



Avista Corp.

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

VIA – Commission Web-Portal

March 14, 2017

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:

Third Revision Sheet 91A Canceling **Second Revision Sheet 91A**

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 1st 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.

By way of background, on February 28, 2017, the Schedule 91 (electric) tariff rider balance was approximately \$11.9 million underfunded. The underfunded balance indicated that more tariff rider funding was needed to fund both the ongoing Demand Side Management (DSM) operations as well as to recover previous expenditures.

This underfunded balance was driven primarily by the Company's nonresidential T-LED market transformation program which contributed to prescriptive lighting incentives exceeding the budgeted incentives by \$9 million. The program's popularity stemmed from the drastic reduction in the cost of the TLED product from the time the program was conceived until the end of the program year. Because of the market change, many customers took advantage of the lower consumption lighting, with all incremental costs paid in the incentive.

The Company's forecasted expenditures aligned closely with the actual tariff rider revenues throughout 2016. The actual expenditures began trending upwards in April with a significant and steady increase starting in September and continuing through the end of the year; the increase during this 4th quarter timeframe resulted in approximately \$5.9 million of the overall underfunded tariff balance. The actual energy savings matched the upward trend in expenditures and the Company exceeded its annual energy savings goal by 30,197,580 kWhs.

Therefore, the Company is proposing to increase rates collected in Schedule 91 to bring the forecasted tariff balance close to \$0 by July 31, 2019 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.

The Company provided approximately \$2 million for low-income weatherization in 2016 in Washington. This program is administered by the six local community action agencies in our eastern Washington service territory.

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. Results for Avista's 2016 DSM portfolios will be finalized in Spring 2017.

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 \$8.5 million for electric Schedule 91. The proposed rate increase will have an average monthly bill impact to residential electric customers using 957 kWh of \$0.79 to their bill, or 0.9%.

The Company provided the proposed tariff rider balance rate change to its Advisory Group for comment, this filing reflects the groups input.

A "Notice of Tariff Change" will be posted on the Company's website coincident with the date of this filing and the Company will also send a bill insert to customers regarding the proposed increase prior to May 1, 2017. 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

Linda Gervais
Senior Manager, Regulatory Policy
Avista Utilities
linda.gervais@avistacorp.com

Enclosures

cc: Advisory Group

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.