BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

	)	
	)	DOCKET NO. UE-
	)	
In the Matter of Avista's Ten-year	)	
Achievable Conservation Potential and	)	2012-2013 BIENNIAL
Biennial Conservation Report in Compliance	)	CONSERVATION PLAN OF
with RCW 19.285 and WAC 480-109	)	AVISTA CORPORATION
	)	

In compliance with WAC 480-109-010, Avista Corporation (hereinafter Avista or Company), respectfully submits this Ten-year Achievable Conservation Potential and 2012-2013 Biennial Conservation Report (Biennial Conservation Plan or BCP) in the above-captioned matter. The term "conservation" will be used interchangeably with energy efficiency and Demand-Side Management (DSM) throughout this plan.

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Key Supporting Documents by Reference:
Avista 2011 Electric Integrated Resource Plan and Conservation Potential Assessment
Avista EM&V Framework
Avista Technical Reference Manual

I. EXECUTIVE SUMMARY

RCW 19.285, Energy Independence Act, also known as Initiative Measure No. 937 or I-937, mandates, among other requirements, that utility companies obtain fifteen percent of their electricity from new renewable resources such as solar or wind by 2020 and to undertake all cost-effective energy conservation. The Commission adopted WAC 480-109, *Acquisition of Minimum Quantities of Conservation and Renewable Energy* to effectuate RCW 19.285.

This 2012-2013 Biennial Conservation Plan—Avista's second under I-937—is responsive to the energy efficiency requirements of WAC 480-109. In this BCP, Avista states its targets and describes how the target ranges have been developed consistent with RCW 19.285 and WAC 480-109. This BCP explains, in Appendix A to this plan, the programs designed to achieve these targets and how these savings will be defined and presented. The acquisition target range is an aggregate target that can be met through any eligible measure. Reporting standards and stakeholder involvement are also described.

Avista has chosen to use its 2011 electric Integrated Resource Plan[1] (IRP) centered on its recently completed Conservation Potential Assessment (CPA), as the basis for its 2012-2013 biennial acquisition target range. The Company has elected to commit to a range of acquisition[2] rather than a point estimate in recognition of the uncertainties inherent in the estimation process.

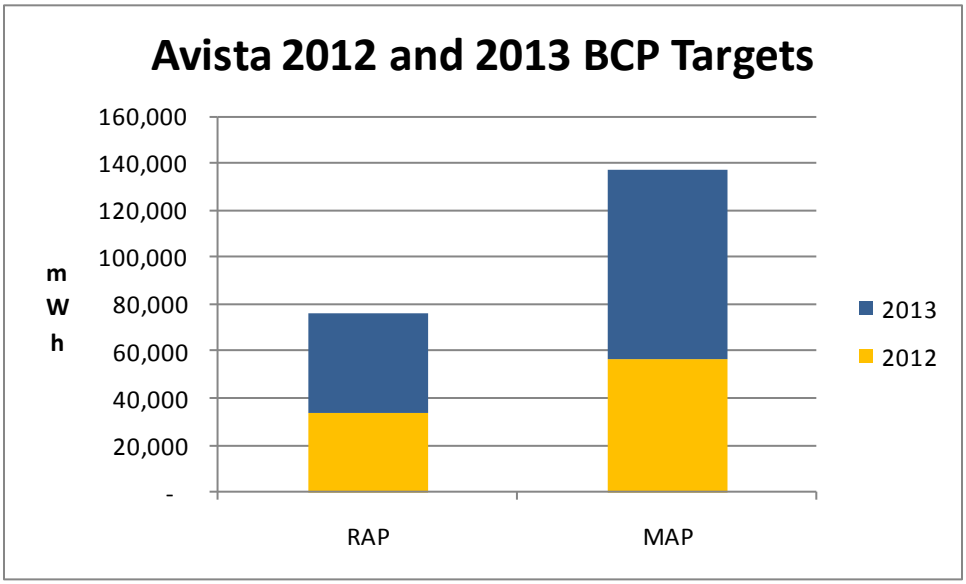
[1]For the Company's 2011 Electric IRP and accompanying appendices, refer to the following link.
www.avistautilities.com/inside/resources/irp/electric/Pages/default.aspx
[2] WAC 480-109-010 (2)(c) The biennial conservation target may be a range rather than a point target.

Avista intends to acquire between 76,202 and 137,410 MWhs of qualifying energy efficiency during the 2012-2013 biennium. Over a ten-year (2012 to 2021, inclusive) horizon the Company is anticipating the acquisition in the range of 529,114 to 1,079,345 MWhs. Within the Company's CPA, two types of achievable potential were established - Maximum Acquirable Potential (MAP) and Realistic Acquirable Potential (RAP). MAP is the upper boundary of the achievable potential range or the maximum achievable savings that could be achieved through Avista's energy efficiency programs. RAP represents the lower boundary of achievable potential or a forecast of achievable savings resulting from typical customer behavior and penetration rates of efficient technologies. In lieu of a target based on a point estimate of savings, the Company has used the independently derived MAP and RAP as the ceiling and the floor of its I-937 conservation target.

The Company's proposed energy efficiency acquisition for the 2012-2013 Biennium is based upon a CPA completed by a third-party consultant applying methodologies consistent with the Northwest Power and Conservation Council's (NWPCC) Sixth Power Plan[3]. The target range stated within the BCP is based upon the realistic acquisition potential and the maximum acquisition potential defined within that study. The following Illustration represents the Company's 2012 and 2013 BCP targets:

[3] WAC 480-109-010(1)(b)(i)

Illustration 1.



For ease of references the acronyms used in this report are as follows:

aMW (Average Megawatt)

BCP (Biennial Conservation Plan)

CPA (Conservation Potential Assessment)

CSS (Customer Service System)

CWG (Washington Conservation Working Group)

DSM (Demand Side Management)

EM&V (Evaluation Measurement & Verification)

I-937 (Initiative Measure No. 937)

IRP (Integrated Resource Plan)

kW (Kilowatt)

kWh (Kilowatt-Hour)

MAP (Maximum Acquisition Potential)

MAR (Market Acceptance Rates)

MW (Megawatt)

MWh (Megawatt-hour)

NEEA (The Northwest Energy Efficiency Alliance)

NWPCC (Northwest Power and Conservation Council or the Council)

O&M (Operations and Maintenance)

PIF (Program Implementation Factors)

RAP (Realistic Acquisition Potential)

RTF (Regional Technical Forum)

SGDP (Smart Grid Demonstration Project)

TAC (Technical Advisory Committee)

T&D (Transmission and Distribution)

TRC (Total Resource Cost Test)

TRM (Technical Resource Manual)

UCT (Utility Cost Test)

UES (Unit Energy Savings)

UTC (Washington Utilities and Transportation Commission)

VAR (Volt-Ampere Reactive)

II. THE END-USE EFFICIENCY PLAN

1. Overview of 2012-2013 Biennial Conservation Plan

This filing describes the efforts of Avista, in consultation with interested external stakeholders, to estimate a ten-year achievable conservation potential, identify a biennial acquisition target range, identifying measures qualifying to be counted towards the acquisition

target, determining how claimed acquisition will be measured and establish an understanding in regards to related procedural issues.

