

**Avista Utilities**  
**Projected “Cumulative Ten-Year Electric Conservation Potential”**  
**December 31, 2009**

Initiative 937 (I-937) and the Washington Administrative Code (WAC) 480-109 permit the utility to elect to establish electric energy efficiency acquisition targets based upon either the most recent Northwest Power and Conservation Council (NPCC) power plan or their most recent integrated resource plan (IRP), on the condition that the methodology used in that IRP is consistent with the NPCC power plan methodology.

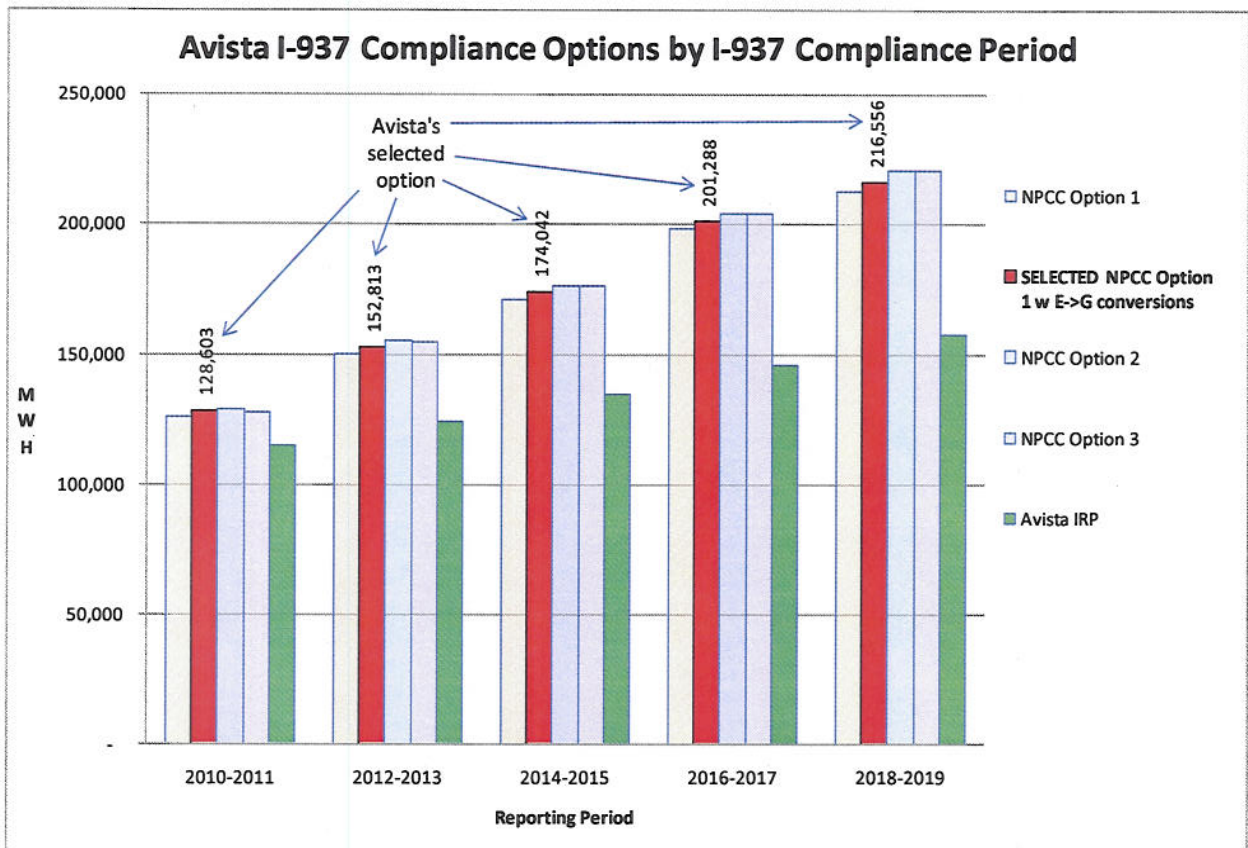
The 6<sup>th</sup> Power Plan establishes three options for determining the target of a particular utility and jurisdiction. The options are distinguished by the degree of market segment disaggregation contained within the estimate. Option #1 is the least disaggregated and contains an acquisition target for the entire utility and jurisdiction, option #2 disaggregates the acquisition into four market segments and option #3 disaggregates acquisition into five market segments.

