

RECEIVED

2009 JUN 30 AM 10: 27



IDAHO PUBLIC  
UTILITIES COMMISSION

June 30, 2009

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

*AVU-E-09-06/*

*AVU-E-09-04*

Advice No. ADV-09-02-E and ADV-09-02-G

Dear Ms. Jewell:

Attached for filing with the Commission is an original and seven copies of the Company's Application and proposed revisions to the following tariff sheets, I.P.U.C. No. 28 and I.P.U. C. No. 29.

Sixth Revision Sheet 91  
Fourth Revision Sheet 191

Canceling Fifth Revision Sheet 91  
Canceling Third Revision Sheet 191

This filing requests approval of an increase to Schedules 91 and 191 rates, "Public Purposes Rider Adjustment," also known as the "energy efficiency tariff riders." 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.

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

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood  
Vice President, State & Federal Regulation

Enclosures

RECEIVED

2009 JUN 30 AM 10:28

IDAHO PUBLIC  
UTILITIES COMMISSION

DAVID J. MEYER  
VICE PRESIDENT AND CHIEF COUNSEL FOR  
REGULATORY AND GOVERNMENTAL AFFAIRS  
AVISTA CORPORATION  
P.O. BOX 3727  
1411 EAST MISSION AVENUE  
SPOKANE, WASHINGTON 99220-3727  
TELEPHONE: (509) 495-4316  
FACSIMILE: (509) 495-8851

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION )  
OF AVISTA CORPORATION FOR THE )  
REQUEST TO INCREASE ITS ENERGY )  
EFFICIENCY PUBLIC PURPOSE RIDER )  
SCHEDULES 91 AND 191 )

CASE NO. AVU-E-09-06  
AND AVU-G-09-04

APPLICATION OF AVISTA CORPORATION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

**I. INTRODUCTION**

Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, respectfully requests approval of an increase to Schedules 91 and 191 rates, "Energy Efficiency Rider Adjustment," also known as the "energy efficiency tariff riders." 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. Now in its fourteenth year, the energy efficiency tariff riders were the Country's first distribution charge to fund demand side management (DSM) and are now replicated in many other states. The proposed increase in Schedules 91 and 191 rates is necessary to continue to fund ongoing electric and natural gas efficiency programs consistent with Avista'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. The proposed increase in revenues for DSM will not increase or decrease the earnings of the Company. Also included in this filing are proposed procedural modifications to reduce the likelihood of significant positive or negative balances in the future.

The Company requests that this filing be processed under the Commission's Modified Procedure rules.

Communications in reference to this Application should be addressed to:

David J. Meyer, Esq.  
Vice President and Chief Counsel for  
Regulatory and Governmental Affairs  
Avista Corporation  
P.O. Box 3727  
1411 E. Mission Avenue, MSC-13  
Spokane, WA 99220-3727

Kelly Norwood  
Vice President - State and Federal Regulation  
Avista Corporation  
P.O. Box 3727  
1411 E. Mission Avenue, MSC-7  
Spokane, WA 99220-3727  
Phone: (509) 495-4267

1 Phone: (509) 495-4316  
2 Fax: (509) 495-8851  
3

Fax: (509) 495-8856

## 4 II. BACKGROUND

5 The Company's energy efficiency targets are established in the process of developing  
6 its electric and natural gas IRPs. The electric IRP efficiency goal for Idaho and Washington  
7 in 2008 was 53.0 million kWhs, not including regionally-delivered programs. The results of  
8 Avista's energy efficiency programs continue to exceed targets. Avista's 2008 energy  
9 efficiency savings amount was 74.4 million kWhs (approximately 8.5 aMW) or 137% of the  
10 Company's annual target. Over 138 aMW of cumulative savings have been achieved  
11 through Avista's energy efficiency efforts in the past thirty years; over 110 aMW of DSM is  
12 currently in place on the Company's system. By comparison, Avista's total retail load for  
13 2008 was approximately 1,100 aMW; therefore, the total DSM energy savings represent a  
14 meaningful reduction to the retail load that Avista would otherwise serve. The 2008 natural  
15 gas savings targets for Idaho and Washington was 1.425 million therms. Over 1.9 million  
16 therms were saved last year which was 136% of the 2008 target.

17 Avista's energy efficiency programs are supported by 23 full-time equivalents (FTE)  
18 spread over 34 staff. (This does not include Company support from the Contact Center,  
19 Accounting and other direct and indirect support.) The 2008 total DSM budget was over  
20 \$18 million.

21 Of the Company's revenues collected under Schedules 91 and 191 last year, 72.0%  
22 were paid out to customers in direct incentives pursuant to the cost-effectiveness tests  
23 described below. This does not include additional benefits such as technical analyses and  
24 education provided to customers by the Company's DSM engineering staff.

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

10 Additional drivers that continue to add to increases in the tariff rider balances include:

- 11
  - 12
  - 13
  - 14
  - 15
  - 16
  - 17
  - 18
  - 19
  - 20
  - 21
  - 22
  - 23
  - 24
  - 25
  - 26
  - 27
  - 28
  - 29
  - 30
  - 31
- increased demand for demand-side management programs;
  - increasing avoided costs which leads to a higher number of cost-effective energy efficiency programs;
  - higher level of energy efficiency acquisition identified in the IRP leads to increased dollars per unit as higher cost measures are selected on the supply curve; and
  - expected increase in subscription to Avista's conservation programs due to increased customer funding for energy efficiency from the American Recovery and Reinvestment Act and related tax credits.

22 All Schedule 91 and 191 DSM funds will remain within the electric and natural gas  
23 efficiency programs either offered by the Company directly or through designated  
24 contractors, or as part of cooperative regional electric and natural gas efficiency programs.  
25 The Company will continually assess the demand for services and program financial balances  
26 and propose revisions to Schedules 91 and 191 as necessary. Schedule 91 and 191 funds  
27 support DSM programs described in Schedules 90 and 190. These programs include but are  
28 not limited to the following measures:

- 29
  - 30
  - 31
- Appliance measures
  - Compressed air measures
  - HVAC measures

- 1           ▪ Industrial measures
- 2           ▪ Lighting measures
- 3           ▪ Maintenance measures
- 4           ▪ Motors measures
- 5           ▪ Renewable Technologies
- 6           ▪ Northwest Energy Efficiency Alliance participation
- 7           ▪ Shell measures
- 8           ▪ Sustainable Building measures

9  
10           The Company's programs are based on providing financial incentives, or "rebates,"  
11 for cost-effective efficiency measures installed by customers with a simple payback of  
12 greater than one year. This includes over 300 measures that are packaged into over 30  
13 programs for customer convenience.

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

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

- 1           ▪ Energy Smart commercial refrigeration
- 2           ▪ lighting and controls
- 3           ▪ commercial food service equipment
- 4           ▪ building retro-commissioning
- 5           ▪ premium efficiency motors
- 6           ▪ power management for personal computer (PC) networks
- 7           ▪ LEED certification, commercial HVAC variable frequency drives (VFDs)
- 8           ▪ refrigerated warehouses
- 9           ▪ vending machine controllers
- 10          ▪ demand controlled ventilation
- 11          ▪ side-stream filtration
- 12          ▪ steam trap replacement and repair
- 13          ▪ multifamily development
- 14          ▪ LED traffic signals
- 15          ▪ electric to natural gas water heater conversions
- 16          ▪ commercial clothes washers

17  
18           In addition to Avista's prescriptive and site-specific programs, the Company funds,  
19           and participates in the activities of the Northwest Energy Efficiency Alliance (NEEA).  
20           NEEA focuses on using a regional approach to obtain electric efficiency through the  
21           transformation of markets for efficiency measures and services. An example of NEEA-  
22           sponsored programs that benefit Avista customers is decreasing the cost of CFLs and high-  
23           efficiency appliances by working through manufacturers. For some measures, a large-scale,  
24           cross-utility approach is the most cost-effective means to achieve energy efficiency savings.  
25           This approach is particularly effective for markets composed of large numbers of smaller  
26           usage homogeneous consumers, such as the residential and small commercial markets. The  
27           results from NEEA programs are reported in March of the following year. Historically,  
28           Avista has received approximately 1.5 aMW of savings in its service territory from NEEA  
29           programs. For 2008, Avista's portion of the regional savings amounted to 2.1 aMW or over  
30           18 million kWh.

31           The Company provided \$1.5 million for low-income weatherization in 2008 in Idaho  
32           and Washington. Effective October 1, 2008, in Order No. 30647 in Docket Nos. AVU-E-08-  
33           01 and AVU-G-08-01, \$465,000 was directed to Idaho electric and natural gas low-income  
Application of Avista Corporation  
Case No. AVU-E-09- \_\_\_ and AVU-G-09- \_\_\_

1 customers and \$25,000 was provided to Idaho (CAP) agencies for the purpose of  
2 underwriting agency personnel assisting in low-income outreach and conservation education.  
3 The low-income weatherization portfolio represents approximately 8% of our total energy  
4 efficiency budget.

