

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of) DOCKET UE-072131
)
AVISTA CORPORATION D/B/A) ORDER 01
AVISTA UTILITIES,)
)
Petitioner,)
)
For An Accounting Order Regarding the)
Authorization for the Deferral of) ORDER GRANTING
Settlement Lease Payments) ACCOUNTING PETITION
.....)

BACKGROUND

- 1 On November 11, 2007, Avista Corporation d/b/a Avista Utilities (Avista or the Company), filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under WAC 480-07-370(1)(b) authorizing Avista to defer lease payments agreed to in a settlement resolving a lawsuit brought by the State of Montana against Avista.¹ The Company is also requesting the Commission grant it authority to accrue and defer monthly interest charges on the deferred lease payments balance.²
- 2 The Company requests authority to defer to Account 186, *Miscellaneous deferred debits*, the negotiated 2007 lease payment (payable in February 2008) along with future lease payments until the effective date of any new rates established in the Company's next general rate case. The Company proposes to allocate the lease payments between Washington and Idaho based on the Production / Transmission allocation factor in effect at the time of the deferrals. The company's request is a departure from accounting required in the FERC uniform system of accounts. Since the Commission's rules require electric utilities in Washington to use the FERC uniform system of accounts, the Company must seek Commission approval to change its accounting for the settlement lease payments.³
- 3 In addition to deferring future payments, the Company requests authority to accrue interest on the Washington portion of the cumulated deferral. The Company proposes

¹ Cause No. CDV 2004-846, Mont. First Judicial District Court, Lewis & Clark County.

² *Memorandum of Negotiated Settlement Terms*, October 19, 2007, Petition Appendix 2, page 1

³ WAC 480-100-203, *Accounting system requirements*.

that the interest be computed monthly on the cumulative deferred balance, net of related deferred tax benefit. Avista's weighted cost of debt used to compute interest would be updated semi-annually. The Company proposal uses the same methodology the Company uses for its Energy Recovery Mechanism for calculating interest, including the computation of the related weighted cost of debt.

- 4 The accounting treatment the Company proposes does not provide for the recovery of the deferred amounts, but allows the Company to postpone the recognition of the lease payments until its next general rate case. If the Company did not apply for deferral of the lease payments at this time, it would, in all likelihood, be prohibited from recovering the lease payments in any future rate proceeding, consistent with the prohibitions against retroactive ratemaking.
- 5 The Clark Fork Project lease expense incurred by the Company is a material expense and the Company has filed a timely request for its deferral. The proposed deferral provides Avista with the opportunity to request recovery of the deferred amount in its next rate filing while not affecting customers current rates. The deferral preserves the Company's ability to present its case for recovery of the newly incurred material expense while protecting the rate payer from shouldering the impact without due process.

FINDINGS AND CONCLUSIONS

- 6 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
- 7 (2) Avista is an electric company and a public service company subject to Commission jurisdiction.
- 8 (3) WAC 480-07-370(1)(b), allows companies to file petitions including that for which Avista seeks approval.

- 9 (4) Staff has reviewed the petition in Docket UE-072131 including related work papers.
- 10 (5) Staff believes the proposed accounting order Avista requests is reasonable and should be granted.
- 11 (6) This matter came before the Commission at its regularly scheduled meeting on January 10, 2008.
- 12 (7) After reviewing Avista's petition filed in Docket UE-072131 on November 11, 2007, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the petition filed should be granted. The proposed deferral preserves the Company's ability to present its case for recovery of the newly incurred expense in a future rate proceeding while protecting the rate payer from shouldering the impact of the new expense without due process.

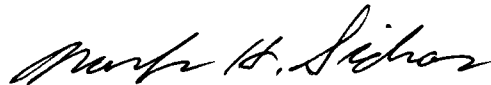
ORDER

THE COMMISSION ORDERS:

- 13 (1) Avista Corporation's request to defer lease payments associated with the Clark Fork Hydroelectric Project settlement agreement until the effective date of rates established in its next general rate case is granted.
- 14 (2) Avista Corporation's request for authority to accrue and defer monthly interest charges at Avista's weighted cost of debt on the cumulative deferred lease payment balance, net of related deferred tax benefit, is granted.
- 15 (3) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order Granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 16 (4) The Commission retains jurisdiction over the subject matter and Avista Corporation d/b/a Avista Utilities to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective January 10, 2008.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



MARK H. SIDRAN, Chairman



PATRICK J. OSHIE, Commissioner



PHILIP B. JONES, Commissioner