Office of the Secretary
Service Date
September 30, 2011

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION REQUESTING APPROVAL TO DECREASE ITS ENERGY EFFICIENCY PUBLIC PURPOSE RIDER SCHEDULES 91 AND 191	)))))	**CASE NOS. AVU-G-11-03** **ORDER NO. 32366**

On June 13, 2011, Avista Corporation filed an Application requesting authorization to decrease its Energy Efficiency Rider Schedule 91 (electric) and 191 (natural gas). The Company proposed to decrease the revenue it collected under the electric Schedule 91 by 0.3% of billed rates, or approximately $750,000. Revenue collected under the natural gas Schedule 191 would decrease by $2.9 million, or 4.2% of billed retail rates. On June 28, 2011, the Commission issued a Notice of Application and Notice of Modified Procedure to process Avista's Application. On July 14, 2011, Avista filed a Motion to extend the comment period for an unspecified period of time, and on July 20, 2011, the Commission issued Order No. 32295 approving Avista's Motion.

On August 26, 2011, Avista and Staff filed a Motion for Approval of Stipulation and Settlement in the Company's rate case, Case Nos. AVU-E-11-01 and AVU-G-11-01. Thereafter, on August 30, 2011, Avista filed a Motion to Withdraw its Application regarding Schedule 91, and requesting Commission approval of the decrease in Schedule 191 effective October 1, 2011.

The Commission subsequently issued an Order (1) allowing the Company to withdraw its Application to decrease the electric Rider, and (2) establishing a comment period on Avista's request to make its proposed decrease in Schedule 191 effective October 1, 2011. The Commission Order stated that written comments could be filed through September 22, 2011, on Avista's proposal to reduce its Energy Efficiency Rider Schedule 191 by 4.2%, effective October 1, 2011. Written comments were filed by the Idaho Conservation League (ICL) and Commission Staff.

ICL in its comments urged the Commission to maintain the current funding for Avista's gas DSM programs. ICL asserts it does not make sense to reduce rider revenues to the extent that program costs that exceed $1.9 million per year would be underfunded by $130,978 per year. ICL noted Avista's gas efficiency programs are cost-effective and the Company's own documents indicate "that substantial potential efficiencies are available and the portfolio to achieve their own goals is cost effective from every possible perspective." ICL Comments, p. 3. ICL recommended the Commission maintain the existing funding for Avista's DSM programs.

Similar to ICL, Staff expressed concern that the rider decrease requested by Avista does not leave sufficient funding for annual DSM expenses beyond the first year. The current natural gas DSM rider surcharge generates approximately $4.1 million annually, while the Company expects to spend approximately $2.2 million on DSM programs during the 12 months ending June 30, 2012. Staff noted the Company had a surplus in the natural gas DSM tariff rider account, as of June 30, 2011, of $969,585. The tariff rider if reduced by 4.2% would generate approximately $1.25 million in annual revenue, which, when added to surplus, sufficiently funds the next year of planned natural gas DSM expenditures. Staff Comments, p. 3. Once the surplus balance is gone, Staff noted the proposed Schedule 191 tariff rates will not be sufficient to fund the existing level of natural gas DSM programs. The Company will have to increase the natural gas DSM tariff rider after 12 months or scale down its existing programs to avoid a deferral balance in the DSM rider account. Staff Comments, p. 3.

To avoid scaling back cost-effective energy efficiency programs, Staff recommended the Commission approve a rate reduction of 3.5% rather than the 4.2% requested by the Company. This would still provide $1.7 million in annual DSM rider revenue and nearly $4.4 million over two years, when combined with the $969,585 surplus in the rider account. Staff Comments, p. 3. Staff noted this equates to $2.2 million per year for two years, which is the Company's current funding level for its gas DSM programs. *Id.*

The Commission finds it reasonable and prudent to reduce Avista's natural gas DSM rider, Schedule 191, by 3.5% as proposed by Staff, effective October 1, 2011. If the rider rates are reduced by 4.2%, as the Company requested, the DSM programs would be significantly underfunded during the next year. The Commission has consistently instructed energy utilities to pursue all cost-effective efficiency programs. Allowing the DSM rider to decrease by 3.5% will allow Avista's customers a rate reduction while ensuring adequate funding for the Company's DSM programs for the next two years. Accordingly, the Commission directs Avista to file Schedule 191 tariff revisions, effective October 1, 2011, with the following rates: Schedule 101, $0.02697 per therm; Schedules 111 and 112, $0.01321 per therm; and Schedules 131 and 132, $0.01197 per therm.

O R D E R

IT IS HEREBY ORDERED that Avista Corporation is directed to reduce its Energy Efficiency Rider Schedule 191 by 3.5%, effective October 1, 2011, and file Schedule 191 tariff revisions with the following rates: Schedule 101, $0.02697 per therm; Schedules 111 and 112, $0.01321 per therm; and Schedules 131 and 132, $0.01197 per therm.

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 30th day of September 2011.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

bls/O: AVU-G-11-03_ws