

**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 Costs Through the Deferral)	
Mechanism)	AVISTA'S PETITION
)	FOR CLARIFICATION
_____)	

1 Avista Corporation doing business as Avista Utilities (hereinafter Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, respectively petitions the Commission for clarification of the Commission's Sixth Supplemental Order (Order) issued September 24, 2001.

2 The Company requests clarification on two items: 1) that the credit to the deferral balance at October 1, 2001 from the PGE Monetization value is \$53.8 million; and 2) that a carrying charge or interest will continue to accrue on the unrecovered power cost deferral balance beyond December 31, 2001.

3 **1. The Company requests that the Commission clarify that the credit to the deferral balance at October 1, 2001 from the PGE Monetization value is \$53.8 million.**

4 In its filing, Avista proposed to accelerate the amortization of the PGE Monetization balance such that \$53.8 million would be credited against the power cost deferral balance during the period October 1, 2001 through December 31, 2002. Under the Company's proposal, the full amount of the PGE Monetization value on the

Company's balance sheet would be reduced to zero by December 31, 2002. The Company requests that the Commission clarify that the credit to the deferral balance at October 1, 2001 is the \$53.8 million that Avista had proposed to credit to the deferral balance over the 15-month period October 2001 through December 2002.¹

5 A separate "time value of money" component related to the PGE Monetization transaction (originally approximately \$14.2 million), was not an amount recorded on the Company's balance sheet as part of the original monetization transaction because it was not part of the cash transaction for financial reporting purposes. As a result of the Commission's order in Docket No. UE-991606, however, customers receive this benefit through a regulatory rate base reduction and amortization over an eight-year period.

6 If the Company were to be required to also use this non-balance sheet component to credit against the power cost deferral balance at October 1, 2001, it would require Avista to record a write-off for financial reporting purposes of approximately \$12 million. We do not believe that the Commission intended for the Company to incur such a write-off, nor for this component to be used to credit against the deferral balance. Furthermore, none of the parties in the case proposed that this component be used to offset the deferral balance. In any event, customers will continue to realize the full benefit of this component through the rate base reduction and amortization envisioned in Docket No. UE-991606.

¹ The Company's proposal regarding the use of the PGE Monetization Credit was to take the unamortized portion of that credit remaining on the Company's balance sheet and offset it against the power cost deferrals recorded on the Company's balance sheet. (Falkner, Exhibit 250-T, page 7, ll. 1-14 and Tr. 443 page 443, ll. 13-16) The Commission in its Order noted:

"Avista proposes that the accelerated amortization begin in October 2001, and that the credit be fully returned to ratepayers by December 31, 2002. *Petition at 15*. This accelerated amortization reduces the deferral balance by \$53.8 million at December 31, 2002." (Order, page 29, paragraph 76)

7 Therefore, the Company requests that the Commission clarify that the credit to
the deferral balance at October 1, 2001 related to the PGE Monetization value is the
\$53.8 million figure specifically referenced in the Order (page 29, paragraph 76).

8 **2. The Company requests that the Commission clarify that a carrying charge
or interest will continue to accrue on the unrecovered power cost deferral
balance beyond December 31, 2001.**

9 Under the existing deferred accounting mechanism, the Commission has
approved the use of a carrying charge to accrue the interest costs associated with
financing the deferred power costs. The Company proposed in this case that the
existing deferred accounting mechanism continue through December 2003. In its
Sixth Supplemental Order in this Docket, the Commission ordered that deferred
accounting under the existing mechanism end on December 31, 2001.²

10 It is important that interest continue to be accrued on the deferred power cost
balances at least until the resolution of these issues in the upcoming general rate case.
In its Order the Commission stated that "all surcharge revenues are subject to refund,
with interest, pending review in a general rate case proceeding to be filed no later than
December 1, 2001." (emphasis added) (Order, page 33, paragraph 93) Likewise, in
order to be consistent, interest should continue to accrue on he unrecovered deferral
balance during the pendency of the rate case.

² The Commission determined that it "can consider as part of the general rate case whether, and by what means, Avista may be permitted to recover the fourth quarter 2001 deferral amounts and power costs it may subsequently incur." (Order, page 32, paragraph 86) Accordingly, the Company has the opportunity to propose some means to address recovery of these power costs after December 31, 2001, in connection with its next general rate filing.

11 Therefore, the Company requests that the Commission clarify that a carrying charge or interest will continue to accrue on the unrecovered power cost deferral balance until the resolution of these issues in the upcoming general rate case.

RESPECTFULLY SUBMITTED this 3rd day of October 2001.

AVISTA CORPORATION

By: _____
David J. Meyer
Senior Vice President & General Counsel