Exhibit No. ___(BWF-1T)

REVISED APRIL 13, 2010

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-10_____

DOCKET NO. UG-10_____

DIRECT TESTIMONY OF

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REPRESENTING AVISTA CORPORATION

particular type of facility. A similar tool, "The House of Rebates," is available for residential customers.

Illustration No. 3:

Avista's EveryLittleBit campaign has been well-recognized nationally. E-Source awarded Avista top honors for the "best web-site" in 2009. Utility Communicators International provided the Company with 10 awards in 2009, related to the EveryLittleBit campaign, as a best-in-class initiative. Customer response has been similarly positive, as described later in my testimony.

Our customers appreciate these programs. For example, the Unified Foodservice Purchasing Co-op, LLC (UFPC) recently named Avista its national "2009

Utility Company of the Year." UFPC companies include A&W, KFC, Long John Silver's, Pizza Hut, and Taco Bell. In its presentation to Avista, UFPC stated:

> You were selected over hundreds of others. In large part, this award recognized the great work, time, integrity, effort and dedication that you specifically exhibited for us. Your assistance with the available Avista incentives provided tremendous value at a time when it is most needed. We have come to expect big things from Avista Utilities. Amongst the most important of our expectations: results. (Letter to Avista Utilities from Marcus Fister of UFPC dated March 10, 2009)

Q. How does Avista evaluate the success of its energy efficiency programs?

A. Given the increased interest in evaluation of energy efficiency results, I will address Avista's recent protocols and current plans for enhanced evaluation and future expectations. Avista uses several metrics for evaluating its energy efficiency programs. The primary measures for evaluation have been target achievement and cost-effectiveness. The latter has been the foundation for Commission review since the establishment of the tariff rider mechanisms in 1995. Based on these reviews, Avista has received findings of prudence from both the Washington and Idaho Commissions every year from 1995 through 2007. More specifically, the review standard has applied a combination of industry standards known as the Total Resource Cost (TRC) test and

the Program Administrator Cost Test (PACT) (formally known as the Utility Cost Test (UCT)).[1]

In 2009, stakeholders in both Washington and Idaho requested more detailed analyses on a prospective basis. This interest stems from several perspectives, including; 1) compliance with Washington's Renewable Portfolio Standards (RCW Chapter 19.285 and WAC Chapter 480-109) relative to establishing electric savings acquisition targets and verification procedures, 2) Avista's recently concluded general rate case, relative to natural gas decoupling, in which the Commission ordered the Company and interested parties to participate in a collaborative to examine specified evaluation, measurement and verification (EM&V) and low-income issues; and 3) a recent "Memorandum of Understanding (MOU) for Prudency Determination of DSM (Demand Side Management) Expenditures" filed with the Idaho Public Utilities Commission. The IPUC Staff is examining low-income service delivery for Avista's Idaho customers.

Avista aspires to best-practices in all aspects of its energy efforts, providing transparent and accessible documentation of its energy efficiency evaluations to interested parties. The collaborative (for EM&V and low-income issues) is underway with a final report scheduled to be filed on or before September 1, 2010. The discussion

[1] The Total Resource Cost Test measures the net costs of a demand-side management program as a resource option based on the total costs of the program, including both the participants' and the utility's costs. The Program Administrator Cost Test measures the net costs of a demand-side management program as a resource option based on the costs incurred by the program administrator (including incentive costs) and excluding any net costs incurred by the participant. The benefits are similar to the TRC benefits. Costs are defined more narrowly.

with interested stakeholders on these issues in a unified and structured approach will facilitate a thorough and efficient review of key issues.

Without getting ahead of the discussion that will occur in the collaborative, Avista expects that its EM&V efforts will be ramped up in several areas discussed below. These areas will be modified by the collaborative as appropriate. As described in the draft plans, EM&V is intended to reflect all of the analyses necessary to supply information to stakeholders to adequately determine the prudence of Avista's DSM Programs. EM&V includes "impact," "process," "market," and "cost test" analyses. These are described below (and taken as a whole are synonymous with other terms such as "Portfolio Evaluation" or "Program Evaluation").

Impact Analysis – Impact analysis provides the documentation necessary to prove that the savings estimated within a particular program are equal to the savings realized by all of the customers participating in that program. Impact analysis subcomponents include:

- Measure Verification applies principles of the International Performance Measurement & Verification Protocol (IPMVP). Only a single measure may be verified using this technique or protocol. The verification of a statistically significant number of projects using IPMVP techniques is often extrapolated to verify and perform impact analysis on whole programs. The following are parameters included for the verification of a measure.

  - Process for calculating the savings;
  - Incremental cost of a measure;
  - Installation date;
  - Measure life;
  - Claimed savings;
  - Rate schedule for Duel Fuel Incentive Calculator (DFIC) Calculation; and
  - Other

Process Analysis – Process analysis is the documentation of the continuous changes necessary to create, implement, modify and possibly terminate programs. The following items are included in process analysis.

- Contact information;
- Changes to programs over time;
- Rules for customer qualification;
- Project cost data; and
- Other

Market Analysis – Market analysis determines the effect of the marketplace on customer implementation of energy efficiency including customer costs.

Cost Test Analysis – Cost test analysis combines several industry terms relative to the evaluation of energy efficiency cost-effectiveness, including among others: Net-to-Gross analysis, Total Resource Cost (TRC) analysis, and Free Riders or Free Drivers.

Depending on the outcome of the collaborative, revisions to reported annual savings may occur due to the results of these EM&V protocols. These modifications of savings will be documented with supporting analyses and may yield increases or decreases in future reported savings.

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

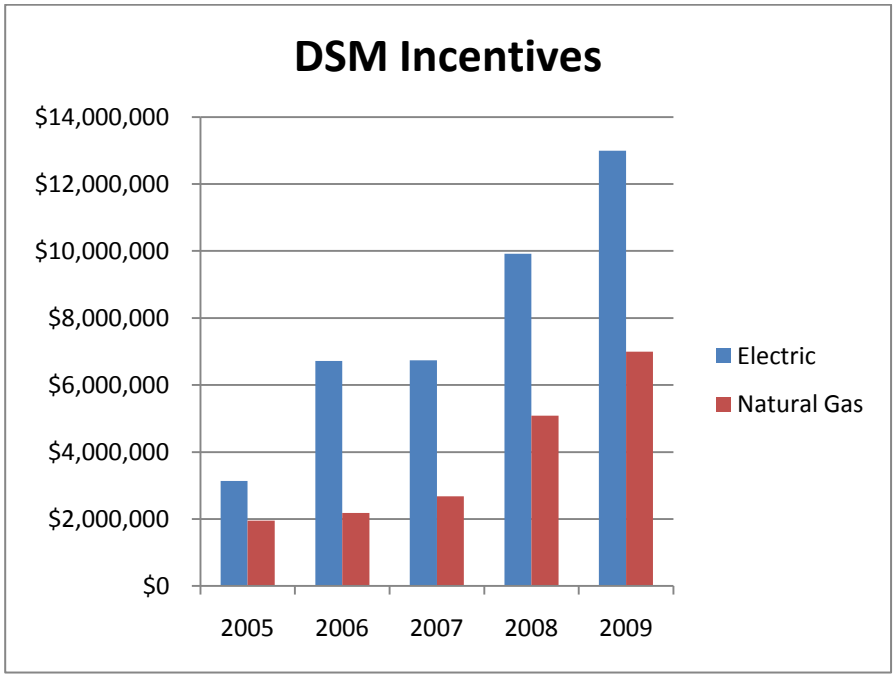
A. The current tariff rider balance - both Washington and Idaho, electric and natural gas - is a negative $9,557,925 (i.e., dollars expended exceed dollars collected through the tariff riders). By jurisdiction and fuel, the negative rider balances are, as of February 2010: ($2,653,751) - Washington electric; and ($3,656,937) - Washington natural gas; ($2,008,944) - Idaho electric; ($1,238,294) – Idaho natural gas.

Q. What are the causes of these negative balances?

A. There are several reasons for these negative balances. First, the Company does not "cap" its energy efficiency efforts based on available revenue. Avista is committed to meeting customer demand for energy efficiency services in advance of revenue recovery. Second, the Company has leveraged the high level of public interest in "green" technologies to enhance the acquisition of cost-effective energy-efficiency measures. Third, periods of increased energy costs have heightened customers' awareness of the benefits of energy efficiency. Simply stated, energy efficiency is one way for customers to have more control over their energy bill. Fourth, outreach works. Our EveryLittleBit campaign has resonated with customers. These leveraging opportunities and the customer response to the Company's efficiency programs have exceeded our expectations.

The following shows the three-fold increase in rebates in the past five years:

Illustration No. 4:



Q. What is the Company's plan to address these balances?

A. Schedules 91 and 191 are true-up mechanisms that are reviewed annually and revised, as appropriate, to reflect expenditures to fund energy efficiency programs. On the electric side, projected Schedule 91 revenues (at the current rates) are expected to provide for the 2010 energy efficiency budget and to reduce the negative electric rider balance by year-end 2010. There may be new programs that will be launched, or continued customer demand exceeding forecasts that will prevent returning the tariff rider balance to near zero, but this would be addressed in the January 2011 review period.

The largest negative balances are on the natural gas side. Despite an increase to the natural gas tariff rider rates in 2009, the natural gas tariff rider balances are not decreasing due to strong customer demand for natural gas efficiency measures. On February 12, 2010, Avista filed a tariff rider revision to Schedule 191 in Washington to reduce the Washington tariff rider balances. The Schedule 191 rate will, in turn, be reviewed in January 2011 and revised to reflect the anticipated decrease in the natural gas rider balance.

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

A. The Company has had an energy efficiency advisory committee in some form since 1992. The current stakeholder panel, the External Energy Efficiency (Triple E) Board, was established as a non-binding oversight group in 1999 to provide for improved opportunities for communication, input and oversight of Avista's DSM

portfolios. Avista currently facilitates meetings of the board twice per year, provides a full analysis of the results of DSM operations on an annual or more frequent basis, discusses (with appropriate concern for customer confidentiality) large projects, and provides the Triple E with a quarterly update of DSM activities. Additionally, the Triple E Board can initiate additional meetings of the board at their own request. Board membership has included representatives from regulatory, governmental, environmental, nationally recognized energy-efficiency experts, customer advocates for limited income and industrial segments as well as end-use customer participants.

