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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION DBA AVISTA)
UTILITIES FOR AUTHORITY TO INCREASE)
ITS RATES AND CHARGES FOR ELECTRIC)
AND NATURAL GAS SERVICE IN IDAHO)

CASE NO. AVU-E-10-01
AVU-G-10-01

COMMENTS ON THE STIPULATION AND SETTLEMENT

COMES NOW Idaho Conservation League ("ICL") with the following comments regarding the proposed Stipulation and Settlement. While ICL signed the stipulation and appreciates the effort and compromises that are contained therein, we offer the following comments on some specific provisions.

Prudency of DSM Spending for 2008 and 2009

The stipulation deems prudent Avista's DSM spending for 2008 and 2009. ICL accepts this provision with the understanding that future DSM reviews will be more robust. Mr. Folsom's testimony describes an effort currently underway in Washington to devise a more robust evaluation, measurement, and verification report for Avista's DSM portfolio. *Folsom* at 14-18. We look forward to reviewing the results of both this effort, and the DSM evaluations that arise from it, to further improve the Company's DSM portfolio.

DSM spending continues to outpace the funds generated by Avista's current Energy Efficiency Tariff Rider. On the electric side, the unrecovered back balance for Idaho now stands at \$2,008,944. *Folsom*, at 18. While program participation continues to exceed estimates, the company expects the current tariff rider to fully fund DSM programs and retire the back balance. *Id.*, at 9, 18-20. ICL is concerned that the current tariff rider will not provide sufficient funds to both retire this balance and maintain the solid gains in efficiency made over the past few years. As DSM program spending continues to rise, and continues to be the most cost effective means to meet energy demand, ICL encourages the Company and the Commission to pursue a more sustainable funding mechanism. This may include moving some of the more robust and verifiable programs into rates and out of tariff funding.

Rate Design and Cost of Service

ICL is encouraged the parties commit to holding a public workshop to discuss and resolve issues with a revised cost of service model and residential rate design. This stipulation changes one aspect of the previous cost of service model by allocating 100% of transmission costs to demand. While ICL accepts this for the purposes of this case, we look forward to the opportunity to fully analyze this issue.

Turning to rate design, the stipulation includes an increase in the residential basic charge of \$0.40. Avista asked to increase the basic charge by \$2.15. In the absence of a revenue decoupling mechanism, ICL supports increasing the monthly customer charge to return more of the entire fixed cost. We believe that separating fixed cost recovery from volumetric sales is critical to ensuring utilities will actively pursue all cost effective energy efficiency while maintaining acceptable levels of cost recovery risk. However, we also acknowledge that increasing the customer charge may not send the appropriate price signals to reduce energy consumption. In

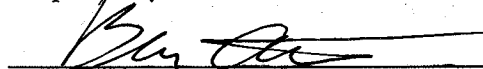
the upcoming rate design workshop the parties commit to in this stipulation, ICL believes the issue of fixed cost recovery must be addressed.

The residential rate design is based on a first block of 600 kwh and a higher charge for use above this level. ICL believes the size of this block needs to be more fully analyzed to determine if it captures an appropriate basic level of energy consumption. Our ultimate goal is to reduce overall energy consumption while maintaining comfort and services. But ICL is concerned about sending price signals that fall disproportionately on low income, high electric use customers. We are encouraged the Company committed to increasing funding for low-income weatherization and education programs. We believe that when sending price signals, the Company, interested parties, and the Commission must work together to help people access the resources to actually respond to these signals. In the upcoming workshop the parties commit to in this stipulation, ICL believes all parties should explore options for increasing the access to capital for residential customers who wish to make energy efficiency investments.

In closing, we appreciate the effort and concessions made by all sides to reach this agreement. We look forward to a more robust discussion of future DSM programs, a revised cost of service methodology, and rate design issues. With those caveats, ICL supports the proposed Stipulation and Settlement.

DATED this 2nd day of August 2010.

Respectfully submitted,



Benjamin J. Otto
Idaho Conservation League

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of August, 2010, true and correct copies of the foregoing COMMENTS ON THE STIPULATION AND SETTLEMENT were delivered to the following persons via the method of service noted:

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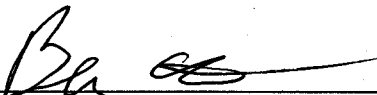
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