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November 1, 2006

Via Overnight Mail

Carole Washburn, Executive Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Dr S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Docket No. UE-061415 – Avista Corporation’s Petition for Authorization to Transfer Spare Transformer(s) and an Associated Accounting Order

This letter supplements and provides additional clarification regarding Avista Corporation’s Petition for Authorization to Transfer Spare Transformer(s) and an Associated Accounting Order (“Petition”) that was originally filed with the Commission on August 31, 2006.

While reviewing the Petition with Commission staff, it was noted that a discussion around Avista acquiring a spare transformer from another public service company was not included. The Petition only referenced the possibility of Avista transferring out of its inventory a spare transformer to another public service company. In light of this omission, Avista hereby submits the following information:

In addition to Avista being in compliance with RCW 80.12.020 and fulfilling the requirements under WAC 480-143-120 in terms of Commission approval regarding the transfers of property from a public service company, Avista will also be in compliance with RCW 80.12.040 and fulfill the requirements under WAC 480-143-130 in terms of Commission approval regarding the purchases of property from a public service company. Specifically, Avista will fulfill the requirements under each scenario, transfer of property and purchase of property respectively, by filing with the Washington Utilities and Transportation Commission copies of all transfer instruments and current Company financial statements in satisfaction of WAC 480-143-120 and WAC 480-143-130 within 30 days following the Company’s execution of a transformer transfer under the terms listed in the Spare Transformer Sharing Agreement. A supplemental final report will also be filed with the Commission when the closing terms have been established and the final documents have been received.

In response to a Commission staff inquiry regarding the requirement to provide the Company’s current financial statements with the Petition as filed on August 31, 2006, Avista hereby submits the following information:

As previously noted, Avista intends to fulfill the requirements of WAC 480-143-120 and WAC 480-143-130 in the event of a spare transformer transfer or

acquisition which includes copies of the Company's then most current financial statements. In the interim, the Company's current financial statements have been filed with the Washington Utilities and Transportation Commission each quarter under the on-going regulatory reporting requirements of WAC 480-100-275.

Regarding the proposed accounting treatment in the Petition as filed on August 31, 2006, Avista and Commission staff have reviewed and discussed an appropriate accounting alternative that is more responsive to the intent of the Spare Transformer Sharing Agreement. The portion of Avista's requested advanced order approving the proposed accounting treatment for the sale of a transformer is hereby re-submitted:

Funds paid to Avista for a transformer from a participating utility will be accounted for such that Avista's rate base will reflect: 1) the actual cost of the replacement transformer if it is lower than the net book value of the transformer transferred out, or 2) the same rate base level as the transformer that was transferred out to the participating utility per the sharing agreement. Accordingly, the amount paid to Avista will be recorded as salvage equal to the net book value of the original transformer at the time of the transfer, and any proceeds above net book value will serve as a reduction in Avista's cost of a replacement transformer, charged to the appropriate transformer plant account.

If you have any questions regarding this supplemental filing, please contact me at 509-495-2547.

Sincerely,



James McDougall
Regulatory Analyst

Enclosures

c: See attached service list

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista's Supplemental Letter in Conjunction with the Company's Petition for Authorization to Transfer Spare Transformer(s) and an Associated Accounting Order, by mailing a copy thereof, postage prepaid to the following:

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Dated at Spokane, Washington this 1st day of November 2006.



Patty Olsson
Rates Coordinator