

Avista Corp.
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April 26, 2006

Carole Washburn, Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Re: Petition for Authorization to Defer the Cost of a Loan Related to Grid West

Dear Ms. Washburn:

Enclosed for filing with the Commission are an original and twelve copies of the Petition of Avista Corporation for Authorization to Defer the Cost of a Loan Related to Grid West. Also enclosed is a Certificate of Service.

Please direct any questions regarding this filing to Bruce Folsom at (509) 495-8706.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood
Vice President, State and Federal Regulation

Enclosures

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)
AVISTA Corporation dba Avista Utilities)
for Authorization to Defer the Cost)
of a Loan Related to Grid West)
_____)

DOCKET NO. UE-06_____

PETITION OF AVISTA CORPORATION

I. PETITIONER

1 In accordance with WAC 480-07-395, the name and address of Petitioner, Avista Corporation (“Avista,” or “Company”), is as shown below. Please direct all correspondence related to this Petition as follows:

David J. Meyer, Esq.
Vice President and Chief Counsel
Regulatory & Governmental Affairs
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Kelly Norwood
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II. INTRODUCTION

2 Pursuant to WAC 480-07-395, Avista Corp. hereby requests that the Commission issue an order authorizing deferred accounting treatment for loan amounts, as described herein, made to Grid West, a proposed regional transmission organization (RTO), for purposes of funding development efforts. On April 11, 2006 the Grid West Board of Directors voted to request a Plan for Dissolution of Grid West. Avista is requesting deferred accounting treatment for its loan amounts to Grid West, for the opportunity for later recovery in rates.

III. FUNDING FOR REGIONAL TRANSMISSION EFFORTS

3 Avista has been actively involved in the development of a Pacific Northwest RTO. This activity has been aimed at meeting the policies of the Federal Energy Regulatory Commission (FERC) promoting competitive electric markets. More specifically, FERC Order 888 encouraged the development of independent system operators, and FERC Order 2000 required transmission owners to develop and submit a proposal to establish an RTO, or to explain why such an organization could not be developed. Therefore, this effort and associated costs were essential in the ongoing ownership, development and operation of Avista's transmission system.

4 Avista signed an initial funding agreement in 2000, as did all other Pacific Northwest investor-owned electric utilities, to provide funding for the start-up phase of Grid West (then named "RTO West"). These start up costs included retaining experts and facilitators, as well as other expenses associated with transmission studies and stakeholder participation. The current balance of Avista's loan to Grid West is \$1,217,499.26, including interest of \$188,187.34. Grid West planned to repay the loans through surcharges to customers once it became operational. With the recent request for development of a Plan of Dissolution for Grid West, this repayment will not occur. As a result, Avista proposes to defer these costs, with the opportunity for later recovery in retail rates. Avista's loan to Grid West has been recorded in Account 128 – Other Special Funds, and none of the loan amount is presently included in Avista's rates. Other costs incurred by Avista to support Grid West, such as employee salaries, employee travel, and legal expenses, were expensed as incurred and are not included in this request.

5 The Company continues to work with other regional parties in the pursuit of improvements to ways in which the region's transmission providers operate and manage the region's transmission system. On April 10, 2006, Avista joined ColumbiaGrid as one of its six founding members.¹ ColumbiaGrid intends to draw upon elements developed in both the Grid West and Transmission Improvements Group processes to provide transmission-related coordination and administrative services as soon as possible. Because the ColumbiaGrid effort will be using many of the concepts and technical work that began under Grid West, the Company and the region will benefit from the prior work of Grid West.

VI. COMPANY'S REQUEST

6 The Company respectfully requests that the Commission issue an order authorizing deferred accounting treatment for loan amounts made to Grid West, a proposed regional transmission organization (RTO), for purposes of funding development efforts. Avista estimates that the total amount of the deferred account would be approximately \$795,879, Washington's portion of Avista's \$1,217,499 loan amount, based on the current electric allocation of 65.37%.² Avista proposes to account for these costs in the following manner: Amounts currently recorded as a loan to Grid West would be transferred from Account 128, Other Special Funds, to Account 182.3, Other Regulatory Assets. Avista will cease accrual of interest on the balance as of March 31, 2006. Attachment 1 shows actual loan amounts to Grid West and the calculation of interest on the loan balance.

