

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
AVISTA CORPORATION DBA AVISTA)	CASE NO. AVU-E-01-07
UTILITIES—WASHINGTON WATER POWER)	
DIVISION (Idaho) FOR APPROVAL OF)	
REQUESTED CHANGES IN ELECTRIC)	
TARIFF SCHEDULE 91 ENERGY EFFICIENCY)	
RIDER ADJUSTMENT—IDAHO AND)	
SCHEDULE 90 ELECTRIC ENERGY)	ORDER NO. 28750
EFFICIENCY PROGRAMS.)	
_____)	

On March 30, 2001, Avista Corporation dba Avista Utilities—Washington Water Power Division (Idaho) filed a request for approval of proposed modifications to Electric Tariff Schedule 90—Electric Energy Efficiency Programs and Schedule 91—Efficiency Rider Adjustment (Idaho). The tariff filing proposes to increase the Schedule 91 funding level for Electric Energy Efficiency Programs from 1.0% to 1.95% of revenue. The Company anticipates that the increase will generate approximately \$1 million of additional revenue in Idaho for the Schedule 90 programs. This will allow the Company to acquire an additional 2,500,000 kilowatt hours through energy efficiency. The Company states that residential customers should expect to see an average increase of approximately 60¢ per month. There is no margin to Avista associated with this filing. The Company requested a May 2, 2001 effective date. The Company proposed effective date was suspended by Commission Order No. 28719.

As reflected in its filing, the Company states that its Energy Efficiency Programs are experiencing increased customer demand and participation. Dramatic rises in the wholesale cost of power have increased the cost effectiveness level of conservation allowing the Company to increase its energy efficiency activities. The additional revenue generated under Schedule 91 will be expended under Schedule 90, Energy Efficiency Programs, including support for the Demand Side Management (DSM) bids accepted under the Company’s recent Request for Proposals (RFPs). Avista has prioritized DSM programs as a key response to high-energy prices. Acquiring lower cost energy efficiency resources, rather than buying from the market, the

Company states, benefits all customers. The proposed Schedule 90F shows a budget increase for the residential sector, increasing the allocation from 20% to 25% of the total program budget.

On April 24, 2001, the Commission issued Notices of Application and Modified Procedure in Case No. AVU-E-01-7. The deadline for filing written comments was May 30, 2001. Comments were filed by Commission Staff, and joint comments by the Northwest Energy Coalition, Idaho Rivers United and the Land and Water Fund of the Rockies. All parties support the Company's Application to increase funding for its electric Schedule 90, Energy Efficiency Programs. The filed comments can be summarized as follows:

COMMISSION STAFF

As reflected in Staff comments, the Company has adopted the following approach in implementing its electric tariff Schedule 90, Energy Efficiency Programs:

Project Approach

Avista has several means of delivering programs within the tariff guidelines. The vast majority of non-residential projects are pursued on a site-specific basis. These projects are individually evaluated and incentives are calculated based upon the application of the tiered incentive structure within Schedule 90. The more unique the project application, the more customized the site-specific analysis becomes.

Regardless of the engineering approach to the measurement of energy savings, each site-specific project is evaluated by an incentive calculation model to ensure a consistent calculation of the customer incentive under the terms of the tariff and the written policies in place at that time. In the last full trimester for which customer counts are available, Avista has 372 site-specific projects in progress.

In addition to the site-specific programs, Avista has also developed prescriptive approaches to specific energy-efficiency measures. This approach is typically employed when the volume of projects is large, the saving per project is relatively small and the energy savings per device is reasonably predictable in the aggregate. Under these circumstances, a streamlined prescriptive approach enhances the program cost-effectiveness.

A limited-income residential program is conducted in cooperation with local community action agencies. By leveraging the infrastructure of these agencies Avista has been able to install multiple energy efficiency

measures for 114 customers in the last reported trimester. These measures are, most frequently, electric to natural gas space and water heating conversions and various shell measures (predominantly weatherization, infiltration and replacement of compromised windows). An allowable health and safety component of the program permits the community action agency to make structural repairs or appliance replacements as necessary to ensure the long-term habitability of the structure (and consequently persistence of the energy savings).

Budget

The following is the budget for Idaho with the proposed increases:¹

Categories	Expected Budget %	Expected Budget \$
Commercial & Industrial	56%	\$1,369,019
Residential (Regular & Limited Income)	22%	\$547,608
Regional	11%	\$270,000
Site Specific Service Agreements	11%	\$273,804
Total	100%	\$2,460,431

As reflected in Staff comments, forecasted Schedule 90 revenue per year is actually \$2.495 million when street and area lighting revenues are included. The tariff filing proposes to increase the funding level of the existing electric Energy Efficiency Programs from 1.00% to 1.95% of revenue. The proposed increase, Staff estimates, will generate approximately \$1.4 million of additional revenue for the programs.

Examples of DSM residential programs for 2001 include efficient heat pumps, water heaters, weatherization and thermostats and fluorescent light bulbs. In response to a Staff production request, the Company estimates that these new programs would save 6.7 million kilowatt hours in their first year of which about 1/3 would be saved in Idaho. The energy saving from these new residential programs are about 84% of the total 8 million kilowatt hours the

¹ Application, Tariff Sheet 90F, revised 5/30/01.

Company's Application said that it expects to achieve as a result of the proposed funding increase.

