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IDAHO PUBLIC
UTILITIES COMMISSION

August 8, 2012

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
P O Box 83720
Boise, ID 83720-0074

Dear Ms. Jewell:

Application No. AVU-E-12-07 and AVU-G-12-06

Dear Ms. Jewell:

Enclosed for filing with the Commission are an original and 7 copies of the Company's replacement pages to its application requesting a decrease to Schedule 91 and 191 rates, "Energy Efficiency Rider Adjustment," also known as the "energy efficiency tariff rider." The replacement pages include the first page of the Application and the cover sheets for the attachments.

Please direct any questions on this matter to me at (509) 495-4975.

Sincerely,

A handwritten signature in cursive script that reads "Linda Gervais".

Manager, Regulatory Policy
Avista Utilities
linda.gervais@avistacorp.com
509-495-4975

Attachements

1 David J. Meyer
2 Vice President and Chief Counsel for
3 Regulatory and Governmental Affairs
4 Avista Corporation
5 1411 E. Mission Avenue
6 P. O. Box 3727
7 Spokane, Washington 99220
8 Phone: (509) 495-4316, Fax: (509) 495-8851

9

10 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

11 IN THE MATTER OF THE APPLICATION)
12 OF AVISTA CORPORATION FOR THE) CASE NO. AVU-E-12-07
13 REQUEST TO DECREASE ITS ENERGY) CASE NO. AVU-G-12-06
14 EFFICIENCY RIDER ADJUSTMENT)
15 SCHEDULES 91 AND 191)

16

17 I. INTRODUCTION

18 Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company),
19 at 1411 East Mission Avenue, Spokane, Washington, respectfully requests approval of a
20 decrease to Schedule 91 and 191 rates "Energy Efficiency Rider Adjustment"

21 The Company makes this filing on a periodic basis to revise the Demand Side
22 Management (DSM) portions of Schedules 91 and 191 ("Energy Efficiency Rider Adjustment").
23 The purpose of this filing is to establish tariff riders that are sufficient to fund the following
24 twelve months of DSM as well as amortize any tariff rider imbalance, thus minimizing the
25 amount of future under- or over-collections. In this filing, Avista proposes to reduce billed
26 electric rates by 1.3% through proposed revisions in Schedule 91 and to reduce billed natural gas
27 rates by 2.6% through proposed revisions in Schedule 191.

28 The Company requests that this filing be processed under the Commission's Modified

29

1 Procedure rules.

2 Communications in reference to this Application should be addressed to:

3	David J. Meyer, Esq.	Linda Gervais
4	Vice President and Chief Counsel for	Manager, Regulatory Policy
5	Regulatory and Governmental Affairs	Avista Corporation
6	Avista Corporation	P.O. Box 3727
7	P.O. Box 3727	1411 E. Mission Avenue, MSC-27
8	1411 E. Mission Avenue, MSC-13	Spokane, WA 99220-3727
9	Spokane, WA 99220-3727	Phone: (509) 495-4975
10	Phone: (509) 495-4316	Fax: (509) 495-8851
11	Fax: (509) 495-8851	<u>linda.gervais@avistacorp.com</u>
12	<u>david.meyer@avistacorp.com</u>	
13		

14 **II. BACKGROUND**

15 The Company's energy efficiency targets are established in the process of developing its
16 electric and natural gas Integrated Resource Plans (IRPs). For 2010-2011, approximately 29
17 Full Time Equivalents (FTE) employees delivered energy efficiency programs and measures
18 throughout Avista's service territories resulting in verified electric savings of 59,002 MWh (or
19 115% of the IRP goal) and verified natural gas savings of 734,056 therms (or 54% of the IRP
20 goal)¹ in the Idaho service territory. Approximately 66% of the energy efficiency budget was
21 provided to participating customers as rebates (residential) and financial incentives (commercial
22 and industrial). This does not include additional benefits such as site audits and technical
23 analyses provided to customers by the Company's DSM engineering staff.

24 The revenue expected to be generated by the schedule 91 and 191 surcharges, at their

¹ Achieving the 2010-2011 natural gas resource acquisition target projected as part of the 2009 IRP was made considerably more challenging as a result of two unanticipated events; (1) the acceleration of adoption of many efficiency measures from 2011 and subsequent years into 2009 and 2010 due to favorable tax credits available during that time, and (2) deeper than expected recessionary influences upon disposable income and consumer demand.

