KARL T. KLEIN
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0312
IDAHO BAR NO. 5156

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5918

Attorney for the Commission Staff

RECEIVED
2012 SEP 17 PM 4: 13
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S APPLICATION TO REVISE ITS ELECTRIC ENERGY EFFICIENCY RIDER ADJUSTMENT, SCHEDULE 91.	**CASE NO. AVU-E-12-07** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission comments as follows on Avista Corporation's Application.

BACKGROUND

On July 31, 2012, Avista Corporation dba Avista Utilities applied to the Commission for an Order allowing Avista to decrease Schedule 91 rates.[1] Specifically, Avista requests authority to adjust the portion of Schedule 91 that funds electric demand-side management (DSM) programs described in Schedule 90. *Id.* at 4. Avista says its proposed changes will reduce billed electric rates by 1.3%. *Id.* at 1.

[1] Avista filed a single, combined Application in Case Nos. AVU-E-12-07 and AVU-G-12-06. The Commission subsequently consolidated AVU-G-12-06 with another case, AVU-G-12-03. *See* Notice of Application, Case Nos. AVU-G-12-03 and AVU-G-12-06. Accordingly, the instant case, AVU-E-12-07 is being processed by itself.

Avista says for 2010-2011, its energy efficiency programs and measures resulted in electric savings of 59,002 MWh (115% of the Integrated Resource Plan (IRP) goal) in Idaho. *Id.* at 2.

The Company states that in 2011, its electric DSM portfolio was cost-effective with a Total Resource Cost (TRC) test and Program Administrator Cost (PAC) ratios of 1.80 and 2.88, respectively. *Id.* at 6-7.

Avista maintains that the revenue expected to be generated by the Schedule 91 surcharge at its present level, would exceed the requirements necessary to fund the DSM activities during the next 12-month cycle, including adjustments for the disposition of rider imbalances. Through June 2012, Avista's Idaho electric DSM tariff rider balance was $316,231 (Company owes ratepayer). *Id.* 2-3.

The Company further maintains that only 55% of the currently projected electric DSM tariff rider surcharge revenue is needed to fund the expected DSM operations for the 12 months following October 1, 2012, given a projected balance of $886,761 at the end of September 2012. Thus, the Company requests a 45% reduction in the electric DSM tariff rider surcharge effective October 1, 2012. The Company says the surcharge reduction would not impact the Company's ability to fund and pursue cost-effective DSM resources; it will merely adjust revenues to move the tariff rider balance towards zero. *Id.* at 3. The Company says the proposed reduction to Schedule 91 rates and charges will decrease the Company's estimated annual revenue by $3,464,000 (a decrease of 1.3% of billed rates). The Company says the proposed rate decrease will have an average monthly bill impact to residential electric customers using 939 kWh of $1.05. *Id.* at 7.

STAFF REVIEW

Staff has reviewed the Company's Application and supplemental information and supports the Company's proposal to reduce the Schedule 91 electric energy efficiency tariff rider ("Rider"). Staff does not believe the Company's proposal will impair the Company's ability to continue pursuing all cost-effective DSM. Rather, the decrease serves to gradually align Rider revenues to expenditures over the next twelve months, with a zero balance forecasted for September 2013.

Staff recognizes several factors have contributed to the Company's proposal to decrease the Rider. First, the end of federal American Recovery and Reinvestment Act (i.e., ARRA or

Stimulus) tax incentives for energy efficient measures has contributed to declining customer participation. Second, a persistent sluggish economy continues to curtail customer behavior to voluntarily invest in energy efficient appliances. Staff believes it is reasonable for the Company to return an over-collected Rider balance to customers now given the difficult economic conditions.

Staff has verified that the Company's Rider balance is $316,231 (over collection) as of June 2012 and will likely achieve the $887,000 surplus balance by October 1, 2012. The Company submitted a Rider balance report based on an October 2012 to September 2013 test year. For October 2012 thru September 2013, the Company has forecasted the following Rider balance with the proposed Rider adjustments:

Expenditures: $5,028,751

Revenues: $4,190,189

Accumulated 2012 Rider balance to be applied to 2013 revenues: $886,761

September 2013 Rider balance: $0

Staff considered spreading the Rider balance over more than twelve months. But Staff ultimately believes it is reasonable for the Company to return the Rider balance to customers within twelve months due to the decreased amount of forecasted Rider expenditures over the period. The Company has informally said it intends to file an annual true-up of Schedule 91 to coincide with other annual filings (e.g., the Power Cost Adjustment and Purchased Gas Cost Adjustment). While Staff does not necessarily support annually changing the Rider rate, Staff continues to support the Company's pursuit of all cost-effective DSM. Should actual cost-effective DSM expenditures exceed Rider revenues, Staff expects the Company to ask for a corresponding Rider increase.

Expenditure Levels

Staff has reviewed the Company's expenditure levels from calendar year 2009-2012 to determine how DSM program expenditures have changed over time, what factors have impacted those expenditures, and what level of funding will be necessary in the future. The following chart shows the expenditures:

Calendar Year Expenditures	2009	2010	2011	2012	2013
(Res/Non-res/Low income/NEEA/EM&V /Implementation)	$5,335,907	$5,381,473	$7,268,052 (*$6,068,052 excluding one-time CFL expenditure)	$4,641,789 (forecast)	$5,016,058 (forecast)

The chart demonstrates the variable nature of DSM funding from 2009 – 2012:

- For calendar year (CY) 2009 – 2010, the Company's expenditures were fairly comparable.
- For CY 2011, the significant increase in expenditures of $7,268,052 was primarily driven by a large growth in customer incentives and a one-time "CFL Contingency Program" expense. Absent the CFL (Compact Fluorescent Light) program, 2011 expenditures would have been $6,068,052 as reflected in the chart. The Company was required to meet an energy efficiency target under Washington's I-937 energy efficiency legislation. This resulted in the Company distributing large amounts of CFL's to its entire service territory at about a $1.2 million cost to Idaho customers.
- For CY 2012, a significant decrease in expenditures is overwhelmingly due to decreases in customer-driven residential incentives. Most of the ARRA tax incentives have expired, and forecasted participation is expected to remain flat.
- For CY 2013, an increase in expenditures is driven by a $300,000 expected CEERI (CAES[2] Energy Efficiency Research Institute) expense that depends on Commission approval and a 1.6% ($74,000) forecasted increase in load growth and DSM services. If these expenditures were netted out, 2013 expenditures would equal 2012 expenditures.

Staff notes that in Case No. AVU-E-09-06, the Company asked to increase the Rider primarily to eliminate a large Rider deficit. The increase subsequently was approved in Order No. 30918. The decrease in DSM participation due to the end of ARRA tax incentives and a

[2] CAES, the Center for Advanced Energy Studies, is a research and education partnership between Boise State University, Idaho National Laboratory, Idaho State University, and University of Idaho.

continuing stagnant economy, combined with an over-funded Rider designed to reduce prior deficits, makes the Company's proposal to decrease the Rider reasonable.

Electric to Natural Gas Conversions

In light of the Company's proposal in Case No. AVU-G-12-03 to suspend funding gas DSM, and because the Company funds electric to natural gas conversions through the electric Rider, Staff reviewed the Company's funding level and future expectations for electric to natural gas measure conversions. Considering the current affordability of natural gas, Staff expects some growth in fuel switching. For 2012, the Company budgeted $34,307 for space and water heat conversion. The Company will continue to fund conversions and is planning to increase its incentive offerings for some conversion measures. Staff supports the Company's intent to reevaluate its current incentive offerings.

STAFF RECOMMENDATION

Staff recommends that the Commission accept the Company's proposal in this Application to reduce the electric energy efficiency Rider, Schedule 91, by 1.3% of billed revenue effective October 1, 2012.

Respectfully submitted this 17th day of September 2012.

Karl T. Klein
Deputy Attorney General

Technical Staff: Nikki Karpavich
Donn English

i:umisc/comments/avue12.7kknkde comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 17th DAY OF SEPTEMBER 2012, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. AVU-E-12-07, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

DAVID J MEYER
VP & CHIEF COUNSEL
AVISTA CORPORATION
PO BOX 3727
SPOKANE WA 99220-3727
E-MAIL: david.meyer@avistacorp.com

LINDA GERVAIS
MANAGER, REGULATORY POLICY
AVISTA CORPORATION
PO BOX 3727
SPOKANE WA 99220-3726
E-MAIL: linda.gervais@avistacorp.com

Jo Nelson
SECRETARY