

Avista Corp.  
1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-3727  
Telephone 509-489-0500  
Toll Free 800-727-9170



VIA OVERNIGHT MAIL

July 9, 2010

Mr. David W. Danner, Executive Director and Secretary  
Washington Utilities & Transportation Commission  
1300 S. Evergreen Park Drive SW  
P.O. Box 47250  
Olympia, WA 98504-7250

2010 JUL 13 AM 9:18  
STATE OF WA  
UTILITY AND TRANSPORTATION COMMISSION  
RECEIVED

Re: Docket No. UE-10\_\_\_\_\_  
Petition of Avista Corporation for an Order Authorizing the  
Accounting Treatment of Certain Refund Amounts

Dear Ms. Washburn:

Enclosed is Avista's Petition for an Order Authorizing the Accounting Treatment of Certain Refund Amounts. The filing consists of an original and twelve copies of Avista's Petition.

Please direct any questions regarding this filing to Ron McKenzie at (509) 495-4320.

Sincerely,

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

Kelly Norwood  
Vice President, State and Federal Regulation

Enclosure

c: See attached service list

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that I have served Avista's Petition for an Order Authorizing the Accounting Treatment of Certain Refund Amounts upon the parties listed on the Service List below by electronic mail and mailing a copy thereof, postage prepaid to the following:


David W. Danner, Executive Director and Secretary  
Washington Utilities & Transportation Commission  
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[mfassio@utc.wa.gov](mailto:mfassio@utc.wa.gov)

Dated at Spokane, Washington this 9th day of July 2010.

  
\_\_\_\_\_  
Paul Kimball  
Rates Analyst

David J. Meyer, Esq.  
Vice President and Chief Counsel of  
Regulatory and Governmental Affairs  
Avista Corporation  
1411 E. Mission Avenue  
P. O. Box 3727  
Spokane, Washington 99220  
Phone: (509) 425-4316, Fax: (509) 495-8851

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION  
COMMISSION

IN THE MATTER OF THE PETITION OF )  
AVISTA CORP., dba AVISTA UTILITIES, FOR ) Docket No. UE-10\_\_\_\_  
AN ORDER AUTHORIZING THE ACCOUNTING ) PETITION OF  
TREATMENT OF CERTAIN REFUND AMOUNTS ) 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 order authorizing the accounting treatment for refunds related to: (1.) certain disallowed miscellaneous contributions in connection with Public Counsel's appeal of the settlement stipulation approved by the WUTC in Dockets UE-080416 and UG-080417; and (2) unexpended environmental remediation funds in connection with the sale of the Centralia coal-fired generating plant.
2. Avista is a utility that provides service to approximately 355,000 electric customers and 221,000 natural gas customers in a 26,000-square-mile area in eastern Washington and northern Idaho. Avista Utilities also serves approximately 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:

Kelly O. Norwood  
Vice President  
State and Federal Regulation  
Avista Corporation  
1411 E. Mission Avenue  
Spokane, Washington 99220  
Phone: (509) 495-4267  
Fax: (509) 495-8851  
E-mail: [kelly.norwood@avistacorp.com](mailto:kelly.norwood@avistacorp.com)

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Vice President and Chief Counsel of  
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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. Disallowed Miscellaneous Contributions – In September 2008, Avista Corp.

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entered into a settlement stipulation in its general rate cases, Dockets UE-080416 and UG-080417. The settlement stipulation was approved by the WUTC in Order No. 8, issued December 29, 2008. On January 27, 2009, The Office of Public Counsel filed a Petition for Judicial Review in Thurston County Superior Court of the WUTC's December 2008 order approving the settlement stipulation. Public Counsel, in its appeal, raised a number of issues that were previously argued before the WUTC. On December 18, 2009, the Thurston County Superior Court affirmed the decision of the WUTC, with the exception of disallowing approximately \$0.1 million of miscellaneous contributions. 'Exhibit 1' shows the amounts of disallowed costs, including interest, to be refunded to customers as a result of the Court's decision (\$135,981). The proposed accounting treatment related to the refund of the disallowed contributions is addressed in this petition.

5. Centralia Environmental Remediation Funds – Avista sold its ownership share of the Centralia power plant to TransAlta in May 2000. The Commission approved the sale in the Commission’s Second Supplemental Order on March 6, 2000, and in its Fourth Supplemental Order on April 21, 2000, in Docket No. UE-991255. The Commission also approved the sale and treatment of the gain in connection with the 2.5% share of the Centralia plant acquired by Avista from Portland General Electric by order dated March 22, 2000, in Docket No. UE-000080.

