to recover those costs.

IT IS FURTHER ORDERED that Avista shall directly assign to Idaho only the costs it incurs to offer the fee-free program to Idaho customers.

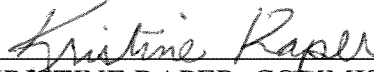
IT IS FURTHER ORDERED that after Avista implements the fee-free payment program, Avista shall file a report with the Commission every six months that details program-related costs and participation rates.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 1st
day of April 2016.



PAUL KJELLANDER, PRESIDENT

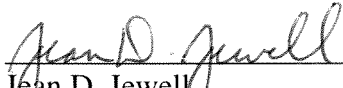


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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