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August 31, 2012

***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: Comments of Avista Utilities - Docket No. UG-121207

Dear Mr. Danner,

On July 26, 2012, the Washington Utilities and Transportation Commission (Commission) filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) to consider the need for guidance in planning and implementing natural gas conservation programs. The Commission issued a notice and is seeking written comments from interested persons on issues related to natural gas conservation.

The Company appreciates the opportunity to provide comments on the "Commission Investigation into Natural Gas Conservation Programs, Docket UG-121207." Avista's comments are brief because the Company recently filed proposed tariff revisions (Docket No. UG-121119) to suspend its natural gas energy efficiency programs and, concurrent with these comments, submitted its 2012 Natural Gas Integrated Resource Plan (IRP). Between Avista's IRP and its June 29th Schedule 190 (DSM Program) filing, and through discussions with parties and

responses to data requests, the Company has provided substantial comments on items pertinent to the Commission's October 19th Workshop.

The Company's responses to Staff's questions are provided below:

**Commission Questions:**

1. What are the appropriate assumptions or factors to include in natural gas avoided cost calculations?

**Avista Response:**

Avista recommends the Commission Staff prepare a matrix of methodologies and assumptions used for avoided cost calculations by Washington's four local distribution companies (LDCs). Such a matrix was crafted in 2011 for the Commission's jurisdictional electric companies as part of the Conservation Working Group process. This would provide LDCs a template to report assumptions on a consistent basis. Avista suggests that this matrix remain technical, in nature, leaving responses to "policy" issues to the October workshop or, alternatively, frame any policy questions in a separate document.

Avista's natural gas avoided cost calculations and appropriate assumptions are contained in Chapter 6 of its 2012 Natural Gas IRP filed with the Commission on August 31, 2012.

2. Should companies use a combination of cost tests in evaluating the cost-effectiveness of natural gas conservation programs?

**Avista Response:**

Avista's cost tests to evaluate cost-effectiveness are described in its June 29th Schedule 190 tariff revision filing, its 2012 Natural Gas IRP in Chapter 4, and in the Company's 2011 DSM Annual Report filed June 1, 2012.

In summary, Avista reports cost-effectiveness based upon four standardized tests: total resource cost (TRC), program administrator cost (PAC and formally known as the utility cost test), participant, and ratepayer impact measure (RIM) tests. Avista claims energy efficiency savings based on gross TRC test results. Avista performs program planning based on net TRC test results. While the gross and net PAC tests result in what appears to be "positive" benefits, the Company cautions against using the PAC test, on a stand-alone basis, because it does not fully represent the costs incurred and benefits accrued by the ratepayer population.

As with our response to question #1 above, Avista recommends that the Commission Staff compile a matrix of the technical components, by LDC, underlying how each utility uses cost-effectiveness tests.

### **Conclusion**

Avista appreciates the opportunity to submit these comments and looks forward to participating in the workshop scheduled on October 19, 2012 to address these vital concerns. If you have any questions regarding this information, please contact Jon Powell at 509-495-4047 or by email at [jon.powell@avistacorp.com](mailto:jon.powell@avistacorp.com) or myself at 509-495-4975.

Sincerely,

*/s/Linda Gervais/*

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