WAC 480-109 permits utilities to establish electric energy efficiency targets based on either the most recent Northwest Power and Conservation Council Power Plan or its most recent IRP, provided that the methodology used in that IRP is consistent with the Council's Power Plan methodology.[4] The Company's proposed energy efficiency acquisition for the 2012-2013 Biennium is based upon a CPA completed by a third-party consultant applying methodologies consistent with the NWPCC's Sixth Power Plan.

As mentioned earlier, Avista has chosen to use its 2011 electric Integrated Resource Plan[5] (IRP) centered on its recently completed Conservation Potential Assessment (CPA), as the basis for its 2012-2013 biennial acquisition target range. The Company has elected to commit to a range of acquisition rather than a point estimate in recognition of the uncertainties inherent in the estimation process. Avista intends to acquire between 76,202 and 137,410 MWhs of qualifying energy efficiency during the 2012-2013 biennium. Over a ten-year (2012 to 2021, inclusive) horizon the Company is anticipating the acquisition in the range of 529,114 to 1,079,345 MWhs. Descriptions of eligible measures and evaluation requirements are described within the Company's 2012 DSM Business Plan.

[4] Pursuant to I-937, utilities are to follow the targets, as identified through the Power Council's calculator, over a 10-year period or provide a basis for deviating from those targets.
[5] For the Company's 2011 Electric IRP and accompanying appendices, refer to the following link. www.avistautilities.com/inside/resources/irp/electric/Pages/default.aspx

The Company's energy efficiency expectations over this time period are founded upon the pursuit of cost-effective energy efficiency by the utility and operating within the prevailing market and economic conditions. Though advancements in energy efficient technologies continue to occur and the ability of utilities to apply innovative approaches to program implementation have accelerated, the influence of the recession upon the demand and marketability of efficiency technologies has adversely influenced our projections. Despite these realities, the upper end of the expected range of acquisition (MAP) exceeds the acquisition targets for the prior (2010-2011) biennium as well as the Sixth Power Plan's 2012-2013 biennium.

Comparatively, the Northwest Power and Conservation Council's Sixth Power Plan, completed in 2010,[6] anticipated approximately 125,618 MWhs of acquisition[7] within Avista's Washington service territory during 2012-2013 and approximately 767,050 MWhs over the ten year (2012 to 2021, inclusive) timeframe. A number of factors contribute to the differences between these values with those of the last biennium, to include updated macroeconomic conditions[8], the impact of tax credits advancing some efficiency opportunities into prior years, and improvements in technology options and implementation strategies.

This filing also endeavors to improve the degree of clarity in the protocols and methodology surrounding measure eligibility and acquisition measurement issues, as well as proposing

[6] The Sixth Power Plan was completed and filed in 2010, however, analyses occurred in 2009 on 2009 and older data.
[7] These acquisition levels have been adjusted to be at the site and distribution efficiency has been removed in order to compare with Avista's CPA which includes energy efficiency only
[8] The Sixth Power Plan did not include the effects of the recession that the Country has been faced with over the last couple of years.

accompanying procedural revisions. These proposals are informed by the extensive discussions among key stakeholders on these issues within the Washington Conservation Working Group (CWG) and Avista-specific consultations with its Advisory Group. Through this foundation, a level of clarity was established that will permit the Company to focus upon the operational excellence needed to cost-effectively achieve, and hopefully exceed, the established targets.

2. Conservation Potential and Conservation Targets

As stated above, for the 2012-2013 Biennium, Avista has chosen to use its 2011 electric IRP which was based on the Company's recently completed electric CPA prepared by Global Energy Partners. The CPA was a 20-year potentials study for energy efficiency and demand response to provide data on DSM resources used in the Company's 2011 IRP and in accordance with Washington I-937.[9] While a CPA, by definition, only includes end-use energy efficiency, I-937 and the Council's Sixth Power Plan includes distribution and thermal efficiencies. Although no acquirable potential relative to thermal efficiency was identified within Avista's IRP, the Company will continue to pursue cost-effective opportunities in this area and will claim any acquisition towards its target. In relation to distribution efficiencies, adding the distribution efficiency target range (see Section III) to the conservation target from the Company's IRP provides consistency with the Council's methodology.

The CPA and IRP include electric to natural gas conversions as an efficient technology and while the Company intends to continue to pursue this technology as an efficient use of resources,

[9] While demand response was included in the potential study for use in the Company's IRP, it is outside of the scope of I-937 and will be excluded from targets and acquisition.

estimated savings attributable to electric to natural gas conversions have been excluded from the Company's target in order to provide consistency with the Council's methodology.

Both the CPA and the IRP were prepared consistent with the Council's methodology. The energy efficiency potentials resulting from the CPA considers a baseline forecast without the impacts of naturally occurring conservation, impacts of known codes and standards as of 2010, technology developments and innovations, as well as changes to the economy and energy prices.[10] Table 2.1 illustrates the difference in the baseline forecast, identified within the CPA, for the 2012-2013 Biennium with and without naturally occurring conservation.

Table 2.1 Baseline Forecast by Sector, Annual Energy Use (MWh)

	With Naturally Occurring Conservation		Without Naturally Occurring Conservation	
Sector	2012	2013	2012	2013
Residential - WA	2,448,104	2,483,103	2,451,739	2,498,746
C&I - WA	2,955,156	3,029,001	2,955,971	3,031,717
Total	5,403,260	5,512,104	5,407,710	5,530,463

Within the CPA, energy efficiency measures applicable to and within Avista's service territory were identified and analyzed both for lost opportunity and non-lost opportunity. Since it includes all energy efficiency regardless of how it is delivered, it inherently includes regional savings that will be acquired through the Northwest Energy Efficiency Alliance (NEEA).[11] In an effort to maintain consistency with the Council's Sixth Power Plan, gross savings estimates were

[10] The target will be based upon expected codes and standards as of the completion of the CPA. Energy savings associated with early adoption of those codes and standards count toward I-937, as does any enhancement in code compliance whether partially or entirely attributable to utility intervention.

[11] NEEA's net market effects include natural adoption (if NEEA and Avista have a program operating in the market) that occurs within Avista's service territory and will be counted towards the Company's target. NEEA will report code changes, savings estimates and attribution linkages which Avista will use to report savings.

used to develop targets and will be used to claim savings resulting from program operations during this biennium. It should be noted, that while the Council's Sixth Power Plan includes Unit Energy Savings (UES) at the busbar, the UES attached as Appendix D to this BCP are at the site.[12] There is no restriction on measure or equipment eligibility or re-adoption based upon measure life. Programs delivering quantifiable savings based upon energy saving behaviors are eligible.[13] The UES attached to this BCP as Appendix D are "locked" for the duration of the biennium for existing measures and program acquisition. Other new measures identified during the biennium where "locked" UES values are not available will be subject to independent, third-party measurement and evaluation[14] in compliance with filed evaluation, measurement and verification (EM&V) protocols.[15] Site specific program acquisition will be based on verified savings estimates resulting from independent third-party evaluation. In situations where a new measure or equipment is implemented, UES may be obtained from the CPA, the RTF, or from other sources based on the best science available until impact evaluation can be done to provide better estimates.

Energy efficiency measures and equipment analyzed within the CPA were evaluated using the Council's cost-effectiveness methodology which employs the California Standard Practice

[12] The Council uses a transmission and distribution (T&D) factor of approximately 10%. Avista's UES are savings estimates at the site. This accounts for some of the difference between the Company's targets developed through the CPA and the Council's calculator targets.

