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April 5, 2013

*Via: Electronic Mail*

Public Utility Commission Oregon  
550 Capitol St. N.E. Suite 215  
Salem, OR 97308-2551

**RE: Docket No. LC 55 - Avista Utilities 2012 Natural Gas Integrated Resource Plan Response Comments**

To All:

Avista appreciates the effort and participation of Commission Staff (Staff) and the Citizens' Utility Board of Oregon's (CUB) in the investigation of the Company's 2012 Natural Gas Integrated Resource Plan (IRP) and their common goal of seeking the most reasonable resource plan for Avista customers in Oregon. The following comments are in response to the "Commission Staff's Final Comments and Proposed Order" filed on March 8, 2013 in Docket No. LC 55.

First, the Company appreciates Staff's recognition that the IRP meets the criteria to recommend acknowledgment to the Commission however; Avista is concerned with the recommendation "subject to replacement of the Action Plan found in Chapter 9 of Avista's 2012 IRP" as noted in their Final Comments in the above referenced Docket:

"Based on Staff's review of Avista Utilities (Avista or Company) 2012 Natural Gas Integrated Resource Plan (IRP or Plan) and participation in the planning process, it has been determined that the Plan meets the Commission's guidelines

in Order Nos. 07-002 and 07-047. Staff concludes that Avista's IRP meets the Commission's substantive IRP requirements. Staff also concludes the demand-side and supply-side resources identified to fill the deficiencies expected in Avista's Oregon service territory beginning in 2013 are appropriate. To ensure that the Company's next IRP Update and next IRP will contain sufficient analyses regarding the actions undertaken pursuant to the Company's Action Plan, Staff recommends the Commission acknowledge the 2012 IRP, **subject to replacement of the Action Plan found in Chapter 9 of Avista's 2012 IRP**, with the following:"

The Company strongly believes that the items suggested in the replacement Action Plan are more relevant to Docket No. UG 240, and not to this IRP. As provided in prior comments by Avista, Demand Side Management (DSM) is a resource considered on par with supply side resources to ensure that customer's demand needs are met in a least cost-risk adjusted manner, as is prescribed in the Commission's established guidelines. In the 2012 IRP, DSM was selected as a resource at the portfolio level. The IRP is not the vehicle to define, implement, and evaluate the cost-effectiveness at the program level, by DSM measure, as set forth in the proposed Action Plan. The program level of evaluation for cost effectiveness has been, and should continue to be, considered on its own and not within the IRP.

When the Commission adopted Staff's recommendation to suspend Advice No. 12-09-G<sup>1</sup> to provide parties time to investigate options for the Company's DSM programs parallel to the IRP, it was Avista's understanding that the two dockets would have the same procedural schedule, however not necessarily be combined dockets. The conclusion of the investigation was that the combined evaluation of the IRP and UG 240 has led to cross recommendations, as provided in the proposed Action Plan. This process has now resulted in incomplete resolutions in both Docket LC 55 and UG 240. The Company proposes to move the items related to DSM in Staff's proposed Action Plan to Docket UG 240 in order to provide closure to that Docket and that the Commission acknowledges the IRP on its own merit based on Staff's conclusion that Avista's 2012 IRP meets the Commission's substantive IRP requirements.

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<sup>1</sup> Advice No. 12-09-G was suspended for six months under Docket No. UG 240.

Even though the Company questions which Docket is appropriate for Staff's recommendations related to DSM programs, it does not have issues with most of Staff's recommendations. The following comments are in response to the specific items to the proposed Action Plan.

### **Continuation of DSM Programs for Two Year Period**

As stated in Avista's comments provided on February 24, 2013, the significant decline in natural gas prices produced much lower avoided costs from its last IRP, which resulted in most of Avista's DSM programs no longer being cost-effective. As a result of the investigation over the past six months Staff has now proposed to monitor the Company's DSM programs and natural gas avoided costs for a two-year period before any programs are substantively downsized or suspended. Staff stated this approach is consistent with the approach the Commission has taken with the Energy Trust of Oregon's (ETO) natural gas DSM programs.

Avista supports Staff's proposal and if approved, will continue to work to make programs as efficient and cost-effective as possible. However, the Company is concerned that Staff's recommendation within the IRP Order for Avista to run non-cost effective demand-side management programs based on the exemptions provided in Order No. 94-590 does not provide comfort for cost recovery of running these programs. This is yet another reason the Company believes Staff's recommendations for the DSM programs belong in docket UG 240.

### **Timeline for Update in Action Plan**

Part of the proposed Action Plan by Staff included a two-year DSM update from the date of acknowledgement of the IRP. Avista fully supports updating staff on progress and changes made to the DSM programs. It has been Avista's long standing practice to involve Staff in decisions related to its DSM programs and it is the Company's intent to continue to do so. Avista does however question the need for a two-year update as we believe the items requested in this update can be included in the already established meetings and filings provided to Staff and the Commission on a regular basis. Between the time of the acknowledgement of the IRP and the two-year update, Avista will have completed the following updates/meetings or filings to the Commission:

- 2012 DSM Annual Report by April 30, 2013
- 2014 IRP Work Plan on August 31, 2013
- Low Income Funding Mechanism and Program Design Report six months following acknowledgement of IRP as recommend in Staff’s comments
- 2013 DSM Annual Report by April 30, 2014
- 2014 DSM Annual Report by April 30, 2015
- Semi-annual DSM program updates
- Semi-annual IRP and demand updates

On top of the meetings, updates, and filings the Company will make, we will work closely with Staff on the low-income program and potential program changes during a two-year exception. Avista will plan to provide an update to Commission Staff on the items requested in the 2013 and 2014 DSM annual reports. For the reasons provided above, the Company does not see a need to include this required update in the Action Plan of the IRP, as it relates solely to the operation of DSM programs and not to the IRP itself.

### **Low Income Program**

Avista fully supports Staff’s recommendation for the Company to develop a potential mechanism for allocating funding for a separate low income energy efficiency program and to provide a report outlining the mechanism to Staff within six months of the date of acknowledgment of the IRP. This should provide enough time for the Company to develop the mechanism and to gather feedback from the Low Income Agencies impacted.

### **Low-income vs. regular income program separation and keeping all programs during two year exception period.**

Related to the proposed suspension of furnace and thermostat incentives:

“This suspension is recommended as a result of updates to building codes that require more efficient furnaces and thermostats, as well as information provided by the ETO. The Trust no longer offers incentives for high efficiency furnaces (except to moderate income customers) as it has been determined that the furnace market has been transformed and customers are buying high efficiency equipment

without requiring incentives. Staff recommends furnace incentives remain in place for low-income customers.”

Avista is not yet in a position to offer differing measures to regular-income vs. low-income customers and therefore would propose keeping the incentive the same for both groups of customers until a low-income funding mechanism is developed and in place.

In addition to not yet being in a position to offer a separate program, Avista believes there is valid rationale for keeping furnace incentives in both programs, they are as follows:

1. The Department of Energy (DOE) canceled the new rules on high efficiency furnaces that were set to take effect in May 1, 2013. The new rules would have created a 90% efficiency standard for new gas furnaces installed in the Northern states. The DOE will hold another round of hearings and studies for a new rulemaking.
2. Savings from energy efficient furnaces provide the most savings of any measure offered in the Company’s residential DSM program.
3. Unlike the ETO, Avista has not run the furnace incentive program as a market transformation program and believes that incentives still have an impact on customers’ purchasing higher efficiency furnaces.

If furnace incentives remain a part of the program during the two-year exception period, the Company would propose keeping programmable thermostat incentives as well. Customers typically install these two measures together and there is a greater level of savings if they do.

### **Savings Goals**

The Company would propose altering the language related to the savings goal within the proposed Action Plan. The language provides that Avista “must achieve a minimum savings...”. It is difficult in this lower avoided cost environment to predict the level of participation and anticipated savings for 2013 and 2014, Avista proposes the following revision to Staff’s recommendation:

“Continue DSM programs in Oregon with a savings goal of 225,000 therms in 2013 and 250,000 therms in 2014.”

### **Analysis of Measure Lives**

As stated in Staff’s final comments, Avista uses measure lives that are consistent with those specified in OAR 860-030-0010(4)(a-h). In the proposed action plan, Staff directs the Company to conduct further analysis of measure lives for all measures. Avista believes that evaluating measure lives is an important piece of the total resource cost (TRC) test and supports Staff’s recommendation to continue this evaluation and discussion over the next two years.

### **Analysis of Non-Natural Gas Benefits**

Avista appreciates Staff’s recognition of the Company’s analysis regarding non-natural gas benefits for its residential attic insulation measures and agrees with Staff’s recommendation to conduct further analysis for all measures in the DSM portfolio in order to quantify additional non-natural gas benefits.

Lastly, based on the comments discussed above, the Company proposes the following revisions to the Action Plan as proposed by Staff:

- Pursuant to Staff recommendations and a Final Order regarding Advice No. 12-09-G in Docket UG 240, the Company will extend the residential energy efficiency measures petitioned for suspension.
- The Company will target savings of 225,000 therms in 2013 and 250,000 therms in 2014 in Oregon.
- As part of a Company’s annual DSM program evaluation report, and no later than two years from the date of acknowledgement of this IRP, Avista will provide the results of the following:
  - Savings and cost-effectiveness of the DSM portfolio.
  - Actions taken to reduce delivery costs, including administration costs and audit costs.
  - Actions taken to increase the number of cost-effective efficiency measures in the portfolio.

- An analysis of non-natural gas benefits of existing and proposed DSM measures.
- An analysis of measure lives for all measures.

Again, the Company appreciates the work of Commission Staff and CUB on its 2012 IRP. Avista believes its IRP should be acknowledged as recommended by Staff along with an Order in Docket UG 240, memorializing Staff's comments and recommendations for its DSM programs, which would resolve all issues and concerns of the parties involved in the two Dockets discussed above..

If you have any questions regarding the IRP, please direct them to Kelly Irvine at (509) 495-4335 or [kelly.irvine@avistacorp.com](mailto:kelly.irvine@avistacorp.com) and if you have questions regarding the Oregon DSM Programs, please direct them to Kerry Shroy at (541) 858-4743 or [kerry.shroy@avistacorp.com](mailto:kerry.shroy@avistacorp.com).

Sincerely,

*/s/Linda Gervais/*

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cc: Lisa Gorsuch  
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## CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that I have served Avista Corporation's Response Comments in Docket LC 55, Avista's 2012 Natural Gas Integrated Resource Plan, by electronic mail to the following:

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Dated at Spokane, Washington this 5<sup>th</sup> day of April, 2013.



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