

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	
)	
AVISTA CORPORATION, d/b/a AVISTA)	Docket No. UE-060181
UTILITIES,)	
)	
For Continuation of the Company's Energy)	
Recovery Mechanism, with Certain)	
Modifications.)	
_____)	

EXHIBIT NO.__(MPG-3)

AVISTA RESPONSE TO ICNU DATA REQUEST NOS. 2.5 AND 2.6

April 21, 2006

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Washington	DATE PREPARED:	03/23/2006
CASE NO:	UE-060181	WITNESS:	Julie Cannell
REQUESTER:	ICNU	RESPONDER:	Julie Cannell
TYPE:	Data Request	DEPT:	
REQUEST NO.:	ICNU -2.5	TELEPHONE:	(914) 686-3245

REQUEST:

Has Ms. Cannell reviewed the potential impact on retail customers as a result of the reduction to the deadband in Avista's ERM? If affirmative, please provide copies of all assessments and a complete description of Ms. Cannell's opinion on the potential impact on retail customers from her proposed adjustment to the ERM.

RESPONSE:

The purpose of my testimony is to reflect the perspective of investors. That perspective has an impact on customers. As detailed in my filed testimony, elimination of the deadband would increase the predictability and decrease the volatility of Avista's earnings. Conversely, a withdrawal of the ERM or maintaining the existing \$9 million deadband would be viewed unfavorably by investors. That in turn would negatively impact the company's credit standing, which could serve to increase the Company's cost of capital, which ultimately would be reflected in higher rates to customers.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Washington	DATE PREPARED:	03/23/2006
CASE NO:	UE-060181	WITNESS:	Julie Cannell
REQUESTER:	ICNU	RESPONDER:	Julie Cannell
TYPE:	Data Request	DEPT:	
REQUEST NO.:	ICNU -2.6	TELEPHONE:	(914) 686-3245

REQUEST:

Has Ms. Cannell performed a detailed review of Avista's retail utility customers to determine which of many customers are capital intensive and are dependent on external capital markets to fund facility improvements or expansions in Avista's service territory? If affirmative, please provide copies of all studies reviewed or conducted by Ms. Cannell.

RESPONSE:

As noted in my response to ICNU Request No. 2.5, the purpose of my testimony is to reflect the perspective of investors. That perspective has an impact on customers. As detailed in my filed testimony, elimination of the deadband would increase the predictability and decrease the volatility of Avista's earnings. Conversely, a withdrawal of the ERM or maintaining the existing \$9 million deadband would be viewed unfavorably by investors. That in turn would negatively impact the company's credit standing, which could serve to increase the Company's cost of capital, which ultimately would be reflected in higher rates to customers.