BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	
Complainant,	)	DOCKET NO. UE-991606
v.	)	
AVISTA CORPORATION,	)	DOCKET NO. UG-991607
Respondent.	)	FOURTH SUPPLEMENTAL ORDER GRANTING RECONSIDERATION IN PART; PROVIDING CLARIFICATION
. . . . .	)	

1 **SYNOPSIS** The Commission modifies the pro forma debt interest adjustment because the adjustment should not treat all preferred stock as tax-deductible. This modification will increase Avista's electric revenue requirement by $555,000, and its natural gas revenue requirement by $127,000. The Commission makes certain editorial corrections to the Third Supplemental Order.

I. BACKGROUND

A. Parties

2 The parties were present as follows: Avista Corporation ("Avista") by David Meyer, General Counsel; the Washington Utilities & Transportation Commission and its staff ("Commission Staff") by Gregory J. Trautman, Assistant Attorney General and Mary M. Tennyson, Senior Assistant Attorney General, Olympia; Public Counsel by Simon ffitch, Assistant Attorney General, Seattle; Industrial Customers of Northwest Utilities ("ICNU") by S. Bradley Van Cleve and Melinda J. Davison, Davison Van Cleve, P.C.; Northwest Industrial Gas Users ("NWIGU") by Edward A. Finklea, Energy Advocates LLP, Portland; Northwest Energy Coalition ("NWEC") by Danielle Dixon, Policy Associate, Seattle; and Spokane Neighborhood Action Programs ("SNAP") by Don Andre, Assistant Director, Housing Improvements, Spokane.

B. Procedural History

3 On October 22, 1999, Avista Corporation ("Avista" or "the Company") filed certain tariff revisions designed to effect general increases in its rates for electric and natural gas services in Dockets No. UE-991606 and UE-991607, respectively. The Company's letter of transmittal indicates that the cumulative effect of the tariff filing would be to increase annual electricity revenues by $26.25 million and natural gas revenues by $4.9 million. The Commission, by orders entered November 30, 1999, suspended the operation of the tariff revisions pending further hearings. The two matters were consolidated. Additional notice was given on April 28, 2000, that the Commission would consider whether existing rates are just, fair, reasonable, and sufficient, and in the public interest.

4 Commission Staff recommended that Avista should lower its electric rates by $19.9 million, and proposed a natural gas rate increase of $782,000 per year. Public Counsel recommended that Avista should lower its electric rates by $37.7 million per year and proposed a natural gas rate reduction of $1.026 per year. ICNU recommended an electric rate reduction of $24.6 million. After taking into account certain accepted adjustments and revisions, the Company's revised requests sought an electric rate increase of $18.165 million and a revised natural gas rate increase of $4.427 million.

5 The Commission convened prehearing conferences in this matter in Olympia, Washington, on December 16, 1999, March 22, 2000, and July 6, 2000, before Administrative Law Judge Marjorie R. Schaer. The Commission conducted evidentiary hearings on March 26 through 31, 2000, and July 10 through 14, 2000, before Chairwoman Marilyn Showalter, Commissioner Richard Hemstad, Commissioner William R. Gillis, and Administrative Law Judge Marjorie R. Schaer. Finally, hearing proceedings were conducted on April 20, 2000, before the Commissioners and Administrative Law Judge Schaer, in Spokane, Washington, to receive into the record comments from ratepayers and other members of the public who expressed an interest in the outcome of this general rate case.

6 The Commission's final order[1] produced a relatively small increase in Avista's gas rates, about $1.67 million a year, or 2.1 percent; and, pending further proceedings, a relatively small reduction in Avista's electricity rates, about $3.41 million a year, or a 1.4 percent decrease.

7 Because power costs are such an important factor in this case, and because the models

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[1] *WUTC v. Avista Corporation*, Docket Nos. UE-991606 and UG-991607, Third Supplemental Order (September 29, 2000). Hereinafter "the Order."

presented for determining them were flawed, the electricity rates in the Order are temporary, and the Commission ordered Avista to file a power cost case in 2001 to obtain more accurate power costs through an improved electricity cost model.

