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STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

Exhibit No. \_\_\_\_\_ (MPP-7)

Docket No. UG-021584

Witness: Michael P. Parvinen

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a  
AVISTA UTILITIES,

Respondent.

DOCKET NO. UG-021584

EXHIBIT OF

MICHAEL P. PARVINEN

STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

AVISTA CORP.'S RESPONSES TO PUBLIC COUNSEL  
DATA REQUEST NOS. 80 AND 10

July 18, 2003

WUTC DOCKET NO. UG-021584  
EXHIBIT NO. 207  
ADMIT ☒ W/D ☐ REJECT ☐

**AVISTA CORPORATION  
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION: Washington  
CASE NO: UG-021584  
REQUESTER: WUTC  
TYPE: Data Request  
REQUEST NO.: 80

DATE PREPARED: 7/15/03  
WITNESS: Michael D'Arienzo  
RESPONDER: Michael D'Arienzo  
DEPARTMENT: Avista Energy  
TELEPHONE: (509) 688-6037

**REQUEST:**

Referring to the response to PC-10. Please provide a detailed definition or description of the "mark to market" methodology.

**RESPONSE:**

Mark to market accounting means that financial assets, such as marketable securities, derivatives and financial contracts, are reported on a company's balance sheet at their current market value at a specific point in time, although the actual realization of cash may not happen for years. Mark to market accounting is used in an effort to let investors know what company assets are worth today, not at the time when they were purchased or acquired, years ago. For example, if you purchased an asset five years ago for \$5,000 and today it is worth \$10,000 the asset would be valued at \$10,000, which is the true value of the asset in today's market. Mark to market on the balance sheet shows the fair value of the assets and a real time view of the company's true financials.

**AVISTA CORPORATION  
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Washington	DATE PREPARED:	6/17/03
CASE NO:	UG-021584	WITNESS:	Michael D'Arienzo
REQUESTER:	Public Counsel	RESPONDER:	Michael D'Arienzo
TYPE:	Audit Data Request	DEPARTMENT:	Avista Energy
REQUEST NO.:	PC-10	TELEPHONE:	(509) 688-6037

**REQUEST:**

Please provide the following in \$ per MMBtu:

- a). the weighted average cost of gas purchased by Avista Energy for resale to its retail and wholesale customers.
- b). the weighted average cost of gas sold by Avista Energy to its retail and/or wholesale customers for each month from 1999 to present.

**RESPONSE:**

Avista Energy utilizes mark to market accounting principles and manages its natural gas supplies in accordance with that methodology. A fundamental principle of this accounting methodology is that the positions are valued daily compared to the market. The market prices are used to value the positions and are verified by back office personnel in accordance with the AE Risk Management Policy. By utilizing this methodology AE does not track a weighted average cost of gas purchases or sales for resale to its customers. AE manages the positions (longs and shorts) based on the value on the day, which produces a daily profit and loss. AE judges its performance based on this methodology. The financial results of the company have been provided in AE's responses to the WUTC Data Requests No. 7, No. 8 and No. 9.

With respect to AE sales and purchases please refer to the disc titled "WUTC Response No. 14 & 16, Avista Data Table which lists the sales and purchases of AE for the period.