

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	06/21/2012
CASE NO:	UE-120436 & UG-120437	WITNESS:	Elizabeth Andrews
REQUESTER:	WUTC Staff - Huang	RESPONDER:	Howard Grimsrud/Jeanne Pluth
TYPE:	Data Request	DEPT:	Accounting/Regulation
REQUEST NO.:	Staff – 269	TELEPHONE:	(509) 495-2936/2204
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REQUEST:

RE: PCB Transformer Restating Adjustment 2.14

Avista's Response to UTC Staff Data Request No. 150, Attachment B, page 2 of 4, indicates the Company transferred the 2007-2011 amount of the "Total Best Estimate Adjustment" (which was \$1,278,065.18) from FERC Account 108 to Account 595, and treated 100% of this amount as Washington jurisdictional. As the previous two data requests indicate, the Company previously allocated 53 percent of this item to the Idaho jurisdiction in 2008. Please explain why the Company allocated 100% of the 2007-2011 amounts for this item (\$1,278,065.18) to Washington.

RESPONSE:

As described in response to Staff_DR_150, the Company originally recorded the entire adjustment to Washington (recorded in June 2011). (This adjustment was provided in Staff_DR_150-Attachment A.) This was using the "best estimate" at that time. However, the Company recorded this entry as an accrual/reversal, so the entry would reverse in July 2011. When the information was received that a portion of the costs related to Idaho, a second adjustment was recorded in July 2011 (which was provided in Staff_DR_150-Attachment B.)

When preparing the revenue requirement for the Washington general rate case, unusual journal entries were reviewed to identify material prior period adjustments that impacted Washington 2011 results of operations. The June 2011 journal was identified and Andrews' electric adjustment 2.14 was prepared. The July 2011 entry was not reported as an unusual entry, since it was a correction of the June entry, therefore, that entry was not reviewed when preparing the Washington revenue requirement. Had that journal entry been identified, the Company would have prepared the adjustment as shown in Staff_DR_269 – Attachment A. The net impact to the case is a reduction of the costs removed from the case of \$76,076, thereby increasing the revenue requirement amount by \$79,652.

In addition, the Company received an informal request from UTC Staff Ms. Huang for the accounting transactions for the actual recording of the PCB Testing costs, the removal of costs, and the proposed accounting for the recovery of the costs. This information is provided in Staff_DR_269-Attachment B, using the revised adjustment that was provided in Attachment A.

Avista Utilities
 State of Washington
PCB Transformer System Removal Project

Costs recorded in 2011 for Prior Periods:

	<u>System</u>	<u>WA</u>
2007	\$73,047	\$73,047
2008	\$215,310	\$101,196
2009	\$503,562	\$503,562
2010	\$486,144	\$486,144
	1,278,063	1,163,949

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Remove from 2011 Test Period	(1,278,063)				
Amount recoverd over three years			\$426,021	\$426,021	\$426,021
Restating Adjustment:					
Remove from 2011 Test Period	(1,278,063)				
Amount Recovered in Rate Year (2013)			426,021		
Restating PCB Transformer Adjustment			(852,042)		

Note: See attached memo.

The Company is removing the prior period costs from the GRC and is proposing a 3-year recovery of those costs.
 Acct 595 - Distribution Maintenance

Avista Utilities
 State of Washington
PCB Transformer System Removal Project

Costs recorded in 2011 for Prior Periods:

	<u>System</u>	<u>WA</u>	<u>ID</u>
2007	\$73,047	\$73,047	
2008	\$215,310	\$101,196	\$114,114
2009	\$503,562	\$503,562	
2010	\$486,144	\$486,144	
	1,278,063	1,163,949	

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Remove from 2011 Test Period	(1,163,949)				
Amount recovered over three years			\$387,983	\$387,983	\$387,983

Restating Adjustment:

Remove from 2011 Test Period	(1,163,949)
Amount Recovered in Rate Year (2013)	<u>387,983</u>
Restating PCB Transformer Adjustment	<u>(775,966)</u>
Original Adjustment	(852,042)
Reduction to Adjustment	76,076

Note: See attached memo.

