AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/21/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	Robert Lafferty
REQUESTER:	Public Counsel	RESPONDER:	William Johnson
TYPE:	Data Request	DEPT:	Power Supply
REQUEST NO.:	PC – 532 Revised	TELEPHONE:	(509) 495-4046
		EMAIL:	bill.johnson@avistacorp.com

REQUEST:

Provide the following information regarding Avista's procurement of gas for its gas-fired electric generation plants:

a. Provide Avista's current formal plans for procuring gas for each of its gas-fired generators.

b. Citing the materials provided in subpart 'a' above, describe how Avista procures gas for its gas-fired generators, individually and collectively, when they are operating at or near their maximum capacity.

c. Explain why Avista's current "CS2 Gas Transport" is less than "CS2 Gas Consumption w/ Duct Burner" (as both terms are used in Table 3 of Exhibit No.___(RJL-1T)), and for how many years such "Transport" has been less than its "Consumption w/ Duct Burner".

d. Explain how Avista met the CS2 gas demands shown in Chart 1 of Exhibit No.___(RJL-1T) if it did not have sufficient gas pipeline capacity. Provide detailed daily data as to how such additional gas was delivered to CS2 on those days from January 2008 to August 2009 when gas usage exceeded 43,000 Dth/day.

RESPONSE:

a. Avista generally follows is Resource Risk Policy and Hedge Scheduler Program to procure energy to serve system obligations. A document explaining Avista's Hedge Scheduler Program was provided as DR_PC_079C_Attachments A and B. Energy is procured to serve system obligations by either purchasing electricity or fueling gas-fired generators. Generally speaking, fuel is purchased for gas-fired generators when the spark spread is favorable and electricity is purchased when the spark spread is unfavorable. The purpose of Avista's gas procurement strategy is to optimize the value of its gas-fired resources, which lowers the overall expense of serving retail loads.

b. The procedure to procure gas for gas-fired generators when they are operating at or near their maximum capacity is effectively procuring gas for the duct burner. The difference in procuring gas for the duct burner versus baseload generation is that the heat rate is higher meaning that gas purchased for the duct burner will occur at a different time than gas purchase for baseload generation and the quantity of gas purchased will also differ. Baseload generation forward purchases occur in units of 4,000 dth/day, which is generates approximately 25 MW, a standard electricity trading unit. Gas purchased for the duct burner on a forward basis will typically be done for on-peak and off-peak separately, with 3,000 dth/day purchased for on-peak and 2,500

dth/day being purchased for off-peak. On a daily basis gas for the duct burner will be purchased in a sufficient quantity for either on-peak only or around the clock generation.

c. The amount of gas transport for Coyote Springs 2 is approximately enough for baseload (no duct burner) generation of the plant. This has been the gas transport purchased for the plant since it began operation. As explained further in response to sub-part (d) below, the company relies upon a limited amount of LDC capacity to facilitate gas transportation for duct burner operation.

d. When gas transport requirements exceed 43,000 for Coyote Springs 2 the remaining gas transport is almost always purchased from Avista's gas LDC, i.e., the electric side of Avista purchases gas transport from the gas side of Avista. This is an advantage Avista has as a combined electric/gas utility, gas transport requirements can be evaluated in total between the electric and gas business. However, the amount of Avista LDC excess capacity is limited and Avista's LDC does not have enough gas transport flexibility to provide duct burner transport for both Coyote Springs and Lancaster.

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/17/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	Robert Lafferty
REQUESTER:	Public Counsel	RESPONDER:	William Johnson
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REQUEST NO.:	PC – 532	TELEPHONE:	(509) 495-4046
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REQUEST:

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a. Provide Avista's current formal plans for procuring gas for each of its gas-fired generators.

b. Citing the materials provided in subpart 'a' above, describe how Avista procures gas for its gas-fired generators, individually and collectively, when they are operating at or near their maximum capacity.

c. Explain why Avista's current "CS2 Gas Transport" is less than "CS2 Gas Consumption w/ Duct Burner" (as both terms are used in Table 3 of Exhibit No.___(RJL-1T)), and for how many years such "Transport" has been less than its "Consumption w/ Duct Burner".

d. Explain how Avista met the CS2 gas demands shown in Chart 1 of Exhibit No.___(RJL-1T) if it did not have sufficient gas pipeline capacity. Provide detailed daily data as to how such additional gas was delivered to CS2 on those days from January 2008 to August 2009 when gas usage exceeded 43,000 Dth/day.

RESPONSE:

a. Avista generally follows is Resource Risk Policy and Hedge Scheduler Program to procure energy to serve system obligations. A document explaining Avista's Hedge Scheduler Program was provided as DR_PC_079C_Attachments A and B. Energy is procured to serve system obligations by either purchasing electricity or fueling gas-fired generators and keeping the generation for load. Generally speaking, fuel is purchased for gas-fired generators when the spark spread is higher and electricity is purchased when the spark spread is lower. The purpose of Avista's gas procurement strategy is to maximize the value of its gas-fired resources, which lowers the overall expense of serving retail loads.

b. The procedure to procure gas for a gas-fired generator is when they are operating at or near their maximum capacity is effectively procuring gas for the duct burner. The difference in procuring gas for the duct burner versus baseload generation is that the heat rate is higher meaning that gas purchased for the duct burner will occur at a different time than gas purchase for baseload generation and the quantity of gas purchased will also differ. Baseload generation forward purchases occur in units of 4,000 dth/day, which is generates approximately 25 MW, a standard electricity trading unit. Gas purchased for the duct burner on a forward basis will typically be done for on-peak and off-peak separately, with 3,000 dth/day purchased for on-peak and 2,500

dth/day being purchased for off-peak. On a daily basis gas for the duct burner will be purchased in a sufficient quantity for either on-peak only or around the clock generation.

c. The amount of gas transport for Coyote Springs 2 is approximately enough for baseload (no duct burner) generation of the plant. This has been the gas transport purchased for the plant since it began operation.

d. When gas transport requirements exceed 43,000 for Coyote Springs 2 the remaining gas transport is almost always purchased from Avista's gas LDC, i.e., the electric side of Avista purchases gas transport from the gas side of Avista. This is an advantage Avista has as a combined electric/gas utility, gas transport requirements can be evaluated in total between the electric and gas business. However, Avista's LDC does not have enough gas transport flexibility to provide duct burner transport for both Coyote Springs and Lancaster. Therefore, Lancaster requires enough gas transport of its own to meet its requirements under maximum generation conditions. It should also be remembered (see response to PC DR 530) that the portion of gas transport for Lancaster that is a backhaul from Malin to Lancaster is not considered primary firm capacity, so Lancaster actually has less primary firm gas transport capability than Coyote Springs 2.