Office of the Secretary
Service Date
September 24, 2010

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION FOR AUTHORITY TO INCREASE ITS SCHEDULE 191 – ENERGY EFFICIENCY (PUBLIC PURPOSE) RIDER ADJUSTMENT	)	**CASE NO. AVU-G-10-02** **ORDER NO. 32072**

APPLICATION

On February 16, 2010, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting a $1.6 million (2.6%) increase in the Company's natural gas Schedule 191 – Energy Efficiency (Public Purpose) Rider Adjustment. The Rider Adjustment is designed to recover costs incurred by the Company associated with providing natural gas energy efficiency services and programs to retail customers taking service under Schedules 101, 111 & 112 and 131 & 132. The proposed effective date requested in the Company's Application was April 1, 2010 (suspended by Commission Order No. 31017).

The Commission in this Order approves the Company's Application for an effective date of October 1, 2010.

Gas Demand-Side Management (DSM)

As reflected in the Company's Application, the proposed Schedule 191 increase is necessary to continue to fund ongoing natural gas efficiency programs consistent with Avista's most recent Natural Gas Integrated Resource Plan (IRP). It will also serve to amortize a deficiency balance ($1,375,435 end of January 2010) resulting from the Company's response to higher than expected customer demand for services. The proposed increase in revenues for DSM will not increase or decrease the earnings of the Company. The proposed rate will have an average monthly bill impact to residential customers using 66 therms of $1.52.

The 2009 natural gas savings target for Idaho and Washington was 1.6 million therms. Over 2 million therms were saved. Customers look to the Company's DSM programs for assistance in responding to increased natural gas prices. Existing and planned programmatic expenditures by the Company are exceeding tariff rider revenues.

Schedules 91 (electric) and 191 (gas) public purpose funds support DSM programs described in Company tariff Schedules 90 and 190. These programs include but are not limited to the following measures:

- Appliance Measures
- Compressed Air Measures
- HVAC Measures
- Industrial Measures
- Lighting Measures
- Maintenance Measures
- Motors Measures
- Renewable Technologies
- Northwest Energy Efficiency Alliance Participation
- Shell Measures
- Sustainable Building Measures

The Company's programs are based on providing a financial incentive or "rebate" for cost-effective efficiency measures installed by customers with a simple payback of greater than one year. This includes more than 300 measures packaged into over 30 programs.

Avista reports that it has long encouraged the direct use of natural gas by its electric customers. 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. The cost-effective potential for these measures has been incorporated into Avista's IRP effort and is contained within the identified acquisition goal. Avista's residential programs include high efficiency equipment, electric-to-natural gas conversions, compact florescent lights (CFLs), "second" refrigerator recycling, weatherization and rooftop dampers, as well as educational assistance provided through various community events.

In addition to prescriptive programs, Avista offers "site-specific" programs for non-residential customers. Site-specific programs are customized to the customer premise. The site-specific offering provides incentives on commercial and industrial energy efficiency measures with a simple financial payback exceeding one year. This is implemented through site analysis, customized diagnosis, and incentives determined for savings generated by the customers' premise or process. Commercial and industrial programs available to Avista customers include:

- Energy Smart Commercial Refrigeration
- Lighting and Controls
- Commercial Food Service Equipment
- Building Retro-commissioning
- Premium Efficiency Motors
- Power Management for Personal Computer (PC) Networks
- LEED Certification, Commercial HVAC Variable Frequency Drives (VFDs)
- Refrigerated Warehouses
- Vending Machine Controllers
- Demand-controlled Ventilation
- Side-stream Filtration
- Steam Trap Replacement and Repair
- Multi-family Development
- LED Traffic Signals
- Electric to Natural Gas Water Heater Conversions
- Commercial Clothes Washers

In addition to Avista's prescriptive and site-specific programs, the Company funds and participates in 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. Historically, Avista has received approximately 2.1 aMW of savings in its service territory from NEEA programs.

The Company provided $1.9 million for low-income weatherization in 2009 in Idaho and Washington. Effective October 1, 2008, in Order No. 30647 in Case Nos. AVU-E-09-06 and AVU-G-09-04, $465,000 was directed to Idaho electric and natural gas low-income customers and $25,000 was provided to Idaho (CAP) agencies for the purpose of underwriting agency personnel assisting in low-income outreach and conservation education. The low-income weatherization portfolio of the Company represents approximately 6.3% of its total energy efficiency budget excluding utility support.

Avista reports that it is in the process of enhancing its evaluation, measurement and verification (EM&V) protocols. EM&V includes "impact," "process," "cost," and "market" analyses.

As reflected in its Application, the Company's energy efficiency programs are being used by its customers at unprecedented levels. Customer participation continues to exceed current funding. The Company's proposed Schedule 191 increase trues-up its natural gas tariff rider to a level to meet customer demand and reduce existing negative balances, while providing funding for future energy efficiency programs. Energy efficiency, the Company contends, remains the lowest cost new resource and all customers benefit by its acquisition.

