

C Evaluation of Avista DSM Programs and Savings from 2006 – 2008

Since the DSM Target for the Pilot Mechanism is based on DSM savings in Washington and Idaho, all data in this section, responding to the questions below, should provide disaggregated results for Washington and Idaho, as well as combined totals.

- 1) a) Based on the results of the independent DSM audits, by what amounts did the Company change its DSM program expenditures and its resulting natural gas therm savings through Company-sponsored programs over the term of the Mechanism, relative to the 2004 – 2005 pre-decoupling period?

The DSM savings and expenditure totals for 2004 through 2008 are shown below. The chart reflects a growth pattern in both savings and expenditures with the expenditure increase outpacing savings resulting in an increase in the cost per therm of savings.¹⁸

		2004	2005	2006	2007	2008
Total	Savings (therms)	590,220	1,199,842	1,060,467	1,445,130	1,752,330
	Expenditures	\$1,081,665	\$2,419,693	\$2,809,496	\$3,627,890	\$6,288,959
	\$/therm	\$1.83	\$2.02	\$2.65	\$2.51	\$3.59
WA	Savings (therms)	429,076	1,016,766	693,354	1,166,544	1,053,244
	Expenditures	\$679,909	\$2,103,419	\$2,025,641	\$2,569,606	\$4,393,712
	\$/therm	\$1.58	\$2.07	\$2.92	\$2.20	\$4.17
ID	Savings (therms)	161,144	183,076	367,113	278,586	699,086
	Expenditures	\$401,757	\$316,274	\$783,856	\$1,058,284	\$1,895,247
	\$/therm	\$2.49	\$1.73	\$2.14	\$3.80	\$2.71

2004 & 2005 DSM savings are unaudited. Expenditures were not reviewed in the annual DSM Savings Verification Audits.

¹⁸ Savings are from Table C1-C. Expenditures are from Table C9-A.

- b) What were the annual audited DSM savings (completed project basis) for 2006-2008, by customer class, by DSM program and by rate schedule, compared to achieved therm savings in the 2004 – 2005 (completed project basis) pre-decoupling period?

The DSM savings by rate schedule, customer class and DSM program are shown below.¹⁹

Table C1-B DSM Savings (therms) by Rate Schedule with % of Total											
		2004		2005		2006		2007		2008	
Total	101	226,960	38%	369,959	31%	556,646	52%	621,455	43%	1,058,962	60%
	111/112	360,147	61%	809,906	68%	493,480	47%	758,177	52%	627,974	36%
	121/122	3,113	1%	19,977	2%	10,342	1%	65,498	5%	65,394	4%
WA	101	136,405	32%	267,938	26%	282,110	41%	456,192	39%	747,921	71%
	111/112	289,558	67%	728,851	72%	400,902	58%	645,004	55%	300,990	29%
	121/122	3,113	1%	19,977	2%	10,342	1%	65,348	6%	4,332	0%
ID	101	90,555	56%	102,021	56%	274,536	75%	165,263	59%	311,041	44%
	111/112	70,589	44%	81,055	44%	92,578	25%	113,173	41%	326,984	47%
	121/122	0	0%	0	0%	0	0%	150	0%	61,061	9%

Table C1-C DSM Savings (therms) by Customer Class with % of Total						
		2004	2005	2006	2007	2008
Total	Commercial	459,181	908,362	586,107	1,074,513	932,982
	Industrial	78%	76%	55%	74%	53%
	Limited	16,705	115,207	64,128	69,242	77,361
	Income	3%	10%	6%	5%	4%
	Residential	114,334	176,273	410,232	301,376	741,986
	Total	19%	15%	39%	21%	42%
Total		590,220	1,199,842	1,060,467	1,445,130	1,752,330
WA	Commercial	344,031	787,808	463,447	886,936	429,104
	Industrial	80%	77%	67%	76%	41%
	Limited	5,012	110,788	57,503	58,549	71,983
	Income	1%	11%	8%	5%	7%
	Residential	80,034	118,170	172,404	221,059	552,157
Total		19%	12%	25%	19%	52%
Total		429,076	1,016,766	693,354	1,166,544	1,053,244
ID	Commercial	115,150	120,554	122,661	187,577	503,878
	Industrial	71%	66%	33%	67%	72%
	Limited	11,694	4,419	6,625	10,692	5,379
	Income	7%	2%	2%	4%	1%
	Residential	34,300	58,103	237,828	80,316	189,829
Total		21%	32%	65%	29%	27%
Total		161,144	183,076	367,113	278,586	699,086

¹⁹ See Exhibit C-1 DSM Savings Calculations for details.

In general, DSM Savings are growing. The 2006 Commercial/Industrial (C/I) DSM Savings decrease reveals the impact of the initial DSM savings verification audit where documentation and engineering assumption discrepancies resulted in the disqualification of some non-residential site specific savings estimates.

Table C1-D DSM Savings (therms) by Program with % of Total												
Prescrip-												
	Appli-	HVAC	Indust-	LEED	Prescrip-	Pre-	Resource	Rooftop	Shell	Total		
	ances		rial	Certifi-	Food	Rinse	Manage-	Service				
			Process	cation	Service	Sprayer	ment	Service				
Total	2004	8,951	248,888	10,855	0	0	0	146,738	11,418	163,370	590,220	
		2%	42%	2%	0%	0%	0%	25%	2%	28%		
	2005	31,160	427,556	5,596	0	0	0	393,379	20,486	321,665	1,199,842	
		3%	36%	0%	0%	0%	0%	33%	2%	27%		
	2006	18,124	593,678	0	2,914	0	23,496	71,634	-17,523	368,145	1,060,467	
		2%	56%	0%	0%	0%	2%	7%	-2%	35%		
	2007	24,655	770,921	50,785	12,023	2,745	41,888	0	45,917	496,198	1,445,130	
		2%	53%	4%	1%	0%	3%	0%	3%	34%		
	2008	55,815	796,759	9,173	16,206	5,325	0	0	175,746	693,305	1,752,330	
		3%	45%	1%	1%	0%	0%	0%	10%	40%		
	WA	2004	6,639	150,056	3,122	0	0	0	146,738	0	122,522	429,076
			2%	35%	1%	0%	0%	0%	34%	0%	29%	
2005		28,374	320,585	5,596	0	0	0	393,379	0	268,832	1,016,766	
		3%	32%	1%	0%	0%	0%	39%	0%	26%		
2006		13,392	329,768	0	2,914	0	22,836	71,634	-17,284	270,093	693,354	
		2%	48%	0%	0%	0%	3%	10%	-2%	39%		
2007		20,093	660,981	17,965	12,023	2,087	21,736	0	23,869	407,791	1,166,544	
		2%	57%	2%	1%	0%	2%	0%	2%	35%		
2008		40,362	414,701	0	10,932	3,970	0	0	56,350	526,929	1,053,244	
		4%	39%	0%	1%	0%	0%	0%	5%	50%		
ID		2004	2,312	98,833	7,733	0	0	0	0	11,418	40,848	161,144
			1%	61%	5%	0%	0%	0%	0%	7%	25%	
	2005	2,786	106,971	0	0	0	0	0	20,486	52,833	183,076	
		2%	58%	0%	0%	0%	0%	0%	11%	29%		
	2006	4,731	263,910	0	0	0	660	0	-239	98,052	367,113	
		1%	72%	0%	0%	0%	0%	0%	0%	27%		
	2007	4,562	109,940	32,820	0	658	20,152	0	22,048	88,407	278,586	
		2%	39%	12%	0%	0%	7%	0%	8%	32%		
	2008	15,454	382,059	9,173	5,274	1,354	0	0	119,396	166,376	699,086	
		2%	55%	1%	1%	0%	0%	0%	17%	24%		

- c) For any electric or gas DSM programs sponsored by Avista that may produce combined electric and gas savings, or increased gas or electric usage, what assumptions or methods are used to allocate savings to the gas therm values provided in response to this question?

