



**Avista Corp.**

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***VIA – Electronic Mail***

August 8, 2014

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 d/b/a Avista Utilities ("Avista" or "Company") filing of its proposed revisions to the following tariffs, WN U-28:

**Tariff Schedule 90 – Electric Energy Efficiency Programs**

<b>Third Revision Sheet 90</b>	Canceling	<b>Second Revision Sheet 90</b>
<b>Fifth Revision Sheet 90A</b>	Canceling	<b>Fourth Revision Sheet 90A</b>
<b>Fourth Revision Sheet 90B</b>	Canceling	<b>Substitute Third Revision Sheet 90B</b>

Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, respectfully proposes revisions to Schedule 90 "Electric Energy Efficiency Programs." The purpose of this filing is to propose revisions that would result in increases in the incentive for fuel efficiency (electric to natural gas conversion) projects. The Company is also proposing to provide incentives for cost-effective demand response programs.

The Company engages in ongoing business planning efforts in response to changes in markets, technologies and regulatory direction. In recent months, several changes to the demand

side management (DSM) portfolio that the Company believes would lead to improved portfolio performance have been identified and discussed with Avista's External Advisory Group.

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 couple years, 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.

The proposed revisions to Schedule 90 are as follows:

#### **Electric to Natural Gas Conversion -**

The changing natural gas supply picture over the past few years and resultant lower prices continue to result in the decline of natural gas avoided costs. While this is good news for consumers of natural gas, these lower avoided costs add new challenges to offering a comprehensive natural gas DSM portfolio. These lower natural gas avoided costs cause the direct use of natural gas to be more cost-effective. Thus, Avista proposes that incentives for conversion of end-use equipment from electricity to natural gas be increased. This would have multiple customer benefits, including efficiency of fuel use, support of the trade ally network, and keeping the efficiency message in the marketplace.

Historically, the Company has been able to acquire a significant share of fuel efficiency resource opportunities at a per kWh cost ranging from one to seven cents per kWh rather than the eight to twenty cents per kWh incentive specified for all other qualifying electric efficiency projects. Over time the stock of these relatively easy fuel efficiency projects has diminished and programmatic throughput has gradually decreased. A comprehensive review of the fuel efficiency program has led to the conclusion that current incentives are insufficient to secure a reasonable share of the remaining lost opportunity projects. As part of that project review, the Company has identified and enacted other actions not requiring revisions to the tariff to improve program

performance, with particular attention to improving the Company’s ability to work with homes in foreclosure or renovation (“flipping”), which has become a significant share of the potential market.

While these revisions are intended primarily to enhance the Company’s ability to penetrate the residential market, the increased incentives will also be applicable to site-specific custom projects within the non-residential market. The proposed revisions to the tariff will not change the incentive caps as a percentage of customer cost nor will it change the approach of establishing the per kWh incentive level based upon the energy simple payback associated with the typical project within each prescriptive program or site-specific project.

The following table in Schedule 90A would no longer include the fuel conversion tier:

**Table No. 1**

<b>Simple Pay-Back Period</b>	<b>Incentive Level (cents per first year kWh saved)</b>
	<b><i>(Minimum measure life of 10 years)</i></b>
1 to under 2 years	8 cents
2 to under 4 years	12 cents
4 to under 6 years	16 cents
6 to under 8 years	20 cents
6 to under 13 years*	20 cents
Over 8 years **	0 cents
Over 13 years	0 cents

This change will result in higher incentive amounts for fuel conversion projects for both residential and commercial customers. The table below is an example of a residential electric to natural gas conversion:

**Table No. 2**

<b>Measure</b>	<b>Current</b>	<b>Proposed</b>
Electric to natural gas furnace conversion	\$900	\$2,300
Electric to natural gas water heater conversion	\$300	\$600
Electric to natural gas furnace and water heater converted at the same time	\$1,200	\$3,200

In order to equitably treat our customers during this transition, the Company will provide the higher incentive level, if approved, to any customer that has completed their project within 90 days of the effective date of the revised tariff. This time period is consistent with the Company's long-standing requirement that customers submit applications for prescriptive rebates within 90 days of project completion and ensures that customers who submit their project before that time period elapses are treated in the same manner as customers who use the full period permitted under the Company's current policy.

The Company has developed plans to work with key trade allies to facilitate a smooth transition to the proposed higher incentives.

**Proposed Cost-Effective Demand Response -**

The Company is also proposing to provide incentives for cost-effective demand response within Schedule 90. Although there are no full-scale programs being evaluated at this time, the Company does seek to have the ability to respond to the potential for programs in the future. The Company proposes that the incentives would not exceed 75% of the capacity value of the acquired resource. This approach would allow the Company the flexibility to capitalize upon resource opportunities and would provide a range of incentives that would benefit both participating and non-participating customers. The Company is currently reviewing proposals to evaluate the demand response potential within our service territory.

In conclusion, Avista requests the Commission approve the proposed revisions in Schedule 90 with an effective date of September 5, 2014.

Pursuant to WAC 480-100-195(2), a "Notice of Tariff Change" will be posted on the Company's website coincident with the date of this filing.

Schedule 90 Revisions

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Please direct any questions on this matter to Dan Johnson at (509) 495-2807 or [dan.johnson@avistacorp.com](mailto:dan.johnson@avistacorp.com) or myself at (509) 495-4975 or [linda.gervais@avistacorp.com](mailto:linda.gervais@avistacorp.com).

Sincerely,

*/s/Linda Gervais*

Linda Gervais  
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Avista Utilities  
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Enclosures

cc: Advisory Group