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VIA – Electronic Mail

May 31, 2012

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 revisions to the following tariff sheets, WN U-28 and WN U-29:

Eleventh Revision Sheet 91	Canceling	**Tenth Revision Sheet 91**
Fifteenth Revision Sheet 191	Canceling	**Fourteenth Revision Sheet 191**

As part of the conditions approved by the Commission in Docket No. UE-111882, Order 01 at Paragraph 30, Avista must file with the Commission a cost recovery tariff by June 1, 2012, with a requested effective date of August 1, 2012. The Company's tariff rider mechanism is designed to match future revenue with budgeted expenditures. To ensure appropriate recovery, the mechanism includes a true-up feature that reconciles the previous periods' actual expenditures and collections.

As of March 31, 2012, the current Schedule 91 (electric) and 191 (natural gas) tariff rider balances were over $2.4 million overfunded and $741,000 overfunded respectively. Overfunded balances indicate that more tariff rider funding was collected than necessary to fund the ongoing Demand Side Management (DSM) operations. In addition, for Schedule 91, the Company incurs a 10 percent interest on any overfunded balances.

In the past, the increase to Schedules 91 and 191 allowed for adequate revenue to both fund current energy efficiency operations as well as to reduce the accumulation of underfunded tariff rider balances for these Schedules. The tariff rider adjustments proposed in this filing would reduce the over-funded balance, and provide approximately $12.3 million and $4.4 million in annual revenue to fund ongoing electric and natural gas efficiency, respectively.

Schedules 91 and 191 fund DSM programs described in the Company's Schedules 90 and 190. All Schedule 91 and 191 DSM revenue is applied only to the provision of electric and natural gas efficiency service including programs offered by the Company directly, through designated contractors, or as part of regional electric and natural gas efficiency programs as well as evaluation, measurement and verification (EM&V). These programs include but are not limited to the following:

- Appliance measures
- Compressed air measures
- HVAC measures
- Industrial measures
- Lighting measures
- Maintenance measures
- Motors measures
- Northwest Energy Efficiency Alliance participation
- Shell measures
- Sustainable Building measures

The Company's programs are based on providing a financial incentive, or "rebate," for cost-effective efficiency measures with a simple payback of greater than one year and up to thirteen years. This includes over 300 measures that are packaged into over 30 programs for customer convenience.

Avista has long encouraged the direct-use of natural gas to its electric customers. As an electric energy efficiency program, the Company is continuing this effort with residential rebates for the conversion of electric to natural gas space and water heat loads as well as a broad program for any non-residential electric to natural gas conversions meeting specified criteria for relative British Thermal Unit (BTU) efficiency. The cost-effective potential for these measures has been incorporated into Avista's Integrated Resource Planning effort and are contained within the identified acquisition goal. Avista's residential programs include high efficiency equipment, electric to natural gas conversions, Compact Fluorescent Lamps (CFLs), "second" refrigerator recycling, weatherization, rooftop dampers as well as providing educational assistance through various community events.

For non-residential customers, in addition to prescriptive (or "standard offer") programs, Avista offers site-specific (or customized) services. The site-specific program provides incentives on any cost-effective commercial and industrial energy efficiency measure with a simple financial payback exceeding one year, up to thirteen years. This is implemented through site analyses, customized diagnoses, and incentives determined for savings generated specific to customers' premise or process. In addition to the site-specific offering, commercial and industrial programs available to Avista customers include lighting and controls, commercial food service equipment, premium efficiency motors, power management for personal computer networks, commercial HVAC variable frequency drives, refrigerated warehouses, vending machine controllers, demand controlled ventilation, side-stream filtration, steam trap replacement and repair, multifamily development, electric to natural gas water heater conversions, and commercial clothes washers.