8 Petitions for reconsideration or clarification of the Order were made by Avista and Commission Staff. The Commission called for answers to the petitions, and answers were filed by Avista, Commission Staff, Public Counsel, and Industrial Customers of Northwest Utilities ("ICNU").

9 In addition, the Order required Avista to make appropriate compliance filings by October 13, 2000, with an answer required of the Commission Staff, and comments allowed by other parties no later than October 23, 2000. NWIGU filed a response to Avista's natural gas compliance filing asking that any changes in gas rates based on reconsideration incorporate certain rate design principles. Because the results of our order today will change the rates for electricity and natural gas, the Commission will require revised compliance filings by Avista.

II. DISCUSSION AND DECISION

A. Issues Raised for Reconsideration

10 A petition for reconsideration must demonstrate errors of law, or of facts not reasonably available to the petitioner at the time of entry of an order. A petition that cites no evidence that the Commission has not considered, and merely restates arguments the Commission thoroughly considered in its final order, states no basis for relief. RCW 34.05.470; WAC 480-09-810. A petition for reconsideration is not a second opportunity to litigate issues which were fully developed prior to entry of the final order and which were discussed and decided in the final order. The mere fact that a party disagrees with a final order does not state a basis for reconsideration.

11 Avista requests reconsideration of three issues. The first two have to do with the balance of funds from the Portland General Electric ("PGE") test year buydown that are available for offsets to rate base and other expenses. The net impact of these two adjustments sought by the Company would be to increase Washington electric revenue requirement by $2,472,804.

1. Calculation of Interest on the PGE Monetization Balance

12 The Company entered into a contract with PGE on June 26, 1992, to provide electrical capacity to PGE on a long-term basis. In 1998, the Avista assigned to a subsidiary, Spokane Energy LLC, its responsibility to supply the contracted capacity to PGE through 2014, in return for a payment from Spokane Energy LLC of $143.4 million ("the buydown"). The Order requires Avista to return the $143.4 million to ratepayers. In paragraph 76 of the Order, the Commission determined that the time

value of the lump sum payment received by Avista in December 1998 should be reflected in the balance of funds available on October 1, 2000.

13 Avista argues that the calculation of interest on the PGE test year buydown fails to reflect the declining balance of the fund between January 1999 and the end of September 2000. According to Avista, he balance was being amortized against expenses to operate the Rathdrum Plant over that 21-month period. The interest calculated by the Commission is based on the beginning period balance only and therefore, according to the Company, overstates the actual interest accrued. Avista notes that the Commission explicitly allowed the amortization total of $9.3 million over this period. The Company provides a calculation to demonstrate that if the interest is calculated on the declining balance the result is accrued interest of $13,549,728 on October 1, 2000, rather than the $14,205,414 calculated in the Order. The difference is $655,686. This adjustment would reduce the amount of PGE "residual" that is amortized over eight years by this amount.

14 Commission Staff opposes the Company's request to adjust the interest accrual. Staff presents two lines of argument in support of its opposition. First, Staff notes that the interest rate selected by the Commission to apply to the balance from the buydown is 8.45% and was taken from the Note in Exhibit 225. This interest rate was applied to calculate compound interest in the Note. Staff demonstrates that when the interest is calculated with compounding, the total balance is $151.2 million if amortization is applied over the 21 months, and $166.2 million if amortization is not applied. Staff notes that both of these figures exceed the $150.7 million balance calculated in Table 6, page 29 of the Order. Staff argues that since both of its calculations ― one with and one without amortization ― exceed the Commission's original calculation of the balance, there is no justification to reduce the balance as calculated in the Order.

15 Second, Staff argues that the Commission did not approve accounting treatment for the balance that included amortization. Staff points to the statements in the Order "that the balance available on October 1, 2000, should reflect expenses incurred by the Company for the Rathdrum Turbine that are no longer being covered by PGE Contract revenue. The Commission finds these expenses to be equal to the amortization expense, cited by the Company, of $9.3 million for the Washington jurisdiction." Staff argues that this statement does not constitute approval of amortization, only recognition by the Commission of a figure based on the Company's representation of amortization expense. Staff notes that the Commission did not approve amortization treatment at the time of the transaction and did not approve this accounting treatment after-the-fact in the Order.

