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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-08-01
OF AVISTA CORPORATION FOR THE)	CASE NO. AVU-G-08-01
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 what is now
3 the Environmental Careers Organization, a national,
4 private, 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. 16 prepared
15 under my supervision and direction. Exhibit No. 16
16 documents the results and cost-effectiveness of Avista's
17 DSM programs.

18

19 **II. DSM PROGRAMS AND 2007 RESULTS**

20 **Q. Would you please provide a brief overview of how**
21 **Avista's DSM programs are organized?**

22 A. Yes. The Company's approach focuses on educating
23 customers about the benefits of energy efficiency and
24 providing a financial incentive, or "rebate," for cost-
25 effective efficiency measures installed by customers with a

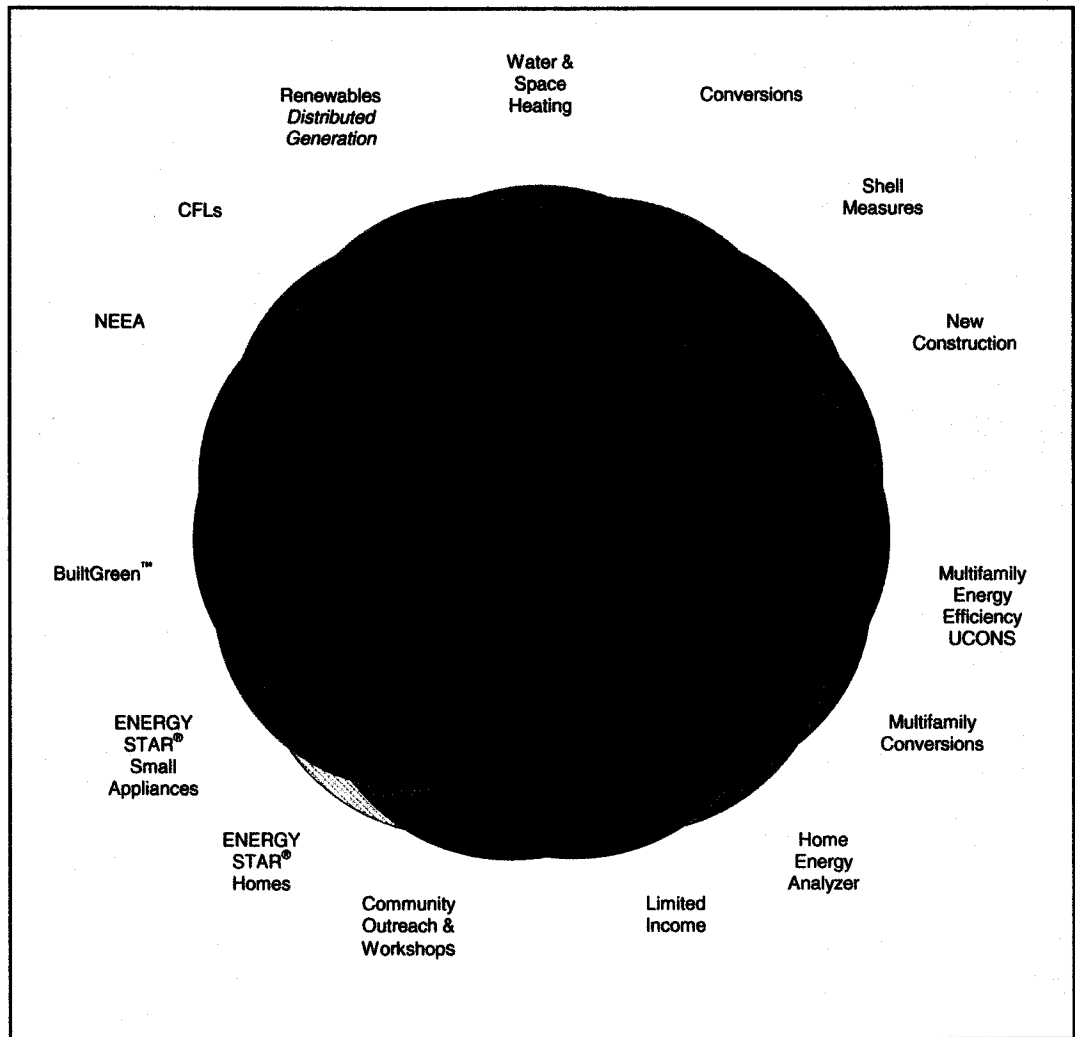
1 simple pay-back of greater than one year. This includes
2 over 300 measures that are packaged into over 30 programs
3 for customer convenience. In 2007, the Company enhanced
4 its energy efficiency outreach efforts through our new
5 "Every Little Bit" communications campaign. This
6 comprehensive communication approach helps customers
7 reframe their thinking about energy efficiency and steers
8 them to our menu of rebates.

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

16 The following illustration depicts Avista's
17 residential program offerings:
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Illustration 1:

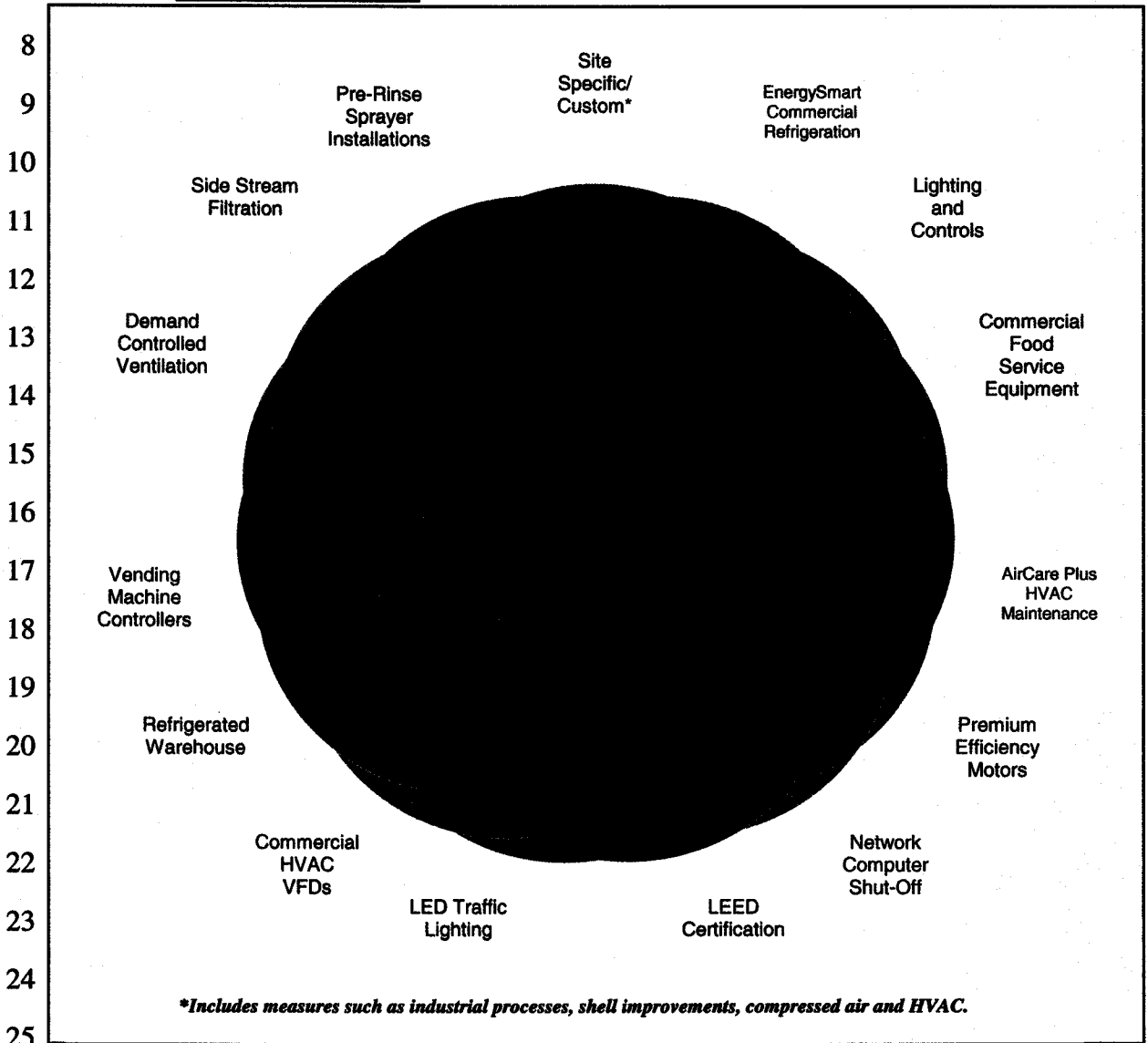


The residential programs shown above are standard offerings or what we call "prescriptive programs." These represent a menu of rebates on selected measures (e.g., lighting, weatherization, appliances, etc.).