[13] The Company will leverage existing protocols when evaluating and/or implementing a behavioral program and will incorporate such protocols within future targets to provide for symmetry between target setting and acquisition claims. When known, these programs will be noted within the Company's annual DSM Business Plan The Company will continue to evaluate and may implement a behavioral program that may arise between business planning cycles.

[14] Avista's Advisory Group as well as the Washington Utilities and Transportation Commission's Conservation Working Group supported symmetry between targets and acquisition. Avista's Advisory Group determined that the UES from the TRM will be used where applicable for savings claims toward meeting the target.

[15] Avista's Advisory Group as well as the Washington Utilities and Transportation Commission's Conservation Working Group supported symmetry between targets and acquisition. Avista's Advisory Group determined that the UES from the TRM will be used where applicable for savings claims toward meeting the target.

Manual with some exceptions such as the inclusion of non-energy benefits and the use of gross acquisition. The avoided costs used to evaluate measures and equipment includes components for energy, carbon, capacity, risk, transmission and distribution losses as well as the Council's 10% preference adder. For I-937 purposes, the Company's nominal, 20-year levelized avoided cost of $88.39 per MWh would be adjusted to an avoided cost of $104.37 per MWh for evaluation of potential conservation programs. Included within the $88.39 per MWh is energy, carbon adder, a capacity value and a risk adder. The $104.37 per MWh includes a component for transmission and distribution losses, distribution capacity savings factor, as well as the Council's 10% preference adder for conservation resources.

Within the Company's CPA, two types of achievable potential were established - Maximum Acquirable Potential (MAP) and Realistic Acquirable Potential (RAP). MAP is the upper boundary of the achievable potential range or the maximum achievable savings that could be achieved through Avista's energy efficiency programs. RAP represents the lower boundary of achievable potential or a forecast of achievable savings resulting from typical customer behavior and penetration rates of efficient technologies. In lieu of a target based on a point estimate of savings, the Company has used the independently derived MAP and RAP as the ceiling and the floor of its I-937 conservation target. Table 2.2 illustrates the electric efficiency target and a comparison with its target from the Council's Sixth Power Plan Calculator for Washington.

Table 2.2 Washington Biennium Target (MWhs)

	2012	2013	Biennium Total	2012-2021
Sixth Power Plan Calculator[16]	71,983	77,982	149,965	950,784
Busbar to Site Adjustment[17]	64,785	70,184	134,969	855,706
Less: Distribution Efficiency[18]	(4,129)	(5,221)	(9,350)	(88,656)
Revised Sixth Power Plan Target	60,656	64,963	125,618	767,050
Realistic Achievable Potential (RAP) without naturally occurring Conservation	34,424	42,8324	77,256	600,553
Less: Space/Water Fuel Conversions	(383)	(671)	(1,054)	(71,439)
Adjusted RAP	34,041	42,161	76,202	529,114
Percent of Sixth Power Plan target	56%	65%	61%	69%
Maximum Achievable Potential (MAP) without naturally occurring Conservation	59,044	86,219	145,263	1,278,697
Less: Space/Water Fuel Conversions	(2,460)	(5,393)	(7,853)	(199,352)
Adjusted MAP	56,584	80,826	137,410	1,079,345
Percent of Sixth Power Plan target	93%	124%	109%	141%

In addition, the Market Acceptance Rates (MAR) used to develop RAP in Avista's CPA are consistent with, and in some cases, higher than the Council's ramp rates. For the development of MAP in Avista's CPA, Program Implementation Factors (PIFs) are applied to the MAR resulting in RAP ramp rates. These PIFs are based on other studies that Global performed, most notably the EPRI National Potential Study and the AmerenUE potential study. These ramp rates in some cases exceed the Council's ramp rates.

3. Energy Efficiency Portfolio

The Company offers a wide range of electric and natural gas efficiency programs to our customers as well as supporting outreach, infrastructure and educational programs. These

[16] Refer to the Sixth Power Plan Target Calculator download at the following link. www.nwcouncil.org/energy/powerplan/6/supplycurves/I937/default.htm
[17] Net of transmission & distribution losses in order to provide consistency between numbers presented.
[18] In order to provide consistency, distribution efficiency needs to be removed from the Sixth Power Plan target to be consistent with targets identified within the CPA

programs are comprehensively reviewed on an annual basis as part of a business planning process. The business planning process establishes an operational plan for achieving all cost-effective conservation through available or contemplated tools. Generally, optimization is possible within this detailed planning process, which projects higher acquisition relative to the more general analysis performed within the IRP and the CPA.

The business planning process establishes measurable metrics for the continuous management of the DSM portfolio to include budgets, labor and physical equipment requirements and general infrastructure needs. Short- and long-term threats and opportunities are assessed, and these analyses lead to updated strategic plans, all of which are incorporated into the business plan.

Avista's 2012 DSM Business Plan contains the results of these efforts and are incorporated into this filing by reference and attached as Appendix A. The DSM Business Plan provides a bottom-up approach of how program implementation intends to drive participation and acquire savings to be counted toward the Company's target range through existing programs, ramping of existing programs and the development of new programs.

4. Stakeholder Engagement

Avista has had an ongoing active stakeholder involvement focus since 1992. Extensive stakeholder involvement opportunities have been provided for the development of this BCP and associated issues through multiple processes: Avista's IRP Technical Advisory Committee, Avista's Advisory Group, and the Washington CWG.

Avista's Advisory Group consists of fifteen interested parties.[19] Through September, the Advisory Group has met four times in 2011 and the Technical Committee once.[20] The development of this BCP has benefited by input from Avista's Advisory Group. Namely, thirty topics of potential interest in this BCP were presented to the Advisory Group and discussed over the course of two all-day meetings (July 20th and August 17th, 2011, both held at SeaTac).[21] Several webinars have been convened by Avista in 2011 (regarding the CPA and Market Segmentation). Avista's Advisory Group meetings have been well-attended, with nine parties having attended most or all of these meetings.[22]

Avista's energy efficiency targets have historically been determined through its IRP process, pursuant to WAC 480-100-238. The CPA was developed as part of the IRP process and presented to the Technical Advisory Committee (TAC). The TAC oversees and provides input to the IRP process as well as the development of the future CPAs and supply curves.

Further, Avista's BCP process has been informed by the UTC Staff-sponsored Washington CWG providing further stakeholder participation. Six all-day meetings, attended by eight of

[19] The Advisory Group is Avista's non-binding oversight and technical advisory group for energy efficiency. The Advisory Group is currently composed of the UTC Staff, the IPUC Staff, the Washington Office of Public Counsel, Industrial Customers of Northwest Utilities, Northwest Industrial Gas Users, Northwest Energy Coalition, SNAP, The Energy Project, Northwest Energy Efficiency Alliance, Northwest Power Planning and Conservation Council, Northwest Energy Efficiency Council, Idaho Conservation League, Integrated Design Lab—Inland Northwest, Community-Minded Enterprises and Spokane County.

[20] In addition to the Advisory Group, a sub-group (the Technical Committee) has been convened to examine details underlying cost-effectiveness tests and EM&V, as well as emerging technical issues. Further, the Company seeks customer input, from all revenue classes, on its programs through periodic events such as customer meetings. Customer surveys of program participants and non-participants inform program design and process modification.

[21] The Advisory Group has been assisted by three consultants: Dr. Dune Ives, facilitator; and Steve Schiller and Dr. Chris Ann Dickerson who have assisted with development of the EM&V Framework, consulted on EM&V efforts and other technical issues.

