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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION REQUESTING APPROVAL TO DECREASE ITS ENERGY EFFICIENCY PUBLIC PURPOSE RIDER SCHEDULES 91 AND 191	**CASE NO. AVU-E-12-07**

When Avista asked to reduce their natural gas rider in 2011, the Commission approved a moderate reduction that would "allow Avista's customers a rate reduction while ensuring adequate funding for the Company's DSM programs for the next two years." *Order No 32366* at 2. ICL urges the Commission to do the same in this case.

Despite shouldering the evidentiary burden in this case, Avista'a application here does not provide sufficient information to make this decision. Avista states that only 55% of the projected electric DSM tariff revenue is necessary to fund the expected DSM operations for the 12 months following October 12, 2012. *Application* at 3. But Avista provides no evidence to back up this projection. The Company is expected to produce their 2013 DSM Business Plan by November 1, 2012. *See Washington UTC* Order 01 at 11, UE-111882. This document will provide the basis upon which to set an appropriate rider level to cover future DSM expenses. Until Avista documents the expected DSM expenses for 2013, this Commission should not adjust the rider.

What available evidence we do have shows increasing levels of achievable energy efficiencies for the foreseeable future. Avista's 2011 IRP incorporates the results of their most recent Conservation Potential Assessment.[1] Figure 3.1 on page 3-2 reveals Avista is entering into a phase of continued growth in achievable savings potential. While it appears the 59,002 MWh of electric savings in 2011 may surpass the IRP targets for 2012 and 2013, this is no reason to reduce the DSM rider level. Avista explains the IRP targets are range between the "realistic" and "maximum" achievable potential. *IRP* at 3-6 – 3-7. But this notion of "achievable" potential includes a host of assumptions about the future, including "expected program participation, customer preferences, and budget constraints." *Id,* at 3-6. When actual energy savings outpace the "achievable" amount, it is clear these assumptions are wrong. And of the assumptions identified by Avista, this Commission can control one - ensure the DSM rider is sufficient to eliminate any budget constraints on the Company's duty to pursue all cost effective energy efficiencies.

Faced with increasing DSM targets, if the Commission adjusts the DSM rider based on the 2011 performance customers face the real risk of decrease today followed by an increase next year. ICL agrees with the Staff's argument from Avista's request to reduce the gas DSM tariff in 2011: "Annual DSM tariff rider changes are burdensome and disorienting to customers, especially compounded by annual PGA changes." *Staff Comments* at 4, AVU-G-11-3. The potential for confusion is compounded again by the fact that Avista will file a general rate case in October of this year. *See Notice* AVU-E-12-08. As stated above, Avista has not provided any evidence of what DSM expenses are expected over the coming two years. Until Avista documents these expected expenses there is insufficient evidence to establish the appropriate DSM rider level. In this case, with Avista's track record of exceeding their DSM targets and the continued cost effectiveness of the DSM portfolio, the public interest is best served by maintaining the current rider level until Avista establishes the expected DSM expenses over the next two years.

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[1] The Commission accepted Avista 2011 IRP in Order No. 32444 and may take official notice of its contents under IDAPA 31.01.01.263.01.c.

Of course, any prediction of future DSM expenses is likely to be wrong to some extent. Such is the nature of forecasting future performance. Recognizing this, ICL urges the Commission to make a policy decision about how to account for this forecast in setting the appropriate rider level. Again, ICL supports the current practice of looking beyond next year to ensure adequate funding for two years of DSM activities. This practice serves the public interest in three ways. First, in provides a measure of consistency and predictability to electric rates, as opposed to the disorientation of annual rate swings. Second, it recognizes that ratepayers are protected from any potential over collection since Avista pays interest on any collected but unspent DSM funds. Third, it address the only constraint on achieving energy savings the Commission truly can influence – assuring the Company does not face internal budget constraints on pursing all cost effective energy efficiency. The public comments in this case, and in IPC-E-12-15, show strong public support for ratepayer funded energy efficiency. ICL urges the Commission to recognize this public preference and ensure adequate funding for future DSM activities.

In closing, ICL recommends the Commission delay any decision on the appropriate rider level until Avista completes their 2013 DSM Business Plan. ICL also recommends the Commission affirm its prior decision to set the rider level based on two years of future program needs. A simple solution to achieve this is to tie the rider level to the biennial conservation plans produced for the Washington jurisdiction.

Respectfully submitted this 17th day of September 2012.

Benjamin J. Otto
Idaho Conservation League

CERTIFICATE OF SERVICE

I hereby certify that on this 17th day of September 2012, I delivered true and correct copies of the foregoing COMMENTS to the following persons via the method of service noted:

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