

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)
CORPORATION'S APPLICATION TO FUND) **CASE NO. AVU-E-13-08**
SELECTED RESEARCH AND)
DEVELOPMENT EFFICIENCY PROJECTS.) **ORDER NO. 32918**
_____)

On August 30, 2013, Avista Corporation (“Avista” or the “Company”) applied for an Order authorizing it to accumulate and account for customer revenues that will fund selected electric energy efficiency research and development (“R&D”) projects, proposed and implemented by Idaho’s four-year universities. The Company seeks to fund up to \$300,000 per year of R&D from revenue collected through Avista’s Schedule 91, “Energy Efficiency Rider Adjustment” (the “Rider”) effective November 1, 2013. Application at 1, 9. For a residential customer using 930 kWh per month, the Company’s proposal represents about an 8¢ per month bill increase. *Id.* at 3.

On September 23, 2013, the Commission solicited input from interested persons on the Application, and set an October 21, 2013 comment deadline. *See* Order No. 32895. Commission Staff submitted the only comments in the case, and supported the Company’s Application. The Company did not reply.

Having reviewed the record, the Commission enters this Order granting the Company’s Application.

THE APPLICATION

In its Application, the Company explains that the utility industry has the lowest R&D share of net sales among all U.S. industries. The Company explains that the average U.S. industry R&D funding as a percentage of total sales is 3.5%, but that the average R&D funding for the utility industry is 0.1%. Further, the Company’s spending for R&D included in Idaho rates as a recoverable expense was \$196,000 in 2012, or 0.8% of Idaho total electric retail revenue. *Id.* at 2-3. This amount consisted of payments to the Electric Power Research Institute, E-Source, and the Northwest Energy Efficiency Alliance. *Id.* at 3.

Avista now proposes to recover up to \$300,000 per year of *applied R&D* costs from Rider revenue. The Company explains that such R&D could benefit customers in the next one to

four years. The Company says that some, but not all, applied R&D projects would likely be implemented on a utility's system. *Id.* at 3.

The Company says its Application is consistent with Governor Otter's Idaho Global Entrepreneurial Mission "iGem" initiative, in which industry supplements university R&D funding provided by the State. *Id.* at 1, 3. The Company says its proposal would enhance educational and training opportunities for future utility employees, and invest revenues from customers into Idaho's economy. *Id.* at 4.

The Company's additional \$300,000 per year of applied R&D funding would be a ceiling and not a requirement that the Company allocate the funding to R&D in any given year. Any remaining balance (not earmarked) would roll over to a future year and, if terminated, the unallocated portion would be added back to the Rider balance. *Id.* at 5.

The Company says the process would begin with it issuing a "call for papers" (similar to a "request for interest"). The Company would choose proposals for funding and would contract with the selected proposal's Principal Investigator (the lead scientist/engineer for the proposal). A third-party project manager would be retained to oversee the project and serve as a liaison to utility staff. The Company will use "stage gate methodology" and project assessment points when structuring proposals and managing projects. *Id.* at 5.

The Company says it will file an annual report by March 31 for the preceding calendar year. The report will include key events during the reporting period (e.g., discussions about the "call for papers," project selection process, project descriptions, project manager, associated contracts, project milestones, research in-progress summaries, etc.) and the accounting for related expenditures. The Company will also include financial reporting in its annual Demand Side Management Report, and will discuss R&D activity at its semi-annual energy efficiency Advisory Group meetings and public interest webinars. *Id.* at 8.

STAFF COMMENTS

Staff recommended the Commission approve Avista's request to fund up to \$300,000 of selected electric energy efficiency research and development projects proposed and implemented by the state of Idaho's four-year universities from Schedule 91 annually. Staff supports the Application for the following reasons.

First, Avista proposes to fund only applied research that would directly benefit customers within a reasonable time period. Second, Avista's Idaho-funded R&D will probably

benefit customers beyond Idaho, which could encourage other utilities to invest in research that also benefits Avista's Idaho ratepayers. Third, Staff is encouraged that the Company will consider funding research related to Advanced Metering Infrastructure (AMI) data analysis and the impact of human factors on energy efficiency acquisitions, and research to improve Evaluation, Measurement, and Verification (EM&V) methodologies while reducing associated costs. Staff notes that this R&D could directly benefit Idaho ratepayers.

Staff thus supports Avista's Application.

FINDINGS AND DISCUSSION

The Commission has jurisdiction over Avista, an electric corporation, and the issues in this case under the Public Utilities Law. *See Idaho Code* § 61-119, 61-129, 61-501. The Commission has reviewed the record, including the Application and Staff comments, and finds it fair, just, and reasonable, and in the public interest to approve Avista's Application. We find it appropriate for Avista to fund applied, energy efficiency R&D through the Rider because that R&D is intended to produce near-term, practical benefits for Idaho ratepayers. And, while the Idaho-funded R&D could provide ancillary benefits outside of Idaho, those benefits could prompt other utilities to build on the Idaho-funded R&D and conduct energy efficiency research that benefits Idaho customers.

We caution the Company that our approval of the Company's R&D funding request is not an advance finding that any particular R&D expenditure is prudent. We will carefully review the prudence of DSM expenditures, including R&D expenses, in the Company's next DSM prudence case.

ORDER

IT IS HEREBY ORDERED that the Company's Application is granted. The Company may accumulate and account for customer revenues that will provide funding for selected electric energy efficiency R&D projects, proposed and implemented by Idaho's four-year universities. The Company may fund up to \$300,000 per year of R&D from revenue collected through Avista's Schedule 91, "Energy Efficiency Rider Adjustment," effective November 1, 2013.

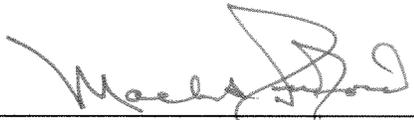
IT IS FURTHER ORDERED that the Company shall file reports with the Commission and discuss R&D activity at energy efficiency Advisory Group meetings and at public interest webinars, as referenced in Section V of the Application.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of October 2013.



PAUL KJELLANDER, PRESIDENT

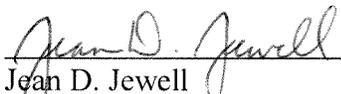


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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