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November 6, 2013

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 October 15, 2013.

The Notice states that "Due to the growth of distributed generation (DG) of electric power in Washington and other states, there is significant discussion at the state and national level about the costs and benefits of DG, and the effect of DG on utility provision of electric service." It also states that the Commission is "interested in examining the effects of DG, including that of net-metering on the relationship between revenue from rate schedules and between revenue derived from individual customers within a rate schedule."

Current state policies promote distributed energy systems through a combination of taxpayer subsidies, in the forms of production and sales tax incentives, and ratepayer subsidies, in the form of net metering and interconnection standards. Avista supports the state initiative to promote distributed generation within its service territory.

While the Company shares and supports the desire of customers to adopt DG, it is critical that the transformation of the electric distribution system be done right. DG must be added to the system in a way that protects reliability, ensures the safety of the public and utility employees, and is fair to all customers. Integrating greater quantities of DG into the distribution system raises several issues that should be addressed in a coordinated manner to ensure the most comprehensive solutions.

Avista appreciates the Commission's investigation of the costs and benefits of distributed generation, and the effect on the utilities' electric service. The Commission is undoubtedly aware that other jurisdictions, including, but not limited to, California and Arizona, are currently evaluating the effects of net-metering on utilities and their customers. Such jurisdictions have experienced significant growth in the deployment of distributed generation as a result of a combination of public policies that include net-metering and financial incentives; efforts to assess the impact of these policies on utilities and their customers have been contentious.

Avista hopes that this investigation of the costs and benefits of distributed generation and any subsequent proceedings will not be as controversial as those in California, Arizona and elsewhere. In those jurisdictions, advocates of distributed solar generation have criticized investor-owned utilities for trying to preserve their "business model." It is worth noting here, at the outset, that the utility "business model" is not one that is adhered to as a matter of choice. Non-regulated enterprises have the opportunity to readily change their business models to reflect evolving economic and market circumstances. The utility "business model" on the other hand, is ultimately based on its "obligation to serve" customers, doing so reliably and at just and reasonable rates that are generally cost-based.

The Company believes that any DG incentives must be fair and appropriate. Certain incentives, such as the current effect of net metering, results in participating DG customers paying less than their cost-based share of the utility system upon which they depend, and non-participants paying more than their cost-based share. That's because under net metering, power

from the self-generating customer is offset at the full retail volumetric rate, a rate which is designed to provide for the recovery of a major portion of the fixed generation, transmission and distribution costs incurred by the utility to provide customers with safe and reliable service. Customers with DG consume less electricity from the utility and, as their bills go down, so does their contribution towards covering their share of the Company's fixed costs. The resulting recovery shortfall is transferred to non-participating customers who end up subsidizing those with DG.

The Company believes new rate structures should be considered to ensure that participating DG customers that are relying upon integration and backup service for DG, are paying for those services. This could include for example, modification to existing rate schedules that would provide for more fixed costs being recovered in a fixed basic charge, with the resulting volumetric energy rate being composed of those costs that are variable based on energy consumption.

Another important consideration is that the current rate design, which fails to send the proper pricing signal to DG customers, may encourage DG projects that are not economically efficient, raising costs for all customers.

In addition, under the current net metering arrangement, between rate cases new DG on a utility's system would result in under-recovery of the fixed costs of the utility system. Possible solutions would include pricing the services provided to DG participants to reflect the costs to serve them, or adoption of a decoupling mechanism to recover the fixed costs.

The following is in response to the specific questions raised in the Commission's Notice:

1. The total number of net metering customers, the total capacity of installed generation of the net metering customers as of October 31, 2013, on the company's system, and the company's net metering cap as of January 1, 2014.

Avista Response:

The Company's net metering cap as of January 1, 2014, is 7.6 MW, or 0.5% of Avista's retail peak demand during 1996.

Total Number of Net Meter Customers 215
 Total Generation Capacity (Watts)¹ 1,337,792 (1.337792 MW)

Type	# ID	# WA	ID Watts	WA Watts
Biogas	1	0	65,000	0
Wind	5	15	15,800	108,100
Solar	30	152	257,452	802,595
Wind-Solar	2	10	8,782	80,063
Total	38	177	347,034	990,758
Type	# ID	# WA	ID Watts	WA Watts
Commercial	10	28	210,605	348,418
Residential	28	149	136,429	642,340
Total	38	177	347,034	990,758

2. A description of DG interconnected to the company's distribution system that is not enrolled in the net metering program, including the aggregated capacity for each generation type as of October 31, 2013.

Avista Response:

Gen Type	Approx Size	Inter Voltage	Location (State)
Hydro	0.22 MW	21.8 kV	Idaho
Thermal	108.50 MW	34.5 kV	Idaho
Thermal	3.2 MW	24.9 kV	Idaho
Hydro	1.40 MW	13.8 kV	Idaho
Hydro	0.90 MW	34.5 kV	Idaho
Thermal	0.015 MW	13.8 kV	Idaho
Thermal	6.00 MW	13.8 kV	Idaho
Hydro	0.411 MW	12.5 kV	Washington
Hydro	1.50 MW	13.8 kV	Washington
Hydro	0.02 MW	12.5 kV	Washington
Hydro	1.40 MW	12.5 kV	Washington
Thermal	0.26 MW	480 V	Washington
Hydro	17.70 MW	13.8 kV	Washington
Thermal	2.19 MW	4.16 kV	Washington
Thermal	2.75 MW	4.16 kV	Washington
Thermal	1.25 MW	480 V	Washington

¹ As of October 31, 2013

3. Aggregated on a company-wide basis, the number of net metering credits that expired under RCW 80.60.030(5), on April 30 in 2011 and 2012, and the aggregate number of net metering credits awarded per month in 2011 and 2012.

Avista Response:

Number of Net Metering Credits Expired on April 30:

Year	Credits
2013	79,875
2012	59,468
2011	42,144

Number Net Metering Credits Awarded per month:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2013	673	282	1,023	4,303	13,297	14,227	15,747	15,759	9,960	4,604			79,875
2012	38	122	1,260	1,365	6,361	8,960	11,602	9,471	12,161	6,679	1,449		59,468
2011		896	667	4,022	2,126	5,038	6,454	10,261	8,826	3,503	297	54	42,144

Ensuring that integration of DG is done safely, reliably, and cost-effectively into the electric utility system is a top priority, and requires significant investment and coordination. Utility participation in DG markets and partnership with customers and third-party developers are essential to this process.

Again, the Company appreciates the opportunity to provide these comments and we look forward to participating in the workshop scheduled for November 13, 2013. 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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 Avista Utilities
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