The Company's revised budget includes increases for residential, commercial and industrial classes and cites specific programs while maintaining its funding for the Northwest Energy Efficiency Alliance (NEEA). Staff notes that the percentage increases for most customer classes are greater than the mathematical 95% that would be expected from increasing the surcharge from 1% to 1.95%. This occurs, Staff states, because of changes in rates and the proportion of revenue from various tariff elements. Current Schedule 91 rates were established in 1999 based on rates and the revenue mixture at that time. The total revenue rider increase is effectively a true-up for the aforementioned changes and a 95% increase in funding over 2001 revenue projections. The following tables are based on information provided by the Company and indicate the total increases from current rates and the funding level anticipated from this request.

Customer Schedule	Current Sch. 91 Rate	Proposed Sch. 91 Rate	Percent Increase
Residential, Sch. 1	\$0.00045/kWh	\$0.00104/kWh	131%
Gen. Serv. Sch., 11/12	\$0.00069/kWh	\$0.00140/kWh	103%
Lrg. Gen. Serv., Sch. 21/22	\$0.00048/kWh	\$0.00100/kWh	108%
Ex. Lrg. Gen. Serv., Sch. 25	\$0.00028/kWh	\$0.00068/kWh	143%
Pumping Service, Sch. 31/32	\$0.00042/kWh	\$0.00102/kWh	143%
Lighting Services	1.00% of bill	1.95% of bill	95%
Total Percent of Rev. Basis	1.00%	1.95%	95%

Customer Schedule	Current Forecast Sch. 91 Revenue	Proposed Forecast Sch. 91 Revenue	Dollar Increase	Percent Increase
Residential, Sch. 1	\$ 473,061	\$ 1,096,210	\$ 623,149	131%
Gen. Serv. Sch., 11/12	169,452	344,720	175,268	103%
Lrg. Gen. Serv., Sch. 21/22	352,600	734,180	381,580	108%

Ex. Lrg. Gen. Serv., Sch. 25	94,697	228,540	133,843	141%
Pumping Service, Sch. 31/32	23,398	56,780	33,382	143%
Lighting Services	34,668	67,603	32,935	95%
Total Sch. 91 Rev. Forecast	\$ 1,147,896	\$ 2,528,030	\$ 1,380,157	120%

Staff recommends that the Company continue to evaluate programs to assure its customers and the Commission that only cost effective programs are funded. Staff states that it will continue to participate in the Company’s ongoing review of Schedule 90 DSM programs by Avista’s Triple-E Board. Staff is mindful that the Company cannot rely upon the Board or any of its individual members to determine whether or not its DSM activities will be judged by the Commission to be reasonable and prudent.

Staff recommends that the Company continue with its current accounting procedures and reporting requirements.

Northwest Energy Coalition, Idaho Rivers United and Land and Water Fund of the Rockies

Joint comments were filed by the Northwest Energy Coalition, Idaho Rivers United and the Land and Water Fund of the Rockies.

Northwest Energy Coalition states that in testimony before the Washington Utilities & Transportation Commission, the Coalition urged the Company to ramp its energy conservation efforts once the tariff level reached a funding balance close to zero, especially given current market volatility and supply deficits.

While the joint commenters support the proposal, they state that they would like to see an increase in low-income assistance funding for both electric and gas customers and a greater overall commitment to clean energy efforts. The commenters believe that a stable statewide energy efficiency and low-income investment standard is a more effective way to capture this resource than through a utility by utility approach with varying levels of activity.

A consistent, stable source of state and local funding, the commenters state, is critical for low-income energy assistance, particularly with the declines in federal funding over the past decade. Other utilities, they note, have found that low-income energy assistance programs decrease overall costs by reducing arrearages, credit and collection efforts and disconnections.

Commenters believe that all ratepayers will benefit from increased energy efficiency investments. Direct benefits accrue to program participants through lower energy bills, as well as increased comfort, productivity and in some cases safety. All customers benefit indirectly by the Company acquiring the cheapest energy available, delaying the need to build additional generation, and reducing potential harm to the environment from increase generation.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. AVU-E-01-07 including the filed Comments and the Company's Reply. The Commission continues to find it reasonable to process the Company's Application pursuant to Modified Procedure. Reference IDAPA 31.01.01.204.

The Commission notes that all parties support the Company's Application. Funding the Company's Schedule 90 Electric Energy Efficiency Programs through a customer surcharge carries with it a concomitant Company obligation to administer the program in a responsible fashion and to ensure through continued oversight that the funded programs remain cost effective. The Company is to be commended for its commitment to conservation. We find that a well administered program will benefit the Company, its customers and the region.

Joint commentors state that they would like to see an increase in low income assistance funding for both electric and gas customers and a greater overall commitment to clean energy efforts. This Commission recognizes that as energy prices continue to increase, the issue of affordability among those of limited means may require more creative solutions. With respect to the suggestion that a uniform standard for low-income investment and energy efficiency be established, the Commission notes that a "one size fits all" approach fails to recognize the specific economic constraints and customer demographics unique to each utility's service territory.

Based on our review, the Commission finds it reasonable to approve the Company's Application.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities—Washington Water Power Division (Idaho), an electric utility, pursuant to the

Public Utilities Law set forth in Idaho Code, Title 61 and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly set forth in our Comments, the Commission approves the proposed modifications to Electric Tariff Schedule 90—Electric Energy Efficiency Programs and Schedule 91 efficiency rider adjustment (Idaho) for an effective date of June 14, 2001.

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 _____ day of June 2001.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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