5 The Company also actively participated in the energy affordability workshops in Case  
6 No. GNR-U-08-01. In that Case, workshop participants are exploring ways to address energy  
7 affordability and the difficulty some customers experience in paying their energy bill. Avista  
8 supports the Commission's Order in that Case that favors legislation that would allow  
9 utilities to propose "programs, policies and rates" that may assist low-income customers in  
10 their effort to pay energy bills. The Commission specifically identified Avista's Low-Income  
11 Rate Assistance Program (LIRAP), as a means to provide funds to help low-income residents  
12 in Washington and Oregon pay their energy bills. The LIRAP program (if implemented in  
13 Idaho) would allow Avista to collect through a small monthly charge to all customers,  
14 additional dollars that would be directed to customers least able to pay their energy bills.  
15 The local community actions agencies that are already in place would administer these  
16 dollars. The Company is committed to working with the Commission Staff and interested  
17 parties to support this legislation in 2010.

### 18 19 **III. STAKEHOLDER INVOLVEMENT/REVISED PROCEDURES**

20 The Company has regularly convened a stakeholder's forum known as the External  
21 Energy Efficiency Board (Triple E). These meetings have included customer representatives,  
22 Commission staff members, and individuals from the environmental communities. These  
23 stakeholder meetings review the Company's program offerings as well as the underlying  
24 cost-effectiveness tests and results. The programs have been cost-effective from both a Total



1 Resource Cost (TRC) and Program Administrator Cost Test (PACT) (formally known as the  
2 Utility Cost Test (UCT)) perspective<sup>1</sup>. The increased funding requested herein will continue  
3 to be subject to the cost-effectiveness tests prescribed by the Commission.

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

13 Further, Avista will circulate drafts of any tariff revision, affecting the Company's  
14 DSM portfolio to our Triple-E Board at least 30 days prior to filing said revision. Avista also  
15 proposes to provide the Triple-E Board with a quarterly report on the Schedule 91 and 191  
16 tariff rider balances. Triple-E Board members will receive an e-mail alert if either of these  
17 balances exceeds 20% of the forecasted annual revenue, either positive or negative, at any  
18 month-end. Avista has not and does not currently earn any interest upon any positive  
19 (customer owes shareholder) balance in the tariff rider. Avista will complete and circulate an  
20 analysis of the results in the prior calendar year to the Board by March 31<sup>st</sup> of each year.

---

<sup>1</sup> 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.

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

#### 7 8   **IV. REQUEST FOR APPROVAL**

9           In summary, installing energy efficiency measures is a direct action customers can  
10 take to respond to a period of increasing energy prices facing the Pacific Northwest and the  
11 Country as a whole. Avista's energy efficiency programs are being used by customers at  
12 unprecedented levels. Customer participation continues to exceed current funding. The  
13 Company's request trues-up its electric and natural gas tariff riders to a level to meet  
14 customer demand and reduce existing negative balances, while providing funding for future  
15 energy efficiency programs. Energy efficiency remains the lowest cost new resource and all  
16 customers benefit by its acquisition.

17           The estimated annual revenue change associated with this filing is approximately \$5.4  
18 million for electric and \$1 million for natural gas, or an increase of 2.73% and 1.01%  
19 respectively.

#### 20   **V. CUSTOMER NOTIFICATION**

21           Notice to the public of the proposed rates and charges, pursuant to IDAPA  
22 31.21.02.102, will be given simultaneously with the filing of the Application by posting a  
23 notice at each of the Company's district offices in Idaho, and by a news release, both of  
24 which are attached as Exhibit A. Notice of proposed rates will also be given to all Idaho

1 customers by individual bill insert as required by rule. The proposed effective date is August  
2 1, 2009.

3 WHEREFORE Applicant respectfully requests the Commission issue its  
4 Order finding the proposed rates and charges in Schedules 91 and 191 attached to this  
5 Application as Exhibit B to be fair, just, reasonable and nondiscriminatory, and effective for  
6 electric and natural gas service rendered on and after August 1, 2009, with this application  
7 being processed under Modified Procedure.

8  
9 DATED at Spokane, Washington, this 29th day of June, 2009.