6. Funds were withheld from the proceeds of the sale of the Centralia plant to pay for potential environmental remediation. The held back funds reduced the gain on the original sale of the Centralia plant. No further material actions are expected for the potential environmental remediation, and all funds withheld have been returned to Avista. ‘Exhibit 2’ is a spreadsheet that shows the allocation of the refund between the Washington and Idaho jurisdictions, as well as the allocation between the shareholder and ratepayer portion of the refund. The same allocations used in the allocation of the original Centralia plant gain were used in allocating the refund for the funds that were held back for potential environmental remediation. The proposed accounting treatment related to this refund of \$517,542 is addressed in this petition.

### **III. PROPOSED ACCOUNTING TREATMENT**

7. The Company requests that the refund related to disallowed contributions, and the refund of unexpended Centralia environmental remediation funds be applied (credited) against the demand side management (“DSM”) tariff rider balances, Account 242.600 ED WA for the electric portion of the disallowed contributions, and Centralia related refund; and Account 242.600 GD WA for the gas portion of the disallowed contributions. This

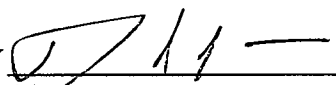
treatment is consistent with the handling of the residual balance associated with the pass-through of the original gain on the sale of the Centralia coal-fired generating plant (an over-refund of approximately \$174,000), and with the ratepayers' portion of the Skookumchuck Project gain (approximately \$290,000) approved in Docket UE-040338 by Order No. 1 issued March 12, 2004. The Skookumchuck Project was a dam and hydroelectric facility that was originally constructed to provide cooling water supply to the Centralia plant. Crediting the refunds to the DSM tariff rider account will benefit customers by reducing the amount of DSM program expenditures to be recovered from customers.

#### IV. REQUEST FOR RELIEF

8. WHEREFORE, Avista respectfully requests that the Commission issue an Order allowing the accounting treatment proposed above by allowing the refunds to be credited against the DSM tariff rider accounts.

Dated at Spokane, Washington this 9<sup>th</sup> day of July 2010.

AVISTA CORPORATION

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

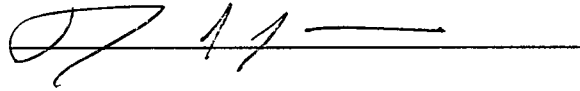
Affairs

VERIFICATION

STATE OF WASHINGTON )  
  )  
County of Spokane        )

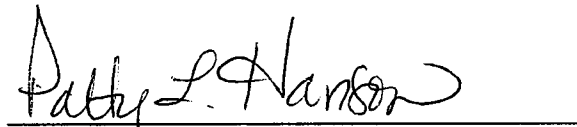
David J. Meyer, being first duly sworn on oath, deposes and says: That he is the Vice President and Chief Counsel of Regulatory and Governmental Affairs of Avista Utilities and makes this verification for and on behalf of Avista Corporation, being thereto duly authorized;

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 9<sup>th</sup> day of July 2010, by David J. Meyer.





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

Commission Expires: November 23, 2013

Avista Utilities  
State of Washington  
Refund Related to Disallowed Miscellaneous Contributions

	<u>Electric</u>	<u>Gas</u>	<u>Total</u>
Attachment A - Collected January 1, 2009 through December 31, 2009	16,687.09	81,373.85	98,060.94
Attachment B - Collected January 1, 2010 through February 28, 2011	27,261.10	10,659.51	37,920.61
Total Refund	43,948.19	92,033.36	135,981.55

Note: The above amounts are proposed to be transferred to the DMS tariff rider accounts as explained in the accounting petition.



Avista Utilities  
State of Washington  
Refund Related to Disallowed Miscellaneous Contributions

Electric

Refund amount      \$15,670 Collected Jan-Dec 2009  
Interest rate        6.547% Jan-Jun 2009  
(Compounded        6.041% Jul-Dec 2009  
semi-annually)     5.601% Jan-Jul 2010

Gas

Refund amount      \$76,414 Collected Jan-Dec 2009  
Interest rate        6.547% Jan-Jun 2009  
(Compounded        6.041% Jul-Dec 2009  
semi-annually)     5.601% Jan-Jul 2010

