

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	07/23/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	Bruce Folsom/Jon Powell
REQUESTER:	NWEC	RESPONDER:	Jon Powell
TYPE:	Data Request	DEPT:	Energy Solutions
REQUEST NO.:	NW – 005	TELEPHONE:	(509) 495-4047
		EMAIL:	jon.powell@avistacorp.com

REQUEST:

Since the Approval Date, has the Mechanism served by itself or in conjunction with other factors to determine, shape, or otherwise influence a decision by Avista to take a particular financial, budgetary, programmatic, or strategic course of action? If so, please describe the decision that Avista made and explain how the Mechanism served to determine, shape, or influence that decision.

RESPONSE:

The Decoupling Mechanism has served to address one of the major considerations related to increased DSM acquisition; the fact that because retail rates are designed to recover costs based on sales volume, increased DSM acquisition results in the direct failure by the Company to recover the costs to provide service to its customers. The two features of the decoupling mechanism which were most effective in removing financial disincentives for increasing DSM acquisition and in placing greater management emphasis on DSM acquisition was (a) the recovery of intra-ratecase fixed costs related to reduced usage, particularly for the small general use customers and (b) the DSM acquisition tiered trigger mechanism on the recovery of tracked fixed costs.

The observed increase in DSM acquisition and activity is consistent with that which would be expected as a consequence of the removal of financial disincentives for DSM success.