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May 9, 2014

Via Electronic Mail

Steven V. King
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Docket No. U-131723 - Comments of Avista Utilities on Rulemaking for Energy Independence Act, WAC 480-109

Dear Mr. King,

Avista Corporation dba Avista Utilities (Avista or Company) appreciates the opportunity to provide comments on procedural and legal issues arising from the consideration of new rules for implementing the Energy Independence Act ("EIA") by the Washington Utilities and Transportation Commission (UTC or Commission). In the Notice of Opportunity to File Written Comments, dated April 9, 2014, the Commission encouraged stakeholders to comment on both the informal draft rules and the following questions.

In response to the Commission's specific questions, the Company offers the following comments:

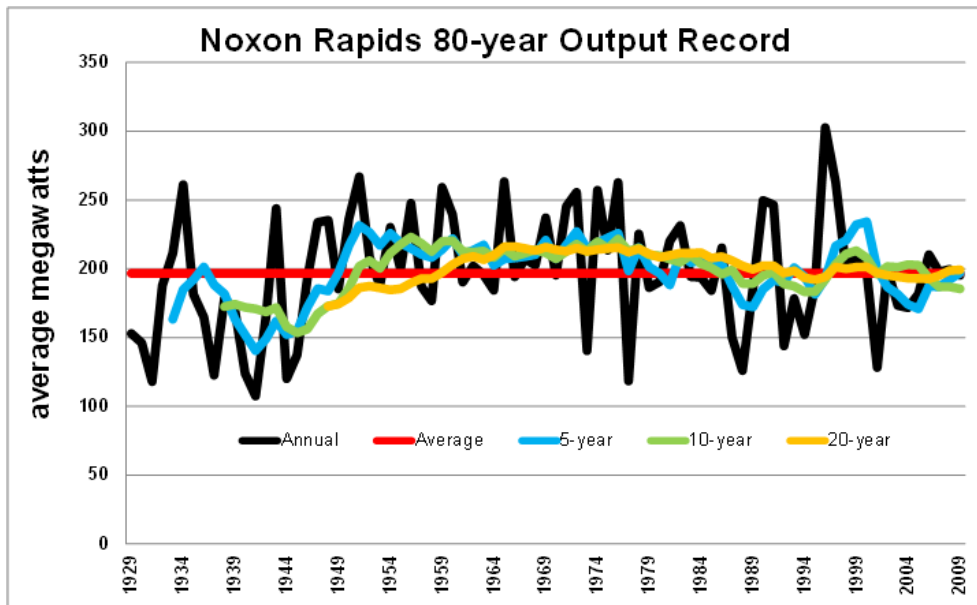
Incremental hydropower calculation – WAC 480-109-020(7)

1. How should an historic period be selected to best account for climatic variability and cyclical climate patterns? Please provide analysis or documentation to support your recommendation.

Response: Avista believes a minimum of ten (10) years of historical data should be used when calculating incremental hydro generation with method 2 and method 3. When less than ten years of data is used, short-term climate variations could differ from long-term expectations.

2. What is the appropriate number of years of river discharge data a model should use to provide unbiased calculations of incremental hydroelectric production? Please provide analysis or documentation to support your recommendation.

Response: The best estimate likely will come from the use of all available data. Avista uses 80 years (1929-2008) of data in its rate filings. The data in the chart below shows the 80-year record of Avista’s Noxon Rapids annual output model, along with 5, 10, and 20 year rolling averages. The annual data has a standard deviation of 42 aMW. Using a rolling average reduces the standard deviation of the variation significantly. Using a 20-year rolling average lowers the standard deviation to 11 aMW for 20 years. Over 10 years the standard deviation is 17.4 aMW. The 5-year rolling average has a 21.5 aMW standard deviation. Clearly using a longer data set lowers the variability from the long-term mean.



3. How does a normal or average historic river discharge calculated with shorter historic periods compare to one calculated with multiple decades of data? Please provide a narrative explanation of your findings.

Response: As discussed in #2, shorter periods of data have higher standard deviations compared to using longer periods of time. If short periods are used there could be a larger amount of volatility when updating to a future period.

4. How does the use of a greater number of years in the data set for determining the normal or average historic water year increase the administrative burden? Please quantify the administrative burden.

Response: Avista can model incremental hydro using available daily flow data back to 1986; data between 1929 and 1985 requires estimated regulated daily flows by the Northwest Power Pool and BPA. Periodically these historical regulated flows are updated and will need to be re-run. Each additional year going forward will require Company staff time to model the additional year. While Avista has the capability and data to complete an 80 plus-year dataset, we cannot speak for other utilities that might rely on other modeling techniques.

Incremental cost calculations – WAC 480-109-040(2)(a)(i)

1. Is it necessary for the Commission to require the use of a specific methodology to calculate integration costs? If so, please describe.

Response: No, the costs and methods to integrate intermittent resources will differ between the utilities resource capabilities. While, each utility should have a similar approach to model such costs, the uniqueness of each utility should be considered.

Measuring progress across reporting periods

1. On which metrics should the Commission rely to monitor energy and emissions intensity trends in utility service territories?

Response: The Commission should not attempt to quantify trends specific to utilities. There is adequate public data (e.g., Dept. of Commerce, Energy Information Administration) to determine a state-wide performance of energy and emissions intensity.

The Commission should also be aware that any such monitoring will be difficult given the significant hydro base of the northwest. A low hydro year can greatly magnify emissions in Washington whereas a high hydro year will make emissions levels much lower. For example, based on Avista's 2013 IRP, the four northwest states CO2 emissions from electric generation can double in poor water years compared to an average water year. The hydro quantities have the potential to greatly mask the actual trend occurring in the industry and this circumstance will greatly decrease the value of any such monitoring.

2. Should the rule require reports to include available energy and emissions intensity metrics?

Response: No, energy monitoring and emission intensity metrics and trends are outside the scope of the EIA and should not be required or discussed further in this rule making process. Further, hydro variability will mask what is truly going on in the industry.

Energy Efficiency

Avista supports energy efficiency and has been providing uninterrupted service since 1978, with its stakeholder advisory group meeting regularly since 1992. The Company has been promoting fuel switching for twenty-two years and recognizes conservation as its first resource in its Integrated Resource Plan. Thus, Avista's comments are intended to be supportive of energy efficiency while providing for revised regulations that can have demonstrated compliance.

As an ongoing discussion point (see letter from Simon ffitch to David Danner dated August 2, 2012), has been related to what utilities should file and when. Avista looks forward to pursuing this topic with all parties to bring greater consistency in the reporting and filing requirements.

The Company's response to the draft rules is provided on the "UTC Comment Form" provided as Attachment A. The Company respectfully requests that rules provide adequate guidance such that compliance requirements are clear.

Again, Avista appreciates the opportunity to provide these comments, and we look forward to participating in the workshop scheduled for May 15, 2014, and the issues related to that topic. If you have any questions regarding these comments, please contact me at 509-495-4975 or at linda.gervais@avistacorp.com.

Sincerely,

/s/Linda Gervais/

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