

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of

AVISTA CORPORATION d/b/a AVISTA
UTILITIES

For an Order Authorizing Implementation
of a Natural Gas Decoupling Mechanism
and to Record Accounting Entries
Associated with the Mechanism.

DOCKET NO. UG-060518

COMMENTS ON BEHALF OF
COMMISSION STAFF

1 Commission Staff ("Staff") offers the following comments in response to the Notice of Opportunity for Comment issued on March 5, 2008. In its Notice, the Commission said it sought comment on the issue of whether the substantive value of the evaluation plan and final evaluation report in Docket No. UG-060518 had been irreparably undermined through Avista Utility's ("Avista" or "the Company") delay in filing a draft evaluation plan by December 31, 2007.

2 Staff met with other parties in this case, including representatives from Avista, Public Counsel, the Northwest Energy Coalition, and The Energy Project on Wednesday, March 12, 2008. (One party not represented, because of a conflicting meeting on March 12, was Northwest Industrial Gas Users.) The assembled group ("the Collaborative") discussed and further developed the draft evaluation plan. The Collaborative agreed that the Decoupling Pilot Program Evaluation ("the Evaluation") should focus on objective factual determinations. Such determinations will rely on factual data collected by the Company.

3 Staff believes the substantive value of the evaluation plan has not been irreparably harmed by Avista's delay. The Collaborative is working on the evaluation plan and currently anticipates finalizing this document by April 30, 2008. Assuming this target is

met, it appears the Collaborative then has time to select an evaluation firm, and the Company can hire the consultant in July 2008, with a final evaluation report due in spring 2009. Staff does not have the expertise to determine whether the timeframe now proposed will provide an adequate opportunity for a consultant to fully complete the task and issue a final report. Staff believes this question is best answered by a professional firm specializing in performing such evaluations.

4 In a letter dated January 31, 2008, Public Counsel suggested that the opportunity to collect information concurrently with the Decoupling Pilot was rapidly passing.¹ However, based on the discussions of the Collaborative and the draft document that has been created to date, Staff does not believe any data needed is currently being lost.

5 The kind of data Avista will need to provide includes, for example: total therm sales, revenue collected, conservation program savings achieved, revenue deferrals accumulated, changes to rates, market costs for natural gas, and the earnings impact of the recoverable revenue deferrals. All of this information is data that Avista has control of, routinely collects, or is publicly available. As such, it has not been lost because of the delay in developing a plan for using it.

6 Another important aspect of the Evaluation discussed by the Collaborative during its March 12, 2008, meeting was a potential hiring process to contract with an evaluation firm. The Collaborative agreed that the evaluator needs to take an independent view in order to provide the most robust and meaningful evaluation of Avista's Decoupling Pilot. Staff believes that the contract should provide for some form of oversight of the contractor by the Collaborative, rather than give oversight to any one party. We believe that such contract language will meet the needs of the parties to provide input and oversight. Such oversight

¹ Letter to Carole Washburn from Simon J. ffitch, dated January 31, 2008.

may prove critical when the contractor has questions or requires guidance on how to interpret the meaning and intent of the final draft evaluation plan. Collective oversight by the Collaborative should allay concerns that the Evaluation will not be as fully objective as possible.

DATED this 17th day of March, 2008.

Respectfully submitted,

ROBERT M. MCKENNA
Attorney General

A handwritten signature in black ink, appearing to read "Gregory T. Trautman", written over a horizontal line.

GREGORY T. TRAUTMAN
Assistant Attorney General
Counsel for Washington Utilities and
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