

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

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/17/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	Bruce Folsom
REQUESTER:	Public Counsel	RESPONDER:	Lori Hermanson
TYPE:	Data Request	DEPT:	Energy Solutions
REQUEST NO.:	PC - 514	TELEPHONE:	(509) 495-4658
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REQUEST:

Re: Testimony of Bruce Folsom, Exhibit No. ____ (BWF-2) and Avista's Response to Public Counsel Data Request No. 490.

Exhibit No. ____ (BWF-2) includes certain data and calculations that were based upon January to November, 2008, likely due to the timing of the company's rate case filing. This request asks for an updated version of this exhibit with final and complete 2008 data, as described below.

a. Please provide a revised, updated version of this Exhibit (BWF-2), as an Excel workbook with all formulae intact, that reflects the final, corrected savings and costs for 2008. With respect to the gas cost effectiveness calculations, please be sure to use the final verified savings amount for 2008, as corrected by Avista on or about August 10, 2009 and shown in the Titus Evaluation Report (Exhibit No. ____ (BJH-2), Corrected.) Please ensure that the Excel workbook file provided in response to this request includes any and all worksheets referenced in the cost-effectiveness calculations. In addition, please subtract 11,603 therms from the final verified gas savings for 2008 in light of Avista's admission in response to Public Counsel Data Request No. 490 that 10,108 therms were incorrectly included in the total Avista reported savings of 133,253 therms for residential insulation, which were subsequently verified for a total of 153,026 therms, (this error of 10,108 therms was then verified at 114.8%, as shown in Table H3-E of the Titus Report (Exhibit BJH-2) ($10,108 * 114.8\% = 11,603$ therms).

b. Please provide separate cost-effectiveness calculations for each state, Washington and Idaho, as an Excel workbook with all formulae intact, that reflects the final, corrected savings for 2008. With respect to the gas cost effectiveness calculations, the final savings amount for 2008 should be the verified savings, as corrected by Avista on or about August 10, 2009 and shown in the Titus Evaluation Report (Exhibit No. ____ (BJH-2), Corrected.) Please ensure that the Excel workbook file provided in response to this request includes any and all worksheets referenced in the cost-effectiveness calculations. In addition, please subtract 11,603 therms from the final verified gas savings for Washington for 2008 in light of Avista's admission in response to Public Counsel Data Request No. 490 that 10,108 therms were incorrectly included in the total Avista reported savings of 133,253 therms for residential insulation, which were subsequently verified for a total of 153,026 therms, (this error of 10,108 therms was then verified at 114.8%, as shown in Table H3-E of the Titus Report (Exhibit BJH-2) ($10,108 * 114.8\% = 11,603$ therms).

c. Please provide an Excel worksheet with the avoided cost calculations shown in this Exhibit, as revised pursuant to this request, with all formulae intact. Please ensure that the Excel file provided in response to this request includes any and all worksheets referenced in the avoided cost calculations.

RESPONSE:

- a) Please see "PC_DR_514-Attachment A.xls" for the revised exhibit. This request required Exhibit ___ (BWF-2) to be recalculated using cost-effectiveness components (i.e. costs, non-energy benefits, savings, avoided costs, etc) computed on a completed basis. The Company typically reports on a derated basis, so this exercise should be considered stand-alone and will not mirror nor tie any other reporting done by the Company since this is using different methodology. Since more than 90% of the projects were winter type measures, the winter avoided cost was applied in this exercise. New weighted average measure lives were calculated based on the completed projects. Levelized TRC and UCT costs were based on a weighted average measure life of 19.5 years, so we used an average of 19 and 20 year avoided costs for comparable natural gas avoided costs.
- b) Please see PC_DR_514-Attachment A.xls
- c) Please see PC_DR_514-Attachment A.xls which is being provided in electronic format only.

Avista Utilities

Summary of Natural Gas Demand-Side Management Cost-Effectiveness

For PC-514 for the period January 1, 2008 through December 31, 2008

TOTAL RESOURCE COST TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas avoided cost	\$ 13,019,354	\$ 725,460	\$ 13,744,814
Gas program electric avoided cost	\$ 1,812,775	\$ 5,461	\$ 1,818,236
Gas program non-energy benefits	\$ 243,010	\$ -	\$ 243,010
TOTAL TRC BENEFITS	\$ 15,075,138	\$ 730,921	\$ 15,806,060
Gas program non-incentive utility cost	\$ 1,160,114	\$ 43,582	\$ 1,203,696
Gas program customer cost	\$ 20,474,010	\$ 566,474	\$ 21,040,484
TOTAL TRC COSTS	\$ 21,634,124	\$ 610,056	\$ 22,244,180
NET TRC BENEFITS	\$ (6,558,986)	\$ 120,865	\$ (6,438,120)
TRC BENEFIT / COST RATIO	0.70	1.20	0.71
UTILITY COST TEST			
Gas program gas avoided cost	\$ 13,019,354	\$ 725,460	\$ 13,744,814
Gas program electric avoided cost	\$ 1,812,775	\$ 5,461	\$ 1,818,236
TOTAL UCT BENEFITS	\$ 14,832,128	\$ 730,921	\$ 15,563,050
Gas program non-incentive utility cost	\$ 1,160,114	\$ 43,582	\$ 1,203,696
Gas program incentive utility cost	\$ 4,536,361	\$ 548,903	\$ 5,085,264
TOTAL UCT COSTS	\$ 5,696,475	\$ 592,485	\$ 6,288,960
NET UCT BENEFITS	\$ 9,135,653	\$ 138,436	\$ 9,274,090
UCT BENEFIT / COST RATIO	2.60	1.23	2.47
PARTICIPANT TEST			
Gas program gas bill reduction	\$ 17,032,422	\$ 1,009,636	\$ 18,042,058
Gas program electric bill reduction	\$ 1,451,048	\$ 4,525	\$ 1,455,573
Non-energy benefits	\$ 243,010	\$ -	\$ 243,010
TOTAL PARTICIPANT BENEFITS	\$ 18,726,480	\$ 1,014,162	\$ 19,740,641
Customer project cost	\$ 20,474,010	\$ 566,474	\$ 21,040,484
Gas program incentive utility cost	\$ (4,536,361)	\$ (548,903)	\$ (5,085,264)
TOTAL PARTICIPANT COSTS	\$ 15,937,649	\$ 17,571	\$ 15,955,220
NET PARTICIPANT BENEFITS	\$ 2,788,831	\$ 996,591	\$ 3,785,421
PARTICIPANT BENEFIT / COST RATIO	1.17	n/a	1.24
NON-PARTICIPANT TEST			
Gas program gas avoided cost	\$ 13,019,354	\$ 725,460	\$ 13,744,814
TOTAL NON-PARTICIPANT BENEFITS	\$ 13,019,354	\$ 725,460	\$ 13,744,814
Gas program lost gas revenue PV	\$ 17,032,422	\$ 1,009,636	\$ 18,042,058
Gas program non-incentive utility cost	\$ 1,160,114	\$ 43,582	\$ 1,203,696
Gas program incentive utility cost	\$ 4,536,361	\$ 548,903	\$ 5,085,264
TOTAL NON-PARTICIPANT COSTS	\$ 22,728,897	\$ 1,602,121	\$ 24,331,018
NET NON-PARTICIPANT BENEFITS	\$ (9,709,543)	\$ (876,661)	\$ (10,586,205)
NON-PARTICIPANT BENEFIT / COST RATIO	0.57	0.45	0.56