1 present levels, would exceed the requirements necessary to fund the DSM activities during the
2 next twelve month cycle, including adjustments for the disposition of tariff rider imbalances.
3 Avista is proposing substantial reductions to both electric and natural gas DSM tariff rider
4 surcharges (Schedules 91 and 191 respectively) in recognition of changes in the future expected
5 expenditures for those programs as well as existing tariff rider balances. Through June 2012,
6 Avista's Idaho electric DSM tariff rider balance was \$316,231 (Company owes ratepayer) and
7 the Idaho natural gas DSM tariff rider balance was \$1,355,023 (Company owes ratepayer).

8 Only 55% of the currently projected electric DSM tariff rider surcharge revenue is
9 necessary to fund the expected DSM operations for the 12 months following October 1, 2012,
10 given a projected positive balance of \$886,761 at the close of September 2012. Thus, the
11 Company is requesting a 45% reduction in the electric DSM tariff rider surcharge effective
12 October 1, 2012. This surcharge reduction will not impact the Company's ability to fund and
13 pursue cost-effective DSM resources; it will merely adjust revenues to move the tariff rider
14 balance towards zero.

15 As a result of the substantial reduction in natural gas avoided costs within the Company's
16 current draft Integrated Resource Plan; the Company has requested approval for the suspension
17 of natural gas DSM operations². The Company has proposed a timeline for the suspension of
18 these operations that provides adequate notice to customers and honors existing in-process and
19 contracted commitments while also meeting the Company's stewardship obligations for these
20 customer funds. The Company has estimated a total expenditure of \$1,127,000 from July 1,
21 2012 until the last contractual obligation has been met. The balance of the natural gas DSM
22 tariff rider at the close of June, 2012 is \$1,355,023.

² Docket No. AVU-G-12-03, filed June 29, 2012.

1 over 300 measures that are packaged into over 30 programs for customer convenience.

2 Avista has long encouraged the direct-use of natural gas by its electric customers. As an
3 electric energy efficiency program, the Company is continuing this effort with residential rebates
4 for the conversion of electric to natural gas space and water heat loads, as well as a broad
5 program for any non-residential electric-to-natural gas conversions meeting specified criteria for
6 relative British Thermal Unit (BTU) efficiency. The cost-effective potential for these measures
7 has been incorporated into Avista's Integrated Resource Planning effort and are contained within
8 the identified acquisition goal. Avista's residential programs include high efficiency equipment,
9 electric to natural gas conversions, Compact Fluorescent Lights (CFLs), "second" refrigerator
10 recycling, weatherization, rooftop chimney dampers as well as providing educational assistance
11 through various community events.

12 For non-residential customers, in addition to prescriptive (or "standard offer") programs,
13 Avista offers site specific (or customized) services. The site specific program provides
14 incentives on any cost-effective commercial and industrial energy efficiency measure with a
15 simple financial payback exceeding one year, and up to thirteen years (eight years for lighting
16 measures). This is implemented through site analyses, customized diagnoses, and incentives
17 determined for savings generated specific to customers' premises or process. In addition to the
18 site specific offering, commercial and industrial programs available to Avista customers include
19 lighting and controls, commercial food service equipment, premium efficiency motors, power
20 management for personal computer (PC) networks, commercial HVAC variable frequency drives
21 (VFDs), refrigerated warehouses, vending machine controllers, demand controlled ventilation,
22 side-stream filtration, steamtrap replacement and repair, multifamily development, electric-to-
23 natural gas water heater conversions, and commercial clothes washers.

1 In addition to Avista's prescriptive and site-specific programs, the Company funds the
2 activities of the Northwest Energy Efficiency Alliance (NEEA). NEEA focuses on using a
3 regional approach to obtain electric efficiency through the transformation of markets for
4 efficiency measures and services. An example of NEEA-sponsored programs that benefits
5 Avista customers is decreasing the cost of CFLs and high-efficiency appliances by working
6 through manufacturers. For some measures, a large-scale, cross-utility approach is the most
7 cost-effective means to achieve energy efficiency savings. This approach is particularly effective
8 for markets composed of large numbers of smaller usage homogeneous consumers, such as the
9 residential and small commercial markets. Historically, Avista has received approximately 1.5
10 to 2.0 aMW of savings in its system from NEEA programs.

11 The Company provided approximately \$700,000 for low-income weatherization in 2011
12 and an additional \$50,000 for conservation education in Idaho. This program is administered by
13 the local community action agencies in our Idaho service territory.

14 **IV. EVALUATION, MEASUREMENT AND VERIFICATION**

15 Current analyses of DSM are much more refined than almost two decades ago. The
16 Company has been responsive to the Memorandum of Understanding (MOU) dated January 25,
17 2010 between the Company and the Idaho Commission Staff, addressing the evaluation,
18 measurement and verification (EM&V) of DSM activities. Toward that end, Avista has engaged
19 The Cadmus Group to perform independent evaluation at a system cost of nearly \$1.8 million for
20 2011.

21 Several metrics are applied to determine the costs and benefits of these programs. The
22 primary cost-effectiveness test is the Total Resource Cost (TRC) test; the Program Administrator

1 Cost (PAC) is another key determinant of program efficacy.³ Ratios over 1.0 illustrate that
2 benefits exceed costs. For 2011, the Company's DSM portfolios were cost-effective with TRC
3 and PAC ratios of 1.80 and 2.88, respectively, for its electric portfolio, and 0.85 and 2.84,
4 respectively, for its natural gas portfolio.

5 **V. STAKEHOLDER INVOLVEMENT**

6 The Company has regularly convened stakeholder meetings to gain input from customer
7 representatives, Commission staff members, and individuals from the environmental
8 communities⁴. These stakeholder meetings review the Company's program offerings as well as
9 the underlying cost-effectiveness tests and results. The Company continues to appreciate the
10 time and input provided by its stakeholders.

11 **VI. REQUEST FOR APPROVAL**

12 In conclusion, Avista respectfully requests the Commission approve the proposed
13 reduction in rates and charges to its tariff Schedule 91 and 191. The estimated annual revenue
14 change associated with this filing is approximately a decrease of \$3,464,000 million for electric
15 Schedule 91, or a decrease of 1.3% of billed rates, and a decrease of \$1,737,000 million for
16 natural gas Schedule 191, or a decrease of 2.6% of billed rates. The proposed rate decrease will
17 have an average monthly bill impact to electric residential customers using 939 kWhs of \$1.05.
18 The proposed natural gas rate decrease will have an average monthly bill impact to residential
19 customers using 60 therms of \$1.61.

20 **VII. CUSTOMER NOTIFICATION**

³ The Total Resource Cost Test measures the net costs of a demand-side management program as a resource option based on the total costs of the program, including both the participants' and the utility's costs. The Program Administrator Cost Test measures the net costs of a demand-side management program as a resource option based on the costs incurred by the program administrator (including incentive costs) and excluding any net costs incurred by the participant. The benefits are similar to the TRC benefits. Costs are defined more narrowly.

⁴ Among those participating were Commission Staff, Northwest Energy Coalition, Northwest Energy Efficiency Alliance, Northwest Power and Planning Counsel, and Northwest Industrial Gas Users.

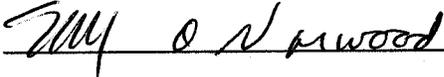
1 Notice to the public of the proposed rates and charges, pursuant to IDAPA 31.21.02.102,
2 will be given simultaneously with the filing, by posting a notice at each of the Company's
3 district offices in Idaho, which is attached as Attachment A. Notice of proposed rates will also
4 be given to all Idaho customers by individual bill insert. The proposed effective date is October
5 1, 2012.

6 **VIII. CONCLUSION**

7 WHEREFORE, Applicant respectfully requests the Commission issue its Order
8 finding the proposed rates and charges in Schedules 91 and 191 attached to this Application as
9 Attachment B to be fair, just, reasonable and nondiscriminatory, and effective for electric and
10 natural gas service rendered on and after October 1, 2012, with this application being processed
11 under Modified Procedure.

12 DATED at Spokane, Washington, this 30th day of July, 2012.

13 AVISTA CORPORATION

14 By 

15 Kelly O. Norwood,
16 Vice President, State and Federal Regulation

Application of Avista Corporation

Request to Decrease Energy Efficiency
Rider Adjustments 91 & 191

Case No. AVU-E-12-07

Case No. AVU-~~6~~-12-06

Attachment A - Public Notice

AVISTA CORPORATION
dba Avista Utilities
NOTICE OF TARIFF CHANGE
(Idaho Electric Service)

Notice is hereby given that the "Sheets" listed below of Tariffs I.P.U.C. No. 28, covering electric service, have been filed with the Idaho Public Utilities Commission (IPUC) in Idaho.

Ninth Revision Sheet 91 Canceling Replacement Eighth Revision Sheet 91

This filing requests approval of a decrease to Schedule 91, "Energy Efficiency Rider Adjustment". Schedule 91 is designed to recover the costs incurred by the Company associated with providing electric energy efficiency services to customers.

Copies of the proposed tariff changes are available for inspection in the Company's offices and on the Company website at <http://www.avistautilities.com/services/energypricing/Pages/default.aspx>. The Company will provide notice to customers with the first bill after the change becomes effective.

Issue Date: July 31, 2012
Keep Posted Until: October 1, 2012

AVISTA CORPORATION
dba Avista Utilities
NOTICE OF TARIFF CHANGE
(Idaho Natural Gas Service)

Notice is hereby given that the "Sheets" listed below of Tariffs I.P.U.C. No. 27, covering natural gas service, have been filed with the Idaho Public Utilities Commission (IPUC) in Idaho.

Seventh Revision Sheet 191 Canceling Sub. Sixth Revision Sheet 191

This filing requests approval of a decrease to Schedule 191, "Energy Efficiency Rider Adjustment". Schedule 191 is designed to recover the costs incurred by the Company associated with providing natural gas energy efficiency services to customers.

Copies of the proposed tariff changes are available for inspection in the Company's offices and on the Company website at <http://www.avistautilities.com/services/energypricing/Pages/default.aspx>. The Company will provide notice to customers with the first bill after the change becomes effective.

Issue Date: June 10, 2011
Keep Posted Until: August 1, 2011

Application of Avista Corporation

**Request to Decrease Energy Efficiency
Rider Adjustments 91 & 191**

Case No. AVU-E-12-07

Case No. AVU-~~E~~-12-06

**Attachment B – Tariffs
Clean, Strike and Underline**

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 91

ENERGY EFFICIENCY RIDER ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This Energy Efficiency Rider or Rate Adjustment shall be applicable to all retail customers for charges for electric energy sold and to the flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service. This Rate Adjustment is designed to recover costs incurred by the Company associated with providing energy efficiency services and programs to customers.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be increased by the following amounts:

Schedule 1	- .146 ¢ per kWh	Schedule 25	- .086 ¢ per kWh
Schedule 11 & 12	- .162 ¢ per kWh	Schedule 25P	- .080 ¢ per kWh
Schedule 21 & 22	- .125 ¢ per kWh	Schedule 31 & 32	- .142 ¢ per kWh

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Services (Schedules 41, 42, 43, 44, 45, 46, 47, 48 & 49) are to be increased by 1.65%.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 58.

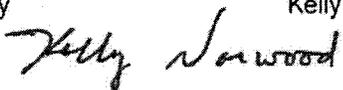
Issued July 30, 2012

Effective October 1, 2012

Issued by Avista Utilities

By

Kelly O. Norwood, Vice-President, State & Federal Regulation



AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 91

ENERGY EFFICIENCY RIDER ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This Energy Efficiency Rider or Rate Adjustment shall be applicable to all retail customers for charges for electric energy sold and to the flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service. This Rate Adjustment is designed to recover costs incurred by the Company associated with providing energy efficiency services and programs to customers.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be increased by the following amounts:

Schedule 1	- .258 ¢ per kWh	Schedule 25	- .166 ¢ per kWh
Schedule 11 & 12	- .303 ¢ per kWh	Schedule 25P	- .146 ¢ per kWh
Schedule 21 & 22	- .232 ¢ per kWh	Schedule 31 & 32	- .242 ¢ per kWh

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Services (Schedules 41, 42, 43, 44, 45, 46, 47, 48 & 49) are to be increased by ~~3.60%~~.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 58.

Issued October 6, 2011

Effective October 1, 2011

Issued by Avista Utilities
By

Kelly O. Norwood, Vice-President, State & Federal Regulation

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 91

ENERGY EFFICIENCY RIDER ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This Energy Efficiency Rider or Rate Adjustment shall be applicable to all retail customers for charges for electric energy sold and to the flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service. This Rate Adjustment is designed to recover costs incurred by the Company associated with providing energy efficiency services and programs to customers.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be increased by the following amounts:

Schedule 1	- <u>.146 ¢</u> per kWh	Schedule 25	- <u>.086 ¢</u> per kWh
Schedule 11 & 12	- <u>.162 ¢</u> per kWh	Schedule 25P	- <u>.080 ¢</u> -per kWh
Schedule 21 & 22	- <u>.125 ¢</u> per kWh	Schedule 31 & 32	- <u>.142 ¢</u> per kWh

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Services (Schedules 41, 42, 43, 44, 45, 46, 47, 48 & 49) are to be increased by 1.65%.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 58.

Issued July 30, 2012

Effective October 1, 2012

Issued by Avista Utilities
By

Kelly O. Norwood, Vice-President, State & Federal Regulation

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 191

ENERGY EFFICIENCY RIDER ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has natural gas service available. This Energy Efficiency Rider or Rate Adjustment shall be applicable to all retail customers taking service under Schedules 101, 111, 112, 131, and 132. This Rate Adjustment, is designed to recover costs incurred by the Company associated with providing energy efficiency services and programs to customers. The Company may, at its discretion to match revenue under this schedule with demand for services under Schedule 190, reduce or increase this charge on an annual basis. Any change in this charge is subject to Commission approval and its review of the previous year expenditures under Schedule 190 and determinations with regard to any revenue carry forward, and prospective budget on an annual basis. Any annual expenditures exceeding annual collections when combined with any carry forward budget surplus shall be at the Company's risk of future recovery.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be increased by the following amounts:

Schedule 101	\$0.00000 per Therm
Schedule 111 & 112	\$0.00000 per Therm
Schedule 131 & 132	\$0.00000 per Therm

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 158.

Issued

July 30, 2012

Effective

October 1, 2012

Issued by Avista Utilities

By Kelly O. Norwood, Vice President, State and Federal Regulation

Kelly Norwood

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 191

ENERGY EFFICIENCY RIDER ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has natural gas service available. This Energy Efficiency Rider or Rate Adjustment shall be applicable to all retail customers taking service under Schedules 101, 111, 112, 131, and 132. This Rate Adjustment, is designed to recover costs incurred by the Company associated with providing energy efficiency services and programs to customers. The Company may, at its discretion to match revenue under this schedule with demand for services under Schedule 190, reduce or increase this charge on an annual basis. Any change in this charge is subject to Commission approval and its review of the previous year expenditures under Schedule 190 and determinations with regard to any revenue carry forward, and prospective budget on an annual basis. Any annual expenditures exceeding annual collections when combined with any carry forward budget surplus shall be at the Company's risk of future recovery.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be increased by the following amounts:

Schedule 101	\$0.02697 per Therm
Schedule 111 & 112	\$0.04324 per Therm
Schedule 131 & 132	\$0.04497 per Therm

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 158.

Issued
September 27, 2011

Effective
October 1, 2011

Issued by Avista Utilities
By Kelly O. Norwood, Vice President, State and Federal Regulation

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 191

ENERGY EFFICIENCY RIDER ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has natural gas service available. This Energy Efficiency Rider or Rate Adjustment shall be applicable to all retail customers taking service under Schedules 101, 111, 112, 131, and 132. This Rate Adjustment, is designed to recover costs incurred by the Company associated with providing energy efficiency services and programs to customers. The Company may, at its discretion to match revenue under this schedule with demand for services under Schedule 190, reduce or increase this charge on an annual basis. Any change in this charge is subject to Commission approval and its review of the previous year expenditures under Schedule 190 and determinations with regard to any revenue carry forward, and prospective budget on an annual basis. Any annual expenditures exceeding annual collections when combined with any carry forward budget surplus shall be at the Company's risk of future recovery.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be increased by the following amounts:

Schedule 101	<u>\$0.00000</u> per Therm
Schedule 111 & 112	<u>\$0.00000</u> per Therm
Schedule 131 & 132	<u>\$0.00000</u> per Therm

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 158.

Issued

July 30, 2012

Effective

October 1, 2012

Issued by Avista Utilities

By Kelly O. Norwood, Vice President, State and Federal Regulation