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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-09-01
OF AVISTA CORPORATION FOR THE)	CASE NO. AVU-G-09-01
AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR ELECTRIC AND)	
NATURAL GAS SERVICE TO ELECTRIC)	DIRECT TESTIMONY
AND NATURAL GAS CUSTOMERS IN THE)	OF
STATE OF IDAHO)	BRUCE W. FOLSOM
)	

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

1 I. INTRODUCTION

2 Q. Please state your name, employer and business
3 address.

4 A. My name is Bruce Folsom. I am employed by Avista
5 as the Senior Manager of Demand Side Management (DSM). My
6 business address is East 1411 Mission Avenue, Spokane,
7 Washington.

8 Q. Would you please describe your education and
9 business experience?

10 A. I graduated from the University of Washington in
11 1979 with Bachelor of Arts and Bachelor of Science degrees.
12 I received a Masters in Business Administration degree from
13 Seattle University in 1984.

14 I joined the Company in 1993 in the State and
15 Federal Regulation Department. My duties included work
16 associated with tariff revisions and regulatory aspects of
17 integrated resource planning, demand side management,
18 competitive bidding, and emerging issues. In 2002, I was
19 named the Manager of Regulatory Compliance which added
20 responsibilities such as implementing the Federal Energy
21 Regulatory Commission's major changes to its Standards of
22 Conduct rule. I began my current position in September of
23 2006. Prior to joining Avista, I was employed by the
24 Washington Utilities and Transportation Commission
25 beginning in 1984, and then served as the Electric Program

1 Manager from 1990 to February, 1993. From 1979 to 1983, I
2 was the Pacific Northwest Regional Director of the
3 Environmental Careers Organization, a national, private,
4 not-for-profit organization.

5 **Q. What is the scope of your testimony in this**
6 **proceeding?**

7 A. I provide an overview of the Company's DSM
8 programs and recent results. I also provide documentation
9 showing that Avista's expenditures for electric and natural
10 gas energy efficiency programs have been prudently
11 incurred.

12 **Q. Are you sponsoring any exhibits to be introduced**
13 **in this proceeding?**

14 A. Yes. I am sponsoring Exhibit No. 13 prepared
15 under direction. Exhibit No. 13 documents the results and
16 cost-effectiveness of Avista's DSM programs.

17

18 **II. DSM PROGRAMS AND CURRENT PERIOD RESULTS**

19 **Q. Would you please provide a brief overview of**
20 **Avista's DSM programs?**

21 A. Yes. Avista has historically had a significant
22 and consistent commitment to energy efficiency. In the
23 mid-1990s, while the electric industry was pulling back
24 from offering energy efficiency services, Avista pioneered
25 the Energy Efficiency Tariff Rider. Now in its fourteenth

1 year, the tariff rider was the country's first distribution
2 charge to fund DSM and is now replicated in many other
3 states. Schedule 91 currently has a commodity rate of
4 1.58% for electric service and the Schedule 191 rate is
5 1.46% for natural gas.

6 The Company's approach to energy efficiency is based
7 on two key principles. The first is to pursue all cost-
8 effective kilowatt hours and therms by offering financial
9 incentives for energy saving measures with a simple
10 financial payback of over one year. The second key
11 principle is to use the most effective "mechanism" to
12 deliver energy efficiency services to customers. These
13 mechanisms are varied and include 1) prescriptive programs
14 (or "standard offers" such as high efficiency appliance
15 rebates), 2) site-specific or "customized" analyses at
16 customer premises, 3) "market transformational", or
17 regional, efforts with other utilities, 4) low-income
18 weatherization services through local Community Action
19 Agencies, and 5) low-cost/no-cost advice through a multi-
20 channel communication effort. These will be described
21 later in my testimony.

22 The Company's offerings include over 300 measures that
23 are packaged into over 30 programs for customer
24 convenience. As part of Avista's planning efforts, over
25 3000 measures are considered and then examined for cost-

1 effectiveness. The Company's comprehensive energy
2 efficiency outreach, the "Every Little Bit" communications
3 campaign, received several national honors in 2008. This
4 comprehensive communication approach helps customers
5 reorient their thinking about energy efficiency.

