

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE**

**FROM: NIKKI KARPAVICH**

**DATE: AUGUST 16, 2013**

**SUBJECT: AVISTA TARIFF ADVICE NO. 13-04-E;  
MODIFICATION TO SCHEDULE 90, ELECTRIC ENERGY EFFICIENCY**

On June 26, 2013, Avista (“the Company”) filed modifications to its Electric Energy Efficiency Programs, Schedules 90A, 90B and 90C. The Company re-filed its request on June 28, 2013. On July 15, 2013, the Company filed a substitute revision to Schedule 90B. On July 31, 2013, the Company filed to withdraw Schedule 90A and file a substitute sheet for Schedule 90C. The purpose of the filing is to update and clarify certain incentive levels that accelerate cost-effective projects.

### BACKGROUND

Schedule 90 describes energy efficiency services offered to residential, commercial, industrial, and retail electric distribution customers. Schedule 90B defines incentive parameters for electric efficiency and fuel-conversion measures that have lives of 10 years or greater with a simple payback of less than 13 years. This schedule primarily addresses site-specific, or custom, projects. The filing:

1. Adds lighting measures that have a life of 40,000 hours or greater with a simple payback of 6-13 years. Incentives will be capped at 50% of the incremental project cost. The current tariff precludes incenting some of these long-lived lighting measures, such as LEDs (light emitting diode). The Company believes this update will capture significant savings as the lighting industry continues to transform.

2. Increases the incentive cap from 50% to 70% of the incremental project cost for the following projects:
  - a) Lighting projects with a simple payback less than 3 years,
  - b) Non-lighting projects with a simple payback less than 5 years, and
  - c) Lighting projects with measure life of 40,000 hours or greater with a simple payback of less than 5 years.

The proposal to Schedule 90C adds section 4.1.4 to formally define prescriptive programs and cap such measures up to 100% of the incremental project cost. Prescriptive programs offer smaller efficiency measures that are pre-calculated at a fixed incentive amount. Staff notes that prescriptive incentives can expedite and provide consistency to DSM offerings.

#### **STAFF ANALYSIS AND RECOMMENDATION**

The update to Schedule 90 is intended to increase cost-effective energy savings by incenting projects with long measure lives and shorter paybacks, particularly in the transforming lighting sector. Staff acknowledges the Company has previously discussed most of the tariff revisions in their DSM Advisory Committee with little resistance from its members. Staff recognizes the proposed changes are intended to advance cost-effective energy savings, but reminds the Company all expenditures are subject to a DSM prudency review. Staff recommends the Commission accept the Company's proposal subject to one modification. Staff recommends the Company retain original language contained in Schedule 90B that clarifies energy simple payment is calculated prior to the application of an incentive. Staff believes this is an important distinction that could inappropriately alter the incentive level. The Company is in agreement with Staff's proposal.

#### **COMMISSION DECISION**

Does the Commission wish to accept Avista's modifications to Schedules 90B and 90C, Energy Efficiency Services, effective August 22, 2013?

  
Nikki Karpavich