

**AVISTA CORP.  
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Washington	DATE PREPARED:	7/13/2007
CASE NO:	UE-070804 & UG-070805	WITNESS:	Bruce Folsom
REQUESTER:	Public Counsel	RESPONDER:	Lori Hermanson (509) 495-4658
TYPE:	Data Request	RESPONDER:	Jon Powell (509) 495-4047
REQUEST NO.:	PC - 36	DEPT:	Energy Solutions

**REQUEST:**

Please provide the following information regarding Avista's current and anticipated spending on efficiency:

- a. Please provide the actual amount in 2006 on electricity and natural gas efficiency programs respectively.
- b. Please report the actual amount spent on electricity and natural gas efficiency programs respectively in 2006 as a percentage of actual electric and natural gas revenues in that year.
- c. Please indicate the amount that Avista expects to spend on electricity and natural gas efficiency programs in 2008.
- d. Please describe the process that Avista will use to determine how much to budget for efficiency in 2008 in order to place efficiency on an equal footing with new supply as a new resource.
- e. Please identify the anticipated percentage of the 2008 efficiency budget will be allocated to the following components - program design, administration, incentives, marketing, implementation, and evaluation.

**RESPONSE:**

- a. The actual amount spent in 2006 on electric efficiency was \$8.2 million and for natural gas efficiency was \$2.8 million.
- b. The \$8.2 million spent on electric efficiency was 15% more than collected in DSM electric revenues and 1.5% of actual total electric revenues. The \$2.8 million spent on natural gas efficiency was 83% more than was actually collected in DSM natural gas revenues and 0.7% of actual total natural gas revenues.
- c. Our expected 2008 budget is \$7.0 million for Washington electric programs and \$2.3 million for Washington gas programs. These early projections were based off a 2006 estimate for 2008, and may be modified during our 2008 business planning, which is anticipated to occur in the late summer and fall of 2007.
- d. Avista's core objective is to acquire cost-effective efficiency resources that are available through utility intervention. This process includes the high-level identification of acquirable resource potential through the Integrated Resource Plan

(IRP) process and basic avoided cost projections. This corporate effort then becomes a starting point for a more detailed demand-side management (DSM) business planning process. The business planning process produces avoided cost levels that include factors to make them more applicable for the evaluation of DSM efforts, plans for targeted measures and markets, infrastructure requirements, program outreach plans, participation and leveraging of regional and national efficiency programs and budget requirements. These plans are living documents that are frequently modified over the course of the year based upon further evaluation and revised expectations.

The overall process does strive to create a level playing field for efficiency and generation resource alternatives that includes consideration of factors such as risk, emissions, transmission and distribution losses, capacity valuation, time-of-use and other factors.

- e. Avista utilizes three categorizations of overall efficiency program utility cost. These categorizations are:
- incentives (composed of direct financial incentives received by the customer);
  - utility labor expense (the fully load cost of labor expended in demand-side management operations) and
  - non-labor utility expense (all non-labor, non-incentive expenses incurred in demand-side management operations)

The table below is our current projection of the proportions that we anticipate for each of these categories in 2008.

	WA electric	WA gas
Incentives	79%	83%
Labor utility expense	13%	11%
Non-labor utility expense	8%	6%
Total	100%	100%

These projections have been made in advance of the detailed 2008 business planning process that will occur in the late summer and fall of 2007.