

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of)	DOCKET NO. UE-040611
)	
AVISTA CORPORATION)	
)	REPORT ON BEHALF OF
Energy Recovery Mechanism (ERM))	COMMISSION STAFF REGARDING
annual filing to review deferrals for)	ITS REVIEW OF ERM DEFERRALS
calendar year 2003)	FOR CALENDAR YEAR 2003
)	
_____)	

I. BACKGROUND

1 On April 1, 2004, in this docket, Avista Corporation (Avista or Company) filed testimony, exhibits and certain supporting documentation relating to certain power costs deferred under the Energy Recovery Mechanism (ERM) for calendar year 2003.

2 Under the Settlement Stipulation approved by the Commission in its Fifth Supplemental Order in Docket No. 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 No. 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.*

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 Adopting Settlement Stipulation (Order No. 5, February 3, 2004).*
Among other things, the Settlement Stipulation in Docket No. UE-030751
identified specific documentation the Company would file in ERM annual
review proceedings. *See Settlement Stipulation in Docket No. UE-030751 at 6-7, ¶
III.C.*

II. STAFF REVIEW OF AVISTA'S APRIL 1, 2004 FILING

5 Commission Staff has conducted a review of the Company's ERM annual
review filing in this docket. Staff issued certain data requests to the Company,
and has discussed the filing with Company personnel and other parties.²

6 Based on its review, Commission Staff is satisfied that the Company
provided adequate documentation of its ERM power cost deferrals for the

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

² While Commission Staff has discussed the issues in this docket with other parties, Staff's recommendation is Staff's alone. Other parties can speak for themselves if they so choose.

calendar year 2003 period. Moreover, Staff has not identified any issues to bring to the Commission's attention relating to the power costs deferred during the calendar year 2003 review period. Accordingly, Staff recommends this docket be closed.

7 Please note that one of the issues in Docket No. UE-030751 was the issue relating to the delayed availability of the Coyote Springs II Project. The Settlement Stipulation resolved that issue through July 1, 2003, through an adjustment that extended six months beyond the ERM annual review period in that docket. *E.g., Settlement Stipulation in Docket No. UE-030751 at 4, ¶ II.B. and at 8, ¶ III.E, and Order No. 5 in that docket at 9-10, ¶¶ 35-37.*

8 There may well be additional issues regarding Avista's management of later problems associated with transformer-related outages at Coyote Springs II. However, since the latest plant outage occurred after the 2003 review period, those issues are not pertinent to the calendar year 2003 review period at issue in this docket.

9 The cost recoverability issues related, *inter alia*, to Coyote Springs II being off-line due to the transformer problems, including forgone power sales opportunities, will be examined in detail during the 2004 review period. Staff

expects Avista to file a complete case on those issues in its next ERM annual review filing, which is due by April 1, 2005.

III. CONCLUSION

10 For the reasons stated above, the Commission Staff recommends the Commission close this docket.

DATED this 29th day of June, 2004.

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