

## BPA Issues and Clarification List for FY 2010 ASC Filing: Avista

No.	Sched.	Acct.	Issue	Discussion	Avista Response
1	Sch-1	303	<p><b>Generic Direct Analysis Issue</b></p> <p>Should BPA adopt common functionalization for similar types of software assets?</p>	<p>There is inconsistency between how the IOUs functionalize certain types of software, i.e. metering, customer information systems, work management, etc.</p> <p>The issue is whether BPA should maintain consistency in the functionalization of these common types of programs amongst utilities when calculating ASC.</p>	Avista would like the opportunity to discuss this at the issues list workshop on March 4 <sup>th</sup> .
2	Sch-1	182.3, 254	<p><b>Generic Direct Analysis Issue</b></p> <p>Should BPA adopt common functionalization for similar types of regulatory assets and liabilities?</p>	<p>There is inconsistency in the way the IOUs functionalize Deferred Pension, Pay and other labor related Assets and Liabilities.</p> <p>PGE and Avista and NW use the Labor Ratio. IPC uses PTD. PSE and PAC functionalize these assets to Distribution.</p> <p>The issue is whether BPA should maintain consistency in the functionalization of deferred pension, pay and other labor related assets and liabilities amongst utilities when calculating ASC.</p>	Avista would like the opportunity to discuss this at the issues list workshop on March 4 <sup>th</sup> .
3	Sch-1	182.3, 186, 253, 254	<p><b>Generic Direct Analysis Issue</b></p> <p>Should BPA require that asset accounts that have a corresponding liability account have a common functionalization?</p> <p>For example, should pension costs in Accounts 182.3 and 254 have the same functionalization?</p> <p>Should the functionalization of the income statement accounts match the functionalization of the corresponding assets and liabilities?</p>	<p>Direct analysis is required in the functionalization of Other Regulatory Assets (Account 182.3), Miscellaneous Deferred Debits (Account 186), Other Deferred Credits (Account 253), and Other Regulatory Liabilities (Account 254).</p> <p>Direct analysis should include maintaining a consistency in functionalization where there is an asset in either Account 182.3 or 186 and offsetting liabilities in either Account 253 or 254.</p> <p>Direct analysis also requires showing how the assets and liabilities flow through the Income Statement.</p>	Avista would like the opportunity to discuss this at the issues list workshop on March 4 <sup>th</sup> .

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4	Sch-1  Sch-3	303, 111, 108  404	<b>Intangible Plant – Miscellaneous Unspecified Software</b>  Does Avista’s direct analyst support the use of PTD to functionalize these software costs?	Avista used the PTD ratio to functionalize all software in these Accounts. Avista’s supporting documentation consisted of a list of software titles but no product description or specific cost allocations.  The explanation of the items was not sufficiently clear to allow an understanding of the purposes of this account and therefore the applicability of the functionalization.	Avista has 356 different types of software assets that are included in account 303. The Company does not have a specific asset listing readily available that will show the book value of each type of asset. The net book value of the software in this account is immaterial to the overall cost of the ASC, and therefore, it would be unduly burdensome to directly assign this asset.
5	Sch-1 Sch-3B	182.3 407.3	<b>Other Regulatory Assets</b>  Should the costs of the <i>Wartsila Generating Units</i> be included in the ASC?	These generating units were purchased during the 2000 energy crises but were not put into commercial operation. Avista functionalized these units to PROD. Section 5(c)(7)(C) of the NW Power Act, however, requires BPA to exclude from ASC “any cost of any generating facility which is terminated prior to initial commercial operation.”	Avista will need to work with BPA to determine the exact definition of “terminated” in order to decide if this asset should be removed from the calculation.
6	Sch-1	182.3	<b>Other Regulatory Assets</b>  Did Avista use the correct functionalize for <i>Idaho’s PCA Deferral 1 and 2</i> ?	Avista functionalized Idaho PCA Deferral 1 (182385) and Idaho PCA Deferral 2 (182385) to DIST. PCA is an accumulation of excess power purchase costs. The explanation of the items was not sufficiently clear for BPA understand the reason these items should be functionalized to DIST and not PROD.	Avista will work with BPA to determine how to handle these costs. Avista did not include these amounts as production, as these costs are not a part of rate base for state regulatory purposes. Therefore, we have allocated these costs to DIST.
7	Sch-1	253	<b>Deferred Credits</b>  Correction to <i>Deferred Revenue Payment – Pacific Walla Walla/Enterprise Amort=19</i>	In data response BPA-AV-19, Avista stated a correction to the cost of a series capacitor originally installed on the Walla Walla-Lolo 230 kV line. “... Due to the nature of this account, we have change the allocation of this from distribution/other to transmission. The new transmission total of this line item will be \$23,430.”  This correction will be incorporated.	Avista agrees with this correction and we have updated our ASC for this correction per data response BPA-AV-10 from the FY 2009 filing.

