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VIA – Commission Web-Portal

May 29, 2015

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

Dear Mr. King:

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 sheet, WN U-28:

Sixteenth Revision Sheet 91   Canceling   **Sub. Fifteenth Revision Sheet 91**

The Commission amended, adopted, and repealed rules in WAC 480-109 relating to the Energy Independence Act in Docket UE-131723. The Commission filed its Adoption Order with the Code Reviser on March 12, 2015 with the rules becoming effective on March 31, 2015. Specifically related to this filing, WAC 480-109-130 (1) provides that "Utilities must file with the Commission for recovery of all expected conservation cost changes and amortization of deferred balances no later than June 1st of each year with a requested effective date at least sixty days after the filing.

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.

By way of background, on April 30, 2013, the Schedule 91 (electric) tariff rider balance was approximately $5.1 million underfunded. The underfunded balance indicated that more tariff rider funding was needed to fund both the ongoing Demand Side Management (DSM) operations as well as to recover previous expenditures. This underfunded balance was driven primarily by the Company's nonresidential T12 to T8 market transformation program which contributed to prescriptive lighting incentives exceeding the budgeted incentives by $4.0 million.

In 2013, Avista filed to increase Schedule 91 in order to allow for adequate revenue to both fund current energy efficiency operations as well as to reduce the accumulation of the underfunded tariff rider balance. The tariff rider adjustment proposed in that filing was designed to recover the underfunded balance over a two-year period, and provide approximately $11 million in annual revenue to fund ongoing electric efficiency operations. Updated projections in May 2014 indicated that, at the end of July 2015, the underfunded balance would be approximately 0.05% of retail revenues. Because the change in revenues and percentage impact was relatively small, the Company filed to leave the rates unchanged in its June 1, 2014 annual true-up filing.

As of April 30, 2015, the Schedule 91 (electric) tariff rider balance was less than $200,000 underfunded. That balance indicates that the present Schedule 91 tariff rider rates collected the underfunded balance over the two-year period as projected. Therefore, the Company is proposing to decrease the rates collected in Schedule 91, while still providing for an appropriate level of funding for ongoing DSM operations.

Schedule 91 funds DSM programs described in the Company's Schedule 90. All Schedule 91 DSM revenue is applied only to the provision of electric efficiency service including programs offered by the Company directly, through designated contractors, or as part of regional electric 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
- Behavioral programs

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 approximately 300 measures that are packaged into about 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, , "second" refrigerator recycling, weatherization, 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. These programs bring resource acquisition opportunities to Avista that would otherwise be either unachievable or more costly in the absence of regional cooperation. During 2012-2013 Avista received over 34,000 MWh of savings in its service territory from NEEA programs.

The Company provided approximately $2 million for low-income weatherization in 2014 in Washington. This program is administered by the six local community action agencies in our eastern Washington service territory.

In 2014, approximately 18 Full Time Equivalents (FTE) delivered energy efficiency programs and measures resulting in Washington local electric savings of 42,909 MWh (118% the IRP goal) and natural gas savings of 529,763 therms (or 40% of the IRP goal). Net of fuel conversions, 40,896 MWh has been acquired toward the Company's Biennial Conservation Plan goal, or 60% of the two-year target. For Washington, 55% of the energy efficiency budget, excluding NEEA, 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.

Several metrics are applied to determine the costs and benefits of these programs. The Company has calculated the Total Resource Cost (TRC) test and the Program Administrator Cost (PAC) to provide insights into program efficacy.[1] Ratios over 1.0 illustrate that benefits exceed costs. For 2014, the Company's DSM portfolios were cost-effective with TRC and PAC ratios of 1.48 and 3.14, respectively, for the electric portfolio

In conclusion, Avista requests the Commission approve the proposed reduction in rates and charges in Schedules 91. The estimated annual revenue change associated with this filing is approximately a decrease of $3.4 million for electric Schedule 91, or a decrease of 0.7% in overall billed rates. The proposed rate decrease will have an average monthly bill impact to residential electric customers using 966 kWh of $0.57 reduction to their bill, or 0.7%. The Company has no plans to request a change to present Schedule 191 (natural gas) funding as the balance continues to support ongoing natural gas DSM efforts.

[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 attached are the Company's workpapers supporting this filing.

Please direct any questions on this matter to Dan Johnson, Director, Energy Efficiency at (509) 495-2807 or myself at (509) 495-4975.

Sincerely,

/s/Linda Gervais

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Enclosures

cc: Advisory Group