Exhibit No. __(JP-1T)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UG-060518

DIRECT TESTIMONY OF

JONATHON POWELL

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

Q. Please state your name, employer and business address.

A. My name is Jon Powell and I am employed as a manager within the demand-side management (DSM) department of Avista Corporation.

Q. Would you describe your educational background and professional experience?

A. I have a Bachelor of Arts degree in economics from the University of California, San Diego and a Master of Arts degree in economics from San Diego State University. I have also completed coursework towards a Ph.D. in economics at the University of California, Santa Barbara and towards a Master of Business Administration degree at San Diego State University. I have been employed in the utility industry since 1985 beginning with the San Diego Gas and Electric Company. I was first employed by the Washington Water Power Company in 1990.

In my current capacity, I also represent the Company in several regional organizations and forums including the Northwest Energy Efficiency Alliance and Regional Technical Forum. The Northwest Energy Efficiency Alliance (NEEA) is a non-profit corporation supported by electric utilities, public benefits administrators, state governments, public interest groups and energy efficiency industry representatives. These entities work together to make affordable, energy-efficient products and services available in the marketplace. The Regional Technical Forum (RTF) is an advisory committee established in 1999 to develop standards to verify and evaluate conservation savings. Members are appointed by the Northwest Power and Conservation Council and include individuals experienced in conservation program planning, implementation and evaluation.

Q. Will you be sponsoring any exhibits?

A. Yes. Attached as Exhibit No. __(JP-2) is a copy of the "Triple-E" Report, which will be described and referred to later in my testimony.

Q. What is the scope of your testimony in this proceeding?

A. I will describe recent history of the Company's DSM efforts, including savings achieved and dollars spent. I will discuss the Company's Integrated Resource Planning (IRP) goals for DSM and how such goals were established. I will provide a brief overview of existing DSM programs, as well as new offerings. Finally, I will discuss plans for auditing DSM savings.

Q. Why is Avista sponsoring testimony regarding DSM performance within this decoupling filing?

A. Avista has committed to meeting identified performance standards in the pursuit of natural gas DSM resources, as a condition for obtaining recovery of margins tracked under the proposed decoupling mechanism.

Q. What goals has the Company established for these DSM programs?

A. The Company is proposing an annual DSM resource acquisition goal of 1,062,000 therms for 2006 and 2007. Recovery of decoupling tracked margins will be subject to a tiered structure dependent upon actual DSM performance, as described in Company Witness Hirschkorn's direct testimony.

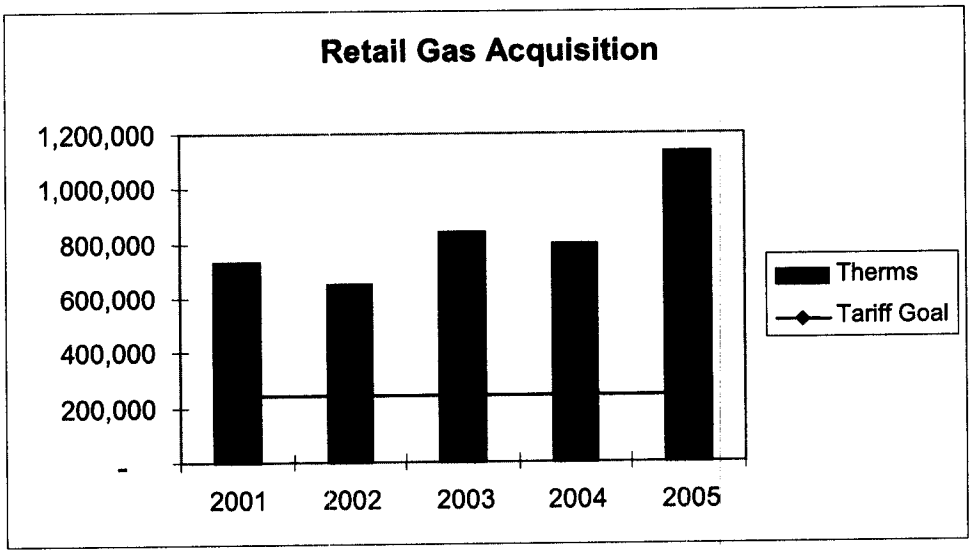
Q. How was this DSM goal determined?

A. The Company established the current DSM acquisition goal of 1,062,000 first-year therms (in the combined Washington and Idaho jurisdictions) within the IRP recently filed with the WUTC. This goal was established as the result of a comprehensive assessment of

natural gas efficiency measures applicable to our customers' facilities. The IRP process is a comprehensive biennial evaluation and ranking of supply and demand-side resource opportunities leading to a forward-looking integrated resource plan. Resource options are selected based upon their contribution to a total resource cost minimizing portfolio.

Q. How does this goal compare to previous DSM efforts?

A. The 1,062,000 therm goal is well over four times the 240,000 therm goal established within the most recent tariff governing the Company's natural gas DSM programs (Schedule 190). Natural gas commodity costs began a steady increase shortly after Schedule 190 was approved, thus markedly changing the economic potential and customer acceptance of natural gas efficiency measures. The Company responded to this increased potential and has delivered approximately three to five times the (240,000 therm) goal during each of the five calendar years since. The goal established within the 2006 IRP ratchets that standard of performance even higher, with a goal that is 15% higher than the average of the most recent three-year period. The Company has achieved this level of DSM acquisition in the past, but only once in the five calendar years since the current portfolio of programs has been in place, as shown in the graph below.



Q. Please provide an overview of Avista's Rate Schedule 190.

A. Avista's Rate Schedule 190 provides the regulatory guidelines for the implementation of the natural gas DSM programs. This tariff prescribes a set of tiered, direct financial incentives, as illustrated in the table below, based on the simple payback of the measure.

Customer Simple Payback	Incentive per 1st yr therm
Zero to 17 months	$0.00
18 to 48 months	$2.00
49 to 71 months	$2.50
72 months or more	$3.00

Incentives are capped at 30 percent of incremental measure cost.

Selected exceptions to these tiered incentives allow the Company sufficient flexibility to respond to unexpected or unique opportunities. This flexibility includes an additional set of tiered incentives, permitting higher incentives for the development of new technologies and market transformation efforts.

Avista Rate Schedule 190 also establishes an annual goal of 240,000 therms. This goal was set in late 2000 as a natural gas efficiency program was being reestablished in response to increases in the weighted average cost of gas. After the approval of the tariff, natural gas commodity costs and retail rates continued to escalate. Additionally, the 2001 electric crisis resulted in a substantial enhancement of electric DSM programs. The strong electric efficiency message and increasing natural gas retail rates prompted a much larger natural gas efficiency response than was anticipated when the original Schedule 190 goal was established.

Despite the unexpected volume of acquisition through Schedule 190, the Company was well positioned to respond. In the nearly five years since Avista reinitiated its natural gas DSM programs, the Company has been uncertain whether customer interest would continue to suggest this level of acquisition. Given the lack of historical precedent, it has not been possible to determine if this is a one-time response to acquire measures that have become cost-effective at higher retail rates, or if it will be a sustained response for the foreseeable future. Based on five years of experience and the analytical results of this IRP, however, the Company is proceeding on the presumption that this is a sustainable level of acquisition.

Q. What is the total amount expended on gas DSM programs from 2001-2005?

A. Expenditures for Washington and Idaho gas DSM programs from 2001-2005 totaled $8,363,067.

Q. Why is the Company proposing the aggregation of the Washington and Idaho jurisdictions for purposes of tracking DSM performance?

A. Avista has traditionally implemented and reported natural gas efficiency measures within an aggregated Washington and Idaho jurisdictional market. This aggregation is an

appropriate solution for a service territory where the two largest metropolitan areas and many smaller markets overlap state lines. Similarly, program outreach efforts and infrastructure cross state lines as well. Consequently, the Company has made every attempt to make the programs offered within the two jurisdictions as similar as possible to maximize the benefits of its programs. The Company is proposing to report natural gas efficiency resource acquisition for the combined jurisdiction portfolio. This will continue what has been an efficient approach to managing our DSM portfolio of programs and reporting the results.

Q. What customers are eligible to receive DSM services from the Company?

A. Any customer receiving service under retail natural gas schedules is eligible to receive DSM services from the Company. On occasion, the Company has tracked savings from non-retail natural gas customers when those savings were closely tied to electric DSM efforts within the customers' facilities. The resource acquisition from these transport customers, however, will not be incorporated into the Company incentive calculations for purposes of this decoupling proposal.

Q. Describe the Company's current DSM portfolio.

A. Avista offers a portfolio of electric and natural gas efficiency programs to Washington and Idaho customers. Electric efficiency programs have been available since 1978. Natural gas efficiency programs have been offered without interruption since 2001, and periodically prior to that time based upon cost-effective opportunities.

Our DSM portfolio relies upon a combination of technical assistance and direct financial incentives to encourage the adoption of natural gas efficiency measures beyond current codes or industry standards. Based upon current budgets, we are projecting that 82% of the $3.0 million

expended under the natural gas efficiency program will be provided to the customer in the form of direct incentives. Over 150 non-residential natural gas projects and 2,000 residential natural gas projects received direct incentive assistance in calendar year 2005. The remaining expenditures support a continuing technical assistance effort, program outreach and project administration.

Commercial and industrial customers benefit from an all-encompassing, site-specific program where every commercially-proven natural gas efficiency measure is eligible. Prescriptive (standardized) programs are defined to streamline the response and increase the marketability of relatively uniform measures. Technical assistance from an experienced staff of engineers is available to all customers assessing their efficiency options.

Residential customers have a number of natural gas efficiency programs available to them, including incentive-based programs for high-efficiency furnaces, high-efficiency water heaters, ceiling, wall, floor insulation, duct insulation and energy-efficient windows. Limited income customers are eligible to receive additional funding on an expanded array of measures implemented under contract with Community Action Agencies funded through the Company's DSM program.

Q. Is the Company planning any DSM enhancements to meet the higher performance standard?

A. Based upon the identification of a larger cost-effective resource opportunity in the IRP process, the Company has acted to augment its DSM efforts to capture that additional resource potential. This has included additions to the technical staff to serve the commercial / industrial site-specific program, one of the most productive areas of resource acquisition within

the DSM portfolio. The Company is also preparing to focus additional efforts upon national chain customers. A commercial pre-rinse sprayer program has been launched based upon the highly favorable evaluation of that measure within the IRP. A prescriptive natural gas food service equipment package consisting of 14 different individual measures has been developed to capture the opportunities created within the food service industry as a result of the pre-rinse sprayer program. A program promoting improved steam trap maintenance is currently under evaluation. The Company is also preparing a request for proposals for multifamily energy-efficiency services. Avista has been one of the leaders in an effort to develop a regional DSM market transformation effort.

Q. Describe the oversight and the measurement of the Company's DSM effort?

A. The Company has established a non-binding external oversight group, the External Energy Efficiency ("Triple-E") Board, to provide guidance for the implementation of DSM programs.

The management of the DSM portfolio benefits from the active participation of the Triple-E board. This board is a non-binding oversight board composed of regulators, critical stakeholders and key customers interested in the success of our Washington and Idaho programs. Reports on key attributes of the DSM portfolio are made on an annual basis, in addition to quarterly reports covering higher level productivity measurements. These Triple-E Reports, the most recent of which is shown in Exhibit No. __(JP-2), include a compilation of utility and total resource expenditures, resource acquisition and avoided cost values for each component of the DSM portfolio. The key DSM standard practice cost-effectiveness tests are calculated for each period. The Company has demonstrated the package of DSM programs to be cost-effective

under both the Total Resource Cost (TRC) and Utility Cost Test (UCT) over this aggregated five year period.

Q. Can you provide a brief description of the TRC and UTC Test and what is their purpose?

A. The tests are a standardized and more rigorous analytical tool for assessing cost-effectiveness. In consideration of their value as a management tool, the following is a brief summary of each test:

Total Resource Cost (TRC) Test - This indicates the cost-effectiveness of a project to the customer and utility combined. The primary determinants of the TRC test are the incremental customer cost and utility non-incentive program cost in comparison to the benefits of the avoided cost of energy savings and quantifiable non-energy benefits (e.g. reduced maintenance requirements).

Utility Cost Test (UCT) – This is a comparison of the utility cost and benefit impact of a project or portfolio. The predominant cost is that of the utility program (including customer direct incentives) compared to the utility savings resulting from the avoided cost of energy.

Q. How will these goals be measured and verified for purposes of this decoupling filing?

A. We are proposing to track only completed projects in order to improve the transparency of the process for verifying performance relative to the decoupling goal. The results from calendar years 2006 through 2008 will be utilized in the decoupling margin recovery calculation in the subsequent year. This will allow sufficient time for external verification of the

claimed achievements by an independent third party, and timely incorporation into the decoupling margin recovery calculation.

The proposed methodology of tracking only completed projects is a deviation from the traditional methodology employed by the Company. Traditionally, the Company has employed a methodology that tracks resource acquisition as a project moves through its lifecycle from preliminary assessment towards completion. The proposed methodology allows for a more meaningful match in the timing of the incurrence of utility costs and the recognition of resource benefits. This approach will continue to be utilized for purposes of analyzing cost-effectiveness as we manage the DSM portfolio.

Q. Does this conclude your prefiled direct testimony?

A. Yes.