In addition to Avista's prescriptive and site-specific programs, the Company helps fund the activities of the Northwest Energy Efficiency Alliance (NEEA). NEEA focuses on using a regional approach to obtain electric efficiency through the transformation of markets for efficiency measures and services. An example of NEEA-sponsored programs that benefits Avista customers is decreasing the cost of CFLs and high-efficiency appliances by working through manufacturers. For some measures a large-scale, cross-utility approach is the most cost-effective means to achieve energy efficiency savings. This approach is particularly effective for markets composed of large numbers of smaller usage homogeneous consumers, such as the residential and small commercial markets. Historically, Avista has received approximately 1.5 to 2 aMW of savings in its service territory from NEEA programs.

The Company provided approximately $2 million for low-income weatherization in 2011 in Washington. This program is administered by the six local community action agencies in our eastern Washington service territory. The Company also provides a separate Low Income Rate Assistance Program (LIRAP) for bill-paying assistance.

In 2011, approximately 29 Full Time Equivalents (FTE) delivered energy efficiency programs and measures resulting in Washington local electric savings of 172,341 MWh (or 134% of the IRP goal) and natural gas savings of 1.1 million therms (or 67% of the IRP goal). Approximately 71% of the energy efficiency budget was provided to participating customers as rebates (residential) and financial incentives (commercial and industrial). This does not include additional benefits such as site audits and technical analyses provided to customers by the Company's DSM engineering staff.

As required by Paragraph 28 of the Commission's Order 01 in Docket No. UE-111882, Avista must spend a "reasonable" amount of its DSM budget on evaluation, measurement and verification (EM&V). Avista has engaged The Cadmus Group to perform independent evaluation at a cost of approximately $1.2 million in 2011.

Several metrics are applied to determine the costs and benefits of these programs. The primary cost-effectiveness test is the Total Resource Cost (TRC) test; the Program Administrator Cost (PAC) is another key determinant of program efficacy.[1] Ratios over 1.0 illustrate that benefits exceed costs. For 2011, the Company's DSM portfolios were cost-effective with TRC and PAC ratios of 1.12 and 2.61, respectively, for its electric portfolio, and 1.03 and 2.75, respectively, for its natural gas portfolio.

The Company has regularly convened stakeholder meetings to gain input from customer representatives, Commission staff members, and individuals from the environmental communities. In these stakeholder meetings the Company's program offerings are reviewed as well as the underlying cost-effectiveness tests and results. Stakeholder involvement has grown in the past year, partly due to the Company's EM&V Collaborative held in 2010 and partly due to increased attention on the conservation "I-937" targets. The Company continues to appreciate the time and input provided by Avista's stakeholders.

In conclusion, Avista requests the Commission approve the proposed reduction in rates and charges in Schedules 91 and 191. The estimated annual revenue change associated with this filing is approximately a decrease of $8.2 million for electric Schedule 91, or a decrease of 1.8% in overall billed rates and a decrease of $1.9 million for natural gas Schedule 191, or a decrease of 1.3% in overall billed rates. The proposed rate decrease will have an average monthly bill impact to residential electric customers using 989 kWh of $1.47 reduction to their bill, or 1.9%. The proposed rate decrease will have an average monthly bill impact to residential natural gas customers using 68 therms of $0.79 reduction to their bill, or 1.3%.

[1] The Total Resource Cost Test measures the net costs of a demand-side management program as a resource option based on the total costs of the program, including both the participants' and the utility's costs. The Program Administrator Cost Test measures the net costs of a demand-side management program as a resource option based on the costs incurred by the program administrator (including incentive costs) and excluding any net costs incurred by the participant. The benefits are similar to the TRC benefits. Costs are defined more narrowly.

Pursuant to WAC 480-100-195(2), enclosed is a "Notice of Tariff Change" which will be posted on the Company's website coincident with the date of this filing. Also enclosed are the Company's workpapers supporting this filing.

Please direct any questions on this matter to Bruce Folsom, Director, Energy Efficiency Policy at (509) 495-8706 or myself at (509) 495-4975.

Sincerely,

/s/Linda Gervais//

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Enclosures

cc: Advisory Group