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

A. Yes. The Company proposes to increase its low-income weatherization funding for electric and natural gas service by a percentage amount equal to the percentage rate increase granted in this case for residential customers. The additional funding would be provided through the DSM tariff riders, Schedules 91 and 191.

Low-income weatherization and appropriate levels of funding are also part of the Company's recently formed collaborative (as ordered by the Commission in Docket No. UG-090135, Order 10 at paragraph 306) with a report due to the Commission on or before September 1, 2010: "In a collaborative with the Parties, Avista is to 'explore' new approaches to low-income conservation, identify barriers to its development, and address the Energy Project's concerns." This may affect future proposed levels of low-income weatherization funding.

III. PRUDENCE OF INCURRED DSM COSTS

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

A. Yes. When the Commission approved the Company's energy efficiency programs in 1995 (in Docket Nos. UE-941377 and UG-941379), Avista committed to demonstrating the prudence of program expenditures in future general rate cases. In the Company's 2008 general electric and natural gas rate cases (Docket Nos. UE-080416 and UG-080417), the Commission issued a finding in Order No. 8 that electric and natural gas expenditures through December 31, 2007 were prudently incurred. At this time, the Company requests that the Commission issue a finding that electric and natural gas energy efficiency expenditures from January 1, 2008 through December 31, 2009 were prudently incurred.

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

A. Yes. As shown in Exhibit No.___(BWF-2), from January 1, 2008 through December 31, 2009, over 155 million kWh and 3.9 million therms of energy savings were obtained. Page 1 and 2 of Exhibit No.___(BWF-2) detail the energy savings by regular and low-income portfolios for both electric and natural gas DSM programs.

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

A. Yes, as previously discussed, the Company has regularly convened a stakeholders forum known as the External Energy Efficiency Board. These meetings

have included customer representatives, Commission staff members, and individuals from the environmental communities. These stakeholder meetings review the Company's program offerings as well as the underlying cost-effectiveness tests and results.

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

A. Yes. The electric programs have been cost-effective from both a Total Resource Cost (TRC) and Program Administrator Cost Test (PACT) perspective. Page 3 and 4 of Exhibit No. ___(BWF-2) shows that the 2008 and 2009 TRC benefit-to-cost ratio of 2.10 and 2.31 respectively, for the overall electric DSM program portfolio is cost-effective, with a net TRC benefit to customers of over $83.7 million. The 2008 and 2009 PACT benefit-to-cost ratio is cost-effective with a net PACT benefit of over $117 million. The levelized TRC and PACT cost is 5.3 cents (4.5 cents for 2008) and 1.9 cents per kWh (2.2 cents for 2008), respectively. The overall portfolio of measures has a weighted average measure life of 16.9 years for 2009 and 12.2 years for 2008. The comparable levelized electric avoided cost for a measure of this life using a flat loadshape is 9.8 cents per kWh for 2008 and 11.8 cents per kWh for 2009.

Page 5 and 6 of Exhibit No. ____ (BWF-2) illustrate the natural gas DSM program portfolio cost-effectiveness under both the TRC and PACT tests. The Company's 2008 and 2009 TRC ratios were .86 and 1.27 respectively. The 2008 and 2009 PACT benefit cost ratios are 2.35 and 4.20 respectively. Therefore, the natural gas DSM portfolio passes the PACT test in 2008 and both the TRC and PACT tests in 2009. The 2008 TRC is lower than 1.0 due to one commercial customer in the state of

Idaho who chose to pursue a series of projects identified by the Company as being uneconomic. This customer pursued the project predominately with their own funds. The customer did receive a relatively small incentive per Schedule 190 based upon the actual therm savings achieved through the project. The natural gas TRC for 2008, excluding this one customer, was 1.04.

Q. Please summarize the Company's conclusions.

A. The Company's expenditure of tariff rider revenue has been reasonable and prudent. A portfolio of programs covering all customer classes has been offered with a total savings of over 155 million kWhs and 3.9 million therms during January 1, 2008 through December 31, 2009. A levelized utility cost-per-saved kilowatt hour of less than 2.2 cents per kWh has been achieved. The levelized avoided costs based on a flat loadshape during this similar period was 9.8 and 11.8 cents per kWh for 2008 and 2009, respectively. The levelized utility cost of less than 40.9 cents per saved therm compares to 79.5 cents per annual therm and 81.0 cents per winter therm for the same period.

The Tariff Rider and energy efficiency programs have been very successful. Participating customers have benefited through lower bills. Non-participating customers have benefited from the Company having acquired lower cost resources in the form of DSM, as well as maintaining the energy efficiency message and infrastructure for the benefit of our service territory.

In closing, Avista respectfully requests that the Commission issue a finding of prudence for energy efficiency expenditures from January 1, 2008 through December 31, 2009.

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

A. Yes, it does.