The energy charges of the individual natural gas rate schedules under the Company's Application are to be increased by the following amounts:

	Existing	Proposed
Schedule 101 (General Service)	$0.03458	$0.05762 per therm
Schedules 111 & 112 (Large General Service)	$0.03045	$0.05038 per therm
Schedules 131 & 132 (Interruptible Service)	$0.02552	$0.04020 per therm

Electric DSM

Current projections of the Company indicate that the existing electric energy efficiency tariff rider Schedule 91 may lead to a small negative balance of approximately $600,000 at the close of 2010 based upon the current budget. This number, the Company contends, is minor relative to the potential variation in customer demand caused by weather and other factors beyond the Company's control. Therefore, Avista is proposing to retain the existing electric Schedule 91 tariff rider rates. Avista's 2009 local energy efficiency savings were over 82 million kilowatt hours (kWh) (approximately 9.4 aMW) or 143% of the Company's IRP non-regional efficiency target goal for Idaho and Washington in 2009 (57.2 million kWh). As of the close of January 2010, Avista's electric DSM tariff rider balance for Idaho was a negative $2,417,322.

On March 9, 2010, the Commission issued a Notice of Application in Case No. AVU-G-10-02 and by Order No. 31017 suspended the Company's proposed April 1, 2010, effective date.

On April 8, 2010, the Commission issued a Notice of Modified Procedure and established a June 9, 2010, comment deadline. To correct a customer notice problem, on May 26, 2010, the deadline for comments was extended to June 30, 2010. Comments and recommendations were filed by customers of the Company (including one letter with 76 signatures) and Commission Staff.

Customers filing comments oppose the Company's Application. Their comments can be summarized by the following representative sampling:

- This cost increase is not justifiable. . . . Now that the program has been successful for them, they realize they have lost income from now efficient homes using less fuel and electricity. So what do they want to do? They want us common, middle-class American people, some of us still working and others retired, to make up the difference in this lost income. Do they not realize people on Social Security receive no increase on their funds, people working have not received pay raises in two years, others have lost jobs, homes, insurance, many are now living on the streets, and our seniors are out looking for work when they should be enjoying their retirement.

- Rebates, especially appliance rebates, should not be funded by other ratepayers. I do not believe that current ratepayers should be rewarding late adopters and holdouts. Responsible ratepayers who have undertaken energy efficiency precautions in the 18 years since Energy Star appliances have been made available should not be subsidizing irresponsible ratepayers who have chosen to do nothing about replacing their energy inefficient appliances. Regarding its non-rebate programs, Avista has not justified why it needs to raise rates for all Idaho ratepayers in order to continue to deliver it's efficiency programs for low-income households. These programs should not be funded by ratepayers but rather as part of Avista's community outreach service programs. I encourage the Commission to decline Avista's request to raise rates and ask Avista to instead be more efficient with the funds it already has from ratepayers.

- The request for an increase at this time with so many people out of work and no way to pay their existing bills now is appalling. Please stop Avista's greediness now!

Staff Comments

For purposes of this case, Staff verified the estimated annual level of expenditures required to fund existing DSM programs, reviewed the existing DSM deferral balance subject to recovery and confirmed the proposed energy efficiency rider adjustment rate necessary to true-up the DSM deferral balance. Based on this review, Staff supports the Company's proposal to increase the energy efficiency tariff rider of Schedule 191 to collect an additional $1.6 million annually, or approximately $1.52/month for the average residential customer using 66 therms/month. The proposed increase in revenues for DSM, Staff contends, will not increase the earnings of the Company.

As reflected in the Company's Application, the proposed increase is necessary to continue to fund ongoing natural gas efficiency programs consistent with Avista's most recent natural gas Integrated Resource Plan (IRP). It will also serve to amortize a deficiency balance ($1,375,435 end of January 2010) resulting from the Company's response to higher than expected customer demand for services.

Staff recognizes that an increase in natural gas rates will not be viewed favorably by many customers within the Company's service territory, particularly those on fixed incomes or those using natural gas as their primary heating source, especially given the current economic climate. However, Staff also asserts that all customers realize a net benefit from the cost-effective use of DSM programs because of the reduced need for gas commodities storage as well as distribution and transmission facilities. The total of all customers' bills will be lower than it would be absent such programs.

Staff recommends that the Company's proposed increase of $1.6 million in annual revenue from Schedule 191 – Energy Efficiency Public Purpose Rider be approved to fund the costs associated with providing natural gas energy efficiency services.

Staff recommends that the Company provide in its annual DSM report clear descriptions of each residential energy efficiency program, rebate or other incentive offered by the Company.

Staff recommends that the Company provide to the Commission Staff periodic updates of any changes made to or discontinuance of any program, rebate, or incentive.

