

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION FOR)	CASE NOS. AVU-E-09-06
AUTHORITY TO INCREASE ITS TARIFF)	AVU-G-09-04
SCHEDULES 91 AND 191 – ENERGY)	
EFFICIENCY PUBLIC PURPOSE RIDER)	NOTICE OF APPLICATION
ADJUSTMENTS)	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	NOTICE OF
)	COMMENT/PROTEST DEADLINE
)	
)	INTERLOCUTORY
)	ORDER NO. 30870

YOU ARE HEREBY NOTIFIED that on June 30, 2009, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of an increase to tariff Schedules 91 and 191 rates, Energy Efficiency Public Purpose Rider Adjustment. Schedules 91 and 191 are designed to recover the costs incurred by the Company associated with providing electric and natural gas energy efficiency services to customers. The proposed increase in Schedules 91 and 191 rates, the Company contends, is necessary to continue to fund ongoing electric and natural gas efficiency programs consistent with the Company’s most recent electric and natural gas integrated resource plans (IRPs). It will also serve to amortize a deficiency balance within the electric and natural gas efficiency tariff riders resulting from the Company’s response to higher than expected customer demand for services. Also included in the Company’s filing are proposed procedural modifications to reduce the likelihood of significant positive or negative balances in the future.

The Commission by this Interlocutory Order authorizes the proposed increases in Schedules 91 and 191 Energy Efficiency Public Purpose Rider Adjustments for an August 1, 2009, effective date to coincide with other rate changes occurring on that date and establishes a procedural schedule for investigation and comments.

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Electric Schedule 91

The proposed net increase above current rates by service schedule for electric customers is as follows:

Residential Service-Schedule 1	2.73%
General Service-Schedules 11 & 12	2.73%
Large General Service-Schedules 21 & 22	2.73%
Extra Large General Service-Schedule 25	2.73%
Potlatch-Schedule 25P	2.73%
Pumping Service-Schedules 31 & 32	2.73%

The proposed 2.73% increase in the existing efficiency tariff is equivalent to a \$1.77 a month increase for a residential customer using an average 1,000 kilowatt hours per month.

Natural Gas Schedule 191

The proposed net increase above rates authorized for an August 1, 2009, effective date by service schedule for natural gas customers is as follows:

General Service-Firm-Schedule 101 (Residential & Small Commercial)	1.01%
Large General Service Firm-Schedules 111 & 112	1.01%
Interruptible Service-Schedules 131 & 132	1.01%

The proposed 1.01% increase in the existing energy efficiency tariff for natural gas customers is equivalent to a \$0.90 per month increase for residential customers using 65 therms per month.

As reflected in the Company's Application, customers continue to look to Avista's DSM programs for assistance in responding to increased retail electric and natural gas prices. Existing and planned programmatic expenditures are exceeding tariff rider revenues. As of the close of May 2009, Avista's electric DSM tariff rider balance for Idaho is a negative \$2,361,178 and the natural gas DSM tariff rider balance for Idaho is a negative \$1,036,753. The proposed tariff rider increase is estimated to eliminate this current negative balance by the end of 2010 and to fund estimated future expenditures. The proposed increase in the DSM surcharge is approximately 2.73% at present electric rates and 1.01% at present natural gas rates.

Schedules 91 and 191 funds support DSM programs described in Schedules 90 and 190. These programs include but are not limited to the following measures:

- Appliance Measures
- Compressed Air Measures
- HVAC Measures

- Industrial Measures
- Lighting Measures
- Maintenance Measures
- Motors Measures
- Renewable Technologies
- Northwest Energy Efficiency Alliance Participation
- Shell Measures
- Sustainable Building Measures

The Company's DSM programs are based on providing financial incentives, or "rebates," for cost-effective efficiency measures installed by customers with a simple payback of greater than one year. This includes more than 300 measures that are packaged into more than 30 programs for customer convenience.

Avista has long encouraged the direct use of natural gas by its electric customers. The Company is continuing this effort with residential rebates for the conversion of electric-to-natural-gas space and water heat loads as well as a broad program for any non-residential electric-to-natural-gas conversions meeting specified criteria for relative British Thermal Unit (BTU) efficiency. The cost-effective potential for these measures has been incorporated into Avista's IRP effort and is contained within the identified acquisition goal. Avista's residential programs include high efficiency equipment, electric-to-natural-gas conversions, compact florescent lights (CFLs), "second" refrigerator recycling, weatherization and rooftop dampers, as well as providing educational assistance through various community events.

For non-residential customers, in addition to prescriptive programs, Avista offers "site-specific" programs. Site-specific programs are customized to the customer premise. The site-specific offering provides incentives on commercial and industrial energy efficiency measures with a simple financial payback exceeding one year. This is implemented through site analysis, customized diagnosis, and incentives determined for savings generated by the customers' premise or process. Commercial and industrial programs available to Avista customers include:

- Energy Smart Commercial Refrigeration
- Lighting and Controls
- Commercial Food Service Equipment
- Building Retro-commissioning
- Premium Efficiency Motors

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- Power Management for Personal Computer (PC) Networks
- LEED Certification, Commercial HVAC Variable Frequency Drives (VFDs)
- Refrigerated Warehouses
- Vending Machine Controllers
- Demand Controlled Ventilation
- Side-stream Filtration
- Steam Trap Replacement and Repair
- Multi-family Development
- LED Traffic Signals
- Electric-to-Natural-Gas Water Heater Conversions
- Commercial Clothes Washers

In addition to Avista's prescriptive and site-specific programs, the Company funds and participates in the activities of the Northwest Energy Efficiency Alliance (NEEA). NEEA focuses on using a regional approach to obtain electric efficiency through the transformation of markets for efficiency measures and services. An example of NEEA-sponsored programs that benefit Avista customers is decreasing the cost of CFLs and high efficiency appliances by working through manufacturers. For some measures, a large scale, cross-utility approach is the most cost-effective means to achieve energy efficiency savings. This approach is particularly effective for markets composed of large numbers of smaller usage homogenous consumers, such as the residential and small commercial markets. The results from NEEA programs are reported in March of the following year. For 2008, Avista's portion of the regional savings from NEEA programs amounted to 2.1 aMW or more than 18 million kWh.

Effective October 1, 2008, in Order No. 30647 in Docket Nos. AVU-E-08-01 and AVU-G-08-01, \$465,000 was directed to Idaho electric and natural gas low-income customers and \$25,000 was provided to Idaho Consumer Assistance Program (CAP) agencies for the purpose of underwriting agency personnel assisting in low-income outreach and conservation education. The low-income weatherization portfolio represents approximately 8% of the Company's total energy efficiency budget.

Avista also actively participated in the energy affordability workshops in Case No. GNR-U-08-01. In that case, workshop participants are exploring ways to address energy affordability and the difficulties some customers experience in paying their energy bills. Avista supports the Commission's Order No. 30724 in that case and favors legislation that would allow utilities to propose "programs, policies and rates" that may assist low-income customers in their

efforts to pay energy bills. The Commission specifically identified Avista's Low Income Rate Assistance Program (LIRAP), as a means to provide funds to help low income residents in Washington and Oregon pay their energy bills. The LIRAP program (if implemented in Idaho) would allow Avista to collect, through a small monthly charge to all customers, additional dollars that would be directed to customers least able to pay their energy bills. The local community action agencies that are already in place would administer these dollars. The Company is committed to working with the Commission Staff and interested parties to support this legislation in 2010.

Stakeholder Enrollments/Revised Procedures

The Company has regularly convened a stakeholders' forum known as the External Energy Efficiency Board (Triple E). These meetings have included customer representatives, Commission Staff members, and individuals from the environmental communities. These stakeholder meetings review the Company's program offerings as well as the underlying cost-effectiveness tests and results. The programs have been cost-effective from both a Total Resource Cost (TRC) and Program Administrator Cost Test (PACT) (formally known as the utility cost test) (UCT)) perspective. The increased funding requested in the Company's filing will continue to be subject to the cost-effectiveness test prescribed by the Commission.

To reduce the likelihood of significant positive or negative balances in the future, Avista proposes that a schedule be established for the revision of the DSM components of Schedules 91 and 191. Avista proposes to file on or before February 15th of each year to revise the DSM portions of the Schedule 91 and 191 tariff rider mechanisms to establish tariff riders that are sufficient to fund the following twelve months of DSM as well as amortizing any tariff rider imbalance. It is understood that discussions with interested parties may, from time to time, lead to modifications of this process in the event that the projected change to the tariff rider is very small or when changes to the period of time that an imbalance is to be recovered are deemed appropriate.

