

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 24, 2006**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE**  October 25, 2006

**DATE:** October 2, 2006

**TO:** Public Utility Commission

**FROM:** Lynn Kittilson

**THROUGH:** Lee Sparling, Ed Busch and Bonnie Tatom

**SUBJECT:** AVISTA UTILITIES: (Advice No. 06-09-G) Modifies the cost-effectiveness incentive levels in Schedule 486, Residential Energy Efficiency program.

**STAFF RECOMMENDATION:**

I recommend the Commission allow the tariff revisions proposed in Avista Utilities' (Avista or company) Advice No. 06-09-G to go into effect on October 25, 2006.

**DISCUSSION:**

ORS 469.633 requires natural gas utilities to have approved residential energy conservation programs and provide financing for cost-effective conservation measures within those programs. Energy conservation measures are deemed to be cost-effective if the installed cost is less than the identified avoided cost per therm for the expected life cycle of the measure.

OAR 860-030-0007 requires a natural gas utility to file updated avoided costs within 30 days of Commission acknowledgment of its Integrated Resource Plan (IRP) to become effective 30 days after filing. These updated avoided costs are then used to determine the cost effectiveness of weatherization measures and related incentive levels included in the company's residential weatherization program.

At the August 22, 2006 public meeting, the Commission adopted staff's recommendation to acknowledge Avista's 2006 IRP. On September 18, 2006, Avista filed Advice No. 06-09-G to update the cost-effectiveness levels (CELs) on tariff Sheet No. 486D of its "Residential Energy Efficiency Schedule - Oregon" to reflect the current avoided costs identified in the 2006 IRP. The tariff changes are proposed to go into effect on October 25, 2006.

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Revisions to the CELs proposed in Avista's filing are based on the winter avoided costs derived from the company's 2006 IRP to be consistent with the nature of the weatherization measures covered within Schedule 486. I have reviewed Cascade's calculations and believe they appropriately reflect the projected natural gas costs included in the company's 2006 IRP, as well as the avoided costs and cost-effectiveness levels.

**PROPOSED COMMISSION MOTION:**

The tariff revisions proposed in Avista's Advice No. 06-09-G be allowed to go into effect on October 25, 2006.