RECEIVED

2013 JAN -8 PM 12: 59

IDAHO PUBLIC
UTILITIES COMMISSION

Avista Corp.
1411 East Mission P.O. Box 3727
Spokane. Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

January 4, 2013

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
Statehouse Mail
W. 472 Washington Street
Boise, Idaho 83720

Re: GNR-E-12-01 – Avista Utilities Additional Comments

Dear Ms. Jewell:

Attached for filing with the Commission is an original and seven copies of additional comments of Avista Utilities to the Commission Staff Report on Cost-Effectiveness of Funding Low Income Weatherization Programs and Energy Conservation Programs for Electric Utilities.

Please direct any questions on this matter to Bruce Folsom at (509) 495-8706 or myself at (509) 495-4975.

Sincerely,

Linda Gervais

Linda Gervais
Manager, Regulatory Policy
State and Federal Regulation
Avista Utilities
509-495-4975
linda.gervais@avistacorp.com

RECEIVED
2013 JAN -8 PM 12:59
IDAHO PUBLIC
UTILITIES COMMISSION

Linda Gervais
Manager, Regulatory Policy
Avista Corporation
1411 East Mission Ave.
Spokane, WA 99202
Phone: (509) 495-4975
linda.gervais@avistacorp.com

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE COMMISSION'S INQUIRY INTO THE COST-EFFECTIVENESS AND FUNDING OF LOW INCOME WEATHERIZATION PROGRAMS AND ENERGY CONSERVATION PROGRAMS FOR AVISTA ELECTRIC UTILITIES	)	CASE NO. GNR-E-12-01 ADDITIONAL COMMENTS OF CORPORATION

Avista Corporation ("Avista" or "Company") hereby submits additional comments regarding the "Inquiry into the Cost-Effectiveness and Funding of Low-Income Weatherization and Energy Conservation Programs for Electric Utilities Report" filed December 7, 2012. Avista submits these comments outside of the Commission-prescribed deadlines and does so to highlight issues that have been further discussed with and supported by Commission Staff since filing their reply comments on 12/07/2012. This included an opportunity to share with Commission Staff that the previously reported 2011 summary total resource cost (TRC) for low-income electric would move from 0.44 to 0.82 due to using the new protocols that quantify non-energy benefits, intended to depict 2011 results if calculated consistent with recommendations from the Staff Report[1]. Secondly, reviewing the components of the 2013 DSM Business Plan suggests a path towards a TRC of 1.0 without capping project costs. In other words, by applying

[1] Includes the known and quantifiable non-energy benefits associated with Health and Human Safety and the value of standard efficient equipment that would have been installed, at a minimum, with Avista funding, rather than replacing a measure on burnout with a high efficiency improvement.

Staff's recommendations, the 2013 low-income weatherization programs anticipate fewer lower-savings measures, thus providing a portfolio with higher per-customer savings. Finally, an opportunity exists to focus on fuel conversion measures, previously not leveraged by the Community Action Partnership of Lewiston (CAP).

Avista described in its current 2013 DSM Business Plan that unit energy savings (UES) estimates have undergone the rigor of impact analysis and were rolled up to cost and savings for sub-TRC measures evaluations. Thus, the current Business Plan suggests a strategy to manage the low-income TRC towards 1.0 without capping project funding and without unduly limiting the measure list. By reducing installations of lower value measures (e.g., those with smaller UES estimates), the low-income portfolio's TRC will increase. At the same time, some options remain for installations of appropriate measures in case-specific circumstances. While this is still a challenging goal, it is in the context of a TRC gap that is much less than known at the time of the initial Staff Report[2]. Efforts are also underway to both identify cost-effective electric to natural gas conversion opportunities through utility data-mining, as well as encouraging the Lewiston CAP to more actively pursue these more highly cost-effective measures. By actively pursuing fuel conversions, the TRCs for the low-income portfolio will increase. Avista is currently working to identify all-electric, single-family structures of low-income customers in close proximity to existing natural gas mains. The current Business Plan and contract negotiations with the Lewiston CAP agency have further refined Avista's approved measure list, removing measures with a poor TRC. The Lewiston CAP agency has been a great partner in delivering services to low income qualified customers, however it has also been challenged by uncertain and changing funding at the Federal level. While the proposed 85% project cap may need to be considered in the future, it could provide a unique challenge to implementation under

[2] TRC 0.44 verses 0.82

the current Business Plan and could hinder the distribution of low-income weatherization funding that, if managed as described above, could result in cost-effective programs. With Avista being a dual-fuel utility, Lewiston CAP may struggle to find the 15% matching funds for example, fuel conversions because such funding is not immediately available (to Avista's understanding) from state or Federal sources; and customers may likely not have sufficient budgets for these improvements. The agency is also adapting to personnel changes due to retirements and ARRA funding ending, as well as the change in the availability of natural gas measures.

The Company plans to proceed in 2013 to implement the current changes in the Business Plan and Agency contracts, as necessary, to include: noted reduction of eligible measures for installation; an emphasis on conversions, as well as, reviewing protocols to capture non-energy benefits as described in the Staff Report with the goal of improving the TRC from the current 0.82.

Avista reiterates its appreciation for the Commission Staff's leadership in this process and their commitment to improving the cost-effectiveness of our Idaho low-income weatherization programs. We appreciate Commission Staff's time and effort to further discuss these comments since filing their reply comments on December 7, 2012. It should be noted that even without an 85% cap, Avista has completed a 2013 DSM Business Plan that includes a cost-effective low income portfolio. This plan includes additional analysis using new protocols to quantify non-energy benefits that results in the previously reported 2011 summary total resource cost (TRC) for low-income electric and natural gas moving from 0.44 to 0.82. (NEBs include the known and quantifiable non-energy benefits associated with Health and Human Safety and the value of standard efficient equipment that would have been installed, at a minimum, rather than replacing a measure on burnout with a high efficiency improvement.) Based on the 2011 TRC of 0.82 and adjustments made in the delivery and approved measures list for the Lewiston CAP, Avista has confidence in a much improved TRC in 2013 based on a business plan TRC goal of 1.0 without capping project costs.

In summary, Commission Staff, in its report had suggested that the Company fund up to 100% of each measure, but not more than 85% of each weatherization project. However, since fuel conversions are shown to be extremely cost-effective and fuel conversions are not on the list of approved federal measures, and are therefore not eligible for a 15% federal funding match (the main source of CAP matching funds). And, since fuel conversions are much most expensive than other weatherization measures, the Company will undoubtedly exceed the 85% cap on any project that includes fuel conversions. Therefore, it is the Commission Staff and Avista's view that the 85% cap would prevent fuel conversions and will hinder the Company's ability to improve the cost-effectiveness of its low-income program. Avista respectfully requests the Commission not order a hard cap of 85% on total project costs in light of the above.

Respectfully submitted this 4th day of January 2013.

AVISTA CORPORATION

Linda Gervais

LINDA GERVAIS
Manager, Regulatory Policy