

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

JURISDICTION:	WASHINGTON	DATE PREPARED:	07/21/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	Jon Powell
REQUESTER:	NWEC	RESPONDER:	Jon Powell
TYPE:	Data Request	DEPT:	Energy Solutions
REQUEST NO.:	NW – 009	TELEPHONE:	(509) 495-4047
		EMAIL:	jon.powell@avistacorp.com

REQUEST:

Please identify and describe the most significant obstacles, if any, that Avista faced as it expanded its investments since the Approval Date in cost-effective gas efficiency programs. How, if at all, did the Mechanism assist or hinder Avista in addressing these obstacles?

RESPONSE:

The most significant obstacles to the ramp-up of Avista's natural gas DSM portfolio included the following:

- Customer response: Natural gas end-uses are typically passive in nature and incur a lower operating cost than comparable electric end-uses. The participant economics are more challenging and the customer is less aware of the efficiency opportunity.
- Cost-effectiveness: In addition to the difficulties in obtaining customer participation due to the often marginal (relative to electric) participant economics, it is also more difficult for the utility to field a portfolio that is cost-effective on a total resource cost basis.
- Demand-side management funding: Avista recovers the utility cost of demand-side management activities from a surcharge levied through Schedule 191. Due to the rapidly increasing customer demand for natural gas efficiency services, the expense of this portfolio has lagged behind the funding. This has led to a negative tariff rider balance. The interest provisions applied to this balance are asymmetric; the Company does not earn on negative (customer owes shareholder) balances.
- Corporate earnings and sales goals: The adverse impact of reducing natural gas throughput upon the Company's ability to earn its authorized return is well-understood and an inescapable consequence of recovering fixed costs through volumetric rates.

The purpose of decoupling is to remove financial disincentives regarding energy efficiency implementation. Avista's decoupling mechanism mitigates the adverse financial impact upon the Company due to lost margin.