



Energy Efficiency Bill/Rate Impact

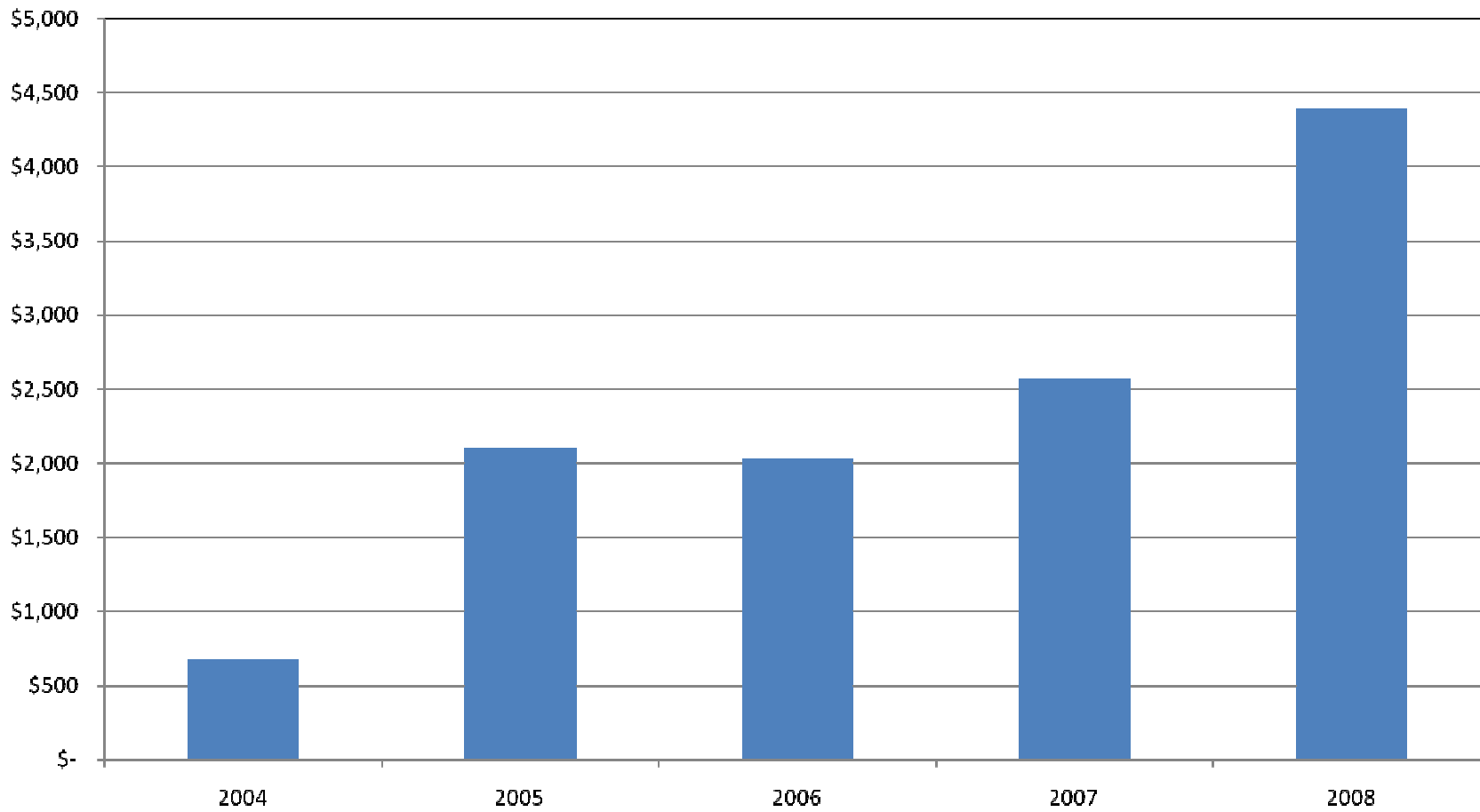
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EE Spending Recovered in Annual Tariffs

- Utilities project budget annually to set tariff rate. Collection is deferred until annual prudence review of EE spending.
- True up of over or under collection during previous year (actual budget vs. actual tariff collections).
- Tariffs evolved through commission proceedings.

