June 10, 2002

NOTICE OF ISSUANCE OF COMMISSION BENCH REQUESTS
(June 12, 2002)

RE: WUTC v. Avista Corporation d/b/a Avista Utilities, Docket No. UE-011595

TO ALL PARTIES:

Please be prepared to respond orally to the following Bench Requests during hearing proceedings scheduled for June 12, 2002. Parties may provide written responses and/or supporting exhibits.

Rates and Revenues

1. What is the pro forma revenue requirement, $278,000,000, $282,490,000, or some other amount? *See Settlement Stipulation p.8, Staff Memo p.11-12.*
2. What portion of the proposed 19.3% general increase in retail rates represents fixed costs associated with new power plants (*e.g.*, Coyote Springs II and Kettle Falls? *See Settlement Stipulation p.3.*

Energy Recovery Mechanism

3. Please describe in detail, month-to-month ERM operations over a hypothetical 12 month period assuming (1) typical, and (2) extreme variations (*e.g.*, those experienced during 2000 and 2001) in energy prices.
4. The $9 million dead-band for the ERM is an annual figure. Does that mean that Deferral Account additions (either credits or debits) are only made once each year? ? *See Settlement Stipulation p.*5.
5. Clarify the statement *"cost deferrals for the ERM will be calculated each month."* Is this month-by-month per attachment No. 1 base levels? How does this relate to the $9 million annual determination? *See Settlement Stipulation p.*5.
6. What is the basis for the $9 million figure? *See Settlement Stipulation pp.4*-5
7. Have you analyzed historical data (say since 1990), to see how many years would have resulted in additions/subtractions to the Energy Cost Deferral Balance had the proposed ERM mechanism been in place?

8. After the Schedule 93 surcharge is eliminated, must Avista wait for the Energy Cost Deferral Balance to reach $27.8 million to request a new surcharge or refund? *See Settlement Stipulation p.8.*
9. If the calendar year ends with the Energy Cost Deferral Balance exceeding $27.5 million (say $40 million), can Avista only request one surcharge/rebate for exactly $27.5 million? *"Only one 10% surcharge shall be in place at any given time." See Settlement Stipulation p.8.*
10. Explain the statement in the Settlement Stipulation that *"[t]he Company may depending upon circumstances, propose a different effective date to minimize the number of rate changes"* Please provide examples of circumstances that would allow a different effective date.
11. On or before, December 31, 2006, Avista must make a filing demonstrating that the ERM is in the public interest. Does this essentially establish a rebuttable presumption that the ERM will sunset? *See Settlement Stipulation p.7.*
12. The carrying charge on the Energy Cost Deferral Balance will be calculated using the Company's actual cost of debt. Which debt? short-term, long-term or overall? *See Settlement Stipulation p.7.*
13. Does the Settlement Stipulation preclude the Company from requesting additional relief if the deferred account balance grows faster than expected?
14. How is the $9 million band treated for purposes of assessing over- or under-earning vis-à-vis authorized rate-of-return?
15. Explain the implications of the pro-rata $4.5 million band for 2002. *See Settlement Stipulation p.5.*
16. Clarify and provide examples of how the "trigger amount" would be spread among rate schedules. *See Settlement Stipulation p.8.*
17. Under the Settlement Stipulation, the Schedule 93 surcharge will be eliminated once the Energy Cost Deferral Balance reaches zero. Does this require a filing or is it somehow contemplated to be self-executing? *See Settlement Stipulation p.8.*

Retail Revenue Adjustment

18. Is the Retail Revenue Adjustment an attempt to ensure the Company neither over- nor under-recovers fixed costs? Is this basically what is generically called "decoupling?" *See Settlement Stipulation pp.4-5.*
19. Is the Retail Revenue Adjustment independent of the $9 million ERM band? That is, will the Retail Revenue Adjustment affect the Energy Cost Deferral Balance in years that the ERM is within the $9 million band?

Rate Design

20. Were the "base revenues" the Commission is asked to approve developed using the methodology Ms. Knox' employed in prefiled Exhibit No. ____(TLK-2, Part 1, page 2, line 17)? Do the base revenues remain at the same "revenue to cost ratios"? If the

answer is no, then please provide a summary schedule showing how these revenue to cost ratios have changed under the proposed settlement. *See Settlement Stipulation p.8.*

21. Regarding the reference to a "future rate proceeding," does this reference refer only to a future general rate case, or does it encompass other types of proceedings in which the Company's rates might be adjusted? *See Settlement Stipulation p.8.*

Other Issues

22. The interim settlement stipulation stated that the cost of debt and preferred trust securities for the purposes of calculating the pro forma interest expense will be determined in Avista's general rate case. Has this been done and, if so, where is it reflected in the settlement agreement?
23. Please confirm that the return on equity upon which the settlement is predicated equals 11.16% per Docket Nos. UE-991606, UG-991607, 3d. Supplemental Order.
24. What is the public policy or other purpose of preventing the Company from entering commodity transactions with Avista Energy (until the Energy Cost Deferral Balance goes positive). *See Settlement Stipulation p.7.*

Sincerely,

DENNIS J. MOSS
Administrative Law Judge