[22] Attendees included UTC Staff, IPUC Staff, Public Counsel, NWEC, ICNU, The Energy Project, NEEA, Council Staff, and NEEC.

Avista's Advisory Group members, discussed many issues related to 2012-2013 conservation targets and associated issues.

Avista commits to hosting at least four Stakeholder Advisory meetings (either in-person or by webinar) in 2012 and 2013. During these meetings or through other communications, the Advisory Group will be updated on and have opportunity to review:

a. protocols to evaluate, measure, and verify energy savings in Avista's programs,
b. methodology inputs and calculations for updating cost-effectiveness,
c. consideration of the need for tariff modifications or mid-course program corrections,
d. marketing conservation programs,
e. incentives to customers for measures and services,
f. consideration of issues related to conservation programs for customers with limited income,
g. program achievement results with annual and biennial targets, and
h. conservation program budgets and actual expenditures compared to budgets.

In addition to meetings, the status of target achievement and associated updates will be provided to interested parties in several ways over the compliance period. Avista provides an annual DSM Business Plan, provided herein as Appendix A. This process guides the business operations for the following year. The annual plan is distributed to the Advisory Group. Included in the plan is a budget detailing labor, programs, outreach, measurement and evaluation and other necessary administration to achieve the conservation target. Because the Business Plan was filed concurrently with the BCP, Avista scheduled additional opportunities to discuss the Business Plan. The Company will provide periodic newsletters with planning, programmatic, and statistical updates, tariff rider balances, updates on acquisition and an annual DSM report on final results for the year. Selected I-937 issues, prioritized from Avista's meetings are provided in Appendix C.

Avista Commitment regarding Stakeholder Engagement:

a. Avista will convene its Advisory Group of external stakeholders at least four times per year for review of, and to gain input on, programmatic and reporting topics as described above. Avista will consult with its Advisory Group to facilitate completion of its 2014-2023 10-year conservation potential analysis by November 1, 2013.

5. Program Descriptions

Avista has offered electric-efficiency programs continuously since 1978. The Company's current portfolio of efficiency programs is broadly applicable across all customer segments. The overall portfolio contains individual market segments for non-residential, general residential and low-income residential customers. Each portfolio applies a segment and project-specific strategy to deliver opportunities for cost-effective energy efficiency to that customer population. Efficiency programs are offered either through standard offer (also termed "prescriptive") as well as through a site-specific program for non-residential measures not otherwise available in a prescriptive program.

Detailed descriptions of the individual local programs are contained within the 2012 DSM Business Plan provided in Appendix A. These programs are categorized into non-residential prescriptive, non-residential site-specific, residential home improvement, residential new construction, residential appliances, residential lighting (includes mail distribution, geographic saturation and manufacturer buy-downs), partner programs (includes Home Energy Audit Pilot), refrigerator recycling, and low-income. These programs and the Company's strategy for success within each market segments are discussed in greater detail within the 2012 DSM Business Plan.

The Company proposes to retain the option to develop and revise programs as necessary over the course of the 2012-2013 Biennium. This on-going portfolio management may include the launching or termination of programs offering eligible measures without the adjustment of the biennial acquisition target.

In addition to the predominately incentive-based efficiency programs offered through Avista programs, the Company is also a funder and an active participant in the achievement of energy efficiency through regional market transformation. This activity occurs through the Northwest Energy Efficiency Alliance portfolio of market transformation ventures, achieving resource acquisition from throughout the region. Avista and other utility partners are in the continuous process of developing sound methodologies for the attribution of the energy savings from these programs to individual utilities and jurisdictions in a manner that is additive to local utility programs.

It is Avista's intent to incorporate the portion of these regional savings that is applicable to the Company's Washington service territory towards meeting the acquisition target established within this BCP. The methodology will be based upon the inclusion of the net market effects and the natural adoption of these regionally supported services and technologies in a manner that is consistent with Avista's practice of applying the energy savings of all participants in local programs toward the achievement of the BCP acquisition target. Methodologies developed within these protocols will be subject to review by NEEA, Avista and Avista's Advisory Group (to include UTC Staff).

The Company has not included fuel efficiency (electric to natural gas space and water conversions) within the scope of this BCP target since such acquisition is explicitly outside of the scope of the statute. Avista does nevertheless intend to continue to pursue cost-effective fuel efficiency, although the expected savings acquisition from these programs is not included in the BCP target nor will the actual acquisitions from these programs be considered eligible for contributing to the achievement of the BCP target.

Avista Commitments regarding Energy Efficiency Programs:

a. Avista will maintain its conservation tariffs, with program descriptions, on file with the Commission.[23] Program details about specific measures, incentives, and eligibility requirements will be included in the tariffs.

b. Avista will submit annual budgets to the Advisory Group and to the Commission no later than November 1 of each year, included with its Annual Business Plan filing.

c. Avista will offer a mix of tariff-based programs that ensure it is serving each customer segment, including programs targeted to the low-income subset of residential customers. Customer outreach and incentives will be established for engaging customer participation in Avista's programs.

d. Avista will present new proposed programs to the Advisory Group for comment, prior to implementation.

e. So as to encourage conservation efforts in areas where savings impacts have not yet been measured, Avista may spend up to 10 percent of its conservation budget on these programs if the overall portfolio of conservation passes the Total Resource Cost (TRC) test as modified by the Council. Examples may include (but are not limited to) behavior change programs and pilot projects.

6. Reporting and Tracking Systems

During the last biennium, Avista produced a quarterly report for the Commission which covers targets, energy savings, budgets, actual expenses, revenue, and tariff rider balances. A similar report was produced monthly for Avista's stakeholder/Advisory Group. Various internal

[23] Avista, per discussions with the Commission Staff and the Advisory Group will re-file its programmatic tariff, Schedule 90, by year-end 2011.

reports are produced monthly for Avista's program managers and other staff. The reports differ in content depending on the needs of those requiring the information. The reports cover energy savings acquisition, costs, details of rebates, location, customer, and other information as needed. These reporting and tracking systems are evolving to meet the needs of those involved in managing the programs, measures, and energy efficiency activities as well as those involved in advisory groups and other external groups.

In 2011, Avista filed more than 30 energy efficiency reports with the UTC. These reports will continue to be provided until such time the reports will be modified to include or exclude specific kinds of information to meet new requirements.

Avista currently has two main tracking systems for energy efficiency projects. The Customer Service System (CSS) is Avista's legacy "mainframe" central data management system. It is used for tracking residential and low income projects and contains project, rebate, and customer information. SalesLogix is used for tracking nonresidential (commercial, industrial, nonprofit, and government) projects and contains project, rebate, and customer information. The reason there is a separate tracking system for nonresidential projects is because of the complexity of the projects and more details and project information are necessary to track the nonresidential projects from start to finish. In addition, a corporate financial system is used for tracking finances and expenditures across all areas of Avista.

Avista Commitments regarding Reporting and Tracking:

a. Six-Month Report on Conservation Acquisition, comparing budgeted to actual kWhs (unevaluated) and expenditures, will be filed by August 15, 2012.

b. 2013 DSM Business Plan, containing any changes to program details and an annual budget will be filed by November 1, 2012.

c. A 2012 Annual Report on Conservation Acquisition on evaluated results, including an evaluation of cost effectiveness and comparing budgets to actual, will be filed by June 1, 2013.

d. Any revisions to cost recovery tariff will be filed by July 1, 2012, with requested effective date of September 1, 2012.

e. Six-Month Report on Conservation Acquisition, comparing budget to actual kWhs (unevaluated) and dollar activity, will be filed by August 15, 2013.

f. A Biennial Conservation Plan including revised program details and program tariffs, together with identification of 2014-2023 achievable conservation potential will be filed by November 1, 2013, requesting an effective date of January 1, 2014.

g. A 2012-2013 Two Year Report on Conservation Acquisition Achievement on evaluated results, will be filed by June 1, 2014,

7. Adaptive Management and Implementation Strategies

Despite the best efforts of all of those involved in planning for the achievement of the Company's acquisition and cost-effectiveness targets, there will be the frequent need for revisions and mid-course corrections during the biennium. The Company will maintain an ongoing evaluation system to identify developing issues and to follow through with the appropriate management action.

The Company's 2012 DSM Business Plan outlines a strategy for the upcoming calendar year. Additionally, the Company has committed to notifying the Commission of unplanned changes in incentives or program eligibility that occur throughout the year. The same business planning process will be carried out to plan for 2013 activities with a formal business plan being filed with the Commission on or before November 1st, 2012.

In recognition of the inherent uncertainty of planning for a two-year period, the Company is also filing the acquisition targets as a range of acquisition rather than as a point estimate. The range of acquisition reflects the "realistic acquisition potential" and "maximum acquisition potential" of the efficiency components of the measures eligible for the BCP, as defined by a third-party consulting firm using a methodology consistent with that employed by the Northwest Power and Conservation Council. The plus or minus thirty percent range of acquisition anticipated from distribution efficiency measures during this biennium is dependent on construction scheduling, load levels, load characteristics and other factors. The ultimate savings resulting from these programs will depend on the accuracy of engineering assumptions and the effectiveness of the solution components when operated as a coordinated system.

The Company will continue to evaluate potential efficiency measures throughout the biennium. Measures that have the potential for offering cost-effective savings will be considered for incorporation into the DSM portfolio. The quantifiable acquisition from all eligible measures, whether they are included in the current portfolio or not, will count towards the achievement of the BCP target.

If the Company's tracking and management of efficiency acquisition indicates that it is likely that the portfolio will fail to achieve an acquisition equal to or greater than the low end of the BCP range stated in this filing, the Company will immediately notify the Commission. This notification will include an estimate of the shortfall, the causes of the deficiency and the steps taken or being contemplated by Avista to address the issue.

It is fully recognized that the Company bears the responsibility for achieving the acquisition targets established within this BCP, and that the Company has the commensurate right to make revisions to the portfolio within the boundaries of the current or future tariff language to meet these obligations.

Avista Commitments regarding Adaptive Management and Implementation:

a. Avista will maintain an on-going evaluation system to identify developing issues and to follow through with the appropriate management action.

b. Avista will notify the Commission of unplanned changes in incentives or program eligibility that occur during the biennium. Avista will immediately notify the Commission if the Company anticipates a shortfall along with an estimate of the shortfall, causes of the deficiency and steps contemplated to address the issue.

c. Avista commits to a target range of MAP and RAP as independently derived through its CPA by a third-party.

8. Utility Evaluation, Measurement and Verification Activities

Evaluation, Measurement and Verification (EM&V) is intended to represent the comprehensive analyses and assessments necessary to supply salient information to stakeholders that adequately determines the prudence of Avista's DSM Programs. EM&V, as described below and taken as a whole, are analogous with other industry standard terms such as Portfolio Evaluation or Program Evaluation.

A Technical Committee, serving primarily within the scope of EM&V, currently assists Avista with the development of EM&V protocols and related conservation program considerations. These activities include providing recommendations and guidance on functional

aspects of implementation and evaluation. Principal interaction with Avista includes meetings, document and plan reviews, webinars and direct interchanges.

Avista is committed to the use independent third-party EM&V consultants and evaluators for the various analyses required to substantiate the I-937 portfolio over the biennium. The role of EM&V for validation of the conservation acquisition is critical to the reporting phase of the BCP, and the processes and protocols for conservation evaluation will continue to be refined. The existing corporate EM&V documents, including the EM&V Framework, annual EM&V plans and individual program EM&V guidelines, will be reviewed and updated as required, serving to improve the processes and protocols for conservation EM&V. Furthermore, the Avista TRM has been evaluated by an independent, third-party evaluator and savings estimates will be updated based on findings resulting from impact evaluation that occurred during the previous biennium.

For the 2012-2013 compliance period, Avista will allocate a portion of its conservation budget on EM&V activities, including independent, third-party EM&V analyses necessary to evaluate the entire portfolio over the course of the biennium.

The Regional Technical Forum (RTF), as an advisory committee to the Northwest Power and Conservation Council, is a valued source of information relating to the measurement of energy savings, but is not the only source of information. The RTF provides Unit Energy Savings (UES) references suitable for consideration in Avista's acquisition planning relative to each I-937 biennium. Avista may elect to evaluate, refer to, and use RTF or other sources of energy

efficiency metrics with equal merit. Information from the RTF, as well as the Sixth Power Plan, NEEA, and other data sources, is used in Avista's TRM to compile, catalog, and track electrical energy efficiency measures. Key criteria available from the RTF include measure costs, savings, estimated useful lifetimes, and measure sunset thresholds. Program-specific savings amounts, whether established by the RTF or other means, are subject to rigorous and frequent impact evaluation that serves to verify appropriate energy savings levels.

All energy savings will be based upon normal and fixed operating conditions as it relates to the specific measure. Suppressed demand, also known as take back, represents incremental increases in energy consumption that as a result of the energy efficient measure, will not diminish measured energy savings. Energy efficiency measures essentially reduce the cost of end-use services. When there is opportunity for user control of those measures, the customer often rationally chooses to consume a higher quantity of those services in response to this reduction in cost. Measurement of savings based upon pre- and post-project energy usage effectively reduces the energy savings achieved through the efficiency improvement for any increased usage that occurs due to changes in customer behavior. While it may be difficult to exclude this influence from impact evaluations, the intent is to separate these two factors in order to claim the efficiency impact alone. This consideration will be provided to the independent third-party evaluators.

Baselines for cost-effectiveness and the measurement of energy savings will be modified during the biennium to be consistent with code or standard revisions that become effective during the Biennium. In the unlikely event that unanticipated revisions to codes and standards

occur between BCPs and IRPs, Avista will claim energy saving credit relative to the baselines consistent with the effective date anticipated within the establishment of the I-937 target for any documented projects.

For performance contract projects that extend across annual or biannual periods, the kWh acquisition, cost-effectiveness and incentive expenditures wi11 be based on the date of the final incentive payment associated with the project. The payment date will establish the effective date of the acquisition for all purposes of the BCP, including the prudence of the incentive.

Revisions to reported annual savings may occur due to the results of these EM&V evaluations. These modifications of savings will be reported and documented as required with supporting analyses and may yield increases or decreases in final reported energy efficiency savings.

An overview of the DSM information and documentation workflow is presented as Figure 1. The relationship between the CPA, IRP, Annual Business Plan and Report, various evaluations, and this Biennial Conservation Plan are represented to demonstrate the informational linkages and dependencies. The stakeholders provide consideration and review of the regulatory filings and various planning documents. The principal purpose of the workflow is to support the Program Management functions as specific measures, programs and initiatives are provided for customer benefit and the realization of energy efficiency within Avista's service territory.

