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April 19, 2011

State of Washington  
Washington Utilities & Transportation Commission  
1300 S. Evergreen Park Drive  
Olympia, Washington 98504-8002

Attention: Mr. David Danner, Executive Director and Secretary

**Do Not Redocket**

**RE: UG-101463, Avista's Natural Gas Decoupling Rate Adjustment  
Updated Information – no action requested**

On August 30, 2010, Avista filed its annual Natural Gas Decoupling Rate Adjustment with the Washington Utilities and Transportation Commission. The purpose of that filing was to reflect the deferral balance for the period July 1, 2009 through June 30, 2010 which was to be amortized over the period November 1, 2010 through October 31, 2011.

One component of the annual filing is to report the results of the DSM Test, the results of which determine the level of lost margin recovery. The DSM test is based on the Company's actual level of completed programmatic natural gas DSM savings (verified by independent audit) for the prior calendar year compared to its targeted level of savings set forth in its most recently acknowledged (2007) Integrated Resource Plan (IRP). That target level of annual DSM savings (Washington jurisdiction) was 1,043,087 therms for calendar year 2009.

As a part of the filing, the Company provided a report from Ecotope, an independent third party energy efficiency consulting firm, who conducted the verification of natural gas DSM savings for 2009. That report, titled "Savings Audit of Avista's 2009 Natural Gas Demand-Side Management Programs" (Savings Audit), was provided as Exhibit 4 to the original filing. As shown on page 23 of Exhibit 4, the verified level of DSM savings (Washington jurisdiction) for 2009 was 1,198,715 therms, which was 114.9% of the target level of 1,043,087 therms (Washington jurisdiction). Therefore, the full 45% of the lost margin for the July 2009 – June 2010 period was recoverable, i.e., the Company "passed" the test.

The Company's Natural Gas Rate Adjustment Filing appeared on the October 28, 2010 WUTC Open Meeting Agenda, as was allowed to go into effect via No Action.

In January 2011, Ecotope completed its “Energy Impacts Evaluation of Select 2008 Avista Residential Demand-Side Management Programs” (Energy Impacts Evaluation), and provided that report to the Company (attached here as Appendix 1). While this report provided in-depth analysis on certain 2008 DSM programs, the Company believed that the results of this report should be applied to Ecotope’s 2009 Savings Audit. The Company therefore contacted Ecotope in March 2011 and requested that they apply the 2008 Energy Impacts Evaluation to the 2009 Savings Audit, and to provide the Company with a summary memorandum detailing what their final calculation of 2009 verified results are.

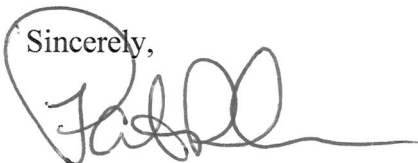
Attached as Appendix 2 is Ecotope’s memorandum titled “Application of 2008 Evaluation Results to 2009 Program Savings”. In summary, the report shows the following:

1. On page 3 of the memo, Ecotope notes that there were some “small errors in calculating the claimed savings” for the 2009 DSM savings for Washington. Therefore, before applying the 2008 evaluation results, verified savings should have been 1,210,013 therms, or 11,298 therms higher than detailed in the original Savings Audit which showed 1,198,715 therms.
2. Applying the results of the 2008 Energy Impacts Evaluation to the 2009 revised Savings Audit results shows that actual therm savings were 1,126,908.

The net results of applying the 2008 Energy Impacts Evaluation on the 2009 Savings Audit results in lower overall natural gas savings for 2009. However, the results still exceed the 2009 target level of savings, and therefore the Company still exceeded the DSM Test. Therefore, the Company is not requesting any action by the Commission, but rather believes that it is appropriate to supplement the record with the latest information.

If you have any questions regarding this filing, please call me at 509-495-8620.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patrick Ehrbar', written over a circular stamp.

Patrick Ehrbar  
Manager, Rates & Tariffs

Enc.