

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**LC 55**

In the Matter of

AVISTA CORPORATION dba AVISTA  
UTILITIES

2012 Integrated Resource Plan.

STAFF'S COMMENTS

Following are Staff's initial comments and recommendations on the Avista Utilities' (Avista or Company) 2012 Integrated Resource Plan (IRP or plan). Staff's comments are organized by subject and address Staff's primary concerns at this time. Staff will continue to evaluate the Company's plan, responses to data requests and parties' comments prior to issuing final comments, recommendations and a proposed order for this plan in early March 2013.

**Background**

Avista filed its 2013 IRP, LC 55, with the Commission on August 31, 2012. A workshop was held on December 12, 2012, allowing Avista, Staff, Citizens' Utility Board, and Northwest Industrial Gas Users to discuss areas of the plan requiring further investigation. The primary focus of this workshop was natural gas Demand Side Management (DSM), specifically the cost-effectiveness of the Company's Energy Efficiency Programs.

Avista filed Advice No. 12-09-G on September 7, 2012, proposing to suspend Schedules 486, 490, Residential Energy Efficiency Programs, and all Prescriptive Efficiency Measures in Schedule 492, Commercial/Industrial DSM Incentive Program. The proposed suspensions were the result of lower avoided costs caused by the changing natural gas supply picture and the resultant lower prices. The Commission supported Staff's recommendation<sup>1</sup> to suspend Avista's request for six months pending investigation as part of LC 55.

**Staff's Initial Comments**

While Staff will not file final comments and a draft proposed order until March, the following is an overview of Staff's assessment at this time.

Staff and Avista have been collaborating in the review of the cost effectiveness of the Company's existing energy efficiency programs with special attention given to how the

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<sup>1</sup> Docket No. UG 240, Order No. 12-404

total resource cost test (TRC) is being applied. This has included analyzing current assumptions being used in the TRC, such as measure life, inclusion of non-gas benefits, how low-income programs are being accounted for, and how mandatory energy audits are being taken into account. Consideration continues to be given to the exception criteria outlined in Commission Order No. 94-590.<sup>2</sup>

Based on this ongoing analysis, Staff is confident that there are adequate grounds for a recommendation to continue Avista's Oregon DSM programs over the next two years. During this period, a number of factors will be explored and evaluated, including long-term gas price trends, options geared towards reduced delivery and transaction costs, ways to increase savings, and potential ways to decrease measure costs.

Staff will be proposing a revised action plan as part of its final comments, recommendations and a proposed order in LC 55. The DSM action item will detail the energy efficiency measures that will be recommended for continuance over the next two years and the expected therm savings measure-by-measure for that period. Staff will continue to work with Avista and parties to draft the revised action plan, which may include action items in addition to the DSM recommendation. However, due to slower forecasted growth from Avista's 2012 IRP, projects planned for as early 2014 in the Company's last planning cycle are now not needed until 2018.

Staff appreciates Avista's considerable efforts throughout the entire IRP process.

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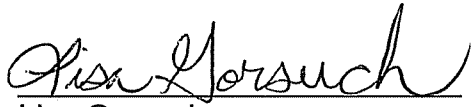
<sup>2</sup> Commission Order No. 94-590 in Docket UM 551 specifies that the total resource cost test (TRC) must be used to determine if energy efficiency measures and programs are cost effective. The same order allows for measures that are not cost effective to be included in utility programs if it is demonstrated that:

The measure produces significant non-quantifiable non energy benefits. In this case, the incentive payment should be set at no greater than the cost effective limit (defined as present value of avoided costs plus 10%) less the perceived value of bill savings, e.g. two years of bill savings

- Inclusion of the measure will increase market acceptance and is expected to lead to reduced cost of the measure
- The measure is included for consistency with other DSM program in the region
- Inclusion of the measure helps to increase participation in a cost effective program
- The package of measures cannot be changed frequently and the measure will be cost effective during the period the program is offered
- The measure or package of measures is included in a pilot or research project intended to be offered to a limited number of customers
- The measure is required by law or is consistent with Commission policy and/or direction

This concludes Staff's Comments.

Dated at Salem, Oregon, this 25th day of January, 2013

A handwritten signature in cursive script that reads "Lisa Gorsuch". The signature is written in black ink and is positioned above a horizontal line.

Lisa Gorsuch  
Senior Utility Analyst  
Energy Resources & Planning

CERTIFICATE OF SERVICE

LC 55

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 25th day of January, 2013 at Salem, Oregon

*Kay Barnes*

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Kay Barnes

Public Utility Commission

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