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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION OF )</b>	
<b>AVISTA CORPORATION DBA AVISTA )</b>	<b>CASE NO. AVU-E-01-7</b>
<b>UTILITIES -WASHINGTON WATER POWER )</b>	
<b>DIVISION (IDAHO) FOR APPROVAL OF )</b>	
<b>REQUESTED CHANGES IN ELECTRIC )</b>	<b>COMMENTS OF THE</b>
<b>TARIFF SCHEDULE 91 ENERGY EFFICIENCY )</b>	<b>COMMISSION STAFF</b>
<b>RIDER ADJUSTMENT - IDAHO AND )</b>	
<b>SCHEDULE 90 ELECTRIC ENERGY )</b>	
<b>EFFICIENCY PROGRAMS. )</b>	
<b>_____ )</b>	

**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Scott Woodbury, Deputy Attorney General, and in response to Order No. 28719 issued on April 24, 2001, submits the following comments.

On March 30, 2001, Avista Corporation dba Avista Utilities—Washington Water Power Division—Idaho filed an Application with the Idaho Public Utilities Commission requesting approval of proposed changes to Electric Tariff Schedule 90 Electric Energy Efficiency Programs and Schedule 91 Energy Efficiency Rider Adjustment—Idaho. The Company filed revised Schedule 90 and 91 as a tariff advice with a requested May 2, 2001 effective date. The Commission suspended the filing on April 24,<sup>1</sup> and processed the Case under modified procedure. A comment deadline of May 30, 2001 was established. Staff filed a production request on

<sup>1</sup> Order No. 28719. IPUC Case No. AVU-E-01-7.

April 24 and the Company provided its responses on May 16 as requested. On May 30 the Company revised its Application to correct numerical errors.

## PROGRAM DESCRIPTION

Avista has a long-standing demand side management (DSM) tariff rider. The Company's Tariff Schedule 90 has been in place since January of 1991. Tariff Schedule 91, which specifies energy surcharges to fund the DSM programs, has been in place since 1995. The program budgets and other components were adjusted several times to reflect customer and program needs.

Avista's current Tariff Schedule 90 specifies a three-tiered incentive level where payment is based on the participant's simple payback for each individual project. The following table is the incentive level provided in the Tariff:<sup>2</sup>

<b>Measures</b>	<b>Simple Pay-Back Period</b>	<b>Incentive Level</b> (cents per first year kWh saved)
Electric Efficiency	18 to under 48 months	4 cents
	48 to under 72 months	6 cents
	72 months and longer	8 cents
New Technology	Under 48 months	10 cents
	48 to under 72 months	12 cents
	72 months and longer	14 cents
Fuel-Conversion	24 to under 48 months	1 cent
	48 to under 72 months	2 cents
	72 months and longer	3 cents

Incentives are capped at 50% of total project costs as determined by the Company and industry standards. New technologies are capped at 75% of total project costs.<sup>3</sup> The Tariff Schedule 90 also includes non-monetary assistance available across all applicable customer segments. Non-monetary assistance includes, but is not limited to, educational, financial, product samples, and technical assistance.<sup>4</sup>

The current Schedule 90 provides the Company with a significant amount of flexibility to pursue the most cost-effective programs available to its service territory. Rather than restricting

<sup>2</sup> Avista's Tariff Sheet 90D section 4.1.

<sup>3</sup> *Id.*

<sup>4</sup> Avista Tariff Sheet 90E sections 4.2.1-4.2.4.

the Company to exact program specifications, Schedule 90 provides a similar approach for all projects. In response to Staff Production Request No. 1, the Company describes its approach:<sup>5</sup>

Project Approach

Avista has several means of delivering programs within the tariff guidelines. The vast majority of non-residential projects are pursued on a site-specific basis. These projects are individually evaluated and incentives are calculated based upon the application of the tiered incentive structure within Schedule 90. The more unique the project application, the more customized the site-specific analysis becomes.