6 The Company's programs are delivered across a full
7 customer spectrum. Virtually all customers have had the
8 opportunity to participate and a great many have directly
9 benefited from the program offerings. As will be described
10 later in my testimony, all customers have indirectly
11 benefited through enhanced cost-efficiencies as a result of
12 this portfolio approach.

13 Avista offers the following residential programs:

1 **Illustration No. 1:**

- 2 **RESIDENTIAL**
- 3 High Efficiency Furnace/Boiler
 - 4 High Efficiency Heat Pump
 - 5 High Efficiency Variable Speed Motor
 - 6 High Efficiency Tank Water Heater
 - 7 High Efficiency Tankless Water Heater
 - 8 High Efficiency Ground Source Heat Pump
 - 9 High Efficiency Replacement Air Conditioning
 - 10 Space Heat Conversion (Direct Use of Natural Gas)
 - 11 Water Heat Conversion (Direct Use of Natural Gas)
 - 12 Heat Pump Conversion (Direct Use of Natural Gas)
 - 13 Ceiling, Attic, Floor, Wall Insulation
 - 14 High Efficiency Windows
 - 15 Fireplace Damper
 - 16 Multifamily (UCONS)
 - 17 BuiltGreen™ (New Construction Energy Star®)
 - 18 Something for Everyone
 - 19 Energy Star® Appliances
 - 20 CFL (and CFL Recycling) Promotions
 - 21 Warm Homes, Warm Hearts
 - 22 "Second" Refrigerator Recycling Program
 - 23 "Geographic Saturation"
 - 24 Community Events and Workshops
 - 25 Low-cost/no-cost information
 - 26 Direct Use of Nat Gas: Multi-Family Housing Conversion
 - 27 Regional Market Transformation (NEEA)
 - 28 On-line Home Audits
- 29
- 30 **LIMITED INCOME RESIDENTIAL**
- 31 Limited Income Weatherization with Community Action
 - 32 Programs
 - 33 *(Note: All residential programs above are also*
 - 34 *available)*
 - 35
 - 36

37 The residential programs shown above are standard
38 offerings or what we call "prescriptive programs." These
39 involve a menu of rebates on selected measures (e.g.,
40 lighting, weatherization, appliances, etc.).

1 For commercial customers, in addition to prescriptive
2 programs, Avista offers "site-specific" programs. Site-
3 specific programs are customized to the customer's
4 premises. The site-specific offering provides incentives
5 on any cost-effective commercial and industrial energy
6 efficiency measure. This is implemented through site
7 analyses, customized diagnoses, and incentives determined
8 for savings generated specific to the customer's premises
9 or process. The following illustration shows the programs
10 available to Avista's commercial and industrial customers.

11 **Illustration 2:**

12 **NON-RESIDENTIAL (COMMERCIAL & INDUSTRIAL)**

13 Site-Specific

14 (Note: Incentives offered for any measure with > 1
15 year payback)

16 Air Care Plus (Rooftop HVAC Maintenance)

17 EnergySmart Commercial Refrigeration

18 LEED Certification Incentives

19 Power Management for PC Networks

20 Premium Efficiency Motors

21 Food Service

22 LED Traffic Signals

23 Refrigerated Warehouse

24 Commercial HVAC Variable Frequency Drives

25 Retro-Commissioning

26 Clothes Washers

27 Side Steam and Demand Filtration

28 Vending Machine Controllers

29 Lighting and Controls
30

31

32 These programs are supported by twenty-one full-time
33 equivalents (FTE) spread over 34 staff. (This does not
34 include Company support from the Contact Center, Corporate

1 Communications, Accounting and other direct and indirect
2 support.) The 2008 DSM budget (system) was over \$18
3 million, representing an increase of \$6 million over 2007.
4 Of the Company's revenues collected under Schedules 91
5 (electric tariff rider) and 191 (natural gas tariff rider)
6 in 2008, 70.9% was paid out to customers in direct
7 incentives pursuant to the cost-effectiveness tests
8 described below. This does not include additional benefits
9 such as technical analyses provided to customers by the
10 Company's DSM engineering staff.

11 **Q. What were the Company's energy efficiency targets**
12 **and results for 2008?**

13 A. The Company's energy efficiency targets are
14 established in the process of developing the Electric and
15 Natural Gas Integrated Resource Plans (IRPs). These
16 targets are revisited and adjusted to take into account new
17 programs as part of our ongoing business planning process.

18 The results of Avista's energy efficiency programs
19 continue to exceed the targets established as part of the
20 IRP process. The current estimate of local energy
21 efficiency savings for January through November 2008 is
22 62.1 million kWhs (approximately 7 amW) or 117% of the
23 Company's annual target. These preliminary results will be
24 revised based upon ongoing verification of the data by the
25 Company.

1 These are preliminary, unaudited results that will
2 be updated. Over 137 aMW of cumulative savings have been
3 achieved through Avista's energy efficiency efforts in the
4 past thirty years; over 110 aMW of DSM is currently in
5 place on the Company's system. By comparison Avista's 2008
6 total electric retail load was 1098 aMW. The 2008 natural
7 gas savings targets for Washington and Idaho is 1.425
8 million therms. Over 1.75 million therms have been saved
9 through November of 2008, which is 123% of the 2008 annual
10 target.

11 **Q. Do the 2008 results reflect Avista's**
12 **participation in regional energy efficiency efforts?**

13 A. No. In addition to Avista's prescriptive and
14 site-specific programs, the Company funds and participates
15 in the activities of the Northwest Energy Efficiency
16 Alliance (NEEA). NEEA focuses on using a regional approach
17 to obtain electric efficiency through the transformation of
18 markets for efficiency measures and services. An example
19 of NEEA-sponsored programs that benefit Avista customers
20 are efforts to decrease the cost of compact fluorescent
21 light bulbs (CFLs) and high-efficiency appliances by
22 working through manufacturers. For some measures, a large-
23 scale, cross-utility approach is the most cost-effective
24 means to achieve energy efficiency savings. This approach
25 seems particularly effective for markets composed of large

1 numbers of smaller usage consumers, such as the residential
2 and small commercial markets.

3 The results from NEEA programs for 2008 have not been
4 reported as of the date of the submittal of this testimony.
5 Historically, however, Avista has received approximately
6 1.5 aMW of savings in its service territory from NEEA
7 programs.

8 **Q. Please explain Avista's relationship to the**
9 **Northwest Energy Efficiency Alliance (NEEA).**

10 A. Avista has been a member of the NEEA since the
11 creation of that organization in 1996. As stated above, the
12 mission of NEEA is to acquire cost-effective electric
13 efficiency resources through regional market
14 transformation. Avista is supportive of the use of a
15 coordinated regional market transformation effort to the
16 extent that the effort is a cost-effective enhancement of,
17 or alternative to, local utility efforts at acquiring those
18 resources for our customers.

19 In 2007, the last year for which data is available,
20 NEEA acquired 2.0 aMW applicable to Avista's service area
21 at a cost of 0.07 cents/kWh. Avista's Total Resource Cost
22 avoided cost for a comparable time period is 0.4 cents/kWh
23 (using Avista's weighted average measure life and discount
24 rate). Historically, NEEA's TRC acquisition cost has always

1 been well below Avista's comparable electric avoided cost.
2 The value of the NEEA portfolio has been realized by
3 Avista's customers both directly as participants in markets
4 that have been cost-effectively transformed by NEEA
5 ventures, as well as indirectly as a result of reduced
6 demand and consequently lower energy costs through
7 wholesale markets.