The Company is removing the prior period costs from the GRC and is proposing a 3-year recovery of those costs.
 Acct 595 - Distribution Maintenance

FERC	Description	2007	2008	2009	2010	2011	2012	2013	2014	2015
108	Removal Work in Progress/Accum. Deprec.	73,047	215,311	503,563	486,145	122,660				
232	Accounts Payable	(73,047)	(215,311)	(503,563)	(486,145)	(122,660)				

Recorded PCB Testing Costs as COR.

(As described in the Code of Federal Regulations, FERC Account 108, Section B, when plant is retired, this account shall be charged with the book cost of the property retired and the cost of removal and shall also be credited with salvage value.)

595	Dist. Maintenance - Transformers					1,400,725				
108	Removal Work in Progress/Accum. Deprec.					(1,400,725)				

Reverse 2007 -2011 PCB Testing Costs
(NSJ012 June 2011)

182.3	Other Regulatory Assets						1,278,065			
407.4	Regulatory Credits						(1,278,065)			
410.1	Provision for Deferred Income Taxes						447,323			
283.X	Accumulated Deferred Income Taxes						(447,323)			

Upon UTC Commission approval, establish regulatory asset for 2007-2010 testing costs.
(See Andrews' adjustment 2.14 in UE-110876)

407.3	Regulatory Debits							426,022	426,022	426,022
182.3	Other Regulatory Assets							(426,022)	(426,022)	(426,022)
283.X	Accumulated Deferred Income Taxes							149,108	149,108	149,108
411.1	Provision for Deferred Income Taxes - Credit							(149,108)	(149,108)	(149,108)

Amortize regulatory asset over 3 years.
(Proposed in Andrews' adjustment 2.14 in UE-110876)

142	Customer Accounts Receivable							426,022	426,022	426,022
400	Operating Revenue							(426,022)	(426,022)	(426,022)
409.100	Income Taxes, Utility Operating Income							149,108	149,108	149,108
236	Taxes Accrued							(149,108)	(149,108)	(149,108)

Recognize revenue and current FIT on revenue. (The example does not reflect revenue-related expenses.)

FERC	Description	2007	2008	2009	2010	2011	2012	2013	2014	2015
108	Removal Work in Progress/Accum. Deprec.	73,047	101,196	503,563	486,145	122,660				
232	Accounts Payable	(73,047)	(101,196)	(503,563)	(486,145)	(122,660)				

Recorded PCB Testing Costs as COR.

(As described in the Code of Federal Regulations, FERC Account 108, Section B, when plant is retired, this account shall be charged with the book cost of the property retired and the cost of removal and shall also be credited with salvage value.)

595	Dist. Maintenance - Transformers					1,286,611				
108	Removal Work in Progress/Accum. Deprec.					(1,286,611)				

Reverse 2007 -2011 PCB Testing Costs
 (NS1012 June 2011)

182.3	Other Regulatory Assets						1,163,951			
407.4	Regulatory Credits						(1,163,951)			
410.1	Provision for Deferred Income Taxes						407,383			
283.X	Accumulated Deferred Income Taxes						(407,383)			

Upon UTC Commission approval, establish regulatory asset for 2007-2010 testing costs.
 (See Andrews' Revised adjustment 2.14 in UE-110876)

407.3	Regulatory Debits							387,984	387,984	387,984
182.3	Other Regulatory Assets							(387,984)	(387,984)	(387,984)
283.X	Accumulated Deferred Income Taxes							135,794	135,794	135,794
411.1	Provision for Deferred Income Taxes - Credit							(135,794)	(135,794)	(135,794)

Amortize regulatory asset over 3 years.
 (Proposed in Andrews' Revised adjustment 2.14 in UE-110876)

142	Customer Accounts Receivable							387,984	387,984	387,984
400	Operating Revenue							(387,984)	(387,984)	(387,984)
409100	Income Taxes, Utility Operating Income							135,794	135,794	135,794
236	Taxes Accrued							(135,794)	(135,794)	(135,794)

Recognize revenue and current FIT on revenue. (The example does not reflect revenue-related expenses.)