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IDAHO PUBLIC
UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION FOR THE AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC AND NATURAL GAS SERVICE TO ELECTRIC AND NATURAL GAS CUSTOMERS IN THE STATE OF IDAHO	)	CASE NO. AVU-E-04-01 CASE NO. AVU-G-04-01 REBUTTAL TESTIMONY OF JON POWELL

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

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

A. My name is Jon Powell and I am employed as the manager of Washington and Idaho demand-side management (DSM) activities for Avista Utilities, at 1411 East Mission Avenue, Spokane, Washington.

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.

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

A. My rebuttal testimony will respond to the direct testimony of Staff Witness Lynn Anderson, and Teri Ottens and Larry Stamper of the Community Action Partnership Association of Idaho. My testimony will describe Avista's proposal for revisions in, and modifications to, the level of electric DSM funding. I also discuss implementation parameters of DSM programs available for our limited income and vulnerable customer segment.

Q. Staff witness Anderson has proposed a reduction in the DSM tariff rider rate from 1.95% of revenue to approximately 1.25% of revenue, and has indicated that Avista is in agreement with this reduction. Why is a reduction in the level of funding for electric DSM appropriate at this time?

A. The current electric DSM tariff rider, equal to 1.95% of base rates, was established when the Company was carrying a negative tariff rider balance resulting from the Company's efforts to significantly increase DSM resource acquisition in response to the 2000-2001 energy crisis. The Idaho electric DSM tariff rider balance has returned to, and passed, a zero balance and the Company is currently managing a positive electric DSM balance in spite of the expansion of several existing programs and launch of new programs. A tariff rider equal to 1.25% of current base rates and the projected positive balance is anticipated to be sufficient to meet forecasted funding needs for the subsequent year.

Q. What would occur if the Company's proposed level of funding is less than that needed for DSM acquisition?

A. The Company is committed to acquiring all available cost-effective DSM resources. If this resource acquisition requires more funds than are available from DSM tariff rider revenues, then a negative tariff rider balance would be incurred. Energy-efficiency programs would continue to be developed and implemented and the Company would continue to participate in the funding and implementation of regional market transformation activities.

We propose to correct for any negative or positive balances in the electric or gas DSM tariff riders through annual revisions to these riders based upon the forward balance and projected funding requirements over the upcoming year. These periodic reassessments of the tariff rider levels would also provide an opportunity for a timely review of the prudence of the Company's investments in DSM resources.

Q. Please explain what energy-efficiency programs are available to limited income and vulnerable customers.

A. Limited income and vulnerable customers are eligible for our standard residential rebates and additional DSM-funded programs offered in cooperation with community action program (CAP) agencies. The Company enters into annual contracts with these CAP agencies to provide an array of programs for this customer segment. These programs are funded through the electric and gas DSM tariff riders and, since 2003, have been augmented with incremental BPA Conservation and Renewable Discount (C&RD) funds for qualified energy-efficiency measures. The Company has sought to provide the CAP agencies with as much flexibility as possible in applying these funds to various measures to include weatherization and related shell measures, electric to natural gas conversion of space and water heat, other HVAC improvements, residential lighting measures and other efficiency measures. A limited amount of funding is available for health and human safety measures to ensure the continued habitability of the home, as is generally required under CAP standards, and to protect the longevity of the DSM investments made in the dwelling. CAP agencies receive compensation for the administrative expense incurred on behalf of the program through a reimbursement equal to 15% of the installed measure cost.

Q. Is a revision in limited income DSM programs reasonable as suggested within the testimony of the Community Action Partnership Association of Idaho (CAPAI)?

A. Yes, we believe that some of the proposed changes are reasonable. The Company does periodically reevaluate the limited income DSM portfolio and makes revisions as necessary. In order to ensure the continuity of programs, commitments have been made to the five system-wide CAP agencies currently under contract to Avista for funding contracts through 2005. A reevaluation of the portfolio has been anticipated for funding in 2006 and beyond, coinciding with the expected depletion of funding available through the BPA C&RD program. We believe it is reasonable, at that time, to increase the funding availability based upon historic, current and projected future customer needs.

Q. What is the Company's response to the proposed program revisions and funding levels calculated by Commission Staff and CAPAI?

A. The Company proposes an increase in the annual funding of Idaho electric and gas DSM programs to $350,000 commencing in 2006. This is slightly higher than the calculation appearing in Staff witness Anderson's testimony, but less than the $490,000 originally proposed by CAPAI. This amount will come from the Company's tariff riders, Schedules 91 and 191, and represents a reallocation of the current tariff rider programs. This program funding commitment has been discussed with CAPAI and we understand that this funding level is acceptable to them.

The CAPAI calculation of a $490,000 annual funding level, comparable to that incorporated into the Idaho Power order, is based upon the assumption that the demographics of the northern ten counties of Idaho is representative of Avista's Idaho service territory. The Idaho panhandle is served by a total of nine electric utilities and it is the Company's opinion that such an assumption is inappropriate.

The proposed $350,000 does, however, represent a substantial but justifiable increase in both authorized and actual funding for this market segment. To place this funding level into perspective, it is over three times higher than the current Avista combined electric and gas DSM funding contracts, and is substantially more than double the combination of DSM and C&RD funds currently allocated in annual contracts within Idaho, and approximately two-thirds higher than the total funding authorizations after mid-year transfers of funds to Idaho.

The Company has also discussed a revision to the implementation protocols applied to the limited income program and concurs with the CAPAI position on the following recommendations: the extension of funding eligibility to include energy-efficient doors, electric or natural gas appliances, an expansion of window measures allowable within the program, and the extension of eligibility for shell measures to include any customer with permanently installed electric or natural gas heating appliances regardless of the historic electric usage of the home. Customers eligible under U.S. Department of Energy income qualification standards would be eligible for any measure meeting a savings to investment ratio of 1.0 or above. Additional vulnerable customers may be deemed eligible as the program implementation parameters are developed.

Q. Why does the Company desire to defer this increase in DSM funding to 2006?

A. The Company is targeting the limited income segment for the expenditure of approximately $1.2 million of BPA C&RD funds system-wide during the three years ending in 2005. Per discussions with CAPAI and a review of funding availability the Company is prepared to commit to a minimum of $350,000 in funding for Idaho limited income programs in 2005 using a combination of electric and gas DSM funds and BPA C&RD funds. This is possible while continuing to fulfill contract commitments to CAP agencies system-wide.

Q. With these changes, is it your understanding that you have addressed the concerns raised by CAPAI in this case?

A. Yes, based on our discussions with CAPAI, that is my understanding.

Q. Could you summarize your testimony to the Commission?

A. Yes. My testimony provides an elaboration of our recommendations regarding two issues:

1. We recommend that the Commission revise the Company's Schedule 91 electric tariff rider rates on a cents/kwh basis be an amount equal to 1.25% of current base retail rates with the understanding that Avista will file as necessary to revise electric and gas tariff rider levels to provide sufficient funding for cost-effective DSM programs.

2. We propose an increase in annual limited income electric and gas DSM funding to $350,000 and revisions in the program implementation parameters as described in my testimony. This funding will come from the Company's tariff riders, Schedules 91 and 191, and will result from a reallocation of current tariff rider budgets.

Q. Does this conclude your prefiled rebuttal testimony?

A. Yes.