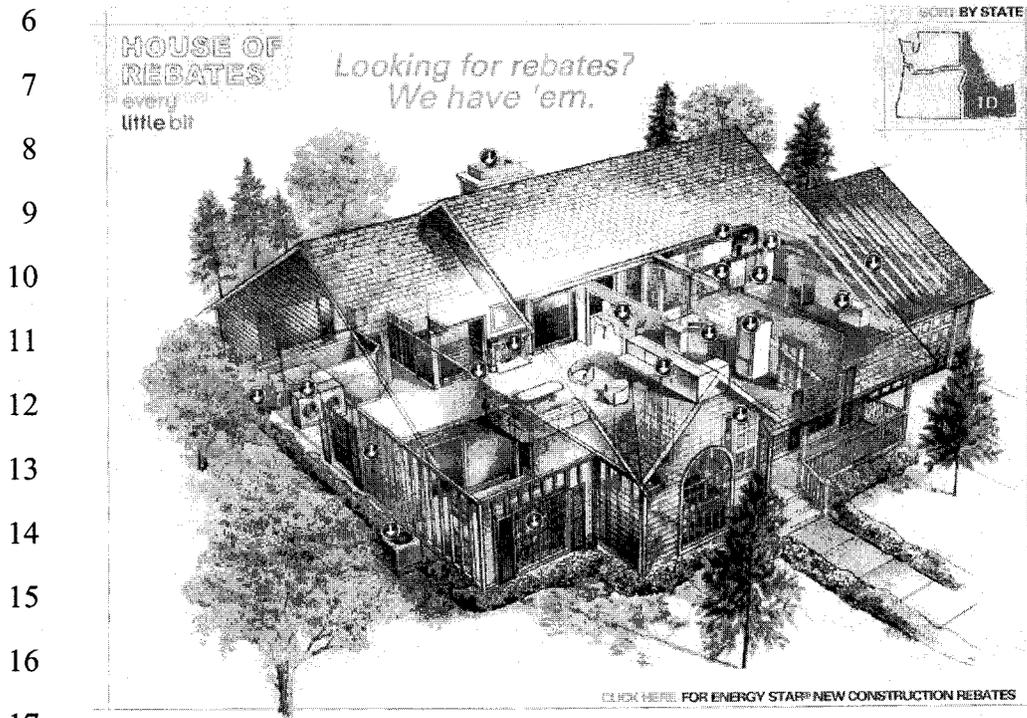
8 Avista has been actively involved in the governance of
9 NEEA since the creation of the organization. The governance
10 contains numerous safeguards to promote broad regional
11 representation (including representation of the interests
12 of customers east of the Cascades and investor-owned
13 utility customers), prudent oversight of organizational
14 expenditures by the board of directors and appropriate
15 opportunities for the cessation of Avista funding in the
16 event of changes in organizational mission or
17 effectiveness.

18 **Q. How do you increase customer participation in**
19 **your DSM programs?**

20 A. Our focus on the residential side is to increase
21 customer understanding of our programs and how our programs
22 can help customers reduce their bills. We do this through
23 bill inserts and communications to drive customers to our
24 website with a "call-to-action" to use our financial
25 rebates. The following depicts a recent enhancement to our

1 website, www.EveryLITTLEBit.com. This is an interactive
2 tool to engage customers and allows customers to quickly
3 view programs that they can use, by "clicking on"
4 particular features of the dwelling:

5 **Illustration No. 3:**



18 **Q. Have you reviewed the Staff's comments on Energy**
19 **Affordability and what is Avista's response their**
20 **recommendations?**

21 A. Yes. In Case No. GNR-U-08-01, "Energy
22 Affordability Issues and Workshops," the Commission
23 initiated workshops to provide a forum for the exploration
24 of issues related to the affordability of energy in Idaho.
25 Staff provided their comments November 26, 2008. In the

1 Company's reply comments filed December 19, 2008, we agreed
2 with Staff's recommendations concerning DSM and noted that:

- 3 • The Company historically has addressed
4 weatherization funding levels in our rate cases;
- 5 • Avista has been an advocate for energy conservation
6 education;
- 7 • Avista continues to review our incentive programs
8 and the level of incentive amounts on an ongoing
9 basis;
- 10 • Regarding low- or no-interest loans, we are
11 examining expansion of current customer options,
12 preferring to work with the existing financial
13 institution infrastructure that has this function
14 as their primary service;
- 15 • Avista strongly supports initiative(s), including
16 those by the Northwest Energy Efficiency Alliance,
17 to include multi-family and manufactured homes in
18 the Energy Star® Home Program; and
- 19 • Avista supports improved appliance and building
20 standards and codes as the most cost-effective
21 means for energy efficiency delivery.
22

23 **Q. What is the status of the tariff rider balance?**

24 A. The tariff rider balance - both Idaho and
25 Washington, electric and natural gas - is a negative
26 \$9,982,000 (i.e. dollars expended exceed dollars collected
27 through the Tariff Rider). By jurisdiction and fuel, the
28 negative rider balances are, as of November 2008:
29 (\$1,149,000) - Idaho electric; (\$858,000) - Idaho natural
30 gas; (\$5,499,000) - Washington electric; and (\$2,476,000) -
31 Washington natural gas.

