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***VIA – Electronic Mail***

June 15, 2011

Dave Danner

Executive Director and Secretary

Washington Utilities and Transportation Commission

PO Box 47250

1300 S. Evergreen Park Drive SW

# Olympia, WA 98504-7250

Dear Mr. Danner:

Re: AVU-UE-100176

In compliance with Commission Order No. 01 in the above referenced Docket, Avista Utilities respectfully submits for electronic filing its “Updated 2011 Demand Side Management (DSM) Business Plan.”

Specifically Order No. 01 Paragraph 63, section 7(a) in Docket UE-100176 regarding the following regulatory requirement:

“Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to Avista’s DSM Business Plan, as appropriate”.

Pursuant to meeting this requirement, Avista is hereby providing an update to the 2011 Demand Side Management (DSM) Business Plan in regards to changes in the eligibility of efficiency measures, customer classes or technology applications qualifying for meeting the acquisition target established within Docket UE-100176 as well as changes to incentives, additions or terminations of programs applicable towards the acquisition target.

**Background**

The previously filed Business Plan was developed during the fall 2010 time period to meet the required November 1st, 2010 filing date. This update to that Plan was developed in consultation with the Company’s Advisory Group and the ongoing adaptive management strategies have involved stakeholders to the extent possible given the requirements for timeliness and detail.

**Summary of program modifications**

Program terminations

Residential windows

Impact evaluations completed during 2010 using statistical billing analysis on 2008 participants indicated that the estimated realized energy savings were substantially less than anticipated in the original development of the program. Cost-effectiveness analysis performed based upon updated estimates of the energy savings indicated that the program failed to meet total resource cost-effectiveness criteria. The Company was unsuccessful in identifying any revisions to the program design that would materially improve total resource cost-effectiveness. Consequently the Company has chosen to terminate both the electric and natural gas residential window program.

Avista is implementing an approach to the program termination that balances the need for the timely termination of the program with the need to equitably treat customers and trade allies who may have been in the process of participating in the incentive program. As of June 30th, 2011 the Company will no longer accept applications for incentives under this program.

Prescriptive LED traffic lights

The Company will no longer accept applications for prescriptive LED traffic lights installed after September 15th, 2011 and received by December 15, 2011. This measure will be ineligible for incentives under the site-specific program after that date. This program is being terminated based upon revised baseline estimates given the successful saturation of a significant portion of the market and coverage of the key jurisdictions within the Avista service territory as well as regional markets.

Prescriptive lighting

Three prescriptive lighting measures have been discontinued based upon updated analysis indicating that the measures were no longer total resource cost-effective. These measures are

* the replacement of 400 watt HID fixtures with 6-lamp T5 High-Output fixtures
* the replacement of 1000 watt HID fixtures with two 6-lamp T5 High-Output fixtures
* the installation of occupancy sensor controlled wall switches

These measures continue to be eligible for the site-specific program to the extent that they can demonstrate an energy simple payback of eight years or less consistent with the Company’s tariffs.

Program additions

Compact Fluorescent Lamp (CFL) contingency program

The Company’s 2010-2011 DSM Business Plan recognized that the estimate of acquisition qualifying towards meeting the Company’s 2010-2011 I-937 goal was subject to significant uncertainty. A CFL contingency program was determined to be the most promising means of meeting the potential acquisition shortfall for the following reasons:

* The energy savings would be based upon regionally accepted savings estimates which were established within the Northwest Power and Conservation Council’s 6th Power Plan. (Avista relied upon the 6th Power Plan to establish the 2010-2011 I-937 acquisition target).
* The measure substantially exceeds total resource cost-effective requirements as well as having an attractive utility cost per unit of qualifying first-year energy savings.
* The program is scalable and thus can be sized, within a reasonable degree, to meet updated estimates of acquisition deficiency.
* There remains a significant cost-effective resource potential for this measure. The Company’s most recent estimate of that potential is based upon the Conservation Potential Assessment completed by Global Consulting and indicates that approximately 75% of the technical potential for CFL’s is unrealized.
* The launch of the program could be timed so as to make use of updated information regarding the magnitude of the potential resource acquisition shortfall.
* Avista’s three other programs for residential CFL distribution were projected to amount to a distribution of only 103,500 CFL’s for the combined Washington and Idaho service territory.
  + (One of these CFL distribution programs, Avista’s participation in the regional “Simple Steps, Smart Savings” program has significantly exceeded expectations. It is estimated that a total of 425,000 CFL’s will be distributed through the Company’s Washington/Idaho CFL programs during calendar year 2011).

The CFL contingency program was incorporated within the 2011 DSM Business Plan, but the quantity of distributions, the budget and the program planning details were intentionally deferred to a later date to allow the Company to take advantage of updated information regarding estimated 2010-2011 resource acquisition. It was expected that the final program planning effort would occur in mid-2011 in anticipation of a fall program launch.

Detailed development of the CFL contingency program began in April of 2011 with the expectation that the first distributions would possibly occur in July or August. At the time of this update, the anticipated Washington budget for a distribution of 225,000 kits containing eight CFL lamps of mixed wattages (1.8 million CFLs in total) is $4.7 million. The program design is now nearing completion, but additional changes before the program launch remain a possibility.

An updated program plan for the CFL contingency program has been attached to this 2011 DSM Business Plan Update.

Program eligibility modifications

Residential insulation and windows – “do-it-yourself” installation eligibility

Previous program design permitted incentives to be provided for “do-it-yourself” (homeowner completed) installations of residential insulation and efficient windows. Impact evaluations performed in 2010 on statistical billing analysis of 2008 participants using both contractor and homeowner installations did not indicate any statistically significant difference between the energy savings potential of the two approaches. However, process evaluations indicated that there was a likelihood of a lower quality of installation and consequently less energy savings for homeowner installations.

Based upon those findings, the eligibility of these homeowner installed measures was terminated as of April 1, 2011. This is in addition to the termination of the residential window program explained elsewhere within this update.

Program incentive modifications

Residential electric-to-natural gas water heater conversions

Based upon revised information regarding the cost of the base case electric water heating system vs. the natural gas water heater alternative and the resulting energy savings, the incentive for this program has been reduced from $250 to $200 for all rebate applications received after June 30th, 2011.

Home Energy Audit

The customer cost of the Home Energy Audit program (as low as $49) will be fully offset with an Avista shareholder contribution for income-qualifying customers working through any of the Community Action Programs supported under Avista’s low-income portfolio.

Prescriptive Premium Efficiency Motor program

Updated analysis based upon recent changes in NEMA premium motor standards has resulted in a revision of incentives for the prescriptive motor program. Based upon the higher efficiency baseline the incentives for high efficiency motors will decrease. Only motors on the CEE premium efficiency motor list are eligible for incentives. Within some motor sizes there are no motors meeting the required efficiency criteria currently available in the market.

Motors in excess of 200 horsepower will continue to be processed through the site-specific program rather than the prescriptive motor program.

The revised incentives will become effective for rebate applications received after June 1st, 2011.

Commercial prescriptive HVAC variable frequency drive program

Due to baseline changes caused by the adoption of improved codes for new construction, effective April 2011 only retrofit installations are eligible for this program.

Non-residential prescriptive / site-specific program revisions

Standby generator block heater program

A prescriptive program for the installation of heaters for standby electrical generation units was launched in April, 2011. Eligible systems are stationary standby generators with engine block temperatures regulated to meet NFPA 110 standards on a 24 hours a day, 365 days per year basis. A rebate of $400 per unit is available.

Prior to the development of this prescriptive program, this measure was available to customers through the site-specific program only.

Commercial prescriptive insulation program

The Company has had significant past experience with this category of measures through the site-specific program. Based upon that analysis the Company has found the measure to be sufficiently popular and uniform to warrant the development of a prescriptive program. Projects eligible for the prescriptive program are those

* with pre-existing wall insulation levels of less than R4 being improved to R11 but less than R19
* with pre-existing wall insulation levels of less than R4 being improved to R19 or better
* with pre-existing attic insulation of less than R11 being improved to R30 but less than R45
* with pre-existing attic insulation of less than R11 being improved to R45 or better
* with pre-existing roof insulation of less than R11 being improved to R30 or better.

Beginning in January 2011, rebates received were processed through the prescriptive program.

Commercial prescriptive windows program

The Company also has significant experience with processing the installation of efficient windows in commercial applications through the site-specific program. This measure has also been determined to be sufficiently popular and uniform to warrant transitioning from the site-specific program to a prescriptive program. Installations qualifying under the prescriptive program are those with U-values of 0.30 or lower with a shading factor of 0.35 or better.

Beginning in January 2011, rebates received were processed through the prescriptive program.

Small commercial prescriptive HVAC program

Beginning in January 2011 the installation of efficient HVAC systems have been processed through a prescriptive program rather than through the site-specific program. Measures eligible for the prescriptive program are limited to installations of

* furnaces under 225 kBTU
  + with an efficiency greater than 90% AFUE but less than 94% AFUE
  + with an efficiency greater than 94% AFUE
* furnaces between 225 kBTU and 300 kBTU
  + with an efficiency greater than 85% AFUE but less than 90% AFUE
  + with an efficiency greater than 90% AFUE.

Rebates are paid on a per kBTU basis to recognize the difference in energy saved. All applications received on or after January 2011 that are eligible under this criteria will be processed through the prescriptive program.

Please direct any questions on this matter to Bruce Folsom, Sr. Manager, Demand Side Management at (509) 495-8706 or myself at (509) 495-4975.

Sincerely,

Linda Gervais

Manager, Regulatory Policy

State and Federal Regulation

Avista Utilities

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Attachments