For commercial customers, in addition to prescriptive programs, Avista offers "site specific" programs. Site-specific programs are customized to the customer premise. The site specific offering provides incentives on any cost-

1 effective commercial and industrial energy efficiency
2 measure. This is implemented through site analyses,
3 customized diagnoses, and incentives determined for savings
4 generated specific to the customer's premise or process.
5 The following illustration shows the programs available to
6 Avista's commercial and industrial customers.

7 **Illustration 2**



1 These programs are supported by twenty three full-time
2 equivalents (FTE) spread over 34 staff. (This does not
3 include Company support from the Contact Center, Corporate
4 Communications, Accounting and other direct and indirect
5 support.) The 2007 DSM budget was over \$12 million. Of
6 the Company's revenues collected under Schedules 91
7 (electric tariff rider) and 191 (natural gas tariff rider)
8 in 2007, 72.3% was paid out to customers in direct
9 incentives pursuant to the cost-effectiveness tests
10 described below. This does not include additional benefits
11 such as technical analyses provided to customers by the
12 Company's DSM engineering staff.

13 **Q. What were the Company's energy efficiency targets**
14 **and results for 2007?**

15 A. The Company's energy efficiency targets are
16 established in the process of developing the Electric and
17 Natural Gas Integrated Resource Plans (IRPs). The electric
18 IRP efficiency goal for Idaho and Washington in 2007 was
19 47.5 million kwhs. The achieved savings amount was 53.7
20 million kwhs or 113% of the annual target. This is
21 approximately 6 aMW. Over 130 aMW of cumulative savings
22 have been achieved through Avista's energy efficiency
23 efforts in the past thirty years; 103 aMW of DSM is
24 currently in place on the Company's system.

1 The savings targets contained in the natural gas IRP
2 for Idaho and Washington for 2007 was 1.062 million therms.
3 Over 1.5 million therms were saved which is 141% of the
4 2007 target.

5 **Q. Do the 2007 results reflect Avista's**
6 **participation in regional energy efficiency efforts?**

7 A. No. In addition to Avista's prescriptive and
8 site-specific programs, the Company funds and participates
9 in the activities of the Northwest Energy Efficiency
10 Alliance (NEEA). NEEA focuses on using a regional approach
11 to obtain electric efficiency through the transformation of
12 markets for efficiency measures and services. An example
13 of NEEA-sponsored programs that benefits Avista customers
14 is decreasing the cost of compact fluorescent light bulbs
15 (CFLs) and high-efficiency appliances by working through
16 manufacturers. For some measures a large-scale, cross-
17 utility approach is the most cost-effective means to
18 achieve energy efficiency savings. This approach seems
19 particularly effective for markets composed of large
20 numbers of smaller usage consumers, such as the residential
21 and small commercial markets.

22 The results from NEEA programs for 2007 have not been
23 reported as of the date of the submittal of this testimony.
24 Historically, Avista has received approximately 1 to 1½ aMW
25 of savings in its service territory from NEEA programs.

1 **Q. Has the Company expanded its efficiency efforts?**

2 A. Yes, in 2006 the leadership of Avista requested
3 that all efficiency acquisition options—on the customer
4 side of the meter as well as on the Company's side—be re-
5 examined. The Company's recent Integrated Resource Plans
6 showed a need for a large baseload generated facility in
7 the next ten years. Thus, we are examining all
8 sustainable, cost-effective efficiencies including demand
9 response to reduce load during peak periods and efficiency
10 enhancements to transmission and distribution facilities.

11

12 **III. PRUDENCE OF INCURRED DSM COSTS**

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

15 A. Yes. The Company's electric energy efficiency
16 revenues are collected under the Schedule 91 tariff rider,
17 and its electric programs are offered through Schedule 90.
18 Natural gas energy conservation is funded by revenues
19 collected through Schedule 191 and programs are offered
20 under Schedule 190. As the Commission is aware, Avista's
21 tariff riders were the first non-bypassable distribution
22 charges in the United States to fund energy efficiency.
23 The electric energy efficiency tariff rider is a 1.25%
24 surcharge to all rate classes; the natural gas tariff rider
25 is a 1.50% distribution surcharge.

1 When the Commission approved the Company's energy
2 efficiency programs in 1995 (in Case Nos. WWP-E-94-12 and
3 WWP-G-94-6), Avista committed to demonstrating the prudence
4 of program expenditures in future general rate cases. In
5 the Company's last general electric and natural gas rate
6 cases (Case Nos. AVU-E-04-1 and AVU-G-04-1), the Commission
7 issued a finding in Order No. 29602 that electric and
8 natural gas expenditures through October 31, 2003 were
9 prudently incurred. At this time, the Company respectfully
10 requests that the Commission issue a finding that electric
11 and natural gas energy efficiency expenditures from
12 November 1, 2003 through December 31, 2007 were prudently
13 incurred.

