

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-07_____

EXHIBIT NO.__(BWF-2)

BRUCE W. FOLSOM

REPRESENTING AVISTA CORPORATION

Electric Fixed Cost Recovery Calculation

in \$000's

	<u>Sch 1</u>	<u>Sch 11</u>	<u>Sch 21</u>	<u>Sch 25</u>	<u>Sch 31</u>	<u>Ref</u>
Distribution Cost	\$39,247	\$10,753	\$23,639	\$3,630	\$1,598	Ln 24, TLK-3
less: Rev Related Costs	1,680	460	1,011	155	68	Ln 297, Knox WP TLK-161
Net Distribution Cost	37,567	10,293	22,628	3,474	1,530	
Common Cost	20,271	4,040	10,370	4,075	840	Ln 25, TLK-3
less: Rev Related Costs	867	173	443	174	36	Ln 308, Knox WP TLK-161
Net Common Cost	19,404	3,867	9,927	3,901	804	
Net Distribution & Common Costs	\$56,971	\$14,160	\$32,555	\$7,375	\$2,333	
Proposed Fixed Charges	\$6.00	\$6.50	\$275.00	\$10,000.00	\$6.50	Hirschkom WP BJH-2
Test Period No. of Customer Bills	2,316,718	309,719	39,646	264	26,175	Hirschkom WP BJH-1
Fixed Charge Revenue	\$13,900	\$2,013	\$10,903	\$2,640	\$170	
Volume Based Distribution Margin	\$43,071	\$12,147	\$21,652	\$4,735	\$2,163	
Pro-forma loads - in MWh's	2,334,112	404,660	1,579,367	944,442	125,636	Hirschkom WP BJH-1
Proposed Fixed Cost Recovery Rate - in \$/kWh	\$0.01845	\$0.03002	\$0.01371	\$0.00501	\$0.01722	Total
Illustrative DSM acquisition, WA annual 2008 - in MWh's	8,752	3,804	14,735	8,822	964	IRP draft (est WA Share 70%)
Illustrative Total Fixed Cost Recovery	\$161	\$114	\$202	\$44	\$17	\$539

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-07_____

EXHIBIT NO.__(BWF-3)

BRUCE W. FOLSOM

REPRESENTING AVISTA CORPORATION

Avista Utilities
 Washington - Electric
 Estimated Schedule 91 DSM Rider Level to Recover Revenue Requirement associated with Capitalizing
 DSM Expenditures and Recovery of Fixed Costs
 2008 - 2017
 (000s of \$)

	<u>Est. Base Retail Rev.(1)</u> (a)	<u>Est. DSM Capital Expend.(2)</u> (b)	<u>DSM Rev. Require.(3)</u> (c)	<u>Capital Rev. Require.(4)</u> (d)	<u>Est. Fixed Costs(5)</u> (e)	<u>DSM Rev. Less Expend. (f)</u> (c)-(d)-(e)	<u>DSM Deficiency Balance(6)</u> (g)	<u>DSM Rider % (7)</u> (h) (c)/(a)
2007	\$320,000		(d)+(e)+(f)			(c)-(d)-(e)	\$3,800	(c)/(a)
2008	\$336,000	\$7,000	\$4,500	\$1,191	\$539	\$2,770	\$1,030	1.4%
2009	\$352,800	\$7,350	\$4,500	\$2,753	\$566	\$1,181	(\$151)	1.4%
2010	\$370,440	\$7,718	\$4,500	\$4,319	\$594	(\$151)	\$262	1.4%
2011	\$388,962	\$8,103	\$6,775	\$5,889	\$624		\$0	1.7%
2012	\$408,410	\$8,509	\$8,120	\$7,465	\$655			2.0%
2013	\$428,831	\$8,934	\$9,737	\$9,049	\$688			2.3%
2014	\$450,272	\$9,381	\$11,365	\$10,643	\$722			2.5%
2015	\$472,786	\$9,850	\$13,006	\$12,248	\$758			2.8%
2016	\$496,425	\$10,342	\$14,661	\$13,865	\$796			3.0%
2017	\$521,246	\$10,859	\$16,332	\$15,496	\$836			3.1%

- (1) Estimated WA 2007 retail revenue escalated at 5% per year.
- (2) Estimated WA Electric DSM expenditures escalated at 5% per year.
- (3) Annual DSM Revenue needed to recover capital revenue requirement, fixed cost and deficiency (through 2010)
- (4) Annual revenue requirement for recovery of capitalized DSM expenditures using ten-year amortization
- (5) Estimated (lost) fixed costs for 2008 escalated at 5% per year
- (6) Est. deficiency balance of \$3.8 million at 12/31/07 - excess DSM Rev. in '08 & '09 used to pay down balance
- (7) No change to present rider until 2011

Avista Utilities
Washington - Gas
Estimated Schedule 191 DSM Rider Level to Recover Revenue Requirement
associated with Capitalizing DSM Expenditures
2008 - 2017
(000s of \$)

	<u>Est. Base Retail Rev.(1)</u> (a)	<u>Est. DSM Capital Expend.(2)</u> (b)	<u>DSM Rev. Require.(3)</u> (c) (d)+(f)	<u>Capital Rev. Require.(4)</u> (d)	<u>DSM Rev. Less Expend.</u> (e)	<u>DSM Deficiency Balance(5)</u> (f)	<u>DSM Rider %(6)</u> (g) (c)/(a)
2007	\$198,000					\$590	1.6%
2008	\$207,900	\$2,300	\$981	\$391	\$590	\$0	0.5%
2009	\$218,295	\$2,415	\$905	\$905	\$0	\$0	0.4%
2010	\$229,210	\$2,536	\$1,419	\$1,419			0.6%
2011	\$240,670	\$2,663	\$1,935	\$1,935			0.8%
2012	\$252,704	\$2,796	\$2,453	\$2,453			1.0%
2013	\$265,339	\$2,935	\$2,973	\$2,973			1.1%
2014	\$278,606	\$3,082	\$3,497	\$3,497			1.3%
2015	\$292,536	\$3,236	\$4,024	\$4,024			1.4%
2016	\$307,163	\$3,398	\$4,556	\$4,556			1.5%
2017	\$322,521	\$3,568	\$5,091	\$5,091			1.6%

(1) Estimated WA 2007 retail revenue escalated at 5% per year

(2) Estimated WA Gas DSM expenditures escalated at 5% per year

(3) Annual DSM Rev. needed to recover capital revenue requirement and deficiency (through 2008)

(4) Annual rev. require. for recovery of capitalized DSM expenditures using ten-year amortization

(5) Est. deficiency balance of \$590,000 at 12/31/07 - DSM Rider of 0.5% in '08 would recover capital rev. require. of \$391,000 and deficiency balance

(6) Present DSM Rider of 1.6% (\$3.1 million/year) could be reduced to 0.5% in 2008

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DOCKET NO. UG-07_____

EXHIBIT NO._____(BWF-4)

BRUCE W. FOLSOM

REPRESENTING AVISTA CORPORATION

Avista Utilities
Summary of Demand-Side Management Energy Savings and Levelized Costs
 January 1, 2004 to December 31, 2006

	Regular income portfolio		Limited income portfolio	
	kWh savings	Therm savings	kWh savings	Therm savings
Electric DSM programs	133,312,489	(543,193)	6,082,265	1,523
Gas DSM programs	940,737	3,182,630	12,701	150,355
Total	134,253,226	2,639,437	6,094,966	151,878

	Total portfolio	
	kWh savings	Therm savings
Electric DSM programs	139,394,754	(541,670)
Gas DSM programs	953,438	3,332,985
Total	140,348,192	2,791,315

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)	\$	63,972,423
Weighted average measure life		18.62
Discount rate		7.41%
kWh energy savings		139,394,754
TRC levelized cost	\$	0.046

Utility Cost Test (UCT) cost	\$	17,820,027
Weighted average measure life		18.62
Discount rate		7.41%
kWh energy savings		139,394,754
UCT levelized cost	\$	0.013

Comparative electric levelized
 avoided cost \$ 0.048

Natural Gas DSM Program Portfolio

Total Resource Cost (TRC)	\$	21,747,700
Weighted average measure life		20.83
Discount rate		7.41%
Therms energy savings		3,332,985
TRC levelized cost	\$	0.624

