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IDAHO PUBLIC
UTILITIES COMMISSION



January 27, 2009

Jean Jewell, Secretary
Idaho Public Utilities Commission
Statehouse Mail
472 W. Washington Street
Boise, ID 83720-0074

RE: Avista Comments in Case No. GNR-E-08-04

Dear Ms. Jewell:

Avista hereby submits for filing an original and seven copies of its comments regarding the Commission's Consideration of Four Amendments to Section 111 of the Public Utility Regulatory Policies Act of 1978 (PURPA) Contained in the Energy Independence and Security Act of 2007. Avista's comments are responsive to the questions, italicized below, contained in the Commission's December 16, 2008 Notice of Inquiry and Notice of Modified Procedure in Order No. 30705.

1. Integrated Resource Planning - *"We direct each utility to comment on what steps, if any, it has taken to implement energy efficiency into its integrated resource planning."*

Avista's resource acquisition policies fundamentally pursue all cost-effective electric and natural gas efficiency resources that can be realistically achieved or facilitated by utility intervention. General numerical goals are established within the integrated resource planning (IRP) process and are the basis for implementation at a more detailed level within the business plan.

The Company's IRP analysis is an interactive process in which DSM resources are evaluated along side regional resources. Consequently, local and regional resources are "stacked" within our resource planning software (resulting in a 20-year stream of avoided costs based on the last generating unit turned on/off) as well as thirty end-use demand-side management load shapes. Then DSM applications and technologies that are cost-effective are accepted; non-cost-effective ones are rejected and the band extending between cost-effective and non-cost-effective measures are tested and selected against the other available resources.

This entire process begins with the consideration of all commercially available applications or technologies that have energy savings. For the 2009 electric IRP, the Company evaluated nearly 2,500 non-residential measures and almost 800 residential measures. Once the measures are identified, characteristics such as energy savings, incremental cost, non-energy benefits, etc are developed and preliminary cost-effectiveness is completed. The "red" (non-cost-effective) measures are eliminated at this point and not evaluated further. At this point, market characteristics are assessed and past program

results are considered in order to develop technical and economic potential for the “green” (cost-effective) and “yellow” measures. “Green” measures are specified as “must take” while “yellow” measures are evaluated with the resources planning software and linear programming model in order to determine which “yellow” measures pass or fail. The “yellow” passing measures coupled with the “green” must-takes results in the revised annual DSM acquisition goal. This completes the IRP process. However, much more analysis and review is done of all the “yellow” and “green” measures throughout the business planning process that follows.

The DSM implementation team reviews the previous business plan as well as further evaluates the “green” and “yellow” (both the passing and failing measures) by providing additional analysis and market assessment. This in-depth process results in a revised business plan where some measures that might have failed in the IRP process are included and/or passing measures from the IRP process may not be included in the final business plan after further consideration. This business planning process results in a new DSM acquisition goal greater than or equal to the IRP goal, an operating budget for the upcoming year as well as outlines of new programs to be initiated and existing programs to be continued, improved and terminated. Updates to the avoided costs generally occur upon the completion of the biennial Integrated Resource Plan.

2. Rate Design Modifications to Promote Energy Efficiency Investments – “We direct each utility to comment on what steps, if any, it has considered and/or implemented regarding this standard.”

With regard to removing throughput incentives, Avista supports decoupling and presently has a natural gas decoupling pilot mechanism in Washington that began January 1, 2007. The Company’s current rate structures (electric and gas) provide recovery of the majority of its fixed costs on a (sales) volumetric basis, therefore, energy efficiency and conservation objectives are directly at odds with the recovery of the fixed costs of providing service. The Washington natural gas pilot allows the Company to defer unrecovered (residential and small commercial) fixed costs each month and to surcharge customers to recover the deferred costs if the company meets pre-determined energy-efficiency goals and does not exceed its authorized rate of return. Avista is examining the feasibility of proposing both electric and natural gas decoupling mechanisms in Idaho.