Some DSM measures have an “incidental” impact on electric or gas usage. The term “incidental” is used in the Triple-E reports to account for gas usage changes from an electric savings project or electric usage changes from a gas savings project. Avista’s engineers are responsible for identifying “incidental” usage changes. Avista’s Account Executives are responsible for documenting these savings. These “incidental” usage changes are included in the cost effectiveness calculations in the Triple-E reports but are not included in the Mechanism’s DSM savings target and consequently, are not included in the DSM savings verification reports.

The “incidental” gas savings resulting from electric DSM programs are shown below.²⁰ Negative numbers indicate usage was increased (negative savings).

Table C1-E Gas Savings (therms) Attributable to Electric Programs						
		2004	2005	2006	2007	2008
Total	Commercial/Industrial	(105,783)	(105,868)	(214,685)	(85,560)	(108,000)
	Limited Income	0	0	1,523	75	910
	Residential	(8,133)	(14,720)	(83,653)	7,441	7,828
	Total	(113,916)	(120,588)	(296,815)	(78,044)	(99,262)
WA	Commercial/Industrial	(74,048)	(85,473)	(141,843)	(65,191)	(64,013)
	Limited Income	0	0	1,523	75	796
	Residential	(5,693)	0	(84,248)	3,940	18,462
	Total	(79,741)	(85,473)	(224,568)	(61,176)	(44,756)
ID	Commercial/Industrial	(31,735)	(20,395)	(72,842)	(20,369)	(43,987)
	Limited Income	0	0	0	0	114
	Residential	(2,440)	(14,720)	595	3,501	(10,634)
	Total	(34,175)	(35,115)	(72,247)	(16,868)	(54,507)

As can be seen above, gas usage is added to the system each year as a result of electric DSM programs although the recent trend shows an increase in “incidental” savings (a decrease in “incidental” usage). In 2006, over 30% of the gas savings from Washington’s natural gas DSM programs were added to the system by electric DSM programs. The majority of this added gas usage comes from HVAC and lighting programs. In general, a reduction of the amount of heat added to a facility through electric energy consumption will result in a need for additional heat during the heating season. This will increase gas energy consumption if the primary source of heat for that facility is natural gas.

These “incidental” savings (and usage increases) are tracked and noted in the Triple-E reports but are not included in the Mechanism or the DSM Verification Report.

²⁰ From 2004-2008 Triple-E Reports, Table 6E (Exhibits 4-8). C/I Savings is on a “derated basis”.

- d) What assumptions or methods are used to allocate any kWh savings or increased electric consumption, and what were the amounts of kWh savings or increased electric consumption from any Avista sponsored gas DSM program? The response to this question should make clear that the 2004-2005 completed project DSM data provided by Avista has not been audited.

“Incidental” electric usage savings from gas programs are shown below.²¹ Negative values indicate usage increased (no savings).

		Table C1-F Electric Savings (kWh) Attributable to Gas Programs				
		2004	2005	2006	2007	2008
Total	Commercial/Industrial	(3,135)	(133,264)	(150,740)	8,173	83,640
	Limited Income	0	0	12,701	15,761	4,147
	Residential	8,719	135,974	1,091,902	1,636,584	1,292,907
	Total	5,584	2,710	953,863	1,660,518	1,380,694
WA	Commercial/Industrial	(3,135)	(138,968)	72,055	97,867	316,951
	Limited Income	0	0	12,701	11,882	4,147
	Residential	8,719	110,466	831,681	1,310,571	131,312
	Total	5,584	(28,502)	916,437	1,420,320	452,410
ID	Commercial/Industrial	0	5,704	(222,795)	(89,693)	(233,311)
	Limited Income	0	0	0	3,879	0
	Residential	0	25,508	260,221	326,013	1,161,595
	Total	0	31,212	37,426	240,199	928,284

In general, “incidental” electric savings are increasing. The bulk of the savings are attributable to air conditioning energy savings on gas residential shell measures.²² Shell measures are treated as a gas DSM measure unless the primary heat source is electric resistance heat.

These “incidental” savings (increased usage) are tracked and noted in the Triple-E reports but are not included in the Mechanism or the DSM Verification Report.

²¹ From 2004-2008 Triple-E reports, Table 5G (Exhibits 4-8). C/I Savings is on a “derated basis”.

²² From Avista’s response to Data Request #8, Question 2.

- 2) What is the proportion of therm savings from Company-sponsored DSM programs compared to overall weather normalized sales volumes, in total, and by customer class and/or rate schedule for each year 2004, 2005, 2006, 2007 and 2008?

DSM savings by customer class and rate schedule are compared to the weather normalized sales volume below.²³ Limited Income savings are part of the Residential savings and are not shown separately because there is no actual measurement of Limited Income usage.

Table C2-A DSM Savings (therms) Compared to Usage (therms) by Customer Class			2004	2005	2006	2007	2008
Total	Residential	DSM Savings	131,039	291,480	474,360	370,617	819,348
		Usage	146,927,288	148,642,856	150,314,758	149,647,983	153,406,904
		Savings %	0.09%	0.20%	0.32%	0.25%	0.53%
	Commercial Industrial	DSM Savings	459,181	908,362	586,107	1,074,513	932,982
		Usage	95,763,287	96,603,147	97,596,487	97,118,536	98,690,288
		Savings %	0.48%	0.94%	0.60%	1.11%	0.95%
WA	Residential	DSM Savings	85,045	228,958	229,907	279,609	624,140
		Usage	103,807,833	104,648,917	105,096,604	104,097,941	105,970,216
		Savings %	0.08%	0.22%	0.22%	0.27%	0.59%
	Commercial Industrial	DSM Savings	344,031	787,808	463,447	886,936	429,104
		Usage	69,012,052	69,686,273	69,831,299	69,826,592	70,390,489
		Savings %	0.50%	1.13%	0.66%	1.27%	0.61%
ID	Residential	DSM Savings	45,994	62,522	244,453	91,009	195,208
		Usage	43,119,455	43,993,939	45,218,154	45,550,043	47,436,688
		Savings %	0.11%	0.14%	0.54%	0.20%	0.41%
	Commercial Industrial	DSM Savings	115,150	120,554	122,661	187,577	503,878
		Usage	26,751,236	26,916,873	27,765,187	27,291,945	28,299,799
		Savings %	0.43%	0.45%	0.44%	0.69%	1.78%

The overall increase in the percentage of DSM Savings compared to weather normalized usage indicates that the growth of DSM Savings outpaced weather-normalized customer usage growth from 2004 to 2008.

