

Exhibit KLE-4 ()
Docket No. UE-010395
Witness: Kenneth L. Elgin

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Avista Corporation's)
Petition for Recovery of Expenditures)
Related to Electric Deferral Mechanism)
_____)

DOCKET NO. UE-010395

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

EXHIBIT OF

KENNETH L. ELGIN

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION
RE: AVISTA PETITION FOR 37% ENERGY SURCHARGE

August 24, 2001

WUTC DOCKET NO. UE-010395
EXHIBIT NO. 454
ADMIT W/D REJECT

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Petition of

AVISTA CORPORATION

for an Order Regarding the Accounting
Treatment of Certain Wholesale Power Costs
to Serve Firm Load Obligations.

Docket No. UE-000972

ORDER APPROVING
ESTABLISHMENT OF A
DEFERRAL MECHANISM TO
TRACK POWER COST EXPENSES

MEMORANDUM

On June 23, 2000, Avista Corporation ("Avista" or "Company") filed an Accounting Petition with this Commission under WAC 480-09-420(7) seeking authority to defer expensing certain power costs related to short-term wholesale power market prices. The Petition requests an Accounting Order authorizing the Company to defer certain power supply costs beginning July 1, 2000, and ending June 30, 2001. As explained in its Petition, the Company asserts that recent short-term market prices have risen to unprecedented levels and have caused a comparable increases in power supply expenses for the Company. The first deferral would occur in August 2000 for power costs incurred during the month of July 2000.

In its Petition, the Company states that historical monthly market prices for the last 15 years have ranged from a low of 0.8¢ to a high of 4.0¢ per kWh. Current monthly market prices are as high as 13.0¢ per kWh. The Company estimates that short-term prices for July through December 2000 will cause an increase in power supply costs of as much as \$29 million on a system basis (\$20 million for the Washington jurisdiction). A \$29 million increase in costs to the Company would equal an adverse earnings impact to the Company of approximately \$0.40 per common share. This represents a significant impact to the utility when compared with total earnings for the utility in 1999 of \$1.00 per share and \$0.88 per share in 1998.

In its Petition, the Company states that the specific power costs included for deferral would be limited to three power cost variables including short-term market prices, the related impacts on thermal generation, and hydroelectric generation. The Company proposes a 12-month deferral period in order to capture the seasonal impacts that can occur over the course of a full year.

The Company sets forth the deferred accounting proposal in its Petition. The proposal includes the deferral of power costs, the recording of deferred income taxes and the inclusion of a carrying charge. The carrying charge is proposed to be the Company's authorized rate of return applied to the unamortized balance of deferred power costs.

FINDINGS

THE COMMISSION FINDS:

1. Avista Corporation is engaged in the business of furnishing electric and gas service within the state of Washington as a public service company, and is subject to the jurisdiction of this Commission.
2. On June 23, 2000, Avista filed with the Commission a Petition to defer certain power supply costs associated with increases in short-term wholesale market prices pursuant to WAC 480-09-420(7).
3. The deferral treatment proposed by Avista is reasonable and should be approved.

ORDER

WHEREFORE, THE COMMISSION HEREBY ORDERS:

1. Authorization is hereby given to Avista to defer certain power supply costs, as explained in the Company's Petition, associated with increases in short-term wholesale market prices. The period for deferrals shall begin July 1, 2000, and end June 30, 2001.
2. The Company shall prepare and submit reports to the Commission on a monthly basis related to the deferrals. The reports will include all calculations and accounting entries.
3. The Commission, under its general ratemaking authority, has the ability in subsequent Avista rate proceedings to evaluate the reasonableness of the Company's expenditures associated with power supply purchases to meet its energy supply obligations. The Company bears the burden of proof in any such proceeding regarding these matters to show that such costs were prudently incurred, that Company-owned resources have been optimized to the benefit of retail customers, and that recovery of these costs through a deferral mechanism is appropriate.
4. This order shall in no way affect the authority of this Commission over rates, services, accounts, evaluations, estimates, or determination of cost or any matters

whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs claimed or asserted.

4. The Commission retains jurisdiction over the subject matter and Avista Corporation to effect the provisions of this order.

DATED at Olympia, Washington, and effective this 9th day of August, 2000.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



MARILYN SHOWALTER, Chairwoman



RICHARD HEMSTAD, Commissioner



WILLIAM R. GILLIS, Commissioner