

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



June 1, 2009

David Danner
Executive Director
Washington Utilities & Transportation Commission
P. O. Box 47250
1300 S. Evergreen Park Drive S. W.
Olympia, Washington 98504-7250

Via Electronic Mail - records@utc.wa.gov

RE: Avista Comments in Docket No. U-090222 (Review of PURPA Standards in the Energy Independence and Security Act of 2007)

Dear Mr. Danner:

Avista hereby submits for electronic filing its comments regarding the Review of PURPA Standards in the Energy Independence and Security Act of 2007, Public Law 110-140 (EISA). Avista appreciated the opportunity to participate in the stakeholder workshop held on May 21, 2009 and the opportunity to respond to the questions raised at that time. The Company's comments are responsive to the questions below, contained in the Commission's May 22, 2009 Notice of Opportunity to File Written Comments.

Comments

- 1) Please provide statutory authority for the Commission's ability to consider a conservation priority criteria, e.g., 10 percent.

Avista Response:

The Company believes the authority resides in the "Northwest Power Act" in 839a(4)(D) and we also believe the reference of the Act within the I-937 implementing legislation provides the WUTC with the statutory authority for authorizing adjustments to resource selection criteria.

"For purposes of this paragraph, the "estimated incremental system cost" of any conservation measure or resource shall not be treated as greater than that of any nonconservation measure or resource unless the incremental system cost of such conservation

measure or resource is in excess of 110 per centum of the incremental system cost of the nonconservation measure or resource. [Northwest Power Act, §3(4)(D), 94 Stat. 2699.]”

With regard to the Company’s comments provided April 24, 2009 to the term “priority resource,” Avista believes that it is important to grant individual IOU's the option to take the steps necessary to replace the 10% preference granted to energy-efficiency resources within the Northwest Power Planning Act with alternative measurements of those given preferential resource treatment. This is best resolved within the utilities’ existing Integrated Resource Plan (IRP) process as explained below.

Avista has chosen to pursue a more detailed quantification of distribution losses, the monetary value of greenhouse gas reduction and the customer value of reduced resource cost volatility that will replace the 10% deemed preference granted within the Act with a different methodology that results in a preference that is in excess of that required by the Northwest Power Act. This methodology has been and will be incorporated within the IRP resource selection process. These same valuations will be included in the avoided cost stream that is applied to intra-IRP resource selection decisions and for energy-efficiency program cost-effectiveness calculations. The individual components of this avoided costs structure may also appear in other resource analysis when it is appropriate to do so.

- 2) How are the utilities currently evaluating smart grid technology and opportunities internally? Is this evaluation coordinated with or otherwise a part of processes used to develop the Integrated Resource Plan? If so, how? If not, please elaborate?

Avista Response:

A team at Avista is currently reviewing Smart Grid opportunities and its feasibility to determine what level of implementation is prudent for customers and the Company. In order to value the efficiency benefits of several of the Smart Grid components, this team is using an avoided cost price signal that reflects the need and value for resources, generated through the Integrated Resource Plan (IRP). This avoided cost price signal has and is being effectively used to evaluate the resource opportunities between IRP cycles, including those relating to smart grid technologies. Higher degrees of integration are being actively pursued to the extent that resource characteristics of smart grid opportunities can be quantified and incorporated into the IRP process.

- 3) Would a planning requirement, analogous to an IRP, for assessment of smart grid technology and opportunities, be practical? Why or why not?

Avista Response:

Avista considers the “Smart GRID” as a “system of systems” not as a separate definable “thing”. The technologies that are typically labeled as Smart GRID, may be new, but in many cases may be existing technologies applied in a different context.

The current utility planning processes take into account new technology and approaches to continuously improve energy efficiency, reliability, customer participation, capacity, operational efficiency and O&M expense reduction. This planning process evaluates the system as a whole and utilizes life cycle economics that include all the key elements of the Smart GRID as typically defined. Smart GRID could be characterized as more of a strategy, that is incorporated into the planning process. Technology should be deployed as required to meet strategic objectives and may be applied differently depending on circuit configuration, load profile, or customer interest to name just a few of the drivers. The IRP process includes the projects defined in the planning process as appropriate. Future IRPs likely will include Smart GRID options directly in the resource selection model. Therefore, there is not need for additional, parallel process outside of the IRP process.

- 4) For Avista and PacifiCorp, how is smart grid assessment or planning addressed in the other states you serve?

Avista Response:

The Company has participated in rulemakings in both Idaho and Oregon regarding the Review of PURPA Standards in the Energy Independence and Security Act of 2007. The Company provided written comments and participated in workshops, with the outcome in both states being no recommendations for action on the standards at this time.

Please direct any questions on this matter to Linda Gervais at 509.495.4975 or Patrick Ehrbar at 509.495.8620.

Sincerely


Kelly Norwood
Vice President, State & Federal Regulation