

Exhibit KLE-5 ()
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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RECORDS MANAGEMENT
01 AUG 24 AM 11:57
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. 456
ADMIT W/D REJECT

Avista Corporation
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170



December 20, 2000

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

RECEIVED
00 DEC 21 11:11:51
OFFICE OF THE
COMMISSIONER
WASHINGTON UTILITIES
AND TRANSPORTATION
COMMISSION

Attention: Ms. Carole Washburn, Executive Secretary

Enclosed for filing with the Commission are nineteen copies of Avista's Request for Modification of Original Petition of Avista Corporation Regarding the Accounting Treatment of Certain Wholesale Power Costs to Serve Firm Load Obligations. As the Company explains in its petition the Company is requesting a modification to how power cost deferrals are calculated. The Commission's Order dated August 9, 2000 in Docket No. UE-000972 granted authorization of the original deferral mechanism.

The rise in short-term market prices has resulted in the situation where the Company is forced to purchase power at prices that are higher than the price received when the power is sold to meet increased system load requirement. Power supply expenses associated with meeting increased system load requirements are not included in the power cost deferral mechanism presently approved by the Commission. Because of the extremely high short-term market prices, the cost of power to meet increased system load requirements is substantial and needs to be reflected in the amended power cost deferral mechanism.

The Company requests that the amended deferred accounting treatment become effective for power costs beginning December 1, 2000. The first deferral under the amended mechanism would be made in early January 2001 to record the estimate for the month of December 2000. Therefore, the Company requests that the Commission rule on the Company's Petition at the Commission's regularly scheduled open meeting to be held on January 11, 2001, and issue its order soon thereafter. Questions regarding this filing should be directed to Kelly Norwood at (509) 495-4267.

Sincerely,

A handwritten signature in black ink that reads "Thomas D. Dukich".

Thomas D. Dukich
Director, Rates and Tariff Administration

RM
Enclosure

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served the Company's Request for Modification of Original Petition of Avista Corporation Regarding the Accounting Treatment of Certain Wholesale Power Costs to Serve Firm Load Obligations by mailing a copy thereof, postage prepaid to the following:

Gregory J Trautman, Asst Attorney General
Mary M Tennyson, Asst Attorney General
Attorney General of Washington
PO Box 40128
1400 S. Evergreen Park Dr. SW
Olympia, WA 98504-0128

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Spokane Neighborhood Action Programs
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Roger Colton (SNAPS)
Fisher, Sheehan and Colton
34 Warwick Road
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Jim Lazar
1063 Capitol Way South
Suite 202
Olympia, WA 98501

Donald W Schoenbeck
Regulatory and Cogeneration Services
900 Washington Street, Suite 1000
Vancouver, WA 98660

Dated at Spokane, Washington this 20th day of December 2000.



Jean T. Osterberg
Rates Coordinator

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

RECEIVED
00 DEC 21 AM 11:51
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

REQUEST FOR MODIFICATION OF
ORIGINAL PETITION OF AVISTA
CORPORATION

I. PETITIONER

1 In accordance with WAC 480-09-420, the name and address of Petitioner, Avista Corporation (“Avista Corp.,” “Avista,” or “Company”), is as shown below. Please direct all correspondence related to this Petition as follows:

David J. Meyer Senior Vice President and General Counsel Avista Corp. 1411 E. Mission Avenue P. O. Box 3727 Spokane, Washington 99220-3727 Telephone: (509) 495-4316 Facsimile: (509) 495-4361	Thomas D. Dukich Director, Rates and Tariff Administration Avista Corp. 1411 E. Mission Avenue P. O. Box 3727 Spokane, Washington 99220-3727 Telephone: (509) 495-4724 Facsimile: (509) 495-8058
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II. INTRODUCTION

2 Pursuant to WAC 480-09-420 (7) Avista Corp. hereby requests that the Commission issue an order amending the calculation contained in the power cost deferral mechanism approved in Docket No. UE-000972. As the Company will explain in this Petition, the cost of short-term power purchases has risen to unprecedented levels. The rise in short-term market prices has resulted in the situation where the Company is forced to purchase power at prices that are higher than the price received when the power is sold to meet increased system load requirements being experienced by Avista. Power supply expenses associated with meeting increased system load requirements are not included in the power cost deferral mechanism presently approved by the Commission. Because of the extremely high short-term

market prices, the cost of power to meet increased system load requirements is substantial and needs to be reflected in the power cost deferral mechanism. The Company is proposing that the deferral mechanism be amended effective December 1, 2000. The first deferral under the amended mechanism would be made in early January 2001 to record the estimate for the month of December 2000.

3 The Commission's Order dated August 9, 2000 in Docket No. UE-000972 granted authorization to Avista to defer certain power supply costs, as explained in the Company's Petition, associated with increases in short-term wholesale market prices. Through this Petition, the Company is simply requesting an amendment to how power cost deferrals are being calculated. Under the amended calculations the Commission would continue its 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 would continue to bear the burden of proof in any subsequent 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.

III. AMENDMENTS TO DEFERRAL MECHANISM

4 Through this Petition, the Company is requesting that the Commission amend the power cost deferral mechanism approved by the Commission in Docket No. UE-000972. Information in support of the Company's Petition is as follows:

5 **Changes in System Load Requirements**

- Short-term market prices that greatly exceed retail rates and increased system load requirements, not reflected in the calculation of the original deferral mechanism, have exacerbated the problem of increased power supply expenses for the Company. Due to the extremely high short-term market prices, the cost of power to meet increased system load requirements is substantial and needs to be reflected in the power cost deferral mechanism. The cost of power to serve changes in system load requirements is not included as part of the current power cost deferral mechanism.
- System load requirements have been impacted by increases in both retail and wholesale loads. Retail loads have increased due to load growth and colder than normal weather. In the month of November 2000 Washington retail loads were approximately 138 average megawatts higher than the weather normalized

November 1998 loads used in the Company's last general rate case. Assuming a short-term market price for power of \$125 per megawatt-hour, the cost to the Company to serve the additional retail load in the month of November 2000 amounted to approximately \$12 million (138 average megawatts X 720 hours X \$125 per megawatt-hour).

