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October 1, 2018

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Attention: Mr. Mark Johnson, Executive Director and Secretary

RE: Docket Nos. UE-140188 and UG-140189
Compliance Filing – Avista Decoupling Mechanism Evaluation

In compliance with Order 05 in Docket Nos. UE-140188 and UG-140189, Avista Corporation (“Avista” or “the Company”) hereby files with the Commission an original and 7 copies of the attached “Avista Decoupling Evaluation” associated with the Company’s electric and natural gas decoupling mechanisms. Avista, through a separate filing in early 2019, will address the findings in this report when it seeks to extend or make permanent these mechanisms, as they will expire December 31, 2019.

Background

On November 25, 2014, the Commission issued a Final Order (“Order 05”) granting Avista electric and natural gas Decoupling Mechanisms, subject to certain conditions set forth in Docket Nos. UE-140188 and UG-140189. The Commission approved Avista’s Mechanisms for a 5-year period that commenced January 1, 2015.

One of the requirements of the Company as a part of Order 05 was a requirement that a third-party evaluator review the mechanism following the end of the third full-year (i.e., after 2017). In addition, Commission’s Order 05 states, at p. 2:

The Commission also approves the settling parties’ request to implement electric and gas decoupling mechanisms for five years, as well as the use of a third-party evaluation, paid for by Avista shareholders and to be completed following the end of the third full year of the implementation of the mechanisms. We require the Company to consult with its Conservation Advisory Group in the development of the request for proposals (RFP) and the selection of the consultant to perform the evaluation. After incorporating input from its advisory group, Avista must file its draft RFP, including the scope of the evaluation query, with the Commission for its approval. At a minimum, we expect the evaluation to address decoupling’s effect on revenues, its impact on conservation, the extent to which the allowed revenues are recovering their allocated cost of service by customer class, and

the extent to which fixed costs are recovered in fixed charges for the customer classes excluded from the decoupling mechanisms.

Request for Proposal

In June 2018, the Company filed its “Evaluation of Avista’s Washington Electric and Natural Gas Decoupling Mechanisms Statement of Work”, RFP No. R-41321 in these Dockets. The RFP requested that the Consultant review a number of varying issues related to decoupling, including what the Commission stated in Order 05 that the evaluation should address - decoupling’s effect on revenues, its impact on conservation, the extent to which the allowed revenues are recovering their allocated cost of service by customer class, and the extent to which fixed costs are recovered in fixed charges for the customer classes excluded from the decoupling mechanisms. In compliance with the Commission’s Order 05, Avista consulted with its DSM Advisory Group in the development of the RFP. On July 13, 2017, the Commission issued Order 08 approving the Request for Proposals.

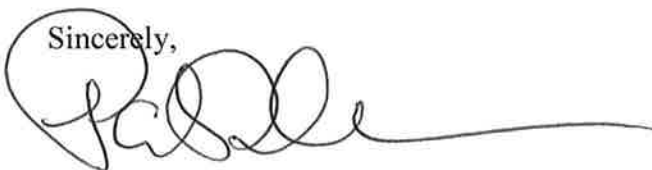
Selection of H. Gil Peach and Associates

The Company issued an RFP to a group of consultants that were shared with the Advisory Group. H. Gil Peach & Associates was ultimately selected as the consultant for this project. In addition to meeting the requirements set forth in the Statement of Work, Gil Peach & Associates had recently completed a similar review for Puget Sound Energy, which in our view made them well qualified for the evaluation. The Proposed Project Schedule was modified to reflect a revised product due date of October 1, 2018 (from July 31, 2018) in order to give the Consultant more time to provide a quality work product.

The final report is provided with this filing. The Company appreciates the collaboration among all Parties in the compilation of the final report.

Questions regarding this filing should be directed to me at (509) 495-8620.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Ehrbar", with a long horizontal line extending to the right.

Patrick Ehrbar
Director of Regulatory Affairs

Enclosures

cc: UE-140188 & UG-140189 Service List (Updated)