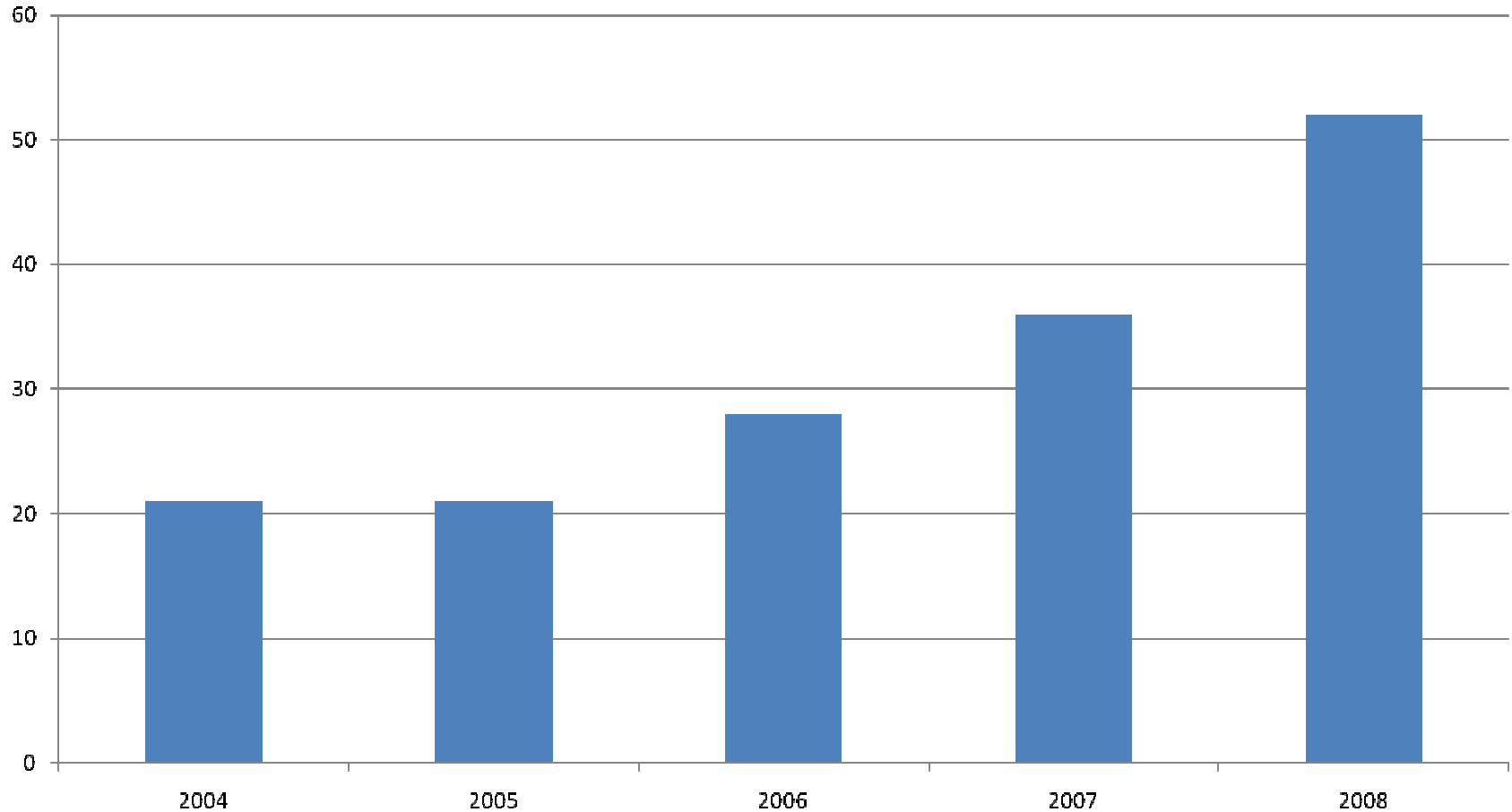
Energy Efficiency Spend Rapidly Rising

Avista Utilities- Gas EE, in Thousands



Energy Efficiency Spending Rapidly Rising

Puget Sound Energy (PSE)- Electric EE, in Millions



Current Practice – Rate Impact within a Rate Class

- Percentage rate impact on the residential customer with average use.
- Dollar impact on monthly residential bill.
- All EE spending must pass a total resource test so EE spending has less impact than supply side resources.

Individual Bill Analysis

- PSE does bill analysis for specific larger commercial customers adopting EE measures.
- In a recent commission order reauthorizing a gas decoupling program, the commission required bill analysis on customers who participate in the EE measures to verify EE savings.

Low-Income Customers

- EE program growth among low-income customers is not keeping up- 13% increase vs. 40% increase for all residential.
- Rate impacts on low-income vs. benefits from participation in EE measures are difficult to measure.
- Lack of agreed definition of “Low-income”.
- Utilities don’t have income status of customers.
- Hard to sort out repair costs from EE cost for combined projects.

Different Rate Impact on Rate Schedules

- EE spending follows achievable energy efficiency- therefore spending on EE can be higher in one schedule than another.
- Recovery of EE spending and incentive payments or lost margin is on a per energy basis.
- PSE has a settlement stipulation that collection by class has to be generally proportional to spending by class.
- Avista's lost margin for all EE spending is collected from residential customers.

Where Might We Go?

- Individual and collective bill impact analysis to verify EE measures' effectiveness and benefit to customers.
- Rate impacts can be significant but need to be lower than supply side alternatives:
 - Need correct cost-effectiveness test.
 - Post project verification and/or bill analysis is needed to assure actual savings.

Where Might We Go?

- Tests for bill impact on low-income.
- Test of bill impact by schedule – including rate of return by class for incentive/margin recovery.