14 **Q. Would you please summarize the Company's energy**
15 **efficiency-related programs for this time period?**

16 A. Yes. The Company's tariff riders under Schedules
17 91 (electric) and 191 (gas) are system benefit charges to
18 fund energy efficiency.

19 From November 1, 2003 through December 31, 2007,
20 202,405,611 kWh and 4.28 million therms of energy savings
21 were obtained. Page 1 of Exhibit No. 16 details the energy
22 savings by regular and low-income portfolios for both
23 electric and natural gas DSM programs.

24 **Q. Has there been ongoing review of the Company's**
25 **programs?**

1 A. Yes. The Company has regularly convened a
2 stakeholders forum known as the External Energy Efficiency
3 Board. These meetings have included customer
4 representatives, Commission staff members, and individuals
5 from the environmental communities. These stakeholder
6 meetings review the Company's program offerings as well as
7 the underlying cost-effectiveness tests and results.

8 **Q. Have the Company's DSM programs been cost-**
9 **effective?**

10 A. Yes. The programs have been cost-effective from
11 both a Total Resource Cost (TRC) and Utility Cost Test
12 (UCT) perspective. Page 2 of Exhibit No. 16 shows that the
13 TRC benefit-to-cost ratio of 1.57 for the overall electric
14 DSM program portfolio is cost-effective, with a net TRC
15 benefit to customers of over \$48 million. The UCT benefit
16 to cost ratio is cost-effective with a net UCT benefit of
17 over \$65 million. The levelized TRC and UCT cost is 4.3
18 cents and 1.3 cents per kWh, respectively. The overall
19 portfolio of measures has a weighted average measure life
20 of 18.01 years. The comparable levelized electric avoided
21 cost for a measure of this life is 6.8 cents per kWh.
22 The electric DSM programs were also cost-effective under
23 the Participant Test.

24 Page 3 of Exhibit No. 16 illustrates that the natural
25 gas DSM program portfolio is cost-effective under both the

1 TRC and UCT tests. The natural gas DSM programs are cost-
2 effective with a 1.08 TRC benefit/cost ratio. The UCT
3 benefit to cost ratio is cost-effective with a net benefit
4 of \$16.9 million. The levelized TRC and UCT cost is 67.6
5 cents and 25.9 cents per therm, respectively, for a
6 weighted average measure life of 22.53 years. The
7 comparable levelized avoided cost per annual therm is
8 approximately 63.2 cents and 69.6 cents per winter therm
9 using the most recent natural gas avoided costs. The
10 levelized avoided cost calculations reflect only the
11 avoided cost value of the natural gas savings of the
12 project. The full TRC benefit is composed not only of this
13 natural gas avoided cost value, but also the electric
14 avoided cost and non-energy benefits associated with the
15 portfolio. The levelized TRC cost calculations do reflect
16 the entire costs of the project. The natural gas DSM
17 portfolio passes the Participant Test.

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

19 A. The Company's expenditure of tariff rider revenue
20 has been reasonable and prudent. A portfolio of programs
21 covering all customer classes have been offered with a
22 total savings of over 200 million annual kWhs and 4 million
23 therms during November 1, 2003 through December 31, 2007.
24 An 18-year levelized utility cost per saved kilowatt hour
25 of 4.3 cents per kWh has been achieved. The levelized

1 avoided costs during this similar period has been 6.8 cents
2 per kWh. The 22 year levelized utility cost per saved
3 therm has averaged 67.6 cents per therm.

4 The Tariff Rider and programs have been very
5 successful. Participating customers have benefited through
6 lower bills. Non-participating customers have benefited
7 from the Company having acquired lower cost resources as
8 well as maintaining the energy efficiency message and
9 infrastructure for the benefit of our service territory.
10 Over 130 aMW and 6 million therms have been saved through
11 the Company's energy efficiency programs since 1995.

12 Pursuant to prior Commission authorization of
13 Schedules 91 and 191, Avista respectfully requests that the
14 Commission issue a finding of prudence for energy
15 efficiency expenditures from November 1, 2003 through
16 December 31, 2007.

17 **Q. Does that complete your pre-filed direct**
18 **testimony?**

19 A. Yes, it does.

