BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	CASE NO. AVU-G-00-8
AVISTA CORPORATION DBA AVISTA)	AVU-E-00-12
UTILITIES FOR A DEFERRED ACCOUNTING)	
ORDER.)	NOTICE OF APPLICATION
)	NOTICE OF MODIFIED
)	PROCEDURE
)	ODDED NO. 20700
	_)	ORDER NO. 28609

YOU ARE HEREBY NOTIFIED that on December 26, 2000, Avista Corporation dba Avista Utilities filed its Application for a deferred accounting order. Avista states that it is an investor-owned utility engaged in the generation, transmission and distribution of electricity in Eastern Washington and Northern Idaho. The Applicant also provides natural gas distribution service in Eastern Washington, Northern Idaho, California and Oregon.

The Company requests that the Commission issue an order authorizing the establishment of a regulatory asset or regulatory liability associated with the implementation of Financial Accounting Standards 133 & 138 (FAS-133/138), Accounting for Certain Derivative Instruments and Certain Hedging Activities for its electric and natural gas portfolios. FAS-133 was issued by the Financial Accounting Standards Board (FASB) in June 1998. It was later amended by FAS-138 in June 2000. Avista states that these rules must be adopted by all companies with calendar year-end on January 1, 2001.

The Company states that this standard requires all derivatives and certain embedded derivatives to be reported on the balance sheet at fair value. Changes in the fair value of derivatives are to be recorded through earnings. Avista contends that this standard will potentially expose its accounting earnings to significant volatility not experienced previously. Avista contends that this volatility is strictly related to timing differences between when a resource acquisition contract is entered and when it is settled. The Company states that accounting associated with FAS-133/138

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¹ The Company believes that its natural gas portfolios are scoped out of FAS-133/138 by an exemption. However, because this accounting standard is still the subject of ongoing discussions the Company is proposing that all of its

therefore will generally not be part of its regulated pricing and requests deferred accounting treatment be approved so that any entries it makes for balance sheet recognition can be offset by regulatory assets or liabilities and not recorded through the Company's statement of income. Avista contends that this will allow it to continue to make prudent and timely resource acquisition decisions unencumbered by concerns about this new financial accounting standard. This proposal does not in any way relieve the Company of its obligation to demonstrate the prudency of its resource acquisition decisions.

The Company requests that this Application be processed under Modified Procedure. Staff agrees that Modified Procedure would be appropriate for this case.

YOU ARE FURTHER NOTIFIED that the Application together with supporting workpapers, testimonies and exhibits, have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq*.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case Nos. AVU-G-00-8 and AVU-E-00-12. The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented and that the issues raised by the Application may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204.

YOU ARE FURTHER NOTIFIED that the Commission may not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.203.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within twenty-one (21) days, not including the day this Notice was issued. IDAPA 31.01.01.017. The comment must

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contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission will consider the matter on its merits and enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case Nos. AVU-G-00-8 and AVU-E-00-12 should be mailed to the Commission and Avista Corporation at the addresses reflected below:

COMMISSION SECRETARY IDAHO PUBLIC UTILITIES COMMISSION PO BOX 83720 BOISE, ID 83720-0074 THOMAS D. DUKICH AVISTA CORPORTION E. 1411 MISSION AVENUE PO BOX 3727 SPOKANE, WA 99220

STREET ADDRESS FOR EXPRESS MAIL:

Director, Rates and Tariff Administration.

472 W WASHINGTON ST BOISE, ID 83702-5983

All comments should contain the case caption and case numbers shown on the first page of this document.

YOU ARE FURTHER NOTIFIED that the Application in the above cases can be reviewed at the Commission's office and at the offices of Avista Corporation during regular business hours.

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IT IS HEREBY ORDERED that this case shall be processed by Modified Procedure in accordance with the Commission Rules. *See*, IDAPA 31.01.01.201-.204.

IT IS FURTHER ORDERED that any person desiring to state a position on Avista's Application may file a written comment in support of or in opposition to the Company's request. These comments must be filed on or before February 2, 2001. The written comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments.

IT IS FURTHER ORDERED that all reply comments may be filed on or before February 9, 2001.

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NOTICE OF APPLICATION NOTICE OF MODIFIED PROCEDURE ORDER NO. 28609

day of Janu	-	Public Utilities Commission at Boise, Idaho this
		DENNIS S. HANSEN, PRESIDENT
		MARSHA H. SMITH, COMMISSIONER
		PAUL KJELLANDER, COMMISSIONER
ATTEST:		
Jean D. Jev Commissio	well on Secretary	
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