²³ From Exhibit C-1 DSM Savings Calculations, Exhibit C-8 DSM Cost Calculations and Exhibit J-1 Weather Normalized Usage

Table C2-B DSM Savings (therms) Compared to Usage (therms) by Rate Schedule							
		2004	2005	2006	2007	2008	
Total	101	Usage	170,055,872	171,875,996	174,758,128	172,798,089	177,190,550
		Savings	226,960	369,959	556,646	621,455	1,058,962
		%	0.13%	0.22%	0.32%	0.36%	0.60%
	111/112	Usage	61,789,402	64,199,866	63,500,246	65,418,274	67,691,431
		Savings	360,147	809,906	493,480	758,177	627,974
		%	0.58%	1.26%	0.78%	1.16%	0.93%
	121/122	Usage	11,324,531	9,615,591	10,077,982	8,972,557	7,725,141
		Savings	3,113	19,977	10,342	65,498	65,394
		%	0.03%	0.21%	0.10%	0.73%	0.85%
WA	101	Usage	116,290,878	118,063,888	119,437,787	117,629,476	120,268,826
		Savings	136,405	267,938	282,110	456,192	747,921
		%	0.12%	0.23%	0.24%	0.39%	0.62%
	111/112	Usage	48,214,226	49,248,773	48,247,655	49,712,845	50,203,746
		Savings	289,558	728,851	400,902	645,004	300,990
		%	0.60%	1.48%	0.83%	1.30%	0.60%
	121/122	Usage	8,757,937	7,428,378	7,625,266	6,957,269	6,347,855
		Savings	3,113	19,977	10,342	65,348	4,332
		%	0.04%	0.27%	0.14%	0.94%	0.07%
ID	101	Usage	53,764,995	53,812,108	55,320,341	55,168,613	56,921,723
		Savings	90,555	102,021	274,536	165,263	311,041
		%	0.17%	0.19%	0.50%	0.30%	0.55%
	111/112	Usage	13,575,176	14,951,093	15,252,591	15,705,428	17,487,685
		Savings	70,589	81,055	92,578	113,173	326,984
		%	0.52%	0.54%	0.61%	0.72%	1.87%
	121/122	Usage	2,566,594	2,187,213	2,452,716	2,015,288	1,377,286
		Savings	0	0	0	150	61,061
		%	0.00%	0.00%	0.00%	0.01%	4.43%

While DSM savings increased for all rate schedules, a larger portion of usage was saved in WA Schedule 111/112 than in WA Schedules 101 and 121/122.

3) What were the associated lost margins from Company sponsored DSM, by customer class and by rate schedule for each year 2004, 2005, 2006, 2007 and 2008?

The lost margins for each rate schedule were calculated as described below:

1. Average customer usage profiles for each rate schedule were created showing the estimated percentage of annual usage for each month using historical data in the annual revenue runs.²⁴
2. The annual DSM savings were applied to these profiles to obtain the estimated monthly savings for each rate schedule by month.
3. A random sample of 73 Schedule 111/112 DSM participants provided by Avista was used to create a profile of the highest billable tier for each month of the year.²⁵
4. This monthly customer profile tier usage was applied to the monthly Schedule 111/112 savings profile to obtain a monthly Schedule 111 tiered savings profile for each month.
5. The Schedule 121 sample we received from Avista showed the customer's highest usage in Tier 4 in all but one month. Therefore, Tier 4 margins were used for all Schedule 121 savings.
6. To estimate Avista's lost margin, margin rates for each rate schedule tier²⁶ were multiplied by the estimated usage for each month with mid-month changes prorated by the number of days in the month.

The lost margins for WA are shown below by rate schedule.²⁷

Table C3-A WA DSM Lost Margin by Rate Schedule						
		2004	2005	2006	2007	2008
101	Savings (therms)	136,405	369,959	282,110	456,192	747,921
	Lost Margin	\$ 22,596	\$ 51,545	\$ 54,683	\$ 90,429	\$162,661
	% of Lost Margin	43%	36%	52%	52%	79%
111	Savings (therms)	289,558	809,906	400,902	645,004	300,990
	Lost Margin	\$ 29,746	\$ 88,971	\$ 49,143	\$ 80,410	\$ 41,948
	% of Lost Margin	57%	63%	47%	46%	20%
121	Savings (therms)	3,113	19,977	10,342	65,348	4,332
	Lost Margin	\$ 153	\$ 1,219	\$ 634	\$ 4,060	\$ 325
	% of Lost Margin	0%	1%	1%	2%	0%
Total	Savings (therms)	429,076	1,199,842	693,354	1,166,544	1,053,244
	Lost Margin	\$ 52,495	\$141,735	\$104,460	\$174,898	\$204,934

The DSM savings and lost margins in Tables C3-A and C3-B are the first-year lost margins and do not reflect the multi-year impact of the DSM measures.

²⁴ See Exhibit C-3 Customer Usage Profile.

²⁵ See Exhibit C-4 DSM Participant Usage Sampling for sample methodology and tier summary.

²⁶ See Exhibit C-2 GRC Margin Rates from Avista's response to Data Request 2, Question 4.

²⁷ See Exhibit C-5 Lost Margin Calculations.

The lost margins for WA are shown below by Customer Class.²⁸

Table C3-B WA DSM Lost Margin by Customer Class						
		2004	2005	2006	2007	2008
Commercial/ Industrial	Savings (therms)	344,031	787,808	463,447	886,936	429,104
	Lost Margin	\$38,407	\$97,689	\$59,896	\$119,473	\$69,194
	% of Lost Margin	73%	69%	57%	68%	34%
Limited Income	Savings (therms)	5,012	110,788	57,503	58,549	71,983
	Lost Margin	\$830	\$21,313	\$11,146	\$11,606	\$15,655
	% of Lost Margin	2%	15%	11%	7%	8%
Residential	Savings (therms)	80,034	118,170	172,404	221,059	552,157
	Lost Margin	\$13,258	\$22,733	\$33,418	\$43,819	\$120,085
	% of Lost Margin	25%	16%	32%	25%	59%
Total	Savings (therms)	429,076	1,016,766	693,354	1,166,544	1,053,244
	Lost Margin	\$52,495	\$141,735	\$104,460	\$174,898	\$204,934

- 4) During the 2004 – 2008 time period, did the Company change the scope or magnitude of any of its DSM programs in the following areas:

Changes to individual DSM programs are detailed in Question 5. Avista’s responses to general DSM program changes are shown below.

During the 2002 to 2005 time period the Company was recovering from a large negative balance in the DSM tariff rider incurred as a result of our emergency response to the 2001 western energy crisis. During this time programs were not curtailed, but were not expanded either. The tariff rider balance was eventually returned to zero through stringent short-term cost control measures. As each of the individual tariff riders (Washington and Idaho, electric and natural gas) began to return to zero (which began to occur in 2005) the potential for expansions of the portfolio were considered.²⁹

To prevent a similar reduction in DSM programs in the future, all parties agreed in the Settlement Agreement for UG-070805 that Avista would examine the sufficiency of the DSM tariff rider during the next rate case and request annual adjustments to ensure sufficient DSM funding to support the increased target levels set in the Company’s 2007 IRP.³⁰ Avista recently filed UG-090052 to address this need.³¹

²⁸ See Exhibit C-5 Lost Margin Calculations.

