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VIA: Electronic Mail

August 2, 2012

David Danner
Executive Director and Secretary
Washington Utilities & Transportation Commission
1400 S. Evergreen Park Dr. SW
P.O. Box 40128
Olympia, WA 98504-0128

RE: Docket No. UE-120791– Avista Additional Comments and Matrix Response

Dear Mr. Danner,

The Commission invited additional comments by the close of business August 2, 2012 in the above referenced Docket. A list of issues was developed with interested parties following the Open Meeting on July 27, 2012.

Attached for filing with the Washington Utilities and Transportation Commission (UTC) is Avista Utilities response to the list (matrix), as well as the following additional comments:

Avista filed its 2012 renewables compliance report to comply with WAC 480-109 on May 31, 2012. Throughout the comment period, no party to the case opposed a determination that Avista's renewables compliance report be approved by the Commission. In fact, Commission Staff expressly recommended in their July 16th comments on page 3 that "[the Commission] approve the reports from all three companies as having met the reporting requirements of RCW 19.285 and WAC 480-109." Avista therefore asks the Commission to issue an order stating that Avista's 2012 renewables report is compliant with RCW 19.285 and WAC 480.109.

In making this request, Avista asks that the Commission not delay a finding of compliance because of various party requests to further clarify certain aspects of the law or the reports. For example, parties have asked for clarifications, analyses, rulemakings, and/or policy statements with regard to incremental cost analysis, hydro efficiency upgrades, and new laws affecting RCW 19.285. Avista does not necessarily object to further collaboration in these areas, but does not believe issuance of an order approving Avista's 2012 renewables compliance report should be delayed.

Staff explains in its July 16 comments at page 10 that "Staff was unable to complete an in-depth review of each company's hydro models within the time available, . . .," and expressed concerns related to Avista's modeling methodologies. In the one example provided by Staff, they suggest that an increase in turbine capacity might involve an impermissible water diversion. Avista, however, is not diverting new water sources into its facilities. There are no changes to our water rights associated with the upgrades. Rather, existing water is being used more efficiently and less water is being spilled. The same amount of water is going through the project.

No party to this proceeding besides Staff raised concerns regarding Avista's hydro models. In fact, both Renewable Northwest Project and the Northwest Energy Coalition stated in oral comments on July 27 that they did not object to Avista's calculations of qualifying renewable energy, including incremental hydro. Furthermore, Avista's hydro methodology has been vetted fully in the recent past and should not be of concern here. Commission Staff, in the 2010 and 2011 Avista general rate case proceedings, had opportunities to review in detail the same Avista hydro models and assumptions being used to support Avista's compliance report. In those cases Staff, other intervenors, and ultimately the Commission through its orders, approved the incremental electrical output of the upgrades Avista is claiming in its renewables compliance report. Avista also received similar scrutiny, and ultimate approval for ratemaking, of its hydro models in two recent Idaho PUC cases.

At the July 27 hearings, Staff suggested in oral comments that the Commission adopt a single hydro modeling methodology instead of providing the necessary flexibility of the three methodologies agreed to by all parties in extensive workshops held in 2011 and 2012. Three methodologies were agreed to by the parties to recognize that utilities have differing needs to use various hydro models for planning and ratemaking purposes. Avista's contribution from hydro is

large— approximately 85% of Avista’s renewable compliance is from hydro in 2012—and its models are unique to its portfolio. They are sophisticated relative to other hydro modeling tools in the marketplace and provide a reliable estimate of incremental hydro generation for Avista.

In summary, Avista believes the Commission should not, as Staff recommends, select a single methodology for the determination of incremental hydro generation. No further significant work is required on incremental hydro methodologies. Where the Commission wants more definition around the calculations of incremental hydro, Avista recommends that the three methods be included in WAC 480-109 as written on pages 8 and 9 of Staff comments. No further work is required, given the extensive review the methodologies received in the workshops, and in other arenas.

If you have any concerns or questions, please contact Clint Kalich at (509) 495-4532 or via e-mail at clint.kalich@avistacorp.com or myself at (509) 495-4975 or via e-mail at linda.gervais@avistacorp.com.

Sincerely,



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Attachment