

**AVISTA CORP.**  
**RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	04/24/2016
CASE NO.:	UE-160228 & UG-160229	WITNESS:	Heather Rosentrater
REQUESTER:	Public Counsel/Energy Project	RESPONDER:	Dan Burgess/L. La Bolle
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	PC/EP – 026	TELEPHONE:	(509) 495-4710
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**REQUEST: RE: Heather L. Rosentrater, Exhibit No. HLR-3.**

Regarding Table 5 of Exhibit No. HLR-3, identify the basis for the methodology of allocating benefits levels for the years 2017 through 2036. In other words, on what basis does Avista assume that the benefit stream will reflect those amounts in each year in this table? Provide the work papers for these assumptions.

**RESPONSE:**

In the subject Exhibit No. HLR-3, Avista has described and has also documented in detail the rationale, basis, assumptions, methods of calculation, etc., for the estimated quantified financial benefits expected to be delivered by the Washington AMI project. The stream of benefits presented in Table 5 represent the Company's estimate of the value to be achieved for each area of benefit. The values in the table reflect the Company's expectation for when each category of benefit will begin to be realized and how quickly or slowly the annual benefit level will rise through deployment to the level of the estimate. The values are escalated each year to account for the increase in the value of the cost avoided, as an example, throughout the project life. And unless Avista has evidence to the contrary (that would either increase or reduce the estimated value over time), the level of benefits represented by the point estimates are considered to be achievable through the entire life of the project.

The Company has included contingency amounts in its estimated budget, and has provided its assessment of the range of potential variability in the actual level of benefits, compared with the value reflected in the point estimates (sensitivity analysis). In the business case, Avista described the potential impact on the net benefits of the project for the scenario that assumed all estimated benefits were ultimately achieved at the low end of the sensitivity range. While we believe this scenario to be unlikely to occur, it does make clear that the Company understands and has fairly portrayed the potential risk associated with the achievement and the persistence of the level of benefits estimated in the business case. From this perspective, the point estimates of the value of the benefits, as they are reflected in Table 5, provide a reasonable and meaningful basis for assessing the likely net benefits of the project at this stage of implementation.