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***VIA – Electronic Mail***

December 1, 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:

Attached for filing with the Commission is an electronic copy of Avista Corporation's dba Avista Utilities ("Avista or the Company") filing of its proposed deletion of tariff sheets and additions of the following new tariff sheets, WN U-28:

Deleting Second Revision Sheet 90
Deleting Third Revision Sheet 90A
Deleting Second Revision Sheet 90B
Deleting Second Revision Sheet 90C
Original Revision Sheet 73
Original Revision Sheet 74
Original Revision Sheet 75
Original Revision Sheet 76
Original Revision Sheet 77
Original Revision Sheet 78

## I. BACKGROUND

The tariffs regulating Avista's Demand Side Management (DSM) operations have been in place without major revisions since 1999. These tariffs were designed with the intent of providing Avista with the ability to make revisions to program details in a timely manner. This approach has been successful in facilitating the rapid design or redesign of programs to leverage market opportunities or incorporate changes resulting from updated equipment costs, estimates of energy savings and similar factors.

One of the core elements to the Company's current tariffs has been a formulaic guideline for energy efficiency incentives. This degree of flexibility has allowed Avista to be more responsive in launching, modifying and/or terminating programs. Historically, this approach has been one of the primary reasons for the success of the DSM portfolio and its ability to respond to rapidly developing technologies and market conditions. The value of this approach was particularly evident in Avista's emergency response to the western energy crisis of 2001 and is frequently observed on a smaller scale.

Since 1999, several relatively minor modifications have been made to the tariffs themselves. For the most part, these consist of changes to the incentive formula in response to market conditions, resource needs and portfolio cost-effectiveness concerns. The most recent changes became effective in 2011 and consisted of establishing a maximum customer energy simple payback to exclude the incorporation of non-cost-effective projects into the DSM portfolio.

The incentive formula contained within Schedules 90 and 190 was applied to site-specific (or "custom") projects in general conformance with a written policy governing the calculation and a standardized spreadsheet model. This approach contributes towards a consistent and non-discriminatory application of the tariff and related policies.

## II. PROPOSED TARIFF'S

The Company's proposed tariffs retain the current incentive formula for application to individually assessed site-specific projects. Prescriptive (or "standard offer") programs are described within a series of new separate tariffs containing general customer and measure eligibility requirements.

Specific details required for program participation and the current incentive level for each individual measure will be contained within program plans, price lists and descriptions. The formulaic guidelines are applied in a general manner in the development of prescriptive programs. Tiered incentives, incentives within a program continuum (e.g. incentives for five horsepower vs. ten horsepower vs. twenty horsepower etc.), conformance with regional efforts, marketability and interactions with other local or regional programs allow for modifications to the application of the incentive formula.

This approach, discussed in Avista's Advisory Group meetings, will permit Avista the opportunity to continue to rapidly respond to market conditions by establishing tariffs that are specific to the program plan for each individual measure with consideration of unique market conditions. These revisions, will in general, allow the fuller use of incentive pricing as a part of the comprehensive marketing of efficiency measures through the Company's DSM programs.

## III. CONCLUSION

Avista requests that the new tariffs become effective January 1, 2012. The revised tariffs will not interrupt the Company's ongoing efforts to improve portfolio performance. There is no revenue change associated with this filing.

Please direct any questions on this matter to Chris Drake, Lead Program Manager, Energy Solutions at (509) 495-8624 or myself at (509) 495-4975.

Sincerely,

/s/Linda Gervais//

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Enclosures

cc: Advisory Group