32 **Q. What are the causes of these increasing negative**
33 **balances?**

1 resulted in the need for increased energy efficiency
2 funding. Avista remains committed to expeditiously
3 responding to customer requests for funding where the cost-
4 effectiveness tests are satisfied.

5 **Q. What kind of external oversight does the Company**
6 **have regarding DSM?**

7 A. The Company established a non-binding oversight
8 group, the External Energy-Efficiency (Triple-E) board in
9 1999 to provide for improved opportunities for
10 communication, input and oversight of Avista's DSM
11 portfolios. Avista currently facilitates meetings of the
12 board twice per year, provides a full analysis of the
13 results of DSM operations on an annual or more frequent
14 basis, discloses (with appropriate concern for customer
15 confidentiality) large projects and projects benefiting
16 Avista facilities, and provides the Triple-E with a
17 quarterly update of DSM activities. Additionally, the
18 Triple-E board can initiate additional meetings of the
19 board at their own request. Board membership has included
20 representatives from regulatory, governmental,
21 environmental, nationally recognized energy-efficiency
22 experts, customer advocates for limited income and
23 industrial segments as well as end-use customer
24 participants.

1 **Q. Does the Company propose to increase its low-**
2 **income weatherization funding as part of this filing?**

3 A. Yes. The Company proposes to increase its low-
4 income weatherization funding for electric and natural gas
5 service by a percentage amount equal to the percentage rate
6 increase granted in this case for residential customers
7 (net of the PCA surcharge reduction for electric service).
8 The additional funding would be provided through the DSM
9 tariff riders, Schedules 91 and 191.

10

11

III. PRUDENCE OF INCURRED DSM COSTS

12

Q. Would you please explain the Company's request
13 **for a finding of prudence in this case?**

14

A. Yes. When the Commission approved the Company's
15 energy efficiency programs in 1995 (in Case Nos. WWP-E-94-
16 12 and WWP-G-94-6), Avista committed to demonstrating the
17 prudence of program expenditures in future general rate
18 cases. In the Company's last general electric and natural
19 gas rate cases (Case Nos. AVU-E-08-01 and AVU-G-08-01), the
20 Commission issued a finding in Order No. 30647 that
21 electric and natural gas expenditures through December 31,
22 2007 were prudently incurred. At this time, the Company
23 requests that the Commission issue a finding that electric
24 and natural gas energy efficiency expenditures from January
25 1, 2008 through November 30, 2008 were prudently incurred.

1 **Q. Would you please summarize the Company's energy**
2 **efficiency-related savings for this time period?**

3 A. Yes. The Company's tariff riders under Schedules
4 91 (electric) and 191 (natural gas) are system benefit
5 charges to fund energy efficiency.

6 As shown in Exhibit No. 13, from January 1, 2008
7 through November 30, 2008, 62.1 million kWh and 1.75
8 million therms of energy savings were obtained. Page 1 of
9 Exhibit No. 13 details the energy savings by regular and
10 low-income portfolios for both electric and natural gas DSM
11 programs.

12 **Q. Has there been ongoing review of the Company's**
13 **programs?**

14 A. Yes, as previously discussed, the Company has
15 regularly convened a stakeholders forum known as the
16 External Energy Efficiency Board. These meetings have
17 included customer representatives, Commission staff
18 members, and individuals from the environmental
19 communities. These stakeholder meetings review the
20 Company's program offerings as well as the underlying cost-
21 effectiveness tests and results.

22 **Q. Have the Company's DSM programs been cost-**
23 **effective?**

24 A. Yes. The electric programs have been cost-
25 effective from both a Total Resource Cost (TRC) and Utility

1 Cost Test (UCT) perspective. Page 2 of Exhibit No. 13
2 shows that the TRC benefit-to-cost ratio of 1.94 for the
3 overall electric DSM program portfolio is cost-effective,
4 with a net TRC benefit to customers of over \$23 million.
5 The UCT benefit-to-cost ratio is cost-effective with a net
6 UCT benefit of over \$32 million. The levelized TRC and UCT
7 cost is 4.8 cents and 2.3 cents per kWh, respectively. The
8 overall portfolio of measures has a weighted average
9 measure life of 13 years. The comparable levelized electric
10 avoided cost for a measure of this life is 8.7 cents per
11 kWh. The electric DSM programs were also cost-effective
12 under the Participant Test.

13 Page 3 of Exhibit No. 13 illustrates the natural gas
14 DSM program portfolio cost-effectiveness under both the TRC
15 and UCT tests. But for one customer, the Company's TRC
16 would be 1.16, with any number above 1.00 being cost
17 effective. This customer, based on their own initiatives,
18 spent \$4.2 million on energy efficiency projects of which
19 Avista contributed \$247,000. Avista's contribution of
20 \$247,000 divided by the 104,000 therms of savings from
21 these projects results in a \$2.36 per first year therm
22 utility incentive investment, in comparison to an avoided
23 cost value of approximately \$10 for a therm of the measure
24 life associated with those projects. Apart from this
25 customer, the TRC and UCT benefit cost ratios are 1.16 and

1 2.64 respectively. Therefore, except for the one customer,
2 the natural gas DSM portfolio passes both the TRC and UCT
3 tests.

4 **Q. Please summarize the Company's conclusions.**

5 A. The Company's expenditure of tariff rider revenue
6 has been reasonable and prudent. A portfolio of programs
7 covering all customer classes has been offered with a total
8 savings of over 62.1 million annual kWhs and 1.7 million
9 therms during January 1, 2008 through November 30, 2008. A
10 13-year levelized utility cost per saved kilowatt hour of
11 2.3 cents per kWh has been achieved. The levelized avoided
12 costs during this similar period has been 8.7 cents per
13 kWh. The 15 year levelized utility cost per saved therm
14 has averaged 37.1 cents per therm.

15 The Tariff Rider and programs have been very
16 successful. Participating customers have benefited through
17 lower bills. Non-participating customers have benefited
18 from the Company having acquired lower cost resources as
19 well as maintaining the energy efficiency message and
20 infrastructure for the benefit of our service territory.

21 In closing, Avista respectfully requests that the
22 Commission issue a finding of prudence for energy
23 efficiency expenditures from January 1, 2008 through
24 November 30, 2008.

1 Q. Does that complete your pre-filed direct
2 testimony?

3 A. Yes, it does.

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FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

Avista Utilities
Summary of Demand-Side Management Energy Savings and Levelized Costs
January 1, 2008 through November 30, 2008

	Regular income portfolio		Limited income portfolio	
	kWh savings	Therm savings	kWh savings	Therm savings
Electric DSM programs	60,530,101	(46,262)	1,621,737	8
Gas DSM programs	1,145,735	1,659,062	748	87,055
Total	61,675,836	1,612,800	1,622,485	87,063

	Total portfolio	
	kWh savings	Therm savings
Electric DSM programs	62,151,838	(46,254)
Gas DSM programs	1,146,483	1,746,117
Total	63,298,321	1,699,863

Note: Electric savings derived from gas DSM programs include the impact of electric to natural gas conversions as well as interactive savings resulting from natural gas DSM projects. Therm savings derived from electric DSM projects recognize interactive impacts of electric DSM measures.