²⁹ From Avista’s original Data Submission for Question C4.

³⁰ See UG-070805, Order 05 *Consolidated*, Page 6

³¹ See Exhibit 9 UG-090052 DSM Tariff Changes.

A chart summarizing the progression of Washington’s gas DSM tariff rider balance is shown below:³²

Table C4-A WA DSM Tariff Rider Balance History					
		2001	2002	2003	2004
Revenue	Electric	\$3,982,823	\$4,386,478	\$4,358,910	\$4,981,596
	Gas	\$528,548	\$654,861	\$941,498	\$1,970,728
	Total	\$4,511,371	\$5,041,339	\$5,300,408	\$6,952,324
Expense	Electric	(\$11,863,246)	(\$2,032,147)	(\$2,891,858)	(\$2,441,405)
	Gas	(\$982,231)	(\$942,531)	(\$1,369,560)	(\$708,214)
	Total	(\$12,845,477)	(\$2,974,678)	(\$4,261,418)	(\$3,149,619)
Net Change	Electric	(\$7,880,423)	\$2,354,331	\$1,467,052	\$2,540,191
	Gas	(\$453,683)	(\$287,670)	(\$428,062)	\$1,262,514
Balance	Electric	(\$8,296,691)	(\$5,942,360)	(\$4,475,308)	(\$1,935,117)
	Gas	(\$464,394)	(\$752,064)	(\$1,180,126)	\$82,388
	Total	(\$8,761,085)	(\$6,694,424)	(\$5,655,434)	(\$1,852,729)
		2005	2006	2007	2008
Revenue	Electric	\$4,387,492	\$4,683,069	\$5,054,298	\$9,132,541
	Gas	\$1,640,633	\$734,222	\$2,823,620	\$2,917,720
	Total	\$6,028,125	\$5,417,291	\$7,877,918	\$12,050,261
Expense	Electric	(\$3,443,234)	(\$5,045,345)	(\$8,256,702)	(\$10,496,439)
	Gas	(\$1,895,890)	(\$2,089,961)	(\$2,819,110)	(\$4,191,693)
	Total	(\$5,339,124)	(\$7,135,306)	(\$11,075,812)	(\$14,688,132)
Net Change	Electric	\$944,258	(\$362,276)	(\$3,202,404)	(\$1,363,898)
	Gas	(\$255,257)	(\$1,355,739)	\$4,510	(\$1,273,973)
Balance	Electric	(\$990,859)	(\$1,353,135)	(\$4,555,539)	(\$5,919,437)
	Gas	(\$172,869)	(\$1,528,608)	(\$1,524,098)	(\$2,798,071)
	Total	(\$1,163,728)	(\$2,881,743)	(\$6,079,637)	(\$8,717,508)

The 2001-2004 Triple-E reporting contain some inconsistencies identified during this evaluation. These inconsistencies were eliminated starting in 2005.

³² From Avista’s data submission from Data Request 10-17.

a) natural gas DSM programs

Within the natural gas portfolios there were limited expansions beginning in 2006 in conjunction with a much larger ramp-up in electric programs. In early 2008 the customer incentives for natural gas were significantly increased (see the Schedule 190 history) to achieve increasing IRP acquisition targets.²⁹

The 2008 incentive increases are likely a driving factor behind the higher DSM acquisition costs and lower savings (therms) returned from that investment (increasing \$/therm values in Table C1-A).

b) natural gas or electric DSM programs that may produce combined gas and electric savings-

The increased activity on electric DSM measures also provided an enhanced opportunity for Avista DSM engineers to audit customer facilities and incorporate natural gas recommendations into their report. Given these two effects, the net effect of the electric ramp-up on natural gas is not clear.²⁹

The incidental savings from combined natural gas and electric DSM projects are detailed in Tables C-1E and C-1F. In general, electric DSM programs are increasing gas usage and gas DSM programs are reducing electric usage.

c) electric DSM programs that may produce changes in gas usage?

This expansion of electric programs was focused on a wide variety of measures to include measures that result in an increase in natural gas usage (e.g. efficient lighting, electric-to-natural gas conversions). The increased activity on electric DSM measures also provided an enhanced opportunity for Avista DSM engineers to audit customer facilities and incorporate natural gas recommendations into their report. Given these two effects, the net effect of the electric ramp-up on natural gas is not clear.²⁹

An electric-to-natural gas conversion for an existing gas customer will decrease the decoupling deferral as the current year usage increases without any change to the base year. For a “new” gas customer, there will be no impact on the decoupling deferral as the usage is removed from the analysis.³³

³³ See Section G for details on “new” customer designation.

- 5) a) What incremental program changes or expansions were implemented, and when, during 2004 – 2008, for the three categories of DSM programs described above in question 4? Identify and describe each new, revised or expanded programmatic change by customer class (residential, commercial, industrial) and corresponding rate schedule.

Avista’s response is below.

Residential prescriptive offerings have been on-going since the fall of 2001. Programs are reviewed periodically to incorporate new savings, code changes, avoided costs or customer costs. Since 2004, these reviews have resulted in changes to the prescriptive offerings in Feb 2004, September 2005, September 2007, and March 2008. The following is a summary of changes in program offerings and incentives (newer programs are represented as n/a, as applicable. Limited Income programs have had no changes in the offerings; however, in 2006 the budgets restrictions added greater natural gas flexibility by allowing a change from 50% expenditures on natural gas and electric to up to 75% expenditures on natural gas:³⁴

Residential

The following chart summarizes the residential incentive modifications.³⁵

Table C5-A Residential DSM Incentive History					
Equipment Incentives	Feb-04	Sep-05	July-07	Sep-07	March-08
HE Gas Furnace/Boiler	\$150	\$200			\$400
HE Gas Boiler	\$150	\$200			\$400
NG Tankless Water Heater					\$200
HE NG Water Heater	\$50	\$25			\$50
Attic insulation	\$0.12 /ft ²	\$0.14 /ft ²			\$0.25 /ft ²
Wall insulation	\$0.12 /ft ²	\$0.14 /ft ²			\$0.50 /ft ²
Floor insulation	\$0.12 /ft ²	\$0.14 /ft ²			\$0.50 /ft ²
Duct insulation	\$0.75 /ft	disc.			
Energy Star Windows - Retro		\$0.70 /ft ²			\$3 /ft ²
Energy Star Windows - New		\$0.70 /ft ²			disc.
Variable Speed Motor		\$100			
Energy Star Homes - New		\$500			\$650
Energy Star Clothes washer			\$25		\$50
Energy Star Dishwasher			\$25		
Multifamily Energy Efficiency Program					
Low Flow Aerators - MFH				free direct install	
Low Flow Showerheads - MFH				free direct install	
Pipe Wrapping - MFH				free direct install	
Attic Insulation - MFH				free direct install	
Floor insulation - MFH				free direct install	
Energy Star Windows - MFH				\$10 /ft ²	

The large increase in Residential incentives is one likely source for the 2008 surge in Residential DSM Savings.

³⁴ From Avista’s original Data Submission for Question C5 - Residential.

³⁵ From Avista’s original Data Submission for Question C5 - Residential.

Limited Income

The following limited income DSM programs have provided 100% of the installation cost (plus up to 15% for health and human safety) plus a 15% administration fee since February 2004.³⁶

Table C5-B Limited Income Gas DSM Incentives
High Efficiency Space Heat
High Efficiency Water Heat
Attic Insulation
Wall Insulation
Floor Insulation
Duct Insulation
Infiltration
Energy Star Windows
Energy Star Doors

Non-deemed (non-prescriptive) and standard residential measures are also available to limited income customers; however, participation in standard residential programs is unknown but presumed to be minimal for natural gas DSM.

Commercial/Industrial

Avista provided the following summary.³⁷

As mentioned in the response to Question C4, in early 2008 the customer incentives for natural gas were significantly increased (see the Schedule 190 history). The new incentive levels applied to any qualifying commercial/industrial energy efficiency project. In addition to these incentive level changes, the following programmatic changes were made:

Demand Controlled Ventilation-Installation of controls on existing facilities to use carbon dioxide levels to measure occupancy and modify the percentage of outside air based on variable levels. Prescriptive program launched 3/15/07. Incentive was .32 per sq. ft. for spaces with air conditioning and .25 for spaces with no air conditioning. Offer modified 3/1/08 to .25 per conditioned sq. ft.

Food Service Equipment- Installation of high efficiency cooking equipment. Original launch was 10/1/06. Some modifications were made on 3/1/08.

- Natural gas fryer \$500
- Natural gas steam cooker
 - 3-pan \$500
 - 4-pan \$540
 - 5-pan \$590
 - 6-pan \$630
- Vent hood variable speed control w/natural gas space heat- \$400 per kCFM. Modified to \$650 per kCFM on 3/1/08.

³⁶ From Avista's original Data Submission for Question C5 - Residential.

³⁷ From Avista's original Data Submission for Question C5 – Non-Residential.

- Natural gas convection oven \$460 each, modified to \$500 each on 3/1/08.
- Natural gas combination oven-\$500 each, modified to \$1000 each on 3/1/08.
- Natural gas rack oven-\$500 each, modified to \$1000 each on 3/1/08.
- Natural gas griddle-\$250 each.
- Natural gas char-broiler-\$400 each.
- High efficiency natural gas water heater 75,000 BTU/hr or less-\$40 each, modified to \$50 each on 3/1/08.
- High efficiency natural gas water heater 75,000 BTU/hr or greater-added 3/1/08 \$1000-\$2000 each.
- Point of use water heater-\$50 each, modified to \$60 each on 3/1/08.
- Time clock control of natural gas water heater circulating pump-\$30 each, modified to \$40 on 3/1/08.
- Energy Star dishwashers added 3/1/08, \$250-\$2000 each.

AirCare Plus-Enhanced maintenance service for rooftop HVAC units. \$25 paid for thermostat modifications. Program launched in 2004. Service facilitated through 3rd party contract.

Pre-rinse Sprayer Installation_ Free installation of efficient pre-rinse dishwasher sprayers to eligible customers. Program was available September 2006 – October 2007.

LEED Certification_ Incentive for eligible customers that achieve LEED Certification. Originally launched 9/04. Incentive is \$1.25 per square foot of conditioned space. Modified in 9/07 to \$1.25 for LEED-NC and .50 for LEED-EB.

Steam Trap Repair/Replacement – Rebates available for the repair or replacement of failed steam traps. Prescriptive program initially offered 7/07. Rebates are \$120-\$350 depending on pipe size.

The following incentive chart is from Avista’s Schedule 190 tariff sheet.

Measures	Simple Pay-Back Period	Incentive Level (dollars/first year therm saved) (Minimum measure life of 10 years*)
Natural Gas Efficiency	1 to 2 years	2.00
	2 to 4 years	2.50
	4 to 6 years	3.00
	Over 6 years	3.50

* Measures with an energy savings life less than 10 years may receive an incentive amount not to exceed the full incremental cost of the measure.

Incentives are capped at 50% of the incremental project cost with several listed exceptions that allow up to 100% of incremental cost for Limited Income, small measures, and market transformation.

6 a) Were there any changes in Avista’s avoided costs during the Pilot Period that may have contributed to any changes in customer participation and savings for Company sponsored DSM programs?

Avoided cost estimates from the 2003, 2006 and 2007 Avista Gas Integrated Resource Plans are shown below.³⁸

		2003 IRP	2006 IRP	2007 IRP
1-Year 2007-2008	Winter	\$ 48.30	\$ 64.50	\$78.60
	Annual	\$ 42.50	\$ 56.70	\$72.90
10-Year Total	Winter	\$ 526.30	\$ 623.90	\$623.06
	Annual	\$ 461.20	\$ 548.10	\$564.98

Avoided costs increased rapidly from 2003 to 2006. From 2006 to 2007, the one-year avoided cost for November 2007 through October 2008 increased approximately 25% but the 10-year total of forecasted avoided costs remained about the same. These increases in avoided costs allow more measures to qualify as cost-effective and may increase the amount of incentives offered while still being cost-effective. This may increase the overall investment cost per therm as a higher return (therms with a higher avoided cost) justify higher initial investment (DSM expenditures).

b) Identify any other factors that may have contributed to an increase in DSM savings and/or new or expanded DSM program offerings.

The 2006 IRP noted that Avista formally acknowledged that sustaining site specific DSM programs was feasible. Previously the Company had been skeptical that site specific DSM was viable in the long-term because of a lack of historical success.³⁹

In the 2007 IRP, Avista committed to increasing DSM Savings 11% annually with a corresponding commitment to increase resources to support this growth. The report also noted that the Schedule 191 Tariff will most likely need to increase to fund this growth.⁴⁰

Avista stated:

Avista’s revisions to our natural gas avoided cost are driven by the completion of our natural gas IRP process. Since 2006 we have completed two natural gas IRP’s. The dates of those completions are March 31st, 2006 and December 31st, 2007. In addition to identifying updated natural gas avoided costs, the IRP’s also identify a goal for cost-effective DSM acquisition. Naturally increasing avoided costs would, all else being equal, lead to higher levels of cost-effective DSM being identified within the plan. In addition to increasing avoided costs and acquisition targets, escalating retail rates have

³⁸ From Avista’s response to Data Request 2, Question 17. See Exhibit C-9 Avoided Cost Calculations for details.

³⁹ 2006 Avista’s Gas Integrated Resource Plan, Pages 3-9 and 3-10.

⁴⁰ 2007 Avista’s Gas Integrated Resource Plan, Page 3.20.

increased customer demand for efficiency assistance. The desire to meet this customer need has also driven the Company to enhance the natural gas DSM portfolio.⁴¹

- 7) a) What new or revised customer educational, informational and marketing programs related to DSM were implemented by the Company during 2006-2008?

In 2006, Avista launched its Every Little Bit campaign to promote consumer energy efficiency through education and outreach. Every Little Bit is targeted to residential and small commercial customers in both Washington and Idaho service territories and focuses on low cost and no cost measures. Messages are conveyed through television, radio and print ads along with the program-dedicated website, www.everylittlebit.com.

Television

The Power to Conserve is a 30-minute television program hosted by Meteorologist Tom Sherry and Avista Program Manager Christine McCabe airing on local networks in the Avista service territory. The Power to Conserve offers viewers do-it-yourself household improvement demonstrations and tips for increasing their energy efficiency and lowering their energy costs.

Ten second television commercials offer suggestions on increasing efficiency by furnace maintenance, thermostat adjustment, window caulking and ENERGY STAR appliances.

Radio

Avista informs customers in their service territories of the conversion to natural gas as a cleaner energy and the benefits of using natural gas as an alternative to other fuels in two 30 second radio spots. These ads also direct consumers to contact Avista for information on the advantages of installing high efficiency equipment in their home and the various incentives and rebates offered by the Company.

Website

The Every Little Bit website serves as the portal for all of Avista's energy efficiency information. Consumers have access to details on rebates, coupons, incentives and programs offered by Avista in each service territory. Interactive tools such as the home energy analyzer, energy use calculator and bill analyzer allow consumers to have a customized view of their energy usage. The website also provides low-cost, no-cost and do-it-yourself energy saving projects.

⁴¹ From Avista's original Data Submission for Question C6.

The table below shows the outreach impact of the Every Little Bit campaign for each year by state.⁴²

Table C7-A WA & ID Energy efficiency campaigns: DSM Education & Every Little Bit				
	2004	2005	2006	2007
Gross impressions TV	n/a	3,665,000	See 2005*	6.2M***
Gross impressions Radio	n/a	2,049,300	See 2005*	n/a
Gross impressions Print	n/a	1,109,000	See 2005*	6.2M***
Reach % TV	n/a	88%	See 2005*	96.5%
Reach % Radio	n/a	64%	See 2005*	n/a
Reach % Print	n/a	59%	See 2005*	n/a
Average frequency TV	n/a	10.2	See 2005*	9.9
Average frequency Radio	n/a	14	See 2005*	n/a
Average frequency Print	n/a	4.6	See 2005*	n/a
Web traffic (ELB site)**	n/a	n/a	n/a	15,000
*campaign stats reflect run covering December 2005 and January 2006				
**web traffic is for all three states.				
***cumulative across all three states, including TV, print & web				
“Impressions” is the sum of all advertising “exposures” (the number of people reached).				

Print

Avista provides a variety of printed literature for distribution. Avista has made efforts to encourage commercial and industrial customers to implement efficiency improvements through informational brochures, rebate forms and a monthly electronic newsletter. Brochures highlight the financial benefits of increased efficiency and provide tips on decreasing usage to reduce Company costs. They also direct businesses to contact their Avista account executive for more information on rebates and incentives and assistance in identifying and incorporating reduction measures. Simplified rebate forms facilitate processing. Commercial and industrial customers also have the option to sign up for a monthly electronic efficiency newsletter that includes articles and information on recent topics affecting businesses.

Other Outreach

Avista Utilities is working with Northwest Sustainable Energy for Economic Development (Northwest SEED) to develop the infrastructure necessary to establish a self-sustaining energy-efficiency program within the residential and non-residential facilities of the Spokane Tribe of Indians. The funding provided by Avista leverages a US Department of Agriculture grant. The long-term strategy is to enhance the ability to realize cost-effective energy-efficiency opportunities for the Company's regular and limited income portfolio in the future.⁴³

Avista charged \$10,000 to WA/ID natural gas for part of a \$50,000 payment to Northwest SEED in May 2007.⁴⁴

⁴² From Avista's original Data Submission for Question C7 – Ad Metrics.

⁴³ From Avista's 12/29/2008 email.

⁴⁴ From Avista's response to Data Request 2, Question 27.

b) What were the primary messages and estimated costs of each of these programs?

There are 2 primary messages of the Every Little Bit program. “One is a call-to-action to look at our rebates on our website and use them; and secondly an understanding for an emerging efficiency consciousness relating to energy and sustainability” (Folsom & NEEA, 2008).

This program was covered by the DSM tariff riders as follows.⁴⁵

		2006	2007	2008
Gas	WA	\$56,158	\$98,125	\$144,567
	ID	\$24,068	\$43,983	\$62,548
	Total	\$80,226	\$142,108	\$207,115
Electric	WA	\$74,744	\$313,045	\$369,075
	ID	\$32,034	\$134,704	\$158,332
	Total	\$106,778	\$447,749	\$527,407
Totals		\$187,004	\$589,857	\$734,522

c) Were any therm savings attributed to such programs in the independent DSM audit, and if so, how much, and using what assumptions or studies?

These programs were not credited for any documented DSM savings; therefore these programs were not included in the scope of the DSM Savings Verification Reports.

8) a) What were the annual revenues collected from ratepayers under the gas tariff rider (Schedule 191), by rate schedule, to fund gas DSM programs for 2004-2008?

The portion of Schedule 191 tariff revenue for DSM program funding is shown below⁴⁶ and reveals significant increases in 2007 and 2008.

		2004	2005	2006	2007	2008
101	Revenue	\$1,228,031	\$ 986,607	\$ 856,269	\$2,074,732	\$2,155,115
	% of Total	70%	71%	71%	70%	71%
111/112	Revenue	\$ 447,314	\$ 357,788	\$ 304,777	\$ 763,674	\$ 793,488
	% of Total	25%	26%	25%	26%	26%
121/122	Revenue	\$ 78,072	\$ 48,055	\$ 42,387	\$ 102,533	\$ 93,120
	% of Total	4.4%	3.4%	3.5%	3.5%	3.1%
131/132	Revenue	\$ 6,135	\$ 4,098	\$ 3,506	\$ 9,195	\$ 8,955
	% of Total	0.3%	0.3%	0.3%	0.3%	0.3%
Total		\$1,759,552	\$1,396,549	\$1,206,939	\$2,950,134	\$3,050,678

The above DSM revenues are gross revenues and includes additional pass through revenue collected for excise fees, franchise fees, commission fees, etc. and will not match Table C4-A revenues.

⁴⁵ From Avista’s 3/20/09 updated Data Submission for Data Request 10, Question 14.

⁴⁶ See Exhibit C-6 WA Schedule 191 DSM Tariff Revenue Calculations.

b) What was the gas tariff rider (Schedule 191) surcharge for the years 2004-2008?

The Schedule 191 DSM Tariff surcharge history is shown below.⁴⁷ The surcharge was significantly increased in 2007, explaining the revenue increase in Table C8-A.