16 ICNU also opposes reconsideration of the interest accrual calculation. ICNU argues that the Company never requested authority to amortize the lump sum received and that the Commission never approved any such treatment. Further, according to

ICNU, because "the Commission has not approved the buy out of the PGE Contract, and the associated affiliate transactions, Avista should not be allowed to amortize any of the balance."

17 Public Counsel also opposes reconsideration of the interest accrual calculation, arguing that shareholders had the use of the balance of funds from this transaction over the 21 months in question and that treatment of the balance according to the "old" terms of the contract occurred only on the books. No benefits flowed directly through to ratepayers. Public Counsel argues that Avista's request that the amortization over this 21 months be recognized in calculation of the interest accrual was already rejected by the Commission at paragraph 76: "The time value of the lump sum payment received by the Company in December 1998 should be reflected in the balance of funds available on October 1, 2000."

Commission Discussion and Decision

18 Our Order used the Company's calculation of amortization to represent the costs incurred for the Rathdrum plant that were no longer being covered by PGE Contract revenues. Staff is correct; the Commission did not approve accounting treatment for the transaction that included the amortization cited by the Company. The Order simply used this number to represent the costs incurred, since the Company argued that its amortization covered the costs. The Staff's calculations demonstrate that if interest is compounded the total of funds available for offsets exceeds the amount calculated in the Order, even if a balance net of amortization is used. These calculations are persuasive.

19 Avista has not made a case that the interest rate accrual should be adjusted and the reconsideration is rejected. We remind the Company that accounting treatment cannot be considered authorized and approved unless actually approved by the Commission.

2. Credit for the Time Value of Money

20 Avista argues that even if its recommended adjustments are made to the calculation of interest, customers will be over-compensated for the time-value of money if the balance is not further adjusted to reflect that the Company recorded in its books a revenue credit equal to the original $18 million per year during the 21-month period. The Company argues that because of this revenue credit, Washington customers have already received $8,599,000 in benefits over the 21-month period. According to the Company, it continued to book the revenue credit of $18 million per year (system) during this 21-month period even though the Company actually received only $1,800,000 in revenue and incurred an amortization expense of $8,865,000 per year. Accounting for this reduction in revenue and the amortization expense, the "remaining revenue credit" of $7,335,000 annually reflects the time-value on the

buydown payment. The Washington share of this remainder over 21 months is $8,599,000. The Company argues that this accumulated benefit, which accrued to customers in rates during the 21-month period, should be netted against the interest calculation to yield a time-value of approximately $5 million rather than the $14,205,414 used in the Order.

21 Commission Staff opposes the Company's request for reconsideration. Staff argues that the $18 million revenue credit cited by the Company has never been included in any rate calculation since the PGE Contract was entered into in 1992, fully two years after the Company's last general rate case in 1990. Staff argues that the monetization was not filed with the Commission at the time it purportedly became effective and therefore neither the $18 million in revenue, nor any amortization of the lump sum balance received as monetization, was ever approved by the Commission for inclusion in rates. Consequently, according to Staff, there is no basis in evidence that the Company has been providing an $18 million dollar benefit through approved rates or incurring an amortization expense.

22 ICNU opposes the Company's request for reconsideration. ICNU echos Staff's arguments that the $18 million PGE Contract revenue has never been included in a rate calculation and that there is no basis to recognize the amortization of the lump sum received because such accounting treatment was never approved by the Commission.

Commission Discussion and Decision

23 The Company's argument that customers realized the benefit of the PGE Contract between January 1, 1999 and September 2000 rests on its claim that it booked a "revenue credit" of $18 million annually during this 21-month period and that it incurred amortization expenses. No such revenue was actually received. The record is clear that the revenue from the PGE Capacity Contract dropped to $1.8 million on January 1, 1999. The Company chose to amortize the revenue received as a lump sum for the PGE Contract buydown without notification to or approval from the Commission.

