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September 1, 2010

VIA: Electronic Mail

David Danner
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Compliance Filing, Docket Nos. UE-090134, UG-090135 and UG-060518
(consolidated)

Dear Mr. Danner:

In compliance with Docket Nos. UE-090134, UG-090135 and UG-060518 (consolidated), Order 10, attached for filing is an original and 17 copies of two reports entitled *Evaluation, Measurement and Verification (EM&V) Framework* and *Low Income Energy Efficiency Report* responsive to the above-stated docket. These reports are the outcome of a multi-party collaborative process. While these documents are the work product of Avista, the Company would like to recognize the significant involvement of the eleven organizations (shown on the following page) whose representatives devoted significant time into attending many meetings and provided instructive guidance.

This cover letter will summarize the purpose of the Collaborative, its participants and process, high-level results, and "next steps." In its 2009 Avista general rate case order, the Commission required the Company and interested parties to participate in a Collaborative on evaluation, measurement and evaluation and low income issues related to the Company's energy efficiency programs. Specifically, at paragraph 305 in Order No. 10 dated December 22, 2009, the Commission stated the Collaborative was to develop "consistent and accurate methods to

judge the effectiveness of all energy efficiency programs and measures” and to “file an EM&V plan for its DSM programs by September 1, 2010. The plan should include a bill verification analysis that examines changes in customer usage as a result of DSM programs.” Related to low income energy efficiency at paragraph 306, the Commission stated: “In a collaborative with the Parties, Avista is to ‘explore’ new approaches to low-income conservation, identify barriers to its development, and address the Energy Project’s concerns.” These conclusions must be filed by September 1, 2010. The following eleven organizations consistently participated in Collaborative meetings and conference calls:

- Idaho Public Utilities Commission Staff
- Industrial Customers of Northwest Utilities
- Northwest Energy Coalition
- Northwest Energy Efficiency Alliance
- Northwest Industrial Gas Users
- Northwest Power and Conservation Council
- Oregon Public Utility Commission Staff
- Spokane Neighborhood Action Partners
- The Energy Project
- Washington Office of Public Counsel
- Washington Utilities and Transportation Commission Staff

The Collaborative process began with meeting invitations and a proposed draft Charter distributed in February. The Collaborative was envisioned to convene monthly. An independent facilitator, Dr. Dune Ives, was engaged beginning with the Collaborative’s June meeting. Two external EM&V experts—Steven Schiller and Dr. Chris Ann Dickerson—also participated in the Collaborative starting in June. Mr. Schiller is a Board Member of the International Efficiency Valuation Organization (the organization responsible for the International Performance Measurement and Verification Protocols) and a primary author of the National Action Plan for Energy Efficiency. Dr. Dickerson is a nationally-known energy efficiency evaluator. The Collaborative met with increased frequency beginning in mid-July as the group worked towards the September 1st deadline. Five full-day Collaborative meetings, three topical meetings, and five conference calls were held as shown:

Collaborative Meeting #1: March 10th, 2010 in the Seattle Office of Public Counsel
 Collaborative Meeting #2: April 21st, 2010 at SeaTac
 Collaborative Meeting #3: May 20th, 2010 at SeaTac
 Collaborative Meeting #4: June 23rd, 2010 at SeaTac
 Low-income Meeting: July 12th, 2010 in the Seattle Office of Public Counsel
 Low-income Meeting: July 21st, 2010 in the Seattle Office of Public Counsel
 Conference call: July 27th, 2010 on low income “barriers” issue
 EM&V Meeting: July 29th, 2010 at SeaTac
 Conference call: July 30th, 2010 conference call on EM&V roles and responsibilities
 Conference call: August 2nd 2010 on the low income “proportionality” issue
 Conference call: August 9th, 2010 on the low income “delivery mechanism” issue
 Conference call: August 10th, 2010 on the draft EM&V framework and annual plan
 Collaborative Meeting #5: August 12th, 2010 at SeaTac

Avista’s overall approach to energy efficiency evaluation is to have a metric to evaluate the saved kilowatt hours and therms from every electric and natural gas measure and program. Thus, this *EM&V Framework* is intended to outline a comprehensive EM&V process that results in transparent and accessible documentation of Avista’s energy efficiency program activities. The Framework provides an overarching approach to EM&V principles, objectives, metrics, methods and reporting activities. The Framework and related documents are structured in a modular fashion in order to allow flexibility for evolving EM&V needs and requirements over time, and to allow stakeholder review of EM&V processes, annual EM&V plans, and specific EM&V activities at appropriate junctures. Evaluations will be performed by independent external evaluators and Avista’s internal evaluation team to determine energy savings resulting from Avista’s DSM programs and to improve program performances and assess changing market conditions. All energy efficiency savings will be independently verified. As stated above, the Commission’s order stated: “The plan should include a bill verification analysis that examines changes in customer usage as a result of DSM programs.” Bill verification analyses are a component of the statistical approach to impact savings determination. This is discussed beginning at page 24 of the EM&V Framework.

Appended to the Framework is the draft 2011 EM&V Annual Plan. The EM&V Annual Plan depicts the planned methods for evaluation, measurement and verification that is to be performed in the next year for each energy efficiency program at Avista. Key items in this document include the overall budget for EM&V in 2011 (including allocation by fuel, sector, program, jurisdiction and reviewer type), a list of the programs that will be evaluated, the

evaluation type that will be performed, and who will be conducting the evaluation (external consultants or Avista) for all programs identified for evaluation in 2011. While the appended draft 2011 EM&V Annual Plan has received preliminary input from Collaborative members, it has not been fully vetted by the Collaborative or the Triple E Board and is intended to remain a draft document for the time being. The Company plans to convene the Triple E Board—and to continue work with EM&V expert consultants—in the development of the 2011 EM&V Annual Plan during the next two months and will finalize the 2011 EM&V Annual Plan concurrent with the November 1, 2010 filing deadline for the 2011 DSM Business Plan.

Further, a Technical Reference Manual (TRM) will document energy savings assumptions and the sources for those assumptions. The TRM will be updated annually, or more often if needed. The initial draft of the TRM will be reviewed by external consultants, and periodically updated as needed thereafter. The TRM will provide technical guidance for many aspects of Avista's EM&V. But the TRM will not, by definition, bind a third party evaluator regarding recommended modifications.

The Collaborative was comprised of representatives who participate in Avista's conservation advisory committee known as the External Energy Efficiency Board, or Triple E. The Triple E is scheduled to meet at least quarterly. Avista intends to revisit EM&V issues at least once per quarter in its Triple E meetings. This will provide for continuity of stakeholder involvement in the review of Avista's EM&V activities. By all accounts, the Collaborative was benefited by external experts who provided national and regional perspectives on EM&V. Avista intends to continue to engage external experts, subject to their availability and the desire of the Triple E.

With regard to the *Low Income Energy Efficiency Report*, consensus included resolution in the following areas: further definition of the low-income customer class; defining success and identifying the barriers to success of low-income energy efficiency programs; metrics for success; low-income energy efficiency delivery mechanisms and funding; and management and external consultation of Avista's low-income portfolio. Based upon the consensus that was established on these topics the Collaborative has established a common foundation to improve the ability of Avista and the Community Action Agencies to manage and deliver low-income energy efficiency programs that will reach more low-income households with broader and more

cost-effective programs. For example, targeting multi-family dwellings may be a means to reach more low income customers with energy efficiency services.

Again, the Collaborative was time-intensive for all participants. Avista very much appreciates the involvement of the Collaborative members, all of whom helped create forward motion and provided unique contributions: Deborah Reynolds and Kathryn Breda (WUTC); Mary Kimball and Lea Daeschel (Public Counsel); Lynn Anderson, Beverly Barker, Gary Grayson, and Matt Elam (IPUC); Nancy Hirsh (Northwest Energy Coalition); Tom Eckman (Northwest Power and Conservation Council); Chris Davis (SNAP); Rob Russell and Jeff Harris (NEEA); Paula Pyron (Northwest Industrial Gas Users); Chuck Eberdt and Michael Karp (The Energy Project); Michael Early (Industrial Customers of Northwest Utilities); and Moshrek Sohby (OPUC).

We would also like to thank our external experts: our facilitator, Dr. Dune Ives and our EM&V experts, Steve Schiller and Chris Ann Dickerson.

The following individuals from Avista participated (in all or some of the meetings): Tom Lienhard, Jon Powell, Lori Hermanson, Rachelle Humphrey, Kerry Shroy, Mike Dillon, Chris Drake, Renee Coelho, Bruce Folsom, and myself.

We look forward to continuing the EM&V and low income discussions with Avista's Triple E Board. We will be scheduling a Triple E meeting for this Autumn with a portion of the agenda dedicated to reviewing our EM&V activities with expert consultant participation. As noted above, Avista's 2011 DSM Business Plan (to be filed by November 1, 2010) will include evaluation components, and overall programmatic design and results. We anticipate continued conference calls and the continued use of a facilitator.

If you have any questions regarding these issues, please contact Bruce Folsom at 509-495-8706 or me at 509-495-4975.

Sincerely,

/s/Linda Gervais

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c: Collaborative Distribution List (attached)

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served the Avista's Compliance Filing in Docket Nos. Dockets UE-090134, UG-090135, and UG-060518, Order 10 upon the persons and entities listed on the Service List below in Avista Corporation's Electric and Gas General Rate Case, by electronic mail and mailing a copy thereof, postage prepaid to the following:

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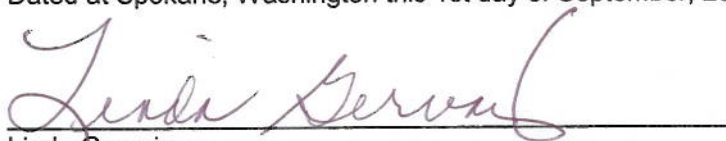
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I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 1st day of September, 2010.



Linda Gervais
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