- Changes in wholesale loads have also impacted the amount of power that needs to be purchased. These changes are non-discretionary from the Company's standpoint. Wholesale loads are impacted by the expiration of both purchase and sale contracts and by increased takes under contract options that were implemented because of the high short-term market prices.
- Since system load requirements are held to levels from the last general rate case in the existing power cost deferral mechanism, increases in power costs to serve increases in system load requirements are not recovered in the existing deferral mechanism. The Company's amended deferral mechanism fixes this deficiency in the existing deferral mechanism.

6 Calculation of Costs for Deferral

- The power costs for deferral purposes under the existing mechanism are limited to three power cost variables, including short-term market prices, thermal generation, and hydroelectric generation. The Company is proposing to amend the mechanism to include the impact of changes in system retail and wholesale load requirements. The specific power supply accounts included for deferral purposes under the amended mechanism would include Account 447 – Sales for Resale, Account 501 – Fuel, Account 547 – Fuel, and Account 555 – Purchased Power. Deferred costs would be based on the difference between the actual revenues and expenses recorded in these accounts, and the normalized level for those accounts approved by the Commission in the last general rate case.
- Since actual system load requirements will determine the actual power supply revenues and expenses, it is appropriate to include a revenue adjustment for the difference between actual and authorized revenue in the amended power cost deferral mechanism. Changes in wholesale sales contracts will be picked up in the calculation of the difference between actual and authorized revenues in Account 447. A retail revenue adjustment also needs to be included to reflect the difference between actual and authorized retail revenue, adjusted for distribution costs to serve load growth.
- Since the Company incurs costs to serve new load, it would not be appropriate to reflect the entire amount of difference between actual and authorized retail revenue in the deferral mechanism as a portion of increased retail revenue due to load growth is offset by increased delivery costs to serve new load. The Company is proposing a distribution cost adjustment to retail revenue based on increases in customers by

rate schedule. The difference between actual customers and authorized customers would be multiplied by distribution costs per customer from the Company's last cost of service study to arrive at the distribution cost adjustment.

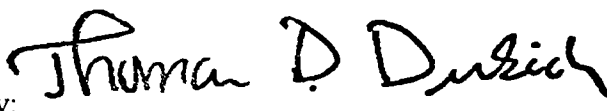
7 **Periodic Reporting**

- The Company currently provides reports to the Commission on a monthly basis related to the deferrals and would continue to do so under the amended power cost deferral mechanism. The reports would include all calculations and accounting entries.

IV. COMPANY'S REQUEST

- 8 The Company respectfully requests that the Commission issue an order, in the form attached as Appendix A, approving the Company's request to amend the previously approved power cost deferral mechanism as explained above. The Company requests that the Commission rule on the Company's request at the Commission's regularly scheduled open meeting to be held on January 11, 2001, and issue its order soon thereafter. The Company requests that the amended deferred accounting treatment become effective for power costs beginning December 1, 2000. The first deferral under the amended mechanism would be made in early January 2001 to record the estimate for the month of December 2000. The Company would continue to bear the burden of proof in any subsequent 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.

DATED this 20th day of December 2000

By: 
Thomas D. Dukich

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Petition of)	
)	DOCKET NO. UE-000972
AVISTA CORPORATION)	
)	ORDER APPROVING MODIFICATION OF
for an Order Regarding the Accounting)	DEFERRAL MECHANISM TO
Treatment of Certain Wholesale Power)	TRACK POWER COST EXPENSES
Costs to Serve Firm Load Obligations)	
<hr/>		

MEMORANDUM

On December 21, 2000, Avista Corporation (“Avista” or “Company”) filed a request for modification of the deferral mechanism to defer certain power supply costs. The Commission’s Order dated August 9, 2000 in Docket No. UE-000972 granted authorization of the original deferral mechanism. As explained in the Petition, the Company is requesting an amendment to how power cost deferrals are calculated. The Company asserts that the cost of short-term power purchases has risen to unprecedented levels. According to the Company the rise in short-term market prices has resulted in the situation where the Company is forced to purchase power at prices that are higher than the price received when the power is sold to meet increased system load requirements. Power supply expenses associated with meeting increased system load requirements are not included in the power cost deferral mechanism presently approved by the Commission. The Company asserts that because of the extremely high short-term market prices, the cost of power to meet increased system load requirements is substantial and needs to be reflected in the power cost deferral mechanism. The Company proposes that the deferral mechanism be amended effective December 1, 2000. The first deferral under the amended mechanism would be made in early January 2001 to record the estimate for the month of December 2000.

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 December 21, 2000, Avista filed with the Commission a request for modification of the deferral mechanism to defer certain power supply costs.

3. The modification to the deferral mechanism proposed by Avista is reasonable and should be approved.

ORDER

WHEREFORE, THE COMMISSION HEREBY ORDERS:

1. Authorization is hereby given to Avista to amend the power cost deferral mechanism as explained in the Company's Petition.
2. The Company shall continue to 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 subsequent 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.
5. 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 ____ day of January, 2001.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner