BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. AVISTA CORPORATION, Respondent.	)	DOCKET NOs. UE-991606 and UG-991607 COMMISSION STAFF'S PETITION FOR CLARIFICATION

Staff respectfully files this petition for clarification of the Commission's Third Supplemental Order ("the Order") dated September 29, 2000, regarding the matters set forth below:

1. The Commission has placed $8,664,576 of the rates approved in the Order at risk, by determining that this shall be a temporary amount expiring on November 30, 2002, unless extended by Commission order. Staff understands this amount to be calculated as $5,380,000 (Table 5, Adjusted NOI for Washington at the middle of page 19), divided by the conversion factor of 0.620919 (page 11, paragraph 24), equaling $8,664,576 (page 42, paragraph 138).

The $5,380,000 is the sum of the adjustments the Commission made based on definitive recommendations regarding the Wood Power Contract, Capacity Releases, Mid-Columbia Costs, Colstrip Availability, Fuel Cell Project, and the Water Record Stipulation. Is it the Commission's intent to place these adjustments at risk (i.e., in temporary rates), rather than the adjustments associated with "the shortcomings of the currently available power supply model

data" (page 42, paragraph 138), including the Dispatch Credit (expense), Dispatch Credit (Revenue), and Market Transactions? Additionally, the Potlatch Contract adjustment proposed by Staff appears not to have been adopted, at least in part, because the Commission has stated that the Company should file a power supply case in the second half of 2001. Is it the Commission's intent not to place the amount associated with this adjustment, as well as the Dispatch Credit and Market Transaction adjustments, at risk if the Company fails to file such a case? The amount placed at risk in temporary rates is counterintuitive to the adjustments that seem the most logical to place at risk.

2. At page 33, paragraph 95 of the Order, the Commission reduced generation rate base by an amount equal to buying out the remaining Rathdrum lease obligation. Without associating the reduction to a specific asset or specific method, the reduction appears to be a permanent ratemaking rate base reduction. Having noted this, a number of options can be undertaken for ratemaking or book treatment of this amount, depending on the Commission's intent:[1]

A. If the Commission's intent is that the $37 million be a permanent rate base reduction that will never be eliminated, then the amount can be booked to a generation asset subaccount within the main plant account, or can simply be treated as a rate making adjustment during each rate case.

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[1]For example, when the Commission ruled on Kettle Falls in Docket U-83-26, the amount of investment that was disallowed did not change the Company's books. The full amount invested in Kettle Falls is booked as an asset. However, an adjustment is made during each rate case to adjust the beginning investment to the level authorized by the Commission. When Kettle Falls is eliminated, either by sale of the facilities or by becoming fully depreciated, the disallowed portion of the investment also is eliminated.

B. If the Commission's intent is that the $37 million adjustment will be eliminated with the end of the PGE contract or the end of the Rathdrum lease, then a ratemaking adjustment can be made during each rate case to reduce rate base by the $37 million until the end of either contract.

C. If the intent is to reduce generation assets, the amount can be added to Accumulated Depreciation and either spread to the reserve on all assets or a specific generating facility. If the amount is placed in Accumulated Depreciation, this would also affect the Deferred Taxes and not reduce rate base by $37 million, and would affect the depreciation rate established in future filings. Since this option would essentially reduce future depreciation rates, this should be done only during a future rate case in order to give customers the full effect of the adjustment.

Staff seeks clarification of the Commission's intent regarding this adjustment.

3. At page 119, paragraph 453 of the Order, the Commission states that "Avista should file a power cost case no later than December 1, 2001. . ." Staff has two inquiries regarding this matter.

A. Is it the Commission's intent that the Company has the option to file by December 1, 2001, or should this read "Avista must file a power cost case . . ."? Staff inquires because other portions of the Order indicate that the filing is mandatory. Paragraph 471 specifically states, "$8,664,576 of Avista's electricity revenue requirement is temporary, and will be removed from rates on November 30, 2002. Avista must file a power cost case no later than December 1, 2001, to set a new rate level for power and

capacity costs." Paragraphs 138 and 453 refer to "the rates resulting from Avista's power cost filing," and paragraph 138 additionally states that "the December 1, 2001 filing must include" the specific items set forth in paragraphs 139-141.

B. If the Commission's intent is to make the filing of a power cost case optional, and Avista does not file such a case by December 1, 2001, is it the Commission's intent that rates will not be reduced until November 30, 2002? Staff has deduced that the November 30, 2002, date was intended to allow time to complete the power supply case, assuming one is filed. However, if there is no such case, should the date on which rates are reduced remain November 30, 2002, or should it be December 1, 2001?

4. At page 120, paragraph 463, the Order states: "The allocation of the rate decrease for electric customers should be spread by an equal percentage to all classes among the Company's ratepayers." Should this paragraph be adjusted to correspond to the Commission's decision at page 109, paragraph 411, including the portion which reads, "The revenue requirement decrease as a result of this order should be spread according to the Joint Testimony's rate reduction formula"?

5. At page 119, paragraph 452, the Order states: "The Company's electric results of operations for the appropriate test period, adjusted for unusual events during the test period, and for known and measurable events is $52,079,000. Should this read, "The Company's net operating income for the appropriate test period . . . ."

6. At page 119, paragraph 454, the Order states: "The Company's natural gas results

of operations for the appropriate test period, adjusted for unusual events during the test period, and for known and measurable events is $9,798,000. Should this read, "The Company's net operating income for the appropriate test period . . . ."

7. At page 102, paragraph 388, the Order states: "The Commission found at the time that 10% of the construction expenses for the plant . . . ." Staff believes this should read "expenditures" rather than "expenses," since expenses are recorded on the income statement and are netted against income in the year incurred, while expenditures are the total money spent on the project whether expensed or capitalized.

8. Page 32, paragraph 91 of the Order shows an amount of $37,031,000. For clarification purposes, Staff believes it should be noted that this figure is the Washington-allocated number, as opposed to a system-wide number. The total lease payment of $5,786,000 set forth in that paragraph is the system-wide number.

9. Page 43, paragraph 140 of the Order directs the Company to use the 40-year water record. Did the Commission intend to direct the use of a 40-year rolling average methodology based on the most recent 40-year data available? This would be consistent with paragraph 3 of the Stipulation (Ex. 740) entered into by Staff and Avista, and accepted by the Commission.

Dated this 9th day of October, 2000.

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