

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In Re the Matter of)	
)	DOCKET NO. UE-010395
AVISTA CORPORATION d/b/a)	
AVISTA UTILITIES)	
)	
)	
)	
)	
Request Regarding the Recovery of Power)	SETTLEMENT STIPULATION
Costs through the Deferral Mechanism)	
_____)	

This Settlement Stipulation is entered into this 26th day of April, 2001, by and between Avista Corp. ("Company"), the Staff of the Washington Utilities and Transportation Commission ("WUTC Staff"), the Public Counsel Section of the Attorney General's Office ("Public Counsel"), and Intervenor, Industrial Customers of Northwest Utilities ("ICNU"), as represented by the undersigned (jointly referred to as the "Parties").

I. Introduction

On August 9, 2000, in Docket No. UE-000972, the Commission approved the Company's request for a deferred accounting mechanism that allowed Avista to defer certain increased power supply related costs beginning July 1, 2000, and ending June 30, 2001. In Docket UE-000972, by order dated January 24, 2001, the Commission approved the Company's request to modify the deferred accounting mechanism to include certain other power supply related components and actual system load requirements in the deferral calculation effective December 1, 2000.

That same order directed the Company to make a filing to address issues related to the deferral. The Company pre-filed direct testimony on March 22, 2001, to address the issues

identified by the Commission in its orders approving the power supply cost deferral mechanism. Avista did not request a change in retail rates in that filing. The Company's filing described the actions Avista has taken to position itself to be in a surplus power condition beginning in year 2002, which is expected to result in benefits from surplus power sales. The Company's cost recovery proposal is to extend the deferred accounting mechanism through the earlier of February 28, 2003, or the date the deferred balance is zero, in order to accrue the benefits from these surplus sales. Avista intends to reduce the deferral balance to zero by no later than the end of February 2003. If the Company is successful in carrying out its plan, the Company will fully recover its deferred costs without a price increase to its retail customers. The ability to fully offset the deferred costs, however, is based on a number of assumptions including, but not limited to, streamflow conditions, thermal plant performance, level of retail loads, and wholesale market prices during the deferral period.

The Parties support the Company's proposed plan to use the benefits of surplus power to eliminate the power cost deferrals by February 28, 2003. In this manner, ratepayers can avoid the substantial increases in rates that are being experienced elsewhere in this state, and the Company will be allowed the opportunity, under its proposed recovery plan, to offset its deferred power costs with anticipated benefits. The Parties believe that this Settlement provides the opportunity to resolve this Docket, and recommend that the Commission approve the following terms of Settlement.

II. Settlement Stipulation

1. The purpose of this Settlement Stipulation is for the Company to effectively manage its current power supply situation. The goal is for the Company to achieve a zero deferral

balance on or before February 28, 2003, without an associated change in retail rates. The Parties agree this goal is reasonably achievable. The Parties support this Settlement Plan.

The Parties agree the Settlement Plan is in the public interest.

2. The existing deferred accounting mechanism authorized in Docket No. UE-000972 shall be extended through February 28, 2003, or until the deferral balance becomes zero, whichever comes first. Accordingly, the amortization accepted in Docket No. UE-000972 is no longer necessary as a result of this Stipulation. Monthly deferral entries in the existing mechanism include both the total costs and total benefits of the measures taken by the Company to mitigate the deferred costs. Monthly deferral entries and reporting requirements will continue consistent with the requirements in Docket No. UE-000972. Total costs to be expensed and incorporated into the deferral entries will include extraordinary costs incurred during the deferral period to achieve power cost savings. Credits generated by surplus power sales shall offset accumulated debit balances reducing the deferred power costs to zero by or before February 28, 2003.

3. In the Commission's Third Supplemental Order, dated September 29, 2000, in Docket Nos. UE-991606 and UG-991607 (consolidated), the Commission ordered the Company to file on or before December 31, 2001, a power supply case to address certain power costs and power cost models. The required filing date for that case should be modified by the Commission to require that filing to be made on or before April 1, 2002. New rates (if any) for electric service resulting from the power supply case will become effective on February 28, 2003.

This Settlement does not affect the positions any Party may take, nor does it predetermine

any issue, in that power supply case to be filed in compliance with the Commission's order in Docket Nos. UE-991606 and UG-991607.

4. The Company shall petition the Commission to alter, amend, or terminate the Settlement Stipulation (or propose other appropriate action) should the deferral balance increase or be reasonably anticipated to increase substantially due to unanticipated or uncontrollable events, such as an unplanned outage of a large Company-owned thermal unit, or worsening drought conditions. Nothing in this Settlement is intended to predetermine any issue in that proceeding or to preclude the Company from proposing any particular remedy in its Petition, including the need for rate relief. Nothing in this Settlement is intended to preclude any Party from taking a position on any of the issues presented by such petition, and any Party may support or oppose any such petition. The petition shall address the propriety of the Company's proposed treatment of a deferral balance, if any, that might exist as of February 28, 2003, as a result of such unanticipated or uncontrollable events. Only upon such petition may the deferral balance be greater than zero for regulatory purposes by February 28, 2003.
5. The right of the Company to file a general rate case, or to seek interim rate relief under the standards of the Commission is not affected by this Settlement. No party waives any right available to it under Title 80 by entering into this agreement.
6. The Commission's issuance of an order accepting the terms of this Settlement will

terminate all further proceedings under this Docket, without prejudice.

7. The Parties request the Commission, upon appropriate process, to change the requirement in Finding of Fact No. 8, Paragraph 453, Third Supplemental Order in Docket Nos. UE-991606 & UG-991607 at page 199, that the Company file on or before December 31, 2001, a power supply case to address certain power costs and power cost models. The required filing date for that case should be on or before April 1, 2002.
8. The parties request that the Commission enter an order extending the deferred accounting mechanism authorized in Docket No. UE-000972 through February 28, 2003, or until the deferral balance becomes zero, whichever comes first.
9. The Parties agree to support and actively promote this Settlement, and to jointly request that the Commission enter an order approving this Settlement on or before May 25, 2001.

Entered into on the date first above written.

By: _____
David J. Meyer
Senior Vice President and General Counsel
For Avista Corp.

By: _____
Donald T. Trotter
Assistant Attorney General
For WUTC Staff

By: _____
Simon ffitch
Assistant Attorney General
For Public Counsel

By: _____
Bradley Van Cleve
Attorney
For Intervenor Industrial Customers of
Northwest Utilities