Utility Cost Test (UCT) cost	\$	6,278,714
Weighted average measure life		20.83
Discount rate		7.41%
Therms energy savings		3,332,985
UCT levelized cost	\$	0.180

Comparative natural gas levelized
 annual avoided cost \$0.60

Comparative natural gas levelized
 winter avoided cost \$0.65

Avista Utilities
Summary of Electric Demand-Side Management Cost-Effectiveness
January 1, 2004 to December 31, 2006

TOTAL RESOURCE COST TEST	Regular income portfolio		Limited income portfolio		Overall portfolio	
Electric program electric avoided cost	\$ 57,325,461	\$	2,642,613	\$	59,968,074	
Electric program gas avoided cost	\$ (2,408,521)	\$	11,961	\$	(2,396,560)	
Electric program non-energy benefits	\$ 30,110,195	\$	-	\$	30,110,195	
TOTAL TRC BENEFITS	\$ 85,027,135	\$	2,654,574	\$	87,681,709	
Electric program non-incentive utility cost	\$ 4,200,956	\$	152,210	\$	4,353,166	
Electric program customer cost	\$ 58,111,571	\$	1,507,686	\$	59,619,257	
TOTAL TRC COSTS	\$ 62,312,527	\$	1,659,896	\$	63,972,423	
NET TRC BENEFITS	\$ 22,714,608	\$	994,678	\$	23,709,286	
TRC BENEFIT / COST RATIO	1.36		1.60		1.37	
UTILITY COST TEST						
		Regular income portfolio		Limited income portfolio		Overall portfolio
Electric program electric avoided cost	\$ 57,325,461	\$	2,642,613	\$	59,968,074	
Electric program gas avoided cost	\$ (2,408,521)	\$	11,961	\$	(2,396,560)	
TOTAL UCT BENEFITS	\$ 54,916,940	\$	2,654,574	\$	57,571,514	
Electric program non-incentive utility cost	\$ 4,200,956	\$	152,210	\$	4,353,166	
Electric program incentive utility cost	\$ 11,993,106	\$	1,473,755	\$	13,466,861	
TOTAL UCT COSTS	\$ 16,194,062	\$	1,625,965	\$	17,820,027	
NET UCT BENEFITS	\$ 38,722,878	\$	1,028,609	\$	39,751,487	
UCT BENEFIT / COST RATIO	3.39		1.63		3.23	
PARTICIPANT TEST						
		Regular income portfolio		Limited income portfolio		Overall portfolio
Electric program lost utility revenue PV	\$ 58,172,824	\$	3,879,137	\$	62,051,961	
Non-energy benefits	\$ 30,110,195	\$	-	\$	30,110,195	
TOTAL PARTICIPANT BENEFITS	\$ 88,283,019	\$	3,879,137	\$	92,162,156	
Customer project cost	\$ 58,111,571	\$	1,507,686	\$	59,619,257	
Electric program incentive utility cost	\$ (11,993,106)	\$	(1,473,755)	\$	(13,466,861)	
TOTAL PARTICIPANT COSTS	\$ 46,118,465	\$	33,931	\$	46,152,396	
NET PARTICIPANT BENEFITS	\$ 42,164,554	\$	3,845,206	\$	46,009,760	
PARTICIPANT BENEFIT / COST RATIO	1.91		114.32		2.00	
NON-PARTICIPANT TEST						
		Regular income portfolio		Limited income portfolio		Overall portfolio
Electric program electric avoided cost	\$ 57,325,461	\$	2,642,613	\$	59,968,074	
TOTAL NON-PARTICIPANT BENEFITS	\$ 57,325,461	\$	2,642,613	\$	59,968,074	
Electric program lost electric revenue PV	\$ 62,222,553	\$	3,858,773	\$	66,081,326	
Electric program non-incentive utility cost	\$ 4,200,956	\$	152,210	\$	4,353,166	
Electric program incentive utility cost	\$ 11,993,106	\$	1,473,755	\$	13,466,861	
TOTAL NON-PARTICIPANT COSTS	\$ 78,416,615	\$	5,484,738	\$	83,901,353	
NET NON-PARTICIPANT BENEFITS	\$ (21,091,154)	\$	(2,842,125)	\$	(23,933,279)	
NON-PARTICIPANT BENEFIT / COST RATIO	0.73		0.48		0.71	