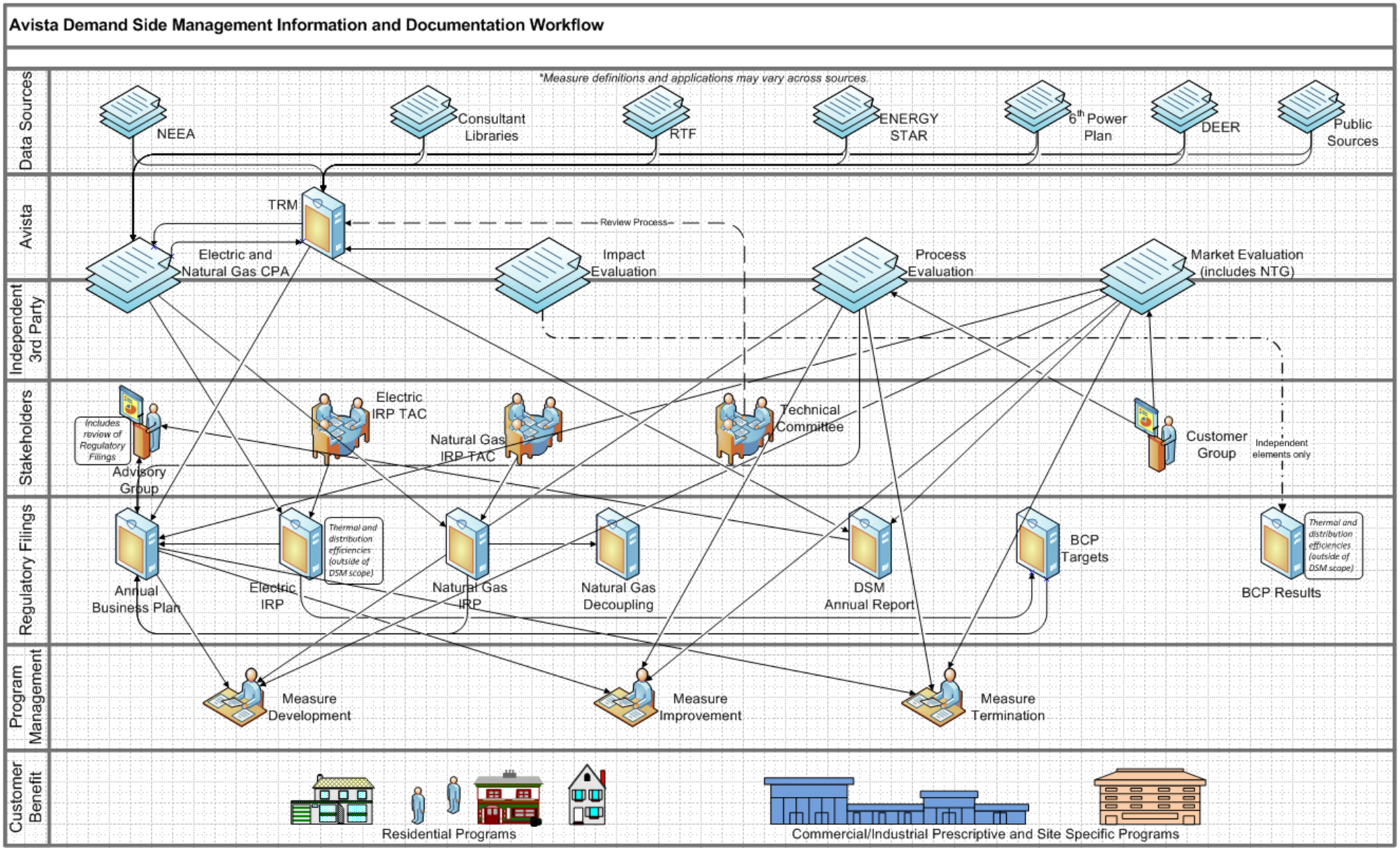


Figure 1 Avista Demand Side Management Workflow

Avista Commitments regarding Evaluation, Measurement and Verification:

a. ***The Company will apply, as the primary cost effectiveness test, the TRC test as modified by the Council. The Council-modified calculation of TRC includes quantifiable non-energy benefits, a risk adder, and a 10 percent conservation benefit adder that increases the avoided costs by 10 percent. The Council does not include a net-to-gross adjustment. In addition to the Council-modified TRC, Avista will provide calculations of the Program Administrator Cost test (also called the Utility Cost test), Ratepayer Impact Measure test, and Participant Cost test. Overall conservation cost-effectiveness will be evaluated at the portfolio level, electric and natural gas combined. Costs included in the portfolio level analysis include conservation-related administrative costs. Avista will continue to evaluate measure and program level cost tests.***

b. ***Avista will seek the "best science available" for "deemed" savings for electricity measures and will look first to the Council's Regional Technical Forum (RTF). If Avista utilizes savings amounts for prescriptive programs that have not been established by the RTF, such estimates will be based on a rigorous impact evaluation that has verified savings levels or be performed by a third-party evaluator, and be presented to the Advisory Group for comment.***

c. ***Avista will provide opportunities for the Advisory Group to review the evaluation, measurement and verification protocols.***

d. ***In Docket No. UE-100176, Order No. 1, Avista was ordered to spend 3-6% of its DSM budget on EM&V for the 2010-2011 compliance period. For the 2012-2013 biennium, Avista will spend a sufficient amount of its conservation budget on evaluation, measurement, and verification, including a reasonable proportion on independent, third-party EM&V. Avista will perform EM&V annually on a multi-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market and cost test analyses. The results are intended to verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes. An annual independent, third-party EM&V report involving analysis of both program impacts and process impacts, for those programs reviewed in that year, must be part of the Annual Report on Conservation Acquisition.***

9. Cost Recovery Mechanism

This section describes Avista's cost recovery mechanism for energy efficiency expenditures and presents an overview of a separate proposal to recognize savings pre-acquired from future

periods. Pre-acquisition will exclude lost-opportunity (new construction) as identified by the CPA.

Avista's energy efficiency programs are funded through Schedules 91 (electric) and 191 (natural gas), or "tariff riders." Historically Avista has met all customer demand for energy efficiency even if DSM expenditures have exceeded tariff rider revenue. Adjustments have been made to Schedules 91 and 191 to recover over- or under-funded balances from prior periods on an as-needed basis. Beginning in the 2010-2011 BCP compliance period, Avista has moved to an annual true-up filing of Schedules 91. For the 2012-2013 compliance period, proposed changes to Schedule 91 will be filed on July 1st to be effective on September 1st. The procedure to determine prudence of DSM expenditures is discussed in Section 10, below.

Avista Commitment regarding Cost Recovery:

a. Avista will recover the future year's budgeted expenses, and any variances between budgeted and actual income and expenditures during the previous period, in an annual filing to be made on July 1st, with rates to be effective on September 1st. The funds collected through the rider will be used to implement the conservation programs contained in this BCP and their administrative costs.

10. Plan Compliance Information and Other Key Issues

In this document, Avista has stated its targets and described how these targets have been developed consistent with RCW 19.285 and WAC 480-109. Avista has described in Appendix A the programs that are designed to achieve these targets and how these savings will be defined and presented. The acquisition target is an aggregate target that can be met through any eligible

measure as described in Section 5. Reporting standards and stakeholder involvement have been shown.

