

MEMORANDUM OF UNDERSTANDING

Commission Staff, Public Counsel and Avista Utilities (the “Parties”) enter into the following Memorandum of Understanding (MOU) in order to resolve their dispute regarding the appropriate forum for review of the prudence of Avista’s Demand Side Management (DSM) programs and expenditures.

1. The Parties agree to jointly recommend that the Washington Utilities and Transportation Commission (Commission or UTC) adopt the following procedure to review the prudence of Avista DSM programs and expenditures:

Timing	June 1, 2012
Term	The Parties agree that this prudence review process will continue for the two-year cycles subsequent to 2012. Any Party may recommend changes to the process after 2014, based on substantial change in circumstances.
Filing	<p>Avista files testimony and supporting evidence on June 1, 2012, to demonstrate the prudence of its DSM expenditures for the prior two-year period for electric and natural gas programs (2010-2011).</p> <p>The filing will include a separate filing for natural gas which would be assigned its own docket number. The Parties will support consolidation of the natural gas and the electric DSM dockets. The filing will include electric and natural gas verified savings.</p> <p>Avista agrees that discovery will be immediately available.</p>
Trigger	Within 30 days, any person may request that the Commission set Avista DSM prudence for adjudication. Avista agrees not to oppose the request.
Process	In an adjudication, the Parties agree to recommend the adjudication include the opportunity for discovery, testimony, hearing and briefs.
Length of Adjudication	Up to 6 months (Parties agree to support a schedule that would allow a Commission order within 6 months)
Implementation	The Parties agree to recommend any disallowance ordered by Commission would be implemented in the next occurring annual tariff rider filing (currently annual on 5/1) as part of the true-up.
Reservation	The Parties understand this MOU does not affect review of annual tariff rider filing (e.g. for inclusion of improper costs, etc).

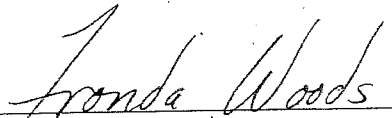
2. Immediately upon execution of this MOU, the Parties agree to promptly present this recommendation to the Commission by means of a joint motion to amend Order 01 in Docket UE-100176 to incorporate the provisions of this MOU. The joint motion will request expedited treatment.
3. In the event that the Commission denies the joint motion to amend and requires that DSM prudence be addressed in the pending Avista General Rate Case (Docket Nos. UE-110876/UG-110877), the Parties agree to work cooperatively to accommodate any

additional testimony and discovery required on prudence issues within the existing rate case schedule.

4. Nothing in this MOU is intended to preclude consideration in the pending Avista General Rate Case (Docket Nos. UE-110876/UG-110877) of issues, testimony, and evidence related to Avista's compliance with Order 07, paragraph 16, in Docket Nos. UE-100467/UG-100468, and the settlement stipulation, Appendix A to Order 07 (pages 17 and 18 of the stipulation (provision G) regarding DSM reports). The DSM reports prepared in compliance with Order 07 are contained in Exhibit Nos. BWF-2, BWF-3 and BWF-4 in the pending Avista General Rate Case (Docket Nos. UE-110876/UG-110877).

Dated this 22nd day of July, 2011.

Simon J. ffitch
Senior Assistant Attorney General
Public Counsel Section



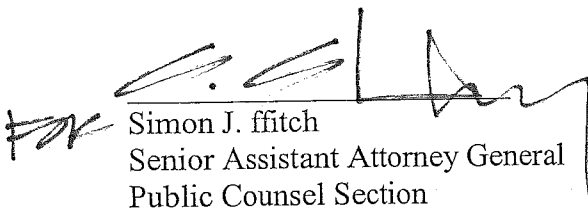
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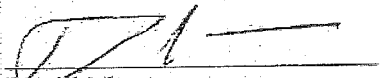
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