DSM Program Portfolio Levelized Cost Calculations

Electric DSM Program Portfolio

Total Resource Cost (TRC)	\$ 24,763,300
Weighted average measure life	13.16
Discount rate	7.08%
kWh energy savings	62,151,838
TRC levelized cost	\$ 0.048

Utility Cost Test (UCT) cost	\$ 12,130,585
Weighted average measure life	13.16
Discount rate	7.08%
kWh energy savings	62,151,838
UCT levelized cost	\$ 0.023

Comparative electric levelized
 avoided cost **\$ 0.087**

Natural Gas DSM Program Portfolio

Total Resource Cost (TRC)	\$ 17,371,560
Weighted average measure life	15.31
Discount rate	7.08%
Therms energy savings	1,746,117
TRC levelized cost	\$ 1.085

Utility Cost Test (UCT) cost	\$ 5,939,563
Weighted average measure life	15.31
Discount rate	7.08%
Therms energy savings	1,746,117
UCT levelized cost	\$ 0.371

Comparative natural gas levelized
 annual avoided cost **\$0.711**

Comparative natural gas levelized
 winter avoided cost **\$0.772**

Avista Utilities

Summary of Electric Demand-Side Management Cost-Effectiveness

January 1, 2008 through November 30, 2008

TOTAL RESOURCE COST TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Electric program electric avoided cost	\$ 43,070,923	\$ 1,771,802	\$ 44,842,725
Electric program gas avoided cost	\$ (167,547)	\$ 52	\$ (167,495)
Electric program non-energy benefits	\$ 3,419,674	\$ -	\$ 3,419,674
TOTAL TRC BENEFITS	\$ 46,323,050	\$ 1,771,854	\$ 48,094,904
Electric program non-incentive utility cost	\$ 3,350,761	\$ 41,478	\$ 3,392,239
Electric program customer cost	\$ 20,808,946	\$ 562,710	\$ 21,371,655
TOTAL TRC COSTS	\$ 24,159,706	\$ 604,188	\$ 24,763,894
NET TRC BENEFITS	\$ 22,163,344	\$ 1,167,667	\$ 23,331,010
TRC BENEFIT / COST RATIO	1.92	2.93	1.94
UTILITY COST TEST			
Electric program electric avoided cost	\$ 43,070,923	\$ 1,771,802	\$ 44,842,725
Electric program gas avoided cost	\$ (167,547)	\$ 52	\$ (167,495)
TOTAL UCT BENEFITS	\$ 42,903,376	\$ 1,771,854	\$ 44,675,230
Electric program non-incentive utility cost	\$ 3,350,761	\$ 41,478	\$ 3,392,239
Electric program incentive utility cost	\$ 8,128,059	\$ 610,286	\$ 8,738,346
TOTAL UCT COSTS	\$ 11,478,820	\$ 651,764	\$ 12,130,585
NET UCT BENEFITS	\$ 31,424,555	\$ 1,120,090	\$ 32,544,646
UCT BENEFIT / COST RATIO	3.74	2.72	3.68
PARTICIPANT TEST			
Electric program electric bill reduction	\$ 31,778,751	\$ 1,449,529	\$ 33,228,280
Electric program gas bill reduction	\$ (306,545)	\$ 83	\$ (306,462)
Non-energy benefits	\$ 3,419,674	\$ -	\$ 3,419,674
TOTAL PARTICIPANT BENEFITS	\$ 34,891,880	\$ 1,449,612	\$ 36,341,492
Customer project cost	\$ 20,808,946	\$ 562,710	\$ 21,371,655
Electric program incentive utility cost	\$ (8,128,059)	\$ (610,286)	\$ (8,738,346)
TOTAL PARTICIPANT COSTS	\$ 12,680,886	\$ (47,577)	\$ 12,633,309
NET PARTICIPANT BENEFITS	\$ 22,210,994	\$ 1,497,189	\$ 23,708,183
PARTICIPANT BENEFIT / COST RATIO	2.75	N/A	2.88
NON-PARTICIPANT TEST			
Electric program electric avoided cost	\$ 43,070,923	\$ 1,771,802	\$ 44,842,725
TOTAL NON-PARTICIPANT BENEFITS	\$ 43,070,923	\$ 1,771,802	\$ 44,842,725
Electric program lost electric revenue PV	\$ 31,778,751	\$ 1,449,529	\$ 33,228,280
Electric program non-incentive utility cost	\$ 3,350,761	\$ 41,478	\$ 3,392,239
Electric program incentive utility cost	\$ 8,128,059	\$ 610,286	\$ 8,738,346
TOTAL NON-PARTICIPANT COSTS	\$ 43,257,571	\$ 2,101,293	\$ 45,358,864
NET NON-PARTICIPANT BENEFITS	\$ (186,649)	\$ (329,491)	\$ (516,140)
NON-PARTICIPANT BENEFIT / COST RATIO	1.00	0.84	0.99