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8	Sch-3B	407.3	<p><b>Amortization of Regulatory Debits</b></p> <p>Correction to Regulatory Assets Conservation functionalization.</p>	<p>Avista originally functionalized Recovery Asset Conservation to DIR-C. DIR-C is not a valid functionalization ratio. In a data response, Avista proposes to use PROD.</p>	<p>Avista did not classify any dollars located in account 407.3 to DIR-C. All dollars located in that account are classified as either production or distribution. This must have been a misclassification on the part of BPA.</p>
9	ASC Forecast Model		<p><b>Retail Load Forecast Data</b></p> <p>Correction to Load Forecast Data in Forecast Model</p>	<p>Avista inadvertently submitted Load Forecast data in the Forecast Model in calendar year (CY). The requirement was fiscal year (FY). Avista is aware of the discrepancy and the error will be corrected.</p>	<p>Avista is aware of the error and will correct this on our Forecast model.</p>
10	Sch-3B, 3-YR PP & OSS	555, 447	<p><b>Generic Issue - Purchased Power Expense, Sales for Resale, and Price Spread</b></p> <p>How should book-outs and trading adjustments be treated for calculations of purchased power expense and sales for resale revenue and the price spread calculation?</p> <p>Should the treatment be consistent across utilities?</p>	<p>PacifiCorp is reducing the amount of its purchased power expense and sales for resale revenue by book-outs and trading adjustments. It appears that other utilities, such as Avista, do not.</p> <p>The inclusion or exclusion of book-outs and trading adjustments in purchased power and sales for resale numbers affects the price spread calculation. BPA is considering whether it is appropriate to remove these adjustments when performing the price spread calculation for the ASCs.</p>	<p>Avista would like the opportunity to discuss this at the issues list workshop on March 4<sup>th</sup>.</p>
11	ASC Forecast Model		<p><b>Generic Issue - New Plant Additions – Natural Gas Prices</b></p> <p>Should BPA adopt a common natural gas price forecast in the ASC Forecast Model for all <i>new</i> natural gas-fired plant additions??</p>	<p>Forecasted natural gas prices vary significantly between utilities forecasting natural gas burning new additions. None of the utilities submitted documentation on long term firm natural gas supply contracts, so it is assumed that the differences are a result of different natural gas price forecasting techniques.</p>	<p>Avista would like the opportunity to discuss this at the issues list workshop on March 4<sup>th</sup>.</p>

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12	ASC Forecast Model		<p><b>Generic Issue - New Plant Additions - Capacity Factor</b></p> <p>Should BPA use common representative capacity factors in the ASC Forecast model for estimating the operating costs and expected energy output for <i>new</i> plant additions?</p>	<p>Projected capacity factors vary significantly between utilities for similar types of new resources.</p>	<p>Avista would like the opportunity to discuss this at the issues list workshop on March 4<sup>th</sup>.</p>
13	Sch. 1, Income Statement	Various	<p><b>Generic Issue – Inclusion - Regulatory Assets and Liabilities</b></p> <p>What should be the functionalization of Other Regulatory Assets and Liabilities that are not included in rate base by the regulatory authority?</p> <p>What should be the functionalization of the corresponding income statement accounts for the Regulatory Assets and Liabilities that are not included in rate base by the regulatory authority?</p>	<p>There is inconsistency between utilities in the functionalization of Regulatory Assets and Liabilities when not included in rate base.</p> <p>Many of these accounts are included in working capital for ratemaking purposes.</p> <p>There is concern that the treatment of the income statement accounts for the Regulatory Assets and Liabilities are not consistent with the asset and liability treatment for ASC purposes.</p>	<p>Avista would like the opportunity to discuss this at the issues list workshop on March 4<sup>th</sup>.</p>