Avista Utilities

Summary of Washington Natural Gas Demand-Side Management Cost-Effectiveness

For PC-514 for the period January 1, 2008 through December 31, 2008

TOTAL RESOURCE COST TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas avoided cost	\$ 7,604,763	\$ 648,435	\$ 8,253,199
Gas program electric avoided cost	\$ 590,318	\$ 5,461	\$ 595,779
Gas program non-energy benefits	\$ 231,437	\$ -	\$ 231,437
TOTAL TRC BENEFITS	\$ 8,426,518	\$ 653,897	\$ 9,080,414
Gas program non-incentive utility cost	\$ 782,188	\$ 39,452	\$ 821,640
Gas program customer cost	\$ 12,012,612	\$ 396,532	\$ 12,409,144
TOTAL TRC COSTS	\$ 12,794,800	\$ 435,984	\$ 13,230,784
NET TRC BENEFITS	\$ (4,368,282)	\$ 217,913	\$ (4,150,370)
TRC BENEFIT / COST RATIO	0.66	1.50	0.69
UTILITY COST TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas avoided cost	\$ 7,604,763	\$ 648,435	\$ 8,253,199
Gas program electric avoided cost	\$ 590,318	\$ 5,461	\$ 595,779
TOTAL UCT BENEFITS	\$ 8,195,081	\$ 653,897	\$ 8,848,977
Gas program non-incentive utility cost	\$ 782,188	\$ 39,452	\$ 821,640
Gas program incentive utility cost	\$ 3,075,187	\$ 496,886	\$ 3,572,073
TOTAL UCT COSTS	\$ 3,857,375	\$ 536,338	\$ 4,393,713
NET UCT BENEFITS	\$ 4,337,706	\$ 117,559	\$ 4,455,264
UCT BENEFIT / COST RATIO	2.12	1.22	2.01
PARTICIPANT TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas bill reduction	\$ 10,066,199	\$ 900,399	\$ 10,966,598
Gas program electric bill reduction	\$ 565,019	\$ 4,525	\$ 569,545
Non-energy benefits	\$ 231,437	\$ -	\$ 231,437
TOTAL PARTICIPANT BENEFITS	\$ 10,862,655	\$ 904,924	\$ 11,767,579
Customer project cost	\$ 12,012,612	\$ 396,532	\$ 12,409,144
Gas program incentive utility cost	\$ 3,075,187	\$ 496,886	\$ 3,572,073
TOTAL PARTICIPANT COSTS	\$ 15,087,799	\$ 893,418	\$ 15,981,217
NET PARTICIPANT BENEFITS	\$ (4,225,144)	\$ 11,506	\$ (4,213,638)
PARTICIPANT BENEFIT / COST RATIO	0.72	n/a	0.74
NON-PARTICIPANT TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas avoided cost	\$ 7,604,763	\$ 648,435	\$ 8,253,199
TOTAL NON-PARTICIPANT BENEFITS	\$ 7,604,763	\$ 648,435	\$ 8,253,199
Gas program lost gas revenue PV	\$ 10,066,199	\$ 900,399	\$ 10,966,598
Gas program non-incentive utility cost	\$ 782,188	\$ 39,452	\$ 821,640
Gas program incentive utility cost	\$ 3,075,187	\$ 496,886	\$ 3,572,073
TOTAL NON-PARTICIPANT COSTS	\$ 13,923,574	\$ 1,436,737	\$ 15,360,311
NET NON-PARTICIPANT BENEFITS	\$ (6,318,810)	\$ (788,302)	\$ (7,107,112)
NON-PARTICIPANT BENEFIT / COST RATIO	0.55	0.45	0.54

Avista Utilities

Summary of Idaho Natural Gas Demand-Side Management Cost-Effectiveness

For PC-514 for the period January 1, 2008 through December 31, 2008

TOTAL RESOURCE COST TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas avoided cost	\$ 5,414,590	\$ 77,025	\$ 5,491,615
Gas program electric avoided cost	\$ 1,222,457	\$ -	\$ 1,222,457
Gas program non-energy benefits	\$ 11,573	\$ -	\$ 11,573
TOTAL TRC BENEFITS	\$ 6,648,621	\$ 77,025	\$ 6,725,645
Gas program non-incentive utility cost	\$ 377,926	\$ 4,130	\$ 382,056
Gas program customer cost	\$ 8,461,398	\$ 169,942	\$ 8,631,340
TOTAL TRC COSTS	\$ 8,839,324	\$ 174,072	\$ 9,013,396
NET TRC BENEFITS	\$ (2,190,703)	\$ (97,048)	\$ (2,287,751)
TRC BENEFIT / COST RATIO	0.75	0.44	0.75

