

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

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	DOCKETS UE-090134 & UG-090135 <i>(consolidated)</i>
Complainant,	)	
v.	)	
AVISTA CORPORATION, d/b/a AVISTA UTILITIES,	)	
Respondent.	)	
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In the Matter of the Petition of  AVISTA CORPORATION, d/b/a AVISTA UTILITIES,	)	DOCKET UG-060518 <i>(consolidated)</i>
For an Order Authorizing Implementation of a Natural Gas Decoupling Mechanism and to Record Accounting Entries Associated With the Mechanism.	)	AVISTA CORPORATION'S MOTION FOR CLARIFICATION

1. Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, pursuant to WAC 480-07-835, hereby requests that the Commission clarify Order 10 in this proceeding regarding the deferral of Lancaster Generating Facility (Lancaster) costs.
  
2. On December 22, 2009, the Commission issued Order 10 in Dockets UE-090134 and UG-090135. Paragraph 226 at page 88 of the Order states:
  
3. Avista must make a compliance filing to revise the pro forma power supply adjustment by rerunning its power supply model with all aspects of Lancaster removed and all other assumptions and inputs equivalent to

those used to calculate power supply for the Partial Settlement Stipulation.

4. The Company has complied with this requirement by rerunning the Aurora model without the Lancaster Power Purchase Agreement (PPA) using all the other Partial Settlement Stipulation assumptions. The impact of removing “all aspects” of the Lancaster PPA is a reduction in the annual pro forma power supply expense of \$12,182,163, and is the amount removed from the electric revenue requirement in Avista’s tariff compliance filing submitted on December 28, 2009. Exhibit 1, attached hereto, shows the monthly impact of removing the Lancaster PPA.
5. Paragraph 230 at page 89 of the Order also requires Avista to file an accounting petition related to Lancaster. The Order states:
  6. Avista must file an accounting petition specifying accounting methods and details it will use to meet the following requirements. The Company’s deferral accounting must separately identify costs for the following:
    - use of the Lancaster facility;
    - transmission related to power supply from the Lancaster facility;
    - gas transport related to the Lancaster facility; and
    - fuel supply for the Lancaster facility.
7. Exhibit 1 shows the above Lancaster costs that were removed from the power supply expense in the Company’s compliance filing. These expenses identified in Paragraph 230 of the Order total \$108,100,484 (system) on an annual basis. Exhibit 1 also shows the Lancaster PPA’s impacts on power purchases and wholesale revenues. The Lancaster PPA generation is valued at \$89,239,727 in the Aurora model. The net cost of the Lancaster PPA is the difference between the total expenses of \$108,100,484 and the value of the generation of \$89,239,727, which is \$18,860,757. The Washington allocation of that amount is \$12,182,163 ( $\$18,860,757 \times 64.59\%$ ). This is

the amount the Company will propose to defer through the deferred accounting petition to be filed soon, based on the monthly amounts shown on Exhibit 1. With regard to the ERM calculations for 2010, the \$12.2 million of net Lancaster costs were removed from the new ERM authorized base for 2010, submitted in the Company's compliance filing. In the monthly ERM calculations in 2010 the monthly Lancaster amounts shown on Exhibit 1 will be removed from actual monthly net power supply costs and the result will be compared to the new authorized ERM costs.

8. Avista is therefore requesting the Commission clarify that the intent of its Order in reference to Paragraph 230 was for the Company to defer the net cost of the Lancaster PPA of \$12,182,163 and not just the \$108,100,484 (\$69,822,103 Washington allocation) of Lancaster PPA expense for the categories identified in Paragraph 230. To do otherwise would fail to reflect the related power value benefits of the Lancaster PPA.
9. Finally, with regard to the information provided by the Company in these Dockets related to Lancaster, we agree that we could have, and should have, done a better job in presenting this material, and will endeavor to do so in future filings, and offer our apologies.
10. WHEREFORE, Avista respectfully requests that the Commission clarify its order regarding the Lancaster deferrals as described herein.

Dated at Spokane, Washington this 30<sup>th</sup> day of December 2009.

AVISTA CORPORATION

BY



David J. Meyer, Esq.

Vice President and Chief Counsel of  
Regulatory and Governmental Affairs



BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-090134

DOCKET NO. UG-090135

DOCKET NO. UG-060518

(consolidated)

AVISTA CORPORATION

**EXHIBIT 1**

## Lancaster Net Expense Calculation

	Annual Total	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
<b>Expense With Lancaster</b>													
Lancaster Capacity Charge	\$21,331,477	\$1,777,623	\$1,777,623	\$1,777,623	\$1,777,623	\$1,777,623	\$1,777,623	\$1,777,623	\$1,777,623	\$1,777,623	\$1,777,623	\$1,777,623	\$1,777,623
Lancaster Var O&M Charge	\$3,568,499	\$331,026	\$311,322	\$340,322	\$306,227	\$79,233	\$102,199	\$309,192	\$343,365	\$334,314	\$374,843	\$361,318	\$365,138
Lancaster Gas Transport Expense	\$5,897,027	\$491,419	\$491,419	\$491,419	\$491,419	\$491,419	\$491,419	\$491,419	\$491,419	\$491,419	\$491,419	\$491,419	\$491,419
Lancaster Transmission Expense	\$4,503,000	\$375,250	\$375,250	\$375,250	\$375,250	\$375,250	\$375,250	\$375,250	\$375,250	\$375,250	\$375,250	\$375,250	\$375,250
Lancaster Fuel Expense	\$72,810,481	\$6,581,415	\$6,179,038	\$6,658,183	\$5,759,483	\$1,509,667	\$2,022,585	\$6,185,483	\$6,943,953	\$6,806,424	\$7,696,638	\$7,917,749	\$8,549,863
Short-Term Power Purchase Expense	\$8,110,832	\$602,833	\$166,769	\$131,607	\$51,715	\$41,042	\$85,108	\$69,036	\$1,109,087	\$381,129	\$2,773,551	\$1,098,488	\$1,600,466
Short-Term Wholesale Revenues	-\$88,901,600	-\$6,915,334	-\$6,101,539	-\$7,898,043	-\$9,500,728	-\$7,342,805	-\$9,107,733	-\$13,702,310	-\$5,468,314	-\$5,156,075	-\$3,962,144	-\$6,928,554	-\$6,828,020
<b>Total Expense With Lancaster</b>	<b>\$27,309,716</b>	<b>\$3,244,231</b>	<b>\$3,199,882</b>	<b>\$1,876,360</b>	<b>-\$739,010</b>	<b>-\$3,068,570</b>	<b>-\$4,253,549</b>	<b>-\$4,494,307</b>	<b>\$5,582,384</b>	<b>\$5,010,084</b>	<b>\$9,527,180</b>	<b>\$5,093,293</b>	<b>\$6,331,739</b>

	Annual Total	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
<b>Expense Without Lancaster</b>													
Lancaster Capacity Charge	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lancaster Var O&M Charge	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lancaster Gas Transport Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lancaster Transmission Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lancaster Fuel Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Short-Term Power Purchase Expense	\$45,928,743	\$3,874,538	\$2,774,388	\$2,403,970	\$1,167,233	\$166,214	\$141,514	\$897,309	\$5,786,506	\$5,116,129	\$8,837,425	\$6,484,598	\$8,278,918
Short-Term Wholesale Revenues	-\$37,479,784	-\$2,151,199	-\$1,799,045	-\$3,037,709	-\$4,468,479	-\$5,914,632	-\$7,136,398	-\$6,714,825	-\$901,352	-\$1,351,254	-\$454,332	-\$2,219,089	-\$1,329,469
<b>Total Expense Without Lancaster</b>	<b>\$8,448,959</b>	<b>\$1,723,339</b>	<b>\$975,343</b>	<b>-\$633,739</b>	<b>-\$3,301,246</b>	<b>-\$5,748,418</b>	<b>-\$6,996,884</b>	<b>-\$5,817,516</b>	<b>\$4,885,154</b>	<b>\$3,764,875</b>	<b>\$8,383,093</b>	<b>\$4,265,510</b>	<b>\$6,949,449</b>

	Annual Total	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
<b>Change in Expense (Expense Without Lancaster - Expense With Lancaster)</b>													
Lancaster Capacity Charge	-\$21,331,477	-\$1,777,623	-\$1,777,623	-\$1,777,623	-\$1,777,623	-\$1,777,623	-\$1,777,623	-\$1,777,623	-\$1,777,623	-\$1,777,623	-\$1,777,623	-\$1,777,623	-\$1,777,623
Lancaster Var O&M Charge	-\$3,568,499	-\$331,026	-\$311,322	-\$340,322	-\$306,227	-\$79,233	-\$102,199	-\$309,192	-\$343,365	-\$334,314	-\$374,843	-\$361,318	-\$365,138
Lancaster Gas Transport Expense	-\$5,897,027	-\$491,419	-\$491,419	-\$491,419	-\$491,419	-\$491,419	-\$491,419	-\$491,419	-\$491,419	-\$491,419	-\$491,419	-\$491,419	-\$491,419
Lancaster Transmission Expense	-\$4,503,000	-\$375,250	-\$375,250	-\$375,250	-\$375,250	-\$375,250	-\$375,250	-\$375,250	-\$375,250	-\$375,250	-\$375,250	-\$375,250	-\$375,250
Lancaster Fuel Expense	-\$72,810,481	-\$6,581,415	-\$6,179,038	-\$6,658,183	-\$5,759,483	-\$1,509,667	-\$2,022,585	-\$6,185,483	-\$6,943,953	-\$6,806,424	-\$7,696,638	-\$7,917,749	-\$8,549,863
Short-Term Power Purchase Expense	\$37,817,911	\$3,271,706	\$2,607,619	\$2,272,363	\$1,115,518	\$125,171	\$56,406	\$828,273	\$4,677,419	\$4,735,000	\$6,063,874	\$5,386,111	\$6,678,452
Short-Term Wholesale Revenues	\$51,421,817	\$4,764,135	\$4,302,494	\$4,860,334	\$5,032,248	\$1,428,173	\$1,969,336	\$6,987,485	\$4,556,962	\$3,804,821	\$3,507,813	\$4,709,466	\$5,498,551
<b>Change in Expense - System</b>	<b>-\$18,860,757</b>	<b>-\$1,520,892</b>	<b>-\$2,224,539</b>	<b>-\$2,510,099</b>	<b>-\$2,562,236</b>	<b>-\$2,679,848</b>	<b>-\$2,743,335</b>	<b>-\$1,323,209</b>	<b>-\$697,229</b>	<b>-\$1,245,210</b>	<b>-\$1,144,087</b>	<b>-\$827,783</b>	<b>\$617,710</b>
<b>Washington Allocation (64.59%)</b>	<b>-\$12,182,163</b>	<b>-\$982,344</b>	<b>-\$1,436,830</b>	<b>-\$1,621,273</b>	<b>-\$1,654,948</b>	<b>-\$1,730,914</b>	<b>-\$1,771,920</b>	<b>-\$854,661</b>	<b>-\$450,340</b>	<b>-\$804,281</b>	<b>-\$738,966</b>	<b>-\$534,665</b>	<b>\$398,979</b>