



**Avista Corp.**

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***VIA – Commission Web-Portal***

May 31, 2016

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 dba Avista Utilities ("Avista" or "the Company") filing of its proposed revisions to the following tariff sheet, WN U-28:

**Second Revision Sheet 91A**                      Canceling                      **Sub. First Revision Sheet 91A**

The Commission amended, adopted, and repealed rules in WAC 480-109 relating to the Energy Independence Act in Docket UE-131723. The Commission filed its Adoption Order with the Code Reviser on March 12, 2015 with the rules becoming effective on March 31, 2015. Specifically related to this filing, 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 1<sup>st</sup> 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.

As of March 30, 2016, the Schedule 91 (electric) tariff rider balance was approximately \$162,000 underfunded. However, based upon current projects for revenue and expenditures the Company is forecasting that the tariff balance will grow to \$3.4 Million by July 2017 at the current rates. Therefore, the Company is proposing to increase rates collected in Schedule 91 to bring the forecasted tariff balance close to \$0 by July 2017 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. 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. Avista's residential programs 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. During 2014-2015 Avista received over 30,400 MWh of savings in its service territory from NEEA programs.

The Company provided approximately \$2 million for low-income weatherization in 2015 in Washington. This program is administered by the six local community action agencies in our eastern Washington service territory.

In 2015, approximately 23.3 Full Time Equivalents (FTE) delivered energy efficiency programs and measures resulting in Washington local electric savings of 38,372MWh (99% the IRP goal). Net of fuel conversions, 33,400 MWh has been acquired toward the Company’s Biennial Conservation Plan goal, or 49% of the two-year target. For Washington, 60% of the energy efficiency budget, excluding NEEA, 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.

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.<sup>1</sup> Ratios over 1.0 illustrate that benefits exceed costs. For 2015, the Company's DSM portfolios were cost-effective with TRC and PAC ratios of 1.84 and 3.67, respectively, for the electric 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 approximately an increase of \$3.6 million for electric Schedule 91, or an increase of 0.7% in overall billed rates. The proposed rate increase will have an average monthly bill impact to residential electric customers using 957 kWh of \$0.59 increase to their bill, or 0.7%.

The Company reviewed and discussed the tariff rider balance with its Advisory Group during the 2016 Spring Advisory Group Meeting held on April 28<sup>th</sup> and 29<sup>th</sup> 2016.

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. 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*

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Enclosures

cc: Advisory Group

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<sup>1</sup> 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.