Avista Utilities

Summary of Gas Demand-Side Management Cost-Effectiveness

January 1, 2008 through November 30, 2008

TOTAL RESOURCE COST TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas avoided cost	\$ 13,087,504	\$ 964,953	\$ 14,052,457
Gas program electric avoided cost	\$ 1,523,011	\$ 609	\$ 1,523,620
Gas program non-energy benefits	\$ 300,968	\$ -	\$ 300,968
TOTAL TRC BENEFITS	\$ 14,911,483	\$ 965,562	\$ 15,877,045
Gas program non-incentive utility cost	\$ 1,032,888	\$ 38,810	\$ 1,071,698
Gas program customer cost	\$ 15,771,991	\$ 527,872	\$ 16,299,862
TOTAL TRC COSTS	\$ 16,804,879	\$ 566,682	\$ 17,371,560
NET TRC BENEFITS	\$ (1,893,395)	\$ 398,880	\$ (1,494,515)
TRC BENEFIT / COST RATIO	0.89	1.70	0.91
UTILITY COST TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas avoided cost	\$ 13,087,504	\$ 964,953	\$ 14,052,457
Gas program electric avoided cost	\$ 1,523,011	\$ 609	\$ 1,523,620
TOTAL UCT BENEFITS	\$ 14,610,516	\$ 965,562	\$ 15,576,077
Gas program non-incentive utility cost	\$ 1,032,888	\$ 38,810	\$ 1,071,698
Gas program incentive utility cost	\$ 4,318,739	\$ 549,126	\$ 4,867,865
TOTAL UCT COSTS	\$ 5,351,626	\$ 587,936	\$ 5,939,563
NET UCT BENEFITS	\$ 9,258,889	\$ 377,625	\$ 9,636,515
UCT BENEFIT / COST RATIO	2.73	1.64	2.62
PARTICIPANT TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas bill reduction	\$ 17,125,041	\$ 1,223,472	\$ 18,348,513
Gas program electric bill reduction	\$ 1,220,580	\$ 575	\$ 1,221,155
Non-energy benefits	\$ 300,968	\$ -	\$ 300,968
TOTAL PARTICIPANT BENEFITS	\$ 18,646,589	\$ 1,224,046	\$ 19,870,635
Customer project cost	\$ 15,771,991	\$ 527,872	\$ 16,299,862
Gas program incentive utility cost	\$ (4,318,739)	\$ (549,126)	\$ (4,867,865)
TOTAL PARTICIPANT COSTS	\$ 11,453,252	\$ (21,254)	\$ 11,431,998
NET PARTICIPANT BENEFITS	\$ 7,193,337	\$ 1,245,301	\$ 8,438,637
PARTICIPANT BENEFIT / COST RATIO	1.63	n/a	1.74
NON-PARTICIPANT TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas avoided cost	\$ 13,087,504	\$ 964,953	\$ 14,052,457
TOTAL NON-PARTICIPANT BENEFITS	\$ 13,087,504	\$ 964,953	\$ 14,052,457
Gas program lost gas revenue PV	\$ 17,125,041	\$ 1,223,472	\$ 18,348,513
Gas program non-incentive utility cost	\$ 1,032,888	\$ 38,810	\$ 1,071,698
Gas program incentive utility cost	\$ 4,318,739	\$ 549,126	\$ 4,867,865
TOTAL NON-PARTICIPANT COSTS	\$ 22,476,668	\$ 1,811,408	\$ 24,288,076
NET NON-PARTICIPANT BENEFITS	\$ (9,389,163)	\$ (846,455)	\$ (10,235,619)
NON-PARTICIPANT BENEFIT / COST RATIO	0.58	0.53	0.58