Effective Date	09/11/03	5/2/2004	2/14/2005	1/1/2006	11/1/2006	1/1/2008
Revision	Third	Fourth	Fifth	Fifth ⁴⁸	Sixth	Seventh
101	\$ 0.01119	\$ 0.01119	\$ 0.00790	\$ 0.00412	\$ 0.01795	\$0.01795
111/112	\$ 0.00965	\$ 0.00965	\$ 0.00682	\$ 0.00355	\$ 0.01580	\$0.01580
121/122	\$ 0.00893	\$ 0.00893	\$ 0.00631	\$ 0.00329	\$ 0.01479	\$0.01479
131/132	\$ 0.00862	\$ 0.00862	\$ 0.00609	\$ 0.00317	\$ 0.01429	\$0.01429

Although Schedule 191, Fifth Revision reduced the DSM Tariff surcharge on 2/14/2005, natural gas funding was not reduced. UG-050483 increased Limited Income DSM by \$200,000, LIRAP funding by \$600,000 and required no decrease in other DSM programs. This was accomplished through use of tax rebate funds and a transfer of Schedule 91 DSM funds.⁴⁹

The reduction on 1/1/2006 was due to the retirement of a temporary DSM surcharge from Schedule 191, Third Revision that was effective until December 31, 2005.⁵⁰

The surcharge increase starting 11/1/2006 was from UG-061529 and was requested to fund ongoing DSM operations consistent with the increased DSM savings goals and to amortize a deficiency DSM tariff rider balance resulting from higher than expected customer demand for DSM services.⁵¹

9) a) What were actual yearly DSM expenditures for 2004-2008?

Total DSM expenditures are shown below and reveal increased DSM expenditures.⁵²

	2004	2005	2006	2007	2008
Total	\$1,081,665	\$2,419,693	\$2,809,496	\$3,627,890	\$6,288,959
WA	\$679,909	\$2,103,419	\$2,025,641	\$2,569,606	\$4,393,712
% Expenditures	63%	87%	72%	71%	70%
% Savings	73%	85%	65%	81%	61%
ID	\$401,757	\$316,274	\$783,856	\$1,058,284	\$1,895,247
% Expenditures	37%	13%	28%	29%	30%
% Savings	27%	15%	35%	19%	39%

⁴⁷ Exhibit C-7 Schedule 191 Tariff Rider Adjustments.

⁴⁸ The temporary DSM tariff of 0.46% from the Third Revision was effective through December 31, 2005.

⁴⁹ See UG-050483, Order 05, Paragraphs 141-147.

⁵⁰ See Exhibit C-7 Schedule 191 Tariff Rider Adjustments

⁵¹ See UG-061529 Cover Letter dated September 29, 2006.

⁵² See Exhibit C-8 DSM Cost Calculations. DSM Savings are from Table C1-A.

b) How were such amounts spent each year by customer class (residential, limited income, non-residential) and rate schedule?

The distribution of expenditures by customer class is shown below.⁵³

		Table C9-B DSM Expenditures by Customer Class				
		2004	2005	2006	2007	2008
Total	Commercial Industrial	\$ 619,421 57%	\$ 1,520,443 63%	\$ 1,622,903 58%	\$ 2,265,537 62%	\$ 2,725,890 43%
	Limited Income	\$ 263,978 24%	\$ 516,340 21%	\$ 558,372 20%	\$ 501,566 14%	\$ 592,484 9%
	Residential	\$ 198,267 18%	\$ 382,911 16%	\$ 628,221 22%	\$ 860,787 24%	\$ 2,970,585 47%
	Total	\$ 1,081,665	\$ 2,419,693	\$ 2,809,496	\$ 3,627,890	\$ 6,288,959
WA	Commercial Industrial	\$ 433,594 64%	\$ 1,350,188 64%	\$ 1,262,475 62%	\$ 1,502,950 58%	\$ 1,658,904 38%
	Limited Income	\$ 184,784 27%	\$ 496,534 24%	\$ 492,477 24%	\$ 436,032 17%	\$ 536,338 12%
	Residential	\$ 61,530 9%	\$ 256,696 12%	\$ 270,689 13%	\$ 630,623 25%	\$ 2,198,471 50%
	Total	\$ 679,909	\$ 2,103,419	\$ 2,025,641	\$ 2,569,606	\$ 4,393,712
ID	Commercial Industrial	\$ 185,826 46%	\$ 170,254 54%	\$ 360,428 46%	\$ 762,587 72%	\$ 1,066,986 56%
	Limited Income	\$ 79,193 20%	\$ 19,805 6%	\$ 65,895 8%	\$ 65,534 6%	\$ 56,147 3%
	Residential	\$ 136,737 34%	\$ 126,215 40%	\$ 357,533 46%	\$ 230,164 22%	\$ 772,115 41%
	Total	\$ 401,757	\$ 316,274	\$ 783,856	\$ 1,058,284	\$ 1,895,247

Historically, approximately 60% of the WA Expenditures was invested in commercial/industrial projects while 40% was invested in residential DSM measures (including Limited Income); however, it appears the portion of DSM expenditures in the WA Residential customer class is growing rapidly. At the same time, the rate of growth in Limited Income DSM expenditures is not growing as fast and the Limited Income DSM portion of investment is shrinking. In 2004 through 2006, one in four DSM dollars was invested in the Limited Income customer class. This ratio dropped to one in six in 2007 and one in eight in 2008.

⁵³ See Exhibit C-8 DSM Cost Calculations.

Expenditures by rate schedule are shown below and again reveal increasing expenditures.⁵⁴

Table C9-C DSM Expenditures by Rate Schedule						
		2004	2005	2006	2007	2008
Total	101	\$587,183	\$1,020,798	\$1,498,963	\$2,105,184	\$4,286,887
		54%	42%	53%	58%	68%
	111	\$490,607	\$1,365,190	\$1,291,706	\$1,405,292	\$1,856,023
		45%	56%	46%	39%	30%
	121	\$3,875	\$33,704	\$18,827	\$117,414	\$146,049
		0%	1%	1%	3%	2%
WA	101	\$315,575	\$818,995	\$978,135	\$1,419,029	\$3,213,344
		46%	39%	48%	55%	73%
	111	\$360,458	\$1,250,719	\$1,028,679	\$1,045,763	\$1,163,619
		53%	59%	51%	41%	26%
	121	\$3,875	\$33,704	\$18,827	\$104,814	\$16,749
		1%	2%	1%	4%	0%
ID	101	\$271,607	\$201,803	\$520,828	\$686,155	\$1,073,542
		68%	64%	66%	65%	57%
	111	\$130,149	\$114,471	\$263,027	\$359,530	\$692,404
		32%	36%	34%	34%	37%
	121	\$0	\$0	\$0	\$12,600	\$129,300
		0%	0%	0%	1%	7%

The proportion of WA Schedule 101 DSM expenditures has steadily increased from 2005 to 2008.

⁵⁴ See Exhibit C-8 DSM Cost Calculations.

c) Identify the total expenditures directly distributed to customers (by customer class), and the total expenditures for the administration of the programs.

Incentive and non-incentive expenditures are shown below.⁵⁵ The non-incentive expenditures are comprised of Labor & Expenses and General Expenses. Labor & Expenses are those expenditures that are allocated to a specific DSM program. General Expenses are not allocated to specific DSM program and are allocated across all programs by their portion of DSM savings. Note that the CAP agency 15% administration cost for the Limited Income programs is not included in the non-incentive costs.

Table C9-D Total DSM Expenditures by Customer Class						
		2004	2005	2006	2007	2008
Total	Incentives	\$941,147 87%	\$1,950,373 81%	\$2,179,621 78%	\$2,674,679 74%	\$5,085,264 81%
	Labor & Expenses	\$238	\$405,733	\$427,296	\$704,972	\$613,843
	General	\$49,297	\$63,587	\$202,581	\$248,238	\$589,853
	Total	\$1,081,665	\$2,419,693	\$2,809,498	\$3,627,889	\$6,288,959
Commercial Industrial	Incentives	\$487,422 79%	\$1,213,566 80%	\$1,213,031 75%	\$1,600,120 71%	\$2,145,013 79%
	Labor & Expenses	\$119	\$259,256	\$288,050	\$486,687	\$257,086
	General	\$40,897	\$47,621	\$121,822	\$178,730	\$323,791
	Total	\$619,421	\$1,520,443	\$1,622,903	\$2,265,537	\$2,725,890
Limited Income	Incentives	\$260,582 99%	\$495,343 96%	\$522,661 94%	\$460,420 92%	\$548,902 93%
	Labor & Expenses	\$0	\$14,686	\$21,922	\$27,704	\$11,579
	General	\$3,395	\$6,311	\$13,789	\$13,442	\$32,003
	Total	\$263,978	\$516,340	\$558,372	\$501,566	\$592,484
Residential	Incentives	\$193,143 97%	\$241,464 63%	\$443,929 71%	\$614,139 71%	\$2,391,349 81%
	Labor & Expenses	\$119	\$131,791	\$117,324	\$190,581	\$345,178
	General	\$5,005	\$9,656	\$66,969	\$56,066	\$234,059
	Total	\$198,267	\$382,911	\$628,222	\$860,786	\$2,970,585

The percentage of DSM expenditures being directly returned to customers in the form of incentives decreased each year from 2004 to 2007 but was back above 80% in 2008.

⁵⁵ See Exhibit C-8 DSM Cost Calculations.

Table C9-E WA DSM Expenditures by Customer Class						
		2004	2005	2006	2007	2008
Total	Incentives	\$581,546	\$1,715,891	\$1,595,891	\$1,911,703	\$3,572,073
		86%	82%	79%	74%	81%
	Labor & Expenses	\$63,855	\$332,698	\$293,965	\$486,573	\$422,397
	General	\$34,508	\$54,830	\$135,785	\$171,329	\$399,243
	Total	\$679,909	\$2,103,419	\$2,025,641	\$2,569,606	\$4,393,712
Commercial Industrial	Incentives	\$341,195	\$1,077,675	\$943,630	\$1,061,515	\$1,305,398
		79%	80%	75%	71%	79%
	Labor & Expenses	\$63,771	\$230,225	\$224,077	\$322,867	\$156,455
	General	\$28,628	\$42,288	\$94,767	\$118,569	\$197,051
	Total	\$433,594	\$1,350,188	\$1,262,475	\$1,502,950	\$1,658,904
Limited Income	Incentives	\$182,408	\$476,343	\$460,981	\$400,262	\$496,886
		99%	96%	94%	92%	93%
	Labor & Expenses	\$0	\$14,123	\$19,335	\$24,084	\$10,482
	General	\$2,377	\$6,069	\$12,162	\$11,686	\$28,970
	Total	\$184,784	\$496,534	\$492,477	\$436,032	\$536,338
Residential	Incentives	\$57,943	\$161,873	\$191,280	\$449,926	\$1,769,789
		94%	63%	71%	71%	81%
	Labor & Expenses	\$83	\$88,350	\$50,553	\$139,622	\$255,459
	General	\$3,504	\$6,473	\$28,856	\$41,075	\$173,222
	Total	\$61,530	\$256,696	\$270,689	\$630,623	\$2,198,471

Growth in Residential DSM Incentives has outpaced both Commercial/Industrial and Limited Income DSM growth, especially from 2007 to 2008. One likely reason for this large increase in 2008 is the large increase in Residential DSM incentives.⁵⁶

⁵⁶ See DSM Program changes in Question 5a, Page 24.

Table C9-F ID DSM Expenditures by Customer Class						
		2004	2005	2006	2007	2008
Total	Incentives	\$359,601	\$234,482	\$583,729	\$762,976	\$1,513,191
		90%	74%	74%	72%	80%
	Labor & Expenses	\$27,366	\$73,035	\$133,331	\$218,399	\$191,446
	General	\$14,789	\$8,757	\$66,796	\$76,909	\$190,610
	Total	\$401,757	\$316,274	\$783,856	\$1,058,284	\$1,895,247
Commercial Industrial	Incentives	\$146,227	\$135,891	\$269,400	\$538,605	\$839,615
		79%	80%	75%	71%	79%
	Labor & Expenses	\$27,331	\$29,031	\$63,973	\$163,820	\$100,630
	General	\$12,269	\$5,332	\$27,055	\$60,161	\$126,740
	Total	\$185,826	\$170,254	\$360,428	\$762,587	\$1,066,986
Limited Income	Incentives	\$78,175	\$19,000	\$61,680	\$60,158	\$52,017
		99%	96%	94%	92%	93%
	Labor & Expenses	\$0	\$563	\$2,587	\$3,620	\$1,097
	General	\$1,019	\$242	\$1,627	\$1,756	\$3,033
	Total	\$79,193	\$19,805	\$65,895	\$65,534	\$56,147
Residential	Incentives	\$135,200	\$79,591	\$252,648	\$164,214	\$621,559
		99%	63%	71%	71%	81%
	Labor & Expenses	\$36	\$43,441	\$66,771	\$50,959	\$89,719
	General	\$1,502	\$3,183	\$38,113	\$14,992	\$60,837
	Total	\$136,737	\$126,215	\$357,533	\$230,164	\$772,115

10) How did Avista’s natural gas Integrated Resource Plan (IRP) conservation achievement goal(s) compare to the verified/audited DSM savings each year?

Avista’s WA and ID combined IRP savings goals and achieved savings from the DSM Savings Verification Reports are shown below.⁵⁷

Table C10-A WA/ID DSM Savings (therms) versus Goals			
	2006	2007	2008
IRP DSM Savings Goal	1,062,000	1,062,000	1,425,070
Verified DSM Savings	1,052,390	1,455,678	1,821,298
% of Goal	99.1%	137.1%	127.8%

The initial year of the DSM verification audit, significant post-year disqualifications by the auditor resulted in a reduction of Avista’s claimed DSM Savings below the goal. Otherwise, Avista significantly exceeded the IRP goal.

There are minor differences between Avista’s jurisdictional DSM verification report summaries, Avista’s combined WA/ID DSM verification report summaries, Triple-E report savings and Titus’ calculated DSM Savings as described in Exhibit C-1 DSM Savings Calculations. These differences do not impact the results of the Mechanism.

⁵⁷ 2006 & 2007 Goals from 2006 Avista Natural Gas IRP, Page 1-4, 2008 Goal from 2007 Avista Natural Gas IRP, Page 1.7.