10  
11 AVISTA CORPORATION

12  
13  
14 By  \_\_\_\_\_

15 David J. Meyer

16 Vice President and Chief Counsel for  
17 Regulatory and Governmental Affairs

STATE OF WASHINGTON )

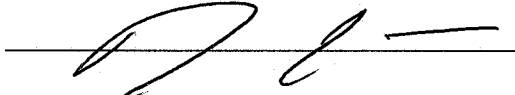
: ss

County of Spokane )

David J. Meyer, being duly sworn, on oath deposes and says:

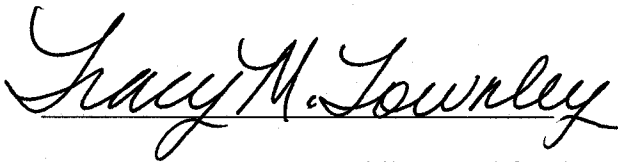
That he is the Vice President and Chief Counsel for Regulatory and Governmental Affairs of Avista Corporation;

That he has read the foregoing Application, knows the contents thereof, and believes the same to be true.



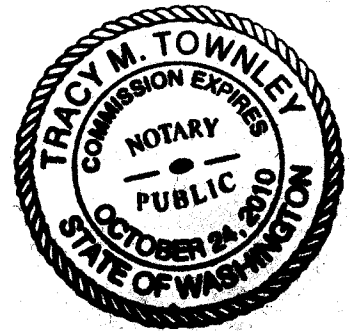
David J. Meyer

Subscribed and sworn to before me this 29th day of June, 2009.



Notary Public in and for the State

Washington, residing in Spokane



Application of Avista Corporation  
Case No. AVU-E-09\_\_ and AVU-G-09\_\_

## DSM Tariff Rider Projection with Current Rider Amounts

<u>Electric</u>	<u>Gas</u>	
<u>Projected Tariff Rider Revenue at Current Surcharge</u>		
\$ 370,000	\$ 83,000	June - July 2009 budgeted revenues
\$ 1,024,000	\$ 699,000	August - December 2009 budgeted revenues
\$ 2,479,000	\$ 1,600,000	Calendar year 2010 budgeted revenues
<u>Budgeted DSM Expenditures</u>		
\$ 861,171	\$ 270,960	June - July 2009 budget
\$ 2,152,928	\$ 677,400	August - December 2009 budget
\$ 6,150,829	\$ 1,950,913	Calendar year 2010 budget
<u>Tariff Rider Balances</u>		
\$ (2,361,178)	\$ (1,036,753)	Actual end-of-month May 2009 tariff rider balance
\$ (491,171)	\$ (187,960)	Projected change in tariff rider balance, June - July 2009
<u>\$ (2,852,349)</u>	<u>\$ (1,224,713)</u>	Projected end-of-month July 2009 tariff rider balance
\$ 11,156,106	\$ 3,853,027	Revenue required to fund budgeted DSM expenditures August 2009 to December 2010 plus projected end-of-month July 2009 negative tariff rider balance
\$ 3,503,000	\$ 2,299,000	Budgeted revenue at current tariff rider surcharge for August 2009 to December 2010
318%	168%	Required revenue above divided by the budgeted revenue at the current tariff rider surcharge
218%	68%	Percent increase in the tariff rider surcharge level
1.25%	1.50%	Current surcharge as a percent of base retail rates at the last filing
3.98%	2.51%	Proposed surcharge as a percent of base retail rates comparable to the current surcharge
2.73%	1.01%	Increase in the surcharge as a percent of base retail rates

Old DSM Rate	New DSM Rate	Rate Schedule
\$ 0.00081	\$ 0.00258	Schedule 1
\$ 0.00095	\$ 0.00303	Schedule 11 & 12
\$ 0.00073	\$ 0.00232	Schedule 21 & 22
\$ 0.00052	\$ 0.00166	Schedule 25
\$ 0.00046	\$ 0.00146	Schedule 25P
\$ 0.00076	\$ 0.00242	Schedule 31 & 32
1.25%	3.98%	Schedule 41-48
\$ 0.02063	\$ 0.03458	Schedule 101
\$ 0.01817	\$ 0.03045	Schedule 111 & 112
\$ -	\$ -	Schedule 121 & 122
\$ 0.01523	\$ 0.02552	Schedule 131 & 132

\$ 5,415,943	\$ 1,081,532	Expected change in annual (calendar year 2010) revenue as a result of the increase in the tariff rider surcharge
1,000	65	Typical residential monthly usage
\$ 1.77	\$ 0.91	Change in typical residential customer monthly bill