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VIA – Electronic Mail

May 31, 2013

Steven V. King
Acting 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:

Twelfth Revision Sheet 91 Canceling **Eleventh Revision Sheet 91**

As part of the conditions approved by the Commission in Docket No. UE-111882, Order 01 at Paragraph 30 (d), Avista must file with the Commission a cost recovery tariff by June 1, 2013, with a requested effective date of August 1, 2013. 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 April 30, 2013, the current Schedule 91 (electric) tariff rider balance was approximately \$5.1 million underfunded. Underfunded balances indicate that more tariff rider funding was needed to fund the ongoing Demand Side Management (DSM) operations. This underfunded amount is primarily driven by the Company's nonresidential T12 to T8 market transformation program which contributed to prescriptive lighting incentives exceeding the \$1.2 million budgeted incentives by \$4.0 million.

During 2012, the Company leveraged regional and national efforts to accelerate the conversion of T12 fluorescent lighting fixtures to higher efficiency T8 fixtures. Avista's conversion program was specifically designed to target the replacement of existing operational T12 fixtures. The program featured a prescriptive incentive available for a limited period of time, an application process specific to the needs of this program and a coordinated outreach program focusing the customers attention on the need to take action by a pre-specified deadline. The program required customers to submit their rebate applications between January 1st, 2012 and December 31st, 2012. Customer participation significantly exceeded expectations with a total of 4,740 rebates being received during this time. Participation was heavily weighted towards the last month of that program, indicating the value of the pre-specified program deadline and further defining a potentially replicable approach to replace-before-burnout efficiency opportunities in the future.

In the past, the increase to Schedule 91 allowed 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 this filing is designed to recover the under-funded balance over a two-year period, and provide approximately \$11 million in annual revenue to fund ongoing electric efficiency.

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, Compact Fluorescent Lamps (CFLs), "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. 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 2012 in Washington. This program is administered by the six local community action agencies in our eastern Washington service territory.

In 2012, approximately 17.8 Full Time Equivalent (FTE) delivered energy efficiency programs and measures resulting in Washington local electric savings of 53,429 MWh (91% the IRP goal) and natural gas savings of 770,138 therms (or 44% of the IRP goal). Net of fuel conversions, 51,544 MWh has been acquired toward the Company's Biennial Conservation Plan goal, or 68% of the two-year target. For Washington, 67% 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 Cadmus to perform independent evaluation at a cost of nearly \$887,000 for Washington in 2012.

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 2012, the Company's DSM portfolios were cost-effective with TRC and PAC ratios of 1.58 and 2.69, respectively, for the electric 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 "I-937" conservation targets. The Company continues to appreciate the time and input provided by Avista's stakeholders.

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.

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, or an increase of 1.1% in overall billed rates. The proposed rate increase will have an average monthly bill impact to residential electric customers using 989 kWh of \$0.99 increase to their bill, or 1.26%.

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 and Planning at (509) 495-8706 or myself at (509) 495-4975.

Sincerely,

/s/Linda Gervais

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Enclosures

cc: Advisory Group