Avista Utilities
Summary of Gas Demand-Side Management Cost-Effectiveness
January 1, 2004 to December 31, 2006

TOTAL RESOURCE COST TEST	Regular income portfolio		Limited income portfolio		Overall portfolio
Gas program gas avoided cost	\$ 18,236,603	\$	1,118,344	\$	19,354,947
Gas program electric avoided cost	\$ 523,784	\$	6,862	\$	530,646
Gas program non-energy benefits	\$ 1,778,656	\$	-	\$	1,778,656
TOTAL TRC BENEFITS	\$ 20,539,043	\$	1,125,206	\$	21,664,249
Gas program non-incentive utility cost	\$ 1,178,261	\$	61,134	\$	1,239,395
Gas program customer cost	\$ 19,282,530	\$	1,225,775	\$	20,508,305
TOTAL TRC COSTS	\$ 20,460,791	\$	1,286,909	\$	21,747,700
NET TRC BENEFITS	\$ 78,252	\$	(161,703)	\$	(83,451)
TRC BENEFIT / COST RATIO	1.00		0.87		1.00
UTILITY COST TEST					
UTILITY COST TEST	Regular income portfolio		Limited income portfolio		Overall portfolio
Gas program gas avoided cost	\$ 18,236,603	\$	1,118,344	\$	19,354,947
Gas program electric avoided cost	\$ 523,784	\$	6,862	\$	530,646
TOTAL UCT BENEFITS	\$ 18,760,387	\$	1,125,206	\$	19,885,593
Gas program non-incentive utility cost	\$ 1,178,261	\$	61,134	\$	1,239,395
Gas program incentive utility cost	\$ 3,844,793	\$	1,194,526	\$	5,039,319
TOTAL UCT COSTS	\$ 5,023,054	\$	1,255,660	\$	6,278,714
NET UCT BENEFITS	\$ 13,737,333	\$	(130,454)	\$	13,606,879
UCT BENEFIT / COST RATIO	3.73		0.90		3.17
PARTICIPANT TEST					
PARTICIPANT TEST	Regular income portfolio		Limited income portfolio		Overall portfolio
Gas program lost utility revenue PV	\$ 20,430,026	\$	1,997,477	\$	22,427,503
Non-energy benefits	\$ 1,778,656	\$	-	\$	1,778,656
TOTAL PARTICIPANT BENEFITS	\$ 22,208,682	\$	1,997,477	\$	24,206,159
Customer project cost	\$ 19,282,530	\$	1,225,775	\$	20,508,305
Gas program incentive utility cost	\$ (3,844,793)	\$	(1,194,526)	\$	(5,039,319)
TOTAL PARTICIPANT COSTS	\$ 15,437,737	\$	31,249	\$	15,468,986
NET PARTICIPANT BENEFITS	\$ 6,770,945	\$	1,966,228	\$	8,737,173
PARTICIPANT BENEFIT / COST RATIO	1.44		63.92		1.56
NON-PARTICIPANT TEST					
NON-PARTICIPANT TEST	Regular income portfolio		Limited income portfolio		Overall portfolio
Gas program gas avoided cost	\$ 18,236,603	\$	1,118,344	\$	19,354,947
TOTAL NON-PARTICIPANT BENEFITS	\$ 18,236,603	\$	1,118,344	\$	19,354,947
Gas program lost gas revenue PV	\$ 19,868,538	\$	1,987,158	\$	21,855,696
Gas program non-incentive utility cost	\$ 1,178,261	\$	61,134	\$	1,239,395
Gas program incentive utility cost	\$ 3,844,793	\$	1,194,526	\$	5,039,319
TOTAL NON-PARTICIPANT COSTS	\$ 24,891,592	\$	3,242,818	\$	28,134,410
NET NON-PARTICIPANT BENEFITS	\$ (6,654,989)	\$	(2,124,474)	\$	(8,779,463)
NON-PARTICIPANT BENEFIT / COST RATIO	0.73		0.34		0.69