Further, Avista commits to circulate drafts of any tariff revision affecting the Company's DSM portfolio to its Triple E board at least 30 days prior to filing said revision. Avista also proposes to provide the Triple E board with a quarterly report on the Schedule 91 and 191 tariff rider balances. Triple E board members will receive an e-mail alert if either of these

balances exceeds 20% of the forecasted annual revenue, either positive or negative, at any month-end. Avista has not and does not currently earn any interest upon any positive (customer owes shareholder) balance in the tariff rider. Avista will complete and circulate an analysis of the results in the prior calendar year to the board by March 31st of each year.

The protocols described above, the Company contends, will manage the balances of the tariff rider mechanism and ensure that sufficient funding is available for the completion of programmatic measures. The reasons that the tariff rider balances have been negative are because Avista has acquired, and will continue to acquire, cost-effective energy-efficiency resources as an important component of its overall resource portfolio. This includes meeting customer demand for energy efficiency financial rebates in advance of tariff rider recovery.

The estimated annual revenue change associated with the Company's filing is approximately \$5.4 million for electric and \$1 million for natural gas, or an increase of 2.73% and 1.0% respectively. An increase in the energy efficiency tariff has no impact on Company earnings.

Avista requests that the Commission issue its Order finding the proposed rates and charges in Schedules 91 and 191 to be fair, just and reasonable and nondiscriminatory, and effective for electric and natural gas service rendered on and after August 1, 2009. The Company requests that its Application be processed under Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure IDAPA 31.01.01.201-204.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case Nos. AVU-E-09-06 and AVU-G-09-04. Avista in these cases proposes an increase in the funding of its electric and gas energy efficiency riders for DSM programs (tariff Schedules 91 (electric) and 191 (natural gas)). The Company also proposes procedural modifications to address imbalances in funding and program expenditures. The Company in its filing contends that its program expenditures for both electric and gas have exceeded the revenue generated by the authorized Schedule 91 (electric) and 191 (natural gas) Energy Efficiency Rider Adjustments and carries a negative balance for both electric and gas. The Commission notes that the Company's filing and proposed effective date coincides with the August 1, 2009, rate changes authorized by the

Commission in Avista rate Case Nos. AVU-E/G-09-01 (Order No. 30856) and BPA Credit Tariff Advice 98. To minimize the number of rate changes, to take advantage of the offsetting electric BPA residential and small farm credit (Tariff Advice 98) and to permit recovery of Schedule 91 and 191 imbalances the Commission finds it reasonable by Interlocutory Order to authorize implementation of the proposed increase in the Company's electric Schedule 91 and natural gas Schedule 191 Energy Efficiency Public Purpose Rider Adjustments for an August 1, 2009, effective date. We will revisit the Company's proposal following a procedural schedule adopted herein for investigation and comments.

MODIFIED PROCEDURE

The Commission has preliminarily determined that the public interest regarding the Company's filings in Case Nos. AVU-E-09-06 and AVU-G-09-04 may not require a formal hearing to consider the issues presented and that issues raised by the Application may be processed under Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the Commission may not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to the Application and the Commission's use of Modified Procedure in Case Nos. AVU-E-09-06 and AVU-G-09-04 is **Friday, August 28, 2009**. Persons desiring a hearing must specifically request a hearing in their written protest or comments.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission may consider the matter on its merits and may enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case Nos. AVU-E-09-06 and AVU-G-09-04 should be mailed to the Commission and Avista at the addresses reflected below.

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
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All comments should contain the case caption and case numbers shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon and complete the comment form using the case numbers as they appear on the front of this document. These comments must also be sent to Avista at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Application in Case Nos. AVU-E-09-06 and AVU-G-09-04 may be viewed at www.puc.idaho.gov by clicking on "File Room" and "Electric Cases" or "Gas Cases," or can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 W. Washington Street, Boise, Idaho and at the Idaho business offices of Avista.

ORDER

In consideration of the foregoing and as more particularly described above, the Commission by Interlocutory Order does hereby authorize implementation of the foregoing increases to the Company's tariff Schedules 91 (electric) and 191 (natural gas) Energy Efficiency

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Public Purpose Rider Adjustments for an effective date of August 1, 2009. The Company is directed to file conforming tariffs.

IT IS FURTHER ORDERED and the Commission does hereby adopt the procedural scheduling set forth above.

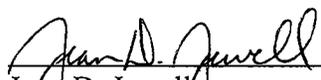
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of July 2009.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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