24 The Company asks the Commission to find that customers are not entitled to the time-value of benefits that were turned into a lump sum of cash at the end of 1998 because the Company chose to record in its books a credit of non-existent revenue during the 21-month period of time. But this accounting treatment was not approved or even revealed to the Commission. The rates in effect during that period did not change and were set a decade ago, with no specific reference to future PGE Capacity Contract revenue or Rathdrum Turbine costs.

25 Staff and ICNU correctly point out that the revenue credit cited by the Company has never been approved or included in any rate calculation and that the amortization

employed by the Company has similarly never been approved or employed in any rate calculation. Consequently, the Company's argument that customers received a benefit over the 21-month period equal to the revenue credit net of the amortization is without merit. The way the Company chose to keep its books regarding the PGE Contract buydown does not demonstrate whether any level of benefits was received by customers through their rates.

26 The Commission rejects the Company's request that the time value of the PGE Capacity Contract test year buydown be credited to ratepayers from January 1, 1999.

3. Pro Forma Debt Interest Calculation

27 Avista seeks clarification and correction for the adjustment related to pro forma debt interest. The Company argues that the Order incorrectly assumed that 100% of the preferred stock component of the capital structure is tax-deductible. The Company argues that preferred stock has not historically been considered tax-deductible and included in pro forma debt interest calculations. Excluding the preferred component entirely from pro forma debt calculations would increase the electric revenue requirement by $2,270,000 and the natural gas revenue requirement by $499,000.

28 Avista notes that the Company's actual capital structure includes both standard preferred stock that is not deductible and a hybrid preferred trust security that is tax-deductible. Reflecting this actual split yields an adjustment that increases electric and natural gas revenue requirement by $555,000 for electric and $127,000 for natural gas.

29 The Company seeks clarification of which scenario the Commission intended and seeks corrections to pro forma debt calculations to reflect that the preferred component of the capital structure is not 100% deductible.

30 Staff agrees with the Company's request for reconsideration of the pro forma debt calculation. It agrees that the portion of the Company's capital structure comprising preferred stock is not tax-deductible while preferred trust securities are tax-deductible. It notes that the Order is ambiguous regarding the composition of the "preferred" component of the approved capital structure. The Order adopted Staff's recommendation concerning the size of the long-term debt component and Public Counsel's recommendation concerning the rate to apply to that component. Staff's long-term debt includes the preferred trust securities and Public Counsel's long term-debt rate does not. However, the Order also approved a preferred stock rate presented by Public Counsel which does include preferred trust securities. Staff joins the Company in seeking clarification of which of the two possible interpretations is correct and seeks recalculation consistent with the Commission's intent regarding preferred trust securities.

31 ICNU agrees that the pro forma debt calculation requires clarification and correction. ICNU argues that the interpretation yielding the least impact on customers (i.e. the lowest increase to revenue requirement) should be accepted.

32 Public Counsel agrees that the pro forma debt calculation should not treat preferred stock as tax-deductible. However, Public Counsel argues that an adjustment is not warranted because the capital structure approved by the Commission is a hypothetical one (i.e., not the "utility only" capital structure recommended by Public Counsel) that is, according to Public Counsel, equity rich. If the Commission determines an adjustment is warranted, Public Counsel recommends that the adjustment reflect the actual amount of preferred stock and preferred trust securities. This is the second of the interpretations offered by the Company (and the one preferred by ICNU).

33 Northwest Industrial Gas Users (NWIGU) responds to the Company's request by arguing that if any adjustment is approved in the pro forma debt calculation it should be the one leading to the lowest increase in revenue requirement.

Commission Discussion and Decision

34 The pro forma debt adjustment (sometimes referred to as "interest synchronization") adjusts the company's federal income tax (FIT) expense to reflect the effect of the Commission's authorized weighted cost of debt. Basically, this adjustment shows how much more or less Avista will have to pay in FIT due to the amount of interest expense it can deduct on its return. The company is right that the adjustment in the Order incorrectly assumes that 100% of the preferred stock component is tax-deductible. The Company then shows two alternatives: one that treats none of the preferred stock component as tax-deductible, and one that breaks down the preferred stock cost between the portion that is deductible and the portion that is not deductible.

35 The purpose of the adjustment is to calculate an accurate figure for the tax effect of the cost of money. The Company's first alternative is just as inaccurate as the calculation included in the Order ― it treats as a single number a figure that should be broken down into its deductible and non-deductible components. The Company's second alternative provides the most accurate breakdown of tax effects; it should be used as the pro forma tax adjustment.

B. Issues Raised for Clarification

36 On reconsideration, the Commission may explain or "clarify" portions of an order to assist the parties in implementing its requirements.

1. Basis for Temporary Rates

37 Commission Staff asks for clarification regarding the $8,664,576 of allowed revenue put at risk by the temporary rates approved by the Commission. Staff represents that the total put at risk appears to be the sum of the adjustments to pro forma power expenses approved by the Commission rather than the sum of the adjustments proposed by Staff, Public Counsel, and ICNU that were not adopted by the Commission.

38 Staff seeks clarification that the Commission would impose the Dispatch Credit, Market Transaction, and Potlatch contract adjustments it proposed if the Company does not file the power case in 2001, and that it is these adjustments that cause the $8,664,576 to be at risk.

39 Public Counsel agrees with Staff that clarification is necessary regarding the amount of expense included in rates on a temporary basis and the relationship of this amount to the record.

40 ICNU does not oppose Staff's request for clarification.

41 Avista does not answer Staff's petition.

Commission Discussion and Decision

42 The Order establishes an approved level of pro forma power supply net expense for the Washington jurisdiction equal to $49,406,000. This figure reflects Washington-jurisdiction test year net expenses of $41,130,000 (which includes all test year costs and revenues including short-term purchases and sales), modified by the Commission-approved adjustments documented in Table 5 of the Order. The approved power supply net expense adjustment yields a revenue requirement adjustment of $8,664,576, after tax effects and the conversion factor are applied.

43 The purpose for approving temporary rates is enunciated in paragraph 138 of the Order. In that paragraph we approved on a temporary basis $8,664,576 of the Washington jurisdictional revenue requirement associated with power costs. We noted that this amount equals the pro forma power supply adjustment. Staff notes in its Errata to Petition for Clarification that the pro forma power supply adjustment includes an adjustment to revenue to remove $16.2 million (system) of annual revenue no longer being received by the Company for its PGE Capacity Contract. If the Power Supply Adjustment itself is temporary, Staff questions whether this known and measurable change in revenue is made temporary. This is not our intention.

44 Paragraph 138 makes clear that the purpose for approving some level of costs on a temporary basis is to recognize the "short-comings of the currently available power supply model data" and to direct that new and better modeling data be developed to determine normalized power costs. To reflect these modeling deficiencies, our

approval of temporary rates puts at risk a portion of power supply net expenses and requires the Company to prove these costs are appropriate based on a more accurate and detailed model.

45 Consequently, the first component of the amount we have made temporary is the $4,500,000 (system basis) that Exhibit 88 demonstrates is the benefit of dispatch flexibility at the Clark Fork projects. This benefit is not captured by the Company's current monthly dispatch model. At paragraph 156 of the Order we state:

> However, application of a more sophisticated, hourly model to the entire system would yield defensible estimates. The Commission has thus determined to implement the results of this proceeding as temporary rates, and to require Avista to implement a more sophisticated model and file a new power case.

46 At paragraph 87 we discussed Staff's recommendation to make adjustments to power costs associated with the Potlatch Contract. We noted that it would not be appropriate to make an adjustment to pro forma power costs based on Staff's recommendation because changes to the contract were not "known and measurable." We also noted that the consequence of expiration or renegotiation of the Potlatch Contract will be known and measurable by the time the power case required of the Company is filed in the second half of 2001. Approving the costs associated with this contract on a temporary basis ensures that actual costs are recovered through the end of the contract, and new costs associated with any ensuing contract terms will be examined in the required power cost case.

