

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

In the Matter of)	DOCKET UE-080559
)	
AVISTA CORPORATION,)	ORDER 01
)	
)	
Energy Recovery Mechanism (ERM))	ORDER CLOSING DOCKET AFTER
Annual Filing to Review Deferrals for)	REVIEW OF ERM DEFERRALS FOR
Calendar Year 2007)	CALENDAR YEAR 2007
)	
.....)	

BACKGROUND

- 1 On March 27, 2008, Avista Corporation (Avista or Company) filed testimony, exhibits and supporting documentation relating to power costs deferred under the Energy Recovery Mechanism (ERM) for calendar year 2007.

- 2 Under the Settlement Stipulation approved by the Commission in its Fifth Supplemental Order in Docket UE-011595 (June 18, 2002), Avista is required to make a filing by April 1 of each year regarding the power costs it deferred the prior calendar year under the ERM. *Settlement Stipulation in Docket UE-011595 at 6-7, ¶ 4.b.*

- 3 The Company’s April 1 filings are intended to be sufficient to provide the Commission and interested parties an opportunity to review the prudence of, and audit, the ERM deferrals for the year in question. *Id.* A 90-day review period is contemplated, though that period can be extended. *Id.* In this docket, the review period was April 1, 2008, to June 30, 2008, and was extended by letter dated June 30, 2008, until July 31, 2008.

- 4 The first ERM annual review covered the period July 1, 2002, through December 31, 2002,¹ and resulted in a Commission Order approving a settlement of the issues presented. *WUTC v. Avista Corp., Docket No. UE-030751, Order Approving and*

¹ The review period was less than one year because the ERM did not begin until July 1, 2002.

Adopting Settlement Stipulation (Order 05, February 3, 2004). Among other things, the Settlement Stipulation in Docket UE-030751 identified specific documentation the Company would file in future ERM annual review proceedings. *See Settlement Stipulation in Docket UE-030751 at 6-7, ¶ III.C.*

- 5 Staff has conducted a review of the Company's ERM annual review filing in this docket, and is satisfied that the Company provided adequate documentation of its ERM power cost deferrals for the calendar year 2007. The year-end net power cost differential resulted in \$24,826,407 of power costs over net authorized levels. Pursuant to the terms of the ERM, the first \$4 million of this amount would be absorbed by the Company, the next \$6 million would be split equally between the Company and rate payers and 90 percent of any remaining amount over \$10,000,000 would be paid by rate payers. Thus, upon Commission approval of the power costs, a total of \$16,343,766 would be recovered from rate payers through the ERM surcharge.
- 6 Staff has not identified any related issues nor has any other person or party filed comments with the Commission within the review period or asked to extend that review period.

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 property and affiliated interests of public service companies, including electric companies. *RCW 80.01.040, RCW 80.04, RCW 80.28, RCW 80.16, RCW 80.08 and RCW 80.12.*
- 8 (2) Avista is a public service company subject to Commission jurisdiction. Avista is engaged in the business of providing electric and natural gas service within the state of Washington.

9 (3) This matter was brought before the Commission at its regularly scheduled meeting on July 31, 2008. The Commission received no written or oral comments from any person or party other than Commission Staff.

10 (4) The Company has provided adequate documentation of its ERM power cost deferrals for calendar year 2007 to support a total power cost expense over authorized power costs of \$24,826,407. Pursuant to the terms of the ERM \$16,343,766 is to be recovered from rate payers.

ORDER

11 (1) Avista Corporation's filing meets the requirements in Dockets UE-011595 and UE-030751 and the company's total power cost expenses over authorized power costs totaling \$24,826,407 are deemed prudent.

12 (2) Pursuant to the terms of the ERM, \$16,343,766 are authorized for recovery.

13 (3) Avista Corporation is still required to make annual filings with supporting documentations consistent with the Orders in Dockets UE-011595 and UE-030751.

14 (4) This Order shall in no way affect the Commission's authority over rates, services, accounts, valuations, estimations, or determination of costs, or any matters whatsoever that may come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

15 (5) This docket is closed.

16 (6) The Commission retains jurisdiction to effectuate the terms of this Order.

DATED at Olympia, Washington, and effective August 11, 2008.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner