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January 31, 2014

Via Electronic Mail

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

Re: Docket No. UE-131883 - Comments of Avista Utilities on the “Investigation of the costs and benefits of distributed generation and the effect of distributed generation on utility provision of electric service.”

Dear Mr. King,

Avista Corporation dba Avista Utilities (Avista or Company) submits the following comments in accordance with the Washington Utilities and Transportation Commission’s (Commission) Notice of Opportunity to File Written Comments (Notice) issued in Docket U-131883 dated December 19, 2013.

The Notice states that “The Washington Utilities and Transportation Commission (Commission) initiated this docket to engage in a conversation about the costs and benefits of distributed generation (DG) and the effect of DG on utility provision of electric service. Through this investigation the Commission hopes to understand better the effects of DG in the state of Washington and consider how to address these effects.

On November 6, 2013, the Commission received written comments from stakeholders discussing the costs and benefits of DG in the state of Washington. On Wednesday, November 13, 2013, the Commission hosted a workshop on this topic. At the workshop, the Commission

heard presentations of the results of three recent studies on this topic, and heard comments on the impacts of DG from the state's investor-owned utilities and other stakeholders.

The Commission anticipates scheduling a second workshop on these issues in April 2014. At this second workshop, the Commission intends to lead a discussion on whether this investigation should continue and, if so, what issues should be addressed and through what process. Procedural options include additional discussions at workshops held during open meetings and a rulemaking docket with the goal of producing rules, a policy statement, or both.

Avista appreciates the opportunity to comment on the Commission's investigation of the costs and benefits of distributed generation, and the effect on the utilities' electric service.

The Company supports a process that will help to ensure that we have interconnection policies and practices that promote effective integration of distributed energy resources. The issue remains that with current rate structures and net metering, there is a shifting of grid costs from customers installing distributed generation to other customers, because the utility still maintains a distribution system to support the DG customers' full energy and capacity needs. For Avista, it is not a material cost shift today based on the relatively small number of participating customers; however it has the potential to become material if incentives continue to grow for distributed generation. There are a number of ways to reduce or eliminate that shifting of costs, all of which involve a more equitable allocation of fixed and variable costs associated with serving customers. Reliability of service remains paramount.

In 2012, the Company participated in the Critical Consumer Issues Forum (CCIF) that addressed "Policy Considerations Related to Distributed Energy Resources (DER)." The purpose of this structured examination of DER issues was to bring state Commissioners, consumer advocates, and electric utility representatives together to tackle consumer-focused energy issues through interactive discourse and debate, to find consensus when possible, and at a minimum, achieve a clearer understanding of – and appreciation for – each other's perspectives and positions. The forum provided a solid foundation for the series of facilitated two-day dialogues

as well as the DER framework that ultimately was developed by the approximately 100 summit participants¹.

The Company supports this type of process, where parties could consider examining our distributed future, the benefits and challenges of DER in providing safe, reliable, affordable, cost-effective, and environmentally sound energy supply. The Company suggests further discussions and workshops, perhaps with the CCIF's work product as guiding document, to develop relevant public policy initiatives and regulatory actions that would result in a Commission Policy Statement.

Again, the Company appreciates the opportunity to provide these comments and we look forward to participating in future workshops and discussions. If you have any questions regarding these comments, please contact me at 509-495-4975 or at linda.gervais@avistacorp.com.

Sincerely,

/s/Linda Gervais/

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¹ CCIF held 3 different summits in March, April and May 2012.