

**AVISTA CORP.**  
**RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION: Washington DATE PREPARED: 3/18/07  
AGENCY: BPA DIRECTED TO: Larry La Bolle  
REQUESTER: Julia Shaughnessy RESPONDER: Karen Schuh  
TYPE: Data Request DEPT: Rates  
REQUEST NO.: BPA-AV-14 TELEPHONE: 509-495-2293

## REQUEST:

Provide a detailed description and documentation of the regulatory treatment of each item contained in Account 254, Other Regulatory Liabilities. The documentation should show if the item was included in Avista's rate base calculation by the Washington Public Utility Commission and/or the Idaho Public Utility Commission.

## **RESPONSE:**

<b>Regulatory Liability</b>	<b>Description</b>	<b>Included in Rate Base</b>	<b>Included in P or T</b>
FAS 109	Acctg. For Income Taxes	No	No
Nez Perce	Regulatory Liability	No	No
Senate Bill 408	Oregon	No	No
OPUC Investigate Reserve		No	No
Mark to Market FAS 133 see footnote 1.	Long term portion of MTM	No	Yes – Production

1. **Mark to Market FAS 133** – This account is the long term liability portion of the mark to market calculation. Avista is required to book assets/liabilities for the gain/loss on the difference between contracted prices and current market prices. In offsetting bookkeeping entries, we would normally record gains/losses on the income statement; however this regulatory treatment allows us to record regulatory assets/liabilities in order to offset these gains and losses with no impact to the income statement. The theory behind this is that fluctuating market pricing rather than embedded contract pricing is not appropriate for setting rates particularly when the fluctuating market prices have no long term impact on the company's earnings or cash flow. The other components of the MTM entries are located in accounts 175-176 Long Term Portion of Derivative Assets, 175-176 Current Derivative Instrument Assets, 182.3 Other regulatory assets, 244-245 Current Instrument Liabilities and Hedges, and 244-245 Long Term Derivative Instrument Liabilities & Hedges.