

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF AVISTA CORPORATION DBA AVISTA</b>	)	<b>CASE NO. AVU-E-08-02</b>
<b>UTILITIES FOR AN ORDER</b>	)	
<b>AUTHORIZING DEFERRAL OF NET</b>	)	
<b>REVENUES FROM SALES OF CARBON</b>	)	<b>ORDER NO. 30610</b>
<b>FINANCIAL INSTRUMENTS</b>	)	

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On May 22, 2008, Avista Corporation filed an Application requesting an order from the Commission authorizing the Company to defer net revenues from the sale of carbon financial instruments (CFIs). The revenues result from the sale of credits relating to the reduction in greenhouse gas emissions through a pilot program offered through the Chicago Climate Exchange. Participants in the Exchange are required to reduce greenhouse gas emissions during two phases. The Exchange allows members to sell greenhouse gas credits based on greenhouse gas reductions compared to a baseline. Avista banked credits for 2003 through 2006, and was able to sell surplus Phase 1 CFIs for \$2,557,065, net of the Exchange commissions.

In this filing, the Company requested an order allowing for the deferral of the net revenue (revenues from sales of CFIs, less costs, including membership fees paid to the Exchange). Avista proposes to allocate the net revenues to the Company's Washington and Idaho jurisdictions based on the current production/transmission allocation of 64.59% to Washington and 35.41% to Idaho. The Company requests authority to defer the CFI revenues in Account 254 – Other Regulatory Liabilities. Interest would accrue on the Idaho share of the deferrals at the customer deposit rate. The Company will propose ratemaking treatment of the net revenues and accrued interest in its next general rate case filing or some other proceeding.

On June 25, 2008, the Commission issued a Notice of Application and Notice of Modified Procedure that established a period for filing written comments. Comments were filed by Staff and no other party.

The Chicago Climate Exchange (CCX) is an emission registry, reduction and trading system for greenhouse gases. Membership in CCX is voluntary for Phase I and Phase II, although the emission reduction pledges are legally binding under the CCX Accord. Currently members represent various industries with emission sources and offset projects worldwide. In

the Electric Power Generation industry there are 17 members. Avista became a member in November 2007.

The Carbon Financial Instrument (CFI) is the traded commodity. Each CFI contract represents 100 metric tons of CO<sub>2</sub> equivalents (CO<sub>2</sub>e). Emissions from six greenhouse gases (GHGs) are converted to metric tons CO<sub>2</sub>e using the one-hundred-year Global Warming Potential values established by the Intergovernmental Panel on Climate Change. The six GHGs include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF<sub>6</sub>).

Members participating in Phase I and Phase II commit to meet emission reduction targets for Phase I of 1% per year for 2003 - 2006 and Phase II of 0.5% per year for 2007 - 2010 or a 6% reduction. Members joining during Phase II commit to a 6% reduction by 2010. Exhibit A to the Application shows Avista's qualifying reductions for Phase I in 2003 - 2006. Reductions that exceed the sales cap in Phase I are reclassified to Super Reductions that may be banked to offset a portion of Phase II reductions or may be sold outside of the normal CCX trading system to the general public. Avista qualified for 6906 CFI Super Reduction credits leaving 4007 CFI banked credits in Phase I as shown on Exhibit A. These Phase I banked credits are the 4007 surplus CFIs sold by Avista for \$2,557,065, net of CCX commissions.

Avista requests authority for deferred accounting in Account 254 – Other Regulatory Liability. The deferred accounting treatment covers booking of the net revenues, revenues from the sale of CFIs less costs including commissions and fees during both Phase I and Phase II of the CCX. The total CCX fees paid in 2007, or to be paid in 2008–2010, amount to \$305,000 as shown on Exhibit B to the Application. Avista proposes to address the ratemaking treatment for the CFI credits in its next general rate case filing or another proceeding.

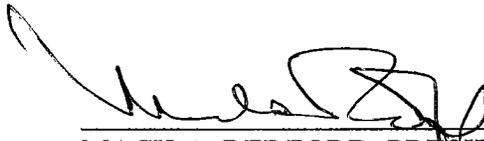
Based on the record in this case, the Commission finds it reasonable and appropriate to approve Avista's Application for an accounting order. Deferred accounting is appropriate to assure customers receive the benefits from the sale of CFIs. We also find the allocation to Avista's Idaho operations to be appropriate. Avista proposed to establish separate Washington and Idaho accounts using the current Production/Transmission allocator of 64.59% to Washington and 35.41% to Idaho.

**ORDER**

IT IS HEREBY ORDERED that Avista's Application for an order authorizing the Company to defer net revenues from the sale of carbon financial instruments is approved. The revenues should be deferred in Account 254 – Other Regulatory Liability with an offset shown for associated CCX commissions and fees. Separate regulatory subaccounts shall be established for Washington and Idaho based on the Production/Transmission allocator. Ratemaking effect of the CFI sales will be determined in the next rate case or other proceeding.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

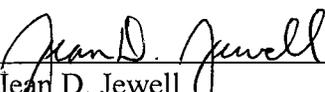
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this <sup>August</sup> 5<sup>th</sup> day of ~~July~~ 2008.

  
MACK A. REDFORD, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
JIM D. KEMPTON, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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