

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

In the Matter of the Petition of)	
)	DOCKET NO. UE-011597
AVISTA CORPORATION d/b/a)	
AVISTA UTILITIES)	
)	ORDER GRANTING
For an Order Authorizing a Temporary)	ACCOUNTING PETITION
Deferred Accounting Mechanism.)	
.....)	

I. MEMORANDUM

- 1 On December 3, 2001, Avista Corporation (“Avista” or “Company”) filed with the Washington Utilities and Transportation Commission a Petition for an Accounting Order (“Petition”). The Petition requests authority to defer certain power costs in excess of those that were considered in the calculation of existing rates during the period January 1, 2002, through the effective date of the Commission’s order in the Company’s general rate case filed concurrently with this Petition under Docket No. UE-011595. The Company included this same request as part of its general rate case filing and, by reference, made the direct testimony and exhibits of the Company’s witnesses in the general rate case a part of this request for temporary deferred accounting.
- 2 The Petition states that the Company is seeking a temporary deferred accounting mechanism because the traditional general rate case process, by itself, does not provide the Company the opportunity to recover certain types of power costs that are highly variable, unpredictable, and beyond its control. Avista claims that without some form of accounting treatment authorized by the Commission, the Company would have to absorb the additional costs during the period between the December 31, 2001, termination of the currently approved form of deferred accounting, and the conclusion of the general rate case, which for purposes of the discussion we assume to be October 31, 2002. According to the Petition, these costs further exacerbate Avista’s current weak financial condition.
- 3 The Petition states that most of the additional costs to be deferred are related to contracts for natural gas to operate the Rathdrum combustion turbines and the new Coyote Springs II project. In addition to these natural gas costs, Avista proposes to defer increased power costs that it anticipates it will incur due to below-normal hydroelectric generation, fixed costs associated with new small generation projects, and fixed costs associated with the Coyote Springs II project. The prudence of these costs and ratemaking treatments are subjects for the general rate case.

- 4 The Company proposes to include in the deferral account the specific Federal Energy Regulatory Commission accounts that contain revenues and expenses affected by hydroelectric generation, and by wholesale market prices for gas and electricity, that are explained in the general rate case testimony of Messrs. Kelly Norwood and Bill Johnson of the Company. The Petition also refers to the general rate case testimony of Mr. Bob Lafferty regarding the fixed costs proposed to be deferred that are associated with the new small generation projects and the Coyote Springs II project when they come on line. The Company proposes that deferred costs be calculated as the difference between the actual costs associated with these Accounts, and what the Company states are authorized costs under normalized conditions. However, the Company clarified at the December 20, 2001, Open Meeting that, as explained in Mr. Norwood's testimony, it is proposing to include only 90% of these costs in the deferral account.
- 5 The Company sets forth the accounting for the deferrals and periodic reporting related to the costs being deferred in its Petition.

Avista requests that the Commission either rule on the Company's request before January 1, 2002, or address this issue on an expedited basis on or before March 15, 2002, in the Company's general rate case. The Petition acknowledges that the burden of proof rests with the Company to establish the reasonableness of including the deferred costs and interest in the Company's rates.

II. DISCUSSION

- 6 The Company proposes in this Docket (UE-011597), a form of deferred accounting that preserves for subsequent examination and argument by the parties, and review by the Commission, costs the Company alleges are driven primarily by factors beyond its control. We find that approval of such accounting, of limited duration to track these costs, is reasonable pending our review of the Company's requests for interim rates, and for a general increase in permanent rates.
- 7 We emphasize that by approving the requested deferral for power costs, we are doing no more than allowing an accounting treatment that will preserve for later determination whether and to what extent these power costs should be recovered in rates. That is, our decision today does not alter or amend rates, and it does not imply any decision on issues relevant to whether all or any of the amounts included in the deferred power cost account are prudent costs and are otherwise proper to recover in customer rates. These issues include whether such costs are properly offset by other factors, and whether such costs are within or without the range of costs or risks ordinarily reflected in rates.
- 8 We emphasize that the question of accounting treatment and the question of recovery in rates are separate and distinct questions. The first question--accounting treatment--

can be answered without the necessity for a detailed record because there is no inherent risk to ratepayers in doing so. That risk is not present precisely because the second question--rate treatment--will be answered only after the development of a detailed record. If Avista seeks to recover these costs in future rates, the Company will bear the burden to prove that such recovery is proper. Other parties will have the opportunity to contest whatever proof the Company offers, and to offer their own evidence and argument concerning how and whether we should consider and treat these costs for ratemaking purposes.

III. FINDINGS OF FACT

- 9 (1) Avista Corporation is engaged in the business of electric and gas service within the state of Washington as a public service company, and is subject to the jurisdiction of the Commission.
- 10 (2) On December 3, 2001, Avista Corporation filed with the Commission a petition for an order authorizing deferred accounting of certain costs on a temporary basis.
- 11 (3) The deferred accounting requested by Avista Corporation is reasonable and should be approved, subject to the qualifications and clarifications embodied in this Order.

IV. ORDER

- 12 (1) The Commission authorizes Avista Corporation to defer certain power costs as discussed in the body of this Order. This authorization shall terminate no later than the effective date of the Commission's final order in the Company's general rate case under Docket No. UE-011595, unless authorization is extended by order of the Commission. Avista Corporation is required to submit reports to the Commission as specified in its Petition during the period January 1, 2002, through the effective date of the Commission's final order in the Company's general rate case under Docket No. UE-011595.
- 13 (2) The Commission's authorization is for accounting purposes only and does not alter or amend the present rates of Avista Corporation. Granting the Company's request for deferred accounting on a temporary basis is not to be construed as a determination that the costs, or any interest related thereto, are extraordinary, prudent, fair, just, or reasonable.
- 14 (3) The deferred costs shall be examined in a context of the general rate case pending in Docket No. UE-011595, which includes the Company's request for interim rates and a general increase in permanent rates. The burden of proof rests with the Company to prove that the costs are prudent, fair, just, reasonable, and proper in all other respects for recovery in rates.

- 15 (4) This Order shall in no way affect the authority of this Commission over rates, services, accounts, evaluations, estimates, or determination of costs on any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs claimed or asserted.
- 16 (5) The Commission retains jurisdiction over the subject matter and Avista Corporation to effectuate the provisions of this Order in this docket, in Docket No. UE-011595, or other appropriate docket.

DATED at Olympia, Washington, and effective this _____ day of December, 2001.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner