

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF  
RESPONSE TO DATA REQUEST

DATE PREPARED: November 8, 2010  
DOCKETS: UE-100467, UG-100468  
REQUESTER: Bench

WITNESS: Michael Parvinen  
RESPONDER: Michael Parvinen  
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**BENCH REQUEST NO. 1:** Please rerun the model(s) used to generate Appendix 2 with the following three changes updating:

- the annual average natural gas price based on the most recently available 3-month average of 2011 forward prices;
- the most current Mid C flat electric price; and
- the Short-Term Contracts entered into by the Company as of November 1, 2010.

Please provide an updated spreadsheet reflecting the results as an "Updated Appendix 2".

Please also provide a separate document showing the ERM Authorized Level of Expense for December 2010, both as proposed by the Parties in their Settlement Stipulation and with any change caused by the above-noted updates to costs.

**RESPONSE:**

Staff has reviewed Avista's updated Appendix 2 and concurs that it represents the parameters presented by the Commission in its Bench request.

Given the information presented in the revised (updated) Appendix, Staff is supportive of the settlement without reflecting an update for the following main reasons:

1. Locking in the price for gas was a specific topic and key component of the global overall settlement as was testified to by ICNU.
2. The potential of gas prices falling further (as actually happened) was a factor in the Company's acceptance of the Lancaster/ERM proposal to possibly allow the Company the opportunity to recover the unrecovered portion of the Lancaster deferral.
3. The ERM mechanism is in place to cover changes such as gas costs and other market factors during the rate year. The ERM mechanism is non-symmetrical in that if gas prices had the effect of the company over collecting power costs from customers beyond the dead band, then customers would receive 75 percent through the next band (\$4 million to \$10 million) and 90 percent of amounts over \$10 million.