UTILITY COST TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas avoided cost	\$ 5,414,590	\$ 77,025	\$ 5,491,615
Gas program electric avoided cost	\$ 1,222,457	\$ -	\$ 1,222,457
TOTAL UCT BENEFITS	\$ 6,637,048	\$ 77,025	\$ 6,714,072
Gas program non-incentive utility cost	\$ 377,926	\$ 4,130	\$ 382,056
Gas program incentive utility cost	\$ 1,461,174	\$ 52,017	\$ 1,513,191
TOTAL UCT COSTS	\$ 1,839,100	\$ 56,147	\$ 1,895,247
NET UCT BENEFITS	\$ 4,797,948	\$ 20,878	\$ 4,818,825
UCT BENEFIT / COST RATIO	3.61	1.37	3.54

PARTICIPANT TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas bill reduction	\$ 6,966,223	\$ 109,237	\$ 7,075,461
Gas program electric bill reduction	\$ 886,028	\$ -	\$ 886,028
Non-energy benefits	\$ 11,573	\$ -	\$ 11,573
TOTAL PARTICIPANT BENEFITS	\$ 7,863,825	\$ 109,237	\$ 7,973,062
Customer project cost	\$ 8,461,398	\$ 169,942	\$ 8,631,340
Gas program incentive utility cost	\$ (1,461,174)	\$ (52,017)	\$ (1,513,191)
TOTAL PARTICIPANT COSTS	\$ 7,000,224	\$ 117,925	\$ 7,118,149
NET PARTICIPANT BENEFITS	\$ 863,601	\$ (8,688)	\$ 854,913
PARTICIPANT BENEFIT / COST RATIO	1.12	n/a	1.12

NON-PARTICIPANT TEST	Regular income portfolio	Limited income portfolio	Overall portfolio
Gas program gas avoided cost	\$ 5,414,590	\$ 77,025	\$ 5,491,615
TOTAL NON-PARTICIPANT BENEFITS	\$ 5,414,590	\$ 77,025	\$ 5,491,615
Gas program lost gas revenue PV	\$ 6,966,223	\$ 109,237	\$ 7,075,461
Gas program non-incentive utility cost	\$ 377,926	\$ 4,130	\$ 382,056
Gas program incentive utility cost	\$ 1,461,174	\$ 52,017	\$ 1,513,191
TOTAL NON-PARTICIPANT COSTS	\$ 8,805,323	\$ 165,384	\$ 8,970,708
NET NON-PARTICIPANT BENEFITS	\$ (3,390,733)	\$ (88,360)	\$ (3,479,093)
NON-PARTICIPANT BENEFIT / COST RATIO	0.61	0.47	0.61

Avista Utilities
Summary of Demand-Side Management Energy Savings and Levelized Costs
 For PC-514 for the period January 1, 2008 through December 31, 2008

	Regular income portfolio		Limited income portfolio	
	kWh savings	Therm savings	kWh savings	Therm savings
Gas DSM programs	1,376,547	1,650,902	4,147	91,991
Total portfolio				
	kWh savings	Therm savings		
Gas DSM programs	1,380,694	1,821,298 ¹		

1) The Independent Verification Summary Report on a consolidated basis isn't intended to match the summation of the Washington and Idaho summaries. Since the decoupling pilot was based on consolidated savings, all Company reporting was prepared at a system level. Titus in their verification process chose to break everything out by individual states.

Note: Electric savings derived from gas DSM programs include the impact of electric to natural gas conversions as well as interactive savings resulting from natural gas DSM projects. Therm savings derived from electric DSM projects recognize interactive impacts of electric DSM measures.

DSM Program Portfolio Levelized Cost Calculations

Natural Gas DSM Program Portfolio

Total Resource Cost (TRC)	\$	22,244,180
Weighted average measure life		19.5
Discount rate		7.08%
Therms energy savings		1,821,298
TRC levelized cost	\$	1.174
Utility Cost Test (UCT) cost	\$	6,288,960
Weighted average measure life		19.5
Discount rate		7.08%
Therms energy savings		1,821,298
UCT levelized cost	\$	0.332
Comparative natural gas levelized annual avoided cost		\$0.686
Comparative natural gas levelized winter avoided cost		\$0.753