Avista has chosen to use option #1 of the plan, to communicate our belief that the acquisition target is based upon overall acquisition without regard to the segment that the acquisition is derived from.

Avista’s Demand Side Management (DSM) programs are somewhat unique in that any efficiency measure is deemed eligible for the non-residential site-specific program; the Company will provide a financial rebate to Commercial and Industrial customers through our site-specific program for any electric energy saving measure with a simple financial payback of one-year or over; pursuant to Tariff Schedule 90. For purposes of the IRP, Avista does attempt to define to the degree possible these efficiency opportunities to develop an estimate of future cost-effectiveness and acquirable potential. However, a significant quantity of acquisition comes out of measures that are extremely unique and therefore not amenable to generic analysis or from measures that could be reasonably anticipated during the IRP process. Consequently, Avista performs an estimate of the future acquisition of these measures primarily based upon historical acquisition with modifications for customer load growth, price elasticity and any other expected events that would improve this estimate. Acquirable potential for the site-specific program, and

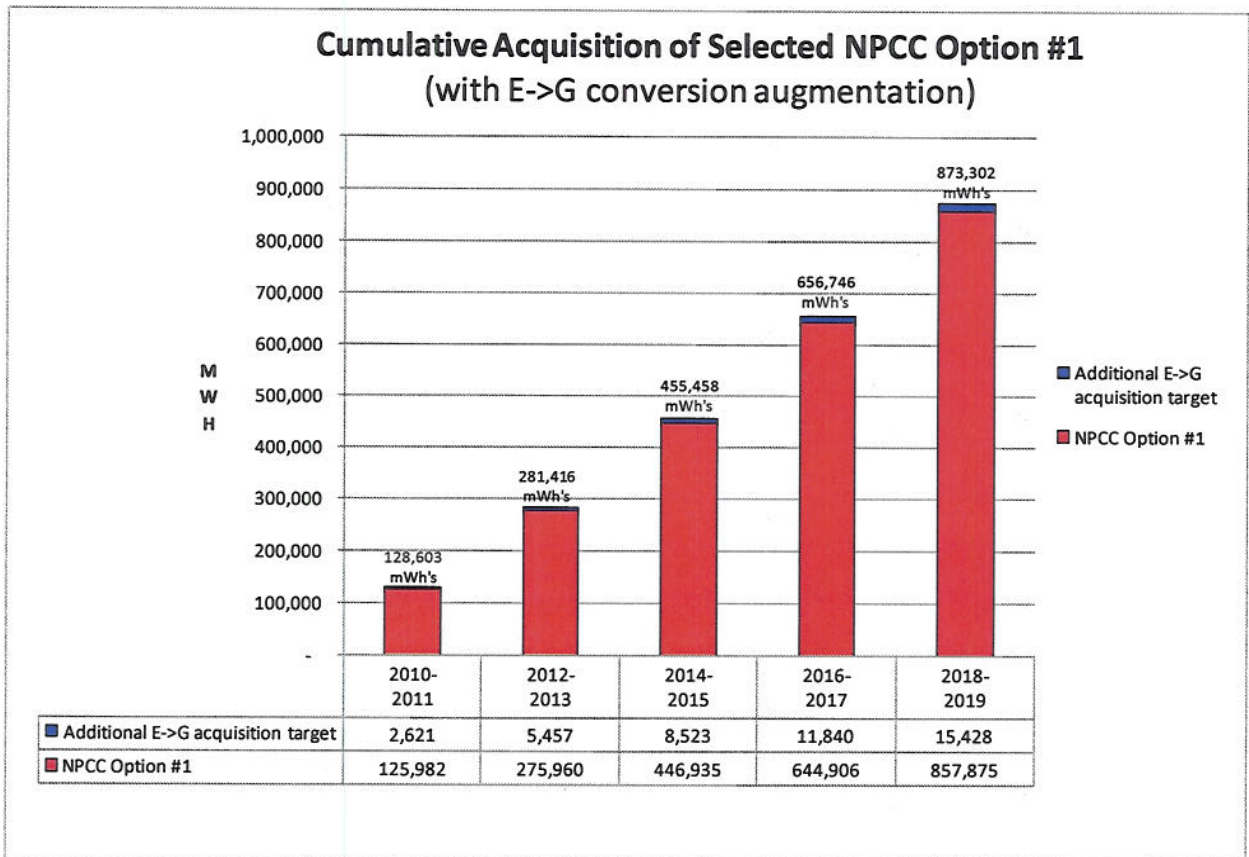
all other programs, are made of results driven by program planners and technical staff based upon the specific characteristics of that program and expected market conditions.

Avista's IRP has historically established system (Washington and Idaho) electric energy-efficiency targets without independently distinguishing between the acquisition of the two jurisdictions. To establish a Washington jurisdictional level of energy-efficiency comparable to the Washington-specific NPCC 6<sup>th</sup> Power Plan, the identified system energy-efficiency IRP acquisition target was disaggregated by jurisdiction based upon the 2010 total firm energy sales forecast used in the development of the IRP. A 4.0% growth factor was applied to establish 2011 DSM acquisition. Based upon these calculations a 2010-2011 Washington jurisdictional electric energy-efficiency target consistent with the IRP and comparable to the NPCC 6<sup>th</sup> Power Plan was established.





The federal law establishing the requirement for the NPCC power plan process contains a specific definition of “conservation” that excludes electric-to-natural gas conversions. These conversions are eligible for incentives under Avista’s electric efficiency programs, and these measures are often the most cost-effective alternative for both the customer and the utility. Consequently, Avista has chosen to increase the NPCC option #1 target in the amount of the acquisition incorporated into our corporate budget submittal. By increasing the target by the amount of acquisition expected from these programs during 2010-2011 we also are proposing that these conversions will become an eligible measure for meeting that target.



Based upon the selection of this option, it is Avista’s intent to acquire 128,603 mWh’s of energy efficiency qualifying under our proposal in the first 2010-2011 I-937 compliance period. Avista’s projection of the acquisition over a ten-year period, assuming that this same option is selected in future compliance periods, is 873,302 mWh’s. This acquisition will include traditional local electric efficiency measures, as well as, electric to natural gas conversions,

quantifiable behavioral efficiencies, distribution system efficiencies on both the customer and utility side of the meter, quantifiable adoption of efficiency measures contained within the scope of the 6<sup>th</sup> Power Plan beyond utility program intervention and Avista's share of acquisition achieved by the Northwest Energy Efficiency Alliance (NEEA). Only Washington jurisdictional acquisition will be credited towards achieving the I-937 target. Avista is not committing to any predetermined allocation of the target acquisition across customer segments or efficiency technologies.

For this first compliance period, Avista is electing to establish a target based upon a single acquisition target rather than a range of target acquisition. It is also our intent to treat the acquisition target in the 2<sup>nd</sup> (2012-2013) compliance period and beyond as a cumulative target. The cumulative 2010-2013 acquisition target applied to the second (2012-2013) I-937 compliance period would include all acquisition achieved in 2010-2011 or acquisition for which penalties, if any, have been paid during that period. This approach better aligns utility and shareholder interest by eliminating the tendency to limit acquisition in excess of a compliance period in order to preserve market potential in subsequent compliance periods.