

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET UE-061415
)	
AVISTA CORPORATION, dba)	ORDER 01
AVISTA UTILITIES,)	
)	
Petitioner,)	ORDER AUTHORIZING THE
)	TRANSFER OF SPARE
For an Order Authorizing the Transfer of)	TRANSFORMER(S) AND
Spare Transformer(s) and an Associated)	ASSOCIATED ACCOUNTING
Accounting Order)	TREATMENT
.....)	

BACKGROUND

1 On September 1, 2006, Avista Corporation d/b/a Avista Utilities (“Avista”) filed a petition with Commission under RCW 80.12.020 and WAC 480-143-120 seeking an order authorizing Avista to transfer spare transformers from its inventory to other utility companies as required under the Edison Electric Institute (EEI) Spare Transformer Sharing Agreement (“Sharing Agreement”). Avista entered into the Sharing Agreement (Exhibit A to its petition) on April 13, 2006, subject to Commission authorization as requested in this Petition. Under the Sharing Agreement, participating utilities may be called upon to provide transformers to another participating utility if an act of terrorism results in the destruction or long-term disabling of that utility’s electric transmission substations.

2 Avista’s petition also requested an accounting order approving the following proposed accounting treatment (as amended) for the proceeds paid to AVISTA by a utility receiving a transformer pursuant to the Sharing Agreement:

Funds paid to Avista for a transformer from a participating utility will be accounted for such that Avista’s rate base will reflect: 1) the actual cost of the replacement transformer if it is lower than the net book value of the transformer transferred out, or 2) the same rate base level as the transformer that was transferred out to the participating utility per the sharing agreement. Accordingly, the amount paid to Avista will be recorded as salvage equal to the net book value of the original transformer at the time of the transfer, and any proceeds above net book value will serve as a reduction in Avista’s cost of a replacement transformer, charged to the appropriate transformer plant account.

3 The Sharing Agreement establishes protocol that are intended to guarantee access to spare transformers in the event that Avista or another utility that has entered into the Sharing Agreement suffers the destruction or long-term disabling of one or more electric transmission substations in connection with a “Triggering Event”, which is defined as:

an act or coordinated acts of deliberate, documented terrorism, as defined in the Homeland Security Act of 2002, 6 U.S.C. § 101(15), as the same may be amended from time to time, resulting in (1) destruction or long-term disabling of one or more electric transmission substations, and (2) the declaration of a state of emergency by the President of the United States pursuant to the National Emergencies Act, 50 U.S.C. § 1601 et seq., as the same may be amended from time to time.

4 The Sharing Agreement does not restrict or restrain Avista from assisting itself or neighboring utilities in the event of a disaster.

5 In the event Avista transfers a transformer to another participating utility, the Sharing Agreement requires such utility to pay for the transformer. Avista states that it would use such funds to purchase a replacement transformer to replenish its inventory.

6 On November 1, 2006, Avista filed a supplemental letter that addressed certain concerns which were raised after commission staff’s review. Specifically, Avista amended its request to include authorization to acquire spare transformers from other participating utility companies if necessary per the terms of the Sharing Agreement. In addition, Avista will provide, in satisfaction of WAC 480-143-120 and WAC 480-143-130, final transfer or acquisition details initially within 30 days of each transaction occurring under the terms of the Sharing Agreement and to supplement such initial reporting with any subsequent final documents. Avista also revised its accounting proposal with an appropriate accounting alternative that is more responsive to the intent of the Sharing Agreement.

FINDINGS AND CONCLUSIONS

7 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of public service companies, including electric companies. *RCW 80.01.040*,

Chapter 80.04 RCW, Chapter 80.28 RCW, Chapter 80.08 RCW and Chapter 80.12 RCW.

- 8 (2) Avista is an electric company and is a public service company subject to the jurisdiction of the Commission.
- 9 (3) WAC 480-143-120 requires companies to file a petition including that for which Avista seeks approval.
- 10 (4) The proposed transfers, replacements, acquisitions, and related accounting treatment of and for spare transformers requested by Avista are reasonable and should be approved.
- 11 (5) This matter was brought before the Commission at its regularly scheduled meeting on November 8, 2006.
- 12 (6) After examination of the petition filed in Docket UE-061415 by Avista on September 1, 2006, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be approved.

ORDER

THE COMMISSION ORDERS:

- 13 (1) Avista Corporation d/b/a Avista Utilities' petition for an order authorizing transfer or acquisition of spare transformers if required to do so per the terms of the EEI Spare Transformer Sharing Agreement is approved.
- 14 (2) The following requested accounting treatment for the proceeds paid to Avista Corporation d/b/a Avista Utilities by a utility receiving a transformer pursuant to the Sharing Agreement is approved:

Funds paid to Avista for a transformer from a participating utility will be accounted for such that Avista's rate base will reflect: 1) the actual cost of the replacement transformer if it is lower than the net book value of the

transformer transferred out, or 2) the same rate base level as the transformer that was transferred out to the participating utility per the sharing agreement. Accordingly, the amount paid to Avista will be recorded as salvage equal to the net book value of the original transformer at the time of the transfer, and any proceeds above net book value will serve as a reduction in Avista's cost of a replacement transformer, charged to the appropriate transformer plant account.

- 15 (3) In satisfaction of WAC 480-143-120 and WAC 480-143-130, Avista Corporation d/b/a Avista Utilities shall provide final transfer or acquisition details initially within 30 days of each transaction occurring under the terms of the Sharing Agreement and to supplement such initial reporting with subsequent final documents.
- 16 (4) This Order in no way affects the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs or any valuation of property claimed or asserted.
- 17 (5) The Commission retains jurisdiction over the subject matter and Avista Corporation d/b/a Avista Utilities to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective November 8, 2006.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner