

DECISION MEMORANDUM

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

FROM: WELDON STUTZMAN
DEPUTY ATTORNEY GENERAL

DATE: JULY 22, 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. 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).

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.

Staff recommends the Commission grant Avista's request for deferred accounting treatment authority utilizing the following components:

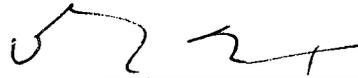
The revenues should be deferred in Account 254 – Other Regulatory Liability with an offset shown for associated CCX commissions and fees.

Separate regulatory subaccount will be established for Washington and Idaho based on the Production/Transmission allocator.

Ratemaking treatment will be established in a separate case. Staff intends to make its recommendation in the current rate case, Case No. AVU-E-08-01.

COMMISSION DECISION

Should the Application of Avista for an order authorizing the deferral of net revenues from the sale of CFIs be approved?



Weldon B. Stutzman
Deputy Attorney General

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