Regardless of the engineering approach to the measurement of energy savings, each site-specific project is evaluated by an incentive calculation model to ensure a consistent calculation of the customer incentive under the terms of the tariff and the written policies in place at that time. In the last full trimester for which customer counts are available, Avista has 372 site-specific projects in progress.

In addition to the site-specific programs, Avista has also developed prescriptive approaches to specific energy-efficiency measures. This approach is typically employed when the volume of projects is large, the saving per project is relatively small and the energy savings per device is reasonably predictable in the aggregate. Under these circumstances, a streamlined prescriptive approach enhances the program cost-effectiveness.

A limited-income residential program is conducted in cooperation with local community action agencies. By leveraging the infrastructure of these agencies Avista has been able to install multiple energy efficiency measures for 114 customers in the last reported trimester. These measures are, most frequently, electric to natural gas space and water heating conversions and various shell measures (predominantly weatherization, infiltration and replacement of compromised windows). An allowable health and safety component of the program permits the community action agency to make structural repairs or appliance replacements as necessary to ensure the long-term habitability of the structure (and consequently persistence of the energy savings).

Budget

The following is the budget for Idaho with the proposed increases:<sup>6</sup>

<b>Categories</b>	<b>Expected Budget %</b>	<b>Expected Budget \$</b>
Commercial & Industrial	56%	\$1,369,019
Residential (Regular & Limited Income)	22%	\$547,608
Regional	11%	\$270,000
Site Specific Service Agreements	11%	\$273,804
<b>Total</b>	<b>100%</b>	<b>\$2,460,431</b>

<sup>5</sup> Selected excerpts from Avista’s Response to Production Request No. 1.

<sup>6</sup> Application, Tariff Sheet 90F, revised 5/30/01.

Forecasted Schedule 90 revenue per year is actually \$2.495 million when street and area lighting revenues are included. Avista has agreed to modify its filing to reflect this additional revenue if the Application is approved by the Commission.

The tariff filing proposes to increase the funding level of the existing electric energy efficiency program from 1.00% to 1.95% of revenue. The Company's original Application said the increase will generate approximately \$1,000,000 of additional revenue for the programs. The Company has since agreed that the increase is about \$1.4 million. The Company estimates that residential customers will see an average bill (approximately 1200 kWh usage) increase of approximately 60 cents per month. Average bill increases were not provided for other customer classes. The Company has completed the required customer notification of this rate increase.

In its Application the Company said the Schedule 91 rate increase will allow it to acquire an additional 2.5 million-kilowatt hours (kWh) through Schedule 90 energy efficiency programs in Idaho and about 8 million-kilowatt hours in Idaho and Washington combined. The Company said there is more demand for these programs from its customers and that the increased wholesale cost of power has increased the cost-effectiveness of the programs, thus allowing it to do more of them.

## **STAFF ANALYSIS**

While the Commission has allowed Avista considerable flexibility in its DSM programs, the Commission has nevertheless been cautious regarding the tariff rider level. In fact the Commission reduced the amount of the tariff rider, from 1.5% to 1.0% of revenue, during the course of Case No. WWP-E-98-11 because it found the Company was carrying a \$1.1 million balance in the account at the end of 1998. Subsequent to the conclusion of that case, Avista increased its schedule 90 DSM effort, resulting in a negative \$367,001 account balance as of February 2001. The Company's Application to increase the Schedule 91 surcharge appears to be in response to its increased DSM efforts as well as its negative account balance.

An example of Avista's increased DSM efforts is its compact fluorescent light bulb program begun this spring in which it is distributing coupons to residential customers that can be used at local retail businesses to obtain these energy efficient light bulbs. Other examples of new residential programs for 2001 are those for efficient heat pumps, water heaters, weatherization and thermostats. In response to a Staff production request, the Company estimated that these new programs will save 6.7 million kWhs in their first year, of which about one-third would be saved

in Idaho. The energy savings from these new residential programs are about 84% of the total 8 million kWhs that the Company's Application said that it expects to achieve as a result of the proposed funding increase.

The Company appears to be adjusting program budgets to reflect the level of inquiries into its existing programs and to implement new efficiency measures. Its revised budget includes increases for residential, commercial and industrial and site-specific programs while maintaining its funding for the Northwest Energy Efficiency Alliance (NEEA).

Staff notes that the percentage increases for most customer classes are greater than the mathematical 95% that would be expected from increasing the surcharge from 1% to 1.95%. This occurs because of changes in rates and the proportion of revenue from various tariff elements. Current Schedule 91 rates were set in 1999 based on rates and the revenue mixture at that time. Schedule 91 rates have not been changed since then to reflect these changes.

The total revenue rider increase is effectively a true up for the aforementioned changes and a 95% increase in funding over 2001 revenue projections. The following tables are based on information provided by the Company and indicate the total increases from current rates and the funding level anticipated from this request.

Customer Schedule	Current Sch. 91 Rate	Proposed Sch. 91 Rate	Percent Increase
Residential, Sch. 1	\$0.00045/kWh	\$0.00104/kWh	131%
Gen. Serv. Sch., 11/12	\$0.00069/kWh	\$0.00140/kWh	103%
Lrg. Gen. Serv., Sch. 21/22	\$0.00048/kWh	\$0.00100/kWh	108%
Ex. Lrg. Gen. Serv., Sch. 25	\$0.00028/kWh	\$0.00068/kWh	143%
Pumping Service, Sch. 31/32	\$0.00042/kWh	\$0.00102/kWh	143%
Lighting Services	1.00% of bill	1.95% of bill	95%
Total Percent of Rev. Basis	1.00%	1.95%	95%

Customer Schedule	Current Forecast Sch. 91 Revenue	Proposed Forecast Sch. 91 Revenue	Dollar Increase	Percent Increase
Residential, Sch. 1	\$ 473,061	\$ 1,096,210	\$ 623,149	131%
Gen. Serv. Sch., 11/12	169,452	344,720	175,268	103%
Lrg. Gen. Serv., Sch. 21/22	352,600	734,180	381,580	108%
Ex. Lrg. Gen. Serv., Sch. 25	94,697	228,540	133,843	141%
Pumping Service, Sch. 31/32	23,398	56,780	33,382	143%
Lighting Services	34,668	67,603	32,935	95%
Total Sch. 91 Rev. Forecast	\$ 1,147,896	\$ 2,528,030	\$ 1,380,157	120%

The Company's original Application had several mathematical errors. The Company has since filed a revised sheet 90F indicating a more accurate revenue and budget calculation and has agreed that an additional revision may be necessary to include minor revenues from street and area lighting services. Avista did not provide adequate information to ascertain whether the surcharge should be based on precisely 1.95% of revenues for optimal cost-effectiveness and program solvency.

The Company must continue to evaluate programs to assure its customers and the Commission that only cost-effective programs are funded. The Company provided its July 2000 Triple-E Report purporting to show that its programs are cost-effective. Staff has not independently evaluated the cost-effectiveness or prudence of Avista's Schedule 90 DSM programs in this case. Staff will continue to participate in the on-going review of these programs by Avista's Triple-E Board, but is mindful that the Company cannot rely upon the board or any of its individual members to determine whether or not its DSM activities will be judged by the Commission to be reasonable and prudent.

### **STAFF RECOMMENDATIONS**

Staff recommends approval of the requested 95% increase to the existing 1%-based Schedule 91 rates. Staff also recommends that the Company continue its current accounting procedures and reporting requirements.

Respectively submitted this                      day of June 2001.

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Scott Woodbury  
Deputy Attorney General

Technical Staff: Michael Fuss  
                                 Lynn Anderson

SW:jo:i.umisc/comments/avue01.7swmfuss