Received
Records Management
05/31/18 08:05
State Of WASH.
UTIL. AND TRANSP.
COMMISSION

Avista Corp.
1411 East Mission P.O. Box 3727
Spokane. Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

VIA – Commission Web-Portal

May 31, 2018

Mark L. Johnson
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. Johnson:

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:

Fourth Revision Sheet 91A Canceling **Third Revision Sheet 91A**

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 March 31, 2018, the Schedule 91 (electric) tariff rider balance was approximately $13.8 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 non-residential lighting program which contributed to prescriptive lighting incentives exceeding the budgeted incentives by $7.3 million.

The Company's previous Schedule 91 tariff revision, filed March 14, 2017, showed an underfunded balance of $11,902,127 as of February 28, 2017. Between the time of filing and the effective date of the rate change, the underfunded balance had already increased to $13.8 million. The primary driver of the increase in expenses was due to the Company experiencing a high throughput in non-residential lighting. For 2017, the Company had estimated incentive expenditures of $847,592, however, at the end of 2017, the actual incentive expenditures totaled $5,514,376 which is a $4,666,785 difference. Although the overall throughput normalized in the second half of 2017 and into 2018, the reduction in throughput did not cause the underfunded balance to decrease materially. While the expenditures related to lighting had increased during this time, the savings associated with those expenses increased as well. For 2017, the actual energy savings of 27,628,684 kWh from non-residential lighting programs exceeded the annual energy savings goal of 6,109,080 kWh by 21,519,604 kWhs.

The success of the Company's Residential Fuel Efficiency programs also contributed to the underfunded balance. During 2017, the Company had incentive expenditures of $3,363,515 which was in excess of its budgeted amount of $719,400 that was planned, a $2,644,115 difference. In accordance with Order No. 07 of Dockets UE-170485 and UG-170486, the Company will work with its Advisory Group over the course of 2018 and 2019 to transition the funding of its fuel efficiency programs from the electric conservation rider to the natural gas conservation rider. The first meeting has been set for June 28, 2018 including representatives from Commission Staff and other stakeholders where we will discuss and explore ways to gradually transition the Fuel Efficiency Program to natural gas.

Therefore, the Company is proposing to increase rates collected in Schedule 91 to bring the forecasted tariff balance close to $0 by July 31, 2020 which will provide 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 less than fifteen years.

Avista's residential programs currently include high efficiency equipment, electric to natural gas conversions, 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 less than fifteen 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, commercial HVAC variable frequency drives, refrigerated warehouses, vending machine controllers, multifamily development and electric to natural gas water heater conversions.

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.

The Company provided approximately $2 million for low-income weatherization in 2017 in Washington. This program is administered by the six local community action agencies in our Eastern

Washington service territory. Pursuant to Order No. 07 of the most recent General Rate Case[1], the Company has increased low-income funding by $350,000 and reflected that increase in its request.

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.[2] Ratios over 1.0 illustrate that benefits exceed costs. Results for Avista's 2017 program year show a 1.8 overall TRC ratio for its portfolio.

In conclusion, Avista requests the Commission approve the proposed increase in rates and charges in Schedule 91. The estimated annual revenue change associated with this filing is an increase of approximately $5.3 million for electric Schedule 91. The proposed rate increase will have an average monthly bill impact to residential electric customers (using 938 kwh) of $0.83 to their bill, or 0.94%.

The Company provided the proposed tariff rider balance rate change to its Advisory Group on Tuesday May 1, 2018 for comments.

A "Notice of Tariff Change" will be posted on the Company's website coincident with the date of this filing and the Company will also send a bill insert to customers regarding the proposed increase prior to its August 1, 2018 requested effective date. 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

Linda Gervais
Senior Manager, Regulatory Policy
linda.gervais@avistacorp.com

Enclosures

cc: Avista Energy Efficiency Advisory Group

[1] UE-170485

[2] 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.