AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/17/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	Clint G. Kalich
REQUESTER:	Public Counsel	RESPONDER:	Clint G. Kalich
TYPE:	Data Request	DEPT:	Energy Resources
REQUEST NO.:	PC – 541	TELEPHONE:	(509) 495-4532
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REQUEST:

Please answer the following questions regarding the statement made in Exhibit No.___(CGK-4T) at 14:22-15:4: "If the marketplace has adequate resources to meet peak demand periods because it carries a planning margin, wholesale electricity prices will be relatively lower on average and below the total cost to own and operate a firm resource. But if planning margins are not maintained in the marketplace as a whole, prices in the wholesale marketplace skyrocket. By building to a planning margin, more volatile markets and higher prices to customers are avoided."

a. Does Avista contend that if the Commission rejects its proposal to assign the Lancaster Contracts to Avista Utilities that "price in the wholesale market prices [will] skyrocket"? Explain why or why not.

b. If the answer to subpart (a) above is 'No,' what does Avista believe the impact on wholesale electric prices would be of a Commission rejection of Avista's proposal to assign the Lancaster Contracts to Avista Utilities.

RESPONSE:

a. No. Skyrocketing prices will occur where utilities as a whole choose to not retain planning margins adequate to serve customers needs during periods of system peak and/or plant outages. This statement reflect the planning methodology Avista and its peer utilities operate under today, as outlined in the Company's various IRPs. Absent Lancaster, Avista would construct another CCCT at much higher prices, as explained in rebuttal testimony.

b. Market prices will not rise dramatically so long as the project continues to remain operating for the northwest marketplace and is not acquired by another utility. This is by no means guaranteed, and in fact would be unlikely, as the project would be acquired by another entity meeting its resource obligations. In other words, Lancaster would replace another new plant construction (just as it has for Avista), thereby lowering overall planning margins to the extent Avista didn't build another CCCT. And as stated in a) above, Avista would build another CCCT, at higher lifecycle cost.