	Monthly <u>Amount</u>	<u>Interest</u>	Balance Including <u>Interest</u>
Jan-09	\$1,305.83	\$3.56	\$1,309.39
Feb-09	1,305.83	10.69	2,625.91
Mar-09	1,305.83	17.81	3,949.55
Apr-09	1,305.83	24.94	5,280.32
May-09	1,305.83	32.06	6,618.21
Jun-09	1,305.83	39.18	7,963.22
Jul-09	1,305.83	43.38	9,312.43
Aug-09	1,305.83	49.95	10,668.21
Sep-09	1,305.83	56.52	12,030.56
Oct-09	1,305.83	63.10	13,399.49
Nov-09	1,305.83	69.67	14,774.99
Dec-09	1,305.87	76.24	16,157.10
Jan-10		75.41	16,232.51
Feb-10		75.41	16,307.92
Mar-10		75.41	16,383.33
Apr-10		75.41	16,458.74
May-10		75.41	16,534.15
Jun-10		75.41	16,609.56
Jul-10		77.53	16,687.09
Totals	\$15,670.00	\$1,017.09	\$16,687.09

	Monthly <u>Amount</u>	<u>Interest</u>	Balance Including <u>Interest</u>
Jan-09	\$6,367.83	\$17.37	\$6,385.20
Feb-09	6,367.83	52.11	12,805.14
Mar-09	6,367.83	86.85	19,259.82
Apr-09	6,367.83	121.60	25,749.25
May-09	6,367.83	156.34	32,273.42
Jun-09	6,367.83	191.08	38,832.33
Jul-09	6,367.83	211.52	45,411.68
Aug-09	6,367.83	243.57	52,023.08
Sep-09	6,367.83	275.63	58,666.54
Oct-09	6,367.83	307.69	65,342.06
Nov-09	6,367.83	339.74	72,049.63
Dec-09	6,367.87	371.80	78,789.30
Jan-10		367.75	79,157.05
Feb-10		367.75	79,524.80
Mar-10		367.75	79,892.55
Apr-10		367.75	80,260.30
May-10		367.75	80,628.05
Jun-10		367.75	80,995.80
Jul-10		378.05	81,373.85
Totals	\$76,414.00	\$4,959.85	\$81,373.85

Note: The weighted cost of debt is used as the interest rate. The rate is updated semi-annually with semi-annual compounding. Amounts are at the revenue requirement level. Revenues were assumed to have been collected uniformly each month during 2009.

Avista Utilities  
State of Washington  
Refund Related to Disallowed Miscellaneous Contributions

Electric

Refund amount \$23,415.97 Collected 1/1/10-2/28/11  
Interest rate 5.601% Wtd debt @ 12/31/09  
Interest compounded semi-annually  
Refund made on 7/31/10

	<u>Monthly Amount</u>	<u>Interest</u>	<u>Balance Including Interest</u>
Jan-10	\$1,951.33	\$4.55	\$1,955.88
Feb-10	1,951.33	13.66	3,920.87
Mar-10	1,951.33	22.77	5,894.97
Apr-10	1,951.33	31.88	7,878.18
May-10	1,951.33	40.99	9,870.50
Jun-10	1,951.33	50.09	11,871.92
Jul-10	1,951.33		
Refund	-27,261.10	-3.65	-13,441.50
Aug-10	1,951.33	-58.17	-11,548.34
Sep-10	1,951.33	-49.06	-9,646.07
Oct-10	1,951.33	-39.95	-7,734.69
Nov-10	1,951.33	-30.84	-5,814.20
Dec-10	1,951.33	-21.74	-3,884.61
Jan-11	1,951.33	-13.58	-1,946.86
Feb-11	1,951.33	-4.47	0.00
Totals	\$57.52	-\$57.52	\$0.00

Check

14 months of collection\* \$27,318.62  
Interest -57.52  
Refund amount \$27,261.10

Gas

Refund amount \$9,155.95 Collected 1/1/10-2/28/11  
Interest rate 5.601% Wtd debt @ 12/31/09  
Interest compounded semi-annually  
Refund made on 7/31/10

	<u>Monthly Amount</u>	<u>Interest</u>	<u>Balance Including Interest</u>
Jan-10	\$763.00	\$1.78	\$764.78
Feb-10	763.00	5.34	1,533.12
Mar-10	763.00	8.90	2,305.02
Apr-10	763.00	12.46	3,080.48
May-10	763.00	16.03	3,859.51
Jun-10	763.00	19.59	4,642.10
Jul-10	763.00		
Refund	-10,659.51	-1.43	-5,255.84
Aug-10	763.00	-22.74	-4,515.58
Sep-10	763.00	-19.18	-3,771.76
Oct-10	763.00	-15.62	-3,024.38
Nov-10	763.00	-12.06	-2,273.44
Dec-10	763.00	-8.50	-1,518.94
Jan-11	763.00	-5.31	-761.25
Feb-11	763.00	-1.75	0.00
Totals	\$22.49	-\$22.49	\$0.00

Check

14 months of collection\* \$10,682.00  
Interest -22.49  
Refund amount \$10,659.51

\*The annual amounts listed above are divided by 12 to yeild the monthly amounts. The monthly amounts are assumed to be collected until new rates are implemented in the pending general rate cases, with new rates assumed to be effective on March 1, 2011.

AVISTA CORPORATION  
CENTRALIA ENV FUNDING RETURN

		186870 ED AN		253110 ED AN		Total	
		PLANT	PLANT	MINE	MINE		
PGE	2.50%	<b>-\$287,888.88</b>		<b>-\$679,840.49</b>		<del>-\$967,729.37</del>	
AVA	15.00%	-\$41,126.98		-\$97,120.07			-\$138,247.05
Total	17.50%		-\$246,761.90		-\$582,720.42		-\$829,482.32
<b>PGE Sale</b>							
		ID	WA	ID	WA	Total	
		Shareholders	Shareholders	Ratepayers	Ratepayers		
		33.01%	33.50%	0.00%	33.50%	100.00%	
		-\$45,635.34	-\$46,305.86	\$0.00	-\$46,305.86	-\$138,247.05	
		\$0.00 check					
<b>WWP Sale</b>							
		ID	WA	ID	WA	Total	
		Shareholders	Shareholders	Ratepayers	Ratepayers		
		9.52%	8.46%	23.49%	58.53%		
		-\$78,980.83	-\$70,173.29	-\$194,831.28	-\$485,496.91	-\$829,482.32	
		\$0.00 check					
<b>Combined PGE/WWP</b>							
		ID	WA	ID	WA	Total	
		Shareholders	Shareholders	Ratepayers	Ratepayers		
		12.88%	12.04%	20.13%	54.95%	100%	
		-\$124,616.17	-\$116,479.15	-\$194,831.28	-\$531,802.77	-\$967,729.37	
		\$0.00 check					
<b>Taxes</b>							
		ID	WA	ID	WA	Total	
		Shareholders	Shareholders	Ratepayers	Ratepayers		
SIT		\$3,342	\$3,124	\$5,225	\$14,261	\$25,951	
FIT		\$42,446	\$39,674	\$66,362	\$181,140	\$329,623	
		\$45,788	\$42,798	\$71,587	\$195,401	\$355,573	
						2.6816% assumption	
						35% after SIT	
						-36.74%	
<b>Net gain</b>							
		8.15%	7.61%	12.74%	34.76%	63%	
		-\$78,828.40	-\$73,681.17	-\$123,244.35	-\$336,402.26	-\$612,156.18	
		Net Gain After Tax					
						-\$189,606.69	
						-\$517,541.94	
						-\$707,148.63	
		Ratepayer					

	Acct	Desc	Debit	Credit	
CB	186870 ED AN	Misc Def Debit - Centralia Mine		\$679,840.49	Clear balance
CB	131100 ED AN	Cash	\$679,840.49		A/R from Pacificorp
DJ482	253110 ED AN	Other Def Cr - Centralia Env	<del>-\$967,729.37</del>		Clear Balance
DJ482	421100 ZZ ZZ	Gain on Disposition of Property		\$967,729.37	Recapture Gain
Corp	409100 ED AN	SIT OP	\$25,950.63		SIT
Corp	409210 ZZ ZZ	FIT NON OP	\$82,120.54		FIT-Shareholders
Corp	409110 ED AN	FIT OPER	\$247,502.02		FIT-Ratepayers
Corp	236000 ED AN	A/P Taxes		\$329,622.56	Total taxes FIT
Corp	236100 ED AN	A/P Taxes		\$25,950.63	Total taxes SIT
DJ482	421100 ZZ ZZ	Gain on Disposition of Property	\$707,148.63		Restate Gain - Ratepayers
DJ482	182385 ED ID	09-10 PCA		\$189,606.69	ID Ratepayers
DJ482	253110 ED WA	<b>Await Accounting Order</b>		\$517,541.94	WA Ratepayers
Corp	410100 ED ID	DFIT on Regulatory Liability		\$66,362.34	DFIT - ID Ratepayers
Corp	283380 ED ID	ADFIT on Regulatory Liability	\$66,362.34		ADFIT - ID Ratepayers
Corp	411100 ED WA	DFIT on Regulatory Liability		\$181,139.68	DFIT - WA Ratepayers
Corp	190110 ED WA	ADFIT on Regulatory Liability	\$181,139.68		ADFIT - WA Ratepayers
			\$2,957,793.70	\$2,957,793.70	
\$0.00 Check					