AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	05/20/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	Scott J. Kinney
REQUESTER:	Public Counsel	RESPONDER:	William Johnson/Jeff Schlect
TYPE:	Data Request	DEPT:	Power Supply
REQUEST NO.:	PC – 237	TELEPHONE:	(509) 495-4046/495-4851
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REQUEST:

Provide the following information regarding the estimates of "Pro Forma Transmission Revenues" provided in the Direct Testimony of Scott J. Kinney, pages 7 to 12, and in Exhibit No. ___ (SJK-2):

a) Does Mr. Kinney's estimate include any forecast of the revenues that would be earned through the resale of the BPA transmission capacity to be allocated to electric ratepayers along with the Lancaster PPA? If so, please specify where such revenues are included in his testimony, supporting exhibits and workpapers. If not, please explain why no such forecast has been included.

b) Define the term "Borderline Wheeling", and what distinguishes such transmission services from the others identified in Mr. Kinney's Direct Testimony and Exhibit No. ___ (SJK-2).

RESPONSE:

a) No revenue from the resale of BPA transmission from the Lancaster plant that will be assigned to Avista January 1, 2010 is included in the rate case. There are several reasons for not including revenue from the resale of BPA transmission. During most of the year the transmission will be needed to move Lancaster power to Avista's system or to the market. Because the transmission amount is less than the plant output, additional transmission will need to be purchased. During times when the plant is not operating, the Company will utilize the transmission to facilitate other power purchases or sales. At this time there are no known and measurable expense reductions or revenues related to the re-marketing or optimizing of Lancaster transmission.

Rather than reselling transmission, the Company is more likely to redirect unused BPA Point-to-Point (PTP) transmission for its own use to make other power purchases or sales. Redirecting firm PTP would reduce the need to purchase additional non-firm transmission, which the Company commonly does. Reductions in short-term transmission purchases will flow through the Energy Recovery Mechanism and be credited to customers.

Additional transmission savings will occur when the interconnection between Lancaster plant and the Company's transmission system has been completed. The Company and BPA are in the process of conducting studies regarding an interconnection between Lancaster and the Avista's system and BPA's transmission system.

When the interconnection to Avista's system is completed the Company will have the option to reduce the amount of transmission purchased from BPA. Currently there are two BPA transmission agreements for the plant, a 100 MW contract and a 150 MW contract. The 150 MW

contract can be terminated with 2 years notice. In the meantime the BPA transmission will be used to move Lancaster generation to the Company's system and to the market. When Lancaster is not generating, the BPA's transmission will be redirected and used when needed.

b) "Borderline Wheeling" is a generally recognized historical term referring to that transmission service provided to points of delivery serving third-party loads that reside within Avista's Balancing Area (metered boundary). Such third-party loads, which are either federal-service loads or loads served by municipal utilities, public utility districts or consumer-owned utilities, have historically been referenced as "borderline loads" since they are loads that reside within Avista's Balancing Ares but are not Avista's own retail loads. Avista provides Borderline Wheeling service to over 100 points of delivery serving these third-party loads. Borderline Wheeling differs from other transmission services that are generally for the purpose of either: (i) transferring the output of a third-party generation resource from the point at which the resource is connected to Avista's transmission system to the edge of Avista's transmission system, or (ii) transferring power across Avista's system from one point of interconnection on the edge of Avista's transmission system to another.