

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION)	
)	
Complainant,)	DOCKET NO. UE-070804
)	and
v.)	DOCKET NO. UG-070805
)	(consolidated)
)	
AVISTA CORPORATION d/b/a AVISTA)	
UTILITIES)	
)	
Respondent.)	
_____)	
In the Matter of the Petition of)	
)	
AVISTA CORPORATION d/b/a AVISTA)	DOCKET NO. UE-070311
UTILITIES,)	
)	
For an Accounting Order Regarding the)	
Appropriate Treatment of the Net Costs)	
Associated With the Repurchase of Debt)	
_____)	

EXHIBIT NO.____(DWS-7)

AVISTA RESPONSE TO

ICNU DATA REQUEST NO. 2.4

October 17, 2007

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Washington	DATE PREPARED:	7/25/2007
CASE NO:	UE-070804 & UG-070805	WITNESS:	Kelly Norwood
REQUESTER:	ICNU	RESPONDER:	Kelly Norwood
TYPE:	Data Request	DEPT:	State and Federal Regulation
REQUEST NO.:	ICNU – 2.04	TELEPHONE:	(509) 495-4267

REQUEST

With regard to the prefiled direct testimony of Mr. Kelly Norwood, pages 5 and 6, addressing the proposed PCORC, is there any particular event that would trigger the filing of a PCORC or is it completely discretionary on the part of the Company?

RESPONSE:

Avista Utilities is currently experiencing an increasing cost environment, and expects it to continue at least for the next several years. A significant component of these costs is power supply related. Some examples of these increased costs that were identified in Avista's pre-filed direct testimony are as follows:

1. Avista is continuing to upgrade its existing hydroelectric projects, and over the course of the next four to five years plans to upgrade the generating units at its Noxon Rapids facility.
2. Avista is currently in the middle of relicensing its Spokane River hydro projects, which will result in increased costs.
3. Avista is currently working with stakeholders on the mitigation of dissolved gas downstream of the Cabinet Gorge project.
4. The United States Supreme Court ruling that the Coeur d Alene Tribe owns the southern one-third of Lake Coeur d Alene will result in increased costs related to past and future storage of water on tribal lands.
5. The recent passage of Initiative 937 will require Avista to acquire additional new renewable resources under the time table specified in the law.
6. Retail loads in Avista's service area are continuing to grow. The power supply cost to serve these new loads is higher than the embedded cost of resources in retail rates, which results in increased costs.

Avista's financial forecast shows a continuing need for rate relief for the next several years, driven in part by the costs identified above, among others, and therefore, the need for the PCORC is not necessarily driven by any one particular event or cost change, but a combination of changes that necessitate a more frequent update to base power supply costs than in prior years. Accordingly, while there may not be any particular event that would trigger a PCORC filing, the Company would assess the combination of circumstances that, when taken together, would necessitate a PCORC filing. The proposed PCORC would allow an update to these power supply costs between general rate cases, without re-litigating other costs, such as O&M and A&G costs, that would have been recently reviewed and approved by the Commission.