¹ Incorporated as a non-profit organization, the founding members, in addition to Avista, include Puget Sound Energy, Seattle City Light, Grant County Public Utility District, Chelan County Public Utility District, and the Bonneville Power Administration.

² If there are any partial refunds of unused funds, the deferral account will be adjusted accordingly. The interest portion of this amount is an estimate that is expected to be finalized by June 1, 2006.

7 Avista does not request a determination of ratemaking treatment of the Grid West loan costs at this time, and instead proposes to address recovery of these costs in a future proceeding.

DATED this 26th day of April 2006

By: Kelly Norwood
Kelly Norwood
Vice President, Avista Corp.

ATTACHMENT 1

System Actuals - RTO West/Grid West Funding Agreement

<u>DATE</u>	<u>AMOUNT</u>	<u>VOUCHER #</u>	<u>VENDOR #</u>	<u>YEAR</u>	<u>VENDOR</u>	<u>INVOICE #</u>
05-31-2000	77,400.00	589615	868523	2000	RTO West	2002
08-31-2000	19,350.00	616636	868523	2000	RTO West	2009
10-31-2000	27,090.00	629498	868523	2000	RTO West	2017
11-30-2000	19,350.00	637902	868523	2000	RTO West	2025
12-31-2000	11,610.00	652287	868523	2000	RTO West	2033
01-31-2001	38,700.00	658564	868523	2001	RTO West	2041
03-31-2001	38,700.00	673753	868523	2001	RTO West	2049
06-30-2001	15,480.00	698995	868523	2001	RTO West	2057
09-30-2001	33,610.00	729660	868523	2001	RTO West	2065
11-30-2001	33,610.00	748273	868523	2001	RTO West	2083
11-30-2001	33,610.00	742148	868523	2001	RTO West	2074
12-31-2001	33,608.66	753348	868523	2001	RTO West	2092
04-30-2002	33,610.00	769743	868523	2002	RTO West	2101
06-30-2002	47,075.00	782354	868523	2002	RTO West	2110
09-30-2002	42,012.00	800877	868523	2002	RTO West	2118
12-31-2002	42,012.00	818981	868523	2002	RTO West	2127
04-30-2003	42,012.00	840588	868523	2003	RTO West	2136
08-31-2003	42,012.00	865810	868523	2003	RTO West	2145
10-30-2003	42,012.00	879176	868523	2003	RTO West	2155
04-30-2004	42,012.00	922265	868523	2004	RTO West	2167
11-30-2004	42,004.00	969298	868523	2004	RTO West	2181
02-28-2005	42,004.00	9445	7179	2005	Grid West	2197
03-31-2005	42,005.00	15773	7179	2005	Grid West	2205
05-30-2005	42,006.00	28072	7179	2005	Grid West	2219
06-30-2005	42,006.00	36822	7179	2005	Grid West	2247
09-30-2005	42,006.00	57591	7179	2005	Grid West	2257
01-31-2006	29,147.26	89750	7179	2006	Grid West	2271
03-31-2006	33,258.00	98480	7179	2006	Grid West	2296

1,029,311.92 Total

	Loan Amounts	Interest	
2000	154,800.00	0	
2001	227,318.66	26,783.68	
2002	164,709.00	25,076.28	
2003	126,036.00	27,106.10	
2004	84,016.00	32,114.06	
2005	210,027.00	56,814.57	
2006	62,405.26	20,292.65	
	<u>1,029,311.92</u>	<u>188,187.34</u>	1,217,499.26

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served the foregoing documents upon the persons and entities listed on the Service List below, and by providing a copy of said documents to the parties, pre-paid, via overnight delivery:

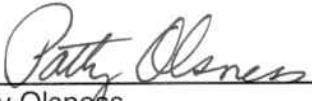
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Dated at Spokane, Washington this 26th day of April 2006.



Patty Olsness
Rates Coordinator