Commission Findings

The Commission has reviewed the filings of record in Case No. AVU-G-10-02 including the comments and recommendations of Commission Staff and customers. We have also considered the Company's April 2010 Energy Efficiency Annual Report filing, the December 2009 Memorandum of Understanding signed by the Company following a Staff-convened DSM evaluation workshop, and the Stipulation and supporting testimony filed in the Company's 2010 general rate case (AVU-E-10-01/AVU-G-10-01).

Energy efficiency measures and cost-effective demand-side management programs have long been recognized by this Commission to reduce the need for higher-cost, supply-side resources. While implementation of energy efficiency measures by customers without utility participation is the least costly energy resource, the next is prudently administered cost-effective

DSM programs, some providing monetary incentives to customers, others providing educational opportunities. It is this second set of measures that we address in the Company's Energy Efficiency Public Purpose Rider tariffs. As we have previously recognized, all customers benefit from DSM and energy efficiency programs, participants and non-participants alike.

Reviewing Staff's audit results in this case, we find that the Company has accrued a deficit balance in its Schedule 191 rider account. The unfunded balance as of December 31, 2009 was $1,375,435. As reflected in the Company's Application, its energy efficiency programs are being used by its customers at unprecedented levels. Customer participation continues to exceed current funding. As the record reflects, the Company's Idaho natural gas savings target for 2009, established in 2008, was 465,845 therm annual savings. Avista reports it actually achieved 580,081 therm annual savings, exceeding its goal by approximately 25%. The proposed Schedule 191 increase requested in this case trues up the Company's natural gas tariff rider to meet customer demand, reduces the existing negative balances, and provides funding for future energy efficiency programs.

The prudency of Avista's DSM expenses incurred in 2008 and 2009 has been considered as part of the Company's 2010 general rate case. The Commission is convinced that the Company's overall natural gas portfolio remains cost-effective. Staff identified a need for the Company to (1) further assure that class benefits compared to contributions are reasonable; (2) further improve program delivery; (3) make sure programs are cost-effective; (4) consistently reassess baseline trends; and (5) clearly illustrate program evaluation, measurement and verification. We find it reasonable for the Company to follow Staff's suggestions. We encourage the Company to continue its efforts in improving the processes and transparency of its program evaluations.

We note that at the conclusion of the Company's 2009 general rate case, Commission Staff convened a DSM evaluation workshop in which Avista participated. The outcome of the workshop was a Memorandum of Understanding (MOU) signed in December 2009 by Staff and representatives of Avista Utilities, Idaho Power Company and Rocky Mountain Power. The MOU included evaluation and reporting prerequisites that will enable a better evaluation of DSM prudency requests by the utilities. As reflected in filings in the Company's current rate case, it is reported that Avista has been diligently working on a comprehensive DSM evaluation, measurement and verification (EM&V) framework and to such end has contracted with nationally-respected evaluation experts. The Company's efforts in this regard are also reflected in the Energy Efficiency Annual Report (formerly known as the Triple-E Report) filed with the Commission on April 1, 2010. To increase DSM and energy efficiency program transparency and to aid in providing correct information to the Company's customers, we find it reasonable to direct the Company to provide clearer descriptions of its DSM programs, rebates and incentives and to provide the Commission with timely notice of changes to DSM programs, rebates or incentives.

Pursuant to the Stipulation filed in Case Nos. AVU-E-10-01/AVU-G-10-01, we note that the Company has agreed to hold at least five energy conservation workshops for senior citizens in different Idaho communities prior to December 31, 2011. This program is targeted to seniors who might find themselves in tight financial situations that cause them to reduce their use of space heating in order to cut monthly bills. The primary goal of the workshops is to provide information on how to conserve energy without compromising comfort, health and safety.

The Company, we also note, has by the Stipulation further agreed to actively manage the low-income weatherization and low-income conservation education programs to assure that the stated goals and objectives of the programs are achieved and that costs associated with the programs are prudently incurred. We support this effort. We find that low-income weatherization and education programs assist customers in reducing their monthly bills. They also save energy to the benefit of all customers.

In this case, the Commission finds it reasonable for the foregoing reasons to approve the requested increase in the Company's Schedule 191 – Energy Efficiency Rider Adjustment.

CONCLUSIONS OF LAW

Avista Corporation dba Avista Utilities is a combination electric and natural gas utility subject to the Commission's regulation pursuant to the authority granted by Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission hereby authorizes a $1.6 million (2.6%) increase in the Company's natural gas Schedule 191 – Energy Efficiency (Public Purpose) Rider Adjustment for an October 1, 2010 effective date.

IT IS FURTHER ORDERED and we hereby direct the Company to provide in its annual DSM report clear descriptions of each residential energy efficiency program, rebate or other incentive offered by the Company.

IT IS FURTHER ORDERED and we hereby direct the Company to provide the Commission with periodic updates of any changes made to or discontinuance of any DSM or energy efficiency programs, rebates, or incentives.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 23rd day of September 2010.

JIM D. KEMPTON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

MACK A. REDFORD, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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