Avista has the full authority and responsibility to manage the DSM portfolio so as to meet the targets included herein. Avista will inform the Commission in a timely manner if there is an expectation that the I-937 target will not be achieved.

As stated in Sections 8 and 10, cost-effectiveness and other prudence-related issues related to cost recovery would be based on the June 1, 2014 verified savings report. Avista will file testimony and supporting evidence to demonstrate the prudence of its electric DSM expenditures for 2012 and 2013. Within 30 days of the filing, parties could request that the Commission set the matter for adjudication. Any cost-recovery issues would be implemented by the Commission in the next annual tariff rider filing.[24]

Avista Commitments regarding Compliance with WAC 480-109:

a. ***Avista has the sole responsibility for complying with RCW 19.285, which requires Avista to use methodologies consistent with those used by the Northwest Power and Conservation Council.***

b. ***Avista will demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission after the savings are achieved by filing a verified 2012-2013 Savings Achievement Report with supporting testimony.***

[24] This is in keeping with the Order No. 05 in Dockets UE-110876 and 110877 (consolidated), "Order Granting Joint Motion for Clarification on Forum for Resolution of DSM Prudence"

11. Tables for Portfolio Plan Template

Table 2.3 summarizes the expected range of acquisition from the electric-efficiency portion of the Company's DSM portfolio, distribution efficiency measures and efficiency measures reducing power plant load within thermal generating facilities.

Table 2.3 BCP Target Summary

Category	Low range (MWh)	High range (MWh)
Electric efficiency	76,202	137,410
Distribution efficiency	32,387	60,147
Thermal efficiency	0	0
Aggregate BCP Target	108,589	197,557

Expectations regarding distribution efficiency are based upon estimates of the annual acquisition from projects anticipated to be completed within the biennium. The plus or minus thirty percent range of these estimates is dependent on construction scheduling, load levels, load characteristics and other factors. The ultimate savings resulting from these programs will depend on the accuracy of engineering assumptions and the effectiveness of the solution components when operated as a coordinated system.

The Company's IRP process evaluated the potential for the acquisition of electric-efficiency within thermal generating stations. This process concluded that there were no cost-effective opportunities that could be identified within the 2012-2013 time period. Consequently, the Company is not including any such acquisition within this BCP target. The Company will continue to evaluate opportunities and seek to move forward with cost-effective projects. If these projects reach completion within the biennium they will contribute towards the achievement of the BCP target.

III. DISTRIBUTION EFFICIENCY

In this section, Avista states its distribution efficiency targets for the 2012-2013 Biennium and describes how these targets were established. This section is taken predominately from the Company's 2011 electric Integrated Resource Plan, Chapter 5.

By way of explanation, Avista delivers electrical energy from generators to customer meters through a network of conductors (links) and stations (nodes). The network system is operated at different voltages depending upon the distance the energy must travel to reduce current losses across the system. A common rule to determine efficient energy delivery is one kV per mile. For example, a 115 kV power system commonly transfers energy over a distance of 115 miles while 13 kV power systems are generally limited to delivering energy 13 miles.

Avista's categorizes its energy delivery systems between transmission and distribution voltages. Avista's transmission system operates at 230 kV and 115 kV nominal voltages. Avista's distribution system operates between 4.16 kV and 34.5 kV, but typically at 13.2 kV in its urban service centers.

In 2008, an Avista system efficiencies team of operational, engineering and planning staff developed a plan to evaluate potential energy savings from Transmission and Distribution (T&D) system upgrades. The first phase summarized potential energy savings from distribution feeder upgrades. The second phase, beginning in the summer of 2009, combined transmission system topologies with "right sizing" distribution feeders to reduce system losses, improve system reliability, and meet future load growth.

Avista's distribution system consists of approximately 330 feeders covering 30,000 square miles. The feeders range in length from three to 73 miles. For rural distribution, feeder lengths vary widely to meet the electrical loads resulting from the startup and shutdown business swings of the timber, mining and agriculture industries.

The system efficiencies team evaluated several efficiency programs across the urban and rural distribution feeders. The program consists of reducing conductor losses, installing high efficiency distribution transformers, replacing secondary districts, and providing active VAR compensation.

The energy losses, capital investments, and reductions in operations and maintenance (O&M) costs resulting from the individual efficiency programs under consideration were combined on a per feeder basis. This approach provided a means to rank and compare the energy savings and net resource cost for each feeder.

Prior to the 2009 IRP, an economic analysis was performed to determine the net resource costs to upgrade each feeder for the four program components listed above. The net resource cost determines the avoided cost of a new energy resource, levelized over the asset's life cycle, expressed in dollars per megawatt. This economic value is calculated by estimating the capital investment, energy savings, and avoidance of operations and maintenance (O&M) and interim capital investments resulting from feeder upgrades.

The O&M avoided costs for upgrades were determined by modeling existing feeders in an expected value model combining a weighted average time and material cost of equipment failure with the probability of failure. The distribution feeder's conductor, transformers, and ancillary equipment were used to develop the failure model for each studied feeder. Customer, material and labor costs incurred by outages, and equipment failure were the parameters used to measure the economic risk of a failure. Many of the projects found to be cost effective are now a part of the grid modernization project discussed below. There were 60 feeders remaining for potential re-builds and based upon preliminary energy and O&M savings estimates, all appear cost effective. However, these projects need further study to develop detailed cost and energy savings estimates. Further improved reliability and replacing aging infrastructure may also contribute to the decision to proceed with rebuild projects. Based on the preliminary cost and energy estimates, losses could be reduced by as much as 6.1 aMW by the end of the twenty-year IRP planning period.

Avista is investing in grid modernization technology with the aid of three federal grants promoting the development of grid modernization applications. These grants require the Company to invest in grid modernization training and grid improvement. The following is a discussion of the programs, and the progress of the investment.

Targets for distribution energy efficiency capture first year energy savings, to be consistent with the end-use energy efficiency protocols used in this BCP. Avista will capture the first year energy savings entirely in the year when the assets are placed in service. The Evaluation, Measurement and Verification process will focus on the 12-month period extending forward

from the date assets are place in service. The Northwest Power and Conservation Council has published relevant EM&V protocols; Avista may leverage all or a portion of these methodologies. Avista has engaged the Washington State University to provide a recommended approach to EM&V through an in-depth analysis of available and/or potential methodologies.

The five year, $20 million Smart Grid Investment Grant (SGIG) covers investment to the Spokane area grid improvement project. This project includes upgrades for 59 circuits, and 14 substations, that serve 110,000 electric customers. Avista is contributing $22 million to this project to automate the system. While 42,000 MWh or 4.8 aMW of loss savings is expected annually at the completion of construction, Avista is expecting 34,839 MWh in this biennium. Conservation Voltage Reduction (CVR) makes up 83 percent of the loss savings. This project will enable Avista to remotely control and operate the distribution system through a series of wireless controls and fiber communication between switches, reclosers, capacitor banks, and voltage regulators.