The Company has a two-block inverted residential electric rate structure in Idaho to further encourage energy efficiency and provide a pricing signal regarding the higher cost of new generating resources. The Company is proposing to increase the present rate inversion (price difference between the blocks) in a general rate filing and will continue to examine the feasibility of further inverting residential rates in the future. Avista does not have inverted rate structures for its other customer classes, however, it has been significantly increasing (peak) demand charges for commercial and industrial customers in an effort to improve load factor(s) and reduce peak demand. The Company is also considering a time-of-use rate structure for our largest industrial and institutional (Schedule 25) customers. Schedule 25 customers have existing metering that would allow for the implementation of a time-of-use rate structure.

Avista is presently conducting a two-year electric demand response pilot program in two selected areas of its Idaho service territory. The program consists of utility installation and operation of load-use controls on large appliances, on a voluntary basis, for residential and commercial customers.

Avista has received supportive regulation for energy efficiency investments and programs in Idaho and Washington. These two jurisdictions were the first public utility commissions in the United States to

approve a "system benefit charge" to fund energy efficiency. In 1995, the Idaho Public Utilities Commission approved the Company's Demand-Side Management (DSM) Tariff Rider which is a surcharge on customers' bills (electric and natural gas) to fund energy efficiency programs for all customer classes on a sustained basis. The Company recently increased customer incentives and implemented a comprehensive customer outreach effort to support new and existing programs. Part of the outreach effort developed into the "Every Little Bit" (ELB) campaign and website (www.everylittlebit.com). This multi-media campaign provides information to customers regarding program availability, incentives and low-cost / no-cost efficiency measures. Additionally, the Company has had an on-line home energy audit available on its website for several years.

3. Consideration of Smart Grid Investments – *"We direct each utility to comment on what steps, if any, it has considered and/or implemented regarding smart grid investments."*

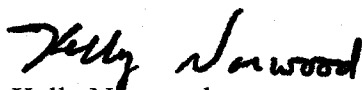
In 2005, Avista began deployment of Advanced Meter Reading (AMR) in its Idaho service territory (Case Nos. AVU-E-04-01, AVU-G-04-01, AVU-E-08-01, AVU-G-08-01). Avista has substantially completed the meter installations and is in the process of completing network optimization in 2009 to finalize the network portion of the installation. As the Company progressed with its deployment of AMR in our Idaho service territory, there have been many advances in the AMR industry. Avista continues to work on ways to leverage the data from our AMR systems to provide data for analysis of Demand Response programs and engineering analysis. Avista's TWACS AMR system is also currently being utilized as part of a pilot project for Remote Disconnects and Reconnects (Case No. AVU-E-07-09). Avista will continue to evaluate ways to enhance and leverage the current AMR systems in our Idaho service territory as they apply to the Smart Grid.

4. Smart Grid Information - *"We direct each utility to comment on what steps, if any, it has considered to document and provide information consistent with this standard."*

Avista is currently evaluating Meter Data Management Systems (MDMS) that would provide the foundation for any future developments that may allow customers to access their interval data. Presently, Avista does not have any Time of Use (TOU) rates or the necessary components in our customer billing systems that would support this type of rate structure. While the Company does not have any specific plans to implement systems that could provide interval data to its customers, we continue to monitor these type of rate structures and the impact of providing customers access to their interval data. It should be noted that the AMR infrastructure that we have put in place in our Idaho Service territory is capable of providing the interval data requested by this standard.

Thank you for the opportunity to comment on this inquiry, and we look forward to participating in the upcoming workshop. Please direct any questions on this matter to Linda Gervais at 509.495.4975 or Patrick Ehrbar at 509.495.8620.

Sincerely



Kelly Norwood
Vice President, State & Federal Regulation

cc: Service List

CERTIFICATE OF SERVICE

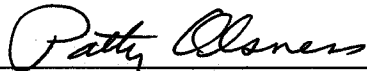
I HEREBY CERTIFY that I have served Avista Corporation dba Avista Utilities' comments in Case No. GNR-E-08-04 by mailing a copy thereof, postage prepaid to the following:

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Idaho Public Utilities Commission
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Dated at Spokane, Washington this 27th day of January 2009.



Patty Olsness
Rates Coordinator