47 Consequently, the second component of the amount we have made temporary is the $7,866,000 (system basis) proposed by the Staff as a downward adjustment to Potlatch Contract costs.

48 Based on these clarifications we adjust the amount of rates made temporary to be $8,671,967 (the sum of these two adjustments, $12,366,000, as allocated to Washington, $8,283,983, as adjusted for tax impacts and grossed up to revenue requirement using the conversion factor approved in Order paragraph 25.)

2. Generation Rate Base Reduction

49 Staff asks for clarification regarding the $37 million dollar rate base reduction made in lieu of its recommendation for buyout of the Rathdrum Lease. Staff concludes correctly that the Commission intended this to be a permanent rate base reduction, not an amortized one. Staff seeks clarification regarding how this adjustment should be treated over time. Staff offers three options and seeks clarification as to which the Commission intends:

A. If the adjustment is to be for all time, the amount can be booked to a generation asset subaccount, or treated as a rate making adjustment during each rate case.

B. If the adjustment is to be eliminated at the end of the Rathdrum lease, then a ratemaking adjustment can be made during each rate case to reduce rate base by $37 million until the end of the lease.

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.

Staff seeks clarification, and does not state a preference.

50 The Company agrees that clarification is warranted and argues that option "B" is the correct approach because it is consistent with the Order's language in paragraph 90:

> The consequence would be that the Rathdrum combustion turbine remains in Avista's resource portfolio and that Rathdrum's operating costs remain in normalized power expense. The cost to finance its acquisition is paid off.

51 The Company notes that option "B" provides explicit recognition that the Rathdrum lease is an operating lease for financial reporting purposes, and a balance sheet liability that is fully extinguished at the end of the lease period.

Commission Discussion and Decision

52 The Commission's intent in requiring this adjustment was to make a permanent reduction in Avista's rate base of $37 million. Option "A" would produce this result. The Commission thus did not require the $37 million to be amortized. If the $37 million were amortized, then over time ratepayers would receive the $37 million. Amortization would also ensure that Avista, and not ratepayers, would pay the cost of money on the $37 million.

53 Option "B" does not produce the result sought by the Commission. Under Option "B" the ratepayers would avoid paying a return on the $37 million over the life of the Rathdrum lease, but the actual $37 million would not be returned to them. They would receive return *on* but not return *of* the $37 million. This is contrary to the Commission's intention to give ratepayers the benefit of the PGE contract receipts.

54 Avista's reference to paragraph 90 of the Order is misleading. The language in Paragraph 90 of the Order which Avista quotes is not a statement by the Commission. Rather, the language describes the Commission Staff's proposal to use the $37

million to buy down the Rathdrum Lease. In relevant part it states:

> However, Staff proposes that it will not pursue the issue of prudence if proceeds from the PGE test year buydown are used to buy out the balance in the Rathdrum Lease. The consequence would be that the Rathdrum combustion turbine remains in Avista's resource portfolio and that Rathdrum's operating costs remain in normalized power expense. The cost to finance its acquisition is paid off.

55 A second part of Staff's proposal would have removed Avista's lease payments from the company's expenses. Avista objected to this proposal, claiming that the interest rate it pays on the lease is lower than its cost of borrowing money, and the Commission did not adopt it.

56 Instead, the Commission adopted an alternative Staff proposal that we simply reduce Avista's rate base by $37 million. The difference between the two proposals is clear. Under the Staff proposal described in Paragraph 90, the Commission would have removed $5,786,000 (the lease payment) on a system basis from test year power costs, and dedicated $37,031,000 of the test year buydown funds to buy out the lease balance. *Order Paragraph 91*.

57 Because the Commission did not remove the lease payment from Avista's test year power costs, Avista's claim that "the cost to finance its acquisition is paid off" is not true. If, in a future filing, Avista seeks to "pay off" the $37 million rate base reduction, it may petition for amortization; the Commission would then consider such a change. At present, however, the $37 million should be treated as a permanent reduction in Avista's rate base. Option "A" is what the Commission intends.

3. Requirement to File Power Case

58 Commission Staff seeks clarification regarding the direction to Avista to file a power case. Staff is not certain whether the Order requires Avista to file such a case. If the case is mandatory, Staff seeks confirmation. Further, if the power case filing is mandatory and no case is filed by December 1, 2001, Staff seeks clarification of whether the temporary rates should expire on that date since a case has not been filed that would provide any evidence to extend them after November 30, 2002.

59 Public Counsel agrees with Staff's request for clarification. Public Counsel also argues that by putting some costs recovered in rates at risk by making the rates temporary, the Commission has, in effect, placed the burden on the Company to demonstrate the costs are appropriate. According to Public Counsel this means the rates are, in effect, interim and properly subject to refund.

Commission Discussion and Decision

60 The Commission determined that the evidence provided by Avista in support of its pro forma power supply adjustment does not meet the Company's burden to prove that its costs should be included in permanent rates. The Commission therefore made a portion of the rates only temporary rates. These rates will expire on November 30, 2002. We expect Avista to file a "power-supply" case that meets the requirements set out in paragraphs 138 through 144 of the Order no later than December 1, 2001. Because these requirements are extensive, we gave Avista sufficient time to provide high-quality information. The power-supply case also will include consideration of Avista's accounting petition seeking to recover power-supply costs. The Order provides for the interim rates to expire at a time when we would expect that a compliance order in the power-supply case to be effective.

61 The Commission did not discuss what should happen to the temporary portion of the rate if Avista fails to file a case by the December 1, 2000, deadline. In the unlikely event that Avista does not file such a case, the parties may file petitions seeking appropriate relief. The Commission will not require the temporary rates to be subject to refund.

4. Rate Spread

62 Commission Staff seeks clarification regarding the allocation of the electric rate decrease among the customer classes. Staff notes that paragraph 411 indicates that the decrease should be allocated according to the Joint Testimony, while paragraph 463 states that an "equal percentage" allocation should be used.

63 Public Counsel concurs with Staff and seeks clarification.

Commission Discussion and Decision

64 The Commission intends that the electric rate decrease should be allocated according to the Joint Testimony consistent with paragraph 411.

5. Editorial Corrections

65 The Commission on reconsideration may correct a Commission error in a final order. The following clerical errors should be corrected as indicated below.

66 Paragraph 91 should be clarified by adding that the $37,031,000 is a Washington jurisdictional figure. This is to avoid confusing it as a system-wide figure since the lease payment number of $5,786,000 mentioned in the paragraph is a system-wide number.

67 Paragraph 140 should be clarified by adding the modifier "rolling average" to the term "40-year methodology."

68 At page 102, paragraph 388 (third sentence), the word "expenses" should be replaced with the word "expenditures" so as not to confuse this reference to total construction expenditures with an expense item that would appear on an annual income statement.

69 In paragraphs 452 and 454, to the degree these paragraphs refer to "results of operations" for electricity and natural gas they should instead refer to the Company's "net operating income."

6. Compliance

70 The correction to the pro forma debt adjustment will require Avista to revise its compliance filings in this matter. NWIGU commented on Avista's original natural gas compliance filing, and asked the Commission to delay implementation of a gas rate increase until such time as the Commission has issued its determination on the petitions for reconsideration. The Commission's action on compliance filings will be based on the filings ordered in this 4th Supplemental Order. The Commission encourages Avista to work with the parties to resolve any compliance issues, and encourages the parties to present an agreed compliance order, if possible.

III. ORDER

71 The Commission grants and denies the petitions for reconsideration and clarification as fully described in the text of this Order.

72 Avista Corporation is authorized and required to make appropriate compliance filings to effectuate the terms of this order no later than November 15, 2000. The Commission Staff shall examine the compliance filing, and shall provide analysis of whether the compliance filing meets the requirements of this order no later than November 21, 2000. Other parties should examine the compliance filing, and may provide comments to the Commission by November 21, 2000.

DATED at Olympia, Washington, and effective this day of November, 2000.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner