

Agenda Date: September 26, 2007
Item Number: A1

Docket: U-071805
Company Name: Avista Corporation

Staff: Danny Kermode, Regulatory Analyst

Recommendation

Issue an order approving journal entries for repurchase of general office building and adjacent properties. Issue a notice of penalty assessment in the amount of \$5,000 under RCW 80.04.405 for the failure to file as required by commission order.

Discussion

In December of 1986, Avista Corporation (Avista or the company), under its former name of Washington Water Power Company, filed an application with this commission for authority to enter into a sale and leaseback of its general office building located at 1411 E. Mission Avenue and adjacent properties located in Spokane, Washington. On December 18, 1986, this commission approved Avista's petition to enter into the sale and leaseback arrangement. In the commission's order, the company was required to file for prior written approval of the journal entries by which it will record on its books the repurchase of those assets.¹

Avista terminated the then existing leasing arrangement on November 29, 2005, and repurchased the previously owned facility for \$17.8 million (\$16.3 million attributed to the building and \$1.5 million attributed to the purchase of the land). The transaction was arms-length with a non-affiliated entity. The company did not file the journal entries, as required in the above order, for prior approval before recording the transaction on its books and records.

Avista discovered its noncompliance with the earlier order in August, 2007, as the company reviewed documents associated with its current general rate case. At its discovery, the company immediately notified the commission staff of its failure to file and began the process to file this petition. Less than a month later, on September 4, 2007, the company filed its petition for an order approving its recorded journal entries. The filing is approximately twenty-one months after the date the company should have filed, had the filing been consistent with the commission's order.

Staff has reviewed the repurchase and the related journal entries. It is the staff's opinion that the journal entries correctly reflect the repurchase transaction on a regulatory basis.

However, it is also staff's position that the company violated the commission's 1986 order requiring the company to file for prior commission approval of the journal entries used to record the repurchase transaction. Staff recommends that the commission issue a penalty assessment in

¹ *In the Matter of the Application of The Washington Water Power Company*, Cause No. Fr-86-150, Order Granting Application, (Dec. 18, 1986), Ordering Paragraph 2.

the amount of \$5,000 under RCW 80.04.405 as a reasonable penalty for the failure to file as required in the commission's order in Cause No. FR-86-150.

Conclusion

Staff recommends that the commission issue an order approving the journal entries for the repurchased general office building and adjacent properties and issue a notice of penalty assessment in the amount of \$5,000 under RCW 80.04.405 for the failure to file as required by commission order.