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ATTORNEY GENERAL OF WASHINGTON

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October 25, 2010

SENT VIA E-MAIL AND ABC LEGAL MESSENGER

David Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

**Re: Avista Corp. Proposed Natural Gas Decoupling Rate Adjustment
Docket No. UG-101463**

Dear Mr. Danner:

Public Counsel submits these comments regarding Avista's proposed natural gas decoupling rate adjustment filing. Our comments are focused specifically on the natural gas verification study because this is part of Avista's evaluation, measurement & verification (EM&V) of its energy efficiency programs, an area of great concern in Public Counsel's testimony in the company's 2009 rate case. Public Counsel is an active participant in the Avista EM&V Collaborative established by Commission in that rate case decision. Our interest in EM&V is to ensure that high-quality research and analysis is conducted in order to examine whether the energy savings that are estimated to occur as a result of Avista's energy efficiency programs do, in fact, occur at or near those estimated levels. The results of EM&V are at the heart of whether these ratepayer-funded programs are cost-effective and therefore prudent. While the latest study reflects some improvements in verification, we also have some concerns, as further discussed below.

Avista contracted with the firm Ecotope to conduct the 2009 independent verification of Avista's natural gas DSM savings. (Ecotope's Final Report was provided as Exhibit 4 to Avista's filing). The report contains quite a lot of detail and information, and we are still reviewing the findings, results and approaches of this 2009 gas verification study. In general, we believe the 2009 verification study by Ecotope has evolved and improved upon prior work. For example, in reviewing the Ecotope verification study, it is clear that Avista's savings estimates, and the assumptions underlying those estimates, were closely examined. In several instances, a verification adjustment was made based upon revised engineering estimates. Another aspect of the report we were pleased to see is the summary of overall verified savings across all programs, as shown in Tables 1 through 3 of the report, which had not been included in prior reports.

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One area of concern that we have shared with Avista is that in the future, we believe it would be beneficial to consider whether some programs deserve larger sample sizes, particularly larger programs, in terms of savings and expenditures. For example, the residential weatherization program provides rebates to customers who self-install windows and insulation and that group may have been under-represented in the 2009 verification sample. Increasing the sample size for larger programs would help ensure that the sample group is fully reflective of the underlying population of program participants. We will work with Avista and the Triple E on this issue, as we continue to work on a range of EM&V issues, including the scope of verification studies and how those results are utilized.

There is still much work currently underway related to Avista's recently filed EM&V Framework, as well as the 2011 EM&V Plan, which is still being developed by Avista, in consultation with the Triple E and EM&V experts. Verification studies, such as the 2009 natural gas study by Ecotope, are one aspect of the EM&V landscape. The full EM&V landscape also includes impact, process, and market evaluations.

I plan to attend the October 28, 2010 Open Meeting and will be available for any questions regarding these comments.

Sincerely,



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