

## DECISION MEMORANDUM

**TO: COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSIONER KEMPTON  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: WELDON STUTZMAN  
DEPUTY ATTORNEY GENERAL**

**DATE: JUNE 18, 2008**

**SUBJECT: CASE NO. AVU-E-08-02  
AVISTA CORPORATION'S APPLICATION FOR AN ORDER  
AUTHORIZING DEFERRAL OF NET REVENUES FROM SALE OF  
CARBON FINANCIAL INSTRUMENTS**

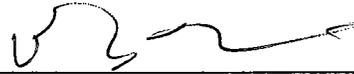
On May 22, 2008, Avista Corporation filed an Application requesting an order from the Commission authorizing the Company to defer net revenues from the sale of carbon financial instruments (CFIs). The revenues result from the sale of credits relating to the reduction in greenhouse gas emissions through 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 is requesting an order allowing for the deferral of the net revenue (revenues from sales of CFIs, less cost, including membership fees paid to the Exchange). The net revenues will be allocated 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.

Avista requests that its Application be processed by Modified Procedure. Staff recommends that Avista's Application for an order authorizing the deferral of net revenues from the sale of CFIs be processed by Modified Procedure with 21-day comment period.

**COMMISSION DECISION**

Should the Application of Avista for an order authorizing the deferral of net revenues from the sale of CFIs be processed by Modified Procedure?



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Weldon B. Stutzman  
Deputy Attorney General

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