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BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

IN THE MATTER OF THE ACCOUNTING)	
PETITION OF AVISTA CORP., dba AVISTA)	Docket No. UE-_____
UTILITIES, FOR DEFERRAL OF LANCASTER)	PETITION OF
GENERATING FACILITY COSTS)	AVISTA CORPORATION

I. INTRODUCTION

1. Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, pursuant to WAC 480-07-370(1)(b), hereby petitions the Commission for an accounting order for the deferral of Lancaster Generating Facility (Lancaster) costs. Lancaster is a 245 MW natural gas-fired combined-cycle combustion turbine plant located in Rathdrum, Idaho. Avista plans on operating this facility under a tolling agreement to serve a portion of its electric loads.
2. Avista is a utility that provides service to approximately 356,000 electric customers and 220,000 natural gas customers in a 26,000-square-mile area in eastern Washington and northern Idaho. Avista Utilities also serves 95,000 natural gas customers in Oregon. The largest community served in the area is Spokane, Washington, which is the location of the corporate headquarters. Communications in reference to this Petition should be addressed to:

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3. Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(b).

II. BACKGROUND

4. On December 22, 2009, the Washington Utilities and Transportation Commission issued Order 10 in Dockets UE-090134 and UG-090135. Paragraph 230 at page 89 of the Order requires Avista to file an accounting petition related to Lancaster. The order 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.

5. On December 30, 2009, Avista filed a Motion for Clarification of Order 10 requesting that the Commission clarify that the intent of its Order in reference to Paragraph 230 was for the Company to defer the net cost of the Lancaster Power Purchase Agreement (PPA) of \$12,182,163 and not just the \$108,100,484 (\$69,822,103 Washington allocation) of Lancaster PPA expense for the categories identified in Paragraph 230. Avista stated in the Motion that to do otherwise would fail to reflect the related power value benefits of the Lancaster PPA.

6. On January 6, 2010 the Commission issued Order 11 granting Avista's Motion for

Clarification. Paragraph 6 of Order 11 states:

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. Attached to the Motion for Clarification as Exhibit 1 was a sheet showing the Lancaster costs that were removed from the power supply expense in Avista's tariff compliance filing submitted on December 28, 2009. The amount removed was the \$12,182,163, which includes the related power value benefits of the Lancaster PPA. The same amount was removed from the new ERM authorized base for 2010, submitted by Avista on December 29, 2009. Hence, the new ERM authorized base for 2010 submitted by Avista reflects the level of power supply costs being recovered in general rates through the compliance tariffs.

III. PROPOSED ACCOUNTING METHOD AND DETAILS

8. Avista proposes to defer the net actual costs related to the Lancaster PPA identified in paragraph 230 of Order 10, and as clarified in paragraph 6 of Order 11 each month. The net cost of Lancaster to defer will be determined based on all Lancaster daily and longer term transactions as illustrated in "Attachment A." The Company proposes to account for the Lancaster deferred costs in Account 186 - Miscellaneous Deferred Debits using a separate subaccount specific to Lancaster. A carrying charge will accrue on the deferral balance at the same rate and method used to calculate the carrying charge on the ERM deferral balances as specified in Order 10.
9. The monthly ERM deferrals will be calculated by removing the actual deferred Lancaster costs and benefits from the actual monthly net power supply costs. The actual

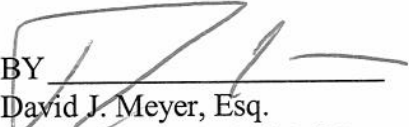
monthly power supply costs, excluding the Lancaster deferral amounts, will then be compared to the new authorized ERM costs, which exclude Lancaster costs. Hence, actual costs, excluding Lancaster costs and benefits, will be compared to authorized costs, excluding Lancaster costs and benefits, in determining the monthly ERM deferrals.

IV. REQUEST FOR RELIEF

10. WHEREFORE, Avista respectfully requests that the Commission issue an Order approving the proposed accounting methods and details regarding Lancaster and ERM deferrals as described herein. Since the Lancaster deferrals and the related ERM deferrals begin in January 2010, the Company respectfully requests that the Commission issue its order by February 4, 2010, if possible, in order for accounting entries to be made in a timely manner.

Dated at Spokane, Washington this 8th day of January 2010.

AVISTA CORPORATION


BY 
David J. Meyer, Esq.
Vice President and Chief Counsel of
Regulatory and Governmental Affairs

VERIFICATION

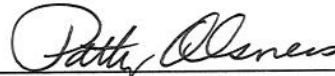
STATE OF WASHINGTON)
)
County of Spokane)

David J. Meyer, being first duly sworn on oath, deposes and says: That he is the Vice President and Chief Counsel of Regulatory and Governmental Affairs of Avista Utilities and makes this verification for and on behalf of Avista Corporation, being thereto duly authorized;

That he has read the foregoing filing, knows the contents thereof, and believes the same to be true.



SIGNED AND SWORN to before me this 8th day of January 2010, by David J. Meyer.



NOTARY PUBLIC in and for the State of Washington, residing at Spokane.

Commission Expires: 2/22/2010

Avista Corporation
Petition for Deferral of Lancaster Costs

The actual Lancaster Power Purchase Agreement (PPA) costs and benefits will be calculated each month as follows:

<u>Lancaster Costs</u>	<u>Basis for Deferral Amount</u>
<u>PPA Charges</u>	As booked in Account 555
<u>Fuel Supply</u>	Fuel supply expense includes the cost and revenue of actual prior gas purchases and sales for Lancaster plus any remaining daily gas purchases priced at the daily gas price. Specifically, on a daily dth basis, actual gas purchases plus gas delivered to the plant minus actual gas sales with the resulting remaining daily balance priced at the daily Lancaster gas price, plus the dollar cost and revenue of the actual purchases and sales.

The formula is shown below:

$$\begin{aligned} &\text{Actual dth purchases} + \text{dth delivered to the plant} - \text{actual dth sold} = \text{daily balance in dth} \\ &\times \text{daily Lancaster gas price} = \text{the dollar cost of net daily gas purchases} \\ &+ \text{the dollar cost and revenue of actual gas purchases and actual gas sales} \\ &= \text{the total Lancaster fuel supply cost including optimization strategies} \end{aligned}$$

Note: Actual purchases and sales are those transaction internally tagged as Lancaster transactions.

<u>Gas Transportation</u>	As booked in Account 547 for Lancaster gas transportation
<u>Transmission</u>	As booked in Account 565 for Lancaster transmission plus any additional transmission purchased for Lancaster. Transmission expenses include BPA demand charge and other charges (reserves, imbalance charges, any other BPA ancillary and O&M charges). Transmission for generation over 250 MW in any hour will be included at an hourly non-firm transmission rate.
<u>Station Service</u>	Scheduled station service multiplied by the Mid C index power price for the appropriate delivery period.

Lancaster Benefits

Basis for Deferral Amount

Power Value

Power value includes the cost and revenue of actual prior electricity purchases and sales for Lancaster plus any remaining hourly generation sales priced at the Mid C electricity index price for the appropriate delivery period. Specifically, on an hourly MWh basis, Lancaster actual electricity purchases plus generation minus actual electricity sales with the remaining generation priced at the Mid C index electricity price for the appropriate delivery period, plus the dollar cost and revenues of actual purchases and sales.

The formula is shown below:

<p>Actual MWh purchases + actual generation – actual MWh sold = daily balance in MWh</p> <p>x Mid C index electricity price = the dollar value of balancing electricity sales</p> <p>+ <u>the dollar cost and revenue of actual electricity purchases and actual electricity sales</u></p> <p>= the total value of Lancaster generation and optimization strategies</p>

Note: Actual purchases and sales are those transaction internally tagged as Lancaster transactions.

Transmission

When the plant is generating under 250 MW the value of unused Lancaster BPA PTP transmission will be credited to Lancaster to the extent Avista has sold or redirected unused Lancaster transmission. For purposes of the deferral, Avista will sell or redirect Lancaster unused transmission before other unused BPA PTP transmission.