

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

WASHINGTON UTILITIES AND	)	DOCKETS UE-090134
TRANSPORTATION COMMISSION,	)	and UG-090135
	)	(consolidated)
Complainant,)	
)	
v.	)	ORDER 11
)	
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
)	
Respondent.)	
.....)	
)	
In the Matter of the Petition of	)	DOCKET UG-060518
	)	(consolidated)
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
	)	ORDER CORRECTING
For an Order Authorizing	)	ILLUSTRATIVE TABLES
Implementation of a Natural Gas	)	CONTAINED IN ORDER 10;
Decoupling Mechanism and to Record	)	GRANTING AVISTA'S MOTION
Accounting Entries Associated With the	)	FOR CLARIFICATION; GRANTING
Mechanism.	)	PUBLIC COUNSEL'S MOTION FOR
.....	)	CLARIFICATION

MEMORANDUM

1 On December 22, 2009, the Commission entered Order 10, *Final Order Rejecting Tariff Filing; Approving and Adopting Multi-Party Partial Settlement Stipulation; Deferring Lancaster Costs; Extending Decoupling Mechanism; Authorizing Tariff Filing; And Requiring Compliance Filing*. As part of Order 10, the Commission granted Avista Corporation (Avista or Company) authority to defer the costs associated with the Lancaster Power Purchase Agreement (PPA) and associated contracts subject to certain requirements and limitations. Further, as an aid to describing the Commission's decision regarding the continuance of the Company's decoupling mechanism, Order 10 utilized illustrative tables at page 118. Unfortunately, some lines of text were inadvertently omitted from those tables.

- 2 **Erratum to Order 10.** This order corrects the tables labeled “Current Mechanism” and “Commission Decision” found after paragraph 299 on page 118 of Order 10. The following tables should be substituted for those originally included in Order 10:

Current Mechanism

Actual vs. Target DSM Savings	Amount Deferred
< 70%	0%
> 70% and < 80%	60%
> 80% and < 90%	70%
> 90% and < 100%	80%
100%	90%

Commission Decision

Actual vs. Target DSM Savings	Surcharge as Percentage of Margin Difference
< 70%	0%
≥ 70% and < 80%	15%
≥ 80% and < 90%	25%
≥ 90% and < 100%	35%
≥ 100%	45%

As explained in paragraph 299 and now correctly illustrated above, the Commission allows the Company to defer 45 percent of the margin difference and recover the corresponding percentage of the margin difference depending on actual vs. target DSM savings.

- 3 **Company Motion for Clarification.** On December 30 2009, Avista filed its Motion for Clarification. The Company requests that we clarify the intent of Order 10 in reference to paragraph 230. In relevant part, that paragraph states:

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.

The Company is authorized to accrue a carrying charge on deferral balances at the same rate applied to its ERM deferral balances (i.e., cost of debt).

- 4 The Company’s motion specifically asks whether we intended for Avista to defer the net cost of the Lancaster PPA of \$12,182,163 or the full cost (Washington allocation) \$69,822,103 of the Lancaster PPA expenses associated with the categories set out above. The Company asserts that deferral of the full cost “would fail to reflect the related power value benefits of the Lancaster PPA.”
- 5 The Company’s question does not affect the rates we approved to go into effect on January 1, 2010. Although we determined that the Lancaster matter was not properly before us in this general rate case proceeding, we did authorize deferral accounting for the Lancaster facility. The Company’s question presented in its motion can, and should, be considered now and need not await the filing of the required accounting petition. We conclude for these reasons that Avista’s motion for clarification comports with the requirements of WAC 480-07-835 and should be granted.
- 6 We intended for Avista to defer the net costs of the Lancaster PPA that the Company actually incurs. Therefore, the Company should structure its deferral account to track actual net costs and benefits of operating the plant rather than just those projected in the power cost model.
- 7 *Public Counsel Motion for Clarification.* On January 4, 2010, Public Counsel filed its Motion for Clarification. Public Counsel requests that we clarify the intent of Order 10 in reference to paragraphs 227, 228, 229, and footnote 304, asking whether or not the Commission made a finding or conclusion on Lancaster prudence issues in the body of the order or in a footnote. Public Counsel also seeks clarification on whether the Commission reached the issue of whether the Energy Recovery Mechanism (ERM) Settlement bars the Company from entering the Lancaster PPA.
- 8 Public Counsel does not seek to alter the outcome of our decisions in Order 10. Clarification with respect to the points raised may provide useful guidance to parties

in future proceedings. Therefore, in accordance with WAC 480-07-835, we conclude that Public Counsel's motion for clarification should be granted.

9 As indicated in Order 10, the Commission did not render any decision regarding the ultimate determination of whether the Lancaster costs authorized for deferral are prudent. Nor did the Commission determine whether, or in what manner, the Company might later recover any or all of the costs in rates. These issues remain open for determination in a future proceeding.

10 Likewise, Public Counsel correctly points out that we did not reach the issue of the ERM Settlement and its impact, if any, on Avista's ability to enter into the Lancaster PPA. This issue also remains an open question for a future proceeding.

ORDER

11 THE COMMISSION ORDERS That:

- 12 (1) Avista Corporation's Motion for Clarification is granted.
- 13 (2) Public Counsel's Motion for Clarification is granted.
- 14 (3) Order 10 is clarified as discussed in the body of this Order.

Dated at Olympia, Washington, and effective January 6, 2010.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner