

October 23, 2009

VIA ELECTRONIC FILING & ABC/LMI

David Danner
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: Avista's Proposed Natural Gas Decoupling Rate Adjustment
Docket No. UG-091399

Dear Mr. Danner:

Public Counsel respectfully submits these comments in advance of the Commission's Open Meeting on October 29, 2009, regarding Avista's decoupling rate surcharge filing, Docket No. UG-091399. For the reasons described herein, we believe the total amount subject to recovery from Avista's decoupling deferral should be limited to no more than 80 percent, as compared to the 90 percent recovery level shown in the Company's initial filing. We therefore believe it was appropriate for Avista to file a Revised Decoupling Rate Adjustment Tariff on October 22, 2009, to reflect 80 percent recovery of decoupling deferrals.

Background

The amount that Avista is allowed to recover from the decoupling deferral account depends in part on the "DSM Test" of the Pilot Mechanism. Under the terms of the Pilot, Avista is allowed to recover a maximum of 90 percent of the decoupling deferral if the Company meets or exceeds its DSM IRP goal for 2008. For 2008, that goal was 1,425,070 therms. The Pilot Mechanism provides for reduced levels of recovery of decoupling deferrals if Avista's DSM performance is below the IRP goal. For example, if the Company achieves between 90 percent and 100 percent of the IRP goal, recovery from the decoupling deferral is limited to 80 percent of total deferrals.

The Mechanism also requires that only savings from "completed" DSM projects will be counted toward the IRP goal. In addition, the DSM savings must be "verified" by an independent third party. Avista retained the firm Research Into Action (RIA), with their subcontractor Nexant, to conduct the DSM Savings Verification for each of the three years of the Pilot. The 2008 DSM Verification Report was included with the Company's original filing in this docket as Attachment A.

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Discussion

Public Counsel and Commission Staff have worked together to review the 2008 DSM Verification Report and the *Summary of the Independent Verification of Avista's 2008 Completed Natural Gas-Efficiency Claims*, included as Exhibit 4 to the Company's initial filing, which was prepared by Avista. Based upon our review of the 2008 DSM Verification Report (Attachment A) and Avista's presentation of the Summary of 2008 DSM Claims (Exhibit 4), we identified certain errors and inconsistencies, as described below. As a result of these concerns, Public Counsel believes that reducing the decoupling deferral recovery to 80 percent is appropriate.

1. *Error with Avista's Original Summary report of Non-residential site specific verification results.* The Summary of DSM Verification Results provided by Avista in the Company's original filing mistakenly included three large projects within the stratum "other non-residential site specific" projects. However, these three projects were verified separately with the "largest site-specific non-residential" projects. Consequently, Avista's Summary presentation should have shown each of these projects separately. Once those three projects are shown separately and removed from the 'other non-res site specific' stratum, the verification level for the 'other non-residential site specific' stratum is reduced from the 90.7 percent shown in the Company's original filing, to 55.7 percent. As a result of these corrections, the total verified DSM savings is significantly reduced.
2. *Separate Results for each Residential and Limited Income Strata.* The Summary of DSM Savings prepared by Avista aggregates the original claims and verification results for the four strata for both the residential and limited income programs. This is not consistent with the methodology and findings of the DSM Verification, which analyzed each stratum separately and reached different verification results for each group. For 2008, once an adjustment is made to present the data for each stratum separately, consistent with the DSM verification methodology, the total savings are reduced.
3. *Changes to Residential and Limited Income Savings Estimates.* The Verification Report describes, at Table 2.1, that Avista made several changes to certain savings estimates for the residential prescriptive programs. Notably, these changes to the savings estimates were made after Avista had established an IRP goal for 2008 DSM achievement as part of their 2006 IRP. Therefore, we believe the 2008 DSM Results should be restated to reflect the prior savings estimates that had been in place in 2006 and 2007, the first two years of the Pilot Mechanism. This restatement would significantly reduce the residential and limited income totals of verified DSM savings compared with the company's original filing.

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If Avista's gas DSM results are adjusted to reflect the three issues discussed above, Public Counsel's analysis is that the total gas DSM savings would be reduced from 1,821,298 therms as shown in the Company's original filing, to 1,299,457 therms (or 91.2% of the IRP goal). In light of these issues related to Avista's DSM Savings, Public Counsel believes that an 80 percent recovery level of decoupling deferrals is appropriate. Mary Kimball of Public Counsel will attend the Commission's October 29, 2009 Open Meeting and will be available for questions.

Sincerely,

Mary M. Kimball
Senior Regulatory Analyst
Public Counsel
(206) 389-2529

MMK:cjw

cc: Service List (First Class Mail & E-mail)
Anne Solwick, Staff (E-mail)
Deborah Reynolds, Staff (E-mail)
Brian Hirschorn, Avista (E-mail)