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Attorney for the Commission Staff

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF )  
AVISTA CORPORATION FOR AUTHORITY ) CASE NO. AVU-E-07-4  
TO IMPLEMENT LOAD MANAGEMENT )  
PILOT PROGRAMS IN THE SANDPOINT AND )  
MOSCOW AREAS. ) COMMENTS OF THE  
) COMMISSION STAFF  
)  
\_\_\_\_\_ )

**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 the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on June 6, 2007, submits the following comments.

### BACKGROUND

On June 1, 2007, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application in Case No. AVU-E-07-4 requesting authority to offer residential and commercial demand response programs in portions of Sandpoint and Moscow for a two-year period. Internet protocol thermostats, direct control units and related technology will be installed to reduce energy usage at peak times of the year and gain experience with customer acceptance, program design, operational components and cost effectiveness. The cost of this pilot is anticipated to be approximately \$123,000. Based on an assumed \$150,000 incremental cost of power during

callable events, this program is expected to be cost effective. Although the Application cautions that actual future market conditions are subject to many variables, the Company expects that the value from the pilot will exceed the pilot's relatively low cost.

As reflected in its Application, the Company would call a minimum of four "events" during the year to test the technology, impacts on load and customer acceptance. These events will be performed at times of critical peak demand periods. Duration of the events will typically be four hours but may be extended to a six-hour time frame depending on power price market conditions. This pilot includes presentation of information to selected customers through the use of a web (Internet) portal. Other customer features will also be examined to test customer responsiveness.

Customers who are on Schedules 1, 11 and 21 are eligible for participation. Qualifying participants must be homeowners or business owners who have occupied their premises for at least one year on a full-time basis. This will allow a comparison of energy consumption with previous summer/winter usage. The targeted participants are all-electric load customers, although they may have an alternate non-electric back-up heat source. An alternate heat source will be required if demand response units are to be installed on baseboard electric heat.

Participating customers will be assessed no incremental costs. The "incentive" for a customer to participate is to receive upgraded equipment and the associated features or a bill credit. Customers opting in for a programmable, controllable thermostat (PCT) will receive a thorough inspection of their HVAC systems and state of the art PCTs. Alternatively, participating customers with demand response switches will also receive an audit on all equipment controlled via the switch plus a \$10 a month credit for the months July, August, December, January and February.

This program will examine some of the following directly controllable appliances:

- Air conditioning
- Complete HVAC system (electric heat pump with air conditioning)
- Water heater
- Pool pump
- Electric forced air heating system
- Electric baseboard heating system
- Irrigation pump (if any)

Due to Avista system capacity issues and seasonal spot power prices, air conditioning load will be given priority in customer selection. However, the Company intends to explore the effects of demand responses on both winter and summer peaks. Therefore, customers with HVAC systems (for heating and air conditioning) will be given equal priority. Additionally, in order to gain knowledge and experience with a variety of demand response technologies, the Company will install demand response equipment in the above listed applications.

Measurement & evaluation (M&E) is integral to defining benefits of a pilot program and identifying areas for improvement or modification. Avista's M&E will examine four components: (1) kilowatt hour savings reductions, (2) technology, (3) customer acceptance, and (4) an evaluation of reductions in peak demand on the Company's distribution system.

Avista requests that the Commission approve the proposed Schedule 96 tariff and related tariff changes for an effective date of July 15, 2007.

## **STAFF REVIEW**

Staff has reviewed Avista's proposal and discussed elements of the pilot program design and M&E intentions with Company staff. Staff appreciates the opportunity to participate in development of the demand response pilot program prior to the Company's filing.

Staff believes the potential benefits of demand response efforts merit Avista's attention, and finds the proposed pilot to be an appropriate means of exploring demand response issues. As indicated in the Application, this will essentially be Avista's first effort in the demand response area, and the Company has had the luxury of being able to review the efforts of other utilities in designing these initial steps. The proposed pilot effort is limited in scope, yet is designed to obtain considerable information for a relatively modest investment. The proposed pilot appears to have been designed to minimize the duplication of efforts previously conducted by other utilities, and focuses on verifying the results of other utility programs and their applicability to Avista's service area and system, and to examine new issues and technology. The Application identifies a broad range of objectives for the measurement and evaluation of this pilot program. In addition to measuring peak kW reductions, Staff encourages the Company to measure kWh as well to examine whether energy use is reduced or shifted to other times.

On June 21, 2007, Avista filed additional comments, clarifying that as a pilot program, "the program includes flexibility to allow for modifications based upon market conditions and /or findings." The comments include the example of expanding the program beyond the two

feeders initially identified by the Company for the program, should it be necessary to achieve the desired level of participation or to reduce interactive effects of similar equipment. Staff agrees that such flexibility should be included in the implementation of pilot programs. Staff believes that failure to adjust to changing market conditions or program findings during the pilot period would be unreasonable.

In conversations with Staff, Avista indicates it plans to book the expenditures for load management devices used in the pilot as expenses to be funded by Schedule 91, the Company's DSM tariff rider. The Company further indicates that this is simply due to the short, two-year, duration and research nature of the pilot, and does not expect it to establish any precedent. If the Company was to implement a wide scale program, it would expect to capitalize the investment for such devices and amortize these costs over the expected lifetime of the devices. Staff finds funding through the DSM tariff rider to be a reasonable approach for a pilot program of this duration and for the limited number and types of devices to be purchased for use in the proposed pilot.

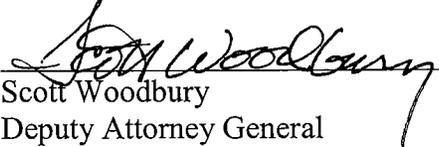
The Company has submitted a proposed tariff revision, a new Schedule 96, which contains the terms and conditions for participation in the pilot program. Staff has reviewed the proposed new section and finds that it accurately and sufficiently reflects the proposed pilot program.

Although the Company's Application does not specifically address reporting to the Commission the results of this pilot, Staff expects that periodic updates on the pilot will be reported to the Company's External Energy Efficiency (Triple E) advisory board. Furthermore, Staff recommends a final report be submitted formally to the Commission following the end of the pilot.

#### **STAFF RECOMMENDATION**

Staff recommends the Commission approve Avista's proposed demand response pilot program and the addition of a new Schedule 96 to the Company's electricity tariff, contingent upon reporting as described above.

Dated at Boise, Idaho, this 27<sup>th</sup> day of June 2007.

  
Scott Woodbury  
Deputy Attorney General

Technical Staff: Wayne Hart  
Lynn Anderson

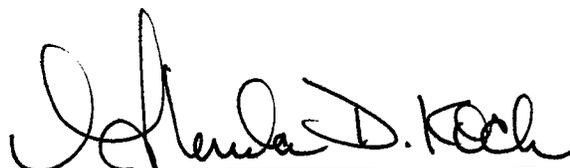
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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 27TH DAY OF JUNE 2007, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-07-04, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

DAVID J. MEYER  
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A handwritten signature in black ink, appearing to read "Amanda D. Koch". The signature is written in a cursive style with a horizontal line underneath the name.

SECRETARY