Avista is a partner in the regional Smart Grid Demonstration Project (SGDP). Avista is using an $18.9 million government grant to employ grid modernization technology in Pullman, Washington, as part of the Pacific Northwest Smart Grid Demonstration Project. Avista is contributing $14.9 million to the Pullman project and other parties are contributing an additional $4.0 million. The partners are Itron, Huellet Packard, Washington State University, and Spirae. This project encompasses thirteen circuits, three substations, and includes network automation. The project involves replacement of 14,000 electric and 6,000 natural gas meters with digital meters with wireless communication. Customers with these new meters will be able to use a web

portal to track energy usage in near real time. This project should reduce system losses by 6,763 MWh of which 6,477 MWh are expected to be realized in this biennium.

Avista will begin rebuilding distribution feeders to capture energy savings from reducing losses, and to increase reliability, and decrease future O&M costs. In 2012, the Company will begin work on three feeders. The 2012 feeder rebuilds will be completed between June and December 2012 and we expect to reduce losses by 1,626 MWh annually. The schedule of feeders has yet to be determined for 2013, but will likely include five or six feeder upgrades for approximately 3,325 MWh of expected loss savings annually.

Table 3.1 - Estimated Distribution Efficiencies by Type

	2012 MWhs	2013 MWhs
Smart Grid	34,839	6,477
Distribution Feeders	1,626	3,325
Total	36,465	9,802

The estimates provided above in Table 3.1 are subject to a plus or minus 30 percent range depending on construction scheduling, load levels, load characteristics and other factors. The ultimate savings resulting from these programs will depend on the accuracy of engineering assumptions and the effectiveness of the solution components when operated as a coordinated system.

Avista is planning a new modeling system that will incorporate transmissions topology, station locations and load growth. Historically, Avista's power grid was designed and built to adhere to reliability and capacity guidelines resulting in the lowest upfront cost. This approach was reasonable considering the low electricity costs of that time. As the cost of energy increases,

life cycle economic analyses are warranted to evaluate power system losses corresponding to different power grid configurations.

IV. COMPLIANCE AND COMMITMENTS

Avista respectfully requests that this plan be approved as filed. The specific elements are summarized below:

Compliance with WAC 480-109:

Avista's Biennial Conservation Plan, as filed herein, is pursuant to RCW 19.285.040(1)(e) and WAC 480-109-010(4)(c).

Avista's Ten-Year Achievable Conservation Potential and Biennial Conservation Target, as filed herein, is pursuant to WAC 480-109-010(1) and WAC 480-109-010(2).

Avista has the sole responsibility for complying with RCW 19.285, which requires Avista to use methodologies consistent with those used by the Northwest Power and Conservation Council.

Avista will demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission after the savings are achieved by filing a verified 2012-2013 Savings Achievement Report with supporting testimony. (See RCW 19.285.040(1)(d))

Commitments per Company and Commission Energy Efficiency Practices

Avista Commitment regarding Advisory Group:

a. Avista will convene its Advisory Group of external stakeholders at least four times per year for review of, and to gain input on, programmatic topics as described above. Avista will consult with its Advisory Group to facilitate completion of its 2014-2023 10-year conservation potential analysis by November 1, 2013.

Avista Commitments regarding Program Descriptions:

a. Avista will maintain its conservation tariffs, with program descriptions, on file with the Commission.[25] Program details about specific measures, incentives, and eligibility requirements will be included in the tariffs.

[25] Avista, per discussions with the Commission Staff and the Advisory Group will re-file its programmatic tariff, Schedule 90, by year-end 2011.

b. Avista will submit annual budgets to the Advisory Group and to the Commission no later than November 1 of each year, included with its Annual Business Plan filing.

c. Avista will offer a mix of tariff-based programs that ensure it is serving each customer sector, including programs targeted to the limited-income subset of residential customers. Customer outreach and incentives will be examined for engaging customer participation in Avista's programs.

d. Avista will present new proposed programs to the Advisory Group for comment, prior to implementation

Avista Commitments regarding Reporting and Tracking:

a. A Six-Month Report on Conservation Acquisition, comparing budgeted to actual kWh's and expenditures, will be filed by August 15, 2012.

b. The 2013 DSM Business Plan, containing any changes to program details and an annual budget will be filed by November 1, 2012.

c. The 2012 Annual Report on Conservation Acquisition, including an evaluation of cost effectiveness and comparing budgets to actual, will be filed by June 1, 2013

d. Revisions to cost recovery tariff will be filed by July 1, 2012, with requested effective date of September 1, 2012.

e. A Six-Month Report on Conservation Acquisition, comparing budget to actual kWh's and dollar activity, will be filed by August 15, 2013.

f. A Biennial Conservation Plan including revised program details and program tariffs, together with identification of 2014-2023 achievable conservation potential will be filed by November 1, 2013, requesting an effective date of January 1, 2014.

g. A 2012-2013 Two Year Report on Conservation Acquisition Achievement, will be filed by June 1, 2014

Avista Commitments regarding Adaptive Management and Implementation Strategies:

a. Avista will maintain an on-going evaluation system to identify developing issues.

b. Avista will notify the Commission of unplanned changes in incentives or program eligibility that occurs during the biennium. Avista will immediately notify the Commission if the Company anticipates a shortfall along with an estimate of the shortfall, causes of the deficiency and steps contemplated to address the issue.

c. Avista commits to a target range of MAP and RAP as independently derived through its CPA by a third-party.

Avista Commitments regarding EM&V:

a. The Company will apply, as the primary cost effectiveness test, the TRC test as modified by the Council. The Council-modified calculation of TRC includes quantifiable non-energy benefits, a risk adder, and a 10 percent conservation benefit adder that increases the avoided costs by 10 percent. The Council does not include a net-to-gross adjustment. In addition to the Council-modified TRC, Avista will provide calculations of the Program Administrator Cost test (also called the Utility Cost test), Ratepayer Impact Measure test, and Participant Cost test. Overall conservation cost-effectiveness will be evaluated at the portfolio level. Costs included in the portfolio level analysis include conservation-related administrative costs. Avista will continue to evaluate measure and program level cost tests.

b. Avista will seek the "best science available" for "deemed" savings for electricity measures and will look first to the Council's Regional Technical Forum. If Avista utilizes savings amounts for prescriptive programs that have not been established by the RTF, such estimates will be based on a rigorous impact evaluation that has verified savings levels or be performed by a third-party evaluator, and will be presented to the Advisory Group for comment.

c. Avista will provide opportunities for the Advisory Group to review the evaluation, measurement and verification protocols.

d. In Docket No. UE-100176, Order No. 1, Avista was ordered to spend 3-6% of its DSM budget on EM&V for the 2010-2011 compliance period. Avista will perform EM&V annually on a multi-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market and cost test analyses. The results are intended to verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes. An annual independent, third-party EM&V report involving analysis of both program impacts and process impacts, for those programs reviewed in that year, will be part of the Annual Report on Conservation Acquisition.

e. So as to encourage conservation efforts without approved EM&V protocols, Avista may spend up to ten (10) percent of its conservation budget on programs whose savings impact has not yet been measured, if the overall portfolio of conservation passes the TRC test as modified by the Council. These programs may include educational, behavior change, and pilot projects.

Avista Commitment regarding Cost Recovery:

a. Avista will seek to recover the future year's budgeted expenses, and any variances between budgeted and actual income and expenditures during the previous period, in an annual filing to be made on July 1st, with rates to be effective on September 1st. The funds collected through the rider will be used to implement the conservation programs contained in this BCP and their administrative costs.

RESPECTFULLY SUBMITTED this 1st day of November 2011.

AVISTA CORPORATION

By: _____
Kelly O. Norwood
Vice President, State and Federal Regulation