April 23, 2010

VIA: Electronic Mail

David Danner
Executive Director
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Conservation Incentive Inquiry – Docket No. U-100522

Dear Mr. Danner,

Avista supports the examination of the topics identified by the Commission on page 4 of its April 8, 2010 Notice of Opportunity to File Statements of Issues and Written Comments in this Docket, which are shown below:

> The Commission will examine, with the participation and assistance of the utilities, representatives of ratepayers, and other stakeholders, the following topics, among others:
>
> - The various mechanisms available for addressing declines in revenues due to conservation and the pros and cons of each;
> - The various mechanisms for providing an incentive for utility-sponsored conservation programs and the pros and cons of each;
> - How such mechanisms may affect the conservation achieved by the various utility programs;
> - How the conservation achieved can best be evaluated, measured, and verified;
> - The impact of lost revenue recovery mechanisms and conservation incentives on utility rates; and
> - The need for rules or other statements of policy given existing requirements in law, rule, and Commission practice for utilities to achieve conservation.

In addition to these topics, the Company recommends that the following specific issues be addressed in this Docket:

1) The definition of lost margins and "found" margins related to energy efficiency, and how to measure them.

2) Identification of the specific disincentives to investment in energy efficiency.

3) Clarity of the difference between mechanisms to recover costs, including lost margins, associated with energy efficiency, and incentive mechanisms.

4) Alignment of ratemaking practices with the requirements of the Energy Independence Act (I-937).

5) The distinction between cost recovery for all prudently incurred costs related to energy efficiency, versus cost recovery contingent upon achieving certain levels of energy efficiency, e.g., recovery of prudently incurred costs, including lost margins, should not be conditioned upon achieving a certain level of energy efficiency.

6) A "level playing field" for investments in efficiency, as compared to investments in other utility plant and equipment, e.g., the attractiveness of the investment in energy efficiency for the Company and its investors should be comparable to that of investments in other utility facilities.

7) Lost margin recovery for energy efficiency savings in the Company's service area related to regional energy efficiency efforts and other programs to raise customer awareness of energy efficiency supported by the Company, in addition to lost margin recovery for specific programmatic measures directly funded through incentives to customers.

8) Processes, timelines and administrative efficiency for various cost recovery and incentive mechanisms.

9) To the extent that energy efficiency expenditures vary from tariff rider collections, should the utility be allowed to accrue interest on any such differences.

Avista looks forward to participating in the upcoming workshop. If you have any questions regarding these issues, please contact Linda Gervais, Manager, Regulatory Policy at 509-495-4975 or myself at 509-495-4267.

Sincerely,

Kelly Norwood